



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



2022 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. 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
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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.
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CORPORATE HEADQUARTERS

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PRINCIPAL SHARE REGISTRAR

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**HONG KONG BRANCH SHARE
REGISTRAR AND TRANSFER OFFICE**

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16 Harcourt Road
Hong Kong

STOCK CODE

1873

COMPANY'S WEBSITE

www.vivabiotech.com

Management Discussion and Analysis

During the first half of 2022, COVID-19 continued to affect and pose challenges to industries to varying degrees. At the same time, the global biopharmaceutical investment and financing has experienced a wave of impact, but original biopharmaceutical development still maintained a robust growth across the world. The domestic market shifted its focus from generic drugs to innovative drugs. As research and development (“R&D”) and production outsourcing were growing in proportion, the CXO industry was still booming. With a focus on innovation and deep integration of resources, the Group’s CRO and CDMO business based on the research and development of innovative drugs continued to provide clients with one-stop integrated services from early-stage structure-based drug research and development to commercial drug delivery.

During the Reporting Period, the cumulative number of clients served by the Group increased to 1,947; the Group’s revenue during the Reporting Period increased by approximately 8.0% from RMB1,026.5 million for the corresponding period of last year to RMB1,108.7 million; and our gross profit increased by approximately 9.1% from RMB316.3 million for the corresponding period of last year to RMB345.0 million. The Group’s adjusted non-IFRS net profit decreased by approximately 54.8% from RMB196.9 million for the corresponding period of last year to RMB89.0 million. This was mainly due to the resurgence of COVID-19 in mainland China, limiting delivery of the Group’s products and services to customers; and market fluctuation, resulting in losses from fair value changes in the Group’s portfolio companies.

CRO Business Poised for Positive Prospect in the Long Run Despite COVID-19-induced Short-term Fluctuations

In the first half of 2022, the Company’s revenue from CRO business increased by approximately 26.5% from RMB321.0 million for the corresponding period of last year to RMB406.0 million. Given that the persistent rage of COVID-19 in mainland China in the first half of 2022 had a certain impact on productivity in laboratories and product delivery progress, the growth rate of CRO business in the first half of 2022 lagged behind slightly as compared with the corresponding period of last year.

However, from the long-term perspective, the Company’s order backlog amounted to approximately RMB1,150.0 million, representing an increase of approximately 35.6% from RMB848.0 million for the corresponding period of last year, which provides sufficient impetus for future growth. Although the resurgence of COVID-19 in mainland China in the first half of 2022 had an impact on the Company’s business results for the first half of 2022, its core competitiveness in the CRO drug discovery field was not undermined, but is poised for a positive prospect in the long run.

Management Discussion and Analysis

As at June 30, 2022, the Company had delivered more than 39,643 protein structures to our clients, approximately 5,252 of which were newly delivered in the first half of 2022, and conducted R&D on over 1,857 independent drug targets, 47 of which were newly delivered in the first half of 2022. The cumulative number of clients served had increased to 1,111, including the global top 10 pharmaceutical companies (by reported total revenue for the first half of 2022) and 41 companies included in Fierce Biotech's Fierce 15. Revenue from the top ten customers accounted for 27.2% of our total revenue. Our clients of CRO business are geographically diverse, of whom those from overseas contributed approximately 83.6% of our total revenue, representing a year-on-year increase of approximately 26.0%, and those from mainland China contributed approximately 16.4% of our total revenue, representing a year-on-year increase of approximately 28.9%.

During the Reporting Period, our utilization of synchrotron radiation source reached 962 hours. The Company established long-term cooperation with 12 synchrotron radiation source centers around the world, which are distributed in nine countries/regions, i.e., Shanghai, China, the United States, Canada, Japan, Australia, the United Kingdom, France, Germany and Taiwan, China, thus guaranteeing uninterrupted data collection all year round.

Facilitating CDMO Capacity Expansion and Strengthening CMC Capacity Building

During the Reporting Period, the Group made great efforts to strengthen the strategic integration with Langhua Pharmaceutical. On one hand, it intensified the construction of CMC R&D centers, and continued to facilitate the layout and materialization of new production capacity; on the other hand, it strengthened client outreach and business development activities for business growth.

Langhua Pharmaceutical's revenue for the first half of 2022 amounted to RMB702.7 million, representing a year-on-year decrease of approximately 0.4%, which was mainly due to the fact that certain revenue will be recognized in the third quarter as customers voluntarily requested a delay in product delivery as affected by COVID-19 during the Reporting Period, resulting in pressure on the growth rate of revenue in the first half of 2022. However, Langhua Pharmaceutical's CDMO backlog orders of approximately RMB700.0 million will lay a solid foundation for our business performance in the second half of the year.

Management Discussion and Analysis

As at June 30, 2022, Langhua Pharmaceutical had served a total of 836 clients, with the top ten clients accounting for 52.7% of its total revenue, suggesting constant improvement in customer revenue structure. The retention rate of the top ten clients was 100%. During the Reporting Period, in respect of CDMO capacity building, the upgrade and renovation of the T10 plant was completed by the end of the third quarter last year, and has been officially put into operation. At present, our total available capacity reached 860 cubic meters, however, T02 plant calculated as available capacity was still in the preparation stage for trial production because the installation of new capacity in T02 plant was delayed due to the impact of COVID-19. Both T02 plant and T10 plant are Langhua Pharmaceutical's GMP-level plants located in its Taizhou factory, of which T02 plant was newly constructed and T10 plant was Langhua Pharmaceutical's existing plant which was upgraded and renovated. It is expected that the official deployment of T02 plant in future will contribute to a further revenue increase for the Company. In addition, subsequent to our Reporting Period, since July, the waste liquid incineration system has commenced operation, which will contribute to a reduction in production cost in the second half of the year.

In respect of CMC, we intensified the construction of R&D centers and continued to increase R&D personnel. A CMC R&D center of approximately 10,000 square meters was partially put into use in December last year. The center is located in the Group's headquarters in Zhoupu, Shanghai, and contains a 3,000-square-meter GMP pilot plant for formulation development. As at the end of the Reporting Period, the number of CMC R&D personnel had reached 150.

EFS Investment & Incubation Business to Mitigate Pressure on Group-level Liquidity through Establishment of External Investment Funds

During the Reporting Period, the Company reviewed a total of over 363 projects globally, added 3 start-ups to our portfolio companies, made new investments in two funds and made additional investments in 4 existing portfolio companies. As at June 30, 2022, the Group had invested in a total of 90 portfolio companies. The portfolio companies are mainly from the United States, Canada, Europe and China. 64.0% of the portfolio companies are from North America and 23.0% are from China. The details of the portfolio companies added during the Reporting Period are as follows:

Management Discussion and Analysis

Details of portfolio companies newly introduced in the first half of 2022:

No.	Company Name	Region	Time of Investment	Type	Indications/ Primary Technology/Business
1	GT Apeiron Therapeutics	PRC/USA	2/2022	Strategic investment	Committed to the development of new small molecule medicines for tumor
2	Domain Therapeutics	France	3/2022	EFS	Committed to the discovery and development of innovative candidate drugs targeting G protein-coupled receptor (GPCR)
3	Antag Therapeutics	Denmark	5/2022	Strategic investment	Committed to the development of new treatments for metabolic diseases

In the first half of 2022, 10 of our portfolio companies completed or almost completed a new round of financing, raising approximately US\$133.0 million in total. The R&D efforts of the portfolio companies were advancing smoothly, with the total number of pipeline projects increasing to almost 199, of which nearly 40.0% had entered PCC/IND and the clinical stage. At present, the Group has successfully realized the 8 investment exits or partial exits, and we have 11 potential exits with our portfolio companies in the next one to three years. In addition, the Company achieved partial exit from one of the portfolio companies through equity transfer subsequent to the Reporting Period (in July 2022). In addition, the Company is proactively applying for a fund manager license in the PRC, and proposes to conduct incubation business through the establishment of external investment funds in future, so as to mitigate pressure on Group-level liquidity and the appropriation of funds. None of these investments constituted a discloseable transaction under Chapter 14 of the Listing Rules.

TECHNOLOGICAL HIGHLIGHTS AND R&D BREAKTHROUGHS

During the Reporting Period, the Group's R&D spending was RMB40.9 million, representing a year-on-year increase of 9.1% from RMB37.5 million for the six months ended June 30, 2021. For CRO business, we have built several core technological platforms, including AI technology assisted drug research and development, antibody and macromolecule discovery, photochemical reaction platform and Cryo-EM (Micro-ED).

Cryo-EM (Micro-ED) can readily analyze structures too big or too complicated to be analyzed by traditional methods such as X-ray crystallography (XRD) or nuclear magnetic resonance (NMR), and it analyzes the structure of macromolecular and micromolecule compounds in their close-to-nature state instead of crystallization with near-atomic resolution, so as to quickly identify targets and shorten the time required for drug discovery.

Besides, the Company also provides services relevant to PROTAC drug R&D, and revenue generated in this regard accounted for almost 7.4% of total revenue from CRO business. Our services primarily include studies on protein preparation and crystal structure, high-throughput screening of PROTAC molecules, kinetics, drug metabolism, pharmaceutical chemistry, Bioassay, CADD, etc. As at June 30, 2022, the Company had conducted research into over 30 E3 ligase structures and delivered nearly 80 target protein – PROTAC-E3 ligase ternary compound structures. It is expected that PROTAC business will add fresh impetus to the sustainable growth of CRO business in future.

For CDMO business, the Group enhanced automation renovation efforts during the Reporting Period, so as to further improve the production automation level. In terms of process, we continued building up the continuous reaction technology, catalyst screening platform, oral preparation production line platform, injection research and development platform, non-fixed dispersion technology platform, etc. In addition, our R&D centers are equipped with world-class API and preparation R&D equipment and testing instruments to meet the comprehensive R&D needs of innovative drugs, APIs and preparations, including NMR (Bruker-400 MHz), LC-MS (Agilent), TOF-MS (Agilent), SFC (Waters UPC2), GC-MS/MS (Waters), GC-MS/MS (Agilent), ICP-MS, LC-CAD, XRPD, IR, UPLC, etc.

