VIVA

维亚生物科技控股集团

VIVA BIOTECH HOLDINGS

(Incorporated in the Cayman Islands as an exempted company with limited liability)

Stock Code: 1873

ANNUAL REPORT 2020

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* *For the year ended December 31, 2020, we will publish the Environmental, Social and Governance Report (the "**ESG Report**") separately to report to the community, the public shareholders and all relevant parties on more environmental, social and governance practices in 2020. The ESG Report will be published on the Stock Exchange and the Company's website within three months after the publication of this report.*

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. MAO Chen Cheney *(Chairman of the Board)*
Mr. WU Ying
Mr. HUA Fengmao
Mr. REN Delin

Non-Executive Directors

Ms. SUN Yanyan *(appointed on March 30, 2020)*
Ms. MAO Jun *(resigned on November 3, 2020)*
Mr. John WU Jiong *(resigned on March 30, 2020)*

Independent Non-Executive Directors

Mr. FU Lei
Ms. LI Xiangrong
Mr. WANG Haiguang

AUDIT COMMITTEE

Ms. LI Xiangrong *(Chairman)*
Mr. WANG Haiguang
Mr. FU Lei

REMUNERATION COMMITTEE

Ms. LI Xiangrong *(Chairman)*
Mr. WANG Haiguang
Mr. FU Lei

NOMINATION COMMITTEE

Mr. MAO Chen Cheney *(Chairman)*
Mr. WANG Haiguang
Mr. FU Lei

JOINT COMPANY SECRETARIES

Ms. FEI Xiaoyu
Ms. CHAU Hing Ling *(a fellow member of the Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) and the Hong Kong Institute of Chartered Secretaries)*

AUTHORIZED REPRESENTATIVES

Mr. HUA Fengmao
Ms. CHAU Hing Ling *(a fellow member of the Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) and the Hong Kong Institute of Chartered Secretaries)*

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

LEGAL ADVISERS

O' Melveny & Myers *(as to Hong Kong law)*
Maples and Calder (Hong Kong) LLP *(as to Cayman Islands laws)*

COMPLIANCE ADVISER

Guotai Junan Capital Limited

PRINCIPAL BANKS

Agricultural Bank of China Shanghai Branch
The Hong Kong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
JP Morgan Chase Bank, N.A.
Citibank N.A., Hong Kong Branch

REGISTERED OFFICE

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Grand Cayman, KY1-1104
Cayman Islands

CORPORATE HEADQUARTERS

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Pudong New District
Shanghai, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

PRINCIPAL SHARE REGISTRAR

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

1873

COMPANY WEBSITE

www.vivabiotech.com

LISTING DATE

May 9, 2019

Chairman's Statement

Dear Shareholders:

In the past year of 2020, we witnessed the booming development in the global biopharmaceutical industry. The enthusiasm for research and development of innovative drugs has been ignited. Driven by the increase in outsourcing ratio of cross-border pharmaceutical enterprises and demand from small and medium-sized companies, China's CRO (Contract Research Organization) and CDMO (Contract Development Manufacture Organization) industry continued to trend towards a positive outlook leveraging its high-efficiency and cost-effective advantages.

Viva Biotech also grasped the opportunities to proactively address challenges and strive for progress. I wish to look back on our results and operating highlights recorded in 2020 together with you:

- As of the end of the Reporting Period, through internal growth and external expansion, the Group recorded revenue of RMB697.0 million, representing a significant increase of 115.7% from RMB323.1 million for the corresponding period last year. The synergistic effects of the dual drivers of our cash-for-service (CFS) business and equity-for-service (EFS) business were further demonstrated.

- As a world leading structure-based drug discovery service provider, we continued to deepen and consolidate cooperation with global innovative biotechnology companies. As of the end of 2020, we have provided services to over 543 biotechnology and pharmaceutical clients globally under the CFS drug discovery business, delivered a total of 21,000 protein structures and conducted research into more than 1,500 independent drug targets. Our clients include those from the top ten global pharmaceutical enterprises.

- Viva Biotech completed strategic integration with Zhejiang Langhua Pharmaceutical Co., Ltd. as at the end of 2020 and achieved substantial progress in vertical integration and expansion along the industry chain to CDMO business. As of the end of 2020, Langhua Pharmaceutical recorded revenue of RMB1,518.1 million, a year-on-year increase of 22.7% and sales revenue of CFS-CDMO business of RMB875 million, a year-on-year increase of 54%.

- We continued to optimize the scalability and sustainability of the EFS model, in a bid to enhance incubation and investment efficiency. As of the end of 2020, the total number of our incubation portfolio companies reached 67, product pipelines exceeded 125 and the invested and incubated projects and pipeline research and development advanced smoothly. Meanwhile, we remained committed to making on-going efforts to establish an open and collaborative platform for the global biopharmaceutical innovators and improve the biopharmaceutical innovation ecosystem.

- During the Reporting Period, the Company newly acquired four properties and land reserves in Zhoupu and Zhangjiang of Shanghai, Chengdu in Sichuan and Qiantang New District in Hangzhou to meet its rapid growing business demand and personnel planning and provide stable research and development, production and operation premises for the Company.

- Viva Biotech was included in eight indexes in 2020, including Hang Seng Composite Index and Hang Seng Hong Kong Stock Connect, and won multiple industry awards, such as the Best Under A Billion of Forbes Asia and Golden Unicorn Hong Kong Stock Value Billboard – Listed Company with Most Investment Value (金麒麟港股價值風雲榜－最具投資價值上市公司), fully demonstrating the recognition of the performance and business model of the Company in the capital market and among peers.

I would like to take this opportunity to extend sincere gratitude to the clients, partners and the Shareholders and to our employees for their diligence and dedication. Our growth is indispensable from your long-term support, trust and supervision. In future, Viva Biotech will continue to construct and raise technology barriers, enhance talent recruitment, strengthen bridging of clients and incubation portfolio companies, improve operating efficiency, tap into the synergistic effect and accelerate the construction of one-stop drug discovery and production service platforms from "0" to "1" and "N", in a bid to create sustainable values and secure best returns for the Shareholders.

Dr. Mao Chen Cheney
Chairman and Chief Executive Officer of Viva Biotech
March 30, 2021

Financial Summary and Highlights

	For the Year Ended December 31,				
	2016 *RMB'000*	2017 *RMB'000*	2018 *RMB'000*	2019 *RMB'000*	**2020** ***RMB'000***
Operating results					
Revenue	96,492	148,245	210,033	323,057	**696,958**
Gross profit	54,143	86,189	105,457	155,873	**304,866**
Gross profit margin	56.1%	58.1%	50.2%	48.3%	**43.7%**
Net profit	24,473	76,260	90,550	265,872	**(378,870)**
Net profit margin	25.4%	51.4%	43.1%	82.3%	**(54.4)%**
Adjusted non-IFRS net profit	24,473	76,260	135,482	318,019	**252,318**
Adjusted non-IFRS net profit margin	25.4%	51.4%	64.5%	98.4%	**36.2%**
Earnings per share *(RMB)*					
Earnings per share – Basic	0.02	0.07	0.08	0.19	**(0.25)**
Earnings per share – Diluted	0.02	0.07	0.08	0.18	**(0.25)**
Adjusted non-IFRS earnings per share – Basic	0.02	0.07	0.13	0.23	**0.16**
Adjusted non-IFRS earnings per share – Diluted	0.02	0.07	0.11	0.21	**0.16**

	As at December 31,				
	2016 *RMB'000*	2017 *RMB'000*	2018 *RMB'000*	2019 *RMB'000*	**2020** ***RMB'000***
Total assets	101,821	202,402	529,339	1,898,785	**8,154,080**
Equity attributable to owners of the Company	76,502	152,762	251,442	1,777,394	**3,756,831**
Total liabilities	25,319	49,640	277,897	121,391	**4,397,249**
Bank balances and cash	13,425	29,766	155,554	904,091	**2,308,452**
Gearing ratio	24.9%	24.5%	52.5%	6.4%	**53.9%**

During the Reporting Period, we recorded revenue of approximately RMB697.0 million, representing an increase of 115.7% from approximately RMB323.1 million for the same period of 2019.

During the Reporting Period, we recorded gross profit of approximately RMB304.9 million, representing an increase of 95.6% from approximately RMB155.9 million for the same period of 2019.

During the Reporting Period, we recorded net loss of approximately RMB378.9 million, as compared to net profit of approximately RMB265.9 million for the same period of 2019.

During the Reporting Period, we recorded adjusted Non-IFRS net profit of approximately RMB252.3 million, representing a decrease of 20.7% from approximately RMB318.0 million for the same period of 2019.

The Board recommended a final dividend for the year ended December 31, 2020 of HK$0.01 per Share, which is subject to approval by the Shareholders at the annual general meeting of the Company.

NON-IFRS MEASURE

To supplement the Group's consolidated financial statements which are presented in accordance with the IFRS, the Company has provided adjusted Non-IFRS net profit, adjusted Non-IFRS net profit margin, and adjusted Non-IFRS earnings per share (excluding Listing expenses and fair value loss on financial liabilities at FVTPL) as additional financial measures, which are not required by, or presented in accordance with, the IFRS. The Company believes that the adjusted Non-IFRS financial measures are useful for understanding and assessing underlying business performance and operating trends, and that the Company's management and investors may benefit from referring to these adjusted financial measures in assessing the Group's financial performance by eliminating the impact of certain unusual and non-recurring items that the Group does not consider indicative of the performance of the Group's business. However, the presentation of these non-IFRS financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with the IFRS. You should not view the adjusted results on a stand-alone basis or as a substitute for results under the IFRS.

Management Discussion and Analysis

BUSINESS REVIEW

In 2020, despite the impact and challenges to different extents caused by the COVID-19 pandemic to the operation of various industries, the biopharmaceutical industry thrived and recorded booming development. Driven by the increase in outsourcing proportion of global large-scale pharmaceutical enterprises and demand from small and medium-sized biotechnology companies, the global drug research and development ("**R&D**") and production service industry continued to demonstrate an upbeat trend. The Group pro-actively grasped the opportunity, and achieved both internal growth and external expansion. The synergistic effects of our cash-for-service (CFS) model and equity-for-service (EFS) model were further demonstrated. We have made substantial progress in vertical integration and expansion along the industry chain to contract development manufacture organization ("**CDMO**") business. The outbreak of COVID-19 in 2020 has not resulted in any significant adverse impact to the Group's operation, with laboratory works and incubation portfolio business progressing in an orderly manner in 2020.

The Company will continue to pay close attention to the development of the COVID-19 outbreak and evaluate the potential impact on the financial position and operating results of the Group.

During the Reporting Period, revenue of the Group increased significantly to RMB697.0 million from RMB323.1 million for the corresponding period last year, representing a year-on-year increase of 115.7%. Our adjusted non-IFRS net profit decreased to RMB252.3 million from RMB318.0 million for the corresponding period last year, representing a year-on-year decrease of 20.7%.

Cash-for-service (CFS) Business

Throughout 2020, revenue from the CFS business increased significantly to RMB604.7 million from RMB245.6 million for the corresponding period last year, representing a year-on-year increase of 146.2%, primarily attributable to the continuous expansion of extensive and diverse quality customer groups by the Company and increase in orders from customers and increase in CDMO and commercialization services business due to acquisition of Langhua Pharmaceutical. The Group had accumulatively provided services to 1,252 clients.

CFS Drug Discovery Services

As of the end of 2020, the backlog order under the CFS drug discovery services reached approximately RMB416 million, representing a year-on-year increase of approximately 54.7% and the Company accumulatively delivered more than 21,000 protein structures to our clients and conducted R&D into over 1,500 independent drug targets. During the Reporting Period, the number of clients under this segment continued to increase. The Company had accumulatively provided drug discovery services to 543 biotechnology and pharmaceutical clients around the globe, including the global top 10 pharmaceutical companies (in terms of revenue in 2019) and 35 companies included in Fierce Biotech's Fierce 15. Revenue from repeated clients accounted for 85.0% of the revenue during the Reporting Period.

INDUSTRY CHAIN INTEGRATION AND EXPANSION TO CDMO BUSINESS

On September 20, 2020, the Company entered into a share purchase agreement with SYNthesis med chem Pty Limited to acquire entire share capital of SYNthesis at a consideration of approximately US$80 million. SYNthesis is a company for R&D of new pre-clinical small molecule drugs which mainly provides high-end pharmaceutical chemistry and synthetic chemistry services to its clients.

On November 12, 2020, the Company completed the very substantial acquisition of 80% of the equity interest in Langhua Pharmaceutical, at a consideration of RMB2,560 million and Langhua Pharmaceutical became a non-wholly-owned subsidiary of the Company. As a comprehensive pharmaceutical R&D and manufacturing company, Langhua Pharmaceutical is mainly engaged in the production of small molecule APIs and intermediates and CDMO business. As of December 31, 2020, Langhua Pharmaceutical served a total of 709 clients, of whom the retention ratio of top ten clients reached 100%. Langhua Pharmaceutical currently is equipped with 12 GMP plants with total reactor scale reaching 671m^3. Langhua Pharmaceutical recorded revenue of RMB1,518.1 million throughout the year, representing a year-on-year increase of 22.7% from the corresponding period of last year. Sales revenue from the CDMO business amounted to RMB875.0 million throughout the year, representing a year-on-year increase of RMB306.8 million, or 54.0%, which was primarily attributable to revenue derived from backlog products and an increase in demand for existing commercialized products. Langhua Pharmaceutical recorded a net profit of RMB171.4 million throughout the year, representing a year-on-year increase of 134.5% from the corresponding period of last year. Through the strategic integration of Langhua Pharmaceutical, the Group aims to establish a one-stop platform from front-end drug discovery to back-end commercial production, further enhance the existing CMC/CDMO foundation platform construction, expand into preparation production and strengthen appeal to clients and diversified regional expansion, thereby optimizing the one-stop R&D and production services and forging a closed loop for drug pipeline demands.

Equity-for-service (EFS) business

Throughout 2020, revenue from the EFS business increased significantly to RMB92.3 million from RMB77.5 million for the corresponding period last year, representing a year-on-year increase of 19.1%. Due to the increase of the incubated companies and their growing demands, the backlog order of the EFS business reached approximately RMB191 million, representing a year-on-year increase of approximately 138.8%. We extensively explored business opportunities around the globe. Throughout 2020, the Group reviewed a total of over 834 projects globally, and added 21 startups to our portfolio companies, made additional investment in 10 existing portfolio companies, and was in negotiation for incubation and investment in 4 new companies throughout the year. As of December 31, 2020, the Group had a total of 67 portfolio companies covering various indications, modalities and locations with an average agreed shareholding[1] of 19.31%. Details are as follows:

No.	Company Name	Type	Time of investment/ incubation agreement	Indications/Primary Technology/Business	Shareholding % received as at the date of this report
1	Blue Oak Pharmaceuticals, Inc.	EFS	2020/02	Discovering novel multi-target pathways to help patients with neurological disorders, focusing on systems neurobiology and brain circuitry.	4.59%
2	Regenacy Pharmaceuticals, Inc.	Strategic investment	2020/03	Developing innovative treatment of diabetic peripheral neuropathy and chemotherapy-induced peripheral neuropathy.	1.67%
3	Elgia Therapeutics, Inc.	EFS	2020/04	Focusing on the discovery and development of specific Caspase inhibitors for nonalcoholic fatty liver disease (NAFLD)/ non-alcoholic steatohepatitis (NASH) therapy and other inflammatory conditions.	13.77%
4	Phenomic AI Inc.	EFS	2020/05	Developing therapeutic antibodies targeting colorectal cancer.	5.03%

1 The agreed shareholding takes into account shareholding which the Group will acquire upon fulfilment of service milestones and other milestone events. The figure does not take into account investments where the agreed quantity of shareholding to be converted from such convertible bond investments are not determined as at the date of this report.

No.	Company Name	Type	Time of investment/ incubation agreement	Indications/Primary Technology/Business	Shareholding % received as at the date of this report
5	Vincere Biosciences, Inc.	EFS	2020/06	Developing therapeutics targeting mitochondrial pathways for brain disorders particularly in neuro degenerative diseases.	0%*
6	NERIO Therapeutics, Inc.	Strategic investment	2020/06	Developing allosteric/ uncompetitive phosphatase inhibitors for several protein tyrosine phosphatase (PTP)s.	3.79%
7	Sisu Pharma, Inc.	EFS	2020/06	Focusing on the development of HSF1 inhibitor for the hormone treatment resistant prostate cancer.	21.32%
8	Focus-X Therapeutics, Inc.	EFS	2020/06	Focusing on the development of peptide receptor radionuclide therapy (PRRT).	16.10%
9	Triumvira Immunologics Inc.	Strategic investment	2020/06	Developing novel T cell therapies that are safer and more efficacious than current cancer treatments, including chimeric antigen receptor (CAR) and engineered T cell receptor (TCR) therapies.	2.10%
10	QurClear LLC	Strategic investment	2020/06	QurClear is a legal entity for holding shares of EnClear Therapies, Inc. Enclear Therapies is developing an equipment to filter toxic protein accumulated in brain and spinal cord to cure amyotrophic lateral sclerosis (ALS) and progressive superanuclear palsy (PSP) patients with C9orf72 mutation.	3.82%**
11	Basking Biosciences, Inc.	Strategic investment	2020/08	Developing the first reversible thrombolytic therapy for acute ischemic stroke (AIS).	4.59%

No.	Company Name	Type	Time of investment/ incubation agreement	Indications/Primary Technology/Business	Shareholding % received as at the date of this report
12	I-Mab Biopharma (Hangzhou) Co.,Ltd.	Strategic investment	2020/09	Focusing on the R&D and production of biological antibody drugs in the field of tumor immunity and autoimmune disease treatment.	0.67%
13	Telo Therapeutics, Inc.	EFS	2020/09	Developing a novel, personalized medicine therapeutic to selectively inhibit cancer cell immortality.	0.00%*
14	Evecxia Therapeutics, Inc.	Strategic investment	2020/11	Developing proprietary oral slow-release formulation of 5-HTP and low-dose carbidopa for anti-depression.	6.70%
15	Haya Therapeutics SA	Strategic investment	2020/11	Targeting lncRNA using oligonucleotide-based drugs to treat heart fibrosis.	3.60%
16	Synthis Therapeutics, Inc.	EFS	2020/12	Initial effort is an antibody-TGF β Antagonist-conjugate (ATAC) selectively blocking the TGF β -related immune suppressive signaling in the immune cells for cancer treatment.	0.00%*
17	f5 Therapeutics Incorporated	EFS	2020/12	Protein degradation drug company, focusing on the development of “molecular glue” technology. Developing Neosubstrate Expression Modulators library and synthetic lethal screening to achieve targeted protein degradation by binding to Cereblon for certain therapeutic areas.	0.00%*

No.	Company Name	Type	Time of investment/ incubation agreement	Indications/Primary Technology/Business	Shareholding % received as at the date of this report
18	Iterion Therapeutics, Inc.	EFS	2020/12	Developing a small molecule (Tegavivint) targeting TBL1, a novel downstream target in Wnt/ β -catenin signaling pathway.	1.08%
19	Cybrexa Holding Company, LLC	Strategic investment	2020/12	Developing next-generation tumor-targeted cancer therapies using its alphalex™ platform.	2.00%***
20	Grove Biopharma, Inc.	EFS	2020/12	Discovering and developing a new class of peptide-based therapeutics for enhancing therapeutic peptide stability and avidity.	0.00%*
21	WMT AG	EFS	2020/12	Targeting advanced cancers by combining tumor-autonomous approaches with immune stimulation.	0.00%*

* pending agreed service milestones, closing of transaction or conversion of convertible instruments (as the case may be) to receive shareholding interest in relevant incubation portfolio company.

** percentage of the units

*** share of interest

None of these investments constituted discloseable transaction under chapter 14 of the Listing Rules.

During the Reporting Period, R&D for all of the portfolio companies rolled out smoothly and total number of pipeline projects exceeded 120, half of which had entered PCC/IND-enabling stage. In September 2020, our portfolio company, Dogma Therapeutics and AstraZeneca reached an agreement regarding the acquisition of the global interest of small molecule oral PCSK9 inhibitor project, which was completed by the scientists team of the cooperative R&D department of EFS at the Group and the scientists team of Dogma Therapeutics.

We will also proactively carry out post-investment support to facilitate incubated companies to accelerate R&D progress, enhance talent recruitment, optimize product pipeline development strategies, bridge financing resources and launch industry events such as Demo Day and Viva Biotech Partnership Summit to develop and enhance ecosystem construction.

TECHNOLOGY PLATFORM

During the Reporting Period, the Group invested RMB66.0 million in R&D, representing a year-on-year increase of 46.7%. R&D investment was primarily used for the introduction of new technology platforms, such as Cryo-EM and computational chemistry. In addition, the Group also actively expanded into the field of antibody macromolecules and set up chemistry, manufacturing and control ("**CMC**") process development team, so as to take the initiative to expand and meet customers' demand for R&D and production services at various stages.

STAFF AND FACILITIES

During the Reporting Period, the Company continued to enhance talent recruitment and expansion plan. As of December 31, 2020, the Group had a total of 1,619 employees, including 643 employees newly consolidated from Langhua Pharmaceutical. The Group (excluding Langhua Pharmaceutical) had 976 employees, including 817 R&D personnel, with a laboratory and office premise of approximately 24,000 square meters. The Group's total staff costs for the Reporting Period (including directors' emoluments) were RMB232.9 million. Remuneration of our employee is determined with reference to market conditions and individual employees' performance, qualification and experience. In line with the performance of the Group and individual employees, a competitive remuneration package is offered to retain employees, including salaries, discretionary bonuses and contributions to benefit plans (including pensions). During the Reporting Period, the relationship between the Group and our employees has been stable. We had not experienced any strikes or other labor disputes which materially affected our business activities. We provide training programs to employees, including new hire orientation and continuous on-the-job training in order to accelerate the learning progress and improve the knowledge and skill levels of our employees.

In order to better accommodate the Company's rapid-growing business needs and personnel, save rental expenses and provide stable R&D, production and operation premises for the Company. In February 2020, the Group successfully acquired a property with a total area of approximately 7,600 square meters located in Faladi Road, Pudong, Shanghai, as the office and R&D premise for our EFS incubation business. In May, Viva Biotech Chengdu New Drug Incubation and Production R&D Center with a site area of approximately 33,600 square meters officially commenced construction. In July, the Group successfully bid for a property in Zhoupu with a construction area of approximately 40,000 square meters, which will be used as the new headquarters of the Group and office and R&D site for CFS Division. In September, the Group entered into an investment agreement with Qiantang New District of Hangzhou, and obtained industrial land with a total land area of approximately 26,700 square meters in Hangzhou Pharmaceutical Port Town, which will be used as the future new drug incubation center.

FINANCING

In February, 2020, Viva Incubator HK issued US$180 million 2.50% convertible bonds due 2025 guaranteed by the Company (the "**February 2025 Convertible Bonds**").

In July, the Company placed an aggregate of 130,000,000 shares at a placing price of HK$8.15 per placing share, raising net proceeds of approximately HK$1,050 million.

In December 2020, Viva Biotech BVI, issued US$280 million 1.00% convertible bonds due 2025 guaranteed by the Company (the "**December 2025 Convertible Bonds**").

Such financing activities provided sufficient financial support for the Company in terms of accelerated realization of strategic development goals, business expansion and integration in the downstream of the industry chain, its business development and expansion and daily operations. For further details of the proceeds received by the Company and the use of such proceeds in relation to the financing, please refer to the section headed "Use of Proceeds from Placing" and "Use of Proceeds from Convertible Bonds" under "Other Information" of this report.

Industry chain integration and expansion to CDMO business

On September 20, 2020, the Company entered into a share purchase agreement with SYNthesis to acquire its entire share capital at a consideration of approximately US$80 million. SYNthesis is a company for R&D of new pre-clinical small molecule drugs which mainly provides high-end pharmaceutical chemistry and synthetic chemistry services to its clients.

On November 12, 2020, the Company completed the very substantial acquisition of 80% of the equity interest in Langhua Pharmaceutical Co., Ltd., at a consideration of RMB2,560 million and Langhua Pharmaceutical became a non-wholly-owned subsidiary of the Company. As a comprehensive pharmaceutical R&D and manufacturing company, Langhua Pharmaceutical is mainly engaged in the production of small molecule raw materials and intermediates and CDMO business. The strategic integration will enable business synergies between the two parties in terms of R&D, design and production in the global pharmaceutical market.

IMPACT OF COVID-19

Upon the outbreak of Coronavirus (COVID-19) in early 2020, a series of precautionary and preventive measures were implemented in regions where the Group operates. The Group's R&D operation is conducted from its facilities located in Shanghai, Jiaxing and Chengdu, PRC. A vast majority of the Group's employees has resumed work since late February 2020 and as of the date of this report, the COVID-19 outbreak has not resulted in any significant impact to the Group's operation, with laboratory works and projects progressing in an orderly manner. As the global industry chain and service offering for contract research and development are witnessing severe disruption, certain clients have relocated their research development projects to our facilities in the PRC during the Reporting Period. We will continue to work with existing and prospective clients and commit resources to business development and operations, with an aim to service such clients' continued business needs.

FUTURE STRATEGIES AND OUTLOOK

Positioning at the early drug discovery sources from “0” to “1”, the Company enjoys advantages in terms of technology platforms, customer flow and talents. In future, the Company will continue to construct and raise technology barriers, enhance talent recruitment, strengthen bridging of customers and portfolio companies, improve operating efficiency, tap into the synergistic effect, accelerate the construction of one-stop drug discovery and production service platforms from “0” to “1” and “N” and establish an open and cooperative platform targeting global biopharmaceutical innovators.

DISCUSSION OF RESULTS OF OPERATION

Revenue

The Group’s revenue in the Reporting Period was approximately RMB697.0 million, representing an increase of 115.7% as compared to approximately RMB323.1 million in the year ended December 31, 2019. Revenue from the Group’s drug discovery services in the Reporting Period was approximately RMB438.8 million, representing an increase of 35.8% as compared to approximately RMB323.2 million in the year ended December 31, 2019, as a result of the Group’s business growth. The Group also first recorded revenue from its CDMO and commercialization services of approximately RMB258.2 million in the Reporting Period as a result of the acquisition of Langhua Pharmaceutical during the Reporting Period.

The following table sets forth a breakdown of the Group’s revenue by respective types of goods or services during the Reporting Period and the corresponding period last year.

	Year ended December 31,	
	2020	2019
	RMB’000	*RMB’000*
Types of goods or services		
Drug discovery services		
– Full-time-equivalent (“**FTE**”)	**299,393**	212,911
– Fee-for-service (“**FFS**”)	**79,400**	66,484
– Service-for-equity (“**SFE**”)	**60,015**	43,662
CDMO and commercialization services		
– Sale of products	**258,150**	–
	696,958	323,057

While the Group's operation are located in China, it has a global customer base with a majority of our customers located in the USA. An analysis of the Group's revenue from customers, analyzed by their respective country/region of operation is detailed below:

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Revenue		
– USA	**396,927**	243,592
– European Union	**127,479**	1,802
– PRC	**116,247**	74,477
– Other countries/regions	**56,305**	3,186
	696,958	323,057

The increase of revenue in the Reporting Period as compared to the corresponding period last year was primarily due to an increase in the revenue of the Group's customers headquartered in the USA and European Union. This was mainly due to increases in the number of customers as well as customer orders from such overseas customers and the acquisition of the Langhua Pharmaceutical.

Cost of Services

Cost of services primarily consists of direct labor costs, cost of materials and overhead. Direct labor costs primarily consist of salaries, bonus, welfare, social security costs and share-based compensation for our R&D talents, excluding the costs allocated to research and development expenses, as well as those capitalized in contract costs. Cost of services in the Reporting Period was approximately RMB392.1 million, representing an increase of 134.5% as compared to approximately RMB167.2 million in the year ended December 31, 2019. The increase was in line with the Group's business growth.

Gross Profit and Gross Profit Margin

During the Reporting Period, the Group's gross profit was approximately RMB304.9 million, representing an increase of 95.6% as compared to approximately RMB155.9 million in the year ended December 31, 2019. The increase was in line with the Group's business growth. Gross margin was 43.7% for the Reporting Period, as compared to 48.3% for the year ended December 31, 2019. The decrease was primarily due to the integration of CDMO and commercialization services into our Group's service offerings.

Other Income and Gains

Other income and gains consist primarily of interest income, government grants, net foreign exchange gain, gain on derivative financial instruments, gain on deemed disposal of interests in associates, gain on deemed disposal of interests in a joint venture, gain on repurchase of convertible bonds and gain on disposal of right-of-use assets. During the Reporting Period, the Group recorded other income and gains of approximately RMB69.6 million, representing an increase of 6.6% as compared to approximately RMB65.3 million in the corresponding period last year.

Selling and Distribution Expenses

Selling and distribution expenses primarily consist of staff cost, travelling expenses and others. During the Reporting Period, the Group's selling and distribution expenses were approximately RMB13.1 million, representing an increase of 263.9% as compared to approximately RMB3.6 million in the year ended December 31, 2019. The increase was primarily due to expansion of our CDMO business, as well as the growth to our marketing team.

Administrative Expenses

Administrative expenses primarily consist of administrative staff costs, audit and consultancy fees, office administration expense, rental, depreciation, travelling and transportation expenses and others. During the Reporting Period, the Group's administrative expenses were approximately RMB110.2 million, representing an increase of 115.2% as compared to approximately RMB51.2 million in the year ended December 31, 2019. The increase primarily reflected rapid expansion of the Group's personnel, together with the increase in third party consultation fees.

Research and Development Expenses

Research and development expenses mainly consist of labor costs, cost of materials, overhead costs and fees paid to third parties that conduct certain research and development activities on our behalf. During the Reporting Period, the Group's research and development expenses were approximately RMB66.0 million, representing an increase of 46.7% as compared to approximately RMB45.0 million in the year ended December 31, 2019. The increase was primarily due to an increase in the number of R&D personnel.

Fair Value Gain on Financial Assets at Fair Value through Profit or Loss ("FVTPL")

Fair value gain on FVTPL mainly consists of fair value gains from financial products issued by banks and the gains from the fair value change of the equity interests in the Group's incubation portfolio companies. The Group's EFS model features sharing of the upside of our customers' IP values, which is primarily reflected by the gains from the fair value change of the equity interest in the Group's incubation portfolio companies. Such fair value gains are recorded as FVTPL in the Group's financial statements.

The Group recorded gains arising from financial assets at FVTPL of approximately RMB106.9 million for the Reporting Period, mainly including (1) gain from investment in bank wealth management products of RMB4.9 million; (2) gain from fair value change of investment companies of RMB102.0 million, primarily reflecting the increase in the fair value of the Group's equity interest in three incubation portfolio companies, Dogma Therapeutics, Inc., Mediar Therapeutics, Inc. and VivaVision Biotech (Shanghai) Ltd. (previously referred to as Weimou Biotech (Shanghai) Ltd.), as compared to approximately RMB217.6 million for the year ended December 31, 2019, primarily reflecting the increase in fair value of the Group's equity interest in three incubation portfolio companies, Proviva Therapeutics, Inc., VivaVision Biotech (Shanghai) Ltd. and Liangzhun (Shanghai) Industrial Co., Ltd.

