



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



2021 INTERIM REPORT



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. MAO Chen Cheney (*Chairman of the Board*)
Mr. WU Ying
Mr. HUA Fengmao (*resigned on June 30, 2021*)
Mr. REN Delin

Non-executive Director

Ms. SUN Yanyan

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 Chartered Governance Institute (formerly known as the Hong Kong Institute of Chartered Secretaries)*)

AUTHORIZED REPRESENTATIVES

Mr. WU Ying
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 Chartered Governance Institute (formerly known as the Hong Kong Institute of Chartered Secretaries)*)

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

LEGAL ADVISERS

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

PRINCIPAL BANKS

Agricultural Bank of China Shanghai Branch
The Hongkong 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

PO Box 309
Ugland House
Grand Cayman, KY1-1104
Cayman Islands

CORPORATE HEADQUARTERS

334 Aidisheng Road
Zhangjiang High-Tech Park
Pudong New District
Shanghai, PRC

**PRINCIPAL PLACE OF BUSINESS IN
HONG KONG**

Room 1901, 19/F
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'S WEBSITE

www.vivabiotech.com

Management Discussion and Analysis

BUSINESS REVIEW

For the first half of 2021, the biopharmaceutical industry continued to grow across the world and rapidly in China. To capture the growth and with top branded SBDD for early drug discovery capabilities, the Group extended our drug discovery to production service platforms with unique incubation program by integrating technologies, personnel, client network and other resources of the Group's branches and subsidiaries to one stop R&D plus incubation services. During the Reporting Period, the cumulative number of clients served by the Group increased to 1,695; our revenue surged by approximately 419.5% from approximately RMB197.6 million for the corresponding period of last year to approximately RMB1,026.5 million; and our gross profit increased substantially by approximately 216.0% from approximately RMB100.1 million for the corresponding period of last year to approximately RMB316.3 million. Our adjusted net profit increased by approximately 65.6% from approximately RMB123.7 million for the corresponding period of last year to approximately RMB204.9 million. The increase was mainly attributable to the rapid growth of the Company's drug discovery services, and newly added small-molecule CDMO services arising from the acquisition of SYNthesis and Langhua Pharmaceutical.

CASH-FOR-SERVICE (CFS) BUSINESS

CRO Business: Drug Discovery Services Maintained Rapid Growth

As of June 30, 2021, the Company's revenue from drug discovery services increased significantly by approximately 62.5% from approximately RMB197.6 million for the corresponding period of last year to approximately RMB321.1 million. The order backlog amounted to approximately RMB848 million, representing a significant increase of approximately 72.0% from approximately RMB493 million in the corresponding period of last year, which provides sufficient impetus for future growth.

The Company had delivered more than 26,000 protein structures to our clients and conducted R&D on over 1,700 independent drug targets, and the cumulative number of clients served had increased to 936. The client base is geographically diverse, with overseas clients accounting for approximately 83.9% of our customer base. The revenue from drug discovery services contributed by clients in mainland China increased year on year by approximately 91.4% and accounted for approximately 16.1% of our total revenue.

CDMO Business: Increased Investment in R&D Expansion and Proactively Achieve Client Traffic Diversion from CRO Business and our Portfolio Companies

During the Reporting Period, the Group focused on completion of the strategic integration of Langhua Pharmaceutical. We have been focusing on the construction of CMC center and building our formulation business segment and we have actively carried out client outreach and business development activities. For production, we accelerated in the expansion of our production capacity. Langhua Pharmaceutical had served a total of 759 clients with a total revenue of approximately RMB705.4 million, representing a slight decrease from approximately RMB809.2 million for the corresponding period last year, which was primarily attributable to callback of the surge in results due to the COVID-19 pandemic, the impact from foreign exchange rates and the adjustment in production capacity structure. Continued efforts were made to shift to CDMO business, Langhua Pharmaceutical completed 26 CDMO projects with a revenue of approximately RMB415 million in the first half of the year, accounting for approximately 58.8% of total sales revenue.

The Group increased R&D investment to scale up CMC and formulation capacities. As of the date of this report, our investment in our Shanghai CMC R&D Center, Ningbo and Taizhou R&D Center had exceeded RMB56.0 million, which was mainly used for the purchase of advanced equipment and the construction of laboratories and a formulation plant meeting good manufacturing practice (“GMP”) standards. Situated in Zhoupu, Shanghai with an area of approximately 10,000 square meters, the CMC R&D Center is expected to be completed and put into operation in November. In the meantime, the 3,000-square-meter GMP standard formulation plant and R&D production center will also be put into use. At present, there is a sufficient indicative demand for orders. It is expected to generate demands for preclinical to clinical Phase I and II studies next year.

Leveraging the client traffic and pipeline reserve from our CRO business and portfolio companies, we started to have clients from front-end projects to CMC and to Langhua plant. It is expected that with the completion of the CMC R&D Center in the second half of the year, the continuous referral of clients will begin to create a funnel effect from our front-end projects.

CONTINUED TO BUILD TECHNOLOGY BARRIERS

The Company continued to build technology barriers with R&D investment expense amounting to RMB37.5 million during the Reporting Period. For the drug discovery services, we have built capacities in Micro ED, AI Computational Chemistry, antibody and macromolecule discovery, and photochemical reaction platform; while for the CDMO business, we continued to expand the capacities in flow chemistry technology, catalyst and ligand screening platform, oral product production lines, injectable dosage form development, and amorphous solid dispersion technologies, and further improved the level of production automation.

Management Discussion and Analysis

STAFF, FACILITIES AND BUSINESS DEVELOPMENT

As at June 30, 2021, the Group had a total of 1,873 employees. The Company has been accelerating the construction of office and laboratory facilities in line with our expanding production capacity and workforce expansion plans to meet the fast-growing business needs.

- The Incubation Center located in Faladi Road, Shanghai covering approximately 8,000 square meters has been put into full operation in the first quarter of 2021.
- The Group's new headquarters in Zhoupu, Shanghai will be put into operation by the end of 2021 with a laboratory area of approximately 36,328 square meters.
- The laboratory covering 12,000 square meters in Chengdu will be put into use by the end of October 2021.
- The novel drug incubation center covering approximately 77,500 square meters in Qiantang New District of Hangzhou has commenced construction in July 2021.

During the Reporting Period, the selling and marketing expenses of the Group reached approximately RMB34.7 million. For market development, we increased efforts in team building and client solicitation and development, and organized and participated in 64 marketing events in the PRC and abroad. These efforts enhanced the reputation and influence of our one-stop drug discovery and production service platforms in the market, and brought new business opportunities such as cross-selling the Group's business segments.

EQUITY-FOR-SERVICE (EFS) BUSINESS

We extensively explored business opportunities around the world. During the Reporting Period, the Company reviewed more than 433 projects globally, added 8 startups to our portfolio companies, made additional investments in 2 existing portfolio companies, and was in negotiation for incubation and investment in 3 new companies. The Group had invested in a total of 75 portfolio companies with an average agreed shareholding ratio¹ of approximately 18.41%. The details are as follows:

¹ The agreed shareholding includes the equity interest to be acquired by the Company upon fulfillment of service and other milestones. The figure excludes the agreed number of shares to be converted from convertible bonds that had not been determined as of the date of this report.

Management Discussion and Analysis

New incubation portfolio companies

Company name	Time of investment/ incubation agreement	Indications/Primary technology/Business	Shareholding % received as at the date of this report
Argonaut Genomics, Inc.	2021/2	Utilizing bioinformatics/proteomics to build a high-throughput discovery platform, which can mine from the dark genome for immune-dominant cancer antigens.	0%*
Ribogenics, Inc.	2021/2	Pursuing the vast potential of small molecule medicines for RNA mis-splicing diseases.	11.96%
AIxplorerBio (Zhejiang) Co., Ltd.	2021/2	Driven by AI technology, focusing on the R&D of novel drugs in the field of autoimmune system and neurodegenerative diseases.	12.00%
Suzhou Genhouse Bio Co., Ltd.	2021/5	Focusing on the development of global next-generation anti-cancer therapeutics.	3.80%
NAKI Therapeutics Inc.	2021/5	With a focus on CAR-NK and NK cell-based immunotherapy.	20.00%
AbSci Corporation	2021/6	Focusing on speeding drug development in the pre-clinical stages.	N/A
Dorian Therapeutics, Inc.	2021/6	Working on a new class of therapeutics that can rejuvenate cells and tissues.	0%*
Fuse Biotherapeutics Inc.	2021/6	Focusing on developing a platform of T cell engagers and NK cell engagers.	14.18%

* 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.

Management Discussion and Analysis

Incubated companies with additional investment made

Company name	Time of investment/ incubation agreement	Indications/Primary technology/Business	Shareholding % received as at the date of this report
DTx Pharma, Inc.	2021/2	Developing a technology that enables delivery of RNAi therapeutics to multiple cell types and tissues	1.99%
Totient, Inc.	2021/6	Enabling next generation cell therapies and other therapeutic modalities by building the largest library of human-derived antibodies to novel and known tissue-specific antigens.	4.60%

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

In the first half of the year, 8 of our portfolio companies finished a new round of financing, raising over US\$200 million in total. The R&D efforts of the portfolio companies were progressing smoothly, with the total number of pipeline projects increasing to 140, of which 18 had entered the clinical stage. On June 14, 2021, AbSci Corporation, a synthetic biology company, announced that it had reached an acquisition agreement with Totient Inc., a portfolio company.

As of June 30, 2021, the number of our business partners had increased to 40. In an active effort to conduct post-investment management, we held the 2nd Viva Biotech Partnership Summit and helped portfolio companies accelerate the R&D progress, introduce talents, optimize product pipeline development strategies, and access financing resources.

FUTURE PROSPECTS

Looking ahead, the Company will continue to build and raise technology barriers, expand service facilities and capacity, enhance talent recruitment with incentives, and step up efforts in commercial exploration into the global markets, particularly the domestic market. Levering our unique advantages in our branded structure-based drug discovery services, the Company will extend along the industrial value chain to establish a platform integrating laboratories and manufacture plants, boost the continuity of CRO-CMC/CDMO, and support global biotech startups with our unique incubation platform and improve cross-selling among business segments. The Company is committed to providing more high-quality and diversified services for a growing number of drug discovery start-ups, medium and large pharmaceutical companies worldwide, enable them to improve their R&D efficiency and benefit patients in the end, thereby establishing an open eco-system for global pharma and biotech.