STAFF AND FACILITIES

As at June 30, 2022, the Group had a total of 2,309 employees, of whom CRO R&D personnel reached 1,354, representing a year-on-year increase of approximately 37.9%. Remuneration of our employees 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, employee benefits, employee share option scheme and restricted share unit scheme. During the Reporting Period, the relationship between the Group and our employees had been stable, and we had not experienced any strikes or other labor disputes that 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. The Company has been accelerating the construction of office and laboratory facilities in line with its workforce expansion plans and expanding production capacity to meet the fast-growing business needs, including:

- The incubation center located in Faladi Road, Shanghai covering 7,576 square meters has been put into full operation in the first quarter of 2021, including 5,552 square meters of laboratory area.
- The Group's new headquarters in Zhoupu, Shanghai with a total area of approximately 40,000 square meters was partially put into use in December 2021.
- The park with a total GFA of 64,564 square meters in Chengdu has been completed, of which 12,000 square meters of properties have been partially put into use in December 2021, including 10,590 square meters of laboratory area.
- The novel drug incubation center with a GFA of approximately 77,500 square meters in Qiantang New District, Hangzhou has commenced construction in July 2021.
- A park in Suzhou with a GFA of approximately 7,169 square meters, including 3,250 square meters of laboratory area.
- In November 2021, the Group signed a strategic cooperation agreement with Jiaxing Municipal Government to set up the Viva Biotech AI Novel Drug Incubation Center in Xiuzhou District, Jiaxing.

FUTURE STRATEGIES AND OUTLOOK

With unique advantages in structure-based drug discovery (SBDD), the Company will continue to strengthen the construction of a one-stop drug R&D and manufacturing service platform, deepen the synergy between CRO and CDMO business, improve the capacity building for front-end services and drive business to back-end services to further enhance the business funnel effect. The Company is in an effort to establish an open eco-system for global biopharma and biotech.

Management Discussion and Analysis

IMPACT OF THE COVID-19 PANDEMIC

In the first half of 2022, the repeated COVID-19 outbreaks in Shanghai had a certain degree of impact on the delivery of our products and services. The Company launched the contingency plan in line with the government's anti-COVID-19 policies and imposed closed-end management measures on office premises in Zhoupu and Zhangjiang of Shanghai, so as to safeguard the safety of all the employees. During such period, approximately 487 of our R&D personnel voluntarily took accommodation in the Company, striving to ensure the smooth progress of the R&D projects, and the Company also provided them with various living facilitation. In addition, certain employees whose job nature permitted work-from-home arrangement worked online to ensure the normal and orderly operation of the Company's business.

DISCUSSION OF RESULT OF OPERATION

Revenue

The Group's revenue in the Reporting Period was approximately RMB1,108.7 million, representing an increase of approximately 8.0% as compared to approximately RMB1,026.5 million in the corresponding period last year, primarily reflecting the expansion of the Group's CRO business and offset by the mainland China limiting delivery of the Group's products and services to customers during the COVID-19 pandemic.

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,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Types of goods or services		
Drug discovery services		
– Full-time-equivalent (“FTE”)	322,495	223,779
– Fee-for-service (“FFS”)	57,543	54,927
– Service-for-equity (“SFE”)	26,032	42,359
CDMO and commercialization services		
– Sale of products	702,677	705,386
	1,108,747	1,026,451

Management Discussion and Analysis

While the Group's operations are located in China, it has a global customer base with a majority of its customers located in the USA and Europe. 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,	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
USA	383,435	320,376
Europe	253,806	262,024
PRC	193,594	174,292
Other Asia countries and regions outside of the PRC	166,821	165,761
Africa	35,763	63,516
Others	75,328	40,482
	1,108,747	1,026,451

The increase in revenue in the Reporting Period as compared to the corresponding period last year was primarily due to an increase in the revenue of the Group's customers headquartered in the USA. This was mainly due to increases in the number of customers as well as customer orders.

Cost of Sales

Cost of Sales 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 Sales in the Reporting Period was approximately RMB763.8 million, representing an increase of approximately 7.5% as compared to approximately RMB710.2 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 RMB345.0 million, representing an increase of approximately 9.1% as compared to approximately RMB316.3 million in the corresponding period last year. The increase was in line with the Group's business growth. Gross margin was approximately 31.1% for the Reporting Period, as compared to approximately 30.8% for the corresponding period last year.

Management Discussion and Analysis

Other Income and Gains

Other income and gains consist primarily of interest income, government grants and subsidies, net foreign exchange gain, gain on disposal of right-of-use assets, gain on modification of Convertible Bonds, and gain on derivative financial instruments. During the Reporting Period, the Group recorded a gain of approximately RMB43.4 million, representing an increase of approximately 17.0% as compared to approximately RMB37.1 million in the corresponding period last year. The increase was primarily due to an increase in government grants of approximately RMB22.8 million.

Selling and Distribution Expenses

Selling and distribution expenses primarily consist of staff costs, amortisation of customer relationships, travelling expenses and others. During the Reporting Period, the Group's selling and distribution expenses were approximately RMB55.9 million, representing an increase of approximately 61.1% as compared to approximately RMB34.7 million in the corresponding period last year. The increase was primarily due to the expansion of our business, as well as the amortisation of customer relationships.

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 RMB142.5 million, representing an increase of approximately 41.9% as compared to approximately RMB100.4 million in the corresponding period last year. The increase primarily reflected the rapid expansion of the Group's personnel.

Research and Development Expenses

R&D expenses mainly consist of labor costs, cost of materials, depreciation and others. During the Reporting Period, the Group's R&D expenses were approximately RMB40.9 million, representing an increase of approximately 9.1% as compared to approximately RMB37.5 million in the corresponding period last year. The increase was primarily due to an increase in the number of R&D personnel.

Fair Value Losses/Gains on Financial Assets at Fair Value through Profit or Loss (“FVTPL”)

Fair value losses/gains on FVTPL mainly consist of fair value losses/gains from financial products issued by banks and the losses/gains from the fair value change of the interests in the Group's incubation portfolio companies.

Management Discussion and Analysis

The Group's EFS model features sharing of the changes in our customers' intellectual property values, which is primarily reflected by the gains/losses from the fair value change of the interest in the Group's incubation portfolio companies. Such fair value gains/losses are recorded as fair value gains/losses on financial assets at FVTPL in the Group's financial statements. As at 30 June, 2022, no individual interests in the Group's incubation portfolio companies accounted for more than 5% of the Group's total assets.

The Group recorded losses arising from fair value change of the interests in the Group's incubation portfolio companies designated at FVTPL of a loss of approximately RMB10.2 million for the Reporting Period, primarily reflecting the decrease in the fair value of the Group's interests in certain incubation portfolio companies, as compared to a gain of approximately RMB53.5 million for the corresponding period last year.

For the Reporting Period, a fair value loss arising from financial products issued by banks of approximately RMB0.008 million for the Reporting Period, as compared to a gain of approximately RMB5.7 million in the corresponding period last year.

Impairment Losses on Financial Assets, Net

Impairment losses under the expected credit model, net of reversal, reflect impairment losses on trade receivables and other receivables. The Group recorded impairment losses of approximately RMB4.9 million for the Reporting Period, as compared to approximately RMB0.1 million of impairment losses reversal for the corresponding period last year.

Finance Costs

Finance costs primarily consist of interest on Convertible Bonds, interest on lease liabilities and interest expenses on loans from banks. For the Reporting Period, the Group's finance costs were approximately RMB89.1 million, representing a decrease of approximately 7.3%, as compared to approximately RMB96.1 million for the corresponding period last year. The decrease was mainly due to a decrease in interest expenses on bank loans of approximately RMB7.4 million as we made early repayment of RMB880 million loans in the first half year of 2021.

Fair Value Gains/losses on Financial Liabilities at FVTPL

Fair value gains/losses on financial liabilities at FVTPL represent changes in fair value of the embedded derivative components of the Convertible Bonds. For the Reporting Period, the Group recorded a fair value gain on financial liabilities at FVTPL of approximately RMB10.1 million, as compared to a loss of approximately RMB13.4 million for the corresponding period last year.

Management Discussion and Analysis

Income Tax Expense

The Group's income tax expense was approximately RMB21.7 million, representing a decrease of approximately 17.5% from approximately RMB26.3 million for the corresponding period last year. The decrease was due to the accumulated tax loss in certain subsidiaries resulting in a lower deferred tax expense.

Net Loss/Profit

As a result of the foregoing, the Group's net loss for the Reporting Period was approximately RMB85.2 million, as compared to a profit of approximately RMB95.8 million for the corresponding period last year. Such a turnaround was mainly due to (i) the resurgence of COVID-19 in mainland China, limiting delivery of the Group's products and services to customers during the Period; (ii) market fluctuation resulting in negative fair value changes in the Group's interests in incubation portfolio companies; and (iii) fluctuation of foreign exchange rates during the Reporting Period resulting in foreign exchange losses for the Group.

The adjusted non-IFRS net profit of the Group was approximately RMB89.0 million for the Reporting Period, as compared to an adjusted non-IFRS net profit of approximately RMB196.9 million for the corresponding period last year. The lower adjusted non-IFRS net profit of the Group for the Reporting Period was primarily due to the loss of fair value changes in the Group's interests in incubation portfolio companies and the limited delivery of the Group's products and services to customers due to COVID-19.

Liquidity and Financial Resources

As at June 30, 2022, the Group's total cash and cash equivalents amounted to approximately RMB712.2 million, representing a decrease of approximately 11.1% as compared to approximately RMB800.9 million as at December 31, 2021. Such decrease was primarily due to the investment in property, plant and equipment of approximately RMB136.7 million during the Reporting Period.

As at June 30, 2022, current assets of the Group amounted to approximately RMB1,953.5 million, including cash and cash equivalents of approximately RMB712.2 million. Current liabilities of the Group amounted to approximately RMB1,127.6 million, including bank borrowings of approximately RMB249.9 million.

