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 ANNUAL 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 *(resigned on November 14, 2022)*
Mr. WU Yuting *(appointed on November 14, 2022)*

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

JOINT COMPANY SECRETARIES

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

AUTHORIZED REPRESENTATIVES

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

AUDITOR

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

LEGAL ADVISERS

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

PRINCIPAL BANKS

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

REGISTERED OFFICE

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Grand Cayman, KY1-1104
Cayman Islands

CORPORATE HEADQUARTERS

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Pudong New District
Shanghai, PRC

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33 Hysan Avenue
Causeway Bay, Hong Kong

PRINCIPAL SHARE REGISTRAR

Maples Fund Services (Cayman) Limited
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Cricket Square
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre,
16 Harcourt Road,
Hong Kong

STOCK CODE

1873

COMPANY WEBSITE

www.vivabiotech.com

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the 2022 annual report of the Group.

The past year of 2022 remained challenging for the Company. Despite the inevitable impact from a global biopharmaceutical investment and financing slowdown and the repeated COVID-19 outbreaks, we achieved resilient business growth through expanding our business development team, pursuing the synergy of our biopharmaceutical and chemical segments, and establishing active presence in emerging technology platforms.

Based on our strategic positioning for a one-stop comprehensive service platform for early stage structure-based drug discovery to commercial drug delivery, on the one hand, we strengthened post-acquisition integration with Langhua Pharmaceutical, stepped up the construction of CMC R&D centers, and continued to expand CDMO production capacity. On the other hand, we remained committed to reinforcing post-acquisition integration of SYNthesis med chem (Hong Kong) Limited with our in-house chemical CRO team, to sharpen our competitive edges in the CRO chemical field.

I wish to look back on our results and operating highlights achieved in 2022 together with you:

- During the Reporting Period, revenue of the Group surged to RMB2,379.6 million from RMB2,104.1 million in 2021, representing a year-on-year increase of approximately 13.1%. Gross profit continued to increase to RMB815.7 million from RMB651.0 million in 2021, representing a year-on-year increase of approximately 25.3%.

- As a global leading structure-based drug discovery service provider, during the Reporting Period, the Company delivered approximately 14,534 new protein structures to our clients, representing a year-on-year increase of 10.66%, and launched R&D on 68 new independent drug targets. Besides, the cumulative number of our clients increased to 1,224, and our utilization of synchrotron radiation source reached 2,064 hours during the Reporting Period.

- For our CRO business, we have built several core technological platforms, including the PROTAC technology platform, protein production, preparation and structure research platform, Cryo-EM technology platform, membrane protein research technology, drug screening technology, Bioassay platform, computer-aided drug design (CADD), pharmaceutical chemistry, etc. Looking ahead, the Company will continue to strengthen and improve its presence in emerging technology platforms to fuel its sustainable revenue growth.

- During the Reporting Period, the Company strengthened CMC capacity building and continued to expand CDMO capacity. In respect of CMC capacity building, a CMC R&D center of approximately 10,000 square meters has been entirely put into use. The number of our CMC R&D personnel reached 155. Although the segment was still in a loss-making early stage during the Reporting Period, it is expect to gradually achieve breakeven as its revenue ramps up in future. In respect of CDMO capacity expansion, T10 plant has started normal operation and is able to support revenue growth of our API business. At present, our total available capacity reached 860 cubic meters. In addition, Langhua Pharmaceutical plans to launch a new production capacity of 400 cubic meters in 2024. These capacity additions will provide adequate support to our future revenue growth.

- In respect of the EFS investment & incubation business, further progress has been secured for the pipeline candidates of our incubation portfolio companies. In 2022, the total number of pipeline projects increased to 215, of which 36 had entered the clinical stage. In addition, we realized investment exits or partial exits from two of our portfolio companies during the Reporting Period, and we have 11 potential exits for our portfolio companies in the next one to three years. Furthermore, the Company is proactively applying for a fund manager license in the PRC, and intends to conduct incubation business through the establishment of investment funds in future.

- During the Reporting Period, we completed the inauguration ceremony for our headquarters in Zhoupu, Shanghai. Currently, we have well-established laboratories as well as supporting properties and facilities in Shanghai, Chengdu, Jiaxing and Suzhou to cater for our business development needs and workforce expansion plan, and provide the Company with stable R&D, production and operation premises. In addition, Shanghai Supercomputing Center passed acceptance in December 2022, and has been officially put into operation.

In 2022, despite the impact from external macroeconomic environment and the resurgence of the COVID-19 pandemic, we took efforts and managed to deliver positive growth both in revenue and gross profit, with a stronger growth of gross profit than that of revenue. Taking this opportunity, on behalf of the Board of Directors and the management, I would like to extend sincere gratitude to our clients, partners and Shareholders, and to our employees for their diligence and dedication. Our growth is indispensable from your long-term support, trust and supervision. Looking into 2023, we will spare no effort in strengthening the integration effect of our biological and chemical segments as well as the capability building for our business development team, deepening the synergy between CRO and CDMO business, improving the capacity building for front-end services and driving business to back-end services to further enhance the business funnel effect. The Company will also proactively establish an open cooperation platform and eco-system for innovators in global biopharma and biotech, in an endeavor to maximize the value of the Company and Shareholders' returns.

Dr. Mao Chen Cheney
Chairman and Chief Executive Officer of Viva Biotech
March 30, 2023

Financial Summary and Highlights

	For the Year Ended December 31,				
	2018	2019	2020	2021	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Operating results					
Revenue	210,033	323,057	696,958	2,104,083	**2,379,631**
Gross profit	105,457	155,873	304,866	650,981	**815,679**
Gross profit margin	50.2%	48.3%	43.7%	30.9%	**34.3%**
Net profit/(loss)	90,550	265,872	(378,870)	300,560	**(504,220)**
Net profit/(loss) margin	43.1%	82.3%	(54.4)%	14.3%	**(21.2)%**
Adjusted non-IFRS net profit/ (loss)	135,482	318,019	252,318	321,091	**(133,859)**
Adjusted non-IFRS net profit/ (loss) margin	64.5%	98.4%	36.2%	15.3%	**(5.6%)**
Earnings/(loss) per share *(RMB)*					
Earnings/(loss) per share – Basic	0.08	0.19	(0.25)	0.15	**(0.28)**
Earnings/(loss) per share – Diluted	0.08	0.18	(0.25)	0.08	**(0.28)**
Adjusted non-IFRS earnings/ (loss) per share – Basic	0.13	0.23	0.16	0.16	**(0.08)**
Adjusted non-IFRS earnings/ (loss) per share – Diluted	0.11	0.21	0.16	0.16	**(0.08)**

	As at December 31,				
	2018	2019	2020	2021	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Total assets	529,339	1,898,785	8,154,080	8,044,758	**7,920,855**
Equity attributable to owners of the Company	251,442	1,777,394	3,756,831	3,913,356	**3,604,714**
Total liabilities	277,897	121,391	4,397,249	4,131,402	**4,316,141**
Bank balances and cash	155,554	904,091	2,308,452	800,947	**678,569**
Gearing ratio	52.5%	6.4%	53.9%	51.4%	**54.5%**

During the Reporting Period, we recorded revenue of approximately RMB2,379.6 million, representing an increase of 13.1% from approximately RMB2,104.1 million for the same period of 2021.

During the Reporting Period, we recorded gross profit of approximately RMB815.7 million, representing an increase of 25.3% from approximately RMB651.0 million for the same period of 2021.

During the Reporting Period, we recorded net loss of approximately RMB504.2 million, as compared to a net profit of approximately RMB300.6 million for the same period of 2021.

During the Reporting Period, we recorded adjusted Non-IFRS net loss of approximately RMB133.9 million, as compared to an adjusted Non-IFRS net profit of approximately RMB321.1 million for the same period of 2021.

The Directors do not recommend the payment of a final dividend for the year ended December 31, 2022 (2021: Nil). As disclosed in the interim results announcement dated August 29, 2022, no other dividend was proposed for the six months ended June 30, 2022.

NON-IFRS MEASURE

To supplement the Group's audited condensed consolidated financial statements which are presented in accordance with the IFRS, the Company has provided adjusted Non-IFRS net (loss)/profit as additional financial measures, which are not required by, or presented in accordance with, the IFRS.

The Company believes that the adjusted Non-IFRS financial measures are useful for understanding and assessing underlying business performance and operating trends, and that the Company's management and investors may benefit from referring to these adjusted financial measures in assessing the Group's financial performance by eliminating the impact of certain unusual, non-recurring, non-cash and/or non-operating items that the Group does not consider indicative of the performance of the Group's business. However, the presentation of these non-IFRS financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with the IFRS. You should not view the adjusted results on a stand-alone basis or as a substitute for results under the IFRS.

Additional information is provided below to reconcile adjusted Non-IFRS net (loss)/profit.

Adjusted Non-IFRS net (loss)/profit

	2022 *RMB'000*	2021 *RMB'000*
Net (Loss)/Profit	(504,220)	300,560
Add: fair value gain on embedded derivative instruments of the Convertible Bonds	(10,050)	(143,590)
Add: interest expenses of the debt components of the Convertible Bonds	140,232	136,104
Add: loss on repurchase of the Convertible Bonds	45,421	–
Add: loss on disposal of non-recurring fixed assets	–	5,135
Add: amortization of acquired assets from acquisition	48,367	48,181
Add: fair value loss on contingent consideration	–	6,115
Add: foreign exchange loss/(gain)	146,391	(31,414)
Adjusted Non-IFRS Net (Loss)/Profit *(Note i)*	(133,859)	321,091

Note:

i. In order to better reflect the key performance of the Group's current business and operations, the adjusted Non-IFRS net (loss)/profit is calculated on the basis of net (loss)/profit, excluding:

   a) Fair value gain on embedded derivative instruments of the Convertible Bonds, and amortization of acquired assets, which the management believes are non-cash items;

   b) Interest expenses of the debt instruments of the Convertible Bonds, loss on repurchase of the Convertible Bonds, loss on disposal of non-recurring fixed assets, fair value loss on contingent consideration and foreign exchange loss/(gain), which the management believes are non-recurring items or have no direct correlation to the operation of our business.

Management Discussion and Analysis

BUSINESS REVIEW

During 2022, the resurgence of 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. As 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 2,076; the Group's revenue during the Reporting Period increased by approximately 13.1% from RMB2,104.1 million for the corresponding period of last year to RMB2,379.6 million; and our gross profit increased by approximately 25.3% from RMB651.0 million for the corresponding period of last year to RMB815.7 million. The Group's adjusted non-IFRS net profit decreased from RMB321.1 million for the corresponding period of last year to an adjusted non-IFRS net loss of RMB133.9 million. This was mainly due to the losses from fair value changes in the Group's portfolio companies due to market fluctuation, a decline in personnel utilization rate given the resurgence of COVID-19 in mainland China; and to an extent the cultivation of early-stage new businesses has impacted our profit.

CRO Business to Ride on its Significant Competitive Edges for Attractive Outlook in the Long Run

In 2022, the Company's revenue from CRO business increased by approximately 20.9% from RMB740.5 million for the corresponding period of last year to RMB895.1 million. The slower revenue growth in 2022 compared to 2021 was mainly attributable to the downtime losses due to the repeated COVID-19 outbreaks in mainland China in the first half of the year, a strategic adjustment in the EFS business and the impact from a global biopharmaceutical investment and financing slowdown. Despite the challenging external conditions, the Company still maintained a resilient growth trend on the whole.

From the long-term perspective, the Company's order backlog amounted to approximately RMB1,050.0 million, representing an increase of approximately 8.8% from RMB965.0 million for the corresponding period of last year. Although the growth of our order backlog was affected to some extent by the global biopharmaceutical investment and financing slowdown and a strategic adjustment in the EFS business, the Company expects to grow the number of orders by strengthening its efforts in securing new customers globally in future. Looking ahead, as the impact of the pandemic gradually subsides, the Company will also strengthen its business development team building, proactively implement the integration strategy for biological and chemical segments, and establish active presence in emerging technology platforms to fuel sustainable growth of its CRO business.

As at December 31, 2022, the Company had delivered more than 48,925 protein structures to our clients, approximately 14,534 of which were newly delivered in 2022, and conducted R&D on over 1,878 independent drug targets, 68 of which were newly delivered in 2022. Currently, the Company maintains a leading position in the industry worldwide in the field of protein structure analysis. In addition, the Company will sharpen market competitiveness of its chemical business in future, seeking to maximize the value of existing customers through the synergistic development of biological and chemical segments while securing large orders from pharmaceutical giants to further increase market share of its chemical business. The cumulative number of clients served had increased to 1,224, including the global top 10 pharmaceutical companies (by reported total revenue for 2022), and revenue from the top ten customers accounted for 24.6% of our total revenue. Clients of our CRO business are geographically diverse, of whom those from overseas contributed approximately 85.4% of our total revenue, representing a year-on-year increase of approximately 23.2%, and those from mainland China contributed approximately 14.6% of our total revenue, representing a year-on-year increase of approximately 9.0%.

During the Reporting Period, our utilization of synchrotron radiation source reached 2,064 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.

Improving Cdmo Capacity Building and Ramping Up Cmc Revenue

During the Reporting Period, the Group laid great emphasis on strategic cooperation and synergy with Langhua Pharmaceutical. While intensifying the construction of CMC R&D centers and continuing to deploy and start new production capacity, we strengthened client outreach and business development activities.

During the Year, Langhua Pharmaceutical's revenue amounted to RMB1,484.6 million, representing a year-on-year increase of approximately 8.9%; and its gross profit amounted to RMB418.3 million, representing a year-on-year increase of approximately 35.5%. This was mainly attributable to a significantly higher growth of gross profit than that of revenue, driven by volume expansion of core business pipelines, production capacity recovery of plants and normalized production and delivery of key CDMO customers, as well as the positive factors in product structure optimization.

As at December 31, 2022, Langhua Pharmaceutical had served a total of 852 clients, with the top ten clients accounting for 56.0% of its total revenue, suggesting constant improvement in customer revenue structure. The retention rate of their top ten clients was 100%. During the Reporting Period, in respect of capacity building, T10 plant started normal operation and is able to support revenue growth of our API business. At present, our total available capacity reached 860 cubic meters. In addition, Langhua Pharmaceutical plans to build a new production capacity of 400 cubic meters in 2024, and has started the relevant ground construction work. These capacity additions will provide adequate support to our future revenue growth.

In respect of CMC, we ramped up the construction of R&D centers and continued to increase R&D personnel. A CMC R&D center of approximately 10,000 square meters has been fully put into use. 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. Almost 123 new drug projects have been completed or are in progress since the establishment of CMC. As at the end of the Reporting Period, the number of CMC R&D personnel had reached 155; and the CMC business had generated revenue of nearly RMB50.0 million although it is still in a loss-making early stage. In the future, with the gradual increase in revenue, we expect the CMC business will eventually achieve break-even.

EFS Investment & Incubation Business to Mitigate Pressure on Group-level Liquidity Through Establishment of Investment Funds in Future

During the Reporting Period, the Company reviewed a total of over 455 projects globally, added 4 start-ups to our portfolio companies, made new investments in two funds and made additional investments in 9 existing portfolio companies. As at December 31, 2022, the Group had invested in a total of 91 portfolio companies. The portfolio companies are mainly from the United States, Canada, Europe and China. 68% of the portfolio companies are from North America and 25% are from China. The details of the portfolio companies added during the Reporting Period are as follows:

Details of portfolio companies newly introduced in 2022:

No.	Company Name	Region	Time of Investment	Type	Indications/Primary Technology/Business
1	GT Apeiron Therapeutics	BVI/PRC	2/2022	Strategic investment	Committed to the development of new small molecule medicines for tumor
2	Domain Therapeutics	France	3/2022	Strategic investment + 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
4	Lucy Therapeutics	USA	10/2022	EFS	Committed to the development of new small molecule medicines for nervous system diseases

In 2022, 10 of our portfolio companies completed or was close to completing a new round of financing, raising approximately US$158.0 million in total. The R&D efforts of the portfolio companies were advancing smoothly, with the total number of pipeline projects reaching close to 215, of which 179 pipelines are in the preclinical stage and 36 pipelines in the clinical stage. So far, the Group has successfully realized 9 investment exits or partial exits, and may have an additional 11 potential exits for our portfolio companies in the next one to three years. In addition, the Company is proactively applying for a fund manager license in the PRC, and intends to conduct incubation business through the establishment of 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 RMB135.8 million, representing a year-on-year increase of 47.0% from RMB92.4 million for the year ended December 31, 2021. For our CRO business, we have built several core technological platforms, including: the PROTAC technology platform, protein production, preparation and structure research platform, Cryo-EM technology platform, membrane protein research technology, drug screening technology, Bioassay platform, computer-aided drug design (CADD), pharmaceutical chemistry, etc.

From the perspective of current progress of our existing emerging technology platforms, 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 can analyze 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 10.2% of total revenue from CRO business. Our services primarily include studies on protein preparation and structure, high-throughput screening of PROTAC molecules, kinetics, drug metabolism, pharmaceutical chemistry, Bioassay, CADD, etc. As at December 31, 2022, the Company had conducted research into over 50 E3 ligase structures and delivered more than 100 target protein – PROTAC-E3 ligase ternary compound structures. It is expected that PROTAC business will contribute to and serve as a highlight for the sustainable growth of CRO business in the future.

From the perspective of current progress of computer-aided drug design (CADD) platforms, the computational chemistry department of the Company, which integrates computer-aided drug design (CADD) and artificial intelligence in drug discovery (AIDD) based on physical chemistry models with the aid of supercomputing clusters, has been widely used in various drug R&D stages. Our Computational Chemistry Department has developed a series of advanced algorithms (such as FEP), which support more targeted optimization against actual problems compared to traditional computational chemistry tools and commercial software packages, thus facilitating the progress of drug R&D projects efficiently.

STAFF AND FACILITIES

As at December 31, 2022, the Group had a total of 2,601 employees, of whom the number of CRO R&D personnel reached 1,617. 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 Group's new headquarters in Zhoupu, Shanghai with a total area of approximately 40,000 square meters completed its inauguration ceremony on November 10, 2022, and had been put into full operation as at the end of the Reporting Period.

- The incubation center located in Faladi Road, Shanghai covering 7,576 square meters has been put into full operation, including 5,552 square meters of laboratory area.

- The park with a total GFA of 64,564 square meters in Chengdu has been completed, of which 12,000 square meters of properties had been partially put into use as at the end of the Reporting Period, including 10,590 square meters of laboratory area.

- For the novel drug incubation center with a planned GFA of approximately 77,500 square meters in Qiantang New District, Hangzhou, we will consider several potential construction options in future.