DISCUSSION OF RESULT OF OPERATION

Revenue

The Group's revenue in the Reporting Period was approximately RMB1,026.5 million, representing an increase of approximately 419.5% as compared to approximately RMB197.6 million in the corresponding period last year, primarily reflecting the expansion of the Group's business scope from front-end drug discovery to small molecule CDMO business, forming an integrated platform for the research, development and production of drugs.

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.

	Six months ended June 30,	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Types of goods or services		
Drug discovery services		
– Full-time-equivalent (“FTE”)	223,779	132,026
– Fee-for-service (“FFS”)	54,927	36,775
– Service-for-equity (“SFE”)	42,359	28,756
CDMO and commercialization services		
– Sale of products	705,386	–
	1,026,451	197,557

Management Discussion and Analysis

While the Group's operations 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:

	Six months ended June 30,	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
USA	320,376	164,636
Europe	262,024	2,281
PRC	174,292	26,989
Other Asia countries and regions outside of the PRC	165,761	989
Africa	63,516	–
Others	40,482	2,662
	1,026,451	197,557

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 Europe and other Asia countries and regions outside of the PRC. This was mainly due to increases in the number of customers as well as customer orders.

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 RMB710.2 million, representing an increase of approximately 629.2% as compared to approximately RMB97.4 million in the corresponding period last year. 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 RMB316.3 million, representing an increase of approximately 216.0% as compared to approximately RMB100.1 million in the corresponding period last year. The increase was in line with the Group's business growth. Gross margin was approximately 30.8% for the Reporting Period, as compared to approximately 50.7% for the corresponding period last year. The decrease was primarily due to the integration of CDMO business.

Other Income and Gains

Other income and gains consist primarily of interest income, government grants and subsidies, net foreign exchange gain, gain on repurchase of Convertible Bonds, and gain on derivative financial instrument. During the Reporting Period, the Group recorded a gain of approximately RMB37.1 million, representing an increase of approximately 36.4% as compared to approximately RMB27.2 million in the corresponding period last year. The increase was primarily due to an increase in interest income of approximately RMB8.4 million.

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 RMB34.7 million, representing an increase of by approximately 1,635.0% as compared to approximately RMB2.0 million in the corresponding period last year. The increase was primarily due to expansion of our CDMO business, as well as the growth of 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 RMB100.4 million, representing an increase of approximately 171.4% as compared to approximately RMB37.0 million in the corresponding period last year. The increase primarily reflected rapid expansion of the Group's personnel, together with the increase in third party consultation fees.

Research and Development Expenses

R&D expenses mainly consist of labor costs, cost of materials, overhead costs and fees paid to third parties that conduct certain R&D activities on our behalf. During the Reporting Period, the Group's R&D expenses were approximately RMB37.5 million, representing an increase of approximately 68.2% as compared to approximately RMB22.3 million in the corresponding period last year. 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' intellectual property 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 fair value gain on financial assets at FVTPL in the Group's financial statements. As at 30 June, 2021, no individual equity interests in the Group's incubation portfolio companies accounted for more than 5% of the Group's total assets.

Management Discussion and Analysis

The Group recorded gains arising from fair value change of the equity interests in the Group's incubation portfolio companies designated at FVTPL of approximately RMB53.5 million for the Reporting Period, primarily reflecting the increase in the fair value of the Group's equity interest in four incubation portfolio companies, namely, Totient Inc., Dogma Therapeutics, Inc., Mediar Therapeutics, Inc. and ArthroSi Therapeutics, Inc., as compared to approximately RMB54.7 million for the corresponding period last year.

The Group recorded a fair value gain from financial products issued by banks of approximately RMB5.7 million, as compared to approximately RMB12.0 million in the corresponding period last year.

Impairment losses on financial assets, net

Impairment losses under expected credit model, net of reversal reflects impairment loss on trade receivables. The Group recorded impairment losses reversal of approximately RMB0.1 million for the Reporting Period, as compared to approximately RMB0.4 million of impairment losses for the corresponding period last year.

Finance Costs

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 RMB96.1 million, representing increase of approximately 149.0%, as compared to approximately RMB38.6 million for the corresponding period last year. The increase was mainly due to an increase in interest of the debt components of the Convertible Bonds of approximately RMB29.6 million and an increase in interest on bank loans of approximately RMB27.9 million.

Share of Loss of a Joint Venture

For the Reporting Period, the Group did not record any share of loss of a joint venture, as compared to approximately RMB0.3 million for the corresponding period last year. The decrease was primarily due to the investment in Jiaxin Youbo being classified as financial assets at FVTPL rather than a joint venture after the Group relinquished its right to appoint director in the board of directors and thus no longer able to exercise joint control over Jiaxing Youbo in November 2020.

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. For the Reporting Period, the Group recorded fair value loss on financial liabilities at FVTPL of approximately RMB13.4 million, as compared to approximately RMB615.5 million for the corresponding period last year.

Income Tax Expense

The Group's income tax expense was approximately RMB26.3 million, representing an increase of approximately 232.9% from approximately RMB7.9 million for the corresponding period last year. The increase was in line with the Group's business growth.

Net Profit and Net Profit Margin

As a result of the foregoing, the Group's net profit for the Reporting Period was approximately RMB95.8 million, as compared to a net loss of approximately RMB530.3 million for the corresponding period last year. Such turnaround was mainly due to (i) the significant increase of 62.5% in the revenue from the drug discovery services (ii) the expansion of the Group's business scope from front-end drug discovery to small molecule CDMO business, forming an integrated platform for the research, development and production of drugs and (iii) the significant decrease of RMB602.2 million in fair value loss on financial liabilities at FVTPL.

The adjusted non-IFRS net profit of the Group increased by approximately 65.6% to approximately RMB204.9 million for the Reporting Period from approximately RMB123.7 million for the corresponding period last year. The adjusted non-IFRS net profit margin of the Group for the Reporting Period was approximately 20.0%, compared to approximately 62.6% 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 expansion of the Group's business scope from front-end drug discovery to small molecule CDMO business and the comparatively lower net profit margin of small molecule CDMO business.

Liquidity and Financial Resources

As at June 30, 2021, the Group's total cash and cash equivalents amounted to approximately RMB669.0 million, representing a decrease of approximately 71.0% as compared to approximately RMB2,308.5 million as at December 31, 2020. Such decrease was primarily due to the repayment of bank borrowings of approximately RMB910.2 million during the Reporting Period.

As at June 30, 2021, current assets of the Group amounted to approximately RMB2,259.9 million, including a cash and cash equivalents of approximately RMB669.0 million. Current liabilities of the Group amounted to approximately RMB1,001.4 million, including bank borrowings of approximately RMB201.6 million.

As at June 30, 2021, the gearing ratio, calculated as total liabilities over total assets, was approximately 52.0%, as compared with approximately 53.9% as at December 31, 2020. As at June 30, 2021, the Group had approximately RMB557.1 million of secured bank borrowings and RMB254.0 million of unsecured bank borrowings, decreased by approximately RMB651.3 million as compared to approximately RMB1,462.3 million as at December 31, 2020. The decrease was primarily due to the repayment of the secured bank loan obtained by the Group to finance the acquisition of Langhua Pharmaceutical, approximately RMB880.0 million during the Reporting Period. Of the Company's bank borrowings during the Reporting Period, approximately RMB201.6 million are repayable on demand or within one year, and approximately RMB609.5 million are repayable in the third to fifth year (inclusive). The Group intends to finance the expansion, investments and business operations with proceeds from its financing activities and internal resources.

Management Discussion and Analysis

Significant Investment, Material Acquisitions and Disposals

The Group completed acquisition of an 100% interest in SYNthesis from its original shareholders, at a consideration of approximately RMB451.0 million and its accounts were consolidated to the Group's financial accounts on February 28, 2021.

Save as disclosed in this report, the Group did not make any significant investments and did not have material acquisitions or disposals of subsidiaries, associates and joint ventures for the six months ended June 30, 2021.

Pledge of Assets

As at June 30, 2021, the building with a carrying amount of approximately RMB4.8 million was pledged to secure borrowings of the Group. Additionally, as at June 30, 2021, a one-year deposit of RMB640.0 million of the Group was pledged to secure borrowings of the Group. Deposits of RMB38.9 million were pledged to secure notes payables.

Capital Expenditure

For the Reporting Period, the Group's capital expenditure amounted to approximately RMB658.2 million, which was mainly used for construction of facilities and equipment purchases, as compared to approximately RMB195.2 million for the corresponding period last year. The Group funded its capital expenditure by using cash flow generated from its operations and financing.

Contingent Liabilities

The Group had no material contingent liabilities as at June 30, 2021.

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 gain of approximately RMB8.1 million and approximately RMB8.7 million for the Reporting Period and the corresponding period last year, 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. We purchased various bank foreign exchange wealth management products to hedge against our exposure to currency risk during the Reporting Period. 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.

EMPLOYEE REMUNERATION AND RELATIONS

As at June 30, 2021, the Group had a total of 1,873 employee and the total staff costs for the Reporting Period (including directors' emoluments) were RMB211.1 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, share incentives 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.

Supplementary Information

INTERIM DIVIDEND

The Board does not recommend the distribution of an interim dividend for the six months ended June 30, 2021 (six months ended June 30, 2020: HK\$0.017 per share).

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 June 30, 2021, the details of intended application of net proceeds are set out as follow:

	Approximate % of total net proceeds	Planned use of actual net proceeds <i>RMB'million</i>	Utilized net proceeds up to June 30, 2021 ⁽¹⁾ <i>RMB'million</i>	Proceeds unused ⁽²⁾ <i>RMB'million</i>	Expected timeline for utilizing the remaining balance of net proceeds from the global offering ⁽³⁾
Expanding EFS model	30%	365.13	223.81	141.32	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	276.05	89.08	Expected to be fully utilized by December 31, 2021

Supplementary Information

	Approximate % of total net proceeds	Planned use of actual net proceeds <i>RMB'million</i>	Utilized net proceeds up to June 30, 2021 ⁽¹⁾ <i>RMB'million</i>	Proceeds unused ⁽²⁾ <i>RMB'million</i>	Expected timeline for utilizing the remaining balance of net proceeds from the global offering ⁽³⁾
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:

- 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 RMB264.61 million of proceeds remained unused in 2020 and was brought forward to the current financial year.
- As at June 30, 2021, net proceeds not yet utilized were deposited with certain licensed banks in Hong Kong or the PRC.
- 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, 2020, 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 approximately RMB948.4 million). As at June 30, 2021, the net proceeds from placing have been fully utilized in accordance with the purposes as set out in the relevant announcements and the 2020 annual report published on April 28, 2021.