Impairment Losses under Expected Credit Model, Net of Reversal

Impairment losses under expected credit model, net of reversal reflects impairment loss on trade and other receivables. The Group recorded impairment losses of approximately RMB3.0 million for the Reporting Period, as compared to approximately RMB1.8 million of impairment losses for the year ended December 31, 2019.

Other Expenses

For the Reporting Period, the Group recorded other expenses of approximately RMB35.7 million, as compared to approximately RMB31 thousand for the year ended December 31, 2019. The increase primarily represented the Group's net foreign exchange loss and acquisition transaction costs.

Share of Loss of a Joint Venture

For the Reporting Period, the Group recorded share of loss of a joint venture of approximately RMB0.5 million, as compared to approximately RMB1.9 million for the year ended December 31, 2019. The decrease primarily represented the Group's decreased share of loss in one of its incubation portfolio companies, Jiaxing Youbo Biotech Co., Ltd.

Finance Cost

Finance cost primarily consists of interest on convertible bonds, interest on lease liabilities and interest expenses on loans from banks. For the Reporting Period, the Group's finance cost was approximately RMB62.1 million, representing an increase of 2,600.0%, as compared to approximately RMB2.3 million for the year ended December 31, 2019. The increase was mainly due to an approximately RMB52.1 million increase in interest of the debt components of the convertible bonds issued by members of the Group during the Reporting Period.

Fair Value Loss on Financial Liabilities at FVTPL

Fair value loss on financial liabilities at FVTPL represents changes in fair value of the embedded derivative components of the convertible bonds and the series B convertible redeemable preferred shares. For the Reporting Period, the Group recorded fair value loss on financial liabilities at FVTPL of approximately RMB547.0 million regarding the fair value changes of the embedded derivative components of the convertible bonds, as compared to approximately RMB34.2 million for the year ended December 31, 2019, which represents changes in fair value of the series B convertible redeemable preferred shares (the "**Series B Preferred Shares**") in connection with the Company's pre-IPO financing.

Income Tax Expense

The Group's income tax expense for the Reporting Period was approximately RMB22.7 million, representing an increase of 50.3% from approximately RMB15.1 million for the year ended December 31, 2019, primarily due to the Group's business growth as well as the fair value loss of the embedded derivative components of the convertible bonds incurred by the Group is not tax deductible.

Net Profit and Net Profit Margin

As a result of the foregoing, the Group's net loss for the Reporting Period was approximately RMB378.9 million, compared to net profit of RMB265.9 million for the year ended December 31, 2019.

The adjusted non-IFRS net profit of the Group decreased 20.7% to approximately RMB252.3 million for the Reporting Period from approximately RMB318.0 million for the year ended December 31, 2019. The adjusted non-IFRS net profit margin of the Group for the Reporting Period was 36.2%, compared to 98.4% for the corresponding period last year. The lower adjusted Non-IFRS net profit margin of the Group for the Reporting Period was primarily due to the increase in the administrative expenses and other expenses.

Liquidity, Financial Resources, Capital Structure and Gearing Ratio

As at December 31, 2020, the Group's total cash and cash equivalents amounted to approximately RMB2,308.5 million, representing an increase of 155.3% as compared to approximately RMB904.1 million as at December 31, 2019. Such increase was primarily attributable to the proceeds from the issue of convertible bonds. The Group maintains a strong cash position to meet potential needs for business expansion and development.

As at December 31, 2020, the Group had approximately RMB1,437.3 million of secured bank borrowings and RMB25.0 million of unsecured bank borrowings, increased by RMB1,460.4 million as compared to approximately RMB1.9 million as at December 31, 2019. The increase was primarily attributable to the secured bank loan obtained by the Group to finance the acquisition of Langhua Pharmaceutical during the Reporting Period. Of the Company's bank borrowings during the Reporting Period, approximately RMB155.6 million are repayable on demand or within one year, approximately RMB330.6 million is repayable in the second year and approximately RMB976.2 million are repayable in the third to fifth year (inclusive). The Group has RMB25 million of bank borrowing due in 2021 which is subject to a fixed interest rate of 3.92% per annum. The Group intends to finance the expansion, investments and business operations with proceeds from its financing activities and internal resources.

The Group targets to centralize its treasury activities and all cash transactions are dealt with state-owned banks and international banks with good reputation. As at December 31, 2020, the gearing ratio, calculated as total liabilities over total assets, was 53.9%, as compared with 6.4% as at December 31, 2019 as a result of the convertible bond issuance undertaken and secured bank loan obtained by the Group during the Reporting Period.

Significant Investment, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

In March 2020, Viva Biotech Shanghai, an indirect wholly-owned subsidiary of the Company, acquired 100% of equity interest of Shanghai Viva Qizhi Biotech Limited (former name: Shanghai Shenyu Wires Co., Ltd) from its original shareholders, at a consideration of RMB120.0 million, Shanghai Viva Qizhi Biotech Limited has no substantive business operations at the time of the acquisition and its principal asset consist of a parcel of land with a total site area of approximately 7,600 square meters in Shanghai.

In July 2020, the Company also acquired land use right through auction published by the Shanghai Pudong District People's Court for RMB392.4 million, the land use right relates to a parcel of land with a gross floor area of approximately 40,000 square meters in Shanghai.

In September 2020, the Company entered into a share transfer agreement with SYNthesis med chem Pty Limited for the acquisition of SYNthesis, for further information about this acquisition, please refer to the section headed "Event After Reporting Period".

In November 2020, Viva Biotech Shanghai acquired 80% of equity interest of Langhua Pharmaceutical from its original shareholders, at a consideration of RMB2,560.0 million.

Save as disclosed in this report, the Prospectus, and other announcements and circulars published by the Company up to the date of this report, the Group did not make any significant investment (being investment in companies with a value of 5% of the Group's total asset as of December 31, 2020), material acquisitions or disposals of subsidiaries, associated companies or joint ventures during the Reporting Period.

Pledge of Assets

As at December 31, 2020, a building with a carrying amount of approximately RMB5.0 million and one-year deposits of RMB640.0 million of the Group were pledged to secure borrowings of the Group. Deposits of RMB29.2 million were pledged to secure notes payables.

Capital Expenditure

For the Reporting Period, the Group's capital expenditure amounted to approximately RMB166.5 million, which was mainly used for construction of facilities and equipment purchases, as compared to approximately RMB56 million for the year ended December 31, 2019. The Group funded its capital expenditure with cash flow generated from its operations and partial proceeds from its fundraising activities.

Contingent Liabilities

The Group had no material contingent liabilities as at December 31, 2020.

Future Plan for Material Investment and Capital Assets

Save as disclosed in the Prospectus, this report and other announcements and circulars published by the Company up to the date of this report, the Group does not have other plans for material investments and capital assets for Reporting Period and up to the date of this report.

Currency Risk

Certain entities in our Group have foreign currency sales and purchases, which exposes us to foreign currency risk. In addition, certain entities in our Group also have other payables and receivables which are denominated in currencies other than their respective functional currencies. We recorded a net foreign exchange loss of approximately RMB19.8 million and a net foreign exchange gain of approximately RMB32.7 million for the Reporting Period and the year ended December 31, 2019, respectively. We are exposed to the foreign currency of U.S. dollars as part of our revenue was generated from sales denominated in U.S. dollars as well as deposits denominated in U.S. dollars. We purchased various bank foreign exchange wealth management products and forward currency contracts to hedge against our exposure to currency risk during the Reporting Period and up to the date of this report while we chose not to designate a hedging relationship and use hedge accounting. Our management will continue to evaluate the Group's foreign exchange risk and take actions as appropriate to minimize the Group's exposure whenever necessary.

Report of Directors

The Board of the Company is pleased to present this report of Directors together with the audited consolidated financial statements of the Group for the year ended December 31, 2020.

DIRECTORS

The Directors who held office during the year ended December 31, 2020 and up to the date of this report are:

Executive Directors:
Mr. MAO Chen Cheney (毛晨) *(Chairman)*
Mr. WU Ying (吳鷹)
Mr. HUA Fengmao (華風茂)
Mr. REN Delin (任德林)

Non-Executive Directors:
Ms. SUN Yanyan (孫妍妍) (appointed on March 30, 2020)
Ms. MAO Jun (毛雋) (resigned on November 3, 2020)
Mr. John WU Jiong (吳炯) (resigned on March 30, 2020)

Independent Non-executive Directors:
Mr. FU Lei (傅磊)
Ms. LI Xiangrong (李向荣)
Mr. WANG Haiguang (王海光)

Biographical details of the Directors and senior management of the Group are set out in the section headed "Directors and Senior Management" on pages 42 to 50 of this report.

GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on August 27, 2008 as an exempted limited liability company. The Shares were listed on the Main Board of the Stock Exchange on May 9, 2019.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in providing the structure-based drug discovery services to biotechnology and pharmaceutical customers worldwide for their pre-clinical stage innovative drug development.

The activities and particulars of the Company's subsidiaries are shown under Note 1 to the consolidated financial statements. An analysis of the Group's revenue and net results for the year ended December 31, 2020 by principal activities of the Group is set out in the section headed "Management Discussion and Analysis" in this report.

BUSINESS REVIEW

A fair review of the business of the Group as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of the Group's financial performance, an indication of likely future developments in the Group's business and the Group's key relationships with its stakeholders who have a significant impact on the Group and on which the Group's success depends, is set out in the section headed "Management Discussion and Analysis" of this report. These discussions form part of this report. Events affecting the Company that have occurred since the end of the financial year is set out in the section headed "Important Events After The Reporting Date" in this report.

PRINCIPAL RISKS AND UNCERTAINTIES

The following list is a summary of certain principal risks and uncertainties facing the Group, some of which are beyond its control.

- **Risks in relation to Intensified Competition in Pharmaceutical R&D Service Industry**

  At present, the global pharmaceutical research and development service market is getting increasingly competitive. Competitors of the Company in specific service fields mainly include various professional CRO/CMO institutions or the research and development departments of large pharmaceutical enterprises, most of which are international large pharmaceutical enterprises or research and development institutions and they may have stronger financial resources, technical capabilities and customer coverage than the Company. In addition to the mature competitors mentioned above, the Company also faces competition from new market players, who either have stronger financial strength, more effective business channels, or stronger research strength in business segments. If the Company cannot continue to strengthen its own comprehensive research and development technology advantages and various commercial competitive advantages, it will face risks caused by intensified competition in the pharmaceutical market and weakening of its own competitive advantages.

- **Risks in relation to Turnover of Core Technicians/Chief Executives**

  The Company's core technicians and chief executives are an important part of the Company's core competitiveness, and are also the foundation and key to the Company's survival and development. Whether the Company can maintain the stability of the technical staff and senior management team, and continuously attract outstanding talents depends on whether the Company can continue to maintain its technological leading edge in the industry, as well as the stability and durability of research and development and production services. We will continue to attract and retain highly skilled scientists, management personnel and other technical personnel. However, if the Company's salary level loses its competitive advantage compared with competitors in the same industry, the incentive mechanism for core personnel cannot be implemented, or the human resources control and internal promotion system cannot be effectively implemented, the Company's core technical personnel and senior management will be lost, thus adversely affecting the Company's reputation, business, core competitiveness and sustainable profitability.

- **Risks in relation to Decline in Market Demand for Pharmaceutical R&D Services**

  The Company's business depends on the number and scale of drug discovery service contracts of clients (including multinational pharmaceutical companies, biotechnology companies, start-ups, scholars and non-profit research institutions, etc.). In the past, thanks to the continuous growth of the global bio-pharmaceutical market, the increase in the R&D budget of customers and the increase in the proportion of customer outsourcing, customers' demand for the Company's services continued to rise. If the development trend of the industry slows down in the future, or the outsourcing ratio drops, it may have adverse effects on the Company's business. In addition, the merger and consolidation of bio-pharmaceutical industry and budget adjustment may also affect the R&D expenditure and outsourcing demand of customers and adversely affect the Company's business.

- **Risks in relation to Foreign Exchange**

  During the Reporting Period, revenue from the Company's primary business was derived from sales denominated in US dollars, and foreign currency risks were mainly related to US dollars. Most of our service costs, operating costs and expenses are denominated in Renminbi. If Renminbi continues to appreciate significantly in the future, our profits will be under pressure, and we may not be able to price service contracts in currencies other than US dollars. Although we purchased various bank foreign exchange wealth management products to hedge against our exposure to currency risk during the Reporting Period, the possibility and effectiveness of hedging are limited, so we may not be able to successfully hedge currency risks.

- **Risks in relation to Lower-than Expected Incubation Portfolio Returns**

  Our incubation portfolio companies are mainly start-ups engaged in new drug research and development. Given that these companies are still in development stage with high possibility of failure. These companies may also have a short operating history and need a large amount of funds to develop their business and enhance their market strength. Our investment in these companies at early stage of development is speculative and involves many risks. Whether the incubation portfolio companies can achieve satisfactory business and financial performance is affected by a number of factors beyond our control. We may not be able to realize the expected return on such incubation portfolio companies, and may even lose some or all of our investment.

- **Risks in relation to Operating Results Subject to Changes in Fair Value of Incubation Portfolio Companies**

  Incubation portfolio companies under the EFS model are private companies, of which the market price generally cannot be determined. Therefore, the fair value of our investment may vary depending on the valuer, the valuation method used and other factors. Due to significant uncertainties in the valuation or value stability of illiquid investments, the fair market value may not reflect the actual liquidation value of the equity of the incubation portfolio companies that we may acquire when the investment is realized. Therefore, there is significant uncertainty in the amount and timing of revenue recognized under EFS model, and the profit and loss arising from changes in the fair value of these equities will affect our operating results during the period when the changes occur, and the impact may be significant.

- **Risks in relation to Uncertainty of Global Political and Economic Environment**

  During the Reporting Period, the Company's overseas revenue accounted for a large proportion of its revenue from primary business. For example, laws and regulations of the countries and regions where the overseas business is located (including but not limited to investment requirements or restrictions on foreign companies), major changes in industrial policies or political and economic environment, or unpredictable factors such as international tensions, wars, trade sanctions, foreign investment and changes in export control laws and regulations, or other force majeure which may affect the overseas business status, may lead to a decline in the Company's service demand and bring potential adverse effects on the future sustainable development.

However, the above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Our operations and facilities are subject to extensive environmental protection and health and safety laws and regulations, which govern, among other things, the generation, storage, handling, use and transportation of hazardous materials and the handling and disposal of hazardous and biohazardous waste generated at our facilities. These laws and regulations generally impose liability regardless of the negligence or fault of a responsible party, unless it has legally defined immunities. These laws and regulations also require us to obtain permits from governmental authorities for certain operations.

Our environmental, safety and health department is responsible for overseeing the implementation of our measures and procedures to ensure our compliance with the applicable environmental protection and health and safety laws and regulations and the health and safety of our employees. These measures and procedures include (i) adopting protective measures at our facilities, (ii) promulgating safety operation procedures relating to various aspects of our integrated services, such as the use and storage of chemicals and operation of equipment, (iii) promulgating specific rules about the purchase, storage, handling, use and transportation of hazardous materials and the handling and disposal of hazardous and biohazardous waste generated at our facilities, (iv) engaging professional waste-disposal companies to manage the disposal of hazardous and biohazardous waste, (v) providing regular safety awareness training to our employees, and (vi) maintaining a system of recording and handling accidents and implementation of relevant policies, and a health and work safety compliance record.

The Group is committed to the long term sustainability of the environment and communities. The Group endeavours to comply with relevant laws and regulations regarding environmental protection and related matters.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended December 31, 2020, there was no material breach of, or non-compliance, with applicable laws and regulations by the Group.

RETIREMENT BENEFITS SCHEME

The Group does not have any employee who is required to participate in the Mandatory Provident Fund in Hong Kong. The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. There are no provisions under the scheme whereby forfeited contributions may be used to reduce future contributions. The employees of the PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme.

Details of the pension obligations of the Company are set out in Note 2.4 to the consolidated financial statements in this report.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTION

Details of the related party transactions of the Group for the year ended December 31, 2020 are set out in Note 39 to the consolidated financial statements contained herein.

None of the related party transactions constitute a connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules.

During the year ended December 31, 2020, the Group has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Rule 14A.71 of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2020, the revenue amounts from the Group's five largest customers accounted for 29.7% (2019: 26.7%) of the Group's total revenue and the revenue amount from our single largest customer accounted for 15.4% (2019: 7.2%) of the Group's total revenue.

None of the Directors, their respective close associates, or any shareholder of the Company who, to the knowledge of the Directors, owns more than 5% of the Company's issued capital, has any interest in any of the Group's five largest customers.

For the year ended December 31, 2020, purchases from the Group's five largest suppliers accounted for approximately 27.1% (2019: 32.0%) of the Group's total purchase amount in the same year. The Group's largest supplier for the year ended December 31, 2020 accounted for approximately 8.84% (2019: 7.5%) of the Group's total purchase amount for the same year.

None of the Directors, their respective close associates, or any shareholder of the Company who, to the knowledge of the Directors, owns more than 5% of the Company's issued capital, has any interest in any of the Group's five largest suppliers.

During the year ended December 31, 2020, the Group did not experience any significant disputes with its customers or suppliers.

RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

The Group actively maintains sound relationships with customers and endeavors to provide quality services to customers. Our project team communicates with customers through e-mail, reports and regular teleconferences. Our project management strictly abides by the gist of our strategy to protect the intellectual property rights and other confidential information of customers. We often conduct satisfaction surveys with certain major customers, which enables us to improve relevant rules, implementation, evaluation and support to ensure sustainable development. During the Reporting Period, there were no major or material disputes between the Group and its customers.

The Group regards suppliers as significant business partners and is committed to safeguarding the interests and long-term relationship of both parties to ensure that the Group obtains reasonable prices and stable supplies. We mainly purchase raw materials and equipment from several suppliers located in China or with branches or subsidiaries in China. The Group continuously strengthens management of suppliers and maintains stable business relationship with suppliers. During the Reporting Period, there was no material impact on the operation of the Group as result of dependence on any of its major suppliers.

FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 6 of this report. This summary does not form part of the audited consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the Shareholders of the Company by reason of their respective holding of the Company's securities.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 1 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year ended December 31, 2020 are set out in Note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended December 31, 2020 are set out in Note 33 to the consolidated financial statements. On October 21, 2020, the Company held its first extraordinary general meeting of 2020 during which the Shareholders approved of increasing the authorized share capital of the Company from US$50,000 divided into 2,000,000,000 Shares to US$100,000 divided into 4,000,000,000 Shares. For further details, please refer to the Company's announcement dated September 23, 2020 and October 21, 2020, as well as the Company's circular dated September 28, 2020.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this report, the Company has maintained the public float as required under the Listing Rules.

DEBENTURE ISSUED

Issue of US$180 Million February 2025 Convertible Bonds

On January 22, 2020, Viva Incubator HK, a wholly-owned subsidiary of the Company as issuer and the Company as guarantor and J.P. Morgan Securities plc as the sole global coordinator, joint lead manager and joint bookrunner (the "**First Issue Sole Global Coordinator**") and The Hongkong and Shanghai Banking Corporation Limited and China International Capital Corporation Hong Kong Securities Limited (together with the Sole Global Coordinator, the "**First Issue Managers**" and each a "**First Issue Manager**") entered into a subscription agreement (the "**First Issue Subscription Agreement**"), pursuant to which and subject to certain conditions contained therein, the Viva Incubator HK has agreed to issue, and the First Issue Managers have severally but not jointly agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the 2.50% guaranteed convertible bonds in a principal amount of US$180 million, guaranteed by the Company. The issue price of the February 2025 Convertible Bonds was 100% of the principal amount. The initial conversion price per conversion share is HK$5.7456, which represents (i) a premium of 26.0% over the last closing price of HK$4.56 per Share as quoted on the Stock Exchange on January 22, 2020 (being the trading day on which the Subscription Agreement was signed) and (ii) a premium of approximately 25.1% over the average closing price of HK$4.59 as quoted on the Stock Exchange for the five consecutive trading days up to and including January 22, 2020. On February 11, 2020, under the First Issue Subscription Agreement, all of the conditions for the February 2025 Convertible Bonds have been satisfied and/or waived and completion of the February 2025 Convertible Bonds in the principal amount of US$180 million took place. The February 2025 Convertible Bonds were offered to no less than six independent placees (who are independent individual, corporate and/or institutional investors). Assuming full conversion of the February 2025 Convertible Bonds at the initial conversion price of HK$5.7456 per Share, the February 2025 Convertible Bonds will be convertible into 243,493,107 conversion shares. The February 2025 Convertible Bonds are listed on the Stock Exchange on February 12, 2020. The net proceeds, after deducting the transaction costs of US$2.6 million (equivalent to RMB18.3 million), were US$177.4 million (equivalent to RMB1,256.0 million). For details, please refer to Note 31 to the consolidated financial statements.

Issue of US$280 Million December 2025 Convertible Bonds

On December 17, 2020, Viva Biotech BVI, a wholly-owned subsidiary of the Company as issuer and the Company as guarantor and J.P. Morgan Securities plc, Credit Suisse (Hong Kong) Limited, China International Capital Corporation Hong Kong Securities Limited and The Hongkong and Shanghai Banking Corporation Limited (collectively the "**Second Issue Managers**" and each a "**Second Issue Manager**") entered into a subscription agreement (the "**Second Issue Subscription Agreement**"), pursuant to which and subject to certain conditions contained therein, the Viva Biotech BVI has agreed to issue, and the Second Issue Managers have agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the 1.00% Guaranteed convertible bonds in a principal amount of US$280 million, guaranteed by the Company. The issue price of the December 2025 Convertible Bonds was 100% of the principal amount. The initial conversion price per conversion share is HK$11.6370, which represents (i) a premium of 35.0% over the last closing price of HK$8.62 per Share as quoted on the Stock Exchange on December 17, 2020 (being the trading day on which the Second Issue Subscription Agreement was signed) and (ii) a premium of approximately 39.4% over the average closing price of HK$8.35 as quoted on the Stock Exchange for the five consecutive trading days up to and including December 17, 2020. On December 30, 2020, under Second Issue the Subscription Agreement, all of the conditions for the December 2025 Convertible Bonds have been satisfied and/or waived and completion of the December 2025 Convertible Bonds in the principal amount of US$280 million took place. The December 2025 Convertible Bonds were offered to no less than six independent placees (who are independent individual, corporate and/or institutional investors). Assuming full conversion of the December 2025 Convertible Bonds at the initial Conversion Price of HK$11.6370 per Share, the Bonds will be convertible into approximately 186,519,893 Shares. The December 2025 Convertible Bonds are listed on the Stock Exchange on December 31, 2020. The net proceeds, after deducting the transaction costs of US$4.2 million (equivalent to RMB27.5 million), were US$275.8 million (equivalent to RMB1,801.6 million). For details, please refer to Note 31 to the consolidated financial statements.

Save as disclosed above, the Group did not issue any debenture during the year ended December, 31 2020.

EQUITY-LINKED AGREEMENTS

The Company has issued the February 2025 Convertible Bonds and the December 2025 Convertible Bonds, which subsist as of December 31, 2020 as set out in Note 31 to the consolidated financial statements. The Company has made various stock incentive plans which subsist as of December 31, 2020 as set out in Note 34 to the consolidated financial statements.

Save for the Pre-IPO Share Incentive Schemes and the Post-IPO Share Option Scheme as set out in this report and save as disclosed above, no equity-linked agreements were entered into by the Group, or existed during the year ended December 31, 2020.

RESULTS AND DIVIDEND

The consolidation results of the Group for the year ended December 31, 2020 are set out on page 92 to 224 of this report.

The Board has resolved to recommend the declaration and payment of a final dividend of HK$0.01 per share for the year ended December 31, 2020. Subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company, the proposed final dividend is expected to be paid on or about July 9, 2021. As disclosed in the interim results announcement dated August 31, 2020, the Board has resolved to declare an interim dividend of HK$0.017 per share for the six months ended June 30, 2020.

PERMITTED INDEMNITY

Pursuant to the Articles of Association and subject to the applicable laws and regulations, every Director, Auditor or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director, Auditor or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

Such permitted indemnity provision has been in force for the year ended December 31, 2020. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Group and the Company during the year ended December 31, 2020 are set out on page 97 to 98 to the consolidated financial statements. The distributable reserves of the Company as at December 31, 2020 were RMB3,650.8 million (2019: RMB1,298.7 million).

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at December 31, 2020 are set out in the section headed "Management Discussion and Analysis" in this report and Note 29 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years or until the third general meeting of the Company commencing from the Listing Date (whichever is earlier), which may be terminated by not less than three months' notice in writing served by either the executive Director or our Company.

Ms. Sun Yanyan has entered into an appointment letter with the Company. The term of Ms. Sun's service as a non-executive Director is for three years commencing on March 30, 2020 and is subject to retirement and re-election at the annual general meeting of the Company pursuant to the articles of association of the Company.

Each of the independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years or until the third general meeting of the Company commencing from the Listing Date (whichever is earlier), which may be terminated by not less than three months' notice in writing served by either the non-executive Director/independent non-executive Director or our Company.

None of the Directors has a service contract which is not terminable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

None of the Directors (including Directors who have resigned during the Reporting Period) nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting has entered into any service agreement or letter of appointment with any member of the Group (excluding agreements expiring or determinable by any member of the Group within one year without payment of compensation other than statutory compensation) during or at the end of the year ended December 31, 2020.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Reporting Period, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries.

DEED OF NON-COMPETITION

Mr. Mao Chen Cheney entered into the deed of non-competition ("**Deed of Non-competition**") in favour of the Company, pursuant to which he has irrevocably given certain non-competition undertakings to the Company. Details of the Deed of Non-competition are set out in the section headed "Relationship with our Controlling Shareholders – Non-competition Undertakings" in the Prospectus.

During the Reporting Period where Mr. Mao Chen Cheney was a Controlling Shareholder of the Company (the "**Relevant Period**"), no written notice of any New Business Opportunity (as defined in the Deed of Non-competition) had been received by the Company. Mr. Mao Chen Cheney confirmed that they have complied with the Deed of Non-competition for the Relevant Period (the "**Confirmation**"). Upon receiving the Confirmation, the independent non-executive Directors of the Company have reviewed the same as part of the annual review process. In view of the above, the independent non-executive Directors have confirmed that, as far as they can ascertain, there is no breach by any of the Controlling Shareholders of the non-competition undertakings in the Deed of Non-competition given by them.

Mr. Mao Chen Cheney ceased to be our Controlling Shareholder at the end of the Relevant Period as a result of a placing of 130,000,000 Shares by the Company, diluting Mr. Mao Chen Cheney's voting power in the Company to less than 30%. In accordance with the terms of the Deed of Non-competition, he ceases to be subject to the non-competition obligations under the Deed of Non-competition at the end of the Relevant Period.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, the Company repurchased 3,652,500 shares on the Stock Exchange for an aggregate consideration of approximately HK$15.2 million including expenses. The repurchased shares were subsequently cancelled. The repurchase was effected because the Board considered that the trading price of the Shares does not reflect their intrinsic value and this presents a good opportunity for the Company to repurchase the Shares, thereby enhancing the value of Shares and improving return to shareholders of the Company.

Details of the shares repurchased are as follows:

Month of repurchase	No. of shares repurchased	Highest price paid per share *(HK$)*	Lowest price paid per share *(HK$)*	Aggregate Consideration[1] *(HK$'000)*
January 2020	2,673,500	4.290	4.130	11,295.4
April 2020	979,000	4.030	3.940	3,896.5
Total	3,652,500			15,191.9

(1) Aggregate consideration inclusive of expenses.

The Group has also repurchased US$4,500,000 of the February 2025 Convertible Bonds on April 16, 2020 for an aggregate consideration of US$3,870,000 (equivalent to RMB31,855,000), with a gain on repurchase of February 2025 Convertible Bonds of US$630,000 (equivalent to RMB4,447,000) recognized.

Save as disclosed above, neither the Company nor any member of the Group purchased, sold or redeemed any of the Company's shares during the Reporting Period.

ISSUANCE OF CONVERTIBLE BONDS

In February 2020 and December 2020, Viva Incubator HK and Viva Biotech BVI issued the February 2025 Convertible Bonds and December 2025 Convertible Bonds, respectively.

The February 2025 Convertible Bonds were issued at a consideration of US$180 million and are convertible into 243,493,107 Shares at an initial conversion price of HK$5.7456 per Share (subject to adjustment). The closing price of the Shares on January 22, 2020 (being the trading date on which the subscription agreement was entered into) was HK$4.56 per Share. As of December 31, 2020, 194,118,050 Shares has been issued pursuant to conversion of the convertible bond. Taking into account the repurchase undertaken by the Company, 43,287,730 additional Shares may be issued by the Company under the February 2025 Convertible Bond.

The December 2025 Convertible Bonds were issued at a consideration of US$280 million and are convertible into 186,519,893 Shares at an initial conversion price of HK$11.6370 per Share (subject to adjustment). The closing price of the Shares on December 17, 2020 (being the trading date on which the subscription agreement was entered into) was HK$8.62 per Share. As of December 31, 2020, no Shares has been issued pursuant to the conversion of the convertible bonds.

PLACING

On July 3, 2020, the Company entered into the placing agreement with China International Capital Corporation Hong Kong Securities Limited and J.P. Morgan Securities (Asia Pacific) Limited (the "**Placing Agents**") whereby the Company has conditionally agreed to place, through the Placing Agents, an aggregate of 130,000,000 Shares to not less than six Placees at a price of HK$8.15 per Share. The closing price of the Shares on July 2, 2020 (being the trading day immediately preceding the date of the placing agreement) was HK$9.04 per Share.

On July 10, 2020, an aggregate of 130,000,000 placing Shares have been successfully placed by the Placing Agents to not less than six placees, who to the best of the Directors' knowledge, are professional, institutional or other investors who are third parties independent of the Company, at the placing price of HK$8.15 per Share in accordance with the placing agreement.

Save as disclosed in this report, neither the Company nor any member of the Group purchased, sold or redeemed any of the Shares during the year ended December 31, 2020. Please also refer to the section headed "Share Incentive Schemes – Pre-IPO Share Incentive Scheme" for information in relation to the issue of Shares pursuant to options exercised under the Pre-IPO Share Incentive Scheme.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in this report and other than the Pre-IPO Share Incentive Schemes and the Post-IPO Share Option Scheme as disclosed under the section headed "Share Incentive Schemes" in this report, at no time during the year under review was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debt securities including debentures of, the Company or any other body corporate.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The emoluments of the Directors and senior management of the Group are decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

Details of the Directors' emoluments and emoluments of the five highest paid individual in the Group are set out in Note 10 to the consolidated financial statements on pages 162 of this report.

For the year ended December 31, 2020, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived or agreed to waive any emoluments for the year ended December 31, 2020.

The Company has also adopted the Pre-IPO Share Incentive Schemes and the Post-IPO Share Option Scheme as incentive for Directors and eligible employees. Details of the said schemes are set out under the section headed "Share Incentive Schemes" in this report and in Note 34 to the consolidated financial statements on pages 194 to 199 of this report.