As at June 30, 2022, the gearing ratio, calculated as total liabilities over total assets, was approximately 51.8%, as compared with approximately 51.4% as at December 31, 2021. As at June 30, 2022, the Group had approximately RMB863.0 million of secured bank borrowings and RMB238.7 million of unsecured bank borrowings, increased by approximately RMB49.9 million as compared to approximately RMB1,051.8 million as at December 31, 2021. The increase was primarily due to the secured bank loan obtained by the Group to finance the renovation of its new headquarter in Zhoupu, Shanghai, approximately RMB27.0 million during the Reporting Period.

Pledge of Assets

As at June 30, 2022, the building, the right-of-use assets, construction in progress and certain time deposits with a carrying amount of approximately RMB251.7 million, RMB203.1 million, RMB86.7 million and RMB661.9 million, respectively, were pledged to secure certain bank borrowings, letters of credit and notes payable of the Group.

Capital Expenditure and Material Acquisitions and Disposals

For the Reporting Period, the Group's capital expenditure amounted to approximately RMB128.9 million, which was mainly used for the construction of facilities and equipment purchases, as compared to approximately RMB658.2 million for the corresponding period last year. The Group funded its capital expenditure by using cash flow generated from its operations and financing.

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, 2022.

Contingent Liabilities

The Group had no material contingent liabilities as at June 30, 2022.

Future Plan for Material Investment and Capital Assets

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

Currency Risk

Certain entities in our Group have foreign currency sales and purchases, which exposes us to foreign currency risk. In addition, certain entities in our Group also have other payables and receivables which are denominated in currencies other than their respective functional currencies. We recorded a net foreign exchange loss of approximately RMB88.1 million and a net foreign exchange gain of approximately RMB8.1 million for the Reporting Period and the corresponding period last year, respectively. We are exposed to the foreign currency risk in U.S. dollars because part of our revenue is 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.

Supplementary Information

EMPLOYEE REMUNERATION AND RELATIONS

As at June 30, 2022, the Group had a total of 2,309 employees and the total staff costs for the Reporting Period (including directors' emoluments) were RMB290.6 million. Remuneration of our employees is determined with reference to market conditions and individual employees' performance, qualification and experience. In line with the performance of the Group and individual employees, a competitive remuneration package is offered to retain employees, including salaries, discretionary bonuses and contributions to benefit plans (including pensions). During the Reporting Period, the relationship between the Group and our employees has been stable. We had not experienced any strikes or other labor disputes that 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.

INTERIM DIVIDEND

The Board does not recommend the distribution of an interim dividend for the six months ended June 30, 2022 (six months ended June 30, 2021: Nil).

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, 2022, the details of intended application of net proceeds are set out as follow:

	Approximate % of total net proceeds	Planned use of actual net proceeds RMB'million	Utilized net proceeds up to June 30, 2022 ⁽¹⁾ RMB'million	Proceeds unused ⁽²⁾ RMB'million	Expected timeline for utilizing the remaining balance of net proceeds from the global offering ⁽³⁾
Expanding EFS model	30%	365.13	288.13	77.00	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	332.87	32.26	Expected to be fully utilized by December 31, 2022
Purchasing laboratory equipment and materials	10%	121.71	121.71	-	-
Hiring, training and retaining biologics & chemical drug R&D personnel	10%	121.71	121.71	-	-
Expanding CMO business	10%	121.71	121.71	-	-
General corporate and working capital	10%	121.71	121.71	-	-

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, 2022, net proceeds not yet utilized were deposited with certain licensed banks in Hong Kong or the PRC in either HK\$, US\$ or RMB and the amount presented may vary based on the prevailing exchange rate.
- 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.

Supplementary Information

USE OF PROCEEDS FROM CONVERTIBLE BONDS

On February 11, 2020, Viva Incubator HK issued the US\$180 million 2.50 per cent guaranteed convertible bonds (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, 2022:

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, 2022 <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	649.37	229.82	Expected to be fully utilized by December 31, 2022
Working capital and general corporate purposes	30%	376.80	376.80	–	–

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On December 30, 2020, Viva Biotech BVI issued the US\$280 million 1.00 per cent guaranteed convertible bonds (the “**December 2025 Convertible Bonds**”, together with the February 2025 Convertible Bonds, the “**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, 2022:

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, 2022 <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	951.48	669.92	Expected to be fully utilized by December 31, 2022
Other working capital and general corporate purposes	10%	180.2	180.2	–	–

Notes:

- As at June 30, 2022, net proceeds not yet utilized were deposited with certain licensed banks in Hong Kong or the PRC in either HK\$, US\$ or RMB and the amount presented may vary based on the prevailing exchange rate.
- 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.

As of June 30, 2022, assuming full conversion of the February 2025 Convertible Bonds and the December 2025 Convertible Bonds at the prevailing conversion price, the maximum number of new Shares which may be issued is 231,194,976 Shares, representing approximately 11.95% of the Company’s issued share capital as of June 30, 2022. For further information regarding the February 2025 Convertible Bonds and the December 2025 Convertible Bonds, please refer to note 10 and note 20 of the interim condensed consolidated financial information, and the Company’s announcement dated February 16, 2022 and July 31, 2022.

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 C.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, 2022, the Company has complied with the code provisions as set out in 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, are likely to possess inside information in relation to the Company or its securities.

Upon specific enquiry, all Directors confirmed that they had complied with the Model Code during the six months ended June 30, 2022. 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, 2022.

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

On January 26, 2022, an aggregate principal amount of US\$6,000,000 of the December 2025 Convertible Bonds were repurchased by the Group at a total consideration of US\$4,560,000 (equivalent to RMB28,840,000), such repurchased December 2025 Convertible Bonds were subsequently cancelled.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

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

There was no change in the Board and the information of Directors since the date of the Company's 2021 annual report which 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.

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INTERESTS OF THE DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at June 30, 2022, 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	50,332,551 (L)	2.60%
	Trustee	150,000,000 (L)	7.75%
	Beneficiary of a trust (other than a discretionary interest)	67,065,976 (L)	3.47%
	Interest of controlled corporation	15,925,000 (L)	0.82%
	Interest of spouse	100,000,000 (L)	5.17%
	Other	75,000,000 (L)	3.88%
Mr. Wu Ying ⁽³⁾	Beneficial owner	17,657,473 (L)	0.91%
	Interest of spouse	4,324,654 (L)	0.22%
	Beneficiary of a trust (other than a discretionary interest)	1,920,000 (L)	0.10%
Mr. Ren Delin ⁽⁴⁾	Beneficiary of a trust (other than a discretionary interest)	1,920,000 (L)	0.10%
	Beneficial owner	15,460,248 (L)	0.80%

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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. 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.
 - (4) Mr. Ren Delin is a beneficiary of 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, 2022.

(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%

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 Chencheney 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.

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Save as disclosed in this interim report and to the best knowledge of the Directors, as at June 30, 2022, 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, 2022, 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)	281,057,654 (L)	14.52%
Ms. Zhou Min ⁽⁵⁾	Beneficial owner	100,000,000 (L)	5.17%
	Interest of spouse	358,323,527 (L)	18.52%
Zhang and Sons Limited ⁽²⁾	Beneficial owner	90,073,021 (L)	4.65%
Mr. John Wu Jiong ⁽³⁾	Interest in a controlled corporation	178,534,092 (L)	9.23%
	Other	43,000,000 (L)	2.22%
Fenghe Harvest Ltd ⁽³⁾	Beneficial owner	124,821,323(L)	6.45%
	Other	30,000,000(L)	1.55%
Z&M International Holdings Limited ⁽²⁾	Interest in a controlled corporation	126,830,206 (L)	6.55%
Intertrust (Singapore) Ltd. ⁽²⁾	Trustee	131,057,654 (L)	6.77%

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Name of Shareholder	Capacity/Nature of interest	Number of ordinary shares ⁽¹⁾	Approximate Percentage of Company's issued share capital ⁺
JPMorgan Chase & Co.	Interest in a controlled corporation	153,195,287 (L)	7.92%
		149,955,542 (S)	7.75%
	Person having a security interest Approved lending agent	12,221,693 (L)	0.63%
		14,865,554 (L)	0.77%

Notes:

- The letter "L" and "S" denotes the person's long position and short position in the Shares, respectively.
 - 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 and TIANL Holding 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 and TIANL Holding Limited. Ms. Mao Jun is also a beneficiary of Mao Investment Trust.
 - 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.
 - 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, 2022

Save as disclosed above and to the best knowledge of the Directors, as at June 30, 2022, 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 the purpose of attracting and retaining the best available personnel. The principal terms of the 2009 Stock Incentive Plan, the 2018 Stock Incentive Plan and the Pre-IPO Stock Incentive Plan are substantially the same, except for the maximum number of Shares which may be issued under each plan. The principal terms of the Pre-IPO Share Incentive Schemes are as follows:

- (i) Subject to any alterations set out under the Pre-IPO Share Incentive Schemes in the event of any share split, reverse share split, share dividend, combination or reclassification of Shares, increase or decrease of issued Shares effected without receipt of consideration by the Company and certain corporate transactions, the maximum number of Shares in respect of which options or awards may be granted under the 2009 Stock Incentive Plan, the 2018 Stock Incentive Plan and the Pre-IPO Stock Incentive Plan shall be 270,937,302 Shares (as adjusted for the increase in the number of issued shares resulting from a share split in January 2010 and adjusted after the capitalization issue), 57,892,351 Shares (adjusted after the capitalization issue) and 2,194,555 Shares (adjusted after the capitalization issue), respectively, in an aggregate representing approximately 22.07% of the issued share capital of the Company immediately before completion of the Global Offering but after completion of the capitalization issue;
- (ii) No option or award under the Pre-IPO Share Incentive Schemes will be granted after Listing;
- (iii) No consideration were paid by the grantees for the options and awards granted under the Pre-IPO Share Incentive Schemes;