Supplementary Information

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 approximately RMB1,256.0 million), and had been utilized as follows as at June 30, 2021:

Business objective as stated in the offering circular	Percentage of total net proceeds	Planned use of actual net proceeds <i>RMB'million</i>	Utilized net proceeds up to June 30, 2021 <i>RMB'million</i>	Proceeds unused ⁽¹⁾ <i>RMB'million</i>	Expected timeline for utilizing the remaining balance of net proceeds
Business development and expansion	70%	879.19	565.15	314.04	Expected to be fully utilized by December 31, 2022
Working capital and general corporate purposes	30%	376.80	258.60	118.20	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 approximately RMB27.5 million), were US\$275.8 million (equivalent to approximately RMB1,801.6 million), and had been utilized as follows as at June 30, 2021:

Business objective as stated in the offering circular	Percentage of total net proceeds	Planned use of actual net proceeds <i>RMB'million</i>	Utilized net proceeds up to June 30, 2021 <i>RMB'million</i>	Proceeds unused ⁽¹⁾ <i>RMB'million</i>	Expected timeline for utilizing the remaining balance of net proceeds ⁽²⁾
Business development and expansion including refinancing of the acquisition cost of 80% of equity interest in Langhua Pharmaceutical	90%	1,621.4	909.08	712.32	Expected to be fully utilized by December 31, 2021
Other working capital and general corporate purposes	10%	180.2	180.2	0.00	–

Notes:

- As at June 30, 2021, net proceeds not yet utilized were deposited with certain licensed banks in Hong Kong or the PRC.
- 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.

CORPORATE GOVERNANCE PRACTICES

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of its shareholders as a whole. The Company has adopted the code provisions as set out in the CG Code as contained in Appendix 14 to the Listing Rules, as its own code to govern its corporate governance practices.

Under the code provision A.2.1 of the CG Code, 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 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, allows 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 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 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.

Save as disclosed above, during the six months ended June 30, 2021, the Company has complied with the CG Code.

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 as its own code of conduct regarding dealings in the securities of the Company by the Directors and the Group's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company or its securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the six months ended June 30, 2021. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the six months ended June 30, 2021.

Supplementary Information

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended June 30, 2021, the Company repurchased 3,098,500 Shares on the Stock Exchange for an aggregate consideration of approximately HK\$22.7 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 2021	3,098,500	7.560	7.190	22,687.1
Total	3,098,500			22,687.1

(1) Aggregate consideration inclusive of expenses.

Save as disclosed above, neither the Company nor any member of the Group purchased, sold or redeemed any of the Shares during the six months ended June 30, 2021. Please refer to the section headed "Share Incentive Schemes" for information in relation to the issue of Shares pursuant to options exercised under the Pre-IPO Share Incentive Scheme.

REVIEW OF FINANCIAL INFORMATION

The audit committee of the Company, comprising Ms. Li Xiangrong, Mr. Wang Haiguang, and Mr. Fu Lei, has discussed with the management and reviewed the unaudited interim financial information of the Group for the Reporting Period.

In addition, the Company's external auditor, Ernst & Young, has performed an independent review of the Group's interim financial information for the Reporting Period in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Based on their review, Ernst & Young confirmed that nothing has come to their attention that causes them to believe that the condensed consolidated interim financial information for the Reporting Period is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

CHANGES IN THE BOARD AND THE DIRECTORS' INFORMATION

The change in the Board since the date of the Company's 2020 annual report is set out below:

1. Mr. Hua Fengmao resigned from the office of an executive Director on June 30, 2021.

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 OBLIGATION PURSUANT TO THE LISTING RULES

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

Supplementary Information

INTERESTS OF THE DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at June 30, 2021, the interests or short positions of the Directors and chief executive 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)	0.76%
	Trustee	200,000,000 (L)	10.38%
	Beneficiary of a trust (other than a discretionary interest)	67,065,976 (L)	3.48%
	Interest of controlled corporation	25,925,000 (L)	1.35%
	Interest of spouse	100,000,000 (L)	5.19%
	Other	75,000,000 (L)	3.89%
Mr. Hua Fengmao ^{(3)*}	Interest in controlled corporation	85,857,056 (L)	4.46%
	Beneficial owner	6,239,110 (L)	0.32%
	Beneficiary of a trust (other than a discretionary interest)	6,144,753 (L)	0.32%
Mr. Wu Ying ⁽⁴⁾	Beneficial owner	16,499,973 (L)	0.86%
	Interest of spouse	4,324,654 (L)	0.22%
	Beneficiary of a trust (other than a discretionary interest)	640,000 (L)	0.03%
Mr. Ren Delin ⁽⁵⁾	Beneficiary of a trust (other than a discretionary interest)	5,906,931 (L)	0.31%
	Beneficial owner	9,553,317 (L)	0.50%

Supplementary Information

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. Mr. Mao Chen Cheney is also a beneficiary of Viva Biotech Holdings Restricted Share Unit Scheme.
 - (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. Mr. Wu Ying is also a beneficiary of Viva Biotech Holdings Restricted Share Unit Scheme.
 - (5) Mr. Ren Delin is a beneficiary of Vivastar Trust Scheme and Viva Biotech Holdings Restricted Share Unit Scheme.
- + The percentage represents the number of ordinary shares/underlying shares interested divided by the number of the Company’s issued shares as at June 30, 2021.
- * Mr. Hua Fengmao tendered his resignation from the office of executive director of the Company on June 30, 2021 with immediate effect.

(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%

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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.
- * Mr. Hua Fengmao tendered his resignation from the office of executive director of the Company on June 30, 2021 with immediate effect.

Save as disclosed in this interim report and to the best knowledge of the Directors, as at June 30, 2021, 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 IN SECURITIES

So far as is known to any Director or chief executive of the Company, as at June 30, 2021, the following corporations/persons (other than the Directors or the chief executive of the Company) had interests of 5% or more in the issued shares of the Company according to the register of interests required to be kept by the Company under section 336 of the SFO. In the event of changes in the shareholding of the Shareholders in the Company, the Shareholders will not be required to notify the Company and the Stock Exchange unless certain conditions are met. Therefore, the latest shareholding of the Shareholders in the Company may be different from the shareholding submitted to the Stock Exchange.

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)	413,654,900 (L)	21.47%
Ms. Zhou Min ⁽⁵⁾	Beneficial owner	100,000,000 (L)	5.19%
	Interest of spouse	382,683,527 (L)	19.86%
Zhang and Sons Limited ⁽²⁾	Beneficial owner	159,433,021 (L)	8.27%
Mr. John Wu Jiong ⁽³⁾	Interest in a controlled corporation	181,134,092 (L)	9.40%
	Other	43,000,000 (L)	2.23%
Fenghe Harvest Ltd ⁽³⁾	Beneficial owner	124,821,323(L)	6.48%
	Other	30,000,000(L)	1.56%
Z&M International Holdings Limited ⁽²⁾	Interest in a controlled corporation	201,822,206 (L)	10.47%
Intertrust (Singapore) Ltd. ⁽²⁾	Trustee	213,654,900 (L)	11.09%
JPMorgan Chase & Co.	Interest in a controlled corporation	137,156,903 (L)	7.12%
		133,860,718 (S)	6.95%
	Person having a security interest	27,104,441 (L)	1.41%
UBS Group AG	Approved lending agent	11,765,364 (L)	0.61%
	Interest in a controlled corporation	103,311,163 (L)	5.36%

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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, 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, 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 June 30, 2021

Save as disclosed above and to the best knowledge of the Directors, as at June 30, 2021, no person (other than the Directors or chief executives of the Company) had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under 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;

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- (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;

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- (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.

Name and category of participant	Date of grant	Number of options				As of June 30, 2021	Vesting period
		As of January 1, 2021	Exercised during the Reporting Period	Canceled during the Reporting Period	Lapsed during the Reporting Period		
Directors and their associates							
Mr. Mao	January 2, 2018	-	-	-	-	-	(Note 1)
Mr. Wu Ying	January 2, 2018	-	-	-	-	-	(Note 1)
Mr. Hua [*]	January 2, 2018	6,144,753	-	-	-	6,144,753	(Note 1)
	June 21, 2018	-	-	-	-	-	(Note 3)
Mr. Ren Delin	January 2, 2018	5,266,931	-	-	-	5,266,931	(Note 1)
Mrs. Zhao Huixin ⁽⁴⁾	January 2, 2018	-	-	-	-	-	(Note 1)
Subtotal		11,411,684	-	-	-	11,411,684	

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Name and category of participant	Date of grant	Number of options				As of June 30, 2021	Vesting period
		As of January 1, 2021	Exercised during the Reporting Period	Canceled during the Reporting Period	Lapsed during the Reporting Period		
Other employees	January 2, 2018	8,014,871	3,362,416	-	-	4,652,455	(Note 1)
	January 2, 2018	4,097,959	-	-	-	4,097,959	(Note 2)
Subtotal		12,112,830	3,362,416	-	-	8,750,414	
Total		23,524,514	3,362,416	-	-	20,162,098	

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) Mrs. Zhao Huixin is an employee of the Group and the spouse of Mr. Wu Ying.
- * Mr. Hua Fengmao tendered his resignation from the office of executive director of the Company on June 30, 2021 with immediate effect.

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).

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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.

Supplementary Information

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 June 30, 2021 are as follows:

Category of participant	Date of Grant	Number of options				As of June 30, 2021	Vesting period	
		As of January 1, 2021	Granted during the Reporting Period	Exercised during the Report Period	Cancelled during the Report Period			Lapsed during the Report Period
Other Employees	May 21, 2020	15,850,000	-	135,000	-	1,533,000	14,182,000	(Note 2)
Total		-	-			1,533,000	14,182,000	

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 23 to the consolidated financial statements in this interim 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

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. A summary of the terms of the Post-IPO RSU Scheme is set out in the Company's announcement dated June 5, 2020.

In September 2020, 6,144,000 ordinary shares were repurchased and reserved for issuance pursuant to the Post-IPO RSU Scheme. In April and May 2021, an aggregate number of 8,965,000 ordinary shares were repurchased and reserved for issuance pursuant to the Post-IPO RSU Scheme.

Details of the Post-IPO RSU granted are as follows:

Grant date	Number of RSUs	Expiry date	Exercise price per share underlying the RSUs
December 11, 2020	10,940,000*	December 10, 2030	HK\$4.9

* 62.5% and 37.5% of an aggregate number of 640,000 of the RSUs granted shall vest on January 1, 2021 and January 1, 2022, respectively. 40%, 30% and 30% of the rest shall vest on the second, third and fourth anniversary of grant date, respectively.