Except as disclosed above, no other payments have been made or are payable, for the year ended December 31, 2020, by the Group to or on behalf of any of the Directors.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance has been entered into among the Company or any of its subsidiaries and the Controlling Shareholders during the year ended December 31, 2020 or subsisted at the end of the year.

MANAGEMENT CONTRACTS

No contract, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended December 31, 2020.

MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceeding during the year ended December 31, 2020.

CHANGE OF AUDITOR

Deloitte Touche Tohmatsu ("**Deloitte**") retired as auditor of the Company with effect from the conclusion of the 2019 annual general meeting of the Company held on June 10, 2020 (the "**2019 AGM**") and did not seek reappointment. The Company put forward an ordinary resolution for shareholders' approval to propose the appointment of Ernst & Young as the auditor of the Company in place of the retiring auditor, Deloitte. Deloitte also confirmed with the Board that there were no matters in relation to the proposed change of auditor that need to be brought to the attention of the shareholders of the Company.

After the consideration and approval in the 2019 AGM, the Company appointed Ernst & Young as the auditor of the Company for a proposed term of office commencing on the date of approval until the conclusion of the next annual general meeting of the Company.

For details, please refer to the announcements of the Company dated May 7, 2020, May 11, 2020 and June 10, 2020 published on the website of the Stock Exchange and the website of the Company. Save as disclosed above, there has been no change in the Company's auditor in any of the preceding three years. Ernst & Young shall retire and, being eligible, offer themselves for re-appointment as auditors of the Company at the forthcoming AGM. A resolution for the re-appointment of Ernst & Young as auditors of the Company is to be proposed at the forthcoming AGM.

ANNUAL GENERAL MEETING

The 2021 annual general meeting (the "**2021 AGM**") will be held on Thursday, June 10, 2021. Notice of the 2021 AGM and all other relevant documents will be published and despatched to shareholders of the Company in due course.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods:

(i) from Monday, June 7, 2021 to Thursday, June 10, 2021, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2021 AGM. In order to be eligible to attend and vote at the 2021 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 pm on Friday, June 4, 2021; and

(ii) from Friday, June 18, 2021 to Tuesday, June 22, 2021, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to establish entitlements to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 pm on Thursday, June 17, 2021.

Directors and Senior Management

The Board consists of four executive Directors, one non-executive Director and three independent non-executive Directors.

DIRECTORS

Executive Directors

Mr. MAO Chen Cheney (毛晨), aged 59, was appointed as the Chairman, chief executive officer and an executive Director of our Company on July 3, 2018, and is mainly responsible for the overall strategic planning and business development of the Group. Mr. Mao has over 24 years of experience in the CRO industry. Mr. Mao has served as the chief executive director of Viva Biotech Shanghai since joining our Group in August 2008 and currently serves as the chief executive officer of all our subsidiaries, except Viva Incubator Shanghai, where he serves as the chairman of the board of directors. Mr. Mao's work experience prior to joining our Group is set forth below.

- From July 1997 to February 2003, he served as a director of the Department of Structural Biology of Parker Hughes Institute, a research institute devoted to structure-based drug discovery.
- From August 2002 to August 2003, he served as a reviewer on the U.S. National Institutes of Health Review Panel ZRG1 AARR-1 (50) in relation to AIDS-related structural biology projects grants.
- From August 2003 to May 2008, Mr. Mao served as the vice president of Medicilon Inc. and its subsidiary Shanghai Medicilon Inc., which are companies primarily engaged in biomedical research and development. Mr. Mao was also one of the founders of Medicilon Inc. and Shanghai Medicilon Inc. and was responsible for the overall operations of the group and leading research projects.

Mr. Mao obtained his bachelor's degree in radiochemistry and master's degree in physical chemistry from Fudan University (復旦大學) in the PRC in July 1983 and July 1986, respectively. He was a lecturer and an assistant researcher at Shanghai Institute of Organic Chemistry of the Chinese Academy of Sciences (中國科學院上海有機化學研究所) in the PRC from September 1986 and August 1987 and from September 1987 to August 1990, respectively. He obtained his Ph.D. degree in biochemistry from Cornell University in the U.S. in May 1995 and was a postdoctoral research associate at Cornell University in the U.S. from September 1991 to May 1995. He was a postdoctoral research associate in biochemistry at Duke University Medical Center in the U.S. from May 1995 to October 1997. Mr. Mao has published about 45 research papers on topics including structure-based drug design. Mr. Mao is also the brother of Ms. Mao Jun (non-executive Director who resigned on November 3, 2020 and a substantial Shareholder), cousin of Mr. Wu Ying, and cousin-in-law of Mr. John Wu Jiong (non-executive Director who resigned on March 30, 2020 and a substantial Shareholder).

Mr. WU Ying (吳鷹), aged 58, was appointed as a Director of the Company in September 2009 and was redesignated as an executive Director and appointed as our executive vice president on July 3, 2018, and is mainly responsible for the daily operation of the Group and customer relations. Mr. Wu has approximately 12 years of experience in the CRO industry. Mr. Wu joined our Group in August 2008 as a vice president of Viva Biotech Shanghai and currently serves as the chief operating officer and general manager of Viva Biotech Shanghai. Mr. Wu also serves as a director of Viva Biotech HK, executive director of Jiaxing Viva, executive director and general manager of Viva Incubator Shanghai and Sichuan Viva. From August 1982 to February 2008, Mr. Wu worked at Shanghai Teachers College for Vocational Studies (上海成人教師進修學院). Mr. Wu obtained his college diploma in mathematics from Shanghai Normal University (上海師範大學) in the PRC in July 1982. Mr. Wu obtained his graduate diploma in business administration from Hong Kong International Business College in Hong Kong in June 2010. Mr. Wu attended the advanced training course for chief financial officer offered by Shanghai University of Finance and Economics (上海財經大學) in the PRC from October 2013 to September 2014.

Mr. Wu is cousin of Mr. Mao Chen Cheney and Ms. Mao Jun (non-executive Director who resigned on November 3, 2020 and a substantial Shareholder), and cousin-in-law of Mr. John Wu Jiong (non-executive Director who resigned on March 30, 2020 and a substantial Shareholder).

Mr. HUA Fengmao (華風茂), aged 52, was appointed as an executive Director and the chief financial officer of our Company on July 3, 2018, mainly responsible for the overall finance management and capital investment of the Group. Mr. Hua is also currently the chairman of the board for Langhua Pharmaceutical. Mr. Hua has approximately 22 years of experience in the investment banking industry. Mr. Hua previously worked at a number of investment banking firms where he was mainly responsible for corporate finance, public offering, reorganization, merger and acquisitions as well as other financial consulting work, the details of which are set forth below.

- From May 1999 to November 1999, Mr. Hua served as a manager at ICEA Capital Limited (工商東亞融資有限公司).
- From December 1999 to July 2003, Mr. Hua served as a general manager of corporate finance at Cazenove Asia Limited.
- From July 2003 to October 2005, Mr. Hua served as a managing director of the investment banking team at CLSA Limited.
- From April 2008 to August 2014, Mr. Hua served as the head of direct investment department and the head of investment banking department in BOCOM International Holdings Company Limited.

Mr. Hua obtained his bachelor's degree in English from Shanghai International Studies University (上海外國語大學) in the PRC in July 1989. He obtained master's degree in business administration from the International University of Japan in Japan in June 1997.

Mr. REN Delin (任德林), aged 61, was appointed as an executive Director and the president of our Company on July 3, 2018, mainly responsible for the overall management of our CRO business. Mr. Ren has approximately 11 years of experience in the CRO industry. Mr. Ren served as the vice president of the Department of Biology of Viva Biotech Shanghai from May 2009 to August 2017 and has served as the general manager of Viva Biotech Shanghai since August 2017. Mr. Ren's work experience prior to joining our Group is set forth below.

- From January 1999 to April 2001, Mr. Ren served as a research scientist in the Warner-Lambert Pharmaceuticals LLC, an American pharmaceutical company which merged with Pfizer Inc. in 2001.

- Mr. Ren worked at the Global Research and Development Center of Pfizer Inc., an American pharmaceutical company, and served as a research scientist in the Metabolic Disease Division from January 2000 to April 2001, a senior scientist focusing on research and development of innovative drugs for central nervous system diseases from April 2001 to December 2003, a principal scientist focusing on research and development of innovative drugs for dermatology therapeutics from December 2003 to June 2007 and a principal scientist focusing on research and development of innovative drugs for cardiovascular and metabolic diseases and exploratory diabetes from July 2007 to April 2009.

Mr. Ren obtained his bachelor's degree in veterinary medicine from Shanxi Agricultural University (山西農業大學) in the PRC in July 1983. He obtained his master's degree in microbiology from Beijing Agricultural University (北京農業大學) in the PRC in July 1989. Mr. Ren obtained his Ph.D. degree in animal science from Michigan State University in the U.S. in December 1996 and was a post-doctoral research associate at the Department of Biochemistry of Michigan State University in the U.S. from January 1997 to December 1998. Mr. Ren has published about 10 research papers on topics including adipogenesis and fat-cell function in obesity and diabetes, among others.

Non-executive Director

Ms. SUN Yanyan (孫妍妍), aged 33, was appointed as a non-executive Director of our Company on March 30, 2020. Ms. Sun is an investment director of Fenghong Investment Management (Shanghai) Limited (風鴻投資管理(上海)有限公司, "**Fenghong Investment**"), an investment management company and is responsible for investment management in healthcare industry at her role at Fenghong Investment. Prior to joining Fenghong Investment, Ms. Sun has over 6 years of experiences working in the medical equipment industry with experience in corporate financing, investors' relations and marketing. Ms. Sun obtained her Ph.D degree from Fudan University in July 2014 and obtained her bachelor of science in biology from Nanchang University in July 2009.

Independent Non-executive Directors

Mr. FU Lei (傅磊), aged 58, was appointed as an independent non-executive Director on April 14, 2019. Mr. Fu has been a professor of medical chemistry in the School of Pharmacy of Shanghai Jiao Tong University since 2006. Mr. Fu was a lecturer at Fudan University and was an invited scientist at Free University from September 1990 to August 1993. From November 1998, Mr. Fu served as a principal investigator of Pharmacyclics, Inc., a U.S. company focusing on the developing and commercializing small-molecule medicines for the treatment of cancers and immunemediated diseases. Mr. Fu obtained his bachelor's degree in radiochemistry from Fudan University in the PRC in July 1984. He obtained his Ph.D. degree in chemistry from Stanford University in the U.S. in September 1997.

Ms. LI Xiangrong (李向荣), aged 48, was appointed an independent non-executive Director on April 14, 2019. Ms. Li was employed with Unilever for various positions from 1993 to 2010, including serving as the financial controller for greater China region from 2007 to 2010. Ms. Li served as the chief financial officer of Hengdeli Holdings Ltd (HK.3389) from 2010 to August 2014. Ms. Li served as the chief financial officer of Homeinns Hotel Group (previously listed on NASDAQ with stock ticker HMIN) from August 2014 to April 2016. Following merger of Homeinns Hotel Group and Beijing Tourist Hotel (Group) Co., Ltd. (北京首旅酒店(集團)股份有限公司) in April 2016, Ms. Li has served as the deputy general manager and financial controller of Beijing Tourist Hotel (Group) Co., Ltd. (北京首旅酒店(集團)股份有限公司) (600258) since then. Since September 6, 2019, Ms. Li was appointed as an independent director and served on the board of directors for MakeMyTrip Limited, an Indian online travel company (listed on NASDAQ with the stock ticker MMYT).

Ms. Li obtained a graduation certificate for her bachelor's degree in international accounting jointly awarded by the Shanghai University of Finance and Economics (上海財經大學) and Shanghai International Studies Institute (上海外國語學院, now known as Shanghai International Studies University (上海外國語大學)) in July 1993. She obtained a master's degree in executive management business administration from China Europe International Business School (中歐國際商學院) in September 2008 and is now a senior member of The Association of Chartered Certified Accountants and a member of The Chinese Institute of Certified Public Accountants (中國註冊會計師會).

Mr. WANG Haiguang (王海光), aged 58, was appointed as an independent non-executive Director on April 14, 2019. Mr. Wang was a teacher at Hangzhou University (杭州大學) (now merged into Zhejiang University (浙江大學)) from April 1983 to April 1984. Mr. Wang worked at the Publicity Department of Zhejiang Province from May 1984 to January 1990 and the General Office of the Party School of the Central Committee of the Communist Party of China from February 1990 to July 1995, respectively. From July 1995 to April 1997, Mr. Wang served as deputy general manager of Zhejiang World Trade Center Co., Ltd. (浙江世界貿易中心有限公司), a trading company, and was primarily responsible for day-to-day operations of the company. From May 1997 to June 2006, Mr. Wang served as the executive president, primarily responsible for day-to-day operations of the company, at Nandu Group Holding Co., Ltd. (南都集團控股有限公司). Mr. Wang has served as the chairman of the board of directors of Zhejiang Nandu Power Source Co., Ltd. (浙江南都電源動力股份有限公司, stock code: 300068), Narada Hotel Group, Zhejiang World Trade Center Co., Ltd. (浙江世界貿易中心有限公司), the vice executive president and director of Shanghai Nandu Group Co., Ltd. (上海南都集團有限公司) since June 2006, as well as the chairman of the board of directors of Zhejiang Vanke Nandu Real Estate Co., Ltd. (浙江萬科南都房地產有限公司) since October 2006.

Mr. Wang obtained his bachelor's degree in philosophy from Hangzhou University (杭州大學) (now merged into Zhejiang University) in the PRC in July 1983. Mr. Wang currently serves as the deputy chairman of The Listed Company Association of Zhejiang (浙江上市公司協會) and The Zhejiang Province Real Estate Industry Association (浙江省房地產行業協會).

SENIOR MANAGEMENT

Mr. MAO Chen Cheney (毛晨) was appointed as the chief executive officer of our Company on July 3, 2018. Please refer to " – Board of Directors – Executive Directors" for his biographical details.

Mr. WU Ying (吳鷹) was appointed as the executive vice president of our Company on July 3, 2018. Please refer to " – Board of Directors – Executive Directors" for his biographical details.

Mr. HUA Fengmao (華風茂) was appointed as the chief financial officer of our Company on July 3, 2018. Please refer to "– Board of Directors – Executive Directors" for his biographical details.

Mr. REN Delin (任德林) was appointed as the president of our Company on July 3, 2018. Please refer to "– Board of Directors – Executive Directors" for his biographical details.

Mr. YE Zhixiong (葉志雄), aged 61, was appointed as the chief scientific officer of our Company on July 10, 2018, and is mainly responsible for the research and development related matters. Mr. Ye served as the vice president of the Department of Chemistry in Viva Biotech Shanghai from September 2009 to July 1, 2017. Prior to joining our Group, Mr. Ye worked as a senior research fellow at Merck & Company, Inc. (NYSE: MRK), an American pharmaceutical company, for a period of over 13 years. During Mr. Ye's employment with Merck & Company, Inc., he participated and directed drug research and development projects targeted at diabetes, obesity and endocrine related diseases.

Mr. Ye obtained his bachelor's degree in chemistry from Fudan University (復旦大學) in the PRC in July 1982, and obtained his master's degree in chemistry from the Montana State University in the U.S. in July 1991. Mr. Ye obtained his Ph.D. degree in chemistry from the University of Minnesota in the U.S. in July 1996.

Mr. Cheng Xueheng (程學恒), aged 65, joined Viva Biotech Shanghai in September 2009 and was appointed as the chief technology officer of the Company on August 23, 2019. Prior to joining the Group, Mr. Cheng served as vice president and chief scientist officer at Excel Research from August 2008 to August 2009. From June 1995 to August 2008, he served as senior group leader of high throughput mass spectrometry laboratory at Abbott Laboratories. Mr. Cheng served as a senior scientist at Pacific Northwest National Laboratory in the U.S. from November 1992 to June 1995. Mr. Cheng worked as a research associate at the University of Maryland from September 1991 to October 1992. From September 1989 to September 1991, Mr. Cheng worked as a research associate at Harvard University. Mr. Cheng obtained his bachelor's degree in chemistry from Peking University in 1982. He obtained his Ph.D. degree in organic chemistry from Harvard University in 1989.

Mr. Xu David Daqiang (許大強), aged 57, joined our Group in 2019 and was appointed as the chief business officer of the Company on August 23, 2019. Prior to joining the Group, Mr. Xu was the vice president in charge of the Pharmaceutical Business Unit at Zhejiang Jiuzhou Pharmaceuticals Co. Ltd. (浙江九洲藥業股份有限公司) in 2018. From 2014 to 2017, he worked at Purdue Pharmaceuticals, LP, where he was the head of marketing for in-line products and head of new product planning for the pipeline products. From 2010 to 2014, Mr. Xu served as executive director and head of Specialty Product Franchise at Sandoz Inc., a division of Novartis group. From 2008 to 2010, Mr. Xu served as the head of the Chemical and Analytical Research and Development Unit at Suzhou Novartis Pharmaceutical Technology and as a general manager responsible for the operation of the unit. He also served at various positions at Novartis Pharmaceuticals Corp. (U.S.) from 1993 to 2008 in both research and development functions and commercial functions, with his last position being the associate director on the Femara brand team at Novartis Oncology Business Unit. Mr. Xu obtained his bachelor's degree in chemistry from Peking University in 1985. He obtained his Ph.D. degree in chemistry from University of California, Los Angeles, in 1991. He also obtained an MBA degree from the Wharton School of Business at University of Pennsylvania in 2001.

Mr. LIU Rongqiang (劉容強), aged 56, was appointed as the vice president of the Department of Chemistry of our Company on July 10, 2018 and is primarily responsible for the management of the Department of Chemistry. Mr. Liu joined our Group in March 2018 and has since served as the vice president of the Department of Chemistry of Viva Biotech Shanghai and the site head of Jiaxing Viva. From May 2001 to May 2008, Mr. Liu was a senior researcher at Pharmacopeia, Inc., a U.S. biopharmaceutical company which engages in the drug discovery and development and Mr. Liu's research were primarily concerning inflammatory diseases, central nervous system and Oncology. From August 2008 to August 2012, Mr. Liu served as a senior director in Shanghai ChemPartner Co., Ltd. (上海睿智化學研究有限公司), a CRO based in China, and was mainly responsible for providing chemistry support for a number of pharmaceutical companies. From September 2012 to November 2016, he served as a director of external medicinal chemistry at Merk, Sharp & Dohme Co., a leading pharmaceutical company in the world. From December 2016 to February 2018, he served as the executive director of medicinal chemistry at Shanghai Bioduro Co., Ltd. (上海諾潤生物科技有限公司), a company engaged in the provision of contract research services for drug research and development, and was responsible for the overall management and operation of the chemistry division. Mr. Liu obtained his bachelor's degree in chemistry and master's degree in organic chemistry from Nankai University (南開大學) in the PRC in September 1987 and September 1990, respectively. He obtained his Ph.D. degree in science from the University of Lausanne in Switzerland in November 1996. Mr. Liu was a postdoctoral research associate in bioorganic chemistry and peptide chemistry at the University of Minnesota in the U.S. from February 1997 to May 2001. Mr. Liu has published about 15 research papers on topics including anemia and anti-tumor kinase inhibitors.

Mr. WANG Jie (王傑), aged 55, was appointed as the vice president of the Department of Biology of our Company on July 10, 2018 and is mainly responsible for bioassay development and platform management in drug discovery. Mr. Wang joined our Group in January 2018 and has served as the vice president of the Department of Biology of Viva Biotech Shanghai since then, and is primarily responsible for bioassay development and platform management in drug discovery. Mr. Wang's work experience prior to joining our Group is set forth below.

- From November 2003 to November 2006, Mr. Wang consecutively served as a research associate and research assistant professor in the Department of Biochemistry and Molecular Biology at the University of Chicago. Prior to this, Mr. Wang served as an associate in the Howard Hughes Institute of Medicine at the University of Chicago, and was mainly responsible for research on islet cell biology and diabetes.

- From November 2006 to June 2012, Mr. Wang served as an assistant professor (tenuretrack) at the Division of Endocrinology, Diabetes and Metabolism in the Department of Internal Medicine at The Ohio State University, and was mainly responsible for research on islet cell biology and diabetes.

- From September 2012 to October 2017, he served as the principal scientist at the Lilly China Research and Development Co. Ltd, a U.S. pharmaceutical company primarily engaged in drug research and development, and was mainly responsible for reviewing potential drug targets, leading drug discovery and development projects for treatment of metabolic diseases such as diabetes, obesity and nonalcoholic steatohepatitis and leading pancreatic islet function and translational biomedicine platforms and sections.

Mr. Wang obtained his bachelor's degree in animal science and his master's degree in animal physiological and biochemical from Henan Agricultural University (河南農業大學) in the PRC in July 1986 and July 1991, respectively. He obtained a certificate of completion of the Ph.D. course in animal genetic engineering at China Agricultural University (中國農業大學, formerly known as Beijing Agricultural University (北京農業大學)) in the PRC in January 1995. Mr. Wang received his Ph.D. degree in physiological medical sciences from Japan Gunma University in Japan in March 2000. Mr. Wang has published over 20 research papers on topics including metabolic, beta-cell proinsulin structural biological processes, diabetes-related gene mutations and pathogenesis, development of new drugs for treatment of diabetes, among others.

JOINT COMPANY SECRETARY

Ms. FEI Xiaoyu (費曉玉), aged 34, was appointed as a joint company secretary of our Company on July 10, 2018. Ms. Fei joined our Group as an assistant to president in Viva Biotech Shanghai in July 2009. Starting from November 2011, Ms. Fei has been concurrently serving as assistant to president and officer manager in Viva Biotech Shanghai. Since joining our Group, she has mainly been responsible for assisting the chairman and the chief executive officer of Viva Biotech Shanghai in the daily operations and administrative matters of Viva Biotech Shanghai and has participated in the discussions of material decisions of the Group. Ms. Fei obtained her bachelor's degree in Japanese language from Shanghai Normal University (上海師範大學) in July 2009, and obtained her graduate diploma for completing the courses of mater of business administration from Hong Kong International Business College in June 2012.

Ms. CHAU Hing Ling (周慶齡), aged 46, was appointed as a joint company secretary of our company on July 10, 2018. She joined Vistra Corporate Services (HK) Limited ("**Vistra**") since June 2013 and now serves as a director of corporate services of Vistra, where she leads a team of professional staff to provide a full range of corporate services and listed company secretary services. Prior to joining Vistra, she was an associate director of corporate services of an international corporate services provider.

Ms. Chau has over 20 years of experience in the corporate services industry. She is currently the company secretary of several companies listed on the Stock Exchange. Ms. Chau received a Master of Laws degree majoring in corporate and financial law from The University of Hong Kong in November 2007. She has been a fellow member of the Chartered Governance Institute (formerly know as Institute of Chartered Secretaries and Administrators) and the Hong Kong Institute of Chartered Secretaries since May 2013.

CHANGES TO DIRECTORS' INFORMATION

The change in the Board and Director's Information since the date of the Company's 2020 interim report is set out below:

1. Ms. Mao Jun resigned from the office of a non-executive Director on November 3, 2020.

Save as disclosed herein, the Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

On behalf of the Board

MAO Chen Cheney
Chairman and Chief Executive Officer

Hong Kong, March 30, 2021

Corporate Governance Report

The Board of Directors is pleased to present the corporate governance report for the Company for the year ended December 31, 2020.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Board has adopted the principles and the code provisions of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules to ensure that the Company's business activities and decision making processes are regulated in a proper and prudent manner.

In the opinion of the Directors, the Company has complied with the relevant code provisions contained in the CG Code during the year ended December 31, 2020.

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. Under the current organization structure of the Company, Mr. Mao Chen Cheney is the chairman and chief executive officer of the Company. With his extensive experience in the industry, the Board believes that vesting the roles of both chairman and chief executive officer in the same person provides the Company with strong and consistent leadership, allow for effective and efficient planning and implementation of business decisions and strategies, and is beneficial to the business prospects and management of the Group. Although Mr. Mao Chen Cheney performs both the roles of chairman and chief executive officer, the division of responsibilities between the chairman and chief executive officer is clearly established. In general, the chairman is responsible for supervising the functions and performance of the Board, while the chief executive officer is responsible for the management of the business of the Group. The two roles are performed by Mr. Mao Chen Cheney distinctly. We also consider that the current structure does not impair the balance of power and authority between the Board and the management of the Company given the appropriate delegation of the power of the Board and the effective functions of the independent non-executive Directors. However, it is the long-term objective of the Company to have these two roles performed by separate individuals when suitable candidates are identified.

The Board will continue to review and monitor the practices of the Company with an aim of maintaining a high standard of corporate governance.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its code of conduct regarding dealings in the securities of the Company by the Directors and the Company's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company's securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the Reporting Period. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Company during the Reporting Period.

BOARD OF DIRECTORS

The Board currently comprises four executive Directors, one non-executive Director and three independent non-executive Directors.

The composition of the Board is as followings:

Executive Directors
Mr. MAO Chen Cheney (毛晨) *(Chairman)*
Mr. WU Ying (吳鷹)
Mr. HUA Fengmao (華風茂)
Mr. REN Delin (任德林)

Non-executive Director
Ms. SUN Yanyan (孫妍妍) (appointed on March 30, 2020)
Ms. MAO Jun (毛雋) (resigned on November 3, 2020)
Mr. John WU Jiong (吳炯) (resigned on March 30, 2020)

Independent non-executive Directors
Mr. FU Lei (傅磊)
Ms. LI Xiangrong (李向荣)
Mr. WANG Haiguang (王海光)

The biographical details of the Directors are set out in the section headed "Directors and Senior Management" on pages 42 to 50 of this report. Both Mr. John WU Jiong and Ms. MAO Jun resigned from their position in order to devote more time to pursue their respective other business engagements and has confirmed that they each have no disagreement with the Board.

Save as disclosed in this report, none of the members of the Board is related to one another.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Under the current organization structure of the Company, Mr. Mao Chen Cheney is the chairman and chief executive officer of the Company. With his extensive experience in the industry, the Board believes that vesting the roles of both chairman and chief executive officer in the same person provides the Company with strong and consistent leadership, allow for effective and efficient planning and implementation of business decisions and strategies, and is beneficial to the business prospects and management of the Group. Although Mr. Mao Chen Cheney performs both the roles of chairman and chief executive officer, the division of responsibilities between the chairman and chief executive officer is clearly established. In general, the chairman is responsible for supervising the functions and performance of the Board, while the chief executive officer is responsible for the management of the business of the Group. The two roles are performed by Mr. Mao Chen Cheney distinctly. We also consider that the current structure does not impair the balance of power and authority between the Board and the management of the Company given the appropriate delegation of the power of the Board and the effective functions of the independent non-executive Directors. However, it is the long-term objective of the Company to have these two roles performed by separate individuals when suitable candidates are identified.

DIRECTORS' AND SENIOR MANAGEMENT'S LIABILITY INSURANCE AND INDEMNITY

The Company has arranged appropriate liability insurance to indemnify the Directors and senior management of the Company for their liabilities arising out of corporate activities. The insurance coverage will be reviewed on an annual basis.

BOARD MEETINGS AND COMMITTEE MEETINGS

Code provision A.1.1 of the Corporate Governance Code stipulates that board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communications.

During the year ended December 31, 2020, seven Board meetings were held at which the Board considered and approved interim and annual results announcements, interim and annual reports and other business affairs of the Group. The Company expects to continue to convene at least four regular meetings in each financial year at approximately quarterly intervals in accordance with code provision A.1.1 of the Corporate Governance Code.

A summary of the attendance record of the Directors at Board meetings and committee meetings is set out in the following table below:

Name of Director	Number of meeting(s) attended/number of meeting(s) held for the year ended December 31, 2020 Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors:				
Mr. MAO Chen Cheney	7/7	N/A	N/A	1/1
Mr. WU Ying	7/7	N/A	N/A	N/A
Mr. HUA Fengmao	7/7	N/A	N/A	N/A
Mr. REN Delin	7/7	N/A	N/A	N/A
Non-executive Directors:				
Ms. MAO Jun[(1)]	5/5	N/A	N/A	N/A
Mr. John WU Jiong[(2)]	1/1	N/A	N/A	N/A
Ms. SUN Yanyan[(3)]	6/6	N/A	N/A	N/A
Independent Non-executive Directors:				
Mr. FU Lei	7/7	3/3	1/1	1/1
Ms. LI Xiangrong	7/7	3/3	1/1	N/A
Mr. WANG Haiguang	7/7	3/3	1/1	1/1

Note 1: Ms. MAO Jun resigned as a non-executive Director on November 3, 2020

Note 2: Mr. John Wu Jiong resigned as a non-executive Director on March 30, 2020.

Note 3: Ms. SUN Yanyan was appointed as a non-executive Director on March 30, 2020.

NON-EXECUTIVE DIRECTORS AND INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board has received from each of the independent non-executive Directors a written annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers each of them to be independent. Each of the independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years with effect from the date of the Prospectus or until the third annual general meeting of the Company since the Listing Date (whichever is sooner). Ms. Sun Yanyan has entered into an appointment letter with the Company for a term of three years commencing from March 30, 2020.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

All the Directors are subject to retirement by rotation and re-election at annual general meeting. Pursuant to the Articles of Association, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office and be eligible for re-election at each annual general meeting, provided that every Director is subject to retirement by rotation at least once every three years. In addition, any new Director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting and be subject to re-election.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board is the primary decision making body of the Company and is responsible for overseeing the Group's businesses, strategic decisions and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group.

To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the audit committee, the remuneration committee and the nomination committee. The Board has delegated to the Board committees responsibilities as set out in their respective terms of reference. All Board committees are provided with sufficient resources to perform their duties.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations and in the interests of the Company and its shareholders at all time.

The Group's senior management is responsible for the day-to-day management of the Group's business and is responsible for overseeing the general operation, business development, finance, marketing, and operations.

BOARD COMMITTEES

We have established the following committees in our Board: an audit committee, a remuneration committee and a nomination committee. The committees operate in accordance with terms of reference established by the Board.

Audit Committee

The Company has established an audit committee (with effect from the Listing Date) with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 and paragraph D.3 of the CG Code. The audit committee consists of three independent non-executive Directors being Ms. LI Xiangrong, Mr. WANG Haiguang and Mr. FU Lei. The chairman of the audit committee is Ms. LI Xiangrong. Ms. Li Xiangrong holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the audit committee are to review of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as assigned by the Board.

For the year ended December 31, 2020, the audit committee convened three meetings. The attendance record of the Directors at meetings of the audit committee is set out in the table on page 54.

During the meeting(s), the audit committee:

- reviewed annual results of the Group for the year ended December 31, 2019;
- reviewed interim results of the Group for the six-months ended June 30, 2020;
- discussed and made recommendation as to the appointment of the Company's auditor for the year ended December 31, 2020; and
- reviewed the financial reporting system, compliance procedures, internal control (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function and risk management and internal control systems and processes of the Group).

Remuneration Committee

The Company has established a remuneration committee (with effect from the Listing Date) with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the CG Code. The remuneration committee consists of three independent non-executive Directors being Ms. Li Xiangrong, Mr. Wang Haiguang and Mr. Fu Lei. The remuneration committee is chaired by Ms. Li Xiangrong. The remuneration committee has adopted the second model described in paragraph B.1.2(c) under Appendix 14 to the Listing Rules (i.e. make recommendation to the Board on the remuneration packages of individual executive Director and senior management member). The primary duties of the remuneration committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management.