- A park in Suzhou with a GFA of approximately 7,169 square meters, including nearly 3,250 square meters of laboratory area.

- Shanghai Supercomputing Center passed acceptance in December 2022, and has been officially put into operation. At present, it can support computer aided drug design (CADD) calculation, artificial intelligence in drug discovery (AIDD) related calculation, and crystal structure and Cryo-EM (Micro-ED) calculation.

FUTURE STRATEGIES AND OUTLOOK

With unique advantages in structure-based drug R&D (SBDD), the Company will increase the cross-sell between biological and chemical businesses, 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 innovators.

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.

In early December 2022, as domestic pandemic restrictions were basically lifted, the Company's R&D and office premises in Shanghai, Jiaxing and Chengdu in the PRC experienced a temporary pandemic outbreaks. For employees diagnosed with COVID-19, the Company provided five-days paid leave, work-from-home arrangement and other measures to ensure safety of all employees. In addition, the Company organized cross-region collaboration among laboratories for the project progress during the pandemic outbreaks, thereby ensuring the project delivery and realization of revenue streams.

DISCUSSION OF RESULTS OF OPERATION

Revenue

The Group's revenue in the Reporting Period was approximately RMB2,379.6 million, representing an increase of 13.1% as compared to approximately RMB2,104.1 million in the year ended December 31, 2021, The revenue growth is mainly due to (1) a steady increase in CRO business's customer order; and (2) Langhua Pharmaceutical's volume expansion of core business pipelines, production capacity recovery of plants and normalised production and delivery of key CDMO customers.

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

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Types of goods or services		
Drug discovery services		
– Full-time-equivalent	**706,395**	532,356
– Fee-for-service	**134,581**	122,319
– Service-for equity	**54,081**	85,799
CDMO and commercialization services		
– Fee-for-service	**28,492**	–
– Sale of products	**1,456,082**	1,363,609
	2,379,631	2,104,083

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

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
USA	**915,818**	646,523
European Union	**508,471**	590,225
Mainland China	**382,377**	376,735
Other Asian countries and regions outside of Mainland China	**392,800**	330,083
Africa	**64,550**	74,182
Other countries/regions	**115,615**	86,335
	2,379,631	2,104,083

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

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, 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 RMB1,564.0 million, representing an increase of 7.6% as compared to approximately RMB1,453.1 million for the year ended December 31, 2021. 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 RMB815.7 million, representing an increase of 25.3% as compared to approximately RMB651.0 million in the year ended December 31, 2021. The increase was in line with the Group's business growth. Gross margin was 34.3% for the Reporting Period, as compared to 30.9% for the year ended December 31, 2021. The increase was primarily driven by Langhua Pharmaceutical's production capacity recovery of plants, and positive factors both in foreign exchange rate movements as well as product structure optimization during the Reporting Period.

Other Income and Gains

Other income and gains consist primarily of interest income, government grants, revenue from sales of raw materials and gain on disposal of right-of-use assets. During the Reporting Period, the Group recorded other income and gains of approximately RMB67.6 million, representing an decrease of 45.2% as compared to approximately RMB123.4 million in the corresponding period last year. The decrease was due to the Group recorded a foreign exchange gain and gain on derivative financial instruments for the period ended December 31, 2021, whereas the Group recorded a foreign exchange loss and loss on derivative financial instruments which is reflected in other expenses for the Reporting Period.

Selling and Distribution Expenses

Selling and distribution expenses primarily consist of staff cost, travelling expenses and others. During the Reporting Period, the Group's selling and distribution expenses were approximately RMB130.8 million, representing an increase of 39.1% as compared to approximately RMB94.0 million for the year ended December 31, 2021. The increase was primarily due to expansion of our CDMO business, as well as the growth to our marketing team.

Administrative Expenses

Administrative expenses primarily consist of administrative staff costs, audit and consultancy fees, office administration expense, rental, depreciation, travelling and transportation expenses and others. During the Reporting Period, the Group's administrative expenses were approximately RMB273.6 million, representing an increase of 20.9% as compared to approximately RMB226.3 million for the year ended December 31, 2021. The increase primarily reflected rapid expansion of the Group's personnel.

Research and Development Expenses

Research and development expenses mainly consist of labor costs, cost of materials, overhead costs and fees paid to third parties that conduct certain research and development activities on our behalf. During the Reporting Period, the Group's research and development expenses were approximately RMB135.8 million, representing an increase of 47.0% as compared to approximately RMB92.4 million for the year ended December 31, 2021. The increase in research and development expenses is mainly due to the Group's increased investment in scientific research and development of internal platforms.

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

Fair value loss/gain on FVTPL mainly consists of fair value change from the financial products issue by banks and the equity interests in the Group's incubation portfolio companies. The Group's EFS model features sharing of the downside/upside of our customers' intellectual property values, which is primarily reflected by the fair value change of the equity interest in the Group's incubation portfolio companies. Such fair value losses/gains are recorded as FVTPL in the Group's financial statements. As at December 31, 2022, no individual equity 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 financial assets at FVTPL of approximately RMB364.2 million for the Reporting Period, primarily reflecting the decrease in the fair value of the Group's equity interest in four incubation portfolio companies, Proviva Therapeutics, Inc., Mediar Therapeutics, Inc., Flash Therapeutics LLC., and Elgia Therapeutics, Inc., as compared to the gain from financial assets at FVTPL of approximately RMB45.7 million for the year ended December 31, 2021.

Impairment Losses under Expected Credit Model, Net of Reversal

Impairment losses under expected credit model, net of reversal reflects impairment loss on trade and other receivables. The Group recorded impairment losses of approximately RMB9.4 million for the Reporting Period, as compared to approximately RMB1.4 million of impairment losses for the year ended December 31, 2021.

Other Expenses

For the Reporting Period, the Group recorded other expenses of approximately RMB254.0 million, as compared to approximately RMB12.7 million for the year ended December 31, 2021. The increase primarily due to the increased foreign exchange losses, loss on derivative financial instruments and repurchase loss on convertible bonds.

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 was approximately RMB184.7 million, representing an increase of 0.9%, as compared to approximately RMB183.1 million for the year ended December 31, 2021.

Fair Value Gain on Financial Liabilities at FVTPL

Fair value gain on financial liabilities at FVTPL primarily consists of changes in fair value of the embedded derivative instruments of the convertible bonds and changes in fair value of contingent consideration. For the Reporting Period, the Group recorded fair value gain on financial liabilities at FVTPL of approximately RMB10.1 million regarding the fair value changes of the embedded derivative instruments of the convertible bonds as compared to approximately RMB143.6 million of gain regarding the fair value changes of the embedded derivative instruments of the convertible bonds and a fair value loss on contingent consideration of approximately RMB6.1 million for the year ended December 31, 2021.

Income Tax Expense

The Group's income tax expense for the Reporting Period was approximately RMB45.1 million, representing a decrease of 4.2% from approximately RMB47.1 million for the year ended December 31, 2021.

Net Loss/Profit and Net Loss/Profit Margin

As a result of the foregoing, the Group's net loss for the Reporting Period was approximately RMB504.2 million, as compared to a net profit of approximately RMB300.6 million for the year ended December 31, 2021. Such turnaround was mainly due to (i) market fluctuation resulting in negative fair value changes in the Group's equity interest in incubation portfolio companies; (ii) fluctuation of foreign exchange rates during the Year resulting in foreign exchange losses; (iii) interest expenses of the debt components of convertible bonds issued by the Group and the loss on repurchase of convertible bonds; (iv) the resurgence of COVID-19 in mainland China limiting the labour utilization rate during the Year; and (v) certain new investment projects are still in their early loss-making stages.

The adjusted non-IFRS net loss of the Group was approximately RMB133.9 million for the Reporting Period as compared to a non-IFRS net profit of approximately RMB321.1 for the year ended December 31, 2021. The adjusted Non-IFRS net loss of the Group for the Reporting Period was primarily due to (i) market fluctuation resulting in negative fair value changes in the Group's equity interest in incubation portfolio companies; (ii) the resurgence of COVID-19 in mainland China limiting the labour utilization rate during the Year; and (iii) certain new investment projects are still in their early loss-making stages.

Liquidity, Financial Resources and Gearing Ratio

As at December 31, 2022, the Group's total cash and cash equivalents amounted to approximately RMB678.6 million, representing a decrease of 15.3% as compared to approximately RMB800.9 million as at December 31, 2021. Such decrease was primarily due to the payment for repurchase of convertible bonds of approximately RMB302.3 million and the purchase of property, plant and equipment of approximately RMB249.3 million during the Reporting Period.

As at December 31, 2022, current assets of the Group amounted to approximately RMB1,938.8 million, including a cash and cash equivalents of approximately RMB678.6 million. Current liabilities of the Group amounted to approximately RMB2,672.6 million, including bank borrowings of approximately RMB405.3 million and convertible bonds-debt component of approximately RMB1,508.6 million.

As at December 31, 2022, the gearing ratio, calculated as total liabilities over total assets, was approximately 54.5%, as compared with approximately 51.4% as at December 31, 2021. As at December 31, 2022, the Group had approximately RMB912.4 million of secured bank borrowings and RMB373.9 million of unsecured bank borrowings, representing an increase of approximately RMB234.5 million as compared to approximately RMB1,051.8 million as at December 31, 2021. The increase was mainly due to more bank facilities having been utilized to support the continuous business expansion, especially the construction activities. Of the Company's bank borrowings during the Reporting Period, approximately RMB405.3 million are repayable on demand or within one year, and approximately RMB881.0 million are repayable in the second to sixth year (inclusive). The Group intends to finance the expansion, investments and business operations with proceeds from its financing activities and internal resources.

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

The Group did not make any significant investments and did not have material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period.

Pledge of Assets

As at December 31, 2022, the buildings, the right-of-use assets, construction in progress and certain time deposits with a carrying amount of approximately RMB229.2 million, RMB303.1 million, RMB5.3 million and RMB697.3 million, respectively, were pledged to secure certain bank borrowings, letters of credit and notes payable of the Group.

Capital Expenditure

For the Reporting Period, the Group's capital expenditure amounted to approximately RMB349.8 million, which was mainly used for construction of facilities and equipment purchases, as compared to approximately RMB1,059.0 million for the year ended December 31, 2021. The Group funded its capital expenditure with cash flow generated from its operations and partial proceeds from its fundraising activities.

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.

Contingent Liability

The Group had no material contingent liabilities as at December 31, 2022.

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 RMB146.4 million and a net foreign exchange gain of approximately RMB31.4 million for the Reporting Period and the year ended December 31, 2021, respectively. We are exposed to the foreign currency of U.S. dollars as part of our revenue was generated from sales denominated in U.S. dollars as well as deposits denominated in U.S. dollars. We purchased various bank foreign exchange wealth management products and forward currency contracts to hedge against our exposure to currency risk during the Reporting Period and up to the date of this report while we chose not to designate a hedging relationship and use hedge accounting. Our management will continue to evaluate the Group's foreign exchange risk and take actions as appropriate to minimize the Group's exposure whenever necessary.

Goodwill

As at December 31, 2022, the Group recorded goodwill of approximately RMB2,156.4 million, there was no change as compared to approximately RMB2,156.4 million as at December 31, 2021.

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

By acquiring Langhua Pharmaceutical and Synthesis HK, the Group established presence in the CDMO field, and remained committed to in-depth integration of front-end CRO business and back-end CDMO business. On one hand, the Group proactively diverted customer traffic to back-end business through incubating portfolio companies, and on the other hand, it leveraged its advantages accumulated in North America to attract customers to the back-end operations via business development, in an effort to promote the funnel-effect in business operations.

No impairment loss in relation to goodwill is recognized for the year ended December 31, 2022. The impairment assessment is based on a valuation by an independent professional valuer. Considering there was still sufficient headroom based on the assessment, the management of the Company believes that a reasonably possible change in the key parameters would not cause the carrying amount of the CGUs to exceed its recoverable amount as at December 31, 2022.

Report of Directors

The Board of the Company is pleased to present this report of Directors together with the audited consolidated financial statements of the Group for the year ended December 31, 2022.

DIRECTORS

The Directors who held office during the year ended December 31, 2022 and up to the date of this report are:

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

Non-Executive Director:
Ms. SUN Yanyan (孫妍妍) *(resigned on November 14, 2022)*
Mr. WU Yuting (吳宇挺) *(appointed on November 14, 2022)*

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

Biographical details of the Directors and senior management of the Group are set out in the section headed “Directors and Senior Management” on pages 38 to 44 of this report.

GLOBAL OFFERING

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

PRINCIPAL ACTIVITIES

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

The activities and particulars of the Company's subsidiaries are shown under Note 1 to the consolidated financial statements. An analysis of the Group's revenue and net results for the year ended December 31, 2022 by principal activities of the Group is set out in the section headed "Management Discussion and Analysis" in this report.

BUSINESS REVIEW

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

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

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

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

- **Risks in relation to Foreign Exchange**

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

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

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

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

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

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

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

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

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

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended December 31, 2022, there was no material breach of, or non-compliance, with applicable laws and regulations by the Group.

RETIREMENT BENEFITS SCHEME

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

The Group maintains a government mandated program to cover employees of its wholly owned subsidiaries in Australia for superannuation. The subsidiary operating in Australia is required to contribute a certain percentage of its payroll costs to the superannuation. The contribution are charged to profit or loss as they become payable in accordance with the rules of the superannuation.

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

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTION

Details of the related party transactions of the Group for the year ended December 31, 2022 are set out in Note 40 to the consolidated financial statements contained herein.

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

During the year ended December 31, 2022, the Group has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Rule 14A.71 of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2022, the revenue amounts from the Group's five largest customers accounted for 30.0% (2021: 30.8%) of the Group's total revenue and the revenue amount from our single largest customer accounted for 18.1% (2021: 17.8%) of the Group's total revenue.

For the year ended December 31, 2022, purchases from the Group's five largest suppliers accounted for approximately 24.7% (2021: 26.7%) of the Group's total purchase amount in the same year. The Group's largest supplier for the year ended December 31, 2022 accounted for approximately 11.4% (2021: 13.2%) of the Group's total purchase amount for the same year.

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

During the year ended December 31, 2022, the Group did not experience any significant disputes with its customers or suppliers.

RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

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

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

FINANCIAL SUMMARY

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

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

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

SUBSIDIARIES

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year ended December 31, 2022 are set out in Note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended December 31, 2022 are set out in Note 34 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

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

DEBENTURE ISSUED

Issue of US$180 Million February 2025 Convertible Bonds

On January 22, 2020, Viva Incubator HK, a wholly-owned subsidiary of the Company as issuer and the Company as guarantor and J.P. Morgan Securities plc as the sole global coordinator, joint lead manager and joint bookrunner (the "**First Issue Sole Global Coordinator**") and The Hongkong and Shanghai Banking Corporation Limited and China International Capital Corporation Hong Kong Securities Limited (together with the Sole Global Coordinator, the "**First Issue Managers**" and each a "**First Issue Manager**") entered into a subscription agreement (the "**First Issue Subscription Agreement**"), pursuant to which and subject to certain conditions contained therein, the Viva Incubator HK has agreed to issue, and the First Issue Managers have severally but not jointly agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the 2.50% guaranteed convertible bonds in a principal amount of US$180 million, guaranteed by the Company. The issue price of the February 2025 Convertible Bonds was 100% of the principal amount. The initial conversion price per conversion share is HK$5.7456, which represents (i) a premium of 26.0% over the last closing price of HK$4.56 per Share as quoted on the Stock Exchange on January 22, 2020 (being the trading day on which the Subscription Agreement was signed) and (ii) a premium of approximately 25.1% over the average closing price of HK$4.59 as quoted on the Stock Exchange for the five consecutive trading days up to and including January 22, 2020. On February 11, 2020, under the First Issue Subscription Agreement, all of the conditions for the February 2025 Convertible Bonds have been satisfied and/or waived and completion of the February 2025 Convertible Bonds in the principal amount of US$180 million took place. The February 2025 Convertible Bonds were offered to no less than six independent placees (who are independent individual, corporate and/or institutional investors). In accordance with the terms and conditions of the Bonds (including Condition 6(e) (Conversion Price Reset)), the Conversion Price is subject to a reset mechanism based on the average market price of the Shares of the Company for a certain period prior to February 11, 2022 (the "**Reset Date**"). The Company has notified Bondholders that the Conversion Price is reset from HK$5.7456 to HK$5.11 per Share, effective from the Reset Date. For further details, please refer to the Company's announcement dated February 16, 2022. The February 2025 Convertible Bonds are listed on the Stock Exchange on February 12, 2020. The net proceeds, after deducting the transaction costs of US$2.6 million (equivalent to RMB18.3 million), were US$177.4 million (equivalent to RMB1,256.0 million). At the end of the Reporting Period, 194,118,050 Shares has been issued pursuant to conversion of the February 2025 Convertible Bond and 10,038,587 additional Shares may be issued by the Company at the reseted conversion price of HK$5.11 per share under the February 2025 Convertible Bond. For details, please refer to Note 32 to the consolidated financial statements.

Issue of US$280 Million December 2025 Convertible Bonds

On December 17, 2020, Viva Biotech BVI, a wholly-owned subsidiary of the Company as issuer and the Company as guarantor and J.P. Morgan Securities plc, Credit Suisse (Hong Kong) Limited, China International Capital Corporation Hong Kong Securities Limited and The Hongkong and Shanghai Banking Corporation Limited (collectively the "**Second Issue Managers**" and each a "**Second Issue Manager**") entered into a subscription agreement (the "**Second Issue Subscription Agreement**"), pursuant to which and subject to certain conditions contained therein, the Viva Biotech BVI has agreed to issue, and the Second Issue Managers have agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the 1.00% Guaranteed convertible bonds in a principal amount of US$280 million, guaranteed by the Company. The issue price of the December 2025 Convertible Bonds was 100% of the principal amount. The initial conversion price per conversion share is HK$11.6370, which represents (i) a premium of 35.0% over the last closing price of HK$8.62 per Share as quoted on the Stock Exchange on December 17, 2020 (being the trading day on which the Second Issue Subscription Agreement was signed) and (ii) a premium of approximately 39.4% over the average closing price of HK$8.35 as quoted on the Stock Exchange for the five consecutive trading days up to and including December 17, 2020. On December 30, 2020, under Second Issue the Subscription Agreement, all of the conditions for the December 2025 Convertible Bonds have been satisfied and/or waived and completion of the December 2025 Convertible Bonds in the principal amount of US$280 million took place. The December 2025 Convertible Bonds were offered to no less than six independent placees (who are independent individual, corporate and/or institutional investors). Assuming full conversion of the December 2025 Convertible Bonds at the initial Conversion Price of HK$11.6370 per Share, the Bonds will be convertible into approximately 186,519,893 Shares. The December 2025 Convertible Bonds are listed on the Stock Exchange on December 31, 2020. The net proceeds, after deducting the transaction costs of US$4.2 million (equivalent to RMB27.5 million), were US$275.8 million (equivalent to RMB1,801.6 million). During the year ended December 31, 2022, the Company has cancelled US$30 million of the December 2025 Convertible Bonds. At the end of the Reporting Period, 166,535,619 additional Shares may be issued by the Company under the December 2025 Convertible Bond. For details, please refer to Note 32 to the consolidated financial statements.