Movements and summary of Post-IPO RSU

The following table summarised the Group's Post-IPO RSUs and movement during the reporting periods:

	For the six months ended June 30,			
	2021		2020	
	Weighted average exercise price HK\$ per share	Number of RSUs	Weighted average exercise price HK\$ per share	Number of RSUs
At January 1	4.90	10,940,000	–	–
Forfeited during the period	4.90	(1,680,000)	–	–
Exercised during the period	4.90	(400,000)	–	–
At June 30	4.90	8,860,000	–	–

Supplementary Information

The exercise prices and exercise periods of the RSUs outstanding as at the end of the reporting period are as follows:

At June 30, 2021	Exercise price	Exercise period
Number of RSUs	HK\$ per share	underlying the RSUs
8,860,000	4.90	December 30, 2022 ~ December 10, 2030

The Group recognised the total expense of RMB4,056,000 for the six months ended June 30, 2021 in relation to RSUs granted by the Company (six months ended June 30, 2020: Nil).

SUBSEQUENT EVENT

1. On July 7, 2021, the Company granted share options (the “**Share Option(s)**”) to certain eligible participants under the share option scheme adopted by the Company on April 14, 2019 to subscribe for an aggregate of 5,860,000 ordinary shares of the Company (the “**Share(s)**”). Out of the Share Options granted, 640,000 were granted to each of our executive Directors, Mr. Mao Chen Cheney, Mr. Wu Ying and Mr. Ren Delin, respectively. The other grantees of Share Options to subscribed for an aggregate of 3,940,000 Shares are all employees of the Group and none of them are Director, chief executive, substantial shareholder of the Company or an associate of any of them. The grant of the Share Options to the executive Directors has been approved by the independent non-executive Directors in accordance with Rule 17.04 of the Listing Rules.
2. In July 2021, the Company instructed the trustee under its Post-IPO RSU Scheme to make an on-market purchase of an aggregate of 4,891,000 ordinary shares at a total consideration of HK\$42,728,000 (equivalent to approximately RMB35,541,000) to be reserved for issuance pursuant to the Post-IPO RSU Scheme.
3. On July 23, 2021, Viva Dancheng Biotech (Hangzhou) Ltd., a wholly-owned subsidiary of the Company, entered into the construction contract with Shanghai Jielong Construction Engineering Co., Ltd (the Contractor), pursuant to which the Contractor had agreed to undertake construction work for a contract sum of approximately RMB267,000,000. The contraction contract does not constitute a discloseable transaction under Chapter 14 of the Listing Rules.

Independent Review Report



Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 38 to 85, which comprises the condensed consolidated statement of financial position of Viva Biotech Holdings (the “**Company**”) and its subsidiaries (the “**Group**”) as at June 30, 2021 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 Interim Financial Reporting (“**IAS 34**”) issued by the International Accounting Standards Board (“**IASB**”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong

August 30, 2021

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended June 30, 2021

	Notes	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
REVENUE	4	1,026,451	197,557
Cost of services		(710,176)	(97,439)
Gross profit		316,275	100,118
Other income and gains	5	37,114	27,190
Selling and distribution expenses		(34,716)	(1,951)
Administrative expenses		(100,394)	(37,048)
Research and development expenses		(37,476)	(22,324)
Fair value gain on financial assets at fair value through profit or loss ("FVTPL")	14	59,252	66,658
Impairment losses on financial assets, net		111	(434)
Other expenses		(8,649)	(161)
Finance costs	6	(96,097)	(38,594)
Share of losses of a joint venture		–	(321)
PROFIT BEFORE FAIR VALUE LOSS ON FINANCIAL LIABILITIES AT FVTPL AND TAX		135,420	93,133
Fair value loss on financial liabilities at FVTPL	21	(13,366)	(615,526)
PROFIT/(LOSS) BEFORE TAX	7	122,054	(522,393)
Income tax expense	8	(26,252)	(7,879)
PROFIT/(LOSS) FOR THE PERIOD		95,802	(530,272)
Attributable to:			
Owners of the parent		85,020	(530,272)
Non-controlling interests		10,782	–
		95,802	(530,272)
EARNINGS/ (LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9	RMB	RMB
Basic		0.04	(0.38)
Diluted		0.04	(0.38)

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2021

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
PROFIT/ (LOSS) FOR THE PERIOD	95,802	(530,272)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(14,511)	7,150
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	(14,511)	7,150
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD	81,291	(523,122)
Attributable to:		
Owners of the parent	70,527	(523,122)
Non-controlling interests	10,764	–
	81,291	(523,122)

Interim Condensed Consolidated Statement of Financial Position

June 30, 2021

	Notes	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	917,650	520,290
Right-of-use assets	11	462,178	216,720
Goodwill	12	2,156,419	1,847,723
Other intangible assets		558,855	469,462
Financial assets at FVTPL	14	1,111,333	924,532
Contract assets		18,509	15,381
Rental deposits and prepayments	13	111,197	498,485
Deferred tax assets		9,568	9,943
Pledged deposits		300,000	300,000
Total non-current assets		5,645,709	4,802,536
CURRENT ASSETS			
Inventories		148,508	164,745
Trade and bills receivables	15	438,379	320,510
Contract costs		9,214	7,703
Prepayments, other receivables and other assets	16	440,610	100,133
Financial assets at FVTPL	14	154,933	49,500
Derivative financial instruments		643	18,843
Pledged deposits		398,593	381,658
Cash and cash equivalents		668,997	2,308,452
Total current assets		2,259,877	3,351,544
CURRENT LIABILITIES			
Trade and bills payables	17	337,421	295,704
Other payables and accruals	18	346,651	243,860
Derivative financial instruments		2,583	–
Interest-bearing bank borrowings	19	201,569	155,554
Contract liabilities		43,461	13,386
Lease liabilities		10,564	11,411
Income tax payable		39,787	15,757
Financial liabilities at FVTPL	20	19,388	–
Total current liabilities		1,001,424	735,672
NET CURRENT ASSETS		1,258,453	2,615,872
TOTAL ASSETS LESS CURRENT LIABILITIES		6,904,162	7,418,408

Interim Condensed Consolidated Statement of Financial Position

June 30, 2021

	<i>Notes</i>	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	19	609,498	1,306,786
Convertible bonds – debt component	21	1,532,735	1,491,848
Convertible bonds – embedded derivative instruments	21	211,644	200,291
Contract liabilities		51,770	–
Deferred income		22,415	22,710
Lease liabilities		24,590	3,912
Deferred tax liabilities		127,726	119,184
Other non-current liabilities		529,512	516,846
Total non-current liabilities		3,109,890	3,661,577
Net Assets		3,794,272	3,756,831
EQUITY			
Equity attributable to owners of the parent			
Share capital	22	325	323
Treasury shares	22	(99,195)	(52,683)
Equity component of convertible bonds	21	468,731	468,731
Reserves		3,424,411	3,340,460
Total Equity		3,794,272	3,756,831

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2021

	Attributable to owners of the parent											
	Share capital	Treasury shares	Share premium	Exchange fluctuation reserve	Equity component of convertible bonds	Share option reserve	Other reserve	Statutory reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2021 (audited)	323	(52,683)	3,650,761	(84,894)	468,731	42,862	(330,803)	39,117	23,417	3,756,831	-	3,756,831
Profit for the period	-	-	-	-	-	-	-	-	85,020	85,020	10,782	95,802
Other comprehensive loss for the period												
Exchange differences related to foreign operations	-	-	-	(14,493)	-	-	-	-	-	(14,493)	(18)	(14,511)
Total comprehensive (loss)/income for the period	-	-	-	(14,493)	-	-	-	-	85,020	70,527	10,764	81,291
Put option over non-controlling interests	-	-	-	-	-	-	(11,570)	-	-	(11,570)	(480)	(12,050)
Recognition of equity-settled share-based payment	-	-	-	-	-	10,023	-	-	-	10,023	-	10,023
Shares issued upon exercise of equity-settled share-based payment	1	3,430	1,748	-	-	-	-	-	-	5,179	-	5,179
Equity-settled for business combination (note 24)	2	-	48,459	-	-	-	-	-	-	48,461	-	48,461
Final 2020 dividend declared	-	-	(16,270)	-	-	-	-	-	-	(16,270)	-	(16,270)
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	(10,284)	(10,284)
Share repurchase and cancellation	(1)	-	(18,966)	-	-	-	-	-	-	(18,967)	-	(18,967)
Share repurchase for restricted share units	-	(49,942)	-	-	-	-	-	-	-	(49,942)	-	(49,942)
At June 30, 2021 (unaudited)	325	(99,195)	3,665,732	(99,387)	468,731	52,885	(342,373)	39,117	108,437	3,794,272	-	3,794,272

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2021

	Attributable to owners of the parent						
	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Exchange fluctuation reserve <i>RMB'000</i>	Share option reserve <i>RMB'000</i>	Statutory reserves <i>RMB'000</i>	Retained profits/ (loss) <i>RMB'000</i>	Total <i>RMB'000</i>
At January 1, 2020 (audited)	261	1,298,673	231	28,815	25,263	424,151	1,777,394
Loss for the period	-	-	-	-	-	(530,272)	(530,272)
Other comprehensive income for the period:							
Exchange differences related to foreign operations	-	-	7,150	-	-	-	7,150
Total comprehensive income/(loss) for the period	-	-	7,150	-	-	(530,272)	(523,122)
Final 2019 dividend declared	-	(23,037)	-	-	-	-	(23,037)
Equity-settled share option arrangements	-	-	-	2,360	-	-	2,360
Exercise of share options	6	32,104	-	-	-	-	32,110
Conversion of convertible bonds	17	646,607	-	-	-	-	646,624
Repurchase of ordinary shares	(1)	(13,580)	-	-	-	-	(13,581)
At June 30, 2020 (unaudited)	283	1,940,767	7,381	31,175	25,263	(106,121)	1,898,748