For the year ended December 31, 2020, the remuneration committee convened one meeting. The attendance record of the Directors at meetings of the remuneration committee is set out in the table on page 54.

During the meeting(s), the remuneration committee reviewed the Company's policy and structure for the remuneration of all the Directors and senior management and the remuneration packages of the executive Directors and senior management of the Group.

Details of the remuneration payable to each Director of the Company for the year ended December 31, 2020 are set out in Note 9 to the Financial Statements.

The remuneration of the members of senior management by band for the year ended December 31, 2020 is set out below:

Remuneration Bands *(RMB)*	**Number of Persons**
3,000,000-4,000,000	1
1,000,000-2,000,000	7
0-1,000,000	1
TOTAL	9

Nomination Committee

The Company has established a nomination committee (with effect from the Listing Date) with written terms of reference in compliance with paragraph A.5 of the CG Code. The nomination committee consists of one executive Director, being Mr. Mao Chen Cheney, and two independent non-executive Directors, being Mr. Fu Lei and Mr. Wang Haiguang. The chairman of the Nomination Committee is Mr. Mao Chen Cheney. The primary duties of the nomination committee include, without limitation, reviewing the structure, size and composition of our Board, assessing the independence of independent non-executive Directors and making recommendations to our Board on matters relating to the appointment of Directors.

For the year ended December 31, 2020, the nomination committee convened one meeting. The attendance record of the Director at meetings of the nomination committee is set out in the table on page 54.

During the meeting(s), the nomination committee review the structure, size and composition of the Board as well as nomination of proposed directors. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained and has not set any measurable objective implementing the Board diversity policy.

Board Diversity Policy

The Company has adopted a board diversity policy (the "**Diversity Policy**") which sets out the approach to achieve diversity of the Board. The Company embraces the benefits of having a diverse Board to enhance the quality of its performance.

Pursuant to the Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of aspects, including, but not limited to, gender, age, culture and educational background, professional qualifications, skills, knowledge and industry and regional experience.

In identifying and selecting suitable candidates to serve as a director of the Company, the nomination committee would consider the above criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendations to the Board.

The Board will consider setting measurable objectives to implement the Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. At present, the Board has not set any measurable objectives.

The nomination committee will review the Diversity Policy, as appropriate, to ensure its effectiveness. Further details on the biographies and experience of the Directors are set out on pages 42 to 50 of this report.

The nomination committee has reviewed the membership, structure and composition of the Board, and is of the opinion that the structure of the Board is reasonable, and the experiences and skills of the Directors in various aspects and fields can enable the Company to maintain high standard of operation.

Dividend Policy

We may declare and pay dividends by way of cash or by other means that we consider appropriate in the future. Distribution of dividends shall be formulated by our Board at its discretion and will be subject to shareholders' approval. A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on, among other things, our results of operations, cash flows and financial condition, operating and capital expenditure requirements, distributable profits as determined under IFRS, our Articles of Association, the Companies Law and any other applicable law and regulations and other factors that our Directors may consider relevant. In addition, declaration and/or payment of dividends may be limited by legal restrictions and/or by financing agreements that we may enter into in the future.

Our Board currently intends, subject to the approval of our shareholders and unless otherwise required by applicable laws, to distribute to our shareholders up to 40% of any distributable profit (excluding any unrealized fair value gains from our incubation portfolio companies) for the financial year ended December 31, 2020 and each year thereafter provided that the Company shall have sufficient working capital for business operations. There is, however, no assurance that dividends of such amount or any amount will be declared or distributed in such year or in any given year.

Nomination Policy

The Company has adopted a nomination policy (the "**Nomination Policy**") which sets out the selection criteria and procedures to nominate board candidates. The Nomination Policy aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

Pursuant to the Nomination Policy, the nomination committee shall identify suitable board candidates and make recommendation to the Board, after accessing a number of factors of a proposed candidate, including, but not limited to, reputation, professional skills, independence of proposed independent non-executive Directors and diversity in all aspect. The Board shall have the final decision in relation to its nomination of any candidates to stand for election at a general meeting.

The nomination committee will review the Nomination Policy, as appropriate, and recommend revision to the Board for consideration and approval.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing the functions set out in code provision D.3.1 of the Corporate Governance Code.

The Board would review the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, and the Company's compliance with the Corporate Governance Code and disclosure in its Corporate Governance Report.

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The company secretary of the Company may from time to time and as the circumstances require provide updated written training materials relating to the roles, functions and duties of a director of a company listed on the Stock Exchange.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2020.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Pursuant to the code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

Pursuant to the code provision A.6.1 of the CG Code, each newly appointed Director should be provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statues, laws, rules and regulations.

During the year ended December 31, 2020 and up to the date of this report, the Directors were regularly briefed on the amendments to or updates on the relevant laws, rules and regulations.

All Directors, namely Mr. Mao Chen Cheney, Mr. Wu Ying, Mr. Hua Fengmao, Mr. Ren Delin, Ms. Mao Jun (resigned on November 3, 2020), Mr. John Wu Jiong (resigned on March 30, 2020), Ms. Sun Yanyan (appointed on March 30, 2020), Mr. Fu Lei, Ms. Li Xiangrong and Mr. Wang Haiguang, have been updated with the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. In addition, continuing briefing and professional development to Directors will be arranged whenever necessary.

The Directors are asked to submit a signed training record to the Company on an annual basis.

AUDITORS' RESPONSIBILITY AND REMUNERATION

The Company appointed Ernst & Young as the external auditor for the year ended December 31, 2020. A statement by Ernst & Young about their reporting responsibilities for the financial statements is included in the Independent Auditor's Report on pages 90 to 91.

Details of the fees paid/payable in respect of the audit and non-audit services provided by Ernst & Young for the year ended December 31, 2020 are set out in the table below:

Services rendered for the Company	Fees paid and payable
	RMB'000
Audit services:	
Annual audit services	3,000
Acquisition Reporting Accountant	4,000
Non-audit services:	
Interim review services	800
Total	7,800

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness in order to achieve the Company's objectives. The Company adopted a series of internal control policies, measures, and procedures designed to provide reasonable assurance, which including effective standards, efficient operations, reliable financial reporting and compliance with applicable laws and regulations. The internal control system can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve business objectives. Below is a summary of the internal control policies, measures, and procedures we have implemented:

- The Company conducted, through its internal audit team, an annual audit of the internal controls of each business department, a review on the effectiveness of the risk management and internal control systems and considered them effective and adequate. The audit included reviewing the management of financial statements, sales and receivables, purchasing and payment, fixed assets and intangible assets, human resource, research and development, nature and extent of significant risks (and the Company's ability to respond to such risks and changes). The audit procedures could be summarized as below, including not limited:

  1) Interview with responsible personnel;

2) Obtain and review the required documents;

3) Test the design and operating effectiveness of the internal control system

- The Company published the risk management and internal control policies, measures and procedures to ensure that the Company maintained reasonable and effective internal controls and compliance with applicable laws and regulations. Besides, the Company insisted on monitoring the implementation of internal control policies, measures, and procedures, making sure that they were the most updated version based on the current business model.

- The Company implemented the relevant internal control policies, measures and procedures on the site and making quarterly and annual regular inspections about the on-site implementation of such policies, measures, and procedures for each stage of the Company's drug discovery and development process.

- The Company adopted various measures and procedures regarding each aspect of the Company's business operation, such as project management, quality assurance, environmental protection, and occupational health and safety. The Company provided the periodic training for the employees, which was one part of Employee Training Program. The Company also required the staff to carry out business activities in accordance with relevant laws, regulations and Company policies by regularly communicating updates and reminders through emails, staff meetings.

- The Company has developed internal policies that provide general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to prevent unauthorized access and use of inside information.

- The Company has also developed a risk management process to identify, evaluate and manage significant risks and to resolve material internal control defects. Senior management of the Group is responsible for the risk reporting process. Risks identified are documented and mitigation plans are deviced. The risk assessment is reviewed by certain members of the senior management and presented to the Audit Committee and the Board for their review.

- The audit committee had the responsibility for monitoring the effectiveness of the risk management and internal control systems. It is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective internal control systems.

- The Company engaged Guotai Junan Capital Limited as the compliance adviser to provide professional advice to Directors and management team for the period commencing from the Listing Date and the ending on the date that our Company dispatched its annual report in respect of the first full financial year results regarding of the Listing Rules.

COMPANY SECRETARY AND PRIMARY CONTACT OF THE COMPANY

The Company engaged Ms. Chau Hing Ling, the director of Corporate Services of Vistra Corporate Services (HK) Limited (a company secretarial service provider), as a joint company secretary of the Company. Ms. Fei Xiaoyu is another joint company secretary of the Company, and is the primary contact of Ms. Chau Hing Ling at the Company.

In compliance with Rule 3.29 of the Listing Rules, Ms. Fei Xiaoyu and Ms. Chau Hing Ling both undertook not less than 15 hours of relevant professional training to update their skills and knowledge during the year ended December 31, 2020.

GENERAL MEETING

For the year ended December 31, 2020, two extraordinary general meetings and one annual general meeting of the Company were held. The attendance record of the directors is set out in the table below:

Directors	**Attended in person/ Eligible to attend**
Mr. MAO Chen Cheney	3/3
Mr. WU Ying	3/3
Mr. HUA Fengmao	3/3
Mr. REN Delin	3/3
Ms. MAO Jun *(Note 1)*	2/2
Mr. John WU Jiong *(Note 2)*	0/0
Ms. SUN Yanyan	3/3
Mr. FU Lei	3/3
Ms. LI Xiangrong	3/3
Mr. WANG Haiguang	3/3

Notes:

1. Ms. MAO Jun resigned as a non-executive Director on November 3, 2020.

2. Mr. John WU Jiong resigned as a non-executive Director on March 30, 2020.

SHAREHOLDERS' RIGHTS

Convening of Extraordinary General Meetings ("EGM") by Shareholders

Pursuant to article 12.3 of the Articles of Association, the Board may, whenever it thinks fit, convene an EGM. General meetings shall also be convened on the written requisition of any two or more members deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

General meetings may also be convened on the written requisition of any one member which is a recognized clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Putting Forward Enquiries to the Board and Contact Details

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	334 Aidisheng Road, Zhangjiang Hi-tech Park, Shanghai 201203, China
Telephone:	+86 21 60893288
Fax:	+86 21 60893290
Email:	info@vivabiotech.com

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the forthcoming annual general meeting, Directors (or their delegates as appropriate) will be available to meet Shareholders and answer their enquiries.

The Company has maintained a website (www.vivabiotech.com) as the platform to communicate with the Shareholders and investors of the Company. The financial information and other information of the Company is published on such website for Shareholders' inspection.

CHANGES IN CONSTITUTIONAL DOCUMENTS

During the year ended December 31, 2020, the Company did not made any significant changes to its constitutional documents.

Other Information

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at December 31, 2020, the interests or short positions of the Directors or chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(i) Interest in Shares and underlying Shares

Name of Director	Nature of interest	Number of ordinary shares	Approximate percentage of the Company's issued share capital+
Mr. Mao Chen Cheney(2)	Beneficial owner	14,692,551 (L)	0.77%
	Trustee	200,000,000 (L)	10.43%
	Beneficiary of a trust (other than a discretionary interest)	67,065,976 (L)	3.50%
	Interest of controlled corporation	25,925,000 (L)	1.35%
	Interest of spouse	100,000,000 (L)	5.21%
	Other	75,000,000 (L)	3.91%

Name of Director	Nature of interest	Number of ordinary shares	Approximate percentage of the Company's issued share capital+
Mr. Hua Fengmao(3)	Interest in controlled corporation	123,857,056 (L)	6.46%
	Beneficial owner	4,044,555 (L)	0.21%
	Beneficiary of a trust (other than a discretionary interest)	8,979,308 (L)	0.47%
Mr. Wu Ying(4)	Beneficial owner	16,499,973 (L)	0.86%
	Interest of spouse	4,324,654 (L)	0.23%
	Beneficiary of a trust (other than a discretionary interest)	640,000 (L)	0.03%
Mr. Ren Delin(5)	Beneficiary of a trust (other than adiscretionary interest)	5,906,931 (L)	0.31%
	Beneficial owner	9,553,317 (L)	0.50%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Mr. Mao Chen Cheney is the settlor and trustee of the Mao Investment Trust and is interested in the Shares held by him in his capacity as trustee of the Mao Investment Trust. Also Mr. Mao Chen Cheney is the investment manager of the Min Zhou 2018 Family Trust and the manager of MZFT, LLC who exercises the voting rights of the Shares directly held by MZFT, LLC. Mr. Mao Chen Cheney is also a beneficiary of Min Zhou 2018 Family Trust, CCMFT Trust Scheme and The Chen Mao Charitable Remainder Trust. Mr. Mao Chen Cheney is also interested in the Shares that has been lent to J.P. Morgan Securities plc pursuant to a securities lending agreement dated December 17, 2020. Mr. Mao Chen Cheney is the spouse of Ms. Zhou Min. Under the SFO, they are deemed to be interested in the same number of Shares in which the other person is interested in.

(3) Mr. Hua Fengmao holds 100.00% equity interest in China Finance Strategies Investment DB Limited. Therefore, Mr. Hua Fengmao is deemed to be interested in the Shares directly held by China Finance Strategies Investment DB Limited.

(4) Mr. Wu Ying is the spouse of Ms. Zhao Huixin. Under the SFO, Mr. Wu Ying is deemed to be interested in the same number of Shares in which Ms. Zhao Huixin is interested in.

(5) Mr. Ren Delin is a beneficiary of Vivastar Trust Scheme.

+ The percentage represents the number of ordinary shares/underlying shares interested divided by the number of the Company's issued shares as at December 31, 2020.

(ii) Interest in associated corporations of the Company

Name of Director	Name of associated corporation	Capacity/Nature of interest	Class of shares in which interested	Number of shares	Approximate percentage of holding of such class of shares
Mr. Mao Chen Cheney	Anji Pharmaceuticals Inc.(2)	Interest in controlled corporation	Ordinary	12,398,500	24.80%
	Clues Therapeutics Inc.(2)(3)	Interest in controlled corporation	Ordinary	20,257,515	17.73%
Mr. Hua Fengmao	Anji Pharmaceuticals Inc.(4)	Interest in controlled corporation	Ordinary	4,093,500	8.19%
	Anji Pharmaceuticals Inc.(4)	Interest in controlled corporation	Series seed preferred shares	1,500,000	7.06%
	Clues Therapeutics Inc.(4)	Interest in controlled corporation	Ordinary	6,400,000	5.60%

Notes:

(1) All shareholding interest as set out above are long position in the shares.

(2) Mr. Mao Chen Cheney holds 100.0% equity interest in Chencheney Ltd. Therefore, Mr. Mao Chen Cheney is deemed to be interested in the shares of Anji Pharmaceuticals and Clues Therapeutics directly held by Chencheney Ltd.

(3) On June 30, 2020, Mr. Mao Chen Cheney (through Chencehney Ltd) entered into a Convertible Note Purchase Agreement with Clues Therapeutics Inc. to subscribe for the 8% Convertible Promissory Note in the principal amount of US$447,039.092. The conversion price under which the Convertible Note is convertible into shares is subject to adjustments in accordance with the mechanism of the Convertible Note and reflects the calculation made at the time of the Convertible Note Purchase Agreement.

(4) Mr. Hua Fengmao holds 100.0% equity interest in H&D Biotech Investment Limited. Therefore, Mr. Hua Fengmao is deemed to be interested in the shares of Anji Pharmaceuticals and Clues Therapeutics directly held by H&D Biotech Investment Limited.

Save as disclosed above, as at December 31, 2020, so far as is known to any Director or the chief executive of the Company, none of the Directors or the chief executive of the Company has any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at December 31, 2020, so far as the Directors are aware, the following persons (other than our Directors or chief executives of our Company) had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Capacity/Nature of interest	Number of ordinary shares(1)	Approximate percentage+ of Company's issued share capital+
Ms. Mao Jun(2)	Beneficiary of a trust (other than a discretionary trust)	415,364,950 (L)	21.66%
Ms. Zhou Min(5)	Beneficial owner	100,000,000 (L)	5.21%
	Interest of spouse	382,683,527 (L)	19.95%
Zhang and Sons Limited(2)	Beneficial owner	159,433,021 (L)	8.31%
Mr. John Wu Jiong(3)	Interest in a controlled corporation	191,262,092 (L)	9.97%
	Other	43,000,000 (L)	2.24%
Fenghe Harvest Ltd(3)	Beneficial owner	124,821,323(L)	6.51%
	Other	30,000,000(L)	1.56%
China Finance Strategies Investment DB Limited(4)	Beneficial owner	123,857,056 (L)	6.46%
Z&M International Holdings Limited(2)	Interest in a controlled corporation	201,822,206 (L)	10.52%
Intertrust (Singapore) Ltd.(2)	Trustee	215,364,950 (L)	11.23%
JPMorgan Chase & Co.	Interest in a controlled corporation	158,166,188 (L)	8.25%
		141,241,500 (S)	7.36%
	Person having a security interest	39,235,795 (L)	2.05%
	Approved lending agent	33,949 (L)	0.00%

Notes:

1. The letter "L" and "S" denotes the person's long position and short position in the Shares, respectively.

2. Each of Mao and Sons Limited, and Zhang and Sons Limited is indirectly wholly-owned by Intertrust (Singapore) Ltd. as the trustee of the Z&M Trust (whose interest is held through Z&M International Holdings Limited). Each of JL and JSW Holding Limited, MENGL Holding Limited, TIANL Holding Limited and VVBI Limited is indirectly wholly-owned by Intertrust (Singapore) Ltd. as the trustee of the VVBI Trust (whose interest is held through VVBI Holdings Limited). Each of the Z&M Trust and the VVBI Trust is a revocable family trust set up by Ms. Mao Jun as settlor and protector. Ms. Mao Jun is also a beneficiary of the relevant family trusts. Therefore, Ms. Mao Jun is deemed to be interested in the Shares directly held by each of Mao and Sons Limited, Zhang and Sons Limited, JL and JSW Holding Limited, MENGL Holding Limited, TIANL Holding Limited and VVBI Limited. Ms. Mao Jun is also a beneficiary of Mao Investment Trust.

3. Mr. John Wu Jiong holds 100.00% equity interest in each of Fenghe Harvest Ltd and Wu and Sons Limited. In addition, Mr. John Wu Jiong holds 45.00% equity interest in Fenghe Canary Limited. Therefore, Mr. John Wu Jiong is deemed to be interested in the Shares directly held by Fenghe Harvest Ltd, Wu and Sons Limited and Fenghe Canary Limited. Mr. John Wu Jiong is also interested in the Shares that has been lent to J.P. Morgan Securities plc by Fenghe Harvest Ltd and Wu and Sons Limited pursuant to a securities lending agreement dated December 17, 2020.

4. Mr. Hua Fengmao holds 100.00% equity interest in China Finance Strategies Investment DB Limited. Therefore, Mr. Hua Fengmao is deemed to be interested in the Shares directly held by China Finance Strategies Investment DB Limited.

5. Mr. Mao Chen Cheney is the spouse of Ms. Zhou Min. Under the SFO, they are deemed to be interested in the same number of Shares in which the other person is interested in.

+ The percentage represents the number of ordinary Shares interested divided by the number of the issued Shares as at December 31, 2020

Save as disclosed above, as at the end of the Reporting Period, the Company is not aware of any other person (other than the Directors, Supervisors and the chief executive of the Company) having any interests or short positions in the Shares or underlying shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE INCENTIVE SCHEMES

1. Pre-IPO Share Incentive Schemes

(a) Purpose and Principal Terms

The purposes of the 2009 Stock Incentive Plan, the 2018 Stock Incentive Plan and the Pre-IPO Stock Incentive Plan are to enable the Group to grant options or awards to eligible persons (as determined by the Board or any committee designated by the Board to administer the scheme the "**Administrator**") including employees, directors and consultants of the Company or any related entity for purpose of attracting and retaining the best available personnel. The principal terms of the 2009 Stock Incentive Plan, the 2018 Stock Incentive Plan and the Pre-IPO Stock Incentive Plan are substantially the same, except for the maximum number of Shares which may be issued under each plan. The principal terms of the Pre-IPO Share Incentive schemes are as follows:

(i) Subject to any alterations set out under the Pre-IPO Share Incentive Schemes in the event of any share split, reverse share split, share dividend, combination or reclassification of Shares, increase or decrease of issued Shares effected without receipt of consideration by the Company and certain corporate transactions, the maximum number of Shares in respect of which options or awards may be granted under the 2009 Stock Incentive Plan, the 2018 Stock Incentive Plan and the Pre-IPO Stock Incentive Plan shall be 270,937,302 Shares (as adjusted for the increase in the number of issued shares resulting from a share split in January 2010 and adjusted after the capitalization issue), 57,892,351 Shares (adjusted after the capitalization issue) and 2,194,555 Shares (adjusted after the capitalization issue), respectively, in an aggregate representing approximately 22.07% of the issued share capital of the Company immediately before completion of the Global Offering but after completion of the capitalization issue;

(ii) No option or award under the Pre-IPO Share Incentive Schemes will be granted after Listing;

(iii) No consideration were paid by the grantees for the options and awards granted under the Pre-IPO Share Incentive Schemes;

(iv) Subject to the terms of the Pre-IPO Share Incentive Schemes and the terms set out in the notice of stock option award and the stock option award agreement entered into at the time of grant (the "**Stock Option Award Agreements**"), (i) if the option ("**Qualified Incentive Share Option**") is intended to qualify as an incentive stock option within the meaning of Section 422 of the Internal Revenue Code of 1986 (as amended) (the "**Code**"), it may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the grantee, only by the grantee; (ii) if the option is not intended to qualify as a Qualified Incentive Share Option ("**Non-qualified Incentive Share Option**"), it shall be transferable (a) by will and by the laws of descent and distribution and (b) during the lifetime of the grantee, to the extent and in the manner authorized by the Administrator. Notwithstanding the foregoing, the grantee may designate one or more beneficiaries of the grantee's award in the event of the grantee's death;

(v) Subject to the terms of the Pre-IPO Share Incentive Schemes and the terms set out in the Stock Option Award Agreements, the options and awards under the Pre-IPO Share Incentive Schemes shall automatically become fully vested and exercisable and be released from any repurchase or forfeiture rights (other than repurchase rights exercisable at fair market value) for all of awards outstanding or to the extent not assumed or replaced (as applicable) in the event of change of control or certain corporate transactions as defined under the Pre-IPO Share Incentive Schemes;

(vi) Subject to the terms of the Pre-IPO Share Incentive Schemes and the terms set out in the Stock Option Award Agreements, the options and awards under the Pre-IPO Share Incentive Schemes, (i) in the case of a Qualified Incentive Share Option, (a) if granted to an employee who, at the time of the grant of such Qualified Incentive Share Option owns shares representing more than 10% of the voting power of all classes of shares of the Company or any parent or subsidiary of the Company, the per Share exercise price shall be not less than 110% of the fair market value per Share on the date of grant; (b) if granted to any employee other than an employee described in the preceding paragraph,the per Share exercise price shall be not less than 100% of the fair market value per Share on the date of grant; (ii) in the case of a Non-qualified Incentive Share Option, the per Share exercise price shall be not less than 85% of the fair market value per Share on the date of grant unless otherwise determined by the Administrator; (iii) In the case of other awards, such price as is determined by the Administrator;

(vii) Each grantee to whom an option or award has been granted shall be entitled to the Shares they are awarded in accordance with the terms (including any restrictions and vesting requirement that may be imposed) of the Pre-IPO Share Incentive Schemes and the Stock Option Award Agreements, provided, however, that the term of a Qualified Incentive Share Option shall be no more than ten years from the date of grant thereof;

(viii) An award may be exercised following the termination of a grantee's continuous service only to the extent provided in the Stock Option Award Agreements;

(ix) The Board may at any time amend, suspend or terminate the Pre-IPO Share Incentive Schemes; provided, however, that no such amendment shall be made without the approval of the Company's shareholders to the extent such approval is required by applicable laws. No suspension or termination of the Pre-IPO Share Incentive Schemes shall adversely affect any rights under awards already granted to a grantee.

The Pre-IPO Share Incentive Schemes do not involve the grant of the option to subscribe for any new Shares and therefore is not required to be subject to the provisions in Chapter 17 of the Listing Rules. It does not cause any effect to the total number of Shares outstanding and will not result in any dilution effect to the Shares.

Each of Mr. Mao Chen Cheney, Mr. Wu Ying, Mr. Hua Fengmao and Mr. Ren Delin, as the executive Director and as the scheme participant holds directorship in the Company.

		Number of options					
Name and category of participant	**Date of grant**	**As of January 1, 2020**	**Exercised during the Reporting Period**	**Canceled during the Reporting Period**	**Lapsed during the Reporting Period**	**As of December 31, 2020**	**Vesting period**
Directors and their associates							
Mr. Mao Chen Cheney	January 2, 2018	2,194,555	2,194,555	–	–	0	*(Note 1)*
Mr. Wu Ying	January 2, 2018	4,358,386	4,358,386	–	–	0	*(Note 1)*
Mr. Hua Fengmao	January 2, 2018	8,339,308	2,194,555	–	–	6,144,753	*(Note 1)*
	June 21, 2018	2,194,555	2,194,555	–	–	0	*(Note 3)*
Mr. Ren Delin	January 2, 2018	5,266,931	0	–	–	5,266,931	*(Note 1)*
Ms. Zhao Huixin(4)	January 2, 2018	2,852,922	2,852,922	–	–	0	*(Note 1)*
Subtotal		25,206,657	13,794,973	–	–	11,411,684	

Name and category of participant	Date of grant	Number of options: As of January 1, 2020	Exercised during the Reporting Period	Canceled during the Reporting Period	Lapsed during the Reporting Period	As of December 31, 2020	Vesting period
Other employees	January 2, 2018	28,976,908	20,962,037	–	–	8,014,871	*(Note 1)*
	January 2, 2018	4,937,748	839,789	–	–	4,097,959	*(Note 2)*
Subtotal		33,914,656	21,801,826	–	–	12,112,830	
Total		59,121,313	35,596,799	–	–	23,524,514	

Notes:

(1) 100% of the options shall be fully vested and exercisable on the second anniversary of the date of grant.

(2) 40% of the options shall vest on the second anniversary of the date of grant, 20% of the options shall vest on the third anniversary of the date of grant, 20% of the options shall vest on the fourth anniversary of the date of grant, and the remaining 20% of the options shall vest on the fifth anniversary of the date of grant.

(3) 100% of the options shall vest upon completion of the Global Offering.

(4) Ms. Zhao Huixin is an employee of the Group and the spouse of Mr. Wu Ying.

2. Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme was adopted pursuant to the resolutions of the Shareholders on April 14, 2019, which falls within the ambit of, and is subject to, the regulations under Chapter 17 of the Listing Rules.

The purpose of the Post-IPO Share Option Scheme is to provide Eligible Participants (as defined below) with the opportunity to acquire proprietary interests in the Company and to encourage Eligible Participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole.

The Board of Directors may subject to and in accordance with the provisions of the Post-IPO Share Option Scheme and the Listing Rules, at its discretion grant options to any directors (including executive directors, non-executive directors and independent non-executive directors) and employees of any member of the Group and any advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners, services providers of any member of the Group who, in the absolute discretion of the Board, has contributed or will contribute to the Group (collectively, the "**Eligible Participants**").

The Post-IPO Share Option Scheme shall be valid and effective for a period of ten years commencing from the Listing Date (the "**Scheme Period**"), after which time no further option shall be offered or granted but the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect in all other respects to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Post-IPO Share Option Scheme.

Each grant of options to any director, chief executive or substantial shareholder of the Company or any of their respective associates shall be subject to prior approval of the independent non-executive directors of the Company (excluding any independent non-executive director who is a proposed recipient of the grant of options). Where any grant of options to a substantial shareholder or an independent non-executive director of the Company (or any of their respective associates) would result in the number of Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12 months period up to and including the date of such grant:

i. representing in aggregate over 0.1 per cent, or such other percentage as may from time to time be specified by the Stock Exchange, of the Shares in issue; and

ii. having an aggregate value, based on the closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the Date of Grant, in excess of HK$5 million (or such other higher amount as may from time to time be specified by the Stock Exchange) such further grant of options shall be subject to prior approval by the Shareholders (voting by way of poll) in general meeting. The Company shall send a circular to its Shareholders no later than the date on which the Company gives notice of the general meeting to approve such grant. The relevant Eligible Participant, his associates and all core connected persons of the Company shall abstain from voting at such general meeting, except that such person may vote against the relevant resolution at the general meeting provided that his/her intention to do so has been stated in the circular to be sent to the Shareholders in connection therewith. The circular to be issued by the Company shall contain (i) the details of the number and terms (including the Subscription Price) of the options to be granted to each Eligible Participant which must be fixed before the Shareholders' meeting and the date of board meeting for proposing such further grant is to be taken as the Date of Grant for the purpose of calculating the exercise price; and (ii) a recommendation from the independent non-executive directors of the Company (excluding the independent non-executive director who is the relevant Eligible Participant) to the independent Shareholders stating their recommendation as to whether to vote for or against the resolution relating to the grant of the options; and (iii) other information required under relevant Listing Rules.

The price per Share at which a Grantee may subscribe for Shares upon exercise of an option (the "**Subscription Price**") shall be a price determined by the Board in its sole discretion and notified to the Grantee and shall be no less than the highest of:

i. the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date on which the Board resolves to make the offer of the option (the "**Date of Grant**");

ii. the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Date of Grant (provided that in the event that any option is proposed to be granted within a period of less than five business days after the trading of the Shares first commences on the Stock Exchange, the final issue price of the Shares for the Global Offering shall be used as the closing price for any business day falling within the period before listing of the Shares on the Stock Exchange); and

iii. the nominal value of a Share on the Date of Grant.

The Shares which may be issued upon exercise of all options granted under the Post-IPO Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of Shares in issue as at the date dealings in Shares on the Stock Exchange commence (excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or the exercise of options which were granted under the Pre-IPO Share Incentive Schemes or may be granted under the Post-IPO Share Option Scheme) (the "**Scheme Limit**") which is expected to be 150,000,000 Shares. For the purposes of calculating the Scheme Limit, options which have lapsed in accordance with the terms of the relevant Scheme shall not be counted.

Subject to the terms of the Post-IPO Share Option Scheme, the Company may refresh the Scheme Limit at any time subject to prior approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time. However, the renewed scheme limit as refreshed shall not exceed 10% of the Shares in issue as at the date of the aforesaid approval by the Shareholders in general meeting. Options previously granted under the Post-IPO Share Option Scheme, whether outstanding, canceled, lapsed in accordance with its applicable terms or already exercised, will not be counted for the purpose of calculating the limit as renewed. A circular in accordance with the requirements of the Listing Rules shall be sent to the Shareholders in connection with the meeting at which their approval will be sought.