The Group did not issue any debenture during the year ended December, 31 2022.

EQUITY-LINKED AGREEMENTS

The Company has issued the February 2025 Convertible Bonds and the December 2025 Convertible Bonds, which subsist as of December 31, 2022 as set out in Note 32 to the consolidated financial statements. The Company has made various stock incentive plans which subsist as of December 31, 2022 as set out in Note 35 to the consolidated financial statements.

Save for the Pre-IPO Share Incentive Schemes and the Post-IPO Share Option Scheme as set out in this report and save as disclosed above, no equity-linked agreements were entered into by the Group, or existed during the year ended December 31, 2022.

RESULTS AND DIVIDEND

The consolidation results of the Group for the year ended December 31, 2022 are set out on pages 92 to 224 of this report.

The Directors do not recommend the payment of a final dividend for the year ended December 31, 2022. As disclosed in the interim results announcement dated August 29, 2022, the Board did not recommend the distribution of an interim dividend for the six months ended June 30, 2022.

PERMITTED INDEMNITY

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

Such permitted indemnity provision has been in force for the year ended December 31, 2022. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Group and the Company during the year ended December 31, 2022 are set out on page 96 to 97 to the consolidated financial statements. The distributable reserves of the Company as at December 31, 2022 were RMB3,637.0 million (2021: RMB3,637.0 million).

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at December 31, 2022 are set out in the section headed "Management Discussion and Analysis" in this report and Note 30 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years, which may be terminated by not less than three months' notice in writing served by either the executive Director or our Company.

Mr. Wu Yuting has entered into an appointment letter with the Company. The term of Mr. Wu's service as a non-executive Director is for three years commencing on November 14, 2022.

Each of the independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years, which may be terminated by not less than three months' notice in writing served by either the non-executive Director/independent non-executive Director or our Company.

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

None of the Directors (including Directors who have resigned during the Reporting Period) nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting has entered into any service agreement or letter of appointment with any member of the Group (excluding agreements expiring or determinable by any member of the Group within one year without payment of compensation other than statutory compensation) during or at the end of the year ended December 31, 2022.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, the Company did not repurchase any Shares on the Stock Exchange. The Group repurchased US$25.4 million of the convertible bonds due February 2025 during the Reporting Period for an aggregate consideration of US$25.2 million, and US$30.0 million of the convertible bonds due December 2025 during the Reporting Period for an aggregate consideration of US$19.2 million.

Details of the repurchased Convertible Bonds are as follows:

Month of repurchase/redemption	Principal amount repurchased	Aggregate Consideration[1]
January	US$6,000,000[2]	US$4,560,000
July	US$20,000,000[2]	US$12,300,000
August	US$4,000,000[2]	US$2,340,000
November	US$25,400,000[3]	US$25,222,200
Total	US$55,400,000	US$44,422,200

Notes:

(1) Aggregate consideration inclusive of expenses.

(2) In relation to the convertible bonds due December 2025.

(3) In relation to the convertible bonds due February 2025.

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

ISSUANCE OF CONVERTIBLE BONDS

In February 2020 and December 2020, Viva Incubator HK and Viva Biotech BVI issued the February 2025 Convertible Bonds and December 2025 Convertible Bonds, respectively. For further details, please refer to the section headed “Debenture Issued” in this report.

Save as disclosed in this report, neither the Company nor any member of the Group purchased, sold or redeemed any of the Shares during the year ended December 31, 2022. Please also refer to the section headed “Share Incentive Schemes – Pre-IPO Share Incentive Scheme” for information in relation to the issue of Shares pursuant to options exercised under the Pre-IPO Share Incentive Scheme.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

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

Details of the Directors’ emoluments and emoluments of the five highest paid individual in the Group are set out in Notes 10 and 11 to the consolidated financial statements on pages 157 to 160 of this report.

For the year ended December 31, 2022, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived or agreed to waive any emoluments for the year ended December 31, 2022.

The Company has also adopted the Pre-IPO Share Incentive Schemes and the Post-IPO Share Option Scheme as incentive for Directors and eligible employees. Details of the said schemes are set out under the section headed "Share Incentive Schemes" in this report and in Note 35 to the consolidated financial statements on pages 195 to 200 of this report.

Except as disclosed above, no other payments have been made or are payable, for the year ended December 31, 2022, by the Group to or on behalf of any of the Directors.

MANAGEMENT CONTRACTS

No contract, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended December 31, 2022.

MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceeding during the year ended December 31, 2022.

CHANGE OF AUDITOR

Deloitte Touche Tohmatsu ("**Deloitte**") retired as auditor of the Company with effect from the conclusion of the 2019 annual general meeting of the Company held on June 10, 2020 (the "**2019 AGM**") and did not seek reappointment. After the consideration and approval in the 2019 AGM, the Company appointed Ernst & Young as the auditor of the Company. For details, please refer to the announcements of the Company dated May 7, 2020, May 11, 2020 and June 10, 2020. Save as disclosed above, there has been no change in the Company's auditor in any of the preceding three years.

The consolidated financial statements of the Group for the year ended December 31, 2022 was audited by Ernst & Young who will retire and, being eligible, offer itself for re-appointment at the forthcoming annual general meeting of the Company.

ANNUAL GENERAL MEETING

The 2023 annual general meeting (the "**2023 AGM**") will be held on Friday, June 30, 2023. Notice of the 2023 AGM and all other relevant documents will be published and despatched to shareholders of the Company in due course.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, June 27, 2023 to Friday, June 30, 2023, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2023 AGM. In order to be eligible to attend and vote at the 2023 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 pm on Monday, June 26, 2023.

Directors and Senior Management

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

DIRECTORS

Executive Directors

Mr. MAO Chen Cheney (毛晨), aged 61, was appointed as the Chairman, chief executive officer and an executive Director of our Company on July 3, 2018, and is mainly responsible for the overall strategic planning and business development of the Group. Mr. Mao has over 26 years of experience in the CRO industry. Mr. Mao has served as the chief executive director of Viva Biotech Shanghai since joining our Group in August 2008 and currently serves as the chief executive officer of all our subsidiaries, except Viva Incubator Shanghai, where he serves as the chairman of the board of directors. Mr. Mao's work experience prior to joining our Group is set forth below.

- From July 1997 to February 2003, he served as a director of the Department of Structural Biology of Parker Hughes Institute, a research institute devoted to structure-based drug discovery.

- From August 2002 to August 2003, he served as a reviewer on the U.S. National Institutes of Health Review Panel ZRG1 AARR-1 (50) in relation to AIDS-related structural biology projects grants.

- From August 2003 to May 2008, Mr. Mao served as the vice president of Medicilon Inc. and its subsidiary Shanghai Medicilon Inc., which are companies primarily engaged in biomedical research and development. Mr. Mao was also one of the founders of Medicilon Inc. and Shanghai Medicilon Inc. and was responsible for the overall operations of the group and leading research projects.

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

Mr. WU Ying (吳鷹), aged 60, was appointed as a Director of the Company in September 2009 and was redesignated as an executive Director and appointed as our executive vice president on July 3, 2018, and is mainly responsible for the daily operation of the Group and customer relations. Mr. Wu has approximately 14 years of experience in the CRO industry. Mr. Wu joined our Group in August 2008 as a vice president of Viva Biotech Shanghai and currently serves as the chief operating officer and general manager of Viva Biotech Shanghai. Mr. Wu also serves as a director of Viva Biotech HK, manager of Jiaxing Viva, executive director and general manager of Viva Incubator Shanghai and Sichuan Viva. From August 1982 to February 2008, Mr. Wu worked at Shanghai Teachers College for Vocational Studies (上海成人教師進修學院). Mr. Wu obtained his college diploma in mathematics from Shanghai Normal University (上海師範大學) in the PRC in July 1982. Mr. Wu obtained his graduate diploma in business administration from Hong Kong International Business College in Hong Kong in June 2010. Mr. Wu attended the advanced training course for chief financial officer offered by Shanghai University of Finance and Economics (上海財經大學) in the PRC from October 2013 to September 2014.

Mr. Wu is cousin of Mr. Mao Chen Cheney and Ms. Mao Jun (a substantial Shareholder), and cousin-in-law of Mr. John Wu Jiong (a substantial Shareholder).

Mr. REN Delin (任德林), aged 63, was appointed as an executive Director and the president of our Company on July 3, 2018, mainly responsible for the overall management of our CRO business. Mr. Ren has approximately 13 years of experience in the CRO industry. Mr. Ren served as the vice president of the Department of Biology of Viva Biotech Shanghai from May 2009 to August 2017 and has served as the general manager of Viva Biotech Shanghai since August 2017. Mr. Ren's work experience prior to joining our Group is set forth below.

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

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

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

Directors and Senior Management

Non-executive Director

Mr. WU Yuting (吳宇挺), aged 51, was appointed as a non-executive Director of our Company on November 14, 2022. Mr Wu was previously an investment director and partner of Fenghe Fund Management Pte. Ltd. since May 2010. He was a general manager at Shanghai Zhifang Electronic Technology Co., Ltd.* (上海智方電子科技有限公司) from July 1997 to January 2006. He was also an engineer at Shanghai Changjiang Computer System Integration Company* (上海長江計算機系統集成公司) from September 1994 to July 1997.

Mr. WU obtained his bachelor's degree in computer and application from the Shanghai Jiao Tong University (上海交通大學) in July 1994, and he further obtained his international master's degree in business administration from the Schulich School of Business of York University in June 2008.

Mr. WU is the brother of Mr. John WU Jiong (a substantial Shareholder).

Independent Non-executive Directors

Mr. FU Lei (傅磊), aged 60, was appointed as an independent non-executive Director on April 14, 2019. Mr. Fu has been a professor of medical chemistry in the School of Pharmacy of Shanghai Jiao Tong University since 2006. Mr. Fu was a lecturer at Fudan University and was an invited scientist at Free University from September 1990 to August 1993. From November 1998, Mr. Fu served as a principal investigator of Pharmacyclics, Inc., a U.S. company focusing on the developing and commercializing small-molecule medicines for the treatment of cancers and immune-mediated diseases. Mr. Fu obtained his bachelor's degree in radiochemistry from Fudan University in the PRC in July 1984. He obtained his Ph.D. degree in chemistry from Stanford University in the U.S. in September 1997.

Ms. LI Xiangrong (李向荣), aged 50, was appointed an independent non-executive Director on April 14, 2019. Ms. Li was employed with Unilever for various positions from 1993 to 2010, including serving as the financial controller for greater China region from 2007 to 2010. Ms. Li served as the chief financial officer of Hengdeli Holdings Ltd (HK.3389) from 2010 to August 2014. Ms. Li served as the chief financial officer of Homeinns Hotel Group (previously listed on NASDAQ with stock ticker HMIN) from August 2014 to April 2016. Following merger of Homeinns Hotel Group and Beijing Tourist Hotel (Group) Co., Ltd. (北京首旅酒店(集團)股份有限公司) in April 2016, Ms. Li has served as the deputy general manager and financial controller of Beijing Tourist Hotel (Group) Co., Ltd. (北京首旅酒店(集團)股份有限公司) (600258) since then. Since September 6, 2019, Ms. Li was appointed as an independent director and served on the board of directors for MakeMyTrip Limited, an Indian online travel company (listed on NASDAQ with the stock ticker MMYT).

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

Mr. WANG Haiguang (王海光), aged 60, was appointed as an independent non-executive Director on April 14, 2019. Mr. Wang was a teacher at Hangzhou University (杭州大學) (now merged into Zhejiang University (浙江大學)) from April 1983 to April 1984. Mr. Wang worked at the Publicity Department of Zhejiang Provincial Party Committee of the Communist Party of China (the "**CPC**") from May 1984 to January 1990 and the General Office of the Party School of the CPC Central Committee from February 1990 to July 1995, respectively. From July 1995 to April 1997, Mr. Wang served as deputy general manager of Zhejiang World Trade Center Co., Ltd. (浙江世界貿易中心有限公司), and was primarily responsible for day-to-day operations of the company. From May 1997 to June 2006, Mr. Wang served as the executive president, primarily responsible for day-to-day operations of the company, at Nandu Group Holding Co., Ltd. (南都集團控股有限公司). Mr. Wang has served as the chairman of the board of directors of Narada Hotel Group, Zhejiang World Trade Center Co., Ltd. (浙江世界貿易中心有限公司), the executive president and director of Shanghai Nandu Group Co., Ltd. (上海南都集團有限公司) since June 2006, as well as the chairman of the board of directors of Zhejiang Vanke Nandu Real Estate Co., Ltd. (浙江萬科南都房地產有限公司) since October 2006.

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

SENIOR MANAGEMENT

Please refer to "– Board of Directors – Executive Directors" for the biographical details information of Mr. MAO Chen Cheney (毛晨), Mr. WU Ying (吳鷹) and Mr. REN Delin (任德林).

Mr. YE Zhixiong (葉志雄), aged 63, was appointed as the chief scientific officer of our Company on July 10, 2018, and is mainly responsible for the research and development related matters. Mr. Ye served as the vice president of the Department of Chemistry in Viva Biotech Shanghai from September 2009 to July 1, 2017. Prior to joining our Group, Mr. Ye worked as a senior research fellow at Merck & Company, Inc. (NYSE: MRK), an American pharmaceutical company, for a period of over 14 years. During Mr. Ye's employment with Merck & Company, Inc., he participated and directed drug research and development projects targeted at diabetes, obesity and endocrine related diseases.

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

Mr. CHENG Xueheng (程學恒), aged 67, joined Viva Biotech Shanghai in September 2009 and was appointed as the chief technology officer of the Company on August 23, 2019. Prior to joining the Group, Mr. Cheng served as vice president and chief scientist officer at Excel Research from August 2008 to August 2009. From June 1995 to August 2008, he served as senior group leader of high throughput mass spectrometry laboratory at Abbott Laboratories. Mr. Cheng served as a senior scientist at Pacific Northwest National Laboratory in the U.S. from November 1992 to June 1995. Mr. Cheng worked as a research associate at the University of Maryland from September 1991 to October 1992. From September 1989 to September 1991, Mr. Cheng worked as a research associate at Harvard University. Mr. Cheng obtained his bachelor's degree in chemistry from Peking University in 1982. He obtained his Ph.D. degree in organic chemistry from Harvard University in 1989.

Dr. DAI Han (戴晗), aged 43, is currently Chief Innovation Officer and Head of the Company. Dr. Dai is also an External Innovation Consultant for Johnson & Johnson. Prior to joining the Company, Dr. Dai held research and development, business development and External Innovation management roles in global pharmaceutical and biotech companies, including over 10 years of experience at GlaxoSmithKline (GSK) (including as scientific leader and GSK Fellow of Protein Degradation DPU). Dr. Dai successfully led or co-led the discovery, preclinical development, translational research and biomarker studies across many therapeutic areas, including oncology, immunology, metabolic and neurological diseases. Dr. Dai received his Ph.D. in Biomedical Sciences from University of Texas Southwestern Medical Center as a Frank and Sara McKnight fellow, and his bachelor of science in Biochemistry from Nanjing University. Dr. Dai completed his postdoctoral training in Harvard Medical School and Howard Hughes Medical Institute as a Helen Hay Whitney fellow. He has published more than 50 papers, book chapter, abstracts and patents in reputable journals and conferences. Dr. Dai served as scientific advisory board member of the Chemical Probes Portal, full faculty member of Faculty Opinions, President of Sino-American Pharmaceutical Professional Association – Greater Philadelphia (SAPA-GP) and visiting professor at High Magnetic Field Laboratory of the Chinese Academy of Sciences (CHMFL), National Center for Translational Medicine (Shanghai) and Shanghai Jiao Tong University (SJTU).

Mr. WANG Zheren (王哲人), aged 39, joined our Group in April 2021, currently serves as the chief financial officer of the Company and is responsible for the Group's financial management and capital market related affairs. Prior to joining the Group, Mr. Wang was the chief financial officer and chief operation officer of MITRO Biotech Co., Ltd. (米度(南京)生物技術有限公司), responsible for its financial management, investment, financing and operation management, where he successfully established the domestically leading molecular imaging experimental center and radiopharmaceutical research and development platform. Prior to that, Mr. Wang accumulated over ten years of experience in the financial industry and successively worked for PricewaterhouseCoopers Zhong Tian LLP, PwC Consultants (Shenzhen) Ltd. and AVISTA Group, where he provided professional services for the IPO, mergers and acquisitions and private placements of several domestic and overseas well-known corporations.

Mr. Wang graduated from the School of Finance of Shanghai University of Finance and Economics (上海財經大學) in 2005 with a bachelor's degree in economics majoring in securities investment and financial engineering, and a bachelor's degree in management majoring in management information system. He is also a CFA Charter holder.

Mr. LIU Rongqiang (劉容強), aged 58, was appointed as the vice president of the Department of Chemistry of our Company on July 10, 2018 and is primarily responsible for the management of the Department of Chemistry. Mr. Liu joined our Group in March 2018 and currently serves as the senior vice president of the Company. Mr. Liu is responsible for the operation management of Zhoupu chemical CRO team and Jiaxing chemical CRO team. From May 2001 to May 2008, Mr. Liu was a senior researcher at Pharmacopeia, Inc., a U.S. biopharmaceutical company which engages in the drug discovery and development and Mr. Liu's research were primarily concerning inflammatory diseases, central nervous system and Oncology. From August 2008 to August 2012, Mr. Liu served as a senior director in Shanghai ChemPartner Co., Ltd. (上海睿智化學研究有限公司), a CRO based in China, and was mainly responsible for providing chemistry support for a number of pharmaceutical companies. From September 2012 to November 2016, he served as a director of external medicinal chemistry at Merk, Sharp & Dohme Co., a leading pharmaceutical company in the world. From December 2016 to February 2018, he served as the executive director of medicinal chemistry at Shanghai Bioduro Co., Ltd. (上海諾潤生物科技有限公司), a company engaged in the provision of contract research services for drug research and development, and was responsible for the overall management and operation of the chemistry division. Mr. Liu obtained his bachelor's degree in chemistry and master's degree in organic chemistry from Nankai University (南開大學) in the PRC in September 1987 and September 1990, respectively. He obtained his Ph.D. degree in science from the University of Lausanne in Switzerland in November 1996. Mr. Liu was a postdoctoral research associate in bioorganic chemistry and peptide chemistry at the University of Minnesota in the U.S. from February 1997 to May 2001. Mr. Liu has published about 15 research papers on topics including anemia and anti-tumor kinase inhibitors.