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2021

	Notes	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		122,054	(522,393)
Adjustments for:			
Finance costs	6	96,097	38,594
Share of losses of a joint venture		–	321
Interest income	5	(16,171)	(7,851)
Loss on disposal of items of property, plant and equipment	7	5,357	155
Fair value gains, net:			
Derivative financial instruments	5	(8,752)	(1,421)
Financial assets at FVTPL	14	(59,252)	(66,658)
Fair value loss on financial liabilities at FVTPL	21	13,366	615,526
Foreign exchange loss/(gain)		2,352	(7,462)
Income from government grants and subsidies related to assets		(1,295)	(510)
Revenue from service-for-equity (“SFE”)	4	(42,359)	(28,756)
Equity-settled share-based payment expense		10,023	2,360
Gain on repurchase of convertible bonds		–	(4,447)
Transaction cost of convertible bonds		–	5,068
Depreciation of property, plant and equipment		39,204	12,399
Depreciation of other intangible assets		24,590	–
Depreciation of right-of-use assets		9,922	9,145
Impairment losses under expected credit model, net of reversal	7	(111)	434
Impairment losses on non-financial assets	7	653	–
Gain on disposal of right-of-use assets		–	(1,145)
		195,678	43,359
Decrease/(increase) in inventories		15,584	(1,139)
Increase in contract costs		(1,918)	(636)
Increase in trade and bills receivables		(105,665)	(8,587)
Increase in other receivables		(8,089)	(167)
Increase/(decrease) in trade and bills payables		39,932	(1,271)
Decrease in other payables		(90,698)	(3,833)
Decrease in deferred revenue		–	(240)
Increase in contract liabilities		664	1,181
Increase in other non-current liabilities		(53)	–
Cash generated from operations		45,435	28,667
Income tax paid		(17,650)	(7,731)
Net cash flows from operating activities		27,785	20,936

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2021

<i>Notes</i>	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	8,737	5,790
Purchases of items of property, plant and equipment	(220,440)	(49,114)
Proceeds from disposal of items of property, plant and equipment	400	32
Payments for acquisition of a land use right	(1,145)	–
Rental deposit paid	–	(4,722)
Purchases of time deposit over three months	–	(353,975)
Purchases of investments in financial assets at amortised cost	(349,999)	–
Receipt of government grants and subsidies related to assets	1,000	5,200
Placement of pledged deposits	(38,915)	(65,624)
Withdraw in pledged deposits	29,236	–
Payments for acquisition of subsidiaries	(126,956)	(55,805)
Prepayments for potential acquisition of non-current assets	–	(30,000)
Purchase of financial assets at FVTPL	(1,132,299)	(2,710,867)
Proceeds from disposal of financial assets at FVTPL	939,707	2,605,867
Receipt of investment income from derivative financial instruments	29,535	1,924
Net cash flows used in investing activities	(861,139)	(651,294)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bank borrowings	(910,240)	(259)
Interest paid	(40,561)	(218)
Proceeds from bank borrowings	259,000	15,363
Repayment of lease liabilities	(7,450)	(21,672)
Proceeds from exercise share option	5,179	32,110
Payment for repurchase of shares	(68,909)	(13,581)
Dividend paid to non-controlling shareholders of a subsidiary	(10,284)	–
Proceeds from the issue of convertible bonds	–	1,261,148
Transaction cost of convertible bonds	(2,844)	(5,156)
Payment for repurchase of convertible bonds	–	(27,398)
Net cash flows (used in)/from financing activities	(776,109)	1,240,337
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	2,308,452	904,091
Effect of foreign exchange rate changes, net	(29,992)	7,215
CASH AND CASH EQUIVALENTS AT END OF PERIOD	668,997	1,521,285

Notes to Interim Condensed Consolidated Financial Information

June 30, 2021

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

1.1 Corporate information

Viva Biotech Holdings (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability on August 27, 2008, and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since May 9, 2019 (the “**Listing Date**”). The address of the registered office and the principal place of business of the Company are PO Box 309, Uglan 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 Company and its subsidiaries (collectively referred to as 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.

1.2 Basis of preparation

The interim condensed consolidated financial information for the six months ended June 30, 2021 has been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended December 31, 2020.

The functional currency of the Company is Renminbi (“**RMB**”), which is the same as the presentation currency of the condensed consolidated financial statements, and all values are rounded to the nearest thousand except when otherwise indicated.

Notes to Interim Condensed Consolidated Financial Information

June 30, 2021

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2020, except for the adoption of the following revised International Financial Reporting Standards (“IFRSs”) for the first time for the current period's financial information.

Amendments to IFRS 9, IAS 39 IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions beyond June 30, 2021</i>

The adoption of these revised standards has had no significant financial effect on the Group's interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

	Drug discovery services <i>RMB'000</i> (Unaudited)	CDMO and commercialisation services <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Six months ended June 30, 2021			
Segment revenue	321,065	705,386	1,026,451
Segment results	141,983	174,292	316,275
<i>Reconciliation:</i>			
Other income and gains			37,114
Selling and distribution expenses			(34,716)
Administrative expenses			(100,394)
Research and development expenses			(37,476)
Fair value gain on financial assets at FVTPL			59,252
Impairment losses on financial assets, net			111
Other expenses			(8,649)
Finance costs			(96,097)
Fair value loss on financial liabilities at FVTPL			(13,366)
Group's profit before tax			122,054

Notes to Interim Condensed Consolidated Financial Information

June 30, 2021

3. OPERATING SEGMENT INFORMATION (continued)

	Drug discovery services <i>RMB'000</i> (Unaudited)	CDMO and commercialisation services <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Six months ended June 30, 2020			
Segment revenue	197,557	–	197,557
Segment results	100,118	–	100,118
<i>Reconciliation:</i>			
Other income and gains			27,190
Selling and distribution expenses			(1,951)
Administrative expenses			(37,048)
Research and development expenses			(22,324)
Fair value gain on financial assets at FVTPL			66,658
Impairment losses on financial assets, net			(434)
Other expenses			(161)
Finance costs			(38,594)
Share of losses of a joint venture			(321)
Fair value loss on financial liabilities at FVTPL			(615,526)
Group's loss before tax			(522,393)

4. REVENUE

An analysis of revenue is as follows:

	For six months ended June 30,	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Revenue from contracts with customers	1,026,451	197,557

Notes to Interim Condensed Consolidated Financial Information

June 30, 2021

4. REVENUE (continued)

(a) Disaggregated revenue information

For the six months ended June 30, 2021

Segment	Drug discovery services RMB'000 (Unaudited)	CDMO and commercialisation services RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Types of goods or services			
Revenue from non-investees:			
Full-time-equivalent (“FTE”) services	196,249	–	196,249
Fee-for-service (“FFS”) services	53,194	–	53,194
Sale of products	–	705,386	705,386
	249,443	705,386	954,829
Revenue from investees:			
FTE services	27,530	–	27,530
FFS services	1,733	–	1,733
SFE services	42,359	–	42,359
	71,622	–	71,622
Total revenue from contracts with customers	321,065	705,386	1,026,451
Geographical markets			
United States of America (“USA”)	238,196	82,180	320,376
European Union	13,962	248,062	262,024
Mainland China	51,649	122,643	174,292
Other Asian countries and regions out of Mainland China	2,811	162,950	165,761
Africa	–	63,516	63,516
Other countries/regions	14,447	26,035	40,482
Total revenue from contracts with customers	321,065	705,386	1,026,451
Timing of revenue recognition			
Goods/services transferred at a point in time	54,927	705,386	760,313
Services transferred over time	266,138	–	266,138
Total revenue from contracts with customers	321,065	705,386	1,026,451

Notes to Interim Condensed Consolidated Financial Information

June 30, 2021

4. REVENUE (continued)

(a) Disaggregated revenue information (continued)

For the six months ended June 30, 2020

Segment	Drug discovery services <i>RMB '000</i> (Unaudited)
Types of services	
Revenue from non-investees:	
FTE services	118,102
FFS services	35,908
	<u>154,010</u>
Revenue from investees:	
FTE services	13,924
FFS services	867
SFE services	28,756
	<u>43,547</u>
Total revenue from contracts with customers	<u>197,557</u>
Geographical markets	
USA	164,636
Mainland China	26,989
Other Asian countries and regions out of Mainland China	989
European Union	2,281
Other countries/regions	2,662
Total revenue from contracts with customers	<u>197,557</u>
Timing of revenue recognition	
Services transferred at a point in time	36,775
Services transferred over time	160,782
Total revenue from contracts with customers	<u>197,557</u>

Notes to Interim Condensed Consolidated Financial Information

June 30, 2021

4. REVENUE (continued)

(b) Information about a major customer

Revenue of approximately RMB212,346,000 during the reporting period 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 (six months ended June 30, 2020: Nil). The segment was newly acquired by the Group in November 2020.

5. OTHER INCOME AND GAINS

	For the six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Interest income		
– banks	16,114	7,748
– imputed interest income on rental deposits	57	103
Government grants and subsidies	2,540	3,567
Net foreign exchange gain	8,051	8,710
Gain on repurchase of convertible bonds	–	4,447
Gain on derivative financial instruments	8,752	1,421
Gain on disposal of right-of-use assets	–	1,145
Revenue from sales of raw materials	1,475	–
Others	125	49
	37,114	27,190

6. FINANCE COSTS

	For the six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Interest on convertible bonds	67,421	37,785
Interest on lease liabilities	724	731
Interest on bank loans	27,952	78
	96,097	38,594

Notes to Interim Condensed Consolidated Financial Information

June 30, 2021

7. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Cost of inventories sold	498,925	–
Cost of services provided	31,798	18,608
Depreciation of property, plant and equipment	38,797	12,492
Depreciation of right-of-use assets	9,922	9,145
Amortisation of other intangible assets	24,590	–
Less: capitalised in contract costs	(640)	(532)
Less: capitalised in inventories	(4,371)	–
	68,298	21,105
Staff cost (including directors' emoluments):		
– Salaries and other benefits	190,142	77,215
– Retirement benefit scheme contributions	16,911	6,931
– Share-based payment expenses	10,023	2,360
	217,076	86,506
Less: capitalised in contract costs	(4,054)	(2,721)
Less: capitalised in inventories	(1,926)	–
	211,096	83,785
Foreign exchange gains, net	(8,051)	(8,710)
Fair value gain on derivative financial instruments	(8,752)	(1,421)
Impairment losses on financial assets, net	(111)	434
Impairment losses on non-financial assets	653	–
Loss on disposal of items of property, plant and equipment	5,357	155
Auditors' remuneration	1,900	800
Lease payment in respect of short-term leases	349	1,376

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:

	For the six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Current tax	34,454	5,983
Deferred tax	(8,202)	1,896
	26,252	7,879

Cayman Islands/British Virgin Islands (“BVI”)

Pursuant to the relevant rules and regulations of the Cayman Islands and the BVI, the Company and the subsidiaries 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% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first Hong Kong Dollars (“HK\$”) 2,000,000 (2020: 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%.