Notwithstanding anything to the contrary in the Post-IPO Share Option Scheme, the overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other schemes of the Company must not in aggregate exceed 30% of the Shares in issue from time to time. No options may be granted if such grant will result in this 30% limit being exceeded.

Unless approved by the Shareholders in general meeting, the Board shall not grant options to any Eligible Participant if the acceptance of those options would result in the total number of shares issued and to be issued to that Grantee on exercise of his option during any 12 months period up to the offer date exceeding 1% of the total Shares then in issue.

Where any further grant of options to a Eligible Participant, if exercised in full, would result in the total number of Shares already issued or to be issued upon exercise of all options granted and to be granted to such Eligible Participant (including exercised, canceled and outstanding options) in any 12-month period up to and including the date of such further grant exceeding 1% of the total number of Shares in issue, such further grant must be separately approved by the Shareholders in general meeting with such Grantee and his close associates (or his associates of the Eligible Participant is a connected person) abstaining from voting. The Company must send a circular to the Shareholders and the circular must disclose the identity of the Grantee, the number and terms of the options to be granted and options previously granted to such Grantee and all other information required under the Listing Rules. The number and terms (including the Subscription Price) of the options to be granted to such Eligible Participant must be fixed before the Shareholders' approval. The date of the meeting of the Board for proposing such further grant of option should be taken as the date of grant for the purpose of calculating the Subscription Price.

On May 21, 2020, the Company granted share options to certain eligible participants to subscribe for a total of 17,110,000 ordinary shares in the share capital of the Company, at the price of HK$7.61 per Share. The closing price of the Shares on the date of grant of such options was HK$7.61 per Share. None of the grantees of the share options is a Director, chief executive or substantial shareholder of the Company or an associate of any of them.

Details of the options granted under the Post-IPO Share Option Scheme and those remained outstanding as at December 31, 2020 are as follows:

		Number of options						
Category of participant	Date of Grant	As of January 1, 2020	Granted during the Reporting Period	Exercised during the Report Period	Cancelled during the Report Period	Lapsed during the Report Period	As of December 31, 2020	Vesting period
Other Employees	May 21, 2020	–	16,990,000[1]	–	–	1,140,000	15,850,000	*(Note 2)*
Total		–	16,990,000			1,140,000	15,850,000	

Note:

(1) On May 21, 2020, the Board announced the granting of share options to employees of the Group pursuant to the Post-IPO Share Option Scheme to subscribe for an aggregate of 17,110,000 Shares, of which options to subscribe for 16,990,000 Shares were taken up by employees of the Group.

(2) Subject to vesting conditions including performance target of both the Group and the grantee, (i) 30% of Share Options granted to each grantee shall be vested on May 21, 2021, (ii) an additional 30% shall be vested on May 21, 2022 and (iii) the remaining 40% shall be vested on May 21, 2023.

The Group's performance target for the three tranches of share options referred to in the preceding paragraph is that the Group's revenue for the 2020, 2021 and 2022 financial year as recorded in the Company's audited consolidated financial statements shall increase by no less than 30%, 60% and 90% as compared to the Group's revenue for the 2019 financial year, respectively.

Details of the impact of the options granted under the Post-IPO Share Option Scheme on the consolidated financial statements since the date of grant of such options and the subsequent financial periods are set out under Note 34 to the consolidated financial statements in this report.

A summary of the terms of the Pre-IPO Share Incentive Schemes and Post-IPO Share Option Scheme has been set out in the section headed "D. Share Incentive Schemes" in Appendix IV of the Prospectus.

3. Restricted Share Unit Scheme

On June 5, 2020, the Board considered and approved of the Restricted Share Unit Scheme, the principal terms of the Restricted Share Unit Scheme is set out in the Company's announcement on the same date.

The Company has appointed Tricor Trust (Hong Kong) Limited as the trustee to assist with the the administration and vesting of the awards pursuant to the Restricted Share Unit Scheme. The Shares forming the share pool under the Restricted Share Unit Scheme shall be purchased from the secondary market and the aggregate amount of Shares to be purchased shall not exceed 20,000,000 Shares and will be funded out of the Company's internal resources. No Shares will be allotted and issued by the Company pursuant to Restricted Share Unit Scheme. As the Restricted Share Unit Scheme does not involve the grant of options to subscribe for any new Shares of the Company, it is not required to be subject to the provisions under Chapter 17 of the Listing Rules.

During the Reporting Period, restricted share unit underlying 10,940,000 Shares had been awarded under the Restricted Share Unit Scheme.

USE OF PROCEEDS FROM GLOBAL OFFERING

On May 9, 2019, the shares of the Company were listed on the Main Board of the Stock Exchange. The net proceeds from the global offering were approximately RMB1,217.1 million after deducting underwriting commissions and other expenses paid and payable by us in the global offering. There was no change in the intended use of net proceeds as previously disclosed in the Prospectus. As at December 31, 2020, the details of intended application of net proceeds are set out as follow:

	Approximate % of total net proceeds	Planned use of actual net proceeds *RMB'million*	Utilized net proceeds up to December 31, 2020[1] *RMB'million*	Proceeds unused[2] *RMB'million*	Expected timeline for utilizing the remaining balance of net proceeds from the global offering[3]
Expanding EFS model	30%	365.13	219.32	145.81	Expected to be fully utilized by December 31, 2022
Building up commercial & research manufacturing capabilities and capacities in contract manufacturing organization ("**CMO**")	30%	365.13	246.33	118.80	Expected to be fully utilized by December 31, 2021
Purchasing laboratory equipment and materials	10%	121.71	121.71	0.00	–
Hiring, training and retaining biologics & chemical drug R&D personnel	10%	121.71	121.71	0.00	–
Expanding CMO business	10%	121.71	121.71	0.00	–
General corporate and working capital	10%	121.71	121.71	0.00	–

Notes:

1. As disclosed in the Prospectus, the estimated net proceeds from the listing, after deduction of the underwriting fees and expenses paid by the Company in connection therewith were approximately HK$1,231.7 million. The actual net proceeds received by the Company were approximately RMB1,217.1 million. The Company intends to adjust the difference between the estimated and actual net proceeds to each business objective in the same proportion as the original funds applied as shown in the Prospectus. Approximately RMB742.85 million of proceeds remained unused in 2019 and was brought forward to the current financial year.

2. As at December 31, 2020, net proceeds not yet utilized were deposited with certain licensed banks in Hong Kong or the PRC.

3. The Company intends to use the remaining net proceeds in the coming years in accordance with the purpose set out in the Prospectus, the Company will continue to evaluate the Group's business objectives and will change or modify the plans against the changing market conditions to suit the business growth of the Group. We will issue an appropriate announcement if there is any material change to the above proposed use of proceeds.

USE OF PROCEEDS FROM PLACING

On July 10, an aggregate of 130,000,000 Shares were placed at the placing price of HK$8.15 per Share, representing 7.07% of the issued share capital of the Company as enlarged by the allotment and issue of the Shares immediately upon completion of the placing. The net proceeds from the placing, after deduction of the placing commission and other related expenses, amounted to approximately HK$1,050.9 million (equivalent to RMB948.4 million) As at December 31, 2020, the details of intended application of net proceeds are set out as follow:

Business objective as stated in the announcement	Percentage of total net proceeds	Planned use of actual net proceeds *RMB'million*	Utilized net proceeds up to December 31, 2020 *RMB'million*	Proceeds unused [(1)] *RMB'million*	Expected timeline for utilizing the remaining balance of net proceeds [(2)]
Business development and expansion, mainly for the investment and acquisition of downstream business	70%	663.8	663.8	0.00	–
Other working capital and general corporate purposes	30%	284.5	253.4	31.1	Expected to be fully utilized by June 30, 2021

Notes:

1. As at December 31, 2020, net proceeds not yet utilized were deposited with certain licensed banks in Hong Kong or the PRC

2. The Company intends to use the remaining net proceeds in the coming years in accordance with the purpose set out in the relevant announcement, the Company will continue to evaluate the Group's business objectives and will change or modify the plans against the changing market conditions to suit the business growth of the Group. We will issue an appropriate announcement if there is any material change to the above proposed use of proceeds.

USE OF PROCEEDS FROM CONVERTIBLE BONDS

On February 11, 2020, Viva Incubator HK issued the February 2025 Convertible Bonds. The net proceeds, after deducting the transaction costs of US$2.6 million (equivalent to RMB18.3 million), were US$177.4 million (equivalent to RMB1,256.0 million), and had been utilized as follows as at December 31, 2020:

Business objective as stated in the offering circular	Percentage of total net proceeds	Planned use of actual net proceeds *RMB'million*	Utilized net proceeds up to December 31, 2020 *RMB'million*	Proceeds unused[(1)] *RMB'million*	Expected timeline for utilizing the remaining balance of net proceeds
Business development and expansion	70%	879.19	266.42	612.77	Expected to be fully utilized by December 31, 2022
Working capital and general corporate purposes	30%	376.80	214.64	162.16	Expected to be fully utilized by December 31, 2021

On December 30, 2020, Viva Biotech BVI issued the December 2025 Convertible Bonds. The net proceeds, after deducting the transaction cost of US$4.2 million (equivalent to RMB27.5 million), were US$275.8 million (equivalent to RMB1,801.6 million), and has not been utilized as of December 31, 2020. The net proceeds is expected to be utilized in the following manner:

Business objective as stated in the offering circular	Percentage of total net proceeds	Planned use of actual net proceeds *RMB'million*	Expected timeline for utilizing the remaining balance of net proceeds
Business development and expansion including refinancing of the the acquisition cost of 80% of equity interest in Langhua Pharmaceutical	90%	1621.4	Expected to be fully utilized by December 31, 2021
Other working capital and general corporate purposes	10%	180.2	Expected to be fully utilized by December 31, 2021

Notes:

1. As at December 31, 2020, net proceeds not yet utilized were deposited with certain licensed banks in Hong Kong or the PRC.

2. The Company intends to use the remaining net proceeds in the coming years in accordance with the purpose set out in the relevant offering circulars, the Company will continue to evaluate the Group's business objectives and will change or modify the plans against the changing market conditions to suit the business growth of the Group. We will issue an appropriate announcement if there is any material change to the above proposed use of proceeds.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

We have established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system (including risk management) of the Group, review and approve connected transactions and provide advice and comments to the Board. The audit committee consists of three members, namely Ms. LI Xiangrong, Mr. WANG Haiguang and Mr. FU Lei. Ms. LI Xiangrong is the chairman of the audit committee.

The Audit Committee had reviewed together with the management and external auditor the accounting principles and policies adopted by the Company and the audited consolidated financial statements for the year ended December 31, 2020.

OTHER BOARD COMMITTEES

In addition to the audit committee, the Company has also established a nomination committee and remuneration committee.

IMPORTANT EVENTS AFTER THE REPORTING DATE

On September 20, 2020, the Company entered into an agreement with SYNthesis med chem Pty Limited in relation to acquisition of the entire equity interest in SYNthesis at the consideration of approximately US$80 million, subject to price adjustment but in any event will not exceed US$84 million and both parties entered into amendment agreements on December 15, 2020, January 25, 2021 and February 22, 2021 subsequently. Details of the transaction has been disclosed by the Company in its announcements dated September 21, 2020, October 15, 2020, December 15, 2020, December 23, 2020, January 18, 2021 and January 25, 2021 and its circular dated February 26, 2021.

On January 27 and 28, 2021, the Company repurchased in a total of 3,098,500 shares on the Stock Exchange for an aggregate consideration of approximately HK$22.7 million including expenses and cancelled the said shares on February 17, 2021.

On 23 February, 2021, the Company convened an extraordinary general meeting and passed resolutions to approve the refreshment of general mandate to give a general mandate to the directors of the Company to allot, issue or deal with additional shares not exceeding 20% of the issued share capital of the Company and extend the authority given to the directors of the Company to issue shares by adding to the issued share capital of the Company the number of shares repurchased by the Company pursuant to the repurchase mandate granted to the Directors at the 2020 annual general meeting. Details of the refreshment of general mandate has been disclosed by the Company in its circular and announcement dated February 1, 2021 and January 4, 2021, respectively.

Save as disclosed above, no important events affecting the Company occurred after the Reporting Period and up to the date of this report.

Independent Auditor's Report

To the shareholders of Viva Biotech Holdings
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Viva Biotech Holdings (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 92 to 224, which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters	How our audit addressed the key audit matter
Fair value measurement for unlisted investments	
The Group made unlisted investments in a wide variety of companies. Those investments are accounted for as financial assets at fair value through profit or loss ("**FVTPL**") for the year ended December 31, 2020 in accordance with IFRS 9 Financial Instruments. As at December 31, 2020, the fair value of these investments was RMB924,532,000. The determination of the fair value of these unlisted investments involves significant estimates made by management. The Group engaged an external independent appraiser to perform the valuation for selected unlisted investments. Information about the fair value measurement for unlisted investments was disclosed in note 3 *Significant accounting judgements and estimates*, note 17 *Financial assets at FVTPL and note 41 Fair value and fair value hierarchy of financial instruments* to the financial statements.	We evaluated the competency, capabilities and objectivity of the external independent appraiser engaged by the Group to perform the valuation. We compared the inputs used in the valuation model of with independent sources and externally available market data. We involved our internal valuation specialists to review the valuation methodologies and inputs adopted by the appraiser in selected Level 3 investments. We also checked the related disclosures of fair value measurement for unlisted investments.

Key audit matters	How our audit addressed the key audit matter
Acquisition and impairment assessment of goodwill	
During the year ended December 31, 2020, the Group acquired an 80% of the equity interest in Zhejiang Langhua Pharmaceutical Co., Ltd. ("**Langhua Pharmaceutical**") at a total consideration of approximately RMB2,560,000,000. The accounting for the acquisition involved significant judgement of management for the purchase price allocation mainly in relation to the valuation of property, plant and equipment, land use rights, intangible assets which include customer relationships, patents and the remaining goodwill balance. The Group engaged an external independent appraiser to perform the valuation. The carrying amount of goodwill was approximately RMB1,847,723,000 as at December 31, 2020. Under IFRSs, the Group is required to perform an impairment test for goodwill annually and to assess whether there are any indications of impairment of at each reporting period end. The impairment test is based on the recoverable value of each of the cash-generating units ("CGU") or group of CGUs to which the goodwill is assigned to. Management's assessment process was complex and significant judgement was involved, including the degree of subjectivity of expected future cash flow forecasts, associated growth rates and discount rate applied. Information about the acquisition and goodwill was disclosed in note 3 *Significant accounting judgements and estimates*, note 15 *Goodwill* and note 36 *Business combination* to the financial statements.	We evaluated the competency, capabilities and objectivity of the external independent appraiser engaged by the Group to perform the valuation. We involved our internal valuation specialists to review the valuation methodologies adopted by the appraiser, and the assumptions used in valuation of the assets acquired and liabilities by reference to the historical experience and the market practices. We also checked the related disclosures of acquisition. We involved our internal valuation specialists to assist us in evaluating the models and certain assumptions used by the Group in the impairment test of goodwill. We reviewed the forecasts used with respect to future revenues and operating results by comparing the forecasts with the historic performance of the respective CGU and the business development plan. We also checked the related disclosures of goodwill.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Siu Fung Terence Ho.

Ernst & Young
Certified Public Accountants
Hong Kong
March 30, 2021

Consolidated Statement of Profit or Loss

For the year ended December 31, 2020

	Notes	2020 RMB'000	2019 RMB'000
REVENUE	5	**696,958**	323,057
Cost of services		**(392,092)**	(167,184)
Gross profit		**304,866**	155,873
Other income and gains	5	**69,633**	65,321
Selling and distribution expenses		**(13,095)**	(3,571)
Administrative expenses		**(110,163)**	(51,215)
Research and development expenses		**(66,041)**	(44,954)
Listing expenses		**–**	(17,909)
Fair value gain on financial assets at fair value through profit or loss ("**FVTPL**")	17	**106,941**	217,630
Impairment losses on financial assets, net		**(3,029)**	(1,812)
Other expenses		**(35,653)**	(31)
Finance costs	6	**(62,134)**	(2,261)
Share of losses of:			
A joint venture		**(487)**	(1,874)
An associate		**–**	(34)
PROFIT BEFORE FAIR VALUE LOSS ON FINANCIAL LIABILITIES AT FVTPL AND TAX		**190,838**	315,163
Fair value loss on financial liabilities at FVTPL	31	**(547,048)**	(34,238)
(LOSS)/PROFIT BEFORE TAX	7	**(356,210)**	280,925
Income tax expense	8	**(22,660)**	(15,053)
(LOSS)/PROFIT FOR THE YEAR		**(378,870)**	265,872
Attributable to:			
Owners of the parent		**(386,880)**	265,872
Non-controlling interests		**8,010**	–
		(378,870)	265,872
		RMB	*RMB*
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	11		
– Basic		**(0.25)**	0.19
– Diluted		**(0.25)**	0.18

Consolidated Statement of Other Comprehensive Income

For the year ended December 31, 2020

	2020	2019
	RMB'000	*RMB'000*
(LOSS)/PROFIT FOR THE YEAR	**(378,870)**	265,872
OTHER COMPREHENSIVE (EXPENSE)/INCOME		
Other comprehensive (expense)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**(85,161)**	231
OTHER COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR, NET OF TAX	**(85,161)**	231
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR	**(464,031)**	266,103
Attributable to:		
Owners of the parent	**(472,005)**	266,103
Non-controlling interests	**7,974**	–
	(464,031)	266,103

Consolidated Statement of Financial Position

At December 31, 2020

	Notes	**2020**	2019
		RMB'000	*RMB'000*
Non-current Assets			
Property, plant and equipment	*13*	**520,290**	106,348
Right-of-use assets	*14(a)*	**216,720**	50,638
Goodwill	*15*	**1,847,723**	–
Other intangible assets	*16*	**469,462**	–
Interests in a joint venture		**–**	4,228
Financial assets at FVTPL	*17*	**924,532**	622,854
Contract assets	*18*	**15,381**	5,405
Rental deposits and prepayments	*19*	**498,485**	11,097
Deferred tax assets	*20*	**9,943**	3,789
Pledged deposits	*25*	**300,000**	–
		4,802,536	804,359
Current Assets			
Inventories	*21*	**164,745**	8,530
Trade and bills receivables	*22*	**320,510**	57,505
Contract costs		**7,703**	5,612
Prepayments, other receivables and other assets	*23*	**100,133**	83,151
Financial assets at FVTPL	*17*	**49,500**	29,629
Derivative financial instruments	*24*	**18,843**	–
Pledged deposits	*25*	**381,658**	5,908
Cash and cash equivalents	*25*	**2,308,452**	904,091
		3,351,544	1,094,426

	Notes	**2020**	2019
		RMB'000	*RMB'000*
Current Liabilities			
Trade and bills payables	*26*	**295,704**	7,552
Other payables and accruals	*27*	**243,860**	28,394
Contract liabilities	*28*	**13,386**	635
Interest-bearing bank borrowings	*29*	**155,554**	525
Lease liabilities	*14(b)*	**11,411**	24,458
Income tax payable		**15,757**	11,399
		735,672	72,963
Net Current Assets		**2,615,872**	1,021,463
Total Assets Less Current Liabilities		**7,418,408**	1,825,822
Non-current Liabilities			
Interest-bearing bank borrowings	*29*	**1,306,786**	1,340
Deferred income	*30*	**22,710**	15,844
Convertible bonds – debt component	*31*	**1,491,848**	–
Convertible bonds – embedded derivative instruments	*31*	**200,291**	–
Lease liabilities	*14(b)*	**3,912**	23,084
Deferred tax liabilities	*20*	**119,184**	8,160
Other non-current liabilities	*32*	**516,846**	–
		3,661,577	48,428
Net Assets		**3,756,831**	1,777,394

Consolidated Statement of Financial Position

At December 31, 2020

	Notes	2020 RMB'000	2019 RMB'000
EQUITY			
Equity attributable to owners of the parent			
Share capital	33	**323**	261
Treasury shares	33	**(52,683)**	–
Equity component of convertible bonds		**468,731**	–
Reserves	35	**3,340,460**	1,777,133
Total Equity		**3,756,831**	1,777,394

The consolidated financial statements on pages 92 to 224 were approved and authorised for issue by the directors of the Company on March 30, 2021 and are signed on its behalf by:

Mao Chen Cheney
DIRECTOR

Hua Fengmao
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended December 31, 2020

		Attributable to owners of the parent						
	Notes	Share capital *RMB'000*	Share premium* *RMB'000*	Exchange fluctuation reserve* *RMB'000*	Share option reserve* *RMB'000*	Statutory reserve* *RMB'000*	Retained profits* *RMB'000*	Total equity *RMB'000*
Year ended December 31, 2019								
At January 1, 2019		164	47,251	–	20,485	16,207	167,335	251,442
Profit for the year		–	–	–	–	–	265,872	265,872
Other comprehensive income for the year:								
Exchange differences related to foreign operations		–	–	231	–	–	–	231
Total comprehensive income for the year		–	–	231	–	–	265,872	266,103
Recognition of equity-settled share based payment	*34*	–	–	–	8,330	–	–	8,330
Issue of shares pursuant to Capitalisation Issue		17	(17)	–	–	–	–	–
Dividends declared	*12*	–	(127,896)	–	–	–	–	(127,896)
Automatic conversion of Series B Preferred Shares upon Global Offering		11	246,888	–	–	–	–	246,899
Shares issued upon Global Offering and over-allotment		60	1,339,920	–	–	–	–	1,339,980
Transaction costs attribute to issue of new shares		–	(80,687)	–	–	–	–	(80,687)
Shares issued upon exercise of share options		15	5,648	–	–	–	–	5,663
Repurchase of ordinary shares	*33*	(6)	(132,434)	–	–	–	–	(132,440)
Transfer from retained profits		–	–	–	–	9,056	(9,056)	–
At December 31, 2019		261	1,298,673	231	28,815	25,263	424,151	1,777,394

Consolidated Statement of Changes in Equity

For the year ended December 31, 2020

	Notes	Share capital	Treasury shares	Share premium*	Exchange fluctuation reserve*	Equity component of convertible bonds	Share option reserve*	Other reserve*	Statutory reserve*	Retained profits/ (losses)*	Total	Non-controlling interests	Total equity
		Attributable to owners of the parent											
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2020													
At January 1, 2020		261	–	1,298,673	231	–	28,815	–	25,263	424,151	1,777,394	–	1,777,394
(Loss)/profit for the year		–	–	–	–	–	–	–	–	(386,880)	(386,880)	8,010	(378,870)
Other comprehensive (expense)/ income for the year													
Exchange differences related to foreign operations		–	–	–	(85,125)	–	–	–	–	–	(85,125)	(36)	(85,161)
Total comprehensive (expense)/ income for the year		–	–	–	(85,125)	–	–	–	–	(386,880)	(472,005)	7,974	(464,031)
Non-controlling interests ("**NCI**") arising from business combination	36	–	–	–	–	–	–	–	–	–	–	178,069	178,069
Impact of unvested acquiree award on NCI		–	–	–	–	–	–	(106,794)	–	–	(106,794)	106,794	–
Put option over non-controlling interests	32	–	–	–	–	–	–	(224,009)	–	–	(224,009)	(292,837)	(516,846)
Recognition of equity-settled share based payment	34	–	–	–	–	–	14,047	–	–	–	14,047	–	14,047
Shares issued upon exercise of share options		6	–	35,830	–	–	–	–	–	–	35,836	–	35,836
Final 2019 dividend	12	–	–	(23,037)	–	–	–	–	–	–	(23,037)	–	(23,037)
Interim 2020 dividend	12	–	–	(28,755)	–	–	–	–	–	–	(28,755)	–	(28,755)
Conversion of convertible bonds		34	–	1,433,225	–	–	–	–	–	–	1,433,259	–	1,433,259
Share repurchase and cancellation	33	(1)	–	(13,580)	–	–	–	–	–	–	(13,581)	–	(13,581)
Share repurchase for restricted share units		–	(52,683)	–	–	–	–	–	–	–	(52,683)	–	(52,683)
Placing of new shares		23	–	948,405	–	–	–	–	–	–	948,428	–	948,428
Issue of convertible bonds	31	–	–	–	–	475,880	–	–	–	–	475,880	–	475,880
Convertible bonds issue expense		–	–	–	–	(7,149)	–	–	–	–	(7,149)	–	(7,149)
Transfer from retained profits		–	–	–	–	–	–	–	13,854	(13,854)	–	–	–
At December 31, 2020		323	(52,683)	3,650,761	(84,894)	468,731	42,862	(330,803)	39,117	23,417	3,756,831	–	3,756,831

* These reserve accounts comprise the consolidated reserves of RMB3,340,460,000 (2019: RMB1,777,133,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

For the year ended December 31, 2020

	Notes	**2020**	2019
		RMB'000	*RMB'000*
OPERATING ACTIVITIES			
(Loss)/profit before tax		**(356,210)**	280,925
Adjustments for:			
Finance costs	*6*	**62,134**	2,261
Share of losses of a joint ventures and an associate		**487**	1,908
Interest income	*5*	**(16,710)**	(15,086)
Loss on disposal of items of property, plant and equipment	*7*	**273**	31
Fair value gains, net:			
Derivative financial instruments	*5*	**(30,974)**	–
Financial assets at FVTPL	*17*	**(106,941)**	(217,630)
Fair value loss on financial liabilities at FVTPL	*31*	**547,048**	34,238
Foreign exchange loss/(gain)		**5,670**	(7,716)
Income from government grants and subsidies related to assets		**(1,259)**	(1,705)
Revenue from service-for-equity	*5*	**(60,015)**	(43,662)
Equity-settled share option expense	*34*	**14,047**	8,330
Gain on deemed disposal of interests in associates	*5*	**–**	(11,684)
Gain on deemed disposal of interests in a joint venture	*5*	**(6,303)**	–
Gain on repurchase of convertible bonds	*5*	**(4,447)**	–
Transaction cost of convertible bonds	*31*	**5,068**	–
Depreciation of property, plant and equipment		**45,404**	16,463
Depreciation of other intangible assets	*7*	**6,139**	–
Depreciation of right-of-use assets	*7*	**18,376**	17,581
Impairment losses under expected credit model, net of reversal	*7*	**3,029**	1,812
Impairment loss on non-financial assets		**(134)**	–
Gain on disposal of right-of-use assets	*5*	**(1,612)**	(3)

Consolidated Statement of Cash Flows

For the year ended December 31, 2020

	2020 *RMB'000*	2019 *RMB'000*
Operating cash flows before movements in working capital	**123,070**	66,063
Increase in inventories	**(1,002)**	(3,630)
Increase in contract costs	**(1,824)**	(1,318)
Increase in trade and bills receivables	**(41,527)**	(7,856)
Increase in prepayments, other receivables and other assets	**(39,532)**	(3,197)
(Decrease)/increase in trade and bills payables	**(36,775)**	2,867
Increase in other payables and accruals	**47,095**	10,226
Increase in deferred income	**211**	–
Decrease in contract liabilities	**(377)**	(848)
Cash generated from operations	**49,339**	62,307
Income taxes paid	**(17,173)**	(16,295)
NET CASH FROM OPERATING ACTIVITIES	**32,166**	46,012

Consolidated Statement of Cash Flows

For the year ended December 31, 2020

	2020	2019
	RMB'000	*RMB'000*
INVESTING ACTIVITIES		
Interest received	**14,545**	14,904
Purchases of items of property, plant and equipment	**(200,058)**	(56,188)
Prepayments for acquisitions for leasehold land and buildings	**(392,566)**	–
Proceeds from disposal of items of property, plant and equipment	**132**	49
Payment for acquisition of a land use right	**(25,240)**	(5,639)
Increase in rental deposit	**–**	(257)
Purchases of time deposit over three months	**(352,722)**	–
Disposal of time deposits over three months	**352,722**	–
Receipt of government grants and subsidies related to assets	**7,914**	7,700
Placement of pledged deposits	**(696,942)**	(2,515)
Withdraw in pledged deposits	**63,498**	4,652
Capital injection of an investment in a joint venture	**–**	(3,500)
Capital injection of an investment in an associate	**–**	(3)
Payments for subsidiary acquisitions	**(2,494,135)**	–
Payments for potential acquisition	**(15,438)**	(70,000)
Purchase of financial assets at FVTPL	**(3,480,684)**	(1,798,414)
Proceeds from disposal of financial assets at FVTPL	**3,356,265**	1,619,156
Receipt of investment income from derivative financial instruments	**24,568**	–
NET CASH USED IN INVESTING ACTIVITIES	**(3,838,141)**	(290,055)

Consolidated Statement of Cash Flows

For the year ended December 31, 2020

	2020 *RMB'000*	2019 *RMB'000*
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(25,906)**	(10,496)
Interest paid	**(11,834)**	(288)
Issue costs paid	**(251)**	(76,174)
Proceeds from new bank borrowings	**1,461,363**	9,999
Proceeds from a third party	**–**	10,631
Repayment of a third party	**–**	(10,631)
Principal portion of lease payments	**(15,425)**	(15,545)
Proceeds from issue of ordinary shares	**948,428**	1,339,980
Proceeds from exercise of share options	**35,836**	5,663
Payment for repurchase of shares	**(66,264)**	(132,440)
Dividend paid	**(51,792)**	(135,835)
Proceeds from the issue of convertible bonds	**3,065,708**	–
Transaction cost of convertible bonds	**(5,224)**	–
Repurchase of convertible bonds	**(27,398)**	–
NET CASH FROM FINANCING ACTIVITIES	**5,307,241**	984,864
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,501,266**	740,821
Cash and cash equivalents at beginning of year	**904,091**	155,554
Effect of foreign exchange rate changes, net	**(96,905)**	7,716
CASH AND CASH EQUIVALENTS AT END OF YEAR	**2,308,452**	904,091

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on August 27, 2008 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited on May 9, 2019. The address of the registered office and the principal place of business of the Company are PO Box 309, Ugland House, Grand Cayman, KYI-1104, Cayman Islands and Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong, respectively.

The Company is an investment holding company. The Group are principally engaged in the following activities:

- providing the structure-based drug discovery services to biotechnology and pharmaceutical customers worldwide for their pre-clinical stage innovative drug development;
- contract development and manufacturing services for small molecule active pharmaceutical ingredients ("**APIs**") and intermediates and trading of APIs, intermediates and formulations.