JOINT COMPANY SECRETARY

Ms. FEI Xiaoyu (費曉玉), aged 36, was appointed as a joint company secretary of our Company on July 10, 2018. Ms. Fei joined our Group as an assistant to president in Viva Biotech Shanghai in July 2009. Starting from November 2011, Ms. Fei has been concurrently serving as assistant to president and officer manager in Viva Biotech Shanghai. Since joining our Group, she has mainly been responsible for assisting the chairman and the chief executive officer of Viva Biotech Shanghai in the daily operations and administrative matters of Viva Biotech Shanghai and has participated in the discussions of material decisions of the Group. Ms. Fei obtained her bachelor's degree in Japanese language from Shanghai Normal University (上海師範大學) in July 2009, and obtained her graduate diploma for completing the courses of mater of business administration from Hong Kong International Business College in June 2012.

Ms. CHAU Hing Ling (周慶齡), aged 48, was appointed as a joint company secretary of our company on July 10, 2018. She joined Vistra Corporate Services (HK) Limited ("**Vistra**") since June 2013 and now serves as a director of corporate services of Vistra, where she leads a team of professional staff to provide a full range of corporate services and listed company secretary services. Prior to joining Vistra, she was an associate director of corporate services of an international corporate services provider.

Ms. Chau has over 22 years of experience in the corporate services industry. She is currently the company secretary of several companies listed on the Stock Exchange. Ms. Chau received a Master of Laws degree majoring in corporate and financial law from The University of Hong Kong in November 2007. She has been a fellow member of the Chartered Governance Institute (formerly know as Institute of Chartered Secretaries and Administrators) and the Hong Kong Chartered Governance Institute (formerly known as the Hong Kong Institute of Chartered Secretaries) since May 2013.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

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

On behalf of the Board

MAO Chen Cheney
Chairman and Chief Executive Officer

Hong Kong, March 30, 2023

Corporate Governance Report

The Board of Directors is pleased to present the corporate governance report for the Company for the year ended December 31, 2022.

CORPORATE GOVERNANCE PRACTICES

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

COMPANY'S CULTURE

The Board believes that corporate culture underpins the long-term business, economic success and sustainable growth of the Group. A strong culture enables the Company to deliver long-term sustainable performance and fulfil its role as a responsible corporate citizen. The Company is committed to developing a positive and progressive culture that is built on its Vision, Mission and Values.

During 2022, the Company continued to strengthen its cultural framework by focusing on the following:

- Vision: To become a long-term partner of global innovative biotechnology research and development corporation.

- Mission: To be innovation-driven, to be empowered by cutting-edge technology, to strive for excellence, and to benefit patients all around the world.

- Values: Innovation

  With the leading advantages in the field of Structure-Based Drug R&D technology, we actively build an innovative technology platform, continue to expand and optimize services, and help the global R&D and production of innovative drugs.

  Integrity and Professionalism

  Be honest and compliant, keep our promises, abide by professional ethics, and realize the improvement of self-worth and working ability.

  Customer Success

  To maximize value creation to customers, establish long-standing cooperative relations with them and empower them to achieve excellence.

Win-win Cooperation

To provide efficient and quality services to customers, empower them in drug R&D and production; share advantages with partners and strengthen synergy with them to facilitate the construction of technology platforms; remain focused on investment activities and incubate biopharmaceutical startups with potential to build an open, win-win ecosystem for biomedical innovators.

The Board sets and promotes corporate culture and expects and requires all employees to reinforce. All of our new employees are required to attend orientation and training programs so that they may better understand our corporate culture, structure and policies, learn relevant laws and regulations, and raise their quality awareness. In addition, from time to time, the Company will invite external experts to provide training to our management personnel to improve their relevant knowledge and management skills.

The Board considers that the corporate culture and the purpose, values and strategy of the Group are aligned.

Anti-corruption Policy

The Company does not tolerate any form of bribery, whether direct or indirect, by, or of, its Directors, officers, employees, agents or consultants or any persons or companies acting for it or on its behalf. The Company adopts the anti-corruption policy in assisting the employees in recognising circumstances which may lead to or give the appearance of being involved in corruption or unethical business conduct, so as to avoid such conduct which is clearly prohibited, and to promptly seek guidance if necessary.

The anti-corruption policy will be reviewed on a regular basis, any convicted cases will be reported to the Audit Committee.

Whistleblowing Policy

The Company expects and encourages employees of the Group and those who deal with the Group (e.g. suppliers, customers, creditors and debtors) to report to the Company, in confidence, any suspected impropriety, misconduct or malpractice concerning the Group. The Company adopts the whistleblowing policy to provide reporting channels and guidance on reporting possible improprieties and reassurance to whistleblowers of the protection that the Group will extend to them in the formal system.

The whistleblowing policy will be reviewed on a regular basis, any suspected cases will be reported to the Audit Committee.

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

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

Save as disclosed above, in the opinion of the Directors, the Company has complied with the code provisions contained in the CG Code during the year ended December 31, 2022.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

BOARD OF DIRECTORS

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

The composition of the Board is as followings:

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

Non-executive Director
Ms. SUN Yanyan (孫妍妍) *(resigned on November 14, 2022)*
Mr. WU Yuting (吳宇挺) *(appointed on November 14, 2022)*

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

The biographical details of the Directors are set out in the section headed "Directors and Senior Management" on pages 38 to 44 of this report. Ms. SUN Yanyan resigned from her position in order to devote more time to pursue her respective other business engagements and has confirmed that she has no disagreement with the Board.

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

DIRECTORS' AND SENIOR MANAGEMENT'S LIABILITY INSURANCE AND INDEMNITY

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

BOARD MEETINGS AND COMMITTEE MEETINGS

Code provision C.5.1 of the Corporate Governance Code stipulates that board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communications.

During the year ended December 31, 2022, fifteen Board meetings were held at which the Board considered and approved interim and annual results announcements, interim and annual reports and other business affairs of the Group. The Company expects to continue to convene at least four regular meetings in each financial year at approximately quarterly intervals in accordance with code provision C.5.1 of the Corporate Governance Code.

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

Name of Director	Number of meeting(s) attended/number of meeting(s) held for the year ended December 31, 2022 Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors:				
Mr. MAO Chen Cheney	15/15	N/A	N/A	2/2
Mr. WU Ying	15/15	N/A	N/A	N/A
Mr. REN Delin	15/15	N/A	N/A	N/A
Non-executive Director:				
Ms. SUN Yanyan(1)	11/11	N/A	N/A	N/A
Mr. WU Yuting(2)	4/4	N/A	N/A	N/A
Independent Non-executive Directors:				
Mr. FU Lei	15/15	2/2	2/2	2/2
Ms. LI Xiangrong	15/15	2/2	2/2	N/A
Mr. WANG Haiguang	15/15	2/2	2/2	2/2

Notes:

1. Mr. SUN Yanyan resigned as a non-executive Director on November 14, 2022.

2. Mr. WU Yuting appointed as a non-executive Director on November 14, 2022.

NON-EXECUTIVE DIRECTORS AND INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board has received from each of the independent non-executive Directors a written annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers each of them to be independent. Each of the independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years. Mr. Wu Yuting has entered into an appointment letter with the Company for an initial term of three years commencing from November 14, 2022.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

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

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

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

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

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

BOARD COMMITTEES

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

Audit Committee

The Company has established an audit committee (with effect from the Listing Date) with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.4 and paragraph D.3 of the CG Code. The audit committee consists of three independent non-executive Directors being Ms. LI Xiangrong, Mr. WANG Haiguang and Mr. FU Lei. The chairman of the audit committee is Ms. LI Xiangrong. Ms. Li Xiangrong holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the audit committee are to review of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as assigned by the Board.

For the year ended December 31, 2022, the audit committee convened two meetings. The attendance record of the Directors at meetings of the audit committee is set out in the table on page 51.

During the meeting(s), the audit committee:

- reviewed annual results of the Group for the year ended December 31, 2021;

- reviewed interim results of the Group for the six-months ended June 30, 2022;

- discussed and made recommendation as to the re-appointment of the Company's auditor for the year ended December 31, 2022; and

- reviewed the financial reporting system, compliance procedures, internal control (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function and risk management and internal control systems and processes of the Group).

Remuneration Committee

The Company has established a remuneration committee (with effect from the Listing Date) with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1 of the CG Code. The remuneration committee consists of three independent non-executive Directors being Ms. Li Xiangrong, Mr. Wang Haiguang and Mr. Fu Lei. The remuneration committee is chaired by Ms. Li Xiangrong. The remuneration committee has adopted the second model described in paragraph B.1.2(c) under Appendix 14 to the Listing Rules (i.e. make recommendation to the Board on the remuneration packages of individual executive Director and senior management member). The primary duties of the remuneration committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management. Beginning in 2023, the Remuneration Committee will also have the responsibilities of reviewing and approving matters relating to share scheme in accordance with Chapter 17 of the Listing Rules.

For the year ended December 31, 2022, the remuneration committee convened two meeting. The attendance record of the Directors at meetings of the remuneration committee is set out in the table on page 51.

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

Details of the remuneration payable to each Director of the Company for the year ended December 31, 2022 are set out in Note 10 to the consolidated financial statements.

The remuneration of the members of senior management by band for the year ended December 31, 2022 is set out below:

Remuneration Bands *(RMB)*	Number of Persons
3,000,000-4,000,000	3
2,000,000-3,000,000	5
Total	8

Nomination Committee

The Company has established a nomination committee (with effect from the Listing Date) with written terms of reference in compliance with paragraph B.3 of the CG Code. The nomination committee consists of one executive Director, being Mr. Mao Chen Cheney, and two independent non-executive Directors, being Mr. Fu Lei and Mr. Wang Haiguang. The chairman of the Nomination Committee is Mr. Mao Chen Cheney. The primary duties of the nomination committee include, without limitation, reviewing the structure, size and composition of our Board, assessing the independence of independent non-executive Directors and making recommendations to our Board on matters relating to the appointment of Directors.

For the year ended December 31, 2022, the nomination committee convened two meeting. The attendance record of the Director at meetings of the nomination committee is set out in the table on page 51.

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

Board Diversity Policy

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

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

The Board currently comprises of seven directors, of which three are executive Directors, one is non-executive Director and three are independent non-executive Directors. Among which, one Director is female and six Directors are male and two in the age group of 50-59; five in the age group of 60-69. The Board has an appropriate mix of skills, experience and diversity that are relevant to the Company's strategy, governance and business, the Directors are severally in executive leadership & strategy, financial management and legal professionals/regulatory & compliance/risk management.

The Board targets to maintain at least the current level of female representation, with the ultimate goal of achieving gender parity based on the availability of candidates and the specific needs of the Board at the time of nominating and electing for new Directors.

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

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

The nomination committee will review the Diversity Policy, as appropriate, to ensure its effectiveness. Further details on the biographies and experience of the Directors are set out on pages 38 to 44 of this report.

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

Workforce diversity

The gender ratio in the workforce (including senior management) for the year ended December 31, 2022 is 0.55:0.45. The total gender diversity of the Group is balanced and the Group will continue to maintain the gender diversity in workforce. For further details of gender ratio and initiatives taken to improve gender diversity together with the relevant data, please refer to the disclosure in the ESG report.

Board Independence

The Company recognizes that Board independence is key to good corporate governance. The Company has in place effective mechanisms that underpin an independent Board and that independent views. The current composition of the Board, comprising more than one third of the of the independent non-executive Directors and the members of the Audit Committee are all independent non-executive Directors exceed the independence requirements under the Listing Rules. The Remuneration Committee and Audit Committee are all chaired by independent non-executive Directors. The remuneration of independent non-executive Directors are subject to a regular review to maintain competitiveness and commensurate with their responsibilities and workload. The independence of each independent non-executive Director is assessed upon his/her appointment and annually.

Directors are requested to declare their direct or indirect interests, if any, in proposals or transactions to be considered by the Board at the Board meetings and abstain from voting, where appropriate. External independent professional advice is available to all Directors, including independent non-executive Directors, whenever deemed necessary. The independent non-executive Directors have consistently demonstrated strong commitment and the ability to devote sufficient time to discharge their responsibilities at the Board.

The Company has also established channels through formal and informal means whereby independent non-executive Directors can express their views in an open manner, and in a confidential manner, should circumstances requires.

Dividend Policy

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

Our Board currently intends, subject to the approval of our shareholders and unless otherwise required by applicable laws, to distribute to our shareholders up to 40% of any distributable profit (excluding any unrealized fair value gains from our incubation portfolio companies) for the financial year ended December 31, 2022 and each year thereafter provided that the Company shall have sufficient working capital for business operations. There is, however, no assurance that dividends of such amount or any amount will be declared or distributed in such year or in any given year.

Nomination Policy

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

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

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

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing the functions set out in code provision A.2.1 of the Corporate Governance Code.

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

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

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31 December, 2022 and ensure that the consolidated financial statements give a true and fair view of the state of affairs of the Group and are prepared in accordance with statutory requirements and applicable accounting standards.

As disclosed in note 2.1 to the consolidated financial statements in this annual report, in preparing the consolidated financial statements, the directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern, in view of the Group incurred a net loss of RMB504,220,000 during the year ended 31 December, 2022 and, as of that date, the Group had two convertible bonds of which the holders had an option to require the Group to redeem all or some of such holders' bonds on February 11, 2023 and December 30, 2023, respectively, leading to the Group's current liabilities exceeding its current assets by RMB733,750,000.

The board of directors have reviewed the Group's cash flow projections prepared by management, which cover a period of twelve months from December 31, 2022. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from December 31, 2022. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

The Company's external auditor, Ernst & Young, has issued an unmodified opinion with a "Material Uncertainty related to Going Concern" section in the "Independent Auditor's Report". Please refer to the "Independent Auditor's Report" from page 86 of this annual report for details.

The statement of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Section headed "Independent Auditor's Report" on pages 86 to 91 of this annual report.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Pursuant to the code provision C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

Pursuant to the code provision C.1.1 of the CG Code, each newly appointed Director should be provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statues, laws, rules and regulations.

During the year ended December 31, 2022 and up to the date of this report, the Directors were regularly briefed on the amendments to or updates on the relevant laws, rules and regulations.

All Directors, namely Mr. Mao Chen Cheney, Mr. Wu Ying, Mr. Ren Delin, Mr. Wu Yuting, Mr. Fu Lei, Ms. Li Xiangrong and Mr. Wang Haiguang, have been updated with the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. In addition, continuing briefing and professional development to Directors will be arranged whenever necessary.

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

AUDITORS' RESPONSIBILITY AND REMUNERATION

The Company appointed Ernst & Young as the external auditor for the year ended December 31, 2022. A statement by Ernst & Young about their reporting responsibilities for the financial statements is included in the Independent Auditor's Report on pages 86 to 91.

Details of the fees paid/payable in respect of the audit and non-audit services provided by Ernst & Young for the year ended December 31, 2022 are set out in the table below:

Services rendered for the Company	**Fees paid and payable** *RMB'000*
Audit services:	
Annual audit services	3,600
Non-audit services:	
Interim review services	1,200
Tax consultation services	150
Total	4,950

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

  1) Interview with responsible personnel;

  2) Obtain and review the required documents;

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

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

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

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

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

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

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

COMPANY SECRETARY AND PRIMARY CONTACT OF THE COMPANY

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

In compliance with Rule 3.29 of the Listing Rules, Ms. Fei Xiaoyu and Ms. Chau Hing Ling both undertook not less than 15 hours of relevant professional training to update their skills and knowledge during the year ended December 31, 2022.

GENERAL MEETING

For the year ended December 31, 2022, one annual general meeting of the Company was held. The attendance record of the directors is set out in the table below:

Directors	**Attended in person/ Eligible to attend**
Mr. MAO Chen Cheney	1/1
Mr. WU Ying	1/1
Mr. REN Delin	1/1
Ms. SUN Yanyan *(Note 1)*	1/1
Mr. WU Yuting *(Note 2)*	N/A
Mr. FU Lei	1/1
Ms. LI Xiangrong	1/1
Mr. WANG Haiguang	1/1

Notes:

1. Ms. SUN Yanyan was resigned as a non-executive Director on November 14, 2022.

2. Mr. WU Yuting was appointed as a non-executive Director on November 14, 2022.

SHAREHOLDERS' RIGHTS

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

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

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

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

Putting Forward Enquiries to the Board and Contact Details

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

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

Address:	No. 735, Ziping Road, Zhoupu Town, Pudong New District, Shanghai 201318, China
Telephone:	+86 21 60893288
Fax:	+86 21 58243936
Email:	info@vivabiotech.com

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS

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

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

CHANGES IN CONSTITUTIONAL DOCUMENTS

The Company adopted a second amended and restated Memorandum and Articles of Association on June 28, 2022.

During the year ended December 31, 2022, the Company did not made any significant changes to its constitutional documents.

Other Information

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

As at December 31, 2022, the interests or short positions of the Directors or chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(i) Interest in Shares and underlying Shares

Name of Director	Nature of interest	Number of ordinary shares	Approximate percentage of the Company's issued share capital+
Mr. Mao Chen Cheney(2)	Beneficial owner	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%
	Other	175,000,000 (L)	9.04%
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%

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. Pursuant to a proxy agreement, Mr. Mao Chen is entitled to exercise the voting rights on certain shares held by Ms. Zhou Min until such time as she cease to be a holder of the shares in question. 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 December 31, 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 Chencehney Ltd) entered into a Convertible Note Purchase Agreement with Clues Therapeutics Inc. to subscribe for the 8% Convertible Promissory Note in the principal amount of US$447,039.092. The conversion price under which the Convertible Note is convertible into shares is subject to adjustments in accordance with the mechanism of the Convertible Note and reflects the calculation made at the time of the Convertible Note Purchase Agreement.

Save as disclosed above, as at December 31, 2022, so far as is known to any Director or the chief executive of the Company, none of the Directors or the chief executive of the Company has any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As at December 31, 2022, so far as the Directors are aware, the following persons (other than our Directors or chief executives of our Company) had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Capacity/Nature of interest	Number of ordinary shares[1]	Approximate percentage of Company's issued share capital[+]
Ms. Mao Jun[2]	Beneficiary of a trust (other than a discretionary trust)	281,057,654 (L)	14.52%
Ms. Zhou Min	Beneficial owner	100,000,000 (L)	5.17%
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	6.55%
Intertrust (Singapore) Ltd.[2]	Trustee	131,057,654	6.77%
JPMorgan Chase & Co.[4]	Interest in a controlled corporation	133,737,536 (L) 123,767,367 (S)	6.91% 6.40%
	Person having a security interest	15,334,124 (L)	0.79%
	Approved lending agent	3,539,277 (L)	0.18%

Notes:

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

2. Each of Mao and Sons Limited, and Zhang and Sons Limited is indirectly wholly-owned by Intertrust (Singapore) Ltd. as the trustee of the Z&M Trust (whose interest is held through Z&M International Holdings Limited). Each of JL and JSW Holding Limited, TIANL Holding Limited 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.

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

4. Among the interests, 1,471,500 (L) and 305,000 (S) are unlisted derivatives – cash settled and 29,876,405 (L) and 5,462,367 (S) are unlisted derivatives – convertible instruments.

\+ The percentage represents the number of ordinary Shares interested divided by the number of the issued Shares as at December 31, 2022.

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

SHARE INCENTIVE SCHEMES

1. Pre-IPO Share Incentive Schemes

(a) Purpose and Principal Terms

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

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

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

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

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

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

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

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

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

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

The Pre-IPO Share Incentive Schemes do not involve the grant of the option to subscribe for any new Shares. It does not cause any effect to the total number of Shares outstanding and will not result in any dilution effect to the Shares. Please refer to the Prospectus for further details of the Pre-IPO Share Incentive Schemes. Particulars of the grant of the Pre-IPO Share Incentive Schemes are set forth below:

		Number of options					
Name and category of participant	**Date of grant**	**As of January 1, 2022**	**Exercised during the Reporting Period**	**Canceled during the Reporting Period**	**Lapsed during the Reporting Period**	**As of December 31, 2022**	**Vesting 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	

Note:

(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.

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 (i.e. May 8, 2029, the "**Scheme Period**"), after which time no further option shall be offered or granted but the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect in all other respects to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Post-IPO Share Option Scheme. A nominal amount of HK$1 is payable by an Eligible Participant in relation to each grant of option.

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

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

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

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

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

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

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

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

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

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

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

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

On June 24, 2022 (the "**Modification Date**"), the remaining 11,820,000 share options of the options granted in 2022 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 exercise price of the options are HK$2.89 and closing price of the Shares on the date immediately prior to the grant was HK$2.65. The fair value representing the Options granted to the eligible participants on the date of grant was approximately HK$10.05 million. For further details on the accounting standard and policy adopted for the valuation of the 2022 Options, please refer to notes 2.4 and 35 to the consolidated financial statements.

Details of the options granted under the Post-IPO Share Option Scheme and those remained outstanding as at December 31, 2022 are as follows:

Name and category of participant	Date of grant	As of January 1, 2022	Granted during the Reporting Period	Exercised during the Reporting Period	Canceled during the Reporting Period	Lapsed during the Reporting Period	As of December 31, 2022	Exercise and vesting 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	1,070,000	–	*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	–	–	360,000	11,460,000	*Note 4*
Subtotal		27,230,000	11,820,000	–	11,820,000	1,430,000	25,800,000	
Total		29,150,000	11,820,000	–	11,820,000	1,430,000	27,720,000	

Notes:

(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 year as recorded in the Company's audited consolidated financial statements shall increase by no less than 30%, 60% and 90% as compared to the Group's revenue for the 2019 financial year, respectively. 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.

(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 year 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 have vested will become immediately exercisable and will remain exercisable until July 6, 2026. The exercise price of the options are HK$9.70.

(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 year 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. The exercise price of the options are HK$5.46.

(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. The exercise price of the options are HK$2.89.

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 35 to the consolidated financial statements in this report. The total amount of options that are available for further grant under the Post-IPO Share Option Scheme on January 1, 2022 and December 31, 2022 are 120,715,000 and 110,325,000 Shares, respectively. The maximum amount of Shares which may be issued in respect of options granted under the Post-IPO Share Option Scheme is 27,720,000 Shares, representing 1.43% of the weighted average number of Shares during the Reporting Period.

For additional details of the share options granted by the Company under the Post-IPO Share Option Scheme, please refer to the Company's announcement on the respective date of grant.

3. Restricted Share Unit Scheme

The Company has adopted a restricted share unit scheme (the "**Restricted Share Unit Scheme**" or "**Scheme**") by a board resolution on June 5, 2020. Unless otherwise defined, capitalized terms in this section shall have the same meaning as used in the Company's announcement dated June 5, 2020. The following is a summary of the principal terms of the Restricted Share Unit Scheme.

(a) Purposes of the Restricted Share Unit Scheme

The purposes of the Scheme are to recognize and motivate the contributions by the Participants and give incentives thereto in order to retain them, as well as to attract suitable personnel for further development of the Group.

(b) Eligible Persons for the Scheme

Pursuant to the Scheme, the Committee may, from time to time, at its absolute discretion select any Participant for participation in the Scheme and make a Grant to such selected Participant during the Term, after taking into account various factors (including contribution made by such Participant to the Company's performance) as it deems appropriate. Any grant to the Participants will also be subject to the relevant provisions of the Listing Rules.

(c) Grant of Awards

The Committee may at any time during the Term to make a Grant to any selected Participant at its absolute discretion. A Grant shall be made to a Participant by a notice of Grant setting out, among other things, the terms and conditions of such Grant. Any Grant to the Directors or senior management of the Group must first be approved by the remuneration committee of the Company.

(d) Term of the Share Incentive Plan

The Scheme shall terminate on the earlier of (i) the expiry of the period of 10 years from June 5, 2020; or (ii) such date of early termination as determined by the Board or Committee provided that no further RSUs will be offered after such termination but in all other respects the provisions of the Scheme shall remain in full force and effect in respect of RSUs which are granted during the life of the Scheme and which remain unvested immediately prior to the termination of the operation of the Scheme.

(e) Acceptance of Award

If a Participant accepts the Grant, he/she is required to sign the acceptance notice and return it to the Company within the period specified and in a manner prescribed in the notice of Grant. Each Participant shall pay RMB1 as the Award Price to accept the Awards granted to such Participant.

(f) Restrictions

A Grant must not be made after inside information has come to the Company's knowledge until such inside information has been announced in accordance with the requirements of the Listing Rules. In particular, no Award may be granted during the period commencing one month immediately preceding the earlier of:

(a) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(b) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement.

Such period will cover any period of delay in the publication of a results announcement and no Grant must be made where the made on the Grant would contravene with the Listing Rules or any applicable laws or regulations.

(g) Vesting and Lapse

The Committee may from time to time while the RSUs is in force and subject to all applicable laws, determine in its sole discretion such vesting criteria and conditions or periods for the Award to be vested. All of such vesting conditions (including payment of any exercise or purchase price) and periods (including the vesting date) shall be set out in the relevant notice of Grant issued to each Grantee. The Committee may determine at its sole discretion, the exercise or purchase price as may be applicable to each RSU.

For the purposes of vesting of the RSU(s), the Committee may direct and procure the Trustee to release from the Trust the RSU(s) to the selected Participants by transferring the number of the RSUs to the selected Participants in such manner as determined by it from time to time. The Committee shall inform the Trustee the number of the RSU(s) or the amount of Cash Equivalent being transferred, paid and/or released to the selected Participant in the manner as determined by the Committee.

An unvested RSU shall be lapse and cancelled automatically upon certain events, including the termination of the Grantee's employment or service with the Company. The Committee may in its absolute discretion decide that any RSU shall not be cancelled or determine subject to such conditions or limitations as the Committee may decide.

(h) General and Maximum Limit

The maximum number of Shares which may be granted under the Scheme is 20,000,000 Shares representing approximately 1.03% of the number of Shares in issue as of December 31, 2022. The Committee has granted RSUs underlying 12,900,000 Shares and RSUs underlying 7,100,000 Shares remains grantable as of both January 1, 2022 and December 31, 2022. All Shares required for the satisfaction of the Scheme shall be purchased by the Trustee from the secondary market and no new Shares will be issued for the purpose of the Scheme. The Trustee shall not exercise the voting rights attached to Shares under the Share Incentive Plan. The Company shall comply with the relevant Listing Rules requirements on the maximum entitlement of each participant under the scheme.

The following table summarizes the number of Share Units under the Share Incentive Plan granted to employees of the Company as of the Latest Practicable Date.

Participant	The date of grant	Number of awards					Exercise and vesting period
		As of January 1, 2022	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	As of December 31, 2022	
Directors and their associates							
Mr. MAO Chen Cheney	December 11, 2020	640,000	–	–	–	640,000	Note 1
Mr. WU Ying	December 11, 2020	640,000	–	–	–	640,000	Note 1
	December 2, 2021	1,280,000	–	–	–	1,280,000	Note 2
Mr. REN Delin	December 11, 2020	640,000	–	–	–	640,000	Note 1
	December 2, 2021	1,280,000	–	–	–	1,280,000	Note 2
Ms. Zhao Huixin(4)	December 11, 2020	160,000	–	–	–	160,000	Note 1
Sub-total		4,640,000	–	–	–	4,640,000	
Senior management and other employees of the Company							
– Five highest paid individuals during the Report Period(5)	December 11, 2020	640,000	–	–	–	640,000	Note 1
	December 2, 2021	640,000	–	–	–	640,000	Note 3
– Other employees of the Company	December 11, 2020	5,820,000	–	–	520,000	5,300,000	Note 1
	December 2, 2021	1,280,000	–	–	–	1,280,000	Note 3
Subtotal		8,380,000	–	–	520,000	7,860,000	
Total		13,020,000	–	–	520,000	12,500,000	

Notes:

(1) Subject to vesting conditions including performance target of both the Group and the grantee, (i) 40% of Awards granted to each grantee shall be vested on December 11, 2022, (ii) an additional 30% shall be vested on December 11, 2023 and (iii) the remaining 30% shall be vested on December 11, 2024.

The Group's performance target for the three tranches of Awards referred to in the preceding paragraph is that the Group's revenue for the 2022, 2023 and 2024 financial year 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 purchase price for each Share underlying the RSU is HK$4.90.

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

The Group's performance target for the two tranches of Awards referred to in the preceding paragraph is that the Group's revenue for the 2023 and 2024 financial year 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 purchase price for each Share underlying the RSU is HK$5.46.

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

The Group's performance target for the three tranches of Awards referred to in the preceding paragraph is that the Group's revenue for the 2022, 2023 and 2024 financial year 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 purchase price for each Share underlying the RSU is HK$5.46.

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

(5) Five highest paid individuals who are neither a director nor their associates of the Company.

USE OF PROCEEDS FROM GLOBAL OFFERING

On May 9, 2019, the shares of the Company were listed on the Main Board of the Stock Exchange. The net proceeds from the global offering were approximately RMB1,217.1 million after deducting underwriting commissions and other expenses paid and payable by us in the global offering. There was no change in the intended use of net proceeds as previously disclosed in the Prospectus. As at December 31, 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 December 31, 2021[(1)] *RMB'million*	Proceeds utilized for the year ended December 31, 2022 *RMB'million*	Utilized net proceeds up to December 31, 2022 *RMB'million*	Proceeds unused as of December 31, 2022[(2)] *RMB'million*	Expected timeline for utilizing the remaining balance of net proceeds from the global offering[(3)]
Expanding EFS model	30%	365.13	263.29	39.91	303.20	61.93	Expected to be fully utilized by December 31, 2023
Building up commercial & research manufacturing capabilities and capacities in contract manufacturing organization ("**CMO**")	30%	365.13	325.30	26.79	352.09	13.04	Expected to be fully utilized by December 31, 2023
Purchasing laboratory equipment and materials	10%	121.71	121.71	–	121.71	–	–
Hiring, training and retaining biologics & chemical drug R&D personnel	10%	121.71	121.71	–	121.71	–	–
Expanding CMO business	10%	121.71	121.71	–	121.71	–	–
General corporate and working capital	10%	121.71	121.71	–	121.71	–	–

Notes:

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

2. As at December 31, 2022, net proceeds not yet utilized were deposited with certain licensed banks in Hong Kong or the PRC.

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

USE OF PROCEEDS FROM CONVERTIBLE BONDS

On February 11, 2020, Viva Incubator HK issued the convertible bonds due in February 2025. The net proceeds, after deducting the transaction costs of US$2.6 million (equivalent to RMB18.3 million), were US$177.4 million (equivalent to RMB1,256.0 million), and had been utilized as follows as at December 31, 2022:

Business objective as stated in the offering circular	Percentage of total net proceeds	Planned use of actual net proceeds	Utilized net proceeds up to December 31, 2021	Proceeds utilized for the year ended December 31, 2022	Utilized net proceeds up to December 31, 2022	Proceeds unused as of December 31, 2022 [1]	Expected timeline for utilizing the remaining balance of net proceeds
		RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	
Business development and expansion	70%	879.19	660.86	57.89	718.75	160.44	Expected to be fully utilized by December 31, 2023
Working capital and general corporate purposes	30%	376.80	370.88	5.92	–	–	–

Other Information

On December 30, 2020, Viva Biotech BVI issued the convertible bonds due in December 2025. The net proceeds, after deducting the transaction cost of US$4.2 million (equivalent to RMB27.5 million), were US$275.8 million (equivalent to RMB1,801.6 million), and has been utilized as follows at December 31, 2022.

Business objective as stated in the offering circular	Percentage of total net proceeds	Planned use of actual net proceeds *RMB'million*	Utilized net proceeds up to December 31, 2021 *RMB'million*	Proceeds utilized for the year ended December 31, 2022 *RMB'million*	Utilized net proceeds up to December 31, 2022 *RMB'million*	Proceeds unused as of December 31, 2022 (1) *RMB'million*	Expected timeline for utilizing the remaining balance of net proceeds
Business development and expansion including refinancing of the the acquisition cost of 80% of equity interest in Langhua Pharmaceutical	90%	1,621.4	934.84	80.24	1,015.08	606.32	Expected to be fully utilized by December 31, 2023
Other working capital and general corporate purposes	10%	180.2	180.2	–	180.2	–	–

Notes:

1. As at December 31, 2022, net proceeds not yet utilized were deposited with certain licensed banks in Hong Kong or the PRC.

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

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

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

The Audit Committee had reviewed together with the management and external auditor the accounting principles and policies adopted by the Company and the audited consolidated financial statements for the year ended December 31, 2022.

OTHER BOARD COMMITTEES

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

IMPORTANT EVENTS AFTER THE REPORTING DATE

In February 2023, the Group completed the full redemption of its US$180 million 2.50% guaranteed convertible bonds due 2025 upon the bondholders' exercise of their option requiring the Group to redeem all the outstanding convertible bonds. The convertible bonds were withdrawn from listing on the Stock Exchange on March 7, 2023.

Save as disclosed above, as at the date of this report, the Group has no material subsequent events after December 31, 2022 which are required to be disclosed.

Independent Auditor's Report

To the shareholders of VIVA BIOTECH HOLDINGS
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of VIVA BIOTECH HOLDINGS (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 92 to 224 which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2.1 to the consolidated financial statements, which indicates that the Group incurred a net loss of RMB504,220,000 during the year ended December 31, 2022 and the Group had two convertible bonds of which the holders had an option to require the Group to redeem all or some of such holders' bonds on February 11, 2023 and December 30, 2023, respectively, leading to the Group's current liabilities exceeding its current assets by RMB733,750,000 as of December 31, 2022. These conditions, along with other matters as set forth in note 2.1 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key audit matter	How our audit addressed the key audit matter
Fair value measurement for unlisted investments	
The Group made unlisted investments in a wide variety of companies. Those investments are accounted for as financial assets at fair value through profit or loss ("**FVTPL**") for the year ended December 31, 2022 in accordance with IFRS 9 Financial Instruments. As at December 31, 2022, the fair value of these investments was RMB1,045,209,000. The determination of the fair value of these unlisted investments involves significant estimates made by management. The Group engaged an external independent appraiser to perform the valuation for selected unlisted investments. Information about the fair value measurement for unlisted investments is disclosed in note 3 *Significant accounting judgements and estimates*, note 18 *Financial assets at FVTPL* and note 42 *Fair value and fair value hierarchy of financial instruments* to the financial statements.	We evaluated the competency, capabilities and objectivity of the external independent appraiser engaged by the Group to perform the valuation. We compared the inputs used in the valuation model with independent sources and externally available market data. We involved our internal valuation specialists to review the valuation methodologies and inputs adopted by the appraiser in selected Level 3 investments. We also checked the related disclosures of fair value measurement for unlisted investments.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill	
The Group had goodwill of approximately RMB2,156,419,000 as at December 31, 2022 arising from past acquisition, representing 27% of the Group's total assets. Under IFRSs, the Group is required to perform an impairment test for goodwill annually and to assess whether there are any indications of impairment at the end of each reporting period. The impairment test is based on the recoverable value of each of the cash-generating units ("**CGU**") or group of CGUs to which the goodwill is allocated. Management's assessment process was complex and significant judgement was involved, including the degree of subjectivity of expected future cash flow forecasts, associated growth rates and discount rates applied. Information about the goodwill is disclosed in note 3 *Significant accounting judgements and estimates* and note 16 *Goodwill* to the financial statements.	We evaluated the competency, capabilities and objectivity of the external independent appraiser engaged by the Group to perform the valuation. We involved our internal valuation specialists to assist us in evaluating the models and certain assumptions used by the Group in the impairment testing of goodwill. We reviewed the forecasts used with respect to future revenues and operating results by comparing the forecasts with the historic performance of the respective CGUs and the business development plan. We also checked the related disclosures of goodwill.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Ernst & Young
Certified Public Accountants
Hong Kong
March 30, 2023

Consolidated Statement of Profit or Loss

For the year ended December 31, 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	5	**2,379,631**	2,104,083
Cost of sales		**(1,563,952)**	(1,453,102)
Gross profit		**815,679**	650,981
Other income and gains	5	**67,647**	123,445
Selling and distribution expenses		**(130,804)**	(93,974)
Administrative expenses		**(273,649)**	(226,311)
Research and development expenses		**(135,835)**	(92,382)
Fair value (loss)/gain on financial assets at fair value through profit or loss ("**FVTPL**")	18	**(364,178)**	45,676
Impairment losses on financial assets, net		**(9,411)**	(1,413)
Other expenses	6	**(253,990)**	(12,688)
Finance costs	7	**(184,674)**	(183,108)
(LOSS)/PROFIT BEFORE FAIR VALUE GAIN ON FINANCIAL LIABILITIES AT FVTPL AND TAX		**(469,215)**	210,226
Fair value gain on financial liabilities at FVTPL	28, 32	**10,050**	137,475
(LOSS)/PROFIT BEFORE TAX	8	**(459,165)**	347,701
Income tax expense	9	**(45,055)**	(47,141)
(LOSS)/PROFIT FOR THE YEAR		**(504,220)**	300,560
Attributable to:			
Owners of the parent		**(528,475)**	287,546
Non-controlling interests		**24,255**	13,014
		(504,220)	300,560
		RMB	*RMB*
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
– Basic		**(0.28)**	0.15
– Diluted		**(0.28)**	0.08

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2022

	2022 *RMB'000*	2021 *RMB'000*
(LOSS)/PROFIT FOR THE YEAR	**(504,220)**	300,560
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**91,660**	(34,009)
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR, NET OF TAX	**91,660**	(34,009)
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR	**(412,560)**	266,551
Attributable to:		
Owners of the parent	**(437,041)**	253,579
Non-controlling interests	**24,481**	12,972
	(412,560)	266,551

Consolidated Statement of Financial Position

As at December 31, 2022

	Notes	**2022** **RMB'000**	2021 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*14*	**1,501,711**	1,269,870
Right-of-use assets	*15(a)*	**435,669**	454,031
Goodwill	*16*	**2,156,419**	2,156,419
Other intangible assets	*17*	**476,061**	531,444
Financial assets at FVTPL	*18*	**1,046,616**	1,246,730
Contract assets	*19*	**6,425**	16,124
Rental deposits and prepayments	*20*	**27,602**	71,037
Deferred tax assets	*21*	**18,178**	7,630
Pledged deposits	*26*	**313,367**	307,688
Total non-current assets		**5,982,048**	6,060,973
CURRENT ASSETS			
Inventories	*22*	**326,031**	231,721
Trade and bills receivables	*23*	**445,969**	429,703
Contract costs		**8,447**	13,995
Prepayments, other receivables and other assets	*24*	**85,333**	129,646
Derivative financial instruments	*25*	**–**	2,805
Pledged deposits	*26*	**394,458**	374,968
Cash and cash equivalents	*26*	**678,569**	800,947
Total current assets		**1,938,807**	1,983,785
CURRENT LIABILITIES			
Derivative financial instruments	*25*	**17,804**	–
Trade and bills payables	*27*	**326,130**	281,053
Other payables and accruals	*28*	**326,570**	315,489
Contract liabilities	*29*	**44,244**	50,005
Interest-bearing bank borrowings	*30*	**405,292**	233,052
Lease liabilities	*15(b)*	**2,270**	5,692
Income tax payable		**41,629**	41,312
Convertible bonds – debt component	*32*	**1,508,618**	–
Total current liabilities		**2,672,557**	926,603
NET CURRENT (LIABILITIES)/ASSETS		**(733,750)**	1,057,182
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,248,298**	7,118,155

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*30*	**880,959**	818,764
Deferred income	*31*	**47,238**	36,441
Convertible bonds – debt component	*32*	**–**	1,569,415
Convertible bonds – embedded derivative instruments	*32*	**–**	53,805
Contract liabilities	*29*	**25,885**	38,828
Lease liabilities	*15(b)*	**25,801**	27,774
Deferred tax liabilities	*21*	**92,201**	117,731
Other non-current liabilities	*33*	**571,500**	542,041
Total non-current liabilities		**1,643,584**	3,204,799
Net assets		**3,604,714**	3,913,356
EQUITY			
Equity attributable to owners of the parent			
Share capital	*34*	**326**	326
Treasury shares	*34*	**(134,651)**	(134,651)
Equity component of convertible bonds	*32*	**426,198**	468,731
Reserves	*36*	**3,312,841**	3,578,950
Total equity		**3,604,714**	3,913,356

The consolidated financial statements on pages 92 to 224 were approved and authorised for issue by the directors of the Company on March 30, 2023 and are signed on their behalf by:

Mao Chen Cheney
DIRECTOR

Wu Ying
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended December 31, 2022

		Attributable to owners of the parent											
	Notes	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*	Total equity *RMB'000*
At January 1, 2021		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 year		–	–	–	–	–	–	–	–	287,546	287,546	13,014	300,560
Other comprehensive expense for the year													
Exchange differences related to foreign operations		–	–	–	(33,967)	–	–	–	–	–	(33,967)	(42)	(34,009)
Total comprehensive income for the year		–	–	–	(33,967)	–	–	–	–	287,546	253,579	12,972	266,551
Put option over non-controlling interests	*33*	–	–	–	–	–	–	(21,862)	–	–	(21,862)	(2,688)	(24,550)
Recognition of equity-settled share based payment	*35*	–	–	–	–	–	20,584	–	–	–	20,584	–	20,584
Shares issued upon exercise of equity-settled share-based payment	*34, 35*	3	3,430	14,794	–	–	–	–	–	–	18,227	–	18,227
Share issued 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	*34*	(2)	–	(60,794)	–	–	–	–	–	–	(60,796)	–	(60,796)
Share repurchase for restricted share units	*34*	–	(85,398)	–	–	–	–	–	–	–	(85,398)	–	(85,398)
Transfer from retained profits		–	–	–	–	–	–	–	37,439	(37,439)	–	–	–
At December 31, 2021		326	(134,651)	3,636,950	(118,861)	468,731	63,446	(352,665)	76,556	273,524	3,913,356	–	3,913,356

Consolidated Statement of Changes in Equity

For the year ended December 31, 2022

	Notes	Attributable to owners of the parent											
		Share capital	Treasury shares	Share premium*	Exchange fluctuation reserve*	Equity component of convertible bonds	Share option reserve*	Other reserve*	Statutory reserve*	Retained profits/ Accumulated losses*	Total	Non-controlling interests	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2022		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 year		-	-	-	-	-	-	-	-	(528,475)	(528,475)	24,255	(504,220)
Other comprehensive income for the year													
Exchange differences related to foreign operations		-	-	-	91,434	-	-	-	-	-	91,434	226	91,660
Total comprehensive expense for the year		-	-	-	91,434	-	-	-	-	(528,475)	(437,041)	24,481	(412,560)
Put option over non-controlling interests	*33*	-	-	-	-	-	-	(1,235)	-	-	(1,235)	(24,481)	(25,716)
Recognition of equity-settled share based payment	*35*	-	-	-	-	-	24,817	-	-	-	24,817	-	24,817
Modification of convertible bonds	*32*	-	-	-	-	37,273	-	-	-	-	37,273	-	37,273
Repurchase of convertible bonds	*32*	-	-	-	-	(79,806)	-	147,350	-	-	67,544	-	67,544
Transfer from retained profits		-	-	-	-	-	-	-	18,828	(18,828)	-	-	-
At December 31, 2022		326	(134,651)	3,636,950	(27,427)	426,198	88,263	(206,550)	95,384	(273,779)	3,604,714	-	3,604,714

* These reserve accounts comprise the consolidated reserves of RMB3,312,841,000 (2021: RMB3,578,950,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

For the year ended December 31, 2022

	Notes	**2022** *RMB'000*	2021 *RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(459,165)**	347,701
Adjustments for:			
Finance costs	*7*	**184,674**	183,108
Interest income	*5*	**(21,606)**	(26,575)
Loss on disposal of items of property, plant and equipment	*6*	**2,065**	5,528
Fair value loss/(gains), net:			
Derivative financial instruments	*5, 6*	**40,939**	(20,800)
Financial assets at FVTPL	*18*	**364,178**	(45,676)
Fair value gain on embedded derivative instruments of convertible bonds	*32*	**(10,050)**	(143,590)
Gain on modification of convertible bonds	*5*	**(6,717)**	–
Fair value adjustment of contingent consideration		**–**	6,115
Foreign exchange loss		**178,116**	641
Income from government grants and subsidies related to assets		**(5,401)**	(3,233)
Revenue from service-for-equity ("**SFE**")	*5*	**(54,081)**	(85,799)
Equity-settled share-based payment expense	*35*	**24,817**	20,584
Gain on deemed disposal of interest in an associates	*5*	**–**	(9,486)
Loss on repurchase of convertible bonds	*6*	**45,421**	–
Depreciation of property, plant and equipment	*8*	**114,777**	80,675
Depreciation of other intangible assets	*8*	**55,597**	52,363
Depreciation of right-of-use assets	*8*	**15,080**	20,116
Impairment losses under the expected credit model, net of reversal	*8*	**9,411**	1,413
Impairment loss on non-financial assets	*8*	**6,572**	2,097
Gain on disposal of right-of-use assets	*5*	**(164)**	(689)

Consolidated Statement of Cash Flows

For the year ended December 31, 2022

	Notes	2022 RMB'000	2021 RMB'000
Operating cash flows before movements in working capital		**484,463**	384,493
Increase in inventories		**(96,444)**	(69,073)
Decrease/(increase) in contract costs		**1,110**	(6,292)
Increase in trade and bills receivables		**(22,308)**	(98,513)
Decrease/(increase) in prepayments, other receivables and other assets		**38,731**	(22,982)
(Increase)/decrease in pledged time deposits for notes payable		**(13,023)**	13,433
Increase/(decrease) in trade and bills payables		**45,077**	(16,437)
Increase/(decrease) in other payables and accruals		**43,913**	(55,930)
Increase in other non-current liabilities		**3,743**	11
Decrease in contract liabilities		**(18,704)**	(5,735)
Cash generated from operations		**466,558**	122,975
Income taxes paid		**(80,507)**	(45,145)
Net cash flows from operating activities		**386,051**	77,830
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**9,437**	12,035
Purchases of items of property, plant and equipment		**(249,328)**	(565,179)
Purchases of items of other intangible assets		**(214)**	–
Proceeds from disposal of items of property, plant and equipment		**660**	1,577
Payment for acquisition of a land use right		**–**	(1,145)
Receipt of government grants and subsidies related to assets		**16,199**	16,964
Payments for acquisition of subsidiaries		**(81,202)**	(210,871)
Purchase of financial assets at FVTPL		**(212,901)**	(2,104,228)
Proceeds from disposal of financial assets at FVTPL		**164,875**	1,945,174
(Payment)/receipt of investment income from derivative financial instruments		**(20,330)**	36,838
Net cash flows used in investing activities		**(372,804)**	(868,835)

Consolidated Statement of Cash Flows

For the year ended December 31, 2022

	Notes	2022 *RMB'000*	2021 *RMB'000*
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank borrowings		**(438,606)**	(975,554)
Interest paid		**(72,856)**	(71,275)
Proceeds from bank borrowings		**673,041**	565,030
Repayment of lease liabilities		**(4,690)**	(14,090)
Proceeds from rental deposits refund		**2,260**	595
Payments of rental deposits		**(40)**	(500)
Proceeds from exercise of equity-settled share-based payment		**–**	18,227
Payment for repurchase of shares		**–**	(146,194)
Dividend paid		**–**	(16,270)
Dividend paid to non-controlling shareholders of a subsidiary		**–**	(10,284)
Transaction cost of convertible bonds		**–**	(2,844)
Payment for repurchase of convertible bonds		**(302,305)**	–
Net cash flows used in financing activities		**(143,196)**	(653,159)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(129,949)**	(1,444,164)
Cash and cash equivalents at beginning of year		**800,947**	2,308,452
Effect of foreign exchange rate changes, net		**7,571**	(63,341)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**678,569**	800,947

1. CORPORATE AND GROUP 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 addresses of the registered office and the principal place of business of the Company are PO Box 309, Ugland House, Grand Cayman, KYI-1104, Cayman Islands and Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong, respectively.

The Company is an investment holding company. The 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.

Information about subsidiaries

As at December 31, 2022, the Company had direct and indirect interests in its subsidiaries, the particulars of which are set out below:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Viva Biotech Limited ("**Viva Biotech HK**")	Hong Kong	US$2,250,000	100%	–	Investment holding
Viva Incubator Investment Management Limited ("**Viva Incubator HK**")	Hong Kong	US$5,000,000	–	100%	Investment holding
Viva Biotech Investment Management Limited ("**Viva Biotech BVI**")	British Virgin Islands ("**BVI**")	US$50,000	–	100%	Investment holding
Viva Biotech (Shanghai) Ltd. ("**Viva Biotech Shanghai**") (維亞生物科技(上海)有限公司)	People's Republic of China ("**PRC**")/ Mainland China	US$57,736,700	–	100%	Provision of research service
Jiaxing Viva Biotech Limited (嘉興維亞生物科技有限公司)	PRC/Mainland China	RMB30,000,000	–	100%	Provision of research service

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shanghai Viva Dancheng Entrepreneurship Incubator Management Limited (上海維亞聃誠創業孵化器管理有限公司)	PRC/Mainland China	RMB20,000,000	–	100%	Investment holding
Sichuan Viva Benyuan Biotech Limited (四川維亞本苑生物科技有限公司)	PRC/Mainland China	US$50,000,000	–	100%	Provision of research service
Shanghai Viva Qizhi Biotech Limited ("**Shanghai Viva Qizhi**") (上海維亞齊智生物科技有限公司)	PRC/Mainland China	RMB8,591,496	–	100%	Provision of laboratory rental service
Viva Dancheng Biotech (Hangzhou) Limited ("**Viva Dancheng Biotech**") (維亞聃誠生物科技(杭州)有限公司)	PRC/Mainland China	US$10,000,000	–	100%	Provision of research service
Zhejiang Langhua Pharmaceutical Co., Ltd. ("**Langhua Pharmaceutical**") (浙江朗華制藥有限公司)	PRC/Mainland China	RMB120,000,000	–	80%	Manufacture of small molecule APIs, intermediates and CDMO products
Ningbo Nuobai Pharmaceutical Co., Ltd. ("**Nuobai Pharmaceutical**") (寧波諾柏醫藥有限公司)	PRC/Mainland China	RMB50,000,000	–	80%	Distribution of small molecule APIs, intermediates and CDMO products
Ningbo Nuobai Pharmaceutical (Hong Kong) Limited ("**Nuobai Hong Kong**")	Hong Kong	US$255,600	–	80%	Distribution of small molecule APIs, intermediates and CDMO products*
Shanghai Langhua Pharmaceutical Service Co., Ltd* ("**Shanghai Langhua**") (上海朗華醫藥服務有限公司)	PRC/Mainland China	RMB10,000,000	–	80%	Provision of research service
SYNthesis med chem (Hong Kong) Limited** ("**Synthesis HK**")	Hong Kong	HKD1,000	100%	–	Investment holding

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Xinshi Bio Medicine (Shanghai) Co., Ltd. (信實生物醫藥(上海)有限公司)	PRC/Mainland China	US$2,000,000	–	100%	Provision of research service
Suzhou Xiangshi Medical Development Co., Ltd. (蘇州翔實醫藥發展有限公司)	PRC/Mainland China	US$6,000,000	–	100%	Provision of research service
Synthesis med chem (Australia) Pty Ltd. ("**Synthesis Australia**")	Australia	AUD1,000	–	100%	Project management and bidding
Synthesis Med Chem (UK) Limited ("**Synthesis UK**")	United Kingdom	GBP100	–	100%	Project management and bidding
Synkinase Pty Ltd. ("**Synkinase Australia**")	Australia	AUD10	–	100%	Sale of compounds
Synkinase USA, Inc. ("**Synkinase USA**")	USA	–	–	100%	Sale of compounds
Viva Management Limited ("**Viva Management**")*	BVI	US$50,000	100%	–	Investment holding
Viva GT Biotech Limited ("**Viva GT**")**	Hong Kong	US$1	–	100%	Investment holding
Shanghai Viva Private Equity Fund Management Co., Ltd. ("**Viva Fund**")***	PRC/Mainland China	RMB10,000,000	–	100%	Investment holding

* On July 29, 2022, Viva Management was established with a register capital of US$ 50,000.

** On August 24, 2022, Viva GT was established with a register capital of US$1.

*** On March 22, 2023, Viva Fund was established with a register capital of RMB10,000,000.

2.1 BASIS OF PREPARATION

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

Going concern basis

During the year ended December 31, 2022, the Group incurred a net loss of RMB504,220,000 and as detailed in note 32, as of December 31, 2022, the Group had two convertible bonds of which the holders had an option to require the Group to redeem all or some of such holders' bonds on February 11, 2023 and December 30, 2023, respectively, leading to the Group's current liabilities exceeding its current assets by RMB733,750,000 as of December 31, 2022.

In this regard, the directors of the Company have identified various initiatives to address the Group's liquidity needs, which include the following:

(i) The Group is actively engaged in negotiation with potential investors related to the sale of certain assets or certain equity interests in subsidiaries of the Group;

(ii) The Group is considering to leverage on its relationship with external financiers to refinance any convertible bonds embedded with an early redemption option which are redeemed within twelve months from the end of the reporting period by way of issuing new equity and/or debt securities;

(iii) The Group has obtained back-up facilities of RMB150 million from various banks;

(iv) The Group will continue to implement measures to speed up the collection of outstanding trade and other receivables; and

(v) The Group will continue to take active measures to control administrative costs and contain capital expenditures.

2.1 BASIS OF PREPARATION (continued)

Going concern basis (continued)

The board of directors have reviewed the Group's cash flow projections prepared by management, which cover a period of twelve months from December 31, 2022. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from December 31, 2022. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the following:

(i) The successful and timely signing of a binding agreement and completion of the sale of certain equity interests in the subsidiaries of the Group;

(ii) The successful obtaining of support from the market in relation to the Group's financing and refinancing plans and well as sale of assets; and

(iii) The successful and timely implementation of the plans to speed up collection of outstanding trade and other receivables, and decrease capital expenditure to further increase net cash inflows.

Should the Group be unable to achieve the above-mentioned plans and measures and operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended December 31, 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRSs Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

The nature and the impact of the revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "**Conceptual Framework**") issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combination during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by IAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to IFRSs Standards 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendment that is applicable to the Group are as follows:

IFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

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

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[2]
IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 17	*Insurance Contracts*[1,5]
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*[6]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* (the "**2020 Amendments**")[2,4]
Amendments to IAS 1	*Non-current Liabilities with Covenants* (the "**2022 Amendments**")[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after January 1, 2023

2 Effective for annual periods beginning on or after January 1, 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments

5 As a consequence of the amendments to IFRS 17 issued in June 2021, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before January 1, 2023

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendments shall apply it on initial application of IFRS 17

These issued but not yet effective IFRSs are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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

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

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

Fair value measurement

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

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

Related parties

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

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

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

 (ii) has significant influence over the Group; or

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

 or

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(b) (continued)

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

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

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

Property, plant and equipment and depreciation

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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

Buildings	2.38% to 5%
Machinery	9.50% to 31.67%
Furniture, fixtures and equipment	9.50% to 31.67%
Transportation equipment	11.88% to 23.75%
Leasehold improvement	The shorter of the lease term or 6 years

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

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

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

Other intangible assets (other than goodwill)

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other intangible assets (other than goodwill) (continued)

Patents

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

Customer relationships

Customer relationships with finite useful lives are measured initially at cost and are amortised on the straight-line basis over the respective estimated useful lives of 6 or 15 years.

Research and development costs

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

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

Leases

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee

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

(a) Right-of-use assets

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

Leasehold land	20 to 50 years
Properties	1 to 20 years

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

(b) Lease liabilities

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(b) Lease liabilities (continued)

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

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

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

The Group applies the short-term lease recognition exemption (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term. There is not any leases of low-value assets for the year ended December 31, 2022.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets at fair value through profit or loss

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach

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

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

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

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

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Simplified approach

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Financial guarantee contracts

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

Convertible bonds

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Put option over non-controlling interests

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments

Initial recognition and subsequent measurement

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

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

Current versus non-current classification

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

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

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

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

Treasury shares

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general policy for provisions above and (ii) the amount initially recognised less, when appropriate, the amount of income recognised in accordance with the policy for revenue recognition.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

Government grants

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue from contracts with customers

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

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

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

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

Provision of discovery and research services

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Provision of discovery and research services (continued)

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Provision of discovery and research services (continued)

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

Sale of goods

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

Other income

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

Contract assets

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

Contract liabilities

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract costs

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

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

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

(c) the costs are expected to be recovered.

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

Share-based payments

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

The cost of equity-settled transactions with employees for share grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 42 to the financial statements.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits

Pension scheme

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

The Group maintains a government mandated program to cover employees of its wholly owned subsidiaries in Australia for superannuation. The subsidiary operating in Australia is required to contribute a certain percentage of its payroll costs to the superannuation. The contribution are charged to profit or loss as they become payable in accordance with the rules of the superannuation.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Judgements in determining the timing of satisfaction of performance obligations

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at December 31, 2022 was RMB2,156,419,000 (2021: RMB2,156,419,000). Further details are given in note 16.

Fair value of financial assets at FVTPL

The fair value of financial assets at FVTPL that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Further details are included in note 18 and note 42 to the financial statements.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Useful lives and estimated impairment on property, plant and equipment

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

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

4. OPERATING SEGMENT INFORMATION

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

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

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

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

4. OPERATING SEGMENT INFORMATION (continued)

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

	Drug discovery services *RMB'000*	CDMO and commercialisation services *RMB'000*	Total *RMB'000*
Year ended December 31, 2022			
Segment revenue	**895,057**	**1,484,574**	**2,379,631**
Segment results	**397,338**	**418,341**	**815,679**
Reconciliation:			
Other income and gains			**67,647**
Selling and distribution expenses			**(130,804)**
Administrative expenses			**(273,649)**
Research and development expenses			**(135,835)**
Fair value loss on financial assets at FVTPL			**(364,178)**
Fair value gain on financial liabilities at FVTPL			**10,050**
Impairment losses on financial assets, net			**(9,411)**
Other expenses			**(253,990)**
Finance costs			**(184,674)**
Group's loss before tax			**(459,165)**

4. OPERATING SEGMENT INFORMATION (continued)

	Drug discovery services *RMB'000*	CDMO and commercialisation services *RMB'000*	Total *RMB'000*
Year ended December 31, 2021			
Segment revenue	740,474	1,363,609	2,104,083
Segment results	342,193	308,788	650,981
Reconciliation:			
Other income and gains			123,445
Selling and distribution expenses			(93,974)
Administrative expenses			(226,311)
Research and development expenses			(92,382)
Fair value gain on financial assets at FVTPL			45,676
Fair value gain on financial liabilities at FVTPL			137,475
Impairment losses on financial assets, net			(1,413)
Other expenses			(12,688)
Finance costs			(183,108)
Group's profit before tax			347,701

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2022 *RMB'000*	2021 *RMB'000*
United States of America ("**USA**")	**915,818**	646,523
European Union	**508,471**	590,225
Mainland China	**382,377**	376,735
Other Asian countries and regions out of Mainland China	**392,800**	330,083
Africa	**64,550**	74,182
Other countries/regions	**115,615**	86,335
	2,379,631	2,104,083

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

(b) Non-current assets

	2022 *RMB'000*	2021 *RMB'000*
Mainland China	**2,440,518**	2,325,858

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

Information about a major customer

Revenue of approximately RMB431,164,000 (2021: RMB374,379,000) was derived from sales by the CDMO and commercialisation services segment to a single customer, including sales to a group of entities which are known to be under common control with that customer.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers	**2,379,631**	2,104,083

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended December 31, 2022

Segments	Drug discovery services RMB'000	CDMO and commercialisation services RMB'000	Total RMB'000
Types of goods or services			
Revenue from non-investees			
FTE services	667,165	–	667,165
FFS services	126,229	15,678	141,907
Sale of products	–	1,456,082	1,456,082
	793,394	1,471,760	2,265,154
Revenue from investees			
FTE services	39,230	–	39,230
FFS services	8,352	12,814	21,166
SFE services	54,081	–	54,081
	101,663	12,814	114,477
	895,057	1,484,574	2,379,631

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(a) Disaggregated revenue information (continued)

For the year ended December 31, 2022 (continued)

Segments	Drug discovery services *RMB'000*	CDMO and commercialisation services *RMB'000*	Total *RMB'000*
Geographical markets			
USA	671,141	244,677	915,818
European Union	44,115	464,356	508,471
Mainland China	130,296	252,081	382,377
Other Asian countries and regions out of Mainland China	5,487	387,313	392,800
Africa	–	64,550	64,550
Other countries/regions	44,018	71,597	115,615
Total revenue from contracts with customers	895,057	1,484,574	2,379,631
Timing of revenue recognition			
Goods/services transferred at a point in time	134,581	1,484,574	1,619,155
Services transferred over time	760,476	–	760,476
Total revenue from contracts with customers	895,057	1,484,574	2,379,631

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(a) Disaggregated revenue information (continued)

For the year ended December 31, 2021

Segments	Drug discovery services *RMB'000*	CDMO and commercialisation services *RMB'000*	Total *RMB'000*
Types of goods or services			
Revenue from non-investees			
FTE services	491,620	–	491,620
FFS services	117,626	–	117,626
Sale of products	–	1,363,036	1,363,036
	609,246	1,363,036	1,972,282
Revenue from investees			
FTE services	40,736	–	40,736
FFS services	4,693	–	4,693
SFE services	85,799	–	85,799
Sale of products	–	573	573
	131,228	573	131,801
Total revenue from contracts with customers	740,474	1,363,609	2,104,083

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(a) Disaggregated revenue information (continued)

For the year ended December 31, 2021 (continued)

Segments	Drug discovery services *RMB'000*	CDMO and commercialisation services *RMB'000*	Total *RMB'000*
Geographical markets			
USA	536,690	109,833	646,523
European Union	40,013	550,212	590,225
Mainland China	119,573	257,162	376,735
Other Asian countries and regions out of Mainland China	9,826	320,257	330,083
Africa	–	74,182	74,182
Other countries/regions	34,372	51,963	86,335
Total revenue from contracts with customers	740,474	1,363,609	2,104,083
Timing of revenue recognition			
Goods/services transferred at a point in time	122,319	1,363,609	1,485,928
Services transferred over time	618,155	–	618,155
Total revenue from contracts with customers	740,474	1,363,609	2,104,083

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(a) Disaggregated revenue information (continued)

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

	2022	2021
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
FFS services	**3,796**	2,625
Sale of products	**10,497**	10,761
	14,293	13,386

(b) Performance obligations

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

FTE services

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

FFS services

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

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(b) Performance obligations (continued)

SFE services

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

Sale of products

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

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

	2022	2021
	RMB'000	*RMB'000*
SFE services	**95,915**	105,186

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(b) Performance obligations (continued)

Sale of products (continued)

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

	2022 *RMB'000*	2021 *RMB'000*
Other income		
Interest income		
– banks	**21,582**	26,466
– imputed interest income on rental deposits	**24**	109
Government grants	**36,470**	31,520
	58,076	58,095
Gains		
Gain on deemed disposal of interest in an associate	**–**	9,486
Net foreign exchange gain	**–**	31,414
Gain on modification of convertible bonds	**6,717**	–
Gain on derivative financial instruments	**–**	20,800
Gain on disposal of right-of-use assets	**164**	689
Revenue from sales of raw materials	**1,580**	2,478
Others	**1,110**	483
	9,571	65,350
	67,647	123,445

6. OTHER EXPENSES

	2022 *RMB'000*	2021 *RMB'000*
Impairment loss on non-financial assets	6,572	2,097
Net foreign exchange loss	146,391	–
Loss on derivative financial instruments	40,939	–
Loss on disposal of property, plant and equipment	2,065	5,884
Loss on repurchase of convertible bonds	45,421	–
Others	12,602	4,707
	253,990	12,688

7. FINANCE COSTS

	2022 *RMB'000*	2021 *RMB'000*
Interest on convertible bonds	140,232	136,104
Interest on lease liabilities	1,337	1,620
Interest expenses on bank borrowings	48,516	47,541
Total interest expense	190,085	185,265
Less: Interest capitalised	5,411	2,157
	184,674	183,108

8. (LOSS)/PROFIT BEFORE TAX

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

	Notes	**2022** **RMB'000**	2021 RMB'000
Cost of inventories sold		**1,002,739**	992,001
Cost of services provided		**103,021**	78,537
Depreciation of property, plant and equipment	*14*	**114,777**	80,675
Depreciation of right-of-use assets	*15*	**16,460**	25,446
Amortisation of other intangible assets	*17*	**55,597**	52,363
Less: capitalised in contract costs		**(1,307)**	(846)
Less: capitalised in inventories		**(5,846)**	(1,457)
Less: capitalised in property, plant and equipment		**(1,380)**	(5,330)
		178,301	150,851
Staff cost (including directors' emoluments):			
– Independent non-executive directors' fees		**648**	621
– Salaries and other benefits		**683,841**	436,140
– Retirement benefit scheme contributions		**53,310**	38,975
– Share-based payment expenses	*35*	**24,817**	20,584
		762,616	496,320
Less: capitalised in contract costs		**(5,452)**	(6,402)
Less: capitalised in inventories		**(11,509)**	(9,536)
		745,655	480,382
Foreign exchange loss/(gain), net		**146,391**	(31,414)
Write-down of inventories and contract costs		**6,572**	2,097
Fair value loss/(gain) on derivative financial instruments		**40,939**	(20,800)
Gain on modification of convertible bonds		**(6,717)**	–
Loss on disposal of items of property, plant and equipment		**2,065**	5,528
Gain on disposal of right-of-use assets		**(164)**	(689)
Fair value loss on contingent consideration		**–**	6,115
Loss on repurchase of convertible bonds		**45,421**	–
Fair value gain on embedded derivative instruments of convertible bonds	*32*	**(10,050)**	(143,590)
Auditors' remuneration		**4,800**	5,270
Lease payment in respect of short-term leases		**–**	600

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:

	2022	2021
	RMB'000	*RMB'000*
Current tax		
– Hong Kong	**2,603**	1,373
– Mainland China	**77,989**	61,804
– Other countries	**232**	297
	80,824	63,474
Deferred tax *(note 21)*	**(35,769)**	(16,333)
	45,055	47,141

Cayman Islands/BVI

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

Hong Kong

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (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%.

9. INCOME TAX (continued)

Mainland China

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

Viva Biotech Shanghai renewed its "High and New Technology Enterprise" qualification in 2022 and is entitled to the preferential tax rate of 15% from 2022 to 2024.

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 2022 and are entitled to the preferential tax rate of 15% from 2022 to 2024.

Sichuan Viva Benyuan Biotech Limited obtained its "High and New Technology Enterprise" qualification in 2022 and is entitled to the preferential tax rate of 15% from 2022 to 2024.

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.

9. INCOME TAX (continued)

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%.

Australia

Under the Treasury Law Amendment (Enterprise Tax Plan Base Rate Entitles) 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 December 31, 2022, respectively. The subsidiaries incorporated in Australia are qualified as small business entitles and are subject to the lower company income tax rate on the estimated assessable profits.

United Kingdom

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

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

	2022 ***RMB'000***	2021 *RMB'000*
(Loss)/profit before tax	**(459,165)**	347,701
Tax at the applicable tax rate of 25%	**(114,791)**	86,925
Preferential income tax rates applicable to subsidiaries	**(11,750)**	(17,958)
Effect on opening deferred tax of increase in rates	**1,949**	80
Adjustments in respect of current tax of previous years	**75**	(350)
Expenses not deductible for tax	**186,571**	11,866
Additional deduction allowance for research and development expenses	**(17,911)**	(10,350)
Income not subject to tax	**(4,088)**	(23,951)
Effect of tax rate differences in other jurisdictions	**2,854**	879
Effect of withholding tax at 7% on the interest income from Mainland China	**2,146**	–
Tax charge at the Group's effective rate	**45,055**	47,141

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2022	2021
	RMB'000	*RMB'000*
Fees	**1,513**	1,553
Other emoluments:		
Salaries, allowances and other benefits in kind	**4,348**	4,895
Performance related bonus	**57**	77
Equity-settled share-based payment	**4,445**	2,607
Pension scheme contributions	**58**	55
	8,908	7,634
	10,421	9,187

During the year, certain directors were granted share options and restricted share units, in respect of their services to the Group, under the share option scheme and restricted share units scheme of the Company, further details of which are set out in note 35 to the financial statements. The fair value of such schemes, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

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

	2022	2021
	RMB'000	*RMB'000*
Mr. Fu Lei	**216**	207
Mr. Wang Haiguang	**216**	207
Ms. Li Xiangrong	**216**	207
	648	621

There were no other emoluments payable to the independent non-executive directors during the year (2021: Nil).

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

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

	Fees *RMB'000*	Salaries, allowances and other benefits in kind *RMB'000*	Performance related bonus *RMB'000*	Equity-settled share award expenses *RMB'000*	Pension scheme contributions *RMB'000*	Total *RMB'000*
2022						
Chief executive and executive director:						
Mr. Mao Chen Cheney	216	1,455	–	1,091	–	2,762
Executive directors:						
Mr. Wu Ying	216	1,096	27	1,677	58	3,074
Mr. Ren Delin	216	1,797	30	1,677	–	3,720
	648	4,348	57	4,445	58	9,556
Non-executive director:						
Ms. Sun Yanyan*	186	–	–	–	–	186
Mr. Wu Yuting**	30	–	–	–	–	30
	216	–	–	–	–	216
	864	4,348	57	4,445	58	9,772

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

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

	Fees	Salaries, allowances and other benefits in kind	Performance related bonus	Equity-settled share award expenses	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2021						
Chief executive and executive director:						
Mr. Mao Chen Cheney	207	1,330	1	842	–	2,380
Executive directors:						
Mr. Wu Ying	207	961	75	899	50	2,192
Mr. Ren Delin	207	2,055	1	899	–	3,162
Mr. Hua Fengmao	104	549	–	(33)	5	625
	725	4,895	77	2,607	55	8,359
Non-executive directors:						
Ms. Sun Yanyan	207	–	–	–	–	207
	207	–	–	–	–	207
	932	4,895	77	2,607	55	8,566

* Ms. Sun Yanyan was appointed as a non-executive director of the Company on March 30, 2020 and resigned on November 14, 2022.

** Mr. Wu Yuting was appointed as a non-executive director of the Company on November 14, 2022.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2021: Nil).

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2021: one director), details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the remaining four (2021: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2022 *RMB'000*	2021 *RMB'000*
Salaries, allowances and other benefits in kind	6,518	6,414
Performance related bonus	7,387	8,692
Equity-settled share-based payment	3,205	1,315
Pension scheme contributions	104	100
	17,214	16,521

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2022	2021
HK$3,000,001 to HK$3,500,000	–	1
HK$3,500,001 to HK$4,000,000	2	1
HK$4,000,001 to HK$4,500,000	1	–
HK$5,000,001 to HK$5,500,000	–	1
HK$7,500,001 to HK$8,000,000	1	1
	4	4

During the year and in prior years, share options and restricted share units were granted to two and one non-director and non-chief executive highest paid employees, respectively, in respect of their services to the Group, further details of which are included in the disclosures in note 35 to the financial statements. The fair value of such schemes, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above five highest paid employees' remuneration disclosures.

12. (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)/earnings for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,915,437,000 (2021: 1,911,530,000) in issue during the year.

The diluted loss per share for the year ended December 31, 2022 did not assume the conversion of the US$280,000,000 convertible bonds and US$180,000,000 convertible bonds nor exercise of all batches of share options and restricted share units as their inclusion would be anti-dilutive.

The calculation of the diluted earnings per share amounts is based on the profit for the year ended December 31, 2021 attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the US$180,000,000 convertible bonds and fair value gain on the derivative component 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 year ended December 31, 2021, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares. The diluted earnings per share for the year ended December 31, 2021 did not assume the conversion of the US$280,000,000 convertible bonds nor exercise of certain batch of share options and restricted share units as their inclusion would be anti-dilutive.

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

	2022 *RMB'000*	2021 *RMB'000*
(Loss)/earnings		
(Loss)/earnings attributable to equity holders of the parent, used in the basic and diluted (loss)/earnings per share calculation	**(528,475)**	287,546
Add: Interest on convertible bonds	**–**	18,848
Less: Fair value gain on the embedded derivative instruments of the convertible bonds	**–**	143,590
(Loss)/profit attributable to ordinary equity holders of the parent before the impact of convertible bonds	**(528,475)**	162,804

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

	Number of shares ('000)	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic (loss)/earnings per share calculation	**1,915,437**	1,911,530
Effect of dilutive potential ordinary shares:		
Share options	**–**	15,811
Restricted share units schemes	**–**	170
Convertible bonds	**–**	43,288
Weighted average number of ordinary shares for the purpose of calculating diluted (loss)/earnings per share	**1,915,437**	1,970,799

13. DIVIDENDS

The board of directors of the Company did not recommend the distribution of any annual dividend for the year ended December 31, 2022 (2021: Nil).

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Machinery *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Transportation equipment *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress ("CIP") *RMB'000*	Total *RMB'000*
December 31, 2022							
At January 1, 2022							
Cost	293,193	200,344	341,554	10,594	37,072	542,025	1,424,782
Accumulated depreciation	(15,224)	(25,458)	(90,472)	(4,490)	(19,268)	–	(154,912)
Net carrying amount	277,969	174,886	251,082	6,104	17,804	542,025	1,269,870
At January 1, 2022, net of accumulated depreciation	277,969	174,886	251,082	6,104	17,804	542,025	1,269,870
Additions	6,805	22,932	112,547	1,094	187	206,205	349,770
Disposals	(601)	(590)	(1,245)	(20)	(661)	(35)	(3,152)
Transfers	254,194	–	24,118	–	–	(278,312)	–
Depreciation provided during the year	(22,573)	(26,127)	(58,167)	(1,800)	(6,110)	–	(114,777)
At December 31, 2022, net of accumulated depreciation	515,794	171,101	328,335	5,378	11,220	469,883	1,501,711
At December 31, 2022:							
Cost	553,561	222,015	469,826	11,286	26,294	469,883	1,752,865
Accumulated depreciation	(37,767)	(50,914)	(141,491)	(5,908)	(15,074)	–	(251,154)
Net carrying amount	515,794	171,101	328,335	5,378	11,220	469,883	1,501,711

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings	Machinery	Furniture, fixtures and equipment	Transportation equipment	Leasehold improvements	CIP	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
December 31, 2021							
At January 1, 2021							
Cost	107,011	160,426	168,609	10,416	33,636	132,074	612,172
Accumulated depreciation	(4,719)	(11,062)	(59,136)	(2,834)	(14,131)	–	(91,882)
Net carrying amount	102,292	149,364	109,473	7,582	19,505	132,074	520,290
At January 1, 2021, net of accumulated depreciation	102,292	149,364	109,473	7,582	19,505	132,074	520,290
Additions	3,401	22,240	99,191	474	–	696,883	822,189
Acquisition of subsidiaries	–	–	13,992	–	917	–	14,909
Disposals	(42)	(5,437)	(1,013)	(114)	(237)	–	(6,843)
Transfers	182,870	33,208	65,787	12	5,055	(286,932)	–
Depreciation provided during the year	(10,552)	(24,489)	(36,348)	(1,850)	(7,436)	–	(80,675)
At December 31, 2021, net of accumulated depreciation	277,969	174,886	251,082	6,104	17,804	542,025	1,269,870
At December 31, 2021:							
Cost	293,193	200,344	341,554	10,594	37,072	542,025	1,424,782
Accumulated depreciation	(15,224)	(25,458)	(90,472)	(4,490)	(19,268)	–	(154,912)
Net carrying amount	277,969	174,886	251,082	6,104	17,804	542,025	1,269,870

At December 31, 2022, the buildings and construction in progress with a carrying amount of approximately RMB229,170,000 (2021: RMB96,358,000) and RMB5,334,000 (2021: RMB210,560,000), respectively, were pledged to secure certain bank borrowings of the Group (note 30).

15. LEASES

The Group as lessee

The Group has lease contracts for various items of leasehold land and properties. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 20 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of properties generally have lease terms between 5 and 20 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

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

	Leasehold land	**Properties**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
As at January 1, 2021	200,794	15,926	216,720
Additions	231,163	5,674	236,837
Acquisition of subsidiaries	–	26,860	26,860
Termination of lease contracts	–	(940)	(940)
Depreciation charge	(11,391)	(14,055)	(25,446)
As at December 31, 2021 and January 1, 2022	**420,566**	**33,465**	**454,031**
Additions	**–**	**–**	**–**
Termination of lease contracts	**–**	**(1,902)**	**(1,902)**
Depreciation charge	**(11,435)**	**(5,025)**	**(16,460)**
As at December 31, 2022	**409,131**	**26,538**	**435,669**

At December 31, 2022, the right-of-use assets with a carrying amount of approximately RMB303,091,000 (2021: RMB205,603,000) were pledged to secure certain bank borrowings of the Group (note 30).

15. LEASES (continued)

The Group as lessee (continued)

(b) Lease liabilities

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

	2022	2021
	RMB'000	*RMB'000*
Carrying amount at January 1	**33,466**	15,323
New leases	**–**	5,001
Additions as a result of acquisition of subsidiaries	**–**	26,557
Termination of lease contracts	**(2,042)**	(945)
Accretion of interest recognised during the year	**1,337**	1,620
Payments	**(4,690)**	(14,090)
Carrying amount at December 31	**28,071**	33,466
Analysed into:		
Current portion	**2,270**	5,692
Non-current portion	**25,801**	27,774

The maturity analysis of lease liabilities is disclosed in note 43 to the financial statements.

15. LEASES (continued)

The Group as lessee (continued)

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

	2022	2021
	RMB'000	*RMB'000*
Interest on lease liabilities	**1,337**	1,620
Depreciation charge of right-of-use assets	**16,460**	25,446
Less: Capitalised in property, plant and equipment	**1,380**	5,330
Total amount recognised in profit or loss	**16,417**	21,736

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

16. GOODWILL

	2022	2021
	RMB'000	*RMB'000*
Cost at January 1, net of accumulated impairment	**2,156,419**	1,847,723
Acquisition of subsidiaries	**–**	308,696
Impairment during the year	**–**	–
Cost and net carrying amount at December 31	**2,156,419**	2,156,419
At December 31		
Cost	**2,156,419**	2,156,419
Accumulated impairment	**–**	–
Net carrying amount	**2,156,419**	2,156,419

16. GOODWILL (continued)

Impairment testing of goodwill

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

The cash flows generated from each of the subsidiaries acquired are independent from those of the other subsidiaries of the Group. Therefore, each of these acquired subsidiaries is a separate cash-generating unit ("**CGU**"). Management of the Group considered that the synergies arising from each acquisition mainly benefited the corresponding acquired the subsidiaries. Therefore, for the purposes of impairment assessment, goodwill has been allocated to corresponding subsidiaries acquired:

- CDMO and commercialisation service CGU; and

- Chemistry drug discovery services CGU.

CDMO and commercialisation service CGU

The recoverable amount of the CDMO and commercialisation service CGU has been determined based on a value in use ("**VIU**") calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management.

The discount rate applied to the cash flow projections is 14.5% (2021: 14.5%). The growth rate used to extrapolate the cash flows of the CDMO and commercialization service CGU beyond the five-year period is 2.5% (2021: 2.5%). The budgeted gross margin used in the cash flow projections is from 31% to 33%. (2021: from 27% to 33%).

Chemistry drug discovery services CGU

The recoverable amount of the chemistry drug discovery services CGU was determined based on a VIU calculation using cash flow projections based on financial budget covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 15% (2021: 15%) and cash flows beyond the five-year period is extrapolated using a growth rate of 2.5% (2021: 2.5%). The budgeted gross margin used in the cash flow projections is 47% (2021: 47%).

16. GOODWILL (continued)

Impairment testing of goodwill (continued)

Chemistry drug discovery services CGU (continued)

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

	2022	2021
	RMB'000	*RMB'000*
CDMO and commercialisation service CGU	**1,847,723**	1,847,723
Chemistry drug discovery services CGU	**308,696**	308,696
	2,156,419	2,156,419

Assumptions were used in the VIU calculation for December 31, 2022 and December 31, 2021, respectively. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

Discount rates – the discount rates used are after tax and reflect specific risks relating to the relevant units.

Growth rates – the rate is based on published industry research.

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

Considering there was still sufficient headroom on the assessment, the management of the Company believes that a reasonably possible change in the above key parameters would not cause the carrying amount of the CGUs to exceed its recoverable amount as at December 31, 2022. No impairment loss in relation to goodwill in such CGUs is recognised for the year ended December 31, 2022.

17. OTHER INTANGIBLE ASSETS

	Patents *RMB'000*	Customer relationships *RMB'000*	Total *RMB'000*
December 31, 2022			
Cost at January 1, 2022, net of accumulated amortisation	**121,472**	**409,972**	**531,444**
Additions	**214**	**–**	**214**
Amortisation provided during the year	**(14,068)**	**(41,529)**	**(55,597)**
At December 31, 2022	**107,618**	**368,443**	**476,061**
At December 31, 2022			
Cost	**138,057**	**452,095**	**590,152**
Accumulated impairment	**(30,439)**	**(83,652)**	**(114,091)**
Net carrying amount	**107,618**	**368,443**	**476,061**
December 31, 2021			
Cost at January 1, 2021, net of accumulated amortisation	135,020	334,442	469,462
Acquisition of subsidiaries	–	113,895	113,895
Additions	712	–	712
Amortisation provided during the year	(13,998)	(38,365)	(52,363)
Disposal	(262)	–	(262)
At December 31, 2021	121,472	409,972	531,444
At December 31, 2021			
Cost	137,843	452,095	589,938
Accumulated impairment	(16,371)	(42,123)	(58,494)
Net carrying amount	121,472	409,972	531,444

17. OTHER INTANGIBLE ASSETS (continued)

The patents and customer relationships belong to the CDMO and commercialisation service CGU and Chemistry drug discovery services CGU and the management of the Group tests the patents and customer relationships for impairment in the CDMO and commercialisation service CGU and Chemistry drug discovery services CGU which is set out in note 16.

18. FINANCIAL ASSETS AT FVTPL

	2022	2021
	RMB'000	*RMB'000*
Listed equity securities	**1,407**	5,028
Unlisted investments at FVTPL	**1,045,209**	1,241,702
	1,046,616	1,246,730
Analysed for reporting purposes as:		
Current assets	**–**	–
Non-current assets	**1,046,616**	1,246,730
	1,046,616	1,246,730

18. 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:

	RMB'000
At January 1, 2021	924,532
Acquired	249,517
Recognised from SFE revenue	86,438
Recognised from deemed disposal of an associate	9,486
Gain on fair value change	36,456
Disposal	(48,743)
Exchange adjustment	(10,956)
At December 31, 2021 and January 1, 2022	**1,246,730**
Acquired	**70,748**
Recognised from SFE revenue	**61,016**
Loss on fair value change	**(364,263)**
Disposal	**(22,637)**
Exchange adjustment	**55,022**
At December 31, 2022	**1,046,616**

18. FINANCIAL ASSETS AT FVTPL (continued)

(b) Financial products classified as financial assets at FVTPL

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

	RMB'000
At January 1, 2021	49,500
Acquired	1,854,711
Gain on fair value change	9,220
Disposal	(1,913,431)
At December 31, 2021 and January 1, 2022	**–**
Acquired	**142,153**
Gain on fair value change	**85**
Disposal	**(142,238)**
At December 31, 2022	**–**

19. CONTRACT ASSETS

	2022 *RMB'000*	2021 *RMB'000*
Right to receive unlisted investments in exchange for the services transferred	**6,425**	16,124

20. RENTAL DEPOSITS AND PREPAYMENTS

	2022 *RMB'000*	2021 *RMB'000*
Prepayments for property, plant and equipment	**27,037**	70,513
Rental deposits	**565**	524
	27,602	71,037

21. DEFERRED TAX

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

Deferred tax assets

	ECL	Deferred income	Tax losses	Accrued payroll	Share of losses of a joint venture and an associate	Accrued expenses	Depreciation difference	Provision	Fair value change of derivative financial instruments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2022										
At January 1, 2022	**1,815**	**6,024**	**16,234**	**1,113**	**–**	**3,676**	**209**	**435**	**–**	**29,506**
Deferred tax credited/(charged) to the statement of profit or loss *(note 9)*	**177**	**1,357**	**18,043**	**4,524**	**–**	**574**	**(178)**	**683**	**3,661**	**28,841**
Exchange differences	**–**	**–**	**292**	**17**	**–**	**–**	**–**	**–**	**–**	**309**
Gross deferred tax assets at December 31, 2022	**1,992**	**7,381**	**34,569**	**5,654**	**–**	**4,250**	**31**	**1,118**	**3,661**	**58,656**
2021										
At January 1, 2021	1,658	4,062	9,994	573	753	3,786	468	120	–	21,414
Acquisition of subsidiaries	20	–	747	1,097	–	–	–	–	–	1,864
Deferred tax credited/(charged) to the statement of profit or loss *(note 9)*	137	1,962	5,542	(487)	(753)	(110)	(259)	315	–	6,347
Exchange differences	–	–	(49)	(70)	–	–	–	–	–	(119)
Gross deferred tax assets at December 31, 2021	1,815	6,024	16,234	1,113	–	3,676	209	435	–	29,506

21. DEFERRED TAX (continued)

Deferred tax liabilities

	Fair value change of financial assets at FVTPL *RMB'000*	Depreciation allowance in excess of related depreciation *RMB'000*	Fair value adjustments arising from acquisition of subsidiaries *RMB'000*	Total *RMB'000*
2022				
At January 1, 2022	**(11,238)**	**(14,476)**	**(113,893)**	**(139,607)**
Deferred tax charged/(credited) to the statement of profit or loss (note 9)	**360**	**(4,196)**	**10,764**	**6,928**
Gross deferred tax liabilities at December 31, 2022	**(10,878)**	**(18,672)**	**(103,129)**	**(132,679)**
2021				
At January 1, 2021	(10,989)	(14,047)	(105,619)	(130,655)
Acquisition of subsidiaries	–	–	(18,938)	(18,938)
Deferred tax (credited)/charged to the statement of profit or loss *(note 9)*	(249)	(429)	10,664	9,986
Gross deferred tax liabilities at December 31, 2021	(11,238)	(14,476)	(113,893)	(139,607)

21. DEFERRED TAX (continued)

Deferred tax liabilities (continued)

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

	2022	2021
	RMB'000	*RMB'000*
Net deferred tax assets recognised in the consolidated statement of financial position	**18,178**	7,630
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(92,201)**	(117,731)
	(74,023)	(110,101)

The Group has tax losses arising in Hong Kong, USA, Australia and United Kingdom of approximately RMB50,791,000 as of December 31, 2022 (2021: approximately RMB15,441,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group has tax losses arising in Mainland China of approximately RMB122,503,000 for offsetting against future profits as of December 31, 2022 (2021: approximately RMB54,776,000) and such tax losses will expire in one to ten years for offsetting against taxable profits of the companies in which the tax losses arose.

Under the EIT law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from January 1, 2008 onwards. At December 31, 2022, deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB1,096,539,000 (2021: RMB806,228,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

22. INVENTORIES

	2022 *RMB'000*	2021 *RMB'000*
Raw materials	**81,085**	59,643
Work in progress	**148,389**	115,072
Finished goods	**96,557**	57,006
	326,031	231,721

23. TRADE AND BILLS RECEIVABLES

	2022 *RMB'000*	2021 *RMB'000*
Trade receivables		
– third parties	**447,610**	432,462
Bills receivable	**13,483**	6,693
Impairment	**(15,124)**	(9,452)
	445,969	429,703

The Group allows a credit period ranging from 30 to 90 days to its customers (2021: 30 to 90 days). The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, the analysis of concentrations of credit risk is set out in note 43. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

23. TRADE AND BILLS RECEIVABLES (continued)

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

	2022 RMB'000	2021 RMB'000
Within 6 months	428,040	422,059
6 months to 1 year	11,967	4,558
Over 1 year	5,962	3,086
	445,969	429,703

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

	2022 RMB'000	2021 RMB'000
At beginning of year	9,452	8,105
Acquisition of subsidiaries	–	207
Impairment losses, net	6,042	1,413
Amount written off as uncollectible	(370)	(273)
At end of year	15,124	9,452

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

23. TRADE AND BILLS RECEIVABLES (continued)

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

As at December 31, 2022

	Ageing			
	Less than 6 months	**7 to 12 months**	**Over 12 months**	**Total**
Expected credit loss rate	**2.81%**	**6.89%**	**23.96%**	**3.28%**
Gross carrying amount *(RMB'000)*	**440,399**	**12,853**	**7,841**	**461,093**
Expected credit losses *(RMB'000)*	**12,359**	**886**	**1,879**	**15,124**

As at December 31, 2021

	Ageing			
	Less than 6 months	7 to 12 months	Over 12 months	Total
Expected credit loss rate	2.10%	4.30%	10.20%	2.20%
Gross carrying amount *(RMB'000)*	430,953	4,765	3,437	439,155
Expected credit losses *(RMB'000)*	8,894	207	351	9,452

24. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022	2021
	RMB'000	*RMB'000*
Other receivables		
– tax refund for export	**9,262**	16,931
– refundable rental payments	**–**	2,213
– Proceeds from disposal of financial assets at FVTPL	**17,000**	17,000
– others	**4,900**	30,646
	31,162	66,790
Impairment allowance	**–**	(3,674)
	31,162	63,116
Prepayments	**17,978**	20,186
Prepaid expenses	**7,942**	7,263
Value added tax recoverable	**28,251**	39,081
	85,333	129,646

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

25. DERIVATIVE FINANCIAL INSTRUMENTS

	2022		2021	
	Assets *RMB'000*	Liabilities *RMB'000*	Assets *RMB'000*	Liabilities *RMB'000*
Forward currency contracts*	–	17,804	2,805	–

* Changes in the fair value of forward currency contracts are charged to the statement of profit or loss during the reporting periods.

The Group holds the following foreign exchange forward contracts:

	Maturity				
	Less than 3 months	3 to 6 months	6 to 9 months	9 to 12 months	Total
As at December 31, 2022					
Forward currency contracts					
Notional amount *(RMB'000)*	337,881	6,540	–	–	344,421
Average forward rate *(US$/RMB)*	6.6539	6.5400	N/A	N/A	
As at December 31, 2021					
Forward currency contracts					
Notional amount *(RMB'000)*	120,637	64,833	38,987	13,115	237,572
Average forward rate *(US$/RMB)*	6.5327	6.4859	6.4995	6.5576	

26. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2022	2021
	RMB'000	*RMB'000*
Cash and bank balances	**678,569**	800,947
Pledged deposits	**707,825**	682,656
	1,386,394	1,483,603
Less:		
Pledged time deposits for letters of credit	**(668,515)**	(656,400)
Pledged time deposits for notes payable	**(28,826)**	(15,803)
Restricted bank balances	**(10,484)**	(10,453)
Cash and cash equivalents	**678,569**	800,947
Denominated in RMB	**390,149**	630,769
Denominated in US$	**265,358**	110,268
Denominated in HK$	**501**	46,723
Denominated in AU$	**8,089**	2,468
Denominated in GBP	**13,363**	9,639
Denominated in other currencies	**1,109**	1,080
Cash and cash equivalents	**678,569**	800,947

The RMB is not freely convertible into other currencies, however, under the Mainland China Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one day and twelve months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged time deposits are deposited with creditworthy banks with no recent history of default.

At December 31, 2022, the restricted bank balances of RMB10,484,000 (2021: RMB10,453,000) represented government grants and subsidies received by the Group and are restricted for use till the Group complied with the conditions attached to the grants and the government acknowledged acceptance. Corresponding liabilities are recorded in deferred income.

27. 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:

	2022 *RMB'000*	2021 *RMB'000*
Within 3 months	**227,725**	209,621
3 months to 1 year	**96,628**	66,274
Over 1 year	**1,777**	5,158
	326,130	281,053

The trade and bills payables are non-interest-bearing and are normally settled on 90-day terms.

28. OTHER PAYABLES AND ACCRUALS

	2022 *RMB'000*	2021 *RMB'000*
Other payables		
– Payable