Notes to Interim Condensed Consolidated Financial Information

June 30, 2021

8. INCOME TAX (continued)

Mainland China

The provision for Mainland China corporate income tax is based on the statutory rate of 25% of the assessable profits of certain Mainland China subsidiaries of the Group as determined in accordance with the Mainland China 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) Ltd. renewed its “High and New Technology Enterprise” qualification in 2019 and is entitled to the preferential tax rate of 15% from 2019 to 2021.

Zhejiang Langhua Pharmaceutical Co., Ltd. (“**Langhua Pharmaceutical**”) renewed its “High and New Technology Enterprise” qualification in 2018 and is entitled to the preferential tax rate of 15% from 2018 to 2020. As of the date of the issuance of these interim condensed consolidated financial statements, the renewal of the accreditation is in process and management of the Group expects the renewal will be completed before December 31, 2021. As such, the estimated corporate income tax rate of Langhua Pharmaceutical for the six-month period ended June 30, 2021 is 15%.

Xinshi Bio Medicine (Shanghai) Co., Ltd. (“**Synthesis Shanghai**”) and Suzhou Xiangshi Medical Development Co., Ltd. (“**Synthesis Suzhou**”) renewed their “Advanced Technology Enterprise” qualifications in 2019 and are entitled to the preferential tax rate of 15% from 2019 to 2021.

Australia

Under the Treasury Law Amendment (Enterprise Tax Plan Base Rate Entities) Bill 2017 of Australia, corporate entity who qualified as a small business entity is eligible for the lower corporate tax rate at 27.5%. The subsidiaries incorporated in Australia are qualified as small business entities and are subject to company income tax rate of 27.5% on the estimated assessable profits.

USA

The subsidiary, incorporated in California, the United States, is subject to statutory United States federal corporate income tax at a rate of 21%. It is also subject to the state income tax in California at a rate of 8.84%.

United Kingdom

The subsidiary incorporated in the United Kingdom is subject to income tax at a rate of 19% on the estimated assessable profits.

Notes to Interim Condensed Consolidated Financial Information

June 30, 2021

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

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,914,511,000 (2020: 1,407,166,000) in issue during the period.

The diluted earnings per share for the period ended June 30, 2021 did not assume the conversion of the convertible bonds as their inclusion would be anti-dilutive. The computation of diluted earnings per share for the period ended June 30, 2021 is based on weighted average number of shares assumed to be in issue after taking into account the effect of share option and restricted share units scheme issued by the Company.

The diluted loss per share for the period ended June 30, 2020 did not assume conversion of the convertible bonds nor the exercise of share option as their inclusion would be anti-dilutive.

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

	For the six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Earnings/(loss)		
Profit/(loss) attributable to equity holders of the parent, used in the basic and diluted earnings/(loss) per share	85,020	(530,272)
	Number of shares ('000) For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	1,914,511	1,407,166
Effect of dilutive potential ordinary shares:		
Pre-IPO Share Incentive Schemes of the Company	18,922	—
Post-IPO Share Incentive Scheme of the Company	379	—
Restricted share unites scheme	219	—
Weighted average number of ordinary shares for the purpose of calculating diluted earnings/(loss) per share	1,934,031	1,407,166

Notes to Interim Condensed Consolidated Financial Information

June 30, 2021

10. DIVIDENDS

	For the six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Final declared and paid – HK\$0.01 (2019: HK\$0.015) per ordinary shares	16,270	23,037

On June 10, 2021, a final dividend of HK\$0.01 per ordinary share (in an aggregate amount of RMB16,270,000) was declared to shareholders of the Company whose names appeared on the Register of Members on June 17, 2021. The final dividend was paid on July 9, 2021.

Save as disclosed above, no other dividend was proposed for the period ended June 30, 2021.

11. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months ended June 30, 2021, the Group acquired property, plant and equipment and right-of-use assets at a cost of approximately RMB427,005,000 and RMB231,163,000 respectively (June 30, 2020: RMB70,235,000 and RMB125,010,000 respectively), apart from property, plant and equipment and right-of-use assets acquired through a business combination disclosed in note 24 to the interim condensed consolidated financial information.

Assets with a net book value of RMB5,757,000 were disposed by the Group during the six months ended June 30, 2021 (June 30, 2020: RMB187,000), resulting in a net loss on disposal of RMB5,357,000 (June 30, 2020: RMB155,000).

Notes to Interim Condensed Consolidated Financial Information

June 30, 2021

12. GOODWILL

	June 30, 2021 <i>RMB'000</i> (Unaudited)	December 31, 2020 <i>RMB'000</i> (Audited)
Cost at the beginning of period/year, net of accumulated impairment	1,847,723	–
Acquisition of subsidiaries (<i>note 24</i>)	308,696	1,847,723
Impairment during the period/year	–	–
Cost and net carrying amount at the end of period/year	2,156,419	1,847,723
At the end of period/year		
Cost	2,156,419	1,847,723
Accumulated impairment	–	–
Net carrying amount	2,156,419	1,847,723

13. RENTAL DEPOSITS AND PREPAYMENTS

	June 30, 2021 <i>RMB'000</i> (Unaudited)	December 31, 2020 <i>RMB'000</i> (Audited)
Prepayments		
– prepayments for leasehold land and properties	–	429,213
– prepayments for potential acquisition	–	15,438
– prepayments for property, plant and equipment	108,427	51,323
	108,427	495,974
Rental deposits	2,770	2,511
	111,197	498,485

Notes to Interim Condensed Consolidated Financial Information

June 30, 2021

14. FINANCIAL ASSETS AT FVTPL

	June 30, 2021	December 31, 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Unlisted investments at FVTPL	1,111,333	924,532
Financial products	154,933	49,500
	1,266,266	974,032
Analysed for reporting purposes as:		
Current assets	154,933	49,500
Non-current assets	1,111,333	924,532
	1,266,266	974,032

(a) Unlisted investments at FVTPL

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

	<i>RMB'000</i>
At January 1, 2021 (audited)	924,532
Acquired	118,928
Recognized from SFE revenue	39,181
Gain on fair value change	53,508
Disposal	(21,120)
Exchange adjustment	(3,696)
At June 30, 2021 (unaudited)	1,111,333
At January 1, 2020 (audited)	647,271
Acquired	54,988
Recognized from SFE revenue	23,384
Gain on fair value change	54,676
Disposal	(24,472)
Exchange adjustment	4,276
At June 30, 2020 (unaudited)	760,123

Notes to Interim Condensed Consolidated Financial Information

June 30, 2021

14. 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:

	<i>RMB '000</i>
At January 1, 2021 (audited)	49,500
Acquired	1,013,371
Gain on fair value change	5,744
Disposal	(913,447)
Exchange adjustment	(235)
At June 30, 2021 (unaudited)	154,933
At January 1, 2020 (audited)	5,212
Acquired	2,659,853
Gain on fair value change	11,982
Disposal	(2,581,395)
At June 30, 2020 (unaudited)	95,652

At June 30, 2021, the financial products classified as financial assets at FVTPL represented unguaranteed financial products issued by banks, with no fixed maturity period and expected return rate from 3.60% to 3.75% per annum (at December 31, 2020: 2.9% per annum).

Notes to Interim Condensed Consolidated Financial Information

June 30, 2021

15. TRADE AND BILLS RECEIVABLES

	June 30, 2021	December 31, 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade receivables		
– related parties (<i>note 26</i>)	100	95
– third parties	440,379	321,476
Bills receivables	6,092	7,044
Impairment	(8,192)	(8,105)
	438,379	320,510

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

	June 30, 2021	December 31, 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 6 months	432,458	311,335
6 months to 1 year	5,198	8,184
1 to 2 years	653	991
Over 2 years	70	–
	438,379	320,510

Notes to Interim Condensed Consolidated Financial Information

June 30, 2021

16. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
Other receivables		
– tax refund for export	22,042	26,453
– refundable rental payments	–	19,214
– others	33,661	31,155
Impairment allowance	(3,723)	(3,760)
	51,980	73,062
Prepayments	21,601	11,643
Prepaid expenses	5,509	5,931
Financial products at amortised cost*	349,999	–
Value added tax recoverable	11,521	9,497
	388,630	27,071
Prepayments, other receivables and other assets	440,610	100,133

* The above investments represent investments in certain financial products issued by commercial banks. These financial products had terms of less than one year and had guaranteed annual return rates ranging from 3.0% to 3.30%.

Notes to Interim Condensed Consolidated Financial Information

June 30, 2021

17. 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:

	June 30, 2021	December 31, 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 3 months	180,171	230,157
3 months to 1 year	151,985	65,260
Over 1 year	5,265	287
	337,421	295,704

18. OTHER PAYABLES AND ACCRUALS

	June 30, 2021	December 31, 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Other payables		
– Payable for acquisition (<i>note 24</i>)	139,704	30,000
– Payable for construction in progress	80,996	19,775
– Others	24,751	46,403
	245,451	96,178
Salary and bonus payables	71,825	99,250
Other taxes payable	10,206	44,314
Dividends payable	16,033	–
Interest payable	3,136	4,118
	346,651	243,860

Notes to Interim Condensed Consolidated Financial Information

June 30, 2021

19. INTEREST-BEARING BANK BORROWINGS

	June 30, 2021			December 31, 2020		
	Effective interest rate (%)	Maturity	RMB'000 (Unaudited)	Effective interest rate (%)	Maturity	RMB'000 (Audited)
Current						
Bank loans – unsecured	One-year 4.41%	2021	10,000	–	–	–
	One-year 3.92%	2021	25,000	One-year 3.92%	2021	25,000
	One-year 3.915%-4.41%	2022	166,000	–	–	–
Bank loans – secured*	Eight-year Loan prime rate ("LPR")*110%	2021	569	Eight-year LPR*110%	2021	554
Current portion of long term bank loans – secured and guaranteed**	–	–	–	One-year LPR+50 bps	2021	130,000
			201,569			155,554
Non-current						
Bank loans – unsecured	Five-year LPR+10 bps	2027	53,000	–	–	–
Bank loans – secured and guaranteed**	One-year LPR+50 bps	2025	556,000	One-year LPR+50 bps	2025	1,306,000
Bank loans – secured*	Eight-year LPR*110%	2023	498	Eight-year LPR*110%	2023	786
			609,498			1,306,786

Notes to Interim Condensed Consolidated Financial Information

June 30, 2021

19. INTEREST-BEARING BANK BORROWINGS (continued)

	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	201,569	155,554
In the second year	–	330,584
In the third to fifth years, inclusive	609,498	976,202
	811,067	1,462,340

* At June 30, 2021, the building with a carrying amount of approximately RMB4,811,000 (December 31, 2020: RMB4,973,000) was pledged to secure the bank borrowings of the Group.