Information about subsidiaries

As at December 31, 2020, the Company had direct and indirect interests in its subsidiaries, the particulars of which are set out below:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Viva Biotech Limited ("**Viva Biotech HK**")	Hong Kong	US$2,250,000	100%	–	Investment holding
Viva Incubator Investment Management Limited ("**Viva Incubator HK**")	Hong Kong	US$5,000,000	–	100%	Investment holding
Viva Biotech Investment Management Limited ("**Viva Biotech BVI**")*	British Virgin Islands ("**BVI**")	US$50,000	–	100%	Investment holding
Viva Biotech (Shanghai) Ltd. ("**Viva Biotech Shanghai**") (維亞生物科技(上海)有限公司)	People's Republic of China ("**PRC**")/ Mainland China	US$25,000,000	–	100%	Providing research service

1. CORPORATE AND GROUP INFORMATION (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Jiaxing Viva Biotech Limited (嘉興維亞生物科技有限公司)	PRC/Mainland China	RMB30,000,000	–	100%	Providing research service
Shanghai Dancheng Entrepreneurship Incubator Management Limited** (上海聃誠創業孵化器管理有限公司)	PRC/Mainland China	RMB20,000,000	–	100%	Business incubator
Sichuan Viva Benyuan Biotech Limited (四川維亞本苑生物科技有限公司)	PRC/Mainland China	US$30,000,000	–	100%	Providing research service
Shenzhen Viva Biotech Limited (深圳維亞生物科技有限公司)	PRC/Mainland China	RMB10,000,000	–	100%	Investment holding
Shanghai Viva Qizhi Biotech Limited*** ("**Shanghai Viva Qizhi**") (上海維亞齊智生物科技有限公司)	PRC/Mainland China	RMB8,591,496	–	100%	Providing research service
Viva Dancheng Biotech (Hangzhou) Limited**** ("**Viva Dancheng Biotech**") (維亞聃誠生物科技(杭州)有限公司)	PRC/Mainland China	US$35,000,000	–	100%	Providing research service
Zhejiang Langhua Pharmaceutical ***** Co., Ltd. ("**Langhua Pharmaceutical**") (浙江朗華制藥有限公司)	PRC/Mainland China	RMB120,000,000	–	80%	Manufacture of small molecule APIs, intermediates and CDMO products
Ningbo Nuobai Pharmaceutical Co., Ltd. ("**Nuobai Pharmaceutical**") (寧波諾柏醫藥有限公司)	PRC/Mainland China	RMB50,000,000	–	80%	Distribution of small molecule APIs, intermediates and CDMO products
Ningbo Nuobai Pharmaceutical (Hong Kong) Limited ("**Nuobai Hong Kong**")	Hong Kong	US$255,600	–	80%	Distribution of small molecule APIs, intermediates and CDMO products

1. CORPORATE AND GROUP INFORMATION (continued)

* Viva Biotech BVI was newly established during the year ended December 31, 2020. The Company holds its equity interests through Viva Biotech HK.

** The name of this subsidiary changed from Shanghai Benyuan Entrepreneurship Incubator Management Limited (上海本苑創業孵化器管理有限公司) to Shanghai Dancheng Entrepreneurship Incubator Management Limited (上海聃誠創業孵化器管理有限公司) in 2020.

*** The name of this subsidiary changed from Shanghai Shenyu Wires Co., Ltd. (上海申裕導線有限公司) to Shanghai Viva Qizhi Biotech Limited (上海維亞齊智生物科技有限公司) in 2020. During the year, the Group acquired a 100% equity interest in Shanghai Viva Qizhi from two third-party individual owners at the consideration of RMB120,000,000 for the purpose to acquire property, plant and equipment and right-of-use assets of approximately RMB16,912,000 and RMB112,345,000, respectively.

**** Viva Dancheng Biotech (Hangzhou) Limited was newly established during the year ended December 31, 2020. The Company holds its equity interests through Viva Biotech HK.

***** During the year, the Group acquired an 80% equity interest in Langhua Pharmaceutical from third parties. Further details of this acquisition are included in note 36 to the financial statements.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRSs (which include all IFRSs, International Accounting Standards ("**IASs**") and interpretations) issued by the IASB, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, derivative financial instruments and embedded derivative components of convertible bonds which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended December 31, 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the Conceptual Framework for Financial Reporting 2018 and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to IAS 1 and IAS 8	*Definition of Material*

The nature and the impact of the Conceptual Framework for Financial Reporting 2018 and the revised IFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "**Conceptual Framework**") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after January 1, 2020. Upon initial application, the acquisition of a 100% equity interest in Shanghai Viva Qizhi which was completed on March 9, 2020 was identified as an asset acquisition.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("**RFR**"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before June 30, 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after June 1, 2020 with earlier application permitted and shall be applied retrospectively. The amendment did not have any impact on the financial position and performance of the Group.

(e) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendment to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IFRS 4	*Extension of the Temporary Exemption from Applying IFRS 9*[3]
IFRS 17	*Insurance Contracts*[3]
Amendments to IFRS 17	*Insurance Contracts*[3,5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]
Amendments to IAS 1	*Disclosure of Accounting Policies*[3]
Amendments to IAS 8	*Definitions of Accounting Estimates*[3]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[2]

1 Effective for annual periods beginning on or after January 1, 2021
2 Effective for annual periods beginning on or after January 1, 2022
3 Effective for annual periods beginning on or after January 1, 2023
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the amendments to IFRS 17 issued in October 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before January 1, 2023

These new and revised IFRSs are not expected to have any significant impact on the Group’s financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at December 31. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

The Group measures its financial assets at fair value through profit or loss, derivative financial instruments and embedded derivative components of convertible bonds at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4.75%
Machinery	9.50% to 31.67%
Furniture, fixtures and equipment	9.50% to 31.67%
Transportation equipment	11.88% to 23.75%
Leasehold improvement	The shorter of the lease term or 6 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other intangible assets (other than goodwill)

Other intangible assets acquired separately are measured on initial recognition at cost. The cost of other intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of other intangible assets are assessed to be either finite or indefinite. Other intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Patents

Purchased patents are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years.

Customer relationships

Customer relationships with finite useful lives are measured initially at cost and are amortised on the straight-line basis over the respective estimated useful lives of 15 years.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	20 to 50 years
Properties	1 to 6 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are presented in a separate line on the consolidated statement of financial position.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term. There is no any short-term leases and leases of low-value assets for the year ended December 31, 2020.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals, convertible bonds, financial guarantee contract, interest-bearing bank borrowings and other non-current liabilities.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value plus or minus with transaction cost charged to profit or loss. Such liabilities shall be subsequently measured at fair value.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

If the conversion option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Put option over non-controlling interests

During the process of acquiring the majority equity interests of a subsidiary, the Group provided the non-controlling shareholders the right to dispose of their equity interests to the Group. Since the Group does not have a present ownership interest in the equity interests held by the non-controlling shareholders, the Group recognises them as non-controlling interests in the consolidated financial statements of the Group, and determines the amount that would have been recognised for the non-controlling interest, including an update to reflect allocations of profit or loss, allocations of changes in other comprehensive income and dividends declared for the reporting period. At the same time, for the put option remains unexercised, the Group, (a) derecognises the non-controlling interest as if it was acquired at the end of each reporting period, and (b) recognises a financial liability as the present value of amount payable on exercise of put option of non-controlling interest, and the difference between (a) and (b) as an equity transaction. If the non-controlling interests put option is exercised, the amount recognised as a financial liability at the date of exercise is extinguished by the payment of the exercise price.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Treasury shares

Own equity instruments which are reacquired and held by the Group (treasury shares) are recognised in equity at cost. No gain or loss is recognised in the statement of profit of loss on the purchase, sale, issue of cancellation of the Group's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis or on a weighted average method and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the entity's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Provision of discovery and research services

For the discovery and research services, the Group primarily earns revenue under three charge methods: 1) Full-time-equivalent method, or FTE method; 2) Fee-for-service method, or FFS method; or 3) Service-for-equity method, or SFE method.

Under the FTE method, the Group provides its customer with a project team of employees dedicated to the customer's studies for a specific period of time and charges the customer at a fixed rate per employee. The customer therefore simultaneously receives and consumes benefits provided by the Group's performances. In addition, FTE contracts require customer's confirmation on the FTE billable amounts, which are calculated based on number of the Group's employees assigned to the project and the time that the Group's employees had worked under the project, and also specify that the Group has an enforceable right to payment for the FTE billable amounts. Therefore, under the FTE method, the Group has a right to consideration from its customer in an amount that corresponds directly with the value to the customers of the Group's performance completed to date (i.e. FTE billable amounts). Under such arrangement, IFRS 15 provides a practical expedient whereby the Group may recognise revenue based on the amount it has a right to invoice to the customer. The Group elected to use the practical expedient and therefore recognised the FTE service revenue when it has right to invoice the customer, usually in the form of a monthly statement, and the customers confirmed the acceptance of the invoice or after the end of a confirmation period.

For the research services provided under FFS method, the contracts usually have multiple deliverable units, which are generally in the form of technical laboratory reports and/or samples, each with individual selling price specified within the contract. The total contract price is the aggregation of the individual selling prices of the deliverable units. The Group identifies each deliverable unit as a separate performance obligation, and recognises FFS revenue of contractual elements at the point in time upon finalisation, delivery and acceptance of the deliverable units or after the end of a confirmation period. Generally, the Group's research contracts include payment schedules which require payments once milestones are reached. For partial research contracts, upfront fees are required at the beginning of the contracts.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Provision of discovery and research services (continued)

For the research services provided under SFE method, the Group provides its customer with a project team of employees dedicated to the customer's studies for a specific period of time at a pre-agreed fixed rate per employee in a way that is similar to the FTE method, with the difference that the Group is entitled to receive the equity interests of the customer instead of a cash consideration for the service provided. The Group and the customer would agree on a total FTE service value that the Group would provide to the customer using the pre-agreed FTE rate, and upon reaching pre-set milestones of FTE service value, the customers would transfer certain number of their equity interests to the Group. The Group measures the progress of performance on the basis of FTE service value transferred to the customers to date relative to the remaining total FTE service value. The progress of performance corresponds directly to the number of customer's equity interest that the Group is entitled to receive. The Group then recognises revenue by measuring the fair value of the customer's equity interest and at the same time recognises a corresponding contract asset. Upon Group's cumulative FTE service value to the customers reach a pre-set milestone, the Group would receive the entitled equity interests, the corresponding contract assets are then subsequently transferred to financial assets at FVTPL, with any subsequent gains or losses arising on re-measurement being recognised in profit or loss.

Some of the service contracts contain variable consideration in the form of bonus payment (usually in the form of a milestone bonus when the service provided to the customer has reached into a certain stage or delivered a certain result). The Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration, to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Sale of goods

For the sales and distribution business of small molecule APIs, intermediates and CDMO products to customers, revenue from the sales of goods is recognised at the point in time when the Group transfers the controls of goods at a point in time and has rights to payment from the customers upon delivery of the products.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify.

(b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) the costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Share-based payments

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees for share grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 34 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

When the share options are exercised, the amount previously recognised in share option reserve will continue to be held in share option reserve. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will continue to be held in share option reserve.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries operating in Mainland China are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

There were no borrowing costs eligible to be capitalised into plant and equipment during the reporting period. All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Judgements in determining the timing of satisfaction of performance obligations

Note 2.4 describes the revenue recognition basis to each of the Group's revenue stream. The recognition of each of the Group's revenue stream requires judgement by the directors of the Company in determining the timing of satisfaction of performance obligations.

In making their judgement, the directors of the Company have considered the detailed criteria for recognition of revenue set out in IFRS 15 and in particular, whether the Group has satisfied all the performance obligations over time or at a point in time with reference to the detailed terms of transaction as stipulated in the contracts entered into with its customers.

For the services under FTE method, the directors of the Company have assessed that the customers simultaneously receive and consume benefit provided by the Group's performances and the Group has an enforceable right to payment for performances completed to date. Therefore, the directors of the Company have satisfied that the performance obligation on FTE services is satisfied over time and recognised FTE revenue over the service period.

For the services under FFS method, the directors of the Company have assessed that the Group has a present right to payment from the customers for the services performed at a point in time upon finalisation, delivery and acceptance of the deliverable units. Since (i) the customer cannot simultaneously receive and consume the benefits provided by the Group's performance as the Group performs; (ii) the Group's performance cannot create or enhance an asset that the customer controls as the asset is created or enhanced; and (iii) the Group does not has an enforceable right to payment for performance completed to date, the directors of the Company have satisfied that the performance obligation of FFS is satisfied at a point in time and recognised FFS revenue at a point in time.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Judgements in determining the timing of satisfaction of performance obligations (continued)

For the services under SFE method, the directors of the Company have assessed that the customers simultaneously receive and consume benefits provided by the Group's performances. Therefore, the directors of the Company have satisfied that the performance obligation on SFE services is satisfied over time and recognised SFE revenue over the service period.

For the sale and distribution business of small molecule APIs, intermediates and CDMO products to customers, which is similar with the service under FFS method, since (i) the customers cannot simultaneously receive and consume the benefits provided by the Group's performance as the Group performs; (ii) the Group's performance cannot create or enhance an asset that the customer controls as the asset is created or enhanced; and (iii) the Group does not has an enforceable right to payment for performance completed to date, the directors of the Company have assessed that the Group has a present right to payment from customers at the point in time when the Group transfers the controls of upon delivery of the products.

Lack of significant influence even though the Group holds more than 20% of voting rights

The Group considers that it lacks significant influence on certain companies even though it owns more than 20% of the voting rights. This is because the Group has failed to obtain representation on such companies' boards of directors and cannot exercise significant influence on its financial and operating decisions.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at December 31, 2020 was RMB1,864,660,000 (2019: Nil). Further details are given in note 15.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 22 to the financial statements.

Fair value of financial assets at FVTPL

The fair value of financial assets at FVTPL that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Further details are included in note 17 and note 41 to the financial statements.

Should any of the estimates and assumptions changed, it may lead to a material change in the respective fair value of these financial assets.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Useful lives and estimated impairment on property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will increase the depreciation charge where useful lives are less than previously estimated lives, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or to be sold.

The Group regularly reviews whether there are any indications of impairment and recognises an impairment loss if the carrying amount of an asset is lower than its recoverable amount. The Group tests for impairment for property, plant and equipment whenever there is an indication that the asset may be impaired. The recoverable amounts have been determined based on the higher of the fair value less costs of disposal and value in use. These calculations require the use of estimates, such as discount rates, future profitability and growth rates.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

(a) Drug discovery services: structure-based drug discovery services to biotechnology and pharmaceutical customers for their pre-clinical stage innovative drug development; and

(b) Contract Development Manufacture Organisation ("**CDMO**") and commercialisation services: contract development and manufacturing services for small molecule APIs and intermediates and trading of APIs, intermediates and formulations.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. The adjusted (loss)/profit before tax is measured consistently with the Group's (loss)/profit before tax except that other income and gains, selling and distribution expenses, administrative expenses, research and development expenses, listing expenses, fair value gain on financial assets at FVTPL, impairment losses on financial assets, net, other expenses, finance costs, share of losses of a joint venture or an associate, and fair value loss on financial liabilities at FVTPL are excluded from such measurement. No analysis of segment assets and liabilities is presented as management does not regularly review such information for the purposes of resource allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

4. OPERATING SEGMENT INFORMATION (continued)

The following is an analysis of the Group's revenue and results by reportable segments.

	Drug discovery services *RMB'000*	CDMO and commercialisation services *RMB'000*	Total *RMB'000*
Year ended December 31, 2020			
Segment revenue	**438,808**	**258,150**	**696,958**
Segment results	**209,793**	**95,073**	**304,866**
Reconciliation:			
Other income and gains			**69,633**
Selling and distribution expenses			**(13,095)**
Administrative expenses			**(110,163)**
Research and development expenses			**(66,041)**
Fair value gain on financial assets at FVTPL			**106,941**
Impairment losses on financial assets, net			**(3,029)**
Other expenses			**(35,653)**
Finance costs			**(62,134)**
Share of losses of a joint venture			**(487)**
Fair value loss on financial liabilities at FVTPL			**(547,048)**
Group's loss before tax			**(356,210)**

4. OPERATING SEGMENT INFORMATION (continued)

The following is an analysis of the Group's revenue and results by reportable segments. (continued)

	Drug discovery services *RMB'000*	CDMO and commercialisation services *RMB'000*	Total *RMB'000*
Year ended December 31, 2019			
Segment revenue	323,057	–	323,057
Segment results	155,873	–	155,873
Reconciliation:			
Other income and gains			65,321
Selling and distribution expenses			(3,571)
Administrative expenses			(51,215)
Research and development expenses			(44,954)
Listing expenses			(17,909)
Fair value gain on financial assets at FVTPL			217,630
Impairment losses on financial assets, net			(1,812)
Other expenses			(31)
Finance costs			(2,261)
Share of losses of:			
A joint venture			(1,874)
An associate			(34)
Fair value loss on financial liabilities at FVTPL			(34,238)
Group's profit before tax			280,925

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2020	2019
	RMB'000	*RMB'000*
United States of America ("**USA**")	**396,927**	243,592
European Union	**127,479**	1,802
PRC	**116,247**	74,477
Other countries/regions	**56,305**	3,186
	696,958	323,057

The revenue information above is based on the locations of the customers' operations.

(b) Non-current assets

	2020	2019
	RMB'000	*RMB'000*
Mainland China	**1,702,446**	169,740

The non-current asset information above is based on the locations of the assets and excludes financial instruments, goodwill, contract assets and deferred tax assets.

Information about a major customer

Revenue of approximately RMB107,206,000 (2019: Nil) was derived from sales by the CDMO and commercialisation services segment to a single customer, including sales to a group of entities which are known to be under common control with that customer.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020 *RMB'000*	2019 *RMB'000*
Revenue from contracts with customers	696,958	323,057

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended December 31, 2020

Segments	Drug discovery services *RMB'000*	CDMO and commercialisation services *RMB'000*	Total *RMB'000*
Types of goods or services			
Revenue from non-investees			
FTE services	269,870	–	269,870
FFS services	76,671	–	76,671
Sale of products	–	258,150	258,150
	346,541	258,150	604,691
Revenue from investees			
FTE services	29,523	–	29,523
FFS services	2,729	–	2,729
SFE services	60,015	–	60,015
	92,267	–	92,267
Total revenue from contracts with customers	438,808	258,150	696,958

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(a) Disaggregated revenue information (continued)

For the year ended December 31, 2020 (continued)

Segments	Drug discovery services *RMB'000*	CDMO and commercialisation services *RMB'000*	Total *RMB'000*
Geographical markets			
USA	359,565	37,362	396,927
European Union	4,216	123,263	127,479
PRC	65,046	51,201	116,247
Other countries/regions	9,981	46,324	56,305
Total revenue from contracts with customers	438,808	258,150	696,958
Timing of revenue recognition			
Goods/services transferred at a point in time	79,400	258,150	337,550
Services transferred over time	359,408	–	359,408
Total revenue from contracts with customers	438,808	258,150	696,958

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(a) Disaggregated revenue information (continued)

For the year ended December 31, 2019

Segment	Drug discovery services *RMB'000*
Types of services	
Revenue from non-investees	
FTE services	181,009
FFS services	64,548
	245,557
Revenue from investees	
FTE services	31,902
FFS services	1,936
SFE services	43,662
	77,500
Total revenue from contracts with customers	323,057
Geographical markets	
USA	243,592
PRC	74,477
European Union	1,802
Other countries/regions	3,186
Total revenue from contracts with customers	323,057
Timing of revenue recognition	
Services transferred at a point in time	66,484
Services transferred over time	256,573
Total revenue from contracts with customers	323,057

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(a) Disaggregated revenue information (continued)

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2020	2019
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
FFS services	**635**	1,399

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

FTE services

For services under the FTE model, revenue is recognised over time at the amount to which the Group has the right to invoice for services performed. Therefore, under practical expedients allowed by IFRS 15.121, the Group does not disclose the value of unsatisfied performance obligations under the FTE model.

FFS services

The performance obligation is satisfied upon finalisation, delivery and acceptance of the deliverable units or after the end of a confirmation period of the report and the payment is generally due within 30 days from the date of billing. Under FFS model, contracts are generally within an original expected length of one year or less, therefore, the expedient allowed by IFRS 15.121 is also applied.

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(b) Performance obligations (continued)

SFE services

For services under the SFE model, revenue is recognised over time at the amount to which the Group is entitled to receive the equity interests of the customer. Customers would transfer certain number of their equity interests to the Group upon reaching pre-set milestones of FTE service value.

Sale of products

The performance obligation is satisfied upon delivery of the products and payment is generally due within 30 to 90 days from delivery. For sales of products, contracts are generally within an original expected length of one year or less, therefore, the expedient allowed by IFRS 15.121 is also applied.

The amount of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at December 31 is as follows:

	2020 ***RMB'000***	2019 *RMB'000*
SFE services	**117,618**	71,170

The amount of transaction prices allocated to the remaining performance obligations is expected to be recognised as revenue within three years.

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(b) Performance obligations (continued)

Sale of products (continued)

	2020 *RMB'000*	2019 *RMB'000*
Other income		
Interest income		
– Banks	16,545	14,904
– imputed interest income on rental deposits	165	182
Government grants	9,448	5,784
	26,158	20,870
Gains		
Gain on deemed disposal of interests in associates	–	11,684
Gain on deemed disposal of interests in a joint venture *(note 39)*	6,303	–
Net foreign exchange gain	–	32,736
Gain on repurchase of convertible bonds	4,447	–
Gain on derivative financial instruments	30,974	–
Gain on disposal of right-of-use assets	1,612	3
Others	139	28
	43,475	44,451
	69,633	65,321

6. FINANCE COSTS

	2020	2019
	RMB'000	*RMB'000*
Interest on convertible bonds	**52,117**	–
Interest on lease liabilities	**1,173**	1,973
Interest expenses on bank loans	**8,844**	288
	62,134	2,261

7. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging/ (crediting):

	Notes	**2020** **RMB'000**	2019 RMB'000
Cost of inventories sold		**147,338**	–
Cost of services provided		**44,599**	33,701
Depreciation of property, plant and equipment	*13*	**45,671**	16,496
Depreciation of right-of-use assets	*14*	**18,376**	17,581
Amortisation of other intangible assets	*16*	**6,139**	–
Less: capitalised in contract costs		**(706)**	(439)
Less: capitalised in inventories		**(820)**	–
		68,660	33,638
Staff cost (including directors' emoluments):			
– Independent non-executive directors' fee		**597**	285
– Salaries and other benefits		**199,085**	126,503
– Retirement benefit scheme contributions		**19,185**	16,898
– Share-based payment expenses	*34*	**14,047**	8,330
		232,914	152,016
Less: capitalised in contract costs		**(3,476)**	(2,275)
Less: capitalised in inventories		**(2,347)**	–
		227,091	149,741
Foreign exchange losses/(gains), net		**19,790**	(32,736)
Fair value gain on derivative financial instruments		**(30,974)**	–
Transaction costs of business combination		**15,582**	–
Impairment losses on financial assets, net		**3,029**	1,812
Loss on disposal of items of property, plant and equipment		**273**	31
Auditors' remuneration		**3,800**	4,227

8. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The income tax expense of the Group for the period is analysed as follows:

	2020 *RMB'000*	2019 *RMB'000*
Current tax		
– Hong Kong	2,349	2,247
– Mainland China	18,122	10,543
	20,471	12,790
Deferred tax *(note 20)*	2,189	2,263
	22,660	15,053

Cayman Islands/BVI

Pursuant to the relevant rules and regulations of the Cayman Islands and the BVI, the Company and the subsidiary of the Group incorporated therein are not subject to any income tax in the Cayman Islands and the BVI.

Hong Kong

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (2019: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

8. INCOME TAX (continued)

Mainland China

The provision for PRC corporate income tax is based on the statutory rate of 25% of the assessable profits of certain PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on January 1, 2008, except for certain subsidiaries of the Group in Mainland China which are granted tax concession and are taxed at preferential tax rates.

Viva Biotech Shanghai renewed its "High and New Technology Enterprise" qualification in 2019 and was entitled to the preferential tax rate of 15% from 2019 to 2021.

Langhua Pharmaceutical renewed its "High and New Technology Enterprise" qualification in 2018 and was entitled to the preferential tax rate of 15% from 2018 to 2020.

A reconciliation of the tax expense applicable to (loss)/profit before tax using the applicable tax rate for the regions in which the majority of subsidiaries of the Company are domiciled to the tax expense at the effective tax rate is as follows:

	2020 *RMB'000*	2019 *RMB'000*
(Loss)/profit before tax	**(356,210)**	280,925
Tax at the applicable tax rate of 25%	**(89,053)**	70,231
Preferential income tax rates applicable to subsidiaries	**(10,427)**	(10,234)
Adjustments in respect of current tax of previous years	**(1,314)**	305
Expenses not deductible for tax	**167,239**	18,820
Additional deduction allowance for research and development expenses	**(5,319)**	(3,061)
Income not subject to tax	**(37,303)**	(61,867)
Effect of tax rate differences in other jurisdictions	**(1,163)**	859
Tax charge	**22,660**	15,053

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2020 *RMB'000*	2019 *RMB'000*
Fees	**1,759**	855
Other emoluments:		
Salaries, allowances and other benefits in kind	**4,508**	3,908
Performance related bonus	**78**	85
Equity-settled share award option expenses	**149**	3,098
Pension scheme contributions	**40**	49
	6,534	7,995

During the year, certain directors were granted restricted share units, in respect of their services to the Group, under the restricted share units scheme of the Company, further details of which are set out in note 34 to the financial statements. The fair value of such restricted share units, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2020 *RMB'000*	2019 *RMB'000*
Mr. Fu Lei	**199**	95
Ms. Wang Haiguang	**199**	95
Ms. Li Xiangrong	**199**	95
	597	285

There were no other emoluments payable to the independent non-executive directors during the year (2019: Nil).

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors, non-executive directors and the chief executive

	Fees	Salaries, allowances and other benefits in kind	Performance related bonus	Equity-settled share award expenses	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2020						
Chief Executive and executive director:						
Mr. Mao Chen Cheney	199	957	1	35	–	1,192
Executive directors:						
Mr. Wu Ying	199	584	75	37	39	934
Mr. Ren Delin	199	1,492	1	37	–	1,729
Mr. Hua Fengmao	199	1,475	1	40	1	1,716
	796	4,508	78	149	40	5,571
Non-executive directors:						
Mr. John Wu Jiong*	34	–	–	–	–	34
Ms. Mao Jun**	165	–	–	–	–	165
Ms. Sun Yanyan***	167	–	–	–	–	167
	366	–	–	–	–	366
	1,162	4,508	78	149	40	5,937

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors, non-executive directors and the chief executive (continued)

	Fees	Salaries, allowances and other benefits in kind	Performance related bonus	Equity-settled share award expenses	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2019						
Chief Executive and executive director:						
Mr. Mao Chen Cheney	95	954	–	317	–	1,366
Executive directors:						
Mr. Wu Ying	95	591	66	630	49	1,431
Mr. Ren Delin	95	1,432	19	762	–	2,308
Mr. Hua Fengmao	95	931	–	1,389	–	2,415
	380	3,908	85	3,098	49	7,520
Non-executive directors:						
Mr. John Wu Jiong	95	–	–	–	–	95
Ms. Mao Jun	95	–	–	–	–	95
	190	–	–	–	–	190
	570	3,908	85	3,098	49	7,710

* Mr. John Wu Jiong was appointed as a director of the Company on July 3, 2018 and resigned on March 30, 2020.

** Ms. Mao Jun was appointed as a director of the Company on July 3, 2018 and resigned on November 3, 2020.

*** Ms. Sun Yanyan was appointed as a director of the Company on March 30, 2020.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2019: Nil).

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2019: two directors), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining three (2019: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020	2019
	RMB'000	*RMB'000*
Salaries, allowances and other benefits in kind	**5,195**	5,360
Performance related bonus	**237**	496
Equity-settled share expenses	**1,757**	634
	7,189	6,490

The number of the five highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2020	2019
HK$1,500,000 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$2,500,000	**3**	2
HK$2,500,001 to HK$3,000,000	**–**	3
HK$3,000,001 to HK$3,500,000	**–**	–
HK$3,500,001 to HK$4,000,000	**–**	–
HK$4,000,001 to HK$4,500,000	**1**	–
	5	5

During the year, share options and restricted share units were granted to two and three non-director and non-chief executive highest paid employees, respectively, in respect of their services to the Group, further details of which are included in the disclosures in note 34 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above five highest paid employees' remuneration disclosures.

11. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,571,507,000 (2019: 1,400,446,000) in issue during the year.

The diluted loss per share for the year ended December 31, 2020 did not assume the conversion of the convertible bonds nor the exercise of Post-IPO Share Incentive Schemes as their inclusion would be anti-dilutive.

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year ended December 31, 2019 has been retrospectively adjusted for the effect of the Share Split and the Capitalisation Issue. The weighted average number of ordinary shares for the purpose of calculating diluted earnings per share for the year ended December 31, 2019 has been retrospectively adjusted for the effect of the Share Split and the Capitalisation Issue and the Pre-IPO Share Incentive Schemes but did not assume the conversion of the Series B Preferred Shares as their inclusion would be anti-dilutive.

The calculations of the basic and diluted (loss)/earnings per share are based on:

	2020 ***RMB'000***	2019 *RMB'000*
(Loss)/earnings		
(Loss)/profit attributable to equity holders of the parent, used in the basic and diluted earnings per share calculation	**(386,880)**	265,872

	Number of shares *('000)*	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic (loss)/earnings per share calculation	**1,571,507**	1,400,446
Effect of dilutive potential ordinary shares:		
Pre-IPO Share Incentive Schemes of the Company	**–**	84,496
Weighted average number of ordinary shares for the purpose of calculating diluted (loss)/earnings per share	**1,571,507**	1,484,942

12. DIVIDENDS

	2020 *RMB'000*	2019 *RMB'000*
Interim – HK$0.0170 (equivalent to RMB0.0150) (2019: HK$0.0050 (equivalent to RMB0.0045) per ordinary share	**28,755**	7,148
Proposed final – HK$0.0100 (equivalent to RMB0.0084) (2019: HK$0.015 (equivalent to RMB0.0136)) per ordinary share	**16,181**	23,037
Special dividend declared and paid	**–**	120,747
	44,936	150,932

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Furniture, fixtures and equipment RMB'000	Transportation equipment RMB'000	Leasehold improvements RMB'000	Construction in progress ("CIP") RMB'000	Total RMB'000
December 31, 2020							
At January 1, 2020							
Cost	17,918	–	103,778	1,947	18,973	11,979	154,595
Accumulated depreciation	(2,167)	–	(37,156)	(1,003)	(7,921)	–	(48,247)
Net carrying amount	15,751	–	66,622	944	11,052	11,979	106,348
At January 1, 2020, net of accumulated depreciation	15,751	–	66,622	944	11,052	11,979	106,348
Additions	594	2,493	46,925	2,796	3,009	110,713	166,530
Acquisition of subsidiaries*	88,499	151,783	16,848	5,873	–	30,485	293,488
Disposals	–	–	(349)	(56)	–	–	(405)
Transfers	–	6,150	3,299	–	11,654	(21,103)	–
Depreciation provided during the year	(2,552)	(11,062)	(23,872)	(1,975)	(6,210)	–	(45,671)
At December 31, 2020, net of accumulated depreciation	102,292	149,364	109,473	7,582	19,505	132,074	520,290
At December 31, 2020:							
Cost	107,011	160,426	168,609	10,416	33,636	132,074	612,172
Accumulated depreciation	(4,719)	(11,062)	(59,136)	(2,834)	(14,131)	–	(91,882)
Net carrying amount	102,292	149,364	109,473	7,582	19,505	132,074	520,290

* During the year, the Group acquired property, plant and equipment of RMB16,912,000 and RMB276,576,000 from the acquisition of a 100% equity interest in Shanghai Viva Qizhi and an 80% equity interest in Langhua Pharmaceutical in March 2020 and November 2020, respectively.