- (iv) Subject to the terms of the Pre-IPO Share Incentive Schemes and the terms set out in the notice of stock option award and the stock option award agreement entered into at the time of grant (the “**Stock Option Award Agreements**”), (i) if the option (“**Qualified Incentive Share Option**”) is intended to qualify as an incentive stock option within the meaning of Section 422 of the Internal Revenue Code of 1986 (as amended) (the “**Code**”), it may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the grantee, only by the grantee; (ii) if the option is not intended to qualify as a Qualified Incentive Share Option (“**Non-qualified Incentive Share Option**”), it shall be transferable (a) by will and by the laws of descent and distribution and (b) during the lifetime of the grantee, to the extent and in the manner authorized by the Administrator. Notwithstanding the foregoing, the grantee may designate one or more beneficiaries of the grantee’s award in the event of the grantee’s death;
- (v) Subject to the terms of the Pre-IPO Share Incentive Schemes and the terms set out in the Stock Option Award Agreements, the options and awards under the Pre-IPO Share Incentive Schemes shall automatically become fully vested and exercisable and be released from any repurchase or forfeiture rights (other than repurchase rights exercisable at fair market value) for all of awards outstanding or to the extent not assumed or replaced (as applicable) in the event of change of control or certain corporate transactions as defined under the Pre-IPO Share Incentive Schemes;
- (vi) Subject to the terms of the Pre-IPO Share Incentive Schemes and the terms set out in the Stock Option Award Agreements, the options and awards under the Pre-IPO Share Incentive Schemes, (i) in the case of a Qualified Incentive Share Option, (a) if granted to an employee who, at the time of the grant of such Qualified Incentive Share Option owns shares representing more than 10% of the voting power of all classes of shares of the Company or any parent or subsidiary of the Company, the per Share exercise price shall be not less than 110% of the fair market value per Share on the date of grant; (b) if granted to any employee other than an employee described in the preceding paragraph, the per Share exercise price shall be not less than 100% of the fair market value per Share on the date of grant; (ii) in the case of a Non-qualified Incentive Share Option, the per Share exercise price shall be not less than 85% of the fair market value per Share on the date of grant unless otherwise determined by the Administrator; (iii) In the case of other awards, such price as is determined by the Administrator;

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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 requirements 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 are not required to be subject to the provisions in Chapter 17 of the Listing Rules. It does not have any effect on the total number of Shares outstanding and will not result in any dilution effect on the Shares. Particulars of the grant of the Pre-IPO Share Incentive Schemes are set forth below:

Name and category of participant	Date of grant	Number of options				As of June 30, 2022	Vesting period
		As of January 1, 2022	Exercised during the Reporting Period	Canceled during the Reporting Period	Lapsed during the Reporting Period		
Employees other than Directors and their associates	January 2, 2018	3,665,141	-	-	-	3,665,141	Note 1
Total		3,665,141	-	-	-	3,665,141	

Notes:

- (1) 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.

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, 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.

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

- i. representing in aggregate over 0.1 per cent, or such other percentage as may from time to time be specified by the Stock Exchange, of the Shares in issue; and
- ii. having an aggregate value, based on the closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the Date of Grant, in excess of HK\$5 million (or such other higher amount as may from time to time be specified by the Stock Exchange).

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

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

- i. the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets on the date on which the Board resolves to make the offer of the option (the “**Date of Grant**”);
- ii. the average closing price of the Shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the Date of Grant (provided that in the event that any option is proposed to be granted within a period of less than five business days after the trading of the Shares first commences on the Stock Exchange, the final issue price of the Shares for the Global Offering shall be used as the closing price for any business day falling within the period before the 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.

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

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

On June 24, 2022 (the “**Modification Date**”), the remaining 11,820,000 share options of the 2020 Options were cancelled and a total of 11,820,000 share options were granted to the same eligible participants of the Group (the “**2022 Options**”), and all of them were served as replacement share options for the cancelled 2020 Options. The fair value representing the Options granted to the eligible participants on the date of grant was approximately HK\$10.05 million.

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Details of the options granted under the Post-IPO Share Option Scheme and those remained outstanding as at June 30, 2022 are as follows:

Name and category of participant	Date of grant	Number of options					As of June 30, 2022	Exercise and vesting period
		As of January 1, 2022	Granted during the Reporting Period	Exercised during the Report Period	Cancelled during the Report Period	Lapsed during the Report Period		
Directors								
Mr. Mao Chen Cheney	July 7, 2021	640,000	-	-	-	-	640,000	Note 2
Mr. Wu Ying	July 7, 2021	640,000	-	-	-	-	640,000	Note 2
Mr. Ren Delin	July 7, 2021	640,000	-	-	-	-	640,000	Note 2
Subtotal		1,920,000	-	-	-	-	1,920,000	
Other employees								
	May 21, 2020	12,890,000	-	-	11,820,000	1,022,000	48,000	Note 1
	July 7, 2021	3,540,000	-	-	-	-	3,540,000	Note 2
	December 2, 2021	10,800,000	-	-	-	-	10,800,000	Note 3
	June 24, 2022	-	11,820,000	-	-	-	11,820,000	Note 4
Subtotal		27,230,000	11,820,000	-	11,820,000	1,022,000	26,208,000	
Total		29,150,000	11,820,000	-	11,820,000	1,022,000	28,128,000	

Note:

- (1) 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 years 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. The options which have vested will become immediately exercisable and will remain exercisable until May 20, 2025. The exercise price of options canceled during the period was HK\$7.61.

Supplementary Information

- (2) Subject to vesting conditions including performance target of both the Group and the grantee, (i) 40% of Share Options granted to each grantee shall be vested on July 7, 2023, (ii) an additional 30% shall be vested on July 7, 2024 and (iii) the remaining 30% shall be vested on July 7, 2025.

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 2022, 2023 and 2024 financial years as recorded in the Company's audited consolidated financial statements shall increase by no less than 60%, 90% and 120% as compared to the Group's revenue for the 2020 financial year, respectively. The options which has vested will become immediately exercisable and will remain exercisable until July 6, 2026.

- (3) Subject to vesting conditions including performance target of both the Group and the grantee, (i) 60% of Share Options granted to each grantee shall be vested on December 2, 2024, and (ii) the remaining 40% shall be vested on December 2, 2025.

The Group's performance target for the two tranches of Share Options referred to in the preceding paragraph is that the Group's revenue for the 2023 and 2024 financial years as recorded in the Company's audited consolidated financial statements shall increase by no less than 270% and 360% as compared to the Group's revenue for the 2020 financial year, respectively. The options which have vested will become immediately exercisable and will remain exercisable until December 1, 2026.

- (4) Subject to vesting conditions including performance target of both the Group and the grantee, (i) 60% of Share Options granted to each grantee shall be vested on June 24, 2023, and (ii) the remaining 40% shall be vested on June 24, 2024.

The Group's performance target for the second tranches of Share Options referred to in the preceding paragraph is that the Group's revenue for the 2022 financial year as recorded in the Company's audited consolidated financial statements shall increase by no less than 90% as compared to the Group's revenue for the 2019 financial year. The options which have vested will become immediately exercisable and will remain exercisable until June 23, 2025.

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 22 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.

A total of 20,000,000 ordinary shares has been purchased by the trustee administering the Post-IPO RSU Scheme and reserved for issuance pursuant to the Post-IPO RSU Scheme. A total of 15,420,000 Post-IPO RSUs have been granted, the details of which 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\$4.90
December 2, 2021**	4,480,000	December 1, 2026	HK\$5.46

* The restricted share units are subject to vesting conditions including the performance target of the Group. 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 anniversaries of grant date, respectively, if the vesting condition is fulfilled.

** The restricted share units are subject to vesting conditions including performance target of the Group. 60% and 40% of an aggregate number of 2,560,000 granted shall vest on the third and fourth anniversaries of grant date, respectively ("**2021 RSU 1**"), if the vesting condition is fulfilled. 40%, 30% and 30% of the rest shall vest on the second, third and fourth anniversaries of grant date, respectively ("**2021 RSU 2**"), if the vesting condition is fulfilled.

Supplementary Information

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,			
	2022		2021	
	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	5.09	13,020,000	4.90	10,940,000
Forfeited during the period	4.90	320,000	4.90	(1,680,000)
Exercised during the period	–	–	4.90	(400,000)
At June 30	5.10	12,700,000	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, 2022 Number of RSUs	Exercise price HK\$ per share underlying the RSUs	Exercise period
8,220,000	4.90	December 30, 2022 ~ December 10, 2030
1,920,000	5.46	December 2, 2023 ~ December 1, 2026
2,560,000	5.46	December 2, 2024 ~ December 1, 2026
12,700,000		

The Group recognised the total expense of RMB4,653,000 for the six months ended June 30, 2022 in relation to RSUs granted by the Company (six months ended June 30, 2021: RMB4,056,000).

SUBSEQUENT EVENT

Except as disclosed elsewhere in the condensed consolidated financial information, the Group has the following significant events subsequent to June 30, 2022:

- a. In July 2022, an aggregate principal amount of US\$24,000,000 of the US\$280,000,000 convertible bonds were repurchased by Viva Biotech BVI at a total consideration of US\$14,659,000 (equivalent to RMB90,989,000).
- b. Pursuant to shareholder's resolution of the Viva Dancheng Biotech (Hangzhou) Limited ("**Hangzhou Dancheng**", an indirect wholly-owned subsidiary of the Company) made on July 27, 2022, the registered share capital of Hangzhou Dancheng was reduced from US\$50,000,000 to US\$10,000,000.

Independent Review Report



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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 39 to 89, which comprises the condensed consolidated statement of financial position of Viva Biotech Holdings (the “**Company**”) and its subsidiaries (the “**Group**”) as at June 30, 2022 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 29, 2022

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended June 30, 2022

	Notes	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
REVENUE	4	1,108,747	1,026,451
Cost of sales		(763,775)	(710,176)
Gross profit		344,972	316,275
Other income and gains	5	43,397	37,114
Selling and distribution expenses		(55,907)	(34,716)
Administrative expenses		(142,499)	(100,394)
Research and development expenses		(40,917)	(37,476)
Fair value (loss)/gain on financial assets at fair value through profit or loss (“FVTPL”)	14	(10,236)	59,252
Impairment losses on financial assets, net		(4,865)	111
Other expenses	7	(118,370)	(8,649)
Finance costs	6	(89,099)	(96,097)
(LOSS)/PROFIT BEFORE FAIR VALUE GAIN/(LOSS) ON FINANCIAL LIABILITIES AT FVTPL AND TAX		(73,524)	135,420
Fair value gain/(loss) on financial liabilities at FVTPL	20	10,050	(13,366)
(LOSS)/PROFIT BEFORE TAX	8	(63,474)	122,054
Income tax expense	9	(21,746)	(26,252)
(LOSS)/PROFIT FOR THE PERIOD		(85,220)	95,802
Attributable to:			
Owners of the parent		(91,201)	85,020
Non-controlling interests		5,981	10,782
		(85,220)	95,802
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10	RMB	RMB
Basic		(0.05)	0.04
Diluted		(0.05)	0.04

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2022

	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
(LOSS)/PROFIT FOR THE PERIOD	(85,220)	95,802
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	64,058	(14,511)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	64,058	(14,511)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	(21,162)	81,291
Attributable to:		
Owners of the parent	(27,252)	70,527
Non-controlling interests	6,090	10,764
	(21,162)	81,291

Interim Condensed Consolidated Statement of Financial Position

June 30, 2022

	<i>Notes</i>	June 30, 2022 RMB'000 (Unaudited)	December 31, 2021 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	12	1,342,162	1,269,870
Right-of-use assets	12	442,727	454,031
Goodwill		2,156,419	2,156,419
Other intangible assets		503,699	531,444
Financial assets at FVTPL	14	1,344,074	1,246,730
Contract assets		15,859	16,124
Rental deposits and prepayments	13	73,162	71,037
Deferred tax assets		10,597	7,630
Pledged deposits		310,317	307,688
Total non-current assets		6,199,016	6,060,973
CURRENT ASSETS			
Inventories		251,343	231,721
Trade and bills receivables	15	480,003	429,703
Contract costs		16,776	13,995
Prepayments, other receivables and other assets	16	109,207	129,646
Derivative financial instruments		–	2,805
Pledged deposits		384,024	374,968
Cash and cash equivalents		712,195	800,947
Total current assets		1,953,548	1,983,785
CURRENT LIABILITIES			
Trade and bills payables	17	277,615	281,053
Other payables and accruals	18	299,130	315,489
Derivative financial instruments		16,036	–
Interest-bearing bank borrowings	19	249,902	233,052
Contract liabilities		62,429	50,005
Lease liabilities		2,202	5,692
Income tax payable		34,934	41,312
Convertible bonds – debt component	20	185,397	–
Total current liabilities		1,127,645	926,603

Interim Condensed Consolidated Statement of Financial Position

June 30, 2022

	<i>Notes</i>	June 30, 2022 RMB'000 (Unaudited)	December 31, 2021 RMB'000 (Audited)
NET CURRENT ASSETS		825,903	1,057,182
TOTAL ASSETS LESS CURRENT LIABILITIES		7,024,919	7,118,155
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	<i>19</i>	851,781	818,764
Convertible bonds – debt component	<i>20</i>	1,493,248	1,569,415
Convertible bonds – embedded derivative instruments	<i>20</i>	–	53,805
Contract liabilities		25,885	38,828
Deferred income		35,927	36,441
Lease liabilities		27,130	27,774
Deferred tax liabilities		105,595	117,731
Other non-current liabilities		554,646	542,041
Total non-current liabilities		3,094,212	3,204,799
Net Assets		3,930,707	3,913,356
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>21</i>	326	326
Treasury shares	<i>21</i>	(134,651)	(134,651)
Equity component of convertible bonds	<i>20</i>	495,960	468,731
Reserves		3,569,072	3,578,950
Total Equity		3,930,707	3,913,356

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2022

	Attributable to owners of the parent											Total equity RMB'000
	Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Exchange fluctuation reserve RMB'000	Equity component of convertible bonds RMB'000	Share option reserve RMB'000	Other reserve RMB'000	Statutory reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	
At January 1, 2022 (audited)	326	(134,651)	3,636,950	(118,861)	468,731	63,446	(352,665)	76,556	273,524	3,913,356	-	3,913,356
Loss for the period	-	-	-	-	-	-	-	-	(91,201)	(91,201)	5,981	(85,220)
Other comprehensive income for the period												
Exchange differences related to foreign operations	-	-	-	63,949	-	-	-	-	-	63,949	109	64,058
Total comprehensive income/(loss) for the period	-	-	-	63,949	-	-	-	-	(91,201)	(27,252)	6,090	(21,162)
Put option over non-controlling interests	-	-	-	-	-	-	(6,513)	-	-	(6,513)	(6,090)	(12,603)
Recognition of equity-settled share-based payment	-	-	-	-	-	9,192	-	-	-	9,192	-	9,192
Modification of convertible bonds (note 20)	-	-	-	-	37,273	-	-	-	-	37,273	-	37,273
Repurchase of convertible bonds (note 20)	-	-	-	-	(10,044)	-	14,695	-	-	4,651	-	4,651
At June 30, 2022 (unaudited)	326	(134,651)	3,636,950	(54,912)	495,960	72,638	(344,483)	76,556	182,323	3,930,707	-	3,930,707

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2022

	Attributable to owners of the parent											Total equity RMB'000
	Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Exchange fluctuation reserve RMB'000	Equity component of convertible bonds RMB'000	Share option reserve RMB'000	Other reserve RMB'000	Statutory reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests 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	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 Cash Flows

For the six months ended June 30, 2022

	Notes	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		(63,474)	122,054
Adjustments for:			
Finance costs	6	89,099	96,097
Interest income	5	(10,913)	(16,171)
Loss on disposal of items of property, plant and equipment	8	850	5,357
Fair value loss/(gains), net:			
Derivative financial instruments	8	21,733	(8,752)
Financial assets at FVTPL	14	10,236	(59,252)
Fair value (gain)/loss on financial liabilities at FVTPL	20	(10,050)	13,366
Gain on modification of convertible bonds	20	(6,717)	–
Foreign exchange loss		98,155	2,352
Income from government grants and subsidies related to assets		(2,614)	(1,295)
Revenue from service-for-equity (“SFE”)	4	(26,032)	(42,359)
Equity-settled share-based payment expense		9,192	10,023
Loss on repurchase of convertible bonds		4,012	–
Depreciation of property, plant and equipment		55,750	39,204
Depreciation of other intangible assets		27,745	24,590
Depreciation of right-of-use assets		8,592	9,922
Impairment losses under expected credit model, net of reversal	8	4,865	(111)
Impairment losses on non-financial assets	8	–	653
Gain on disposal of right-of-use assets	5	(79)	–
		210,350	195,678
(Increase)/decrease in inventories		(19,622)	15,584
Increase in contract costs		(2,781)	(1,918)
Increase in trade and bills receivables		(53,421)	(105,665)
Decrease/(increase) in other receivables		18,403	(8,089)
Increase in pledged time deposits for notes payable		(6,061)	(9,679)
(Decrease)/increase in trade and bills payables		(3,438)	39,932
Decrease in other payables		(7,190)	(90,698)
(Decrease)/increase in contract liabilities		(519)	664
Increase/(decrease) in other non-current liabilities		2	(53)
Cash generated from operations		135,723	35,756
Income tax paid		(43,106)	(17,650)
Net cash flows from operating activities		92,617	18,106

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2022

Notes	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	5,265	8,737
Purchases of items of property, plant and equipment	(136,680)	(220,440)
Proceeds from disposal of items of property, plant and equipment	2	400
Payments for acquisition of a land use right	–	(1,145)
Purchases of investments in financial assets at amortised cost	–	(349,999)
Receipt of government grants and subsidies related to assets	2,100	1,000
Payments for acquisition of subsidiaries	–	(126,956)
Purchase of financial assets at FVTPL	(84,769)	(1,132,299)
Proceeds from disposal of financial assets at FVTPL	36,927	939,707
(Payment)/receipt of investment (loss)/income from derivative financial instruments	(2,892)	29,535
Net cash flows used in investing activities	(180,047)	(851,460)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bank borrowings	(251,383)	(910,240)
Interest paid	(34,793)	(40,561)
Proceeds from bank borrowings	301,250	259,000
Repayment of lease liabilities	(2,781)	(7,450)
Proceeds from exercise share option	–	5,179
Payment for repurchase of shares	–	(68,909)
Dividend paid to non-controlling shareholders of a subsidiary	–	(10,284)
Transaction cost of convertible bonds	–	(2,844)
Payment for repurchase of convertible bonds	(28,840)	–
Net cash flows used in financing activities	(16,547)	(776,109)
NET DECREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	800,947	2,308,452
Effect of foreign exchange rate changes, net	15,225	(29,992)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	712,195	668,997

Notes to Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

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 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, 2022 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, 2021.

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

For the six months ended June 30, 2022

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, 2021, 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 3	<i>Reference to the Conceptual Framework</i>
Amendment to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendment to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to IFRSs 2018-2020	<i>Amendments to IFRS 1, IFRS 9, Illustrative Example accompanying IFRS 16, and IAS 41</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 RMB'000 (Unaudited)	CDMO and commercialisation services RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
For the six months ended June 30, 2022			
Segment revenue	406,070	702,677	1,108,747
Segment results	178,853	166,119	344,972
<i>Reconciliation:</i>			
Other income and gains			43,397
Selling and distribution expenses			(55,907)
Administrative expenses			(142,499)
Research and development expenses			(40,917)
Fair value loss on financial assets at FVTPL			(10,236)
Impairment losses on financial assets, net			(4,865)
Other expenses			(118,370)
Finance costs			(89,099)
Fair value gain on financial liabilities at FVTPL			10,050
Group's loss before tax			(63,474)

Notes to Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

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)
For the 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

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended June 30,	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Revenue from contracts with customers	1,108,747	1,026,451

Notes to Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

4. REVENUE (continued)

(a) Disaggregated revenue information

For the six months ended June 30, 2022

Segments	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	302,739	–	302,739
Fee-for-service (“FFS”) services	55,080	–	55,080
Sale of products	–	701,873	701,873
	357,819	701,873	1,059,692
Revenue from investees:			
FTE services	19,756	–	19,756
FFS services	2,463	–	2,463
SFE services	26,032	–	26,032
Sale of products	–	804	804
	48,251	804	49,055
Total revenue from contracts with customers	406,070	702,677	1,108,747
Geographical markets			
United States of America (“USA”)	296,517	86,918	383,435
European Union	21,598	232,208	253,806
Mainland China	66,571	127,023	193,594
Other Asian countries and regions out of Mainland China	3,915	162,906	166,821
Africa	–	35,763	35,763
Other countries/regions	17,469	57,859	75,328
Total revenue from contracts with customers	406,070	702,677	1,108,747
Timing of revenue recognition			
Goods/services transferred at a point in time	57,543	702,677	760,220
Services transferred over time	348,527	–	348,527
Total revenue from contracts with customers	406,070	702,677	1,108,747

Notes to Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

4. REVENUE (continued)

(a) Disaggregated revenue information (continued)

For the six months ended June 30, 2021

Segments	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

For the six months ended June 30, 2022

4. REVENUE (continued)

(b) Information about a major customer

Revenue of approximately RMB177,198,000 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, 2021: RMB212,346,000).

5. OTHER INCOME AND GAINS

	For the six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Interest income		
– banks	10,889	16,114
– imputed interest income on rental deposits	24	57
Government grants and subsidies	25,388	2,540
Net foreign exchange gain	–	8,051
Gain on derivative financial instruments	–	8,752
Gain on disposal of right-of-use assets	79	–
Gain on modification of convertible bonds (note 20)	6,717	–
Others	300	1,600
	43,397	37,114

Notes to Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

6. FINANCE COSTS

	For the six months ended June 30,	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Interest on convertible bonds	67,818	67,421
Interest on lease liabilities	688	724
Interest expenses on bank loans	23,355	27,952
Total interest expense	91,861	96,097
Less: Interest capitalized	2,762	–
	89,099	96,097

7. OTHER EXPENSES

	For the six months ended June 30,	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Impairment loss on non-financial assets	–	653
Net foreign exchange loss	88,133	–
Loss on derivative financial instruments	21,733	–
Loss on disposal of property, plant and equipment	850	5,357
Downtime loss	2,621	2,550
Loss on repurchase of convertible bonds (<i>note 20</i>)	4,012	–
Others	1,021	89
	118,370	8,649

Notes to Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

8. (LOSS)/PROFIT BEFORE TAX

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

	For the six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Cost of inventories sold	505,769	498,925
Cost of services provided	44,920	31,798
Depreciation of property, plant and equipment	55,750	38,797
Depreciation of right-of-use assets	9,402	9,922
Amortisation of other intangible assets	27,745	24,590
Less: capitalised in contract costs	(2,123)	(640)
Less: capitalised in inventories	(2,710)	(4,371)
Less: capitalised in property, plant and equipment	(810)	–
	87,254	68,298
Staff cost (including directors' emoluments):		
– Salaries and other benefits	268,526	190,142
– Retirement benefit scheme contributions	23,232	16,911
– Share-based payment expenses	9,192	10,023
	300,950	217,076
Less: capitalised in contract costs	(7,321)	(4,054)
Less: capitalised in inventories	(3,030)	(1,926)
	290,599	211,096
Foreign exchange loss/ (gains), net	88,133	(8,051)
Fair value loss/ (gain) on derivative financial instruments	21,733	(8,752)
Impairment losses on financial assets, net	4,865	(111)
Write-down of inventories to net realisable value	–	653
Loss on disposal of items of property, plant and equipment	850	5,357
Gain on disposal of right-of-use assets	(79)	–
Fair value (gain)/loss on embedded derivative instruments of convertible bonds	(10,050)	13,366
Gain on modification of convertible bond	(6,717)	–
Loss on repurchase of convertible bonds	4,012	–
Auditors' remuneration	1,200	1,900
Lease payment in respect of short-term leases	–	349

Notes to Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

9. 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,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax	36,728	34,454
Deferred tax	(14,982)	(8,202)
	21,746	26,252

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% (2021: 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 (2021: 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%.

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.

Notes to Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

9. INCOME TAX (continued)

Mainland China (continued)

Viva Biotech (Shanghai) Ltd. (“**Viva Biotech Shanghai**”) renewed its “High and New Technology Enterprise” qualification in 2019 and is entitled to the preferential tax rate of 15% from 2019 to 2021. 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, 2022. As such, the estimated corporate income tax rate of Viva Biotech Shanghai for the six-month period ended June 30, 2022 is 15%.

Zhejiang Langhua Pharmaceutical Co., Ltd. (“**Langhua Pharmaceutical**”) renewed its “High and New Technology Enterprise” qualification in December 2021 and is entitled to the preferential tax rate of 15% from 2021 to 2023.

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. 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, 2022. As such, the estimated corporate income tax rate of Synthesis Shanghai and Synthesis Suzhou for the six-month period ended June 30, 2022 is 15%.

Pursuant to Caishui [2021] No.12 “Circular of the Ministry of Finance, the State Administration of Taxation Issued on the Implementation of Preferential Income Tax Policies for Small Low-profit Enterprises” (財政部稅務總局關於實施小微企業和個體工商戶所得稅優惠政策的公告), Shanghai Dancheng Entrepreneurship Incubator Management Limited (“**Shanghai Dancheng**”), whose annual taxable income is less than RMB1,000,000 will be included in the actual taxable income at 12.5%, based on which the enterprise income tax payable will be calculated at the reduced tax rate of 20%. This policy has taken effect on January 1, 2021 and will expire on December 31, 2022.

In addition, pursuant to Caishui [2022] No.13 “Circular of the Ministry of Finance, the State Administration of Taxation Issued on the Further Implementation of Preferential Tax Policies for Small Low-profit Enterprises” (財政部、國家稅務總局關於進一步實施小微企業普惠性稅收減免政策的通知), as for the small low-profit enterprises, the portion of taxable income more than RMB1,000,000 but less than RMB3,000,000, will be included in the actual taxable income at 25%, based on which the enterprise income tax payable will be calculated at the reduced tax rate of 20% from 2022 to 2024.

Notes to Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

9. INCOME TAX (continued)

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 26% for the six months ended June 30, 2021 and at 25% from July 1, 2021 to June 30, 2022, respectively. The subsidiaries incorporated in Australia are qualified as small business entities and are subject to the lower company income tax rate 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.

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

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,915,437,000 (2021: 1,914,511,000) in issue during the period.

The calculation of the diluted loss per share amounts is based on the loss for the period ended June 30, 2022 attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the US\$180,000,000 convertible bonds, fair value gain on the derivative component of the US\$180,000,000 convertible bonds and gain on modification of the US\$180,000,000 convertible bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period ended June 30, 2022, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the conversion of US\$180,000,000 convertible bonds into ordinary shares. The diluted loss per share for the period ended June 30, 2022 did not assume the conversion of the US\$280,000,000 convertible bonds nor exercise of all batches of share options and restricted share units as their inclusion would be anti-dilutive.

Notes to Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

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

The diluted earnings per share for the period ended June 30, 2021 did not assume 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 certain batches of share options and restricted share unites issued by the Company.

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

	For the six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
(Loss)/earnings		
(Loss)/profit attributable to equity holders of the parent, used in the basic and diluted (loss)/profit per share	(91,201)	85,020
Add: Interest on convertible bonds	8,963	—
Less: Fair value gain on the embedded derivative instruments of the convertible bonds	(10,050)	—
Gain on modification of convertible bond	(6,717)	—
Loss/(profit) attributable to ordinary equity holders of the parent before the impact of convertible bonds	(99,005)	85,020

Notes to Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

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

	Number of shares ('000)	
	For the six months ended June 30,	
	2022 (Unaudited)	2021 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic (loss)/earnings per share calculation	1,915,437	1,914,511
Effect of dilutive potential ordinary shares:		
Share options	–	19,301
Restricted share units schemes	–	219
Convertible bonds	48,672	–
Weighted average number of ordinary shares for the purpose of calculating diluted (loss)/earnings per share	1,964,109	1,934,031

11. DIVIDENDS

The board of directors of the Company did not recommend the distribution of any interim dividend for the six months ended June 30, 2022 (six months ended June 30, 2021: nil).

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

During the six months ended June 30, 2022, the Group acquired property, plant and equipment and right-of-use assets at a cost of approximately RMB128,896,000 and nil respectively (June 30, 2021: RMB427,005,000 and RMB231,163,000 respectively).

Assets with a net book value of RMB852,000 were disposed by the Group during the six months ended June 30, 2022 (June 30, 2021: RMB5,757,000), resulting in a net loss on disposal of RMB850,000 (June 30, 2021: RMB5,357,000).

Notes to Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

13. RENTAL DEPOSITS AND PREPAYMENTS

	June 30, 2022 <i>RMB'000</i> (Unaudited)	December 31, 2021 <i>RMB'000</i> (Audited)
Prepayments for property, plant and equipment	72,637	70,513
Rental deposits	525	524
	73,162	71,037

14. FINANCIAL ASSETS AT FVTPL

	June 30, 2022 <i>RMB'000</i> (Unaudited)	December 31, 2021 <i>RMB'000</i> (Audited)
Listed equity securities	2,143	5,028
Unlisted investments at FVTPL	1,341,931	1,241,702
	1,344,074	1,246,730
Analysed for reporting purposes as:		
Non-current assets	1,344,074	1,246,730

Notes to Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

14. FINANCIAL ASSETS AT FVTPL (continued)

(a) Investments at FVTPL

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

	<i>RMB '000</i>
At January 1, 2022 (audited)	1,246,730
Acquired	50,406
Recognized from SFE revenue	27,169
Loss on fair value change	(10,228)
Disposal	(2,572)
Exchange adjustment	32,569
At June 30, 2022 (unaudited)	1,344,074
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

Notes to Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

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, 2022 (audited)	–
Acquired	34,363
Loss on fair value change	(8)
Disposal	(34,355)
At June 30, 2022 (unaudited)	–
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

Notes to Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

15. TRADE AND BILLS RECEIVABLES

	June 30, 2022	December 31, 2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Trade receivables		
– third parties	478,636	432,462
Bills receivables	13,944	6,693
Impairment	(12,577)	(9,452)
	480,003	429,703

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, 2022	December 31, 2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Within 6 months	466,917	422,059
6 months to 1 year	11,366	4,558
1 to 2 years	1,285	2,734
Over 2 years	435	352
	480,003	429,703

Notes to Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

16. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	June 30, 2022 RMB'000 (Unaudited)	December 31, 2021 RMB'000 (Audited)
Other receivables		
– tax refund for export	18,267	16,931
– refundable rental payments	2,403	2,213
– Proceeds from disposal of financial assets at FVTPL	17,000	17,000
– others	30,590	30,646
Impairment allowance	(5,673)	(3,674)
	62,587	63,116
Prepayments	22,907	20,186
Prepaid expenses	7,028	7,263
Value added tax recoverable	16,685	39,081
	46,620	66,530
Prepayments, other receivables and other assets	109,207	129,646

Notes to Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

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, 2022 <i>RMB'000</i> (Unaudited)	December 31, 2021 <i>RMB'000</i> (Audited)
Within 3 months	136,885	209,621
3 months to 1 year	135,811	66,274
Over 1 year	4,919	5,158
	277,615	281,053

18. OTHER PAYABLES AND ACCRUALS

	June 30, 2022 <i>RMB'000</i> (Unaudited)	December 31, 2021 <i>RMB'000</i> (Audited)
Other payables		
– Payable for acquisition	81,202	81,202
– Payable for construction in progress	95,755	104,985
– Others	24,216	23,452
	201,173	209,639
Salary and bonus payables	85,720	85,142
Interest payable	3,467	3,431
Other taxes payable	8,770	17,277
	299,130	315,489

Notes to Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

19. INTEREST-BEARING BANK BORROWINGS

	June 30, 2022			December 31, 2021		
	Effective interest rate (%)	Maturity	RMB'000 (Unaudited)	Effective interest rate (%)	Maturity	RMB'000 (Audited)
Current						
Bank loans – unsecured	One-year 3.915-4.41	2023	221,698	One-year 3.915-4.41	2022	228,900
	One-year 3.30	2023	17,000	–	–	–
Current portion of long term bank loans – secured*	Eight-year Loan prime rate ("LPR")*110%	2023	498	Eight-year LPR*110%	2022	584
Current portion of long term bank loans – secured*	One-year LPR- 10 basepoints ("bps")	2023	10,706	One-year LPR- 10 bps	2022	3,568
			249,902			233,052
Non-current						
Bank loans – secured and guaranteed**	One-year LPR+50 bps	2025	556,000	One-year LPR+50 bps	2025	556,000
Bank loans – secured*	–	–	–	Eight-year LPR* 110%	2023	202
Bank loans – secured*	Five-year LPR+10 bps	2026	87,448	Five-year LPR+10 bps	2026	80,170
Bank loans – secured*	–	–	–	Five-year LPR+10 bps	2027	8,100
Bank loans – secured*	Five-year LPR+10 bps	2024	7,000	–	–	–
Bank loans – secured*	One-year LRP-10 bps	2026	201,333	One-year LRP-10 bps	2026	174,292
			851,781			818,764
			1,101,683			1,051,816

Notes to Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

19. INTEREST-BEARING BANK BORROWINGS (continued)

	June 30, 2022 <i>RMB'000</i> (Unaudited)	December 31, 2021 <i>RMB'000</i> (Audited)
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	249,902	233,052
In the second year	322,683	14,430
In the third to fifth years, inclusive	529,098	804,334
	1,101,683	1,051,816

* At June 30, 2022, the property, plant and equipment and right-of-use assets with a carrying amount of approximately RMB338,395,000 (December 31, 2021: RMB306,918,000) and RMB203,097,000 (December 31, 2021: RMB205,603,000), respectively, were pledged to secure the bank borrowings of the Group.

** To finance the acquisition of an 80% equity interest in Langhua Pharmaceutical, the bank loans incurred are pledged with one-year deposits of RMB640,000,000 of the Group as collateral and guaranteed by the Company.

20. 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.

Notes to Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

20. CONVERTIBLE BONDS (continued)

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

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 (the “**reset mechanism**”).

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.

On initial recognition, 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.

Notes to Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

20. CONVERTIBLE BONDS (continued)

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

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.

On February 11, 2022, in accordance with the reset mechanism of the US\$180,000,000 convertible bonds, the conversion price has been adjusted from HK\$5.7456 to HK\$5.11 per share. Details of which are set out in the announcement of the Company dated February 16, 2022.

As the reset mechanism no longer exist, the conversion would result in settlement by exchange of a fixed number of equity instrument from reset date. Therefore, the embedded derivative component of conversion option was derecognised to be replaced with an equity component. The Group reassessed the fair value of the US\$180,000,000 convertible bonds on February 11, 2022. The fair value of the debt component was estimated using an equivalent market interest rate for a similar bond without a conversion option, any consequent adjustment was recognised immediately in profit or loss. The residual amount was assigned as the equity component and included in shareholders' equity.

	Debt Component <i>RMB'000</i>	Embedded derivative components <i>RMB'000</i>	Equity component <i>RMB'000</i>	Total <i>RMB'000</i>
At December 31, 2021 (audited)	169,861	53,805	–	223,666
Interest charged	6,369	–	–	6,369
Gain arising on changes of fair value	–	(10,050)	–	(10,050)
Modification	–	(43,990)	37,273	(6,717)
Exchange adjustments	9,167	235	–	9,402
At June 30, 2022 (unaudited)	185,397	–	37,273	222,670

Notes to Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

20. 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

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

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

On December 30, 2020, Viva Biotech BVI issued five-year 1% convertible bonds in an aggregate principal amount of US\$280,000,000, which were guaranteed by the Company.

The conversion period is on or after February 9, 2021 up to the close of business on the 10th day prior to December 30, 2025 and the price of ordinary shares of the Company to be issued in exercise of the right of conversion is initially HK\$11.637 per Share. The conversion price would be 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. 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.

Notes to Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

20. CONVERTIBLE BONDS (continued)

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

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 at least 130% of the applicable early redemption amount for each bond divided by the conversion ratio then applicable; or
- (ii) may at any time prior to December 30, 2025 redeem in whole, but not in part, the bonds for the time being outstanding at their early redemption amount, together with interest accrued but unpaid to but excluding the date fixed for redemption, provided that prior to the date of such notice at least 90% in principal amount of the bonds originally issued have already been converted, redeemed or purchased and cancelled.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount was assigned as the equity component and included in shareholders' equity.

Notes to Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

20. CONVERTIBLE BONDS (continued)

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

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, 2021 (audited)	1,399,554	468,731	1,868,285
Interest charged	49,945	–	49,945
Repurchase*	(29,870)	(10,044)	(39,914)
Exchange adjustments	73,619	–	73,619
At June 30, 2022 (unaudited)	1,493,248	458,687	1,951,935
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

* On January 26, 2022, an aggregate principal amount of US\$6,000,000 convertible bonds were repurchased by Viva Biotech Investment at a total consideration of US\$4,560,000 (equivalent to RMB28,840,000). The Group determined the fair value of the liability component and allocated this part of the purchase price to the liability component, the difference between the consideration allocated to the liability and the carrying amount of the liability is recognised in profit and loss, which was US\$619,000 (equivalent to RMB4,012,000). The Group allocated the remainder of the purchase price to the equity component, the difference between the consideration allocated to the equity component and the carrying amount of the equity component was recognised in equity, which was US\$2,323,000 (equivalent to RMB14,695,000).

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

Notes to Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

21. SHARE CAPITAL/TREASURY SHARES

Shares

	June 30, 2022	December 31, 2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Issued and fully paid:		
1,935,036,805 shares of US\$0.000025 each		
(December 31, 2021: 1,935,036,805 shares of		
US\$0.000025 each) ordinary shares	326	326

Treasury shares

	Numbers of shares repurchased	Treasury shares RMB'000
At December 31, 2021 (audited) and June 30, 2022 (unaudited)	19,600,000	134,651

Notes to Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

22. 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, 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:

<u>Grant date</u>	<u>Number of options</u>	<u>Expiry date</u>	<u>Exercise price per share</u>
January 2, 2018	1,125,000	January 1, 2028	HK\$4.22

The number of options and exercise price per share for the options granted on January 2, 2018 represented the unadjusted number of options and exercise prices before considering the share split and capitalisation issue.

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.

On May 21, 2020, a total of 16,990,000 share options were granted to certain eligible employees of the Group in respect of their services to the Group (the “**2020 Options**”). On June 24, 2022 (the “**Modification Date**”), the remaining 11,820,000 share options of the 2020 Options were cancelled and a total of 11,820,000 share options were granted to the same eligible participants of the Group (the “**2022 Options**”), all of them were served as replacement share options for the cancelled 2020 Options.

Notes to Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

22. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

Post-IPO ESOP (continued)

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	HK\$7.61
July 7, 2021**	5,860,000	July 6, 2026	HK\$9.70
December 2, 2021***	10,800,000	December 1, 2026	HK\$5.46
June 24, 2022****	11,820,000	June 23, 2025	HK\$2.89

* The share option is subject to vesting conditions including performance target of the Group. 30%, 30% and 40% of the total number of the options granted shall vest on the first, second and third anniversaries of grant date, respectively, if the vesting condition is fulfilled.

** The share option is subject to vesting conditions including performance target of the Group. 40%, 30% and 30% of the total number of the options granted shall vest on the second, third and fourth anniversaries of grant date, respectively, if the vesting condition is fulfilled.

*** The share option is subject to vesting conditions including performance target of the Group. 60% and 40% of the total number of the options granted shall vest on the third and fourth anniversaries of grant date, respectively, if the vesting condition is fulfilled.

**** The share option is subject to vesting conditions including performance target of the Group. 60% and 40% of the total number of the options granted shall vest on the first and second anniversaries of grant date, respectively, if the vesting condition is fulfilled.

Notes to Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

22. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

Post-IPO ESOP (continued)

The following share options were outstanding during the reporting periods:

	For the six months ended June 30,			
	2022		2021	
	Weighted average exercise price <i>HK\$ per share</i>	Number of options	Weighted average exercise price <i>HK\$ per share</i>	Number of options
At January 1 (audited)	6.51	32,815,141	3.64	39,374,514
Granted during the period	2.89	11,820,000	–	–
Forfeited during the period	7.61	(1,022,000)	7.61	(1,533,000)
Cancelled during the period	7.61	(11,820,000)	–	–
Exercised during the period	–	–	1.21	(3,497,416)
At June 30 (unaudited)	4.72	31,793,141	3.71	34,344,098

Notes to Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

22. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

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, 2022 Number of options	Exercise price HK\$ per share	Exercise period
3,665,141	0.96	January 1, 2020 ~ January 1, 2028
48,000	7.61	May 21, 2021 ~ May 20, 2025
5,460,000	9.70	July 7, 2023 ~ July 6, 2026
10,800,000	5.46	December 2, 2024 ~ December 1, 2026
11,820,000	2.89	June 24, 2023 ~ June 23, 2025
31,793,141		

At June 30, 2021 Number of options	Exercise price HK\$ per share	Exercise period
4,097,959	0.96	January 1, 2020 ~ January 1, 2028
16,064,139	0.96	January 1, 2020 ~ January 1, 2022
14,182,000	7.61	May 21, 2021 ~ May 20, 2025
34,344,098		

The Group recognized a total expense of RMB4,539,000 for the six months ended June 30, 2022 in relation to share options granted by the Company (six months ended June 30, 2021: RMB5,967,000).

The incremental fair value arising from the aforementioned modification of 11,820,000 share options of the 2022 Options was approximately HK\$8,558,000 (equivalent to RMB7,304,000).

Notes to Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

22. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

Post-IPO ESOP (continued)

The fair value of equity-settled share options granted during the period was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2022 Options	2020 Options
Date of grant/Modification Date	June 24, 2022	June 24, 2022
Dividend yield (%)	0.35	0.35
Expected volatility (%)	42.70	43.10
Risk-free interest rate (%)	2.59	2.60
Expected life of options (year)	3.00	3.00
Weighted average fair value (HK\$ per share)	0.85	0.13

The expected volatility measured by the standard deviation of expected share price returns is based on statistical analysis of comparable listed companies in the same industry.

No share options were exercised during the six months ended June 30, 2022.

At the end of the reporting period, the Company had 31,793,141 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 31,793,141 additional ordinary shares of the Company, an additional share capital of approximately HK\$6,000 (equivalent to approximately RMB5,000) and a share premium of approximately HK\$149,967,000 (equivalent to approximately RMB128,894,000) (before issue expenses).

Notes to Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

22. 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.

No ordinary shares of US\$0.000025 each were repurchased and reserved for issuance pursuant to the Post-IPO RSU Scheme during the six months ended June 30, 2022 (six months ended June 30, 2021: 8,654,685).

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

<u>Grant date</u>	<u>Number of RSUs</u>	<u>Expiry date</u>	<u>Exercise price per share</u>
December 11, 2020*	10,940,000	December 10, 2030	HK\$4.9
December 2, 2021**	4,480,000	December 1, 2026	HK\$5.46

* The restricted share units are subject to vesting conditions including performance target of the Group. 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 anniversaries of grant date, respectively, if the vesting condition is fulfilled.

** The restricted share units are subject to vesting conditions including performance target of the Group. 60% and 40% of an aggregate number of 2,560,000 granted shall vest on the third and fourth anniversaries of grant date, respectively (“**2021 RSU 1**”), if the vesting condition is fulfilled. 40%, 30% and 30% of the rest shall vest on the second, third and fourth anniversaries of grant date, respectively (“**2021 RSU 2**”), if the vesting condition is fulfilled.

The total expense recognised in the consolidated statement of profit or loss for the six months ended June 30, 2022 for the Post-IPO RSU granted was RMB4,653,000 (six months ended June 30, 2021: RMB4,056,000).

Notes to Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

22. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

Post-IPO RSU (continued)

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

	For the six months ended June 30,			
	2022		2021	
	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)	5.09	13,020,000	4.90	10,940,000
Forfeited during the period	4.90	(320,000)	4.90	(1,680,000)
Exercised during the period	4.90	–	4.90	(400,000)
At June 30 (unaudited)	5.10	12,700,000	4.90	8,860,000

Notes to Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

22. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

Post-IPO RSU (continued)

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

At June 30, 2022 Number of RSUs	Exercise price HK\$ per share*	Exercise period
8,220,000	4.90	December 30, 2022 ~ December 10, 2030
1,920,000	5.46	December 2, 2023 ~ December 1, 2026
2,560,000	5.46	December 2, 2024 ~ December 1, 2026
12,700,000		

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 grantee may not have any interest or right in the RSUs granted until such Post-IPO RSUs have been vested.

Notes to Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

23. CAPITAL COMMITMENTS

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

	June 30, 2022	December 31, 2021
	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	112,791	101,497
Acquisition of property, plant and equipment	298,485	356,205
Unlisted investments at FVTPL	25,101	33,472
	436,377	491,174

24. 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

* Since December 2021, Jiaying Tekeluo Biotech Co., Ltd. is no longer a related party of the Group.

Notes to Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

24. RELATED PARTY TRANSACTIONS (continued)

(2) Transactions with related parties

Provision of research and development services

	For the six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Jiaxing Tekeluo Biotech Co., Ltd.	–	642

(3) Compensation of key management personnel of the Group

	For the six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Short-term employee benefits	7,357	7,796
Pension scheme contributions	77	64
Equity-settled share-based payment	5,148	2,325
	12,582	10,185

Notes to Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

25. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Financial assets				
Financial assets at FVTPL	1,344,074	1,246,730	1,344,074	1,246,730
Derivative financial instruments	–	2,805	–	2,805
	1,344,074	1,249,535	1,344,074	1,249,535
Financial liabilities				
Convertible bonds – debt component	1,678,645	1,569,415	1,848,909	1,763,136
Derivative financial instruments	16,036	–	16,036	–
Convertible bonds – embedded derivative instruments	–	53,805	–	53,805
	1,694,681	1,623,220	1,864,945	1,816,941

The fair values of the non-current portion of interest-bearing bank have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The differences between the carrying amounts and fair values of the non-current portion of the interest-bearing bank were assessed to be insignificant. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank as at 30 June 2022 were assessed to be insignificant.

The Group's financial assets and financial liabilities at FVTPL which are measured at fair value at June 30, 2022 and December 31, 2021 are grouped under Level 1, 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 (the valuation techniques and inputs used in particular).

Notes to Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

25. 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				
Listed equity securities	Active market quoted transaction price	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	5.50 (December 31, 2021: 6.92)	10% (December 31, 2021: 10%) increase/decrease in multiple would result in increase/decrease in fair value by RMB34,304,000 (December 31, 2021: RMB35,404,000)
	Backsolve from most recent transaction price	IPO probability	20% to 55% (December 31, 2021: 20% to 55%)	5% (December 31, 2021: 5%) increase/decrease in multiple would result in decrease/increase in fair value by RMB4,693,000 (December 31, 2021: RMB4,770,000)
	Discounted cash flow method	Conversion probability	10% to 40% (December 31, 2021: 10% to 40%)	5% (December 31, 2021: 5%) increase/decrease in multiple would result in increase/decrease in fair value by RMB488,000 (December 31, 2021: RMB457,000)
Financial liabilities				
Derivative financial instruments	Discounted cash flow method	N/A	N/A	N/A

Notes to Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

25. 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, 2022

	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)	
Listed equity securities	2,143	–	–	2,143
Unlisted investment at FVTPL	–	414,200	927,732	1,341,932
	2,143	414,200	927,732	1,344,075

Notes to Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

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

Fair value hierarchy (continued)

Assets measured at fair value: (continued)

As at December 31, 2021

	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)	
Listed equity securities	5,028	–	–	5,028
Unlisted investment at FVTPL	–	294,577	947,125	1,241,702
Derivative financial instruments	–	2,805	–	2,805
	5,028	297,382	947,125	1,249,535

Notes to Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

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

Fair value hierarchy (continued)

Liabilities measured at fair value:

As at June 30, 2022

	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	–	16,036	–	16,036

As at December 31, 2021

	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	–	–	53,805	53,805

Notes to Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2022

26. SUBSEQUENT EVENTS

Except as disclosed elsewhere in the condensed consolidated financial information, the Group has the following significant events subsequent to June 30, 2022:

- a. In July 2022, an aggregate principal amount of US\$24,000,000 of the US\$280,000,000 convertible bonds were repurchased by Viva Biotech BVI at a total consideration of US\$14,659,000 (equivalent to RMB90,989,000).
- b. Pursuant to the shareholder's resolution of the Viva Dancheng Biotech (Hangzhou) Limited ("**Hangzhou Dancheng**") made on July 27, 2022, the registered share capital of Hangzhou Dancheng was reduced from US\$50,000,000 to US\$10,000,000.

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
“CDMO”	contract development manufacture organization
“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
“CMC”	chemistry, manufacturing and control
“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
“CRO”	contract research organization
“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

Definitions

“IFRS”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“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, 2022
“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
“Viva Biotech BVI”	Viva Biotech Investment Management Limited, a indirect wholly-owned subsidiary of the Company
“%”	per cent
“2009 Stock Incentive Plan”	The stock incentive plan approved and adopted by the Company on July 1, 2009 and as amended and restated on June 8, 2018
“2018 Stock Incentive Plan”	The stock incentive plan approved and adopted by the Company on January 1, 2018 and as amended and restated on June 8, 2018