** 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.

20. FINANCIAL LIABILITIES AT FVTPL

	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
Contingent consideration (<i>note 24</i>)	19,388	–

21. CONVERTIBLE BONDS

(a) US\$180,000,000 convertible bonds

On February 11, 2020, Viva Incubator Investment Management Limited (“**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.

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June 30, 2021

21. 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 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 and subsequently measured at fair value with changes in fair value recognised in profit or loss.

The total transaction costs 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 transaction costs relating to the derivative components were charged to profit or loss. The transaction costs 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.

Notes to Interim Condensed Consolidated Financial Information

June 30, 2021

21. CONVERTIBLE BONDS (continued)

(a) US\$180,000,000 convertible bonds (continued)

	Debt component <i>RMB'000</i>	Embedded derivative components <i>RMB'000</i>	Total <i>RMB'000</i>
At December 31, 2020 (audited)	159,968	200,291	360,259
Interest charged	6,499	–	6,499
Loss arising on changes of fair value	–	13,366	13,366
Exchange adjustments	(1,600)	(2,013)	(3,613)
At June 30, 2021 (unaudited)	164,867	211,644	376,511
At December 31, 2019 (audited)	–	–	–
Issue of 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	1,217	(5,158)	(3,941)
Interest charged	26,289	–	26,289
Repurchase	(22,981)	(8,874)	(31,855)
Conversion	(373,040)	(269,396)	(642,436)
Loss arising on changes of fair value	–	615,526	615,526
At June 30, 2020 (unaudited)	537,634	687,043	1,224,677

No conversion or redemption of the convertible bonds has occurred during the reporting period.

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21. CONVERTIBLE BONDS (continued)

(b) US\$280,000,000 convertible bonds

On December 30, 2020, Viva Biotech Investment Management Limited (“**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

21. CONVERTIBLE BONDS (continued)**(b) US\$280,000,000 convertible bonds (continued)**

- (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.

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 during the reporting period as follows:

	Debt component <i>RMB'000</i>	Equity component <i>RMB'000</i>	Total <i>RMB'000</i>
At December 31, 2020 (audited)	1,331,880	468,731	1,800,611
Interest charged	49,305	–	49,305
Exchange adjustments	(13,317)	–	(13,317)
At June 30, 2021 (unaudited)	1,367,868	468,731	1,836,599

No conversion or redemption of the convertible bonds has occurred during the reporting period.

Notes to Interim Condensed Consolidated Financial Information

June 30, 2021

22. SHARE CAPITAL/TREASURY SHARES

Shares

	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
Issued and fully paid: 1,926,934,348 shares of US\$0.000025 each (December 31, 2020: 1,917,880,747 shares of US\$0.000025 each) ordinary shares	325	323

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, 2021 (audited)	1,917,880,747	323
Share repurchase and cancellation*	(3,098,500)	(1)
Shares issued upon business combination (<i>note 24</i>)	8,654,685	2
Shares issued upon exercise of equity-settled share-based payment (<i>note 23</i>)	3,497,416	1
At June 30, 2021 (unaudited)	1,926,934,348	325

* 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 3,098,500 shares were repurchased and cancelled at a total consideration of HK\$22,687,000 (equivalent to approximately RMB18,967,000) for the six months ended June 30, 2021.

22. SHARE CAPITAL/TREASURY SHARES (continued)**Treasury shares**

A summary of movements in the Company's treasury shares is as follows:

	Numbers of shares repurchased	Treasury shares RMB '000
At January 1, 2021 (audited)	6,144,000	52,683
Repurchase of ordinary shares for restricted share units (note 23)	8,965,000	49,942
Exercise of restricted share units (note 23)	(400,000)	(3,430)
At June 30, 2021 (unaudited)	14,709,000	99,195

23. SHARE-BASED PAYMENT TRANSACTIONS**(a) Employee stock option plan ("ESOP")****Pre-IPO ESOP**

The Company's Pre-IPO Share Option Schemes (the "Pre-IPO Option 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.

Notes to Interim Condensed Consolidated Financial Information

June 30, 2021

23. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(a) Employee stock option plan (“ESOP”) (continued)

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.

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

* 30%, 30% and 40% of the total number of the options granted shall vest on the second, third and fourth anniversary of grant date, respectively.

Movements and summary of Pre-IPO ESOP and Post-IPO ESOP

The following share options were outstanding during the reporting periods:

	For the six months ended June 30,			
	2021		2020	
	Weighted average exercise price <i>US\$ per share</i>	Number of options	Weighted average exercise price <i>US\$ per share</i>	Number of options
At January 1 (audited)	0.47	39,374,514	0.13	59,121,313
Granted during the period	–	–	0.98	16,990,000
Forfeited during the period	0.98	(1,533,000)	0.98	(60,000)
Exercised during the period	0.16	(3,497,416)	0.14	(31,270,209)
At June 30, (unaudited)	0.48	34,344,098	0.45	44,781,104

23. SHARE-BASED PAYMENT TRANSACTIONS (continued)**(a) Employee stock option plan (“ESOP”) (continued)***Movements and summary of Pre-IPO ESOP and 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 June 30, 2021	Exercise price	
Number of options	US\$ per share	Exercise period
4,097,959	0.12	January 1, 2020 ~ January 1, 2028
16,064,139	0.12	January 1, 2020 ~ January 1, 2022
14,182,000	0.98	May 21, 2021 ~ May 20, 2025
34,344,098		

At June 30, 2020	Exercise price	
Number of options	US\$ per share	Exercise period
4,285,967	0.12	January 1, 2020 ~ January 1, 2028
23,565,137	0.12	January 1, 2020 ~ January 1, 2022
16,930,000	0.98	May 21, 2021 ~ May 20, 2025
44,781,104		

The Group recognised the total expense of RMB5,967,000 for the six months ended June 30, 2021 in relation to share options granted by the Company (six months ended June 30, 2020: RMB2,360,000).

At the end of reporting period, the Company had 34,344,098 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 34,344,098 additional ordinary shares of US\$0.000025 each of the Company, an additional share capital of approximately US\$1,000 (equivalent to RMB6,000) and a share premium of approximately US\$16,378,000 (equivalent to RMB105,804,000) (before issue expenses).

Notes to Interim Condensed Consolidated Financial Information

June 30, 2021

23. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Restricted share units (“RSU”)

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, an aggregate number of 6,144,000 ordinary shares of US\$0.000025 each were repurchased and reserved for issuance pursuant to the Post-IPO RSU Scheme. In April and May 2021, an aggregate number of 8,965,000 ordinary shares of US\$0.000025 each were repurchased and reserved for issuance pursuant to the Post-IPO RSU Scheme.

Details of the Post-IPO RSU granted are as follows:

Grant date	Number of RSUs	Expiry date	Exercise price per share
December 11, 2020	10,940,000*	December 10, 2030	HK\$4.9

* 62.5% and 37.5% of an aggregate number of 640,000 of the RSUs granted shall vest on January 1, 2021 and January 1, 2022, respectively. 40%, 30% and 30% of the rest shall vest on the second, third and fourth anniversary of grant date, respectively.

Notes to Interim Condensed Consolidated Financial Information

June 30, 2021

23. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Restricted share units (“RSU”) (continued)

Movements and summary of Post-IPO RSU

The following table summarised the Group’s Post-IPO RSUs and movement during the reporting periods:

	For the six months ended June 30,			
	2021		2020	
	Weighted average exercise price <i>HK\$ per share</i>	Number of RSUs	Weighted average exercise price <i>HK\$ per share</i>	Number of RSUs
At January 1 (audited)	4.90	10,940,000	–	–
Forfeited during the period	4.90	(1,680,000)	–	–
Exercised during the period	4.90	(400,000)	–	–
At June 30 (unaudited)	4.90	8,860,000	–	–

The exercise prices and exercise periods of the RSUs outstanding as at the end of the reporting period are as follows:

At June 30, 2021 Number of RSUs	Exercise price HK\$ per share*	Exercise period
8,860,000	4.90	December 30, 2022~ December 10, 2030

The Group recognised the total expense of RMB4,056,000 for the six months ended June 30, 2021 in relation to RSUs granted by the Company (six months ended June 30, 2020: Nil).

At the end of reporting period, the Company had 8,860,000 RSUs outstanding under the Post-IPO RSU Scheme. The exercise in full of the outstanding RSUs would result in decreasing the number of 8,860,000 treasury shares of US\$0.000025 each of the Company, and decreasing the amount of approximately RMB59,750,000 treasury shares and a share premium of approximately RMB23,627,000 (before issue expenses).

Notes to Interim Condensed Consolidated Financial Information

June 30, 2021

24. BUSINESS COMBINATION

On February 28, 2021, the Group acquired a 100% interest in SYNthesis med chem (Hong Kong) Limited (“**Synthesis HK**”). Synthesis HK and its subsidiaries (the “**Synthesis Group**”) are primarily engaged in research and development of new preclinical small molecule drugs which mainly provided high-end pharmaceutical chemistry and synthetic chemistry services to its clients. The subsidiaries acquired by the Group under this business combination transaction are as follows:

Subsidiaries acquired

Synthesis HK
Synthesis Shanghai
Synthesis Suzhou
Synthesis med chem (Australia) Pty Ltd.
Synthesis Med Chem (UK) Limited
Synkinase Pty Ltd
Synkinase USA, Inc.

Details of the transaction were set out in the circular and announcement published on February 25, 2021 and March 5, 2021, respectively.

Purchase consideration

The purchase consideration for the acquisition are as follows:

	<i>RMB'000</i> (Unaudited)
Cash consideration paid	162,270
Cash consideration payable (<i>note 18</i>)	139,704
In-kind service*	81,182
Consideration share issued** (<i>note 22</i>)	48,461
Contingent consideration*** (<i>note 20</i>)	19,388
Total purchase consideration	451,005

* RMB81,182,000 (equivalent to US\$12,545,000) will be settled by providing drug discovery services by the Group to SYNthesis med chem Pty Ltd (the “**Vendor**”) or designated subsidiaries of the Vendor over the course of five years following February 28, 2021.

** RMB48,461,000 (equivalent to US\$7,847,000) was settled by the allotment and issuance of 8,654,685 shares by the Company to the Vendor on March 5, 2021.

24. BUSINESS COMBINATION (continued)**Purchase consideration (continued)**

*** Based on certain conditions stipulated by the agreements on acquisition, the Group is required to pay contingent cash consideration to the Vendor based on achievement of profit target of Synthesis Group. The maximum undiscounted contingent cash consideration payable is RMB25,885,000 (equivalent to US\$4,000,000). Based on the projected profit performance of Synthesis Group, the fair value of the contingent consideration arrangement was estimated to be RMB19,388,000 (equivalent to US\$2,996,000). As at June 30, 2021, there was no adjustment to the contingent consideration arrangement.