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings	Furniture, fixtures and equipment	Transportation equipment	Leasehold improvements	CIP	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
December 31, 2019						
At January 1, 2019						
Cost	17,918	64,433	1,608	13,506	2,346	99,811
Accumulated depreciation	(1,316)	(26,024)	(1,117)	(4,455)	–	(32,912)
Net carrying amount	16,602	38,409	491	9,051	2,346	66,899
At January 1, 2019, net of accumulated depreciation	16,602	38,409	491	9,051	2,346	66,899
Additions	–	38,800	804	16	16,405	56,025
Disposals	–	(57)	(23)	–	–	(80)
Transfers	–	1,321	–	5,451	(6,772)	–
Depreciation provided during the year	(851)	(11,851)	(328)	(3,466)	–	(16,496)
At December 31, 2019 net of accumulated depreciation	15,751	66,622	944	11,052	11,979	106,348
At December 31, 2019:						
Cost	17,918	103,778	1,947	18,973	11,979	154,595
Accumulated depreciation	(2,167)	(37,156)	(1,003)	(7,921)	–	(48,247)
Net carrying amount	15,751	66,622	944	11,052	11,979	106,348

At December 31, 2020, the building with a carrying amount of approximately RMB4,973,000 (2019: RMB5,296,000) was pledged to secure certain bank borrowings of the Group (note 29).

14. LEASES

The Group as lessee

The Group has lease contracts for various items of leasehold land and properties. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 20 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of properties generally have lease terms between 1 and 6 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amount of the Group's right-of-use assets and the movements during the year are as follow:

	Leasehold land *RMB'000*	Properties *RMB'000*	Total *RMB'000*
As at January 1, 2019	–	16,388	16,388
Additions	5,639	46,192	51,831
Depreciation charge	(94)	(17,487)	(17,581)
As at December 31, 2019 and January 1, 2020	5,545	45,093	50,638
Additions	**–**	**16,054**	**16,054**
Acquisition of subsidiaries*	**198,810**	**136**	**198,946**
Termination of lease contracts	**–**	**(30,542)**	**(30,542)**
Depreciation charge	**(3,561)**	**(14,815)**	**(18,376)**
As at December 31, 2020	**200,794**	**15,926**	**216,720**

* During the year, the Group acquired right-of-use assets of RMB112,345,000 and RMB86,601,000 from the acquisition of a 100% equity interest in Shanghai Viva Qizhi and an 80% equity interest in Langhua Pharmaceutical in March 2020 and November 2020, respectively.

14. LEASES (continued)

The Group as lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2020 *RMB'000*	2019 *RMB'000*
Carrying amount at January 1	**47,542**	15,177
New leases	**1,690**	45,937
Termination of lease contracts	**(19,657)**	–
Accretion of interest recognised during the year	**1,173**	1,973
Payments	**(15,425)**	(15,545)
Carrying amount at December 31	**15,323**	47,542
Analysed into:		
Current portion	**11,411**	24,458
Non-current portion	**3,912**	23,084

The maturity analysis of lease liabilities is disclosed in note 42 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2020 *RMB'000*	2019 *RMB'000*
Interest on lease liabilities	**1,173**	1,973
Depreciation charge of right-of-use assets	**18,376**	17,581
Total amount recognised in profit or loss	**19,549**	19,554

(d) The total cash outflow for leases is disclosed in note 37(c) to the financial statements.

15. GOODWILL

	2020 RMB'000	2019 RMB'000
Cost at January 1, net of accumulated impairment	–	–
Acquisition of a subsidiary *(note 36)*	1,847,723	–
Impairment during the year	–	–
Cost and net carrying amount at December 31	1,847,723	–
At December 31		
Cost	1,847,723	–
Accumulated impairment	–	–
Net carrying amount	1,847,723	–

Impairment testing of goodwill

The goodwill comprises the fair value of expected business synergies arising from the acquisitions, which is not separately recognised.

Goodwill acquired through business combination has been allocated to the relevant CDMO and commercialisation service from which the goodwill was resulted. This business is treated as an individual cash-generating unit ("**CGU**") for impairment testing.

The carrying amount of goodwill allocated to the operation of CGU is as follows:

	2020 RMB'000	2019 RMB'000
CDMO and commercialisation service	1,847,723	–

The recoverable amount of the CGU has been determined based on fair value less disposal cost calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management.

15. GOODWILL (continued)

Impairment testing of goodwill (continued)

Assumptions were used in the value in use calculation of the CGU for December 31, 2020. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Gross margins and operating expenses – Gross margins are based on the average gross margins achieved in the year immediately before the budget year and are increased over the budget period for anticipated efficiency improvements. Estimates on operating expenses reflect past experience and management's commitment to maintain them at an acceptable level.

Discount rate – the rate reflects management's estimate of the risks specific to the unit. The discount rate applied to the cash flow projections beyond the one-year period is 15%. The discount rate used is before tax and reflects specific risk relating to the relevant CGU.

Growth rate – the rate is based on published industry research. The growth rate used to extrapolate the cash flows of the CGU beyond the five-year period from the end of the reporting period is 3%.

The values assigned to the key assumptions on gross margins and operating expenses, discount rate and growth rate are consistent with management's past experience and external information sources.

16. OTHER INTANGIBLE ASSETS

	Patents *RMB'000*	Customer relationships *RMB'000*	Total *RMB'000*
Cost at January 1, net of accumulated amortisation	–	–	–
Acquisition of a subsidiary *(note 36)*	137,401	338,200	475,601
Amortisation provided during the year	(2,381)	(3,758)	(6,139)
Cost and net carrying amount at December 31	135,020	334,442	469,462
At December 31			
Cost	137,401	338,200	475,601
Accumulated impairment	(2,381)	(3,758)	(6,139)
Net carrying amount	135,020	334,442	469,462

17. FINANCIAL ASSETS AT FVTPL

	2020 ***RMB'000***	2019 *RMB'000*
Unlisted investments at FVTPL	**924,532**	647,271
Financial products	**49,500**	5,212
	974,032	652,483
Analysed for reporting purposes as:		
Current assets	**49,500**	29,629
Non-current assets	**924,532**	622,854
	974,032	652,483

17. FINANCIAL ASSETS AT FVTPL (continued)

(a) Unlisted investments at FVTPL

The movements in the carrying value of unlisted investments at FVTPL for the reporting period are as follows:

	RMB'000
At January 1, 2019	204,740
Acquired	192,487
Recognised from SFE revenue	41,625
Recognised from deemed disposal of an associate	14,328
Gain on fair value change	212,700
Disposal	(18,326)
Exchange adjustment	(283)
At December 31, 2019 and January 1, 2020	**647,271**
Acquired	**171,381**
Recognised from SFE revenue	**51,297**
Recognised from deemed disposal of a joint venture	**10,044**
Gain on fair value change	**102,010**
Disposal	**(33,344)**
Exchange adjustment	**(24,127)**
At December 31, 2020	**924,532**

17. FINANCIAL ASSETS AT FVTPL (continued)

(b) Financial products classified as financial assets at FVTPL

The movements in the carrying value of the financial products of FVTPL for the reporting period are as follows:

	RMB'000
At January 1, 2019	–
Acquired	1,601,953
Gain on fair value change	4,930
Disposal	(1,601,671)
At December 31, 2019 and January 1, 2020	**5,212**
Acquired	**3,313,277**
Acquisition of a subsidiary *(note 36)*	**49,000**
Gain on fair value change	**4,931**
Disposal	**(3,322,920)**
At December 31, 2020	**49,500**

At December 31, 2020, the financial products classified as financial assets at FVTPL represented unguaranteed financial products issued by a bank, with no fixed maturity period and expected return rate at 2.9% per annum (at December 31, 2019: 2.9% per annum).

18. CONTRACT ASSETS

	2020 ***RMB'000***	2019 *RMB'000*
Right to receive unlisted investments in exchange for the services transferred	**15,381**	5,405

19. RENTAL DEPOSITS AND PREPAYMENTS

	2020 *RMB'000*	2019 *RMB'000*
Prepayments		
– prepayments for leasehold land and properties*	**429,213**	–
– prepayments for potential acquisition *(note 43)*	**15,438**	–
– prepayments for property, plant and equipment	**51,323**	8,526
	495,974	8,526
Rental deposits	**2,511**	2,571
	498,485	11,097

* On July 1, 2020, Viva Biotech Shanghai entered into a bid for the land use right and property located in Shanghai Pudong New District. As at December 31, 2020, the Group prepaid RMB403,973,000 for such acquisition, mainly including a bidding price of RMB392,370,000, and relevant stamp and deed taxes of RMB11,407,000. The real estate certificate of such land use right and property was subsequently obtained in January 2021.

On December 28, 2020, Viva Dancheng Biotech entered into an agreement with relevant government department to acquire a land use right located in Hangzhou Qiantang New District. As at December 31, 2020, the Group prepaid RMB25,240,000 for such acquisition. The real estate certificate of such land use right was subsequently obtained in February 2021.

20. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	ECL *RMB'000*	Deferred income *RMB'000*	Tax losses *RMB'000*	Accrued payroll *RMB'000*	Share of losses of a joint venture and an associate *RMB'000*	Accrued expenses *RMB'000*	Depreciation difference *RMB'000*	Provision *RMB'000*	Total *RMB'000*
2020									
At January 1, 2020	264	2,836	4,253	2,411	680	–	–	–	10,444
Acquisition of subsidiaries	1,753	–	3,540	574	–	4,187	511	140	10,705
Deferred tax (charged)/credited to the statement of profit or loss *(note 8)*	(359)	1,226	2,286	(2,412)	73	(401)	(43)	(20)	350
Exchange differences	–	–	(85)	–	–	–	–	–	(85)
Gross deferred tax assets at December 31, 2020	1,658	4,062	9,994	573	753	3,786	468	120	21,414
2019									
At January 1, 2019	134	1,540	982	760	543	–	–	–	3,959
Deferred tax credited to the statement of profit or loss *(note 8)*	130	1,296	3,271	1,651	137	–	–	–	6,485
Gross deferred tax assets at December 31, 2019	264	2,836	4,253	2,411	680	–	–	–	10,444

20. DEFERRED TAX (continued)

Deferred tax liabilities

	Fair value change of financial assets at FVTPL *RMB'000*	Depreciation allowance in excess of related depreciation *RMB'000*	Fair value adjustments arising from acquisition of subsidiaries *RMB'000*	Total *RMB'000*
2020				
At January 1, 2020	**(6,226)**	**(8,588)**	**–**	**(14,814)**
Acquisition of subsidiaries	**(2,980)**	**(1,510)**	**(108,812)**	**(113,302)**
Deferred tax (credited)/charged to the statement of profit or loss *(note 8)*	**(1,783)**	**(3,949)**	**3,193**	**(2,539)**
Gross deferred tax liabilities at December 31, 2020	**(10,989)**	**(14,047)**	**(105,619)**	**(130,655)**
2019				
At January 1, 2019	(1,514)	(4,553)	–	(6,067)
Deferred tax credited to the statement of profit or loss *(note 8)*	(4,712)	(4,036)	–	(8,748)
Gross deferred tax liabilities at December 31, 2019	(6,226)	(8,589)	–	(14,815)

20. DEFERRED TAX (continued)

Deferred tax liabilities (continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes.

	2020	2019
	RMB'000	*RMB'000*
Net deferred tax assets recognised in the consolidated statement of financial position	**9,943**	3,789
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(119,161)**	(8,160)
	(109,218)	(4,371)

The Group has tax losses arising in Hong Kong of approximately RMB10,545,000 as of December 31, 2020 (2019: approximately RMB4,148,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the loss arose. The Group has tax losses arising in mainland China of approximately RMB33,574,000 for offsetting against future profits as of December 31, 2020 (2019: approximately RMB15,643,000) and such tax losses will expire in one to five years for offsetting against taxable profits of the companies in which the tax losses arose.

Under the EIT law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from January 1, 2008 onwards. At December 31, 2020, deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB543,392,000 (2019: RMB250,762,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

21. INVENTORIES

	2020 *RMB'000*	2019 *RMB'000*
Raw materials	57,341	8,530
Work in progress	59,360	–
Finished goods	48,044	–
	164,745	8,530

22. TRADE AND BILLS RECEIVABLES

	2020 *RMB'000*	2019 *RMB'000*
Trade receivables		
– related parties *(note 39)*	95	1,987
– third parties	321,476	57,275
Bills receivables	7,044	–
Impairment	(8,105)	(1,757)
	320,510	57,505

The Group allows a credit period ranging from 30 to 90 days to its customers (2019: 90 days). The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, the analysis of concentrations of credit risk is set out in note 42. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

22. TRADE AND BILLS RECEIVABLES (continued)

An ageing analysis of the trade receivables as at the end of the reporting period, based on the involve date and net of loss allowance, is as follows:

	2020 *RMB'000*	2019 *RMB'000*
Within 6 months	311,335	50,186
6 months to 1 year	8,184	3,926
1 to 2 years	991	3,393
	320,510	57,505

The movements in the loss allowance for impairment of trade receivables are as follows:

	2020 *RMB'000*	2019 *RMB'000*
At beginning of year	1,757	893
Acquisition of subsidiaries	7,653	–
Impairment losses, net	(931)	1,812
Amount written off as uncollectible	(374)	(948)
At end of year	8,105	1,757

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

22. TRADE AND BILLS RECEIVABLES (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at December 31, 2020

	Ageing			
	Less than 6 months	**7 to 12 months**	**Over 12 months**	**Total**
Expected credit loss rate	**2.3%**	**3.9%**	**26.1%**	**2.5%**
Gross carrying amount *(RMB'000)*	**318,760**	**8,514**	**1,341**	**328,615**
Expected credit losses *(RMB'000)*	**7,425**	**330**	**350**	**8,105**

As at December 31, 2019

	Ageing			
	Less than 6 months	7 to 12 months	Over 12 months	Total
Expected credit loss rate	2.3%	3.7%	10.7%	3.0%
Gross carrying amount *(RMB'000)*	51,383	4,078	3,801	59,262
Expected credit losses *(RMB'000)*	1,197	152	408	1,757

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2020 *RMB'000*	2019 *RMB'000*
Other receivables		
– refundable deposits for potential acquisitions	–	70,000
– tax refund for export	26,453	2,678
– refundable rental payments	19,214	–
– others	31,155	4,056
	76,822	6,734
Impairment	(3,760)	–
	73,062	76,734
Prepayments	11,643	1,302
Prepaid expenses	5,931	1,343
Value added tax recoverable	9,497	3,772
	100,133	83,151

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

24. DERIVATIVE FINANCIAL INSTRUMENTS

	2020		2019	
	Assets	**Liabilities**	Assets	Liabilities
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Forward currency contracts*	**18,843**	**–**	–	–

* Changes in the fair value of forward currency contracts were charged to the statement of profit or loss during the reporting periods.

The Group holds the following foreign exchange forward contracts:

	Maturity				
	Less than 3 months	**3 to 6 months**	**6 to 9 months**	**9 to 12 months**	**Total**
As at December 31, 2020					
Forward currency contracts					
Notional amount *(RMB'000)*	**205,196**	**133,483**	**51,095**	**13,800**	**403,574**
Average forward rate *(US$/RMB)*	**6.9477**	**6.8784**	**6.8617**	**6.9000**	

25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2020 *RMB'000*	2019 *RMB'000*
Cash and bank balances	2,308,452	904,091
Pledged deposits	681,658	5,908
	2,990,110	909,999
Less:		
Pledged time deposits for letters of credit	642,000	–
Pledged time deposits for notes payable	29,236	–
Restricted bank balances	10,422	5,908
Cash and cash equivalents	2,308,452	904,091
Denominated in RMB	294,840	109,310
Denominated in US$	2,006,508	773,449
Denominated in HK$	7,096	21,332
Denominated in other currencies	8	–
Cash and cash equivalents	2,308,452	904,091

The RMB is not freely convertible into other currencies, however, under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one day and twelve months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged time deposits are deposited with creditworthy banks with no recent history of default.

At December 31, 2020, the restricted bank balances of RMB10,422,000 (2019: RMB5,908,000), represented government grants and subsidies received by the Group and are restricted for use till the Group complied with the conditions attached to the grants and the government acknowledged acceptance. Corresponding liabilities are recorded in deferred income.

26. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2020 *RMB'000*	2019 *RMB'000*
Within 3 months	**230,157**	5,349
3 months to 1 year	**65,260**	1,188
Over 1 year	**287**	1,015
	295,704	7,552

The trade and bills payables are non-interest-bearing.

27. OTHER PAYABLES AND ACCRUALS

	2020 *RMB'000*	2019 *RMB'000*
Other payables		
– Payable for acquisition*	**30,000**	–
– Payable for construction in progress	**19,775**	–
– Others	**46,403**	7,651
	96,178	7,651
Salary and bonus payables	**99,250**	20,052
Other taxes payable	**44,314**	691
Interest payable	**4,118**	–
	243,860	28,394

Other payables are non-interest-bearing.

* Payable for acquisition represents acquisition consideration payable to the original shareholders of Shanghai Viva Qizhi. Please refer to note 1 regarding the details of this acquisition.

28. CONTRACT LIABILITIES

	2020 RMB'000	2019 RMB'000
Short-term advances received from customers		
Drug discovery services	**2,625**	635
CDMO and commercialisation service	**10,761**	–
	13,386	635

The increase in contract liabilities in 2020 was mainly due to the increase in short-term advances received from customers in relation to the acquisition of Langhua Pharmaceutical, which is engaged in CDMO and commercialisation service.

29. BANK BORROWINGS

	2020			2019		
	Effective interest rate *(%)*	Maturity	*RMB'000*	Effective interest rate *(%)*	Maturity	*RMB'000*
Current						
Bank loans – unsecured	**One-year 3.92%**	**2021**	**25,000**	–	–	–
Current portion of long term bank loans – secured and guaranteed *(a)*	**One-year Loan prime rate ("LPR")+50 bps**	**2021**	**130,000**	–	–	–
bank loans – secured *(b)*	**Eight-year LPR*110%**	**2021**	**554**	Eight-year LPR*110%	2020	525
			155,554			525
Non-current						
Bank loans – secured and guaranteed *(a)*	**One-year LPR+50 bps**	**2025**	**1,306,000**	–	–	–
Bank loans – secured *(b)*	**Eight-year LPR*110%**	**2023**	**786**	Eight-year LPR*110%	2023	1,340
			1,306,786			1,340

29. BANK BORROWINGS (continued)

	2020 RMB'000	2019 RMB'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	155,554	525
In the second year	330,584	554
In the third to fifth years, inclusive	976,202	786
	1,462,340	1,865

Notes:

(a) To finance the acquisition of an 80% equity interest in Langhua Pharmaceutical, the bank loan incurred is pledged by one-year deposits of RMB640,000,000 of the Group as collateral and guaranteed by the Company.

(b) Details of the assets of the Group at December 31, 2020 and 2019 that have been pledged as collateral to secure the bank borrowings of the Group are set out in note 13.

30. DEFERRED INCOME

	2020 RMB'000	2019 RMB'000
Government grants	22,710	15,844

The Group's deferred government grants represented government grants received for projects and are credited to the statement of profit or loss on a straight-line basis over the expected lives of the related assets or recognised as income on a systematic basis over the periods that the costs, which they are intended to compensate, are expensed.

31. CONVERTIBLE BONDS

(a) US$180,000,000 convertible bonds

On February 11, 2020, Viva Incubator HK issued five-year 2.5% convertible bonds in an aggregate principal amount of US$180,000,000, which were guaranteed by the Company.

The conversion period is on or after March 23, 2020 up to the close of business on the 10th day prior to February 11, 2025 and the price of ordinary shares of the Company to be issued in exercise of the right of conversion is initially HK$5.7456 per share. The conversion price would be subject to adjustment for, among other things, consolidation, subdivision, redesignation or reclassification of shares, capitalisation of profits or reserves, distributions, rights issues of shares or options over shares, rights issues of other securities, issues at less than current market price, other issues at less than current market price, modification of rights of conversion, other offers to shareholders.

In addition to the conversion price adjustment situation mentioned above, on February 11, 2021 and February 11, 2022 (the "**reset date**"), the conversion price shall be adjusted by the arithmetic average of the volume weighted average prices of the shares on each trading day for the period of 20 consecutive trading days ending on the trading day immediately prior to the relevant reset date. Any such adjustment to the conversion price shall be limited such that the adjusted conversion price in no event shall be less than HK$4.56.

On February 11, 2025, Viva Incubator HK would redeem all unconverted bonds from bondholders at the price of 108.21% of their principal amount, together with accrued and unpaid interest thereon.

On February 11, 2023, the bondholders would have the right to ask Viva Incubator HK to redeem all or some of bonds at 104.73% of its principal amount, together with interest accrued but unpaid to but excluding such date.

On giving not less than 30 nor more than 60 days' notice to the bondholders, the trustee and the principal agent (which notice will be irrevocable), Viva Incubator HK may at any time prior to February 11, 2025 redeem in whole, but not in part, the bonds for the time being outstanding at their early redemption amount, together with interest accrued but unpaid to but excluding the date fixed for redemption provided that prior to the date of such notice at least 90% in principal amount of the bonds originally issued has already been converted, redeemed or purchased and cancelled.

31. CONVERTIBLE BONDS (continued)

(a) US$180,000,000 convertible bonds (continued)

The US$180,000,000 convertible bonds comprise two components:

(i) Debt component initially measured at fair value amounting to US$129,863,000 (equivalent to RMB919,365,000) and subsequently measured at amortised cost using the effective interest method after considering the effect of the transaction costs; and

(ii) Derivative component comprising conversion options and early redemption options (not closely related to the debt component), which was initially measured at fair value amounting to US$50,137,000 (equivalent to RMB354,945,000) and subsequently measured at fair value with changes in fair value recognised in profit or loss.

The total transaction costs of US$2,588,000 (equivalent to RMB18,284,000) that are related to the issue of the US$180,000,000 convertible bonds were allocated to the debt and derivative components in proportion to their respective fair values.

The total transaction costs relating to the derivative components were charged to profit or loss in the current year. Transaction costs of the US$180,000,000 convertible bonds relating to the debt component were included in the carrying amount of the debt portion and amortised over the period using the effective interest method.

31. CONVERTIBLE BONDS (continued)

(a) US$180,000,000 convertible bonds (continued)

	Debt component *RMB'000*	Embedded derivative components *RMB'000*	Total *RMB'000*
Issue of US$180,000,000 convertible bonds	919,365	354,945	1,274,310
Transaction costs	(13,216)	(5,068)	(18,284)
Transaction costs charged into profit or loss immediately	–	5,068	5,068
Exchange adjustments	(19,926)	(8,234)	(28,160)
Interest charged	36,875	–	36,875
Repurchase*	(22,981)	(8,874)	(31,855)
Conversion**	(740,149)	(684,594)	(1,424,743)
Loss arising on changes of fair value	–	547,048	547,048
As at December 31, 2020	**159,968**	**200,291**	**360,259**

* On April 16, 2020, convertible bonds an aggregate principal amount of US$4,500,000 were repurchased by Viva Incubator HK at a total consideration of US$3,870,000 (equivalent to RMB31,855,000), with a gain on repurchase of convertible bonds of US$630,000 (equivalent to RMB4,447,000) recognised.

** Up to December 31, 2020, an aggregate principal amount of US$148,000,000 were converted into 194,118,050 ordinary shares (note 33).

31. CONVERTIBLE BONDS (continued)

(b) US$280,000,000 convertible bonds

On December 30, 2020, Viva Biotech BVI issued five-year 1% convertible bonds in an aggregate principal amount of US$280,000,000, which were guaranteed by the Company.

The conversion period is on or after February 9, 2021 up to the close of business on the 10th day prior to December 30, 2025 and the price of ordinary shares of the Company to be issued in exercise of the right of conversion is initially HK$11.637 per Share. The conversion price would be subjected to adjustment for, among other things, consolidation, subdivision, redesignation or reclassification of shares, capitalization of profits or reserves, distributions, rights issues of shares or options over shares, rights issues of other securities, issues at less than current market price, other issues at less than current market price, modification of rights of conversion, other offers to shareholders. The number of shares to be issued on conversion will be determined at the fixed exchange rate of HK$7.7519 to US$1.

On December 30, 2025, Viva Biotech BVI would redeem all unconverted bonds from bondholders at the price of 105.23% of its principal amount, together with accrued and unpaid interest thereon.

On December 30, 2023, the bondholders would have the right to ask Viva Biotech BVI to redeem all or some of bonds at 103.08% of its principal amount, together with interest accrued but unpaid to but excluding such date.

On giving not less than 30 nor more than 60 days' notice to the bondholders, the trustee and the principal agent (which notice will be irrevocable), Viva Biotech BVI:

(i) may at any time after January 9, 2024 and prior to December 30, 2025 redeem in whole, but not in part, the bonds for the time being outstanding at the early redemption amount, together with interest accrued but unpaid to but excluding the date fixed for redemption, provided that the closing price of the shares for each of 20 out of 30 consecutive trading days, the last of which occurs not more than five trading days prior to the date upon which notice of such redemption, is published was at least 130% of the applicable early redemption amount for each bond divided by the conversion ratio then applicable; or

(ii) may at any time prior to December 30, 2025 redeem in whole, but not in part, the bonds for the time being outstanding at their early redemption amount, together with interest accrued but unpaid to but excluding the date fixed for redemption, provided that prior to the date of such notice at least 90% in principal amount of the bonds originally issued have already been converted, redeemed or purchased and cancelled.

31. CONVERTIBLE BONDS (continued)

(b) US$280,000,000 convertible bonds (continued)

The fair value of the debt component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

The US$280,000,000 convertible bonds have been split into the debt and equity components as follows:

	RMB'000
Issue of US$280,000,000 convertible bonds	1,829,100
Equity component	(475,880)
Direct transaction costs attributable to the debt component	(20,328)
Debt component at the issuance date	1,332,892
Interest expense	513
Exchange realignment	(1,525)
Debt component at December 31, 2020	1,331,880

32. OTHER NON-CURRENT LIABILITIES

	2020 ***RMB'000***	2019 *RMB'000*
Payables for purchase of equity interests from third parties *(note 36)*	**516,846**	–

33. SHARE CAPITAL/TREASURY SHARES

Shares

	2020	2019
	RMB'000	*RMB'000*
Issued and fully paid:		
1,917,720,747 (2019: 1,561,818,398) ordinary shares	**323**	261

Share capital

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	**Share capital**
		RMB'000
At January 1, 2019	246,917,810	164
Share split	740,753,430	–
Automatic conversion of Series B Preferred Shares upon Global Offering	64,934,128	11
Shares issued pursuant to Capitalisation Issue	102,394,632	17
Shares issued upon Global Offering	345,000,000	59
Exercise of an over-allotment option	7,281,000	1
Shares issued upon exercise of share options	88,901,398	15
Share repurchase and cancellation	(34,364,000)	(6)
At December 31, 2019 and January 1, 2020	**1,561,818,398**	**261**
Share repurchase and cancellation*	**(3,652,500)**	**(1)**
Shares issued upon exercise of share options *(note 34)*	**35,596,799**	**6**
Conversion of convertible bonds *(note 31)*	**194,118,050**	**34**
Placing of new shares**	**130,000,000**	**23**
At December 31, 2020	**1,917,880,747**	**323**

33. SHARE CAPITAL/TREASURY SHARES (continued)

Share capital (continued)

* Pursuant to the board resolution passed on July 11, 2019, the Company announced to exercise its powers under the repurchase mandate to repurchase shares of the Company pursuant to the written resolutions passed on April 14, 2019 by the then shareholders of the Company. A total of 3,652,500 shares were repurchased and cancelled at a total consideration of HK$15,192,000 (equivalent to approximately RMB13,581,000) for the year ended December 31, 2020 (2019: A total of 34,364,000 shares were repurchased and cancelled at a total consideration of HK$147,994,000 (equivalent to approximately RMB132,440,000)).

** Pursuant to the board resolution passed on July 3, 2020, an aggregate of 130,000,000 placing shares were placed at the placing price of HK$8.15 per placing share on July 10, 2020.

Treasury shares

	Number of shares repurchased	Treasury shares *RMB'000*
At December 31, 2019 and January 1, 2020	–	–
Repurchase of ordinary shares for restricted share units *(note 34)*	6,144,000	52,683
At December 31, 2020	6,144,000	52,683

34. SHARE-BASED PAYMENT TRANSACTIONS

(a) Employee stock option plan ("ESOP")

The Pre-IPO ESOP

The Company's Pre-IPO Share Option Schemes (the "**Pre-IPO Schemes**") were adopted pursuant to resolutions passed on January 2, 2018 and June 21, 2018, respectively, for the primary purpose of providing incentives to the eligible employees of the Group.

Details of the Pre-IPO share options granted are as follows:

Grant date	Number of options	Expiry date	Exercise price per share
January 2, 2018	1,125,000	January 1, 2028	US$0.54
January 2, 2018	12,065,000	January 1, 2022	US$0.54
June 21, 2018	500,000	June 20, 2022	US$1.90

The numbers of options and exercise price per share for the options granted on January 2, 2018 and June 21, 2018 represented the unadjusted number of options and exercise prices before considering the Share Split and Capitalisation Issue.

The Post-IPO ESOP

The Company's Post-IPO Share Option Scheme (the "**Post-IPO Option Scheme**") was adopted pursuant to the resolutions passed on May 21, 2020, for the primary purpose of providing incentives to the eligible employees of the Group. Under the Post-IPO Option Scheme, 16,990,000 share options were granted during the year.

Details of the Post-IPO share options granted are as follows:

Grant date	Number of options	Expiry date	Exercise price per share
May 21, 2020	16,990,000	May 20, 2025	US$0.98

34. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(a) Employee stock option plan ("ESOP") (continued)

The Post-IPO ESOP (continued)

The following share options were outstanding during the reporting periods:

	2020		2019	
	Weighted average exercise price *US$ per share*	**Number of options**	Weighted average exercise price *US$ per share*	Number of options
At January 1	**0.13**	**59,121,313**	0.26	33,885,000
Share Split and Capitalisation Issue	**–**	**–**	0.08	114,839,968
Granted during the year	**0.98**	**16,990,000**	–	–
Forfeited during the year	**0.98**	**(1,140,000)**	–	(702,257)
Exercised during the year	**0.14**	**(35,596,799)**	0.01	(88,901,398)
At December 31	**0.47**	**39,374,514**	0.13	59,121,313

34. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(a) Employee stock option plan ("ESOP") (continued)

The Post-IPO ESOP (continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

At December 31, 2020

Number of options*	Exercise price US$ per share*	Exercise period
4,097,959	**0.12**	**January 1, 2020 ~ January 1, 2028**
19,426,555	**0.12**	**January 1, 2020 ~ January 1, 2022**
15,850,000	**0.98**	**May 21, 2021 ~ May 20, 2025**
39,374,514		

At December 31, 2019

Number of options*	Exercise price US$ per share*	Exercise period
2,194,555	0.43	May 9, 2019 ~ June 20, 2020
4,937,748	0.12	January 1, 2020 ~ January 1, 2028
51,989,010	0.12	January 1, 2020 ~ January 1, 2022
59,121,313		

* The numbers of option and exercise prices per share represented the adjusted numbers of options and exercise prices after considering the Share Split and Capitalisation Issue.

The Group recognised the total expense of RMB12,497,000 for year ended December 31, 2020 in relation to share options granted by the Company (2019: RMB8,330,000).

34. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(a) Employee stock option plan ("ESOP") (continued)

The Post-IPO ESOP (continued)

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2020
Dividend yield *(%)*	0.26
Expected volatility *(%)*	38.10
Risk-free interest rate *(%)*	0.36
Expected life of options *(year)*	5.00
Weighted average share price *(HK$ per share)*	2.38

The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of comparable listed companies in the same industry.

At December 31, 2020, the Company had 39,374,514 share options outstanding under the Schemes. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 39,374,514 additional ordinary shares of the Company, an additional share capital of approximately US$1,000 (equivalent to approximately RMB6,000) and a share premium of approximately US$18,426,000 (equivalent to approximately RMB120,230,000) (before issue expenses).

34. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Restricted share units ("RSU")

The Post-IPO RSU

The Company's Post-IPO RSU Scheme (the "**Post-IPO RSU Scheme**") was adopted pursuant to the resolutions passed on June 5, 2020, for the primary purpose of providing incentives to the eligible employees of the Group.

In September 2020, 6,144,000 ordinary shares were repurchased and reserved for issuance pursuant to the Post-IPO RSU Scheme.

Under the Post-IPO RSU Scheme, on December 11, 2020, 10,940,000 RSUs of the Company were granted at exercise price of HK$4.9 per RSU to the directors and senior management approved by the board of directors in accordance with the Post-IPO RSU Scheme.

The total expense recognised in the consolidated statement of profit or loss for the year ended December 31, 2020 for the Post-IPO RSU granted was RMB1,550,000.

The following table summarised the Group's Post-IPO RSUs and movement during the year:

	2020	
	Weighted average exercise price *HK$ per share*	Number of options
At January 1	–	–
Granted during the year	4.90	10,940,000
At December 31	4.90	10,940,000

34. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Restricted share units ("RSU") (Continued)

The Post-IPO RSU (Continued)

The exercise prices and exercise periods of the RSUs outstanding as at December 31, 2020 are as follows:

At December 31, 2020

Number of RSUs	Exercise price HK$ per share*	Exercise period
640,000	4.90	January 1, 2021 ~ December 10, 2030
10,300,000	4.90	December 30, 2022 ~ December 10, 2030
10,940,000		

The fair value of the RSUs is measured on the basis of an observable market price as at grant date, of which the Group recognised a share option expense of RMB1,550,000 (2019: Nil) during the year ended December 31, 2020.

At December 31, 2020, the Company had 10,940,000 RSUs outstanding under the Post-IPO RSU Scheme. The exercise in full of the outstanding RSUs would, under the present capital structure of the Company, result in the issue of 10,940,000 additional ordinary shares of the Company, an additional share capital of approximately HK$2,000 (equivalent to approximately RMB2,000) and a share premium of approximately HK$53,604,000 (equivalent to approximately RMB45,115,000) (before issue expenses).

35. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 97 to 98 of the financial statements.

(i) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of companies outside Mainland China. The reserve is dealt with in accordance with the accounting policy set out in note 2.4.

(ii) Other reserve

The other reserve of the Group represents the excess of the carrying amount of the non-controlling interests acquired over the consideration and the present value of the amount payable at the time of redemption of a put option over non-controlling interests.

(iii) Statutory reserve

In accordance with the Articles of Association of all subsidiaries established in the People' Republic of China (the "**PRC**"), all subsidiaries established in the PRC are required to transfer 10% of the profit after taxation to the statutory reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve must be made before distributing dividends to equity holders. The statutory reserve can be used to make up for previous years' losses, expand the existing operations or convert into additional paid-in capital of the subsidiaries.

36. BUSINESS COMBINATION

On November 12, 2020, the Group acquired an 80% equity interest in Langhua Pharmaceutical. Langhua Pharmaceutical, together with its subsidiaries, Nuobai Pharmaceutical and Nuobai Hong Kong ("**Langhua Pharmaceutical Group**"), are primarily engaged in contract development and manufacturing services for small molecule APIs and intermediates and trading of APIs, intermediates and formulations.

The acquisition is in line with the Company's strategy of vertical integration in the industry chain and expansion into CDMO business, and is a part of the Group's further expansion of its principal business and will further strengthen the Group's overall competitiveness to offer a variety of services and enable the customers of the Group to obtain a more comprehensive support from an integrated drug development service platform.

36. BUSINESS COMBINATION (continued)

Consideration

The purchase consideration for the acquisition was in the form of cash, with RMB20,000,000 paid in 2019 and the remaining RMB2,540,000,000 paid in 2020.

Put option over non-controlling interests

Viva Biotech Shanghai has agreed that, in the event that the business of Langhua Pharmaceutical is not listed on the A share stock market of the PRC within 5 years of the date of the share purchase agreement, the vendors may elect to sell their entire remaining equity interest in Langhua Pharmaceutical to Viva Biotech Shanghai (or its nominee) for a consideration of RMB640,000,000.

The vendors may also exercise the Vendors' qualified right of sale in the event that (i) the parties determine another entity rather than Langhua Pharmaceutical as the listing entity for the proposed A share listing but cannot agree on the reorganisation (such as the conversion price and the shareholding structure of the listing entity), or (ii) the parties cannot agree on a listing venue rather than a PRC stock exchange, regardless of whether 5 years has elapsed since the date of the share purchase agreement.

The Company has provided a guarantee to Viva Biotech Shanghai's obligations to pay the consideration, and to acquire the vendors' remaining equity interest in Langhua Pharmaceutical upon exercise of the vendors' qualified right of sale as well as any damages and late payment fee relating to the aforementioned obligations.

36. BUSINESS COMBINATION (continued)

Put option over non-controlling interests (continued)

The fair values of the identifiable assets and liabilities of Langhua Pharmaceutical Group as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition *RMB'000*
Property, plant and equipment	*13*	276,576
Right-of-use assets	*14*	86,601
Other intangible assets	*16*	475,601
Rental deposits and prepayments		13,243
Financial assets at FVTPL	*17(b)*	49,000
Inventories		155,079
Derivative financial instruments		12,437
Trade and bills receivables		216,564
Prepayments, other receivables and other assets		50,339
Pledged deposits		40,251
Cash and cash equivalents		101,670
Trade and bills payables		(324,927)
Other payables and accruals		(116,765)
Contract liabilities		(13,128)
Income tax payables		(1,058)
Interest-bearing bank borrowings		(25,000)
Deferred tax liabilities		(106,137)
Total identifiable net assets at fair value		890,346
Non-controlling interests arising from a business combination		178,069
Goodwill on acquisition	*15*	1,847,723
Total purchase consideration		2,560,000

36. BUSINESS COMBINATION (continued)

Put option over non-controlling interests (continued)

The Group incurred transaction costs of RMB14,170,000 for this acquisition. Theses transaction costs have been expensed and are included in other expenses in the consolidated statement of profit or loss.

The goodwill recognises is primarily attributed to the expected business synergies arising from the acquisition, which is not separately recognised. The goodwill is not deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of Langhua Pharmaceutical Group is as follows:

	RMB'000
Cash consideration paid	(2,560,000)
Cash and bank balances acquired	101,670
Net outflow of cash and cash equivalents included in cash flows from investing activities	(2,458,330)
Transaction costs of the acquisition included in cash flows from operating activities	14,170
	(2,444,160)

The fair values of the trade and bills receivables and prepayments, other receivables and other assets as at the date of acquisition amounted to RMB216,564,000 and RMB50,339,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB224,217,000 and RMB50,339,000, respectively, of which an expected credit loss of RMB7,653,000 was recorded in trade and bills receivables.

Since the acquisition, Langhua Pharmaceutical Group contributed RMB258,150,000 to the Group's revenue and RMB40,047,000 to the consolidated profit for the year ended December 31, 2020.

Had the combination taken place at the beginning of the year, the revenue from operations of the Group and the loss of the Group for the year would have been RMB1,518,081,000 and RMB127,490,000, respectively.

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

(1) During the reporting period, the Group provides research services under SFE method to its customer in exchange for equity interests of the customer of RMB60,015,000 (2019: RMB43,662,000).

(2) During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB16,054,000 (2019: RMB46,192,000) and RMB1,690,000 (2019: RMB45,937,000), respectively, in respect of lease arrangements for property, plant and equipment.

(3) During the year, an aggregate principal amount of US$148,000,000 of convertible bonds were converted into 194,118,050 ordinary shares (note 31).

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities

2020

	Borrowings *RMB'000*	Lease liabilities *RMB'000*	Convertible bonds *RMB'000*	Convertible issue costs *RMB'000*	Payable for listing expenses and payables *RMB'000*	Interest dividends *RMB'000*	Cash Total *RMB'000*
At January 1, 2020	1,865	47,542	–	251	–	–	49,658
Changes from financing cash flows	1,435,457	(15,425)	3,028,018	(251)	(11,834)	(51,792)	4,384,173
Equity component of convertible bonds	–	–	(468,731)	–	–	–	(468,731)
Convertible bonds converted into ordinary shares	–	–	(1,424,743)	–	(8,516)	–	(1,433,259)
Fair value loss	–	–	547,048	–	–	–	547,048
Deferred issue costs	–	–	2,844	–	–	–	2,844
New leases	–	1,690	–	–	–	–	1,690
Termination of lease contracts	–	(19,657)	–	–	–	–	(19,657)
Foreign exchange movement	18	–	(29,685)	–	895	–	(28,772)
Interest expense	–	1,173	37,388	–	23,573	–	62,134
Final 2019 dividend declared	–	–	–	–	–	23,037	23,037
Interim 2020 dividend declared	–	–	–	–	–	28,755	28,755
Increase arising from acquisition of subsidiaries	25,000	–	–	–	–	–	25,000
At December 31, 2020	1,462,340	15,323	1,692,139	–	4,118	–	3,173,920

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities (continued)

2019

	Borrowings	Lease liabilities	Payable for listing expenses and issue costs	Financial liabilities at FVTPL	Cash dividends	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2019	2,362	15,177	11,516	220,600	–	249,655
Changes from financing cash flows	(785)	(15,545)	(76,174)	–	(135,835)	(228,339)
Changes from operating cash flows	–	–	(27,839)	–	–	(27,839)
Listing expenses	–	–	17,909	–	–	17,909
Deferred issue costs	–	–	73,963	–	–	73,963
New leases	–	45,937	–	–	–	45,937
Foreign exchange movement	–	–	876	–	–	876
Finance costs	–	1,973	–	–	–	1,973
Fair value loss	–	–	–	34,238	–	34,238
Interest on borrowings	288	–	–	–	–	288
Dividend recognised as distribution	–	–	–	(7,939)	135,835	127,896
Converting preferred shares into ordinary shares	–	–	–	(246,899)	–	(246,899)
At December 31, 2019	1,865	47,542	251	–	–	49,658

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2020 *RMB'000*	2019 *RMB'000*
Within financing activities	(15,425)	(15,545)

38. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2020 *RMB'000*	2019 *RMB'000*
Contracted, but not provided for:		
Investment in Viva Biotech Chengdu New Drug Incubation and Biologics Production Research & Development Center	228,442	339,369
Acquisition of property, plant and equipment	37,343	4,420
Unlisted equity investments at FVTPL	1,631	11,214
	267,416	355,003

39. RELATED PARTY DISCLOSURES

(1) Names and relationships with related parties

The following companies are significant related parties of the Group that had transactions and/or balances with the Group during the periods presented in the consolidated financial statements.

Company	Relationship
Jiaxing Tekeluo Biotech Co., Ltd.	Associate
Jiaxing Youbo*	Joint Venture
QureBio Limited**	Associate

* The Group was able to exercise joint control over Jiaxing Youbo Biotech Co., Ltd. ("**Jiaxing Youbo**") since the inception of investment in 2018 because the Group had the power to appoint one out of three directors under the Articles of Association of Jiaxing Youbo. In November 2020, after mutual agreement between the Group and Jiaxing Youbo for the consideration of future financing, the Group relinquished its right to appoint director in the board of directors according to an amendment to the Articles of Association of Jiaxing Youbo, afterwards the Group was no longer able to exercise joint control over Jiaxing Youbo. Thus the Group recognised a gain on the deemed disposal of a joint venture of RMB6,303,000 during the year ended December 31, 2020, and the investment in Jiaxin Youbo was subsequently classified as financial assets at FVTPL.

** Since March 14, 2019, QureBio Limited is no longer a related party of the Group.

(2) Transactions with related parties

Provision of research and development services

	2020	2019
	RMB'000	*RMB'000*
Jiaxing Tekeluo Biotech Co., Ltd.	**1,103**	2,257
Jiaxing Youbo Biotech Co., Ltd.	**1,888**	4,097
QureBio Limited	**–**	654
	2,991	7,008

39. RELATED PARTY DISCLOSURES (continued)

(3) Related parties balances

Trade receivables from related parties

	2020	2019
	RMB'000	*RMB'000*
Jiaxing Tekeluo Biotech Co., Ltd.	**95**	174
Jiaxing Youbo Biotech Co., Ltd.	**–**	1,813
	95	1,987

(4) Compensation of key management personnel

The remuneration of the directors of the Company and other members of key management of the Group during the years ended December 31, 2020 and 2019 was as follows:

	2020	2019
	RMB'000	*RMB'000*
Short-term employee benefits	**14,054**	12,947
Pension scheme contributions	**71**	86
Equity-settled share option expense	**2,166**	4,246
	16,291	17,279

Further details of directors' and the chief executive's emoluments are included in note 9 to the financial statements.

40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	2020 *RMB'000*	2019 *RMB'000*
Financial assets		
Financial assets at FVTPL:		
Unlisted investments at FVTPL	924,532	647,271
Financial products	49,500	5,212
Derivative financial instruments	18,843	–
	992,875	652,483
Financial assets at amortised cost:		
Trade and bills receivables	328,615	59,262
Financial assets included in prepayments, other receivables and other assets	51,194	72,061
Rental deposits	2,511	2,844
Pledged deposits	681,658	5,908
Cash and cash equivalents	2,308,452	904,091
	3,372,430	1,044,166
Financial liabilities		
Financial liabilities at FVTPL:		
Convertible bonds – embedded derivative instrument	200,291	–
Financial liabilities at amortised cost:		
Trade and bills payables	295,704	7,552
Financial liabilities included in other payables and accruals	75,912	6,507
Interest-bearing bank borrowings	1,462,340	1,865
Convertible bonds – debt component	1,491,848	–
Other non-current liabilities	516,846	–
	3,842,650	15,924

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2020	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Financial assets				
Financial assets at FVTPL	**974,032**	652,483	**974,032**	652,483
Derivative financial instruments	**18,843**	–	**18,843**	–
	992,875	652,483	**992,875**	652,483
Financial liabilities				
Convertible bonds				
– embedded derivative instruments	**200,291**	–	**200,291**	–
	200,291	–	**200,291**	–

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The Group's financial assets at FVTPL which are measured at fair value (details refer to note 17) at December 31, 2020 and 2019 are grouped under Level 2 and Level 3 hierarchy. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular the valuation techniques and inputs used).

Financial instruments	Valuation techniques and key inputs	Significant unobservable inputs	Sensitivity of fair value to the input
Financial assets			
Unlisted investment at FVTPL	Most recent transaction price	N/A	N/A
	Comparable company method	The ratio of P/R&D	10% (2019: 10%) increase/decrease in multiples would result in increase/decrease in fair value by RMB14,009,000 (2019: RMB7,635,000).
	Backsolve from the most recent transaction price	IPO probability	5% (2019: 5%) increase/decrease in multiples would result in decrease/increase in fair value by RMB1,292,000 (2019: RMB3,579,000).
	Discounted cash flow method	Conversion probability	5% (2019: 5%) increase/decrease in multiples would result in increase/decrease in fair value by RMB424,000 (2019: RMB393,000).
Derivative financial instruments	Discounted cash flow method	N/A	N/A
Financial liabilities			
Convertible bonds – embedded derivative components	Binominal option pricing model	Expected volatility	5% (2019: Nil) increase/decrease in multiples would result in increase/decrease in fair value by RMB472,000 (2019: Nil)
		Risk-free rate	5% (2019: Nil) increase/decrease in multiples would result in increase/decrease in fair value by RMB2,000 (2019: Nil)

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at December 31, 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted investment at FVTPL	–	152,070	772,462	924,532
Financial products	–	49,500	–	49,500
Derivative financial instruments	–	18,843	–	18,843
	–	220,413	772,462	992,875

As at December 31, 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted investment at FVTPL	–	334,529	312,742	647,271
Financial products	–	5,212	–	5,212
	–	339,741	312,742	652,483

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (Continued)

Liabilities measured at fair value:

As at December 31, 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Convertible bonds				
– embedded Derivative instruments	–	–	200,291	200,291

The Group did not have any financial liabilities measured at fair value as at December 31, 2019.

The movements in fair value measurements within Level 3 during the year are as follows:

	2020 *RMB'000*	2019 *RMB'000*
At January 1	312,742	95,675
Acquired	35,000	74,662
Recognised from SFE revenue	24,887	21,514
Recognised from deemed disposal of an associate	–	14,328
Recognised from deemed disposal of a joint venture	10,044	–
Gain on fair value change	109,081	49,851
Exchange adjustment	(16,717)	179
Disposal	–	(10,000)
Transfer from Level 2*	297,425	92,206
Transfer to Level 2	–	(25,673)
At December 31	772,462	312,742

* During the year, as there was no most recent transaction price applicable for certain unlisted investments, the fair value measurement for certain unlisted investments transferred from Level 2 to Level 3 in the fair value hierarchy with the changes of valuation techniques.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, mainly comprise bank borrowings, pledged deposits, convertible bonds and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The Group also enters into derivative transactions, including forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to interest rate risk for changes in interest rates related primarily to the Group's bank borrowings with floating interest rates. The Group does not use derivative financial instruments to hedge its interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's (loss)/profit before tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) in basis points	**Increase/ (Decrease) in (loss)/profit before tax** *RMB'000*	**Increase/ (Decrease) in equity** *RMB'000*
2020			
RMB-denominated borrowings	**50**	**(34,952)**	**(34,952)**
RMB-denominated borrowings	**(50)**	**34,952**	**34,952**
2019			
RMB-denominated borrowings	50	(31)	(31)
RMB-denominated borrowings	(50)	31	31

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies.

The Group purchased certain foreign exchange forward contracts as set out in note 24 during 2020 and has elected not to adopt hedge accounting for such foreign exchange forward contracts.

The following table demonstrate the sensitivity at the end of each of the reporting period to a reasonably possible change in the US$ exchange rate, with all other variables held constant, of the Group's (loss)/profit before tax and equity (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in rate of foreign currency *%*	Increase/ (Decrease) in (loss)/profit before tax *RMB'000*	Increase/ (Decrease) in in equity *RMB'000*
2020			
If the US$ weakens against the RMB	**(5)**	**3,660**	**(2,299)**
If the US$ strengthens against the RMB	**5**	**(3,660)**	**2,299**
2019			
If the US$ weakens against the RMB	(5)	(42,430)	(42,430)
If the US$ strengthens against the RMB	5	42,430	42,430

Credit risk

An impairment analysis was performed at December 31 2019 and 2020 using a provision matrix to measure expected credit losses. The provision rates are based on aging for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on aging information unless other information is available without undue cost or effort, and year/period-end staging classification as at December 31, 2020 and 2019. The amounts presented are gross carrying amounts for financial assets.

As at December 31, 2020

	12-month ECLs	Lifetime ECLs			
				Simplified	
	Stage 1	Stage 2	Stage 3	approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	2,308,452	–	–	–	2,308,452
Pledged deposits	681,658	–	–	–	681,658
Trade and bills receivables*	–	–	–	328,615	328,615
Financial assets included in prepayments, other receivables and other assets**	32,924	18,270	–	–	51,194
Rental deposits	2,511	–	–	–	2,511
	3,025,545	18,270	–	328,615	3,372,430

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at December 31, 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	904,091	–	–	–	904,091
Pledged deposits	5,908	–	–	–	5,908
Trade and bills receivables*	–	–	–	59,262	59,262
Financial assets included in prepayments, other receivables and other assets**	72,061	–	–	–	72,061
Rental deposits	2,844	–	–	–	2,844
	984,904	–	–	59,262	1,044,166

* For trade and bills receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 21 to the financial statements.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 21 to the financial statements.

At the end of the reporting period, the Group had certain concentrations of credit risk as 49.66% (2019: 31.23%) of the Group's trade receivables were due from the Group's five largest customers, respectively.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., trade receivables and other financial assets) and projected cash flows from operations.

The Group maintains a balance between continuity of funding and flexibility through the use of interest-bearing loans and borrowings, convertible bonds and lease liabilities.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on contractual undiscounted payments, is as follows:

	On demand or less than 1 year	1 to 5 years	Total undiscounted cash flows	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2020				
Trade and bills payables	**295,704**	**–**	**295,704**	**295,704**
Other payables and accruals	**75,912**	**–**	**75,912**	**75,912**
Convertible bonds – Debt component	**23,490**	**2,239,810**	**2,263,300**	**1,491,848**
Interest-bearing bank borrowings	**161,754**	**1,607,543**	**1,769,297**	**1,462,340**
Lease liabilities	**11,877**	**3,949**	**15,826**	**15,323**
Total	**568,737**	**3,851,302**	**4,420,039**	**3,341,127**
2019				
Trade and bills payables	7,552	–	7,552	7,552
Other payables and accruals	6,507	–	6,507	6,507
Interest-bearing bank borrowings	612	1,429	2,041	1,865
Lease liabilities	26,080	23,789	49,869	47,542
Total	40,751	25,218	65,969	63,466

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2020 and December 31, 2019.

	2020 ***RMB'000***	2019 *RMB'000*
Total assets	**8,154,080**	1,898,785
Equity attributable to owners of the Company	**3,756,831**	1,777,394
Total liabilities	**4,397,249**	121,391
Cash and cash equivalents	**2,308,452**	904,091
Gearing ratio	**53.9%**	6.4%

43. EVENTS AFTER THE REPORTING PERIOD

Except as disclosed elsewhere of the consolidated financial information, the Group had following significant events subsequent to December 31, 2020:

(a) On September 20, 2020, the Company entered into the share transfer agreement (the "**Agreement**") with SYNthesis med chem Pty Limited (the "**Vendor**") pursuant to which the Company agreed to acquire, and the Vendor agreed to sell, the entire equity interest in SYNthesis med chem (Hong Kong) Limited ("**SYNthesis HK**"), a wholly-owned subsidiary of the Vendor, at the consideration of approximately US$80,000,000, subject to price adjustment but in any event will not exceed US$84,000,000.

The Group considers that the acquisition of SYNthesis HK will enable the Group to further strengthen and diversify its drug research and development capabilities with additional quality talents and facilities. SYNthesis HK has over 250 customers that are primarily from USA, Australia and Europe, the acquisition is expected to further diversify the Group's customer base both in terms of quantity of customers as well as the geographical composition of such customers. The Group also expects the businesses of SYNthesis HK to create synergy and further supplement with the Group's existing businesses, enhancing the Group's capabilities to downstream business expansions. The capabilities of SYNthesis HK will also allow the Group to quickly strengthen and provide broadened and improved services to its existing and prospective clients, strengthening the Group's market competitiveness.

The Company announced that all the conditions precedent under the Agreement have been fulfilled and the closing of this acquisition took place on February 26, 2021. Considering the limited time between the acquisition date and issue date of this consolidated financial statements, no more detailed information regarding the goodwill or fair value of assets and liabilities acquired would be further disclosed.

(b) On January 27 and 28, 2021, the Company repurchased a total of 3,098,500 shares at an aggregate consideration of approximately HK$22,617,000 and cancelled such shares on February 17, 2021.

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2020 *RMB'000*	2019 *RMB'000*
Non-current Assets		
Investments in subsidiaries	**2,338,152**	62,514
Financial assets at FVTPL	**107,901**	77,005
	2,446,053	139,519
Current Assets		
Amounts due from subsidiaries	**1,280,561**	375,867
Prepayments, other receivables and other assets	**15,444**	1
Cash and cash equivalents	**25,526**	851,131
	1,321,531	1,226,999
Current Liabilities		
Income tax payables	**1,280**	1,907
Other payables and accruals	**1,894**	2,960
Financial liabilities at FVTPL	**97,784**	–
Amounts due to subsidiaries	**9,719**	47,143
	110,677	52,010
Net Current Assets	**1,210,854**	1,174,989
Total Assets Less Current Liabilities	**3,656,907**	1,314,508
Non-current Liabilities		
Deferred tax liabilities	**485**	244
	485	244
Net Assets	**3,656,422**	1,314,264
Capital and Reserves		
Share capital	**323**	261
Reserves	**3,708,782**	1,314,003
Treasury shares	**(52,683)**	–
Total Equity	**3,656,422**	1,314,264

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

The reserves movement of the Company is as follows:

	Share premium *RMB'000*	Share options reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
2020				
At January 1, 2020	**1,298,673**	**28,816**	**(13,486)**	**1,314,003**
Loss for the year	**–**	**–**	**28,644**	**28,644**
	1,298,673	**28,816**	**15,158**	**1,342,647**
Equity-settled share option arrangements	**–**	**14,047**	**–**	**14,047**
Shares issued upon exercise of share option	**35,830**	**–**	**–**	**35,830**
Final 2019 dividend declared	**(23,037)**	**–**	**–**	**(23,037)**
Interim 2020 dividend	**(28,755)**	**–**	**–**	**(28,755)**
Conversion of convertible bonds	**1,433,225**	**–**	**–**	**1,433,225**
Shares repurchased and cancelled	**(13,580)**	**–**	**–**	**(13,580)**
Placing of new shares	**948,405**	**–**	**–**	**948,405**
At December 31, 2020	**3,650,761**	**42,863**	**15,158**	**3,708,782**
2019				
At January 1, 2019	47,251	20,485	(11,475)	56,261
Profit and total comprehensive income for the year	–	–	(2,010)	(2,010)
Recognition of equity-settled share based payment	–	8,330	–	8,330
Issue of shares pursuant to Capitalisation Issue	(17)	–	–	(17)
Dividends recognised as distribution	(127,896)	–	–	(127,896)
Automatic conversion of Series B Preferred Shares upon Global Offering	246,888	–	–	246,888
Shares issued upon Global Offering and over-allotment	1,339,920	–	–	1,339,920
Transaction costs attribute to issue of new shares	(80,687)	–	–	(80,687)
Exercise of share options	5,648	–	–	5,648
Repurchase of shares of the Company	(132,434)	–	–	(132,434)
At December 31, 2019	1,298,673	28,815	(13,485)	1,314,003

45. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on March 30, 2021.

Definitions

"Articles of Association"	the articles of association of the Company, as amended from time to time
"Audit Committee"	the audit committee of the Board
"Board of Directors" or "Board"	the board of Directors
"BVI"	British Virgin Islands
"CG Code"	the "Corporate Governance Code" as contained in Appendix 14 to the Listing Rules
"China" or "PRC"	the People's Republic of China, which, for the purpose of this interim report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"Company", "our Company"	Viva Biotech Holdings (维亚生物科技控股集团), an exempted company with limited liability incorporated in the Cayman Islands on August 27, 2008
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, for the purpose of this report, refers to Mr. Mao Chen Cheney until June 4, 2020 when his interest in the Company was diluted to less than 30%
"Director(s)"	the director(s) of the Company or any one of them
"Global Offering"	has the meaning ascribed to it under the Prospectus
"Group", "our Group", "we" or "us"	the Company and its subsidiaries from time to time or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time

"HK$" or "Hong Kong dollars"	Hong Kong dollars and cents, each being the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"Independent third party(ies)"	a person or entity who/which is not a connected person or associate of a connected person of our Company under the Listing Rules
"Jiaxing Viva"	Jiaxing Viva Biotech Limited (嘉興維亞生物科技有限公司), a limited liability company established in the PRC on March 19, 2014, and an indirect wholly-owned subsidiary of our Company
"Langhua Pharmaceutical"	Zhejiang Langhua Pharmaceutical Co., Ltd. (浙江朗華製藥有限公司)
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	May 9, 2019, on which the Shares were listed and from which dealings therein were permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules

"Post-IPO Share Option Scheme"	the post-IPO share option scheme as adopted by the Company on April 14, 2019
"Pre-IPO Share Incentive Schemes"	the 2009 Stock Incentive Plan, the 2018 Stock Incentive Plan and the Pre-IPO Stock Incentive Plan, the principal terms of which are summarized in "Statutory and General Information – D. Share Incentive Schemes – 1. Pre-IPO Share Incentive Schemes" in Appendix IV to the Prospectus
"Pre-IPO Stock Incentive Plan"	the pre-IPO stock incentive plan approved and adopted by the Company on June 21, 2018, the principal terms of which are summarized in "Statutory and General Information – D. Share Incentive Schemes – 1. Pre-IPO Share Incentive Schemes" in Appendix IV to the Prospectus
"Prospectus"	the prospectus of the Company dated April 25, 2019
"Reporting Period"	the year ended December 31, 2020
"Restricted Share Unit Scheme"	the restricted share unit scheme approved by the Company on June 5, 2020, the principal terms of which are summarized in the Company's announcement on the same date
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital of our Company with a par value of US$0.000025 each
"Shareholder(s)"	holder(s) of Shares
"Sichuan Viva"	Sichuan Viva Benyuan Biotech Limited (四川維亞本苑生物科技有限公司), a limited liability company established in the PRC on October 30, 2018, and an indirect wholly-owned subsidiary of our Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"SYNthesis"	SYNthesis med chem (Hong Kong) Limited

Definitions

"US$" or "United States dollars"	United States dollars and cents, each being the lawful currency of United States of America
"Viva Biotech BVI"	Viva Biotech Investment Management Limited, a limited liability company incorporated in the British Virgin Islands on July 9, 2020, and a wholly-owned subsidiary of the Company
"Viva Biotech HK"	Viva Biotech Limited (維亞生物科技有限公司), a limited company incorporated in Hong Kong on June 17, 2008, and a direct wholly-owned subsidiary of the Company
"Viva Biotech Shanghai"	Viva Biotech (Shanghai) Ltd. (維亞生物科技(上海)有限公司), a limited liability company established in the PRC on August 14, 2008, and an indirect wholly-owned subsidiary of the Company
"Viva Incubator HK"	Viva Incubator Investment Management Limited, a limited liability company incorporated in Hong Kong on March 20, 2017, and a wholly-owned subsidiary of the Company
"Viva Incubator Shanghai"	Shanghai Viva Dancheng Entrepreneurship Incubator Management Limited (上海維亞聃誠創業孵化器管理有限公司),formerly known as Shanghai Benyuan Entrepreneurship Incubator Management Limited (上海本苑創業孵化器管理有限公司), a limited liability company established in the PRC on December 7, 2015, and an indirect wholly-owned subsidiary of the Company
"%"	per cent
"2009 Stock Incentive Plan"	The stock incentive plan approved and adopted by the Company on July 1, 2009 and as amended and restated on June 8, 2018
"2018 Stock Incentive Plan"	The stock incentive plan approved and adopted by the Company on January 1, 2018 and as amended and restated on June 8, 2018