Assets acquired and liabilities assumed at the date of acquisition

The fair values of the identifiable assets and liabilities of Synthesis Group as at the date of acquisition were as follows:

	Fair value recognised on acquisition
	<i>RMB'000</i>
Property, plant and equipment	14,909
Right-of-use assets	26,860
Intangible assets	113,895
Rental deposits and prepaid non-current assets	902
Trade receivables	12,093
Defer tax assets	478
Prepayments, other receivables and other assets	6,532
Cash and cash equivalents	30,752
Trade payables	(1,786)
Other payables and accruals	(10,357)
Lease liabilities	(26,557)
Income tax payables	(7,226)
Other non-current liabilities	(634)
Deferred tax liabilities	(17,552)
Total identifiable net assets at fair value	142,309
Goodwill on acquisition	308,696
Total purchase consideration	451,005

Notes to Interim Condensed Consolidated Financial Information

June 30, 2021

24. BUSINESS COMBINATION (continued)

Assets acquired and liabilities assumed at the date of acquisition (continued)

The Group incurred transaction costs of RMB3,049,000 for this acquisition. These transaction costs have been expensed and are included in other expenses in the consolidated statement of profit or loss.

The goodwill recognised 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.

Net cash inflow on acquisition of subsidiaries

An analysis of the cash flows in respect of the acquisition of Synthesis Group is as follows:

	<i>RMB'000</i>
Cash consideration	(321,362)
Cash and bank balances acquired	30,752
Net outflow of cash and cash equivalents included in cash flows from investing activities	(290,610)
Transaction costs of the acquisition included in cash flows from operating activities	3,049
	(287,561)

The fair values of the trade receivables and prepayments, other receivables and other assets as at the date of acquisition amounted to RMB12,093,000 and RMB6,532,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB12,300,000 and RMB6,532,000, respectively, of which an expected credit loss of RMB207,000 was recorded in trade receivables.

Since the acquisition, Synthesis Group contributed RMB36,174,000 to the Group's revenue and RMB4,390,000 to the condensed consolidated profit for the period ended June 30, 2021.

Had the combination taken place at the beginning of the period, the revenue from operations of the Group and the profit of the Group for the period ended June 30, 2021 would have been RMB1,040,320,000 and RMB94,377,000, respectively.

Notes to Interim Condensed Consolidated Financial Information

June 30, 2021

25. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	June 30, 2021	December 31, 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Contracted, but not provided for:		
Investment in Viva Biotech Chengdu New Drug Incubation and Biologics Production Research & Development Center	166,470	228,442
Acquisition of property, plant and equipment	89,294	37,343
Unlisted equity investments at FVTPL	–	1,631
	255,764	267,416

26. RELATED PARTY TRANSACTIONS

(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 condensed consolidated financial statements.

Company	Relationship
Jiaying Tekeluo Biotech Co., Ltd.	Associate
Jiaying Youbo Biotech Co., Ltd.*	Joint Venture

* Since November 2020, Jiaying Youbo Biotech Co., Ltd. is no longer a related party of the Group.

Notes to Interim Condensed Consolidated Financial Information

June 30, 2021

26. RELATED PARTY TRANSACTIONS (continued)

(2) Transactions with related parties

Provision of research and development services

	For the six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Jiaying Tekeluo Biotech Co., Ltd.	642	482
Jiaying Youbo Biotech Co., Ltd.	–	2,791
	642	3,273

(3) Related party balances

	June 30, 2021 RMB'000 (Unaudited)	December 31, 2020 RMB'000 (Audited)
	Trade receivables from related parties	
Jiaying Tekeluo Biotech Co., Ltd.	100	95

(4) Compensation of key management personnel of the Group

	For the six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Short-term employee benefits	7,796	6,668
Pension scheme contributions	64	25
Equity-settled share-based payment	2,325	268
	10,185	6,961

Notes to Interim Condensed Consolidated Financial Information

June 30, 2021

27. 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 follow:

	Carrying amounts		Fair values	
	At June 30, 2021 RMB'000 (Unaudited)	At December 31, 2020 RMB'000 (Audited)	At June 30, 2021 RMB'000 (Unaudited)	At December 31, 2020 RMB'000 (Audited)
Financial assets				
Financial assets at FVTPL	1,266,266	974,032	1,266,266	974,032
Derivative financial instruments	643	18,843	643	18,843
	1,266,909	992,875	1,266,909	992,875
Financial liabilities				
Derivative financial instruments	2,583	–	2,583	–
Financial liabilities at FVTPL	19,388	–	19,388	–
Convertible bonds – embedded derivative instruments	211,644	200,291	211,644	200,291
	233,615	200,291	233,615	200,291

The Group's financial assets and financial liabilities at FVTPL which are measured at fair value at June 30, 2021 and December 31, 2020 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).

Notes to Interim Condensed Consolidated Financial Information

June 30, 2021

27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Financial instruments	Valuation techniques	Significant unobservable inputs	Range	Sensitivity of fair value to the input
Financial assets				
Financial products	Discounted cash flow method	N/A	N/A	N/A
Derivative financial instruments	Discounted cash flow method	N/A	N/A	N/A
Unlisted investment at FVTPL	Most recent transaction price	N/A	N/A	N/A
	Comparable company method	The ratio of P/R&D	7.60 (December 31, 2020: 8.20)	10% (December 31, 2020: 10%) increase/decrease in multiple would result in increase/decrease in fair value by RMB15,660,000 (December 31, 2020: RMB14,009,000)
	Backsolve from most recent transaction price	IPO probability	20% to 40% (December 31, 2020: 20% to 40%)	5% (December 31, 2020: 5%) increase/decrease in multiple would result in decrease/increase in fair value by RMB497,000 (December 31, 2020: RMB1,292,000)
	Discounted cash flow method	Conversion probability	10% to 40% (December 31, 2020: 10% to 40%)	5% (December 31, 2020: 5%) increase/decrease in multiple would result in increase/decrease in fair value by RMB560,000 (December 31, 2020: RMB424,000)
Financial liabilities				
Derivative financial instruments	Discounted cash flow method	N/A	N/A	N/A
Convertible bonds – embedded derivative components	Binomial option pricing model	Expected volatility	44% (December 31, 2020: 41%)	5% (December 31, 2020: 5%) increase/decrease in multiple would result in increase/decrease in fair value by RMB2,932,000 (December 31, 2020: RMB472,000)
		Risk-free rate	0.60% (December 31, 2020: 0.28%)	5% (December 31, 2020: 5%) increase/decrease in multiple would result in decrease/increase in fair value by RMB28,000 (December 31, 2020: RMB2,000)
Contingent consideration	Discounted cash flow method	Probability of adjusted net income achieved	70% to 85% (December 31, 2020: Nil)	5% (December 31, 2020: Nil) increase/decrease in multiple would result in increase/decrease in fair value by RMB953,000 (December 31, 2020: Nil)
		Discount rate	3.48% (December 31, 2020: Nil)	5% (December 31, 2020: Nil) increase/decrease in multiple would result in decrease/increase in fair value by RMB29,000 (December 31, 2020: Nil)

Notes to Interim Condensed Consolidated Financial Information

June 30, 2021

27. 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 June 30, 2021

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Unlisted investment at FVTPL	–	266,394	844,939	1,111,333
Financial products	–	154,933	–	154,933
Derivative financial instruments	–	643	–	643
	–	421,970	844,939	1,266,909

As at December 31, 2020

	Fair value measurement using			Total RMB'000 (Audited)
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	
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

Notes to Interim Condensed Consolidated Financial Information

June 30, 2021

27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Liabilities measured at fair value:

As at June 30, 2021

	Fair value measurement using			Total <i>RMB'000</i> (Unaudited)
	Quoted prices in active markets (Level 1) <i>RMB'000</i> (Unaudited)	Significant observable inputs (Level 2) <i>RMB'000</i> (Unaudited)	Significant unobservable inputs (Level 3) <i>RMB'000</i> (Unaudited)	
Derivative financial instruments	–	2,583	–	2,583
Contingent consideration	–	–	19,388	19,388
Convertible bonds – embedded derivative components	–	–	211,644	211,644
	–	2,583	231,032	233,615

As at December 31, 2020

	Fair value measurement using			Total <i>RMB'000</i> (Audited)
	Quoted prices in active markets (Level 1) <i>RMB'000</i> (Audited)	Significant observable inputs (Level 2) <i>RMB'000</i> (Audited)	Significant unobservable inputs (Level 3) <i>RMB'000</i> (Audited)	
Convertible bonds – embedded derivative components	–	–	200,291	200,291

28. SUBSEQUENT EVENTS

Except as disclosed elsewhere of the condensed consolidated financial information, the Group has the following significant events subsequent to June 30, 2021:

- a. On July 7, 2021, the Company announced that the Company granted share options to certain eligible employees and executive directors under the Post-IPO Option Scheme to subscribe for an aggregate of 5,860,000 ordinary shares of the Company with an exercise price of HK\$9.70 per share.
- b. In July 2021, the Company instructed the trustee under Post-IPO RSU Scheme to make an on-market purchase of an aggregate of 4,891,000 ordinary shares at a total consideration of HK\$42,728,000 (equivalent to approximately RMB35,541,000) to be reserved for issuance pursuant to the Post-IPO RSU Scheme.
- c. On July 23, 2021, Viva Dancheng Biotech (Hangzhou) Ltd., a wholly-owned subsidiary of the Company, entered into the construction contract with Shanghai Jielong Construction Engineering Co., Ltd (the “**Contractor**”), pursuant to which the Contractor had agreed to undertake construction work for a contract sum of approximately RMB267,000,000.

Definitions

In this interim report, unless the context otherwise requires, the following expressions shall have the following meanings.

“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, unless the context requires otherwise, refers to Mr. Mao and Concord Trust Company, LLC
“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

Definitions

“Langhua Pharmaceutical”	Zhejiang Langhua Pharmaceutical Co., Ltd. (浙江朗華製藥有限公司), a Company incorporated in the PRC with limited liabilities and a non-wholly owned subsidiary of the Group
“Listing”	the listing of the Shares on the Main Board of 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
“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 six months ended June 30, 2021
“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

Definitions

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SYNthesis”	SYNthesis med chem (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Group
“US\$” or “United States dollars”	United States dollars and cents, each being the lawful currency of United States of America
“%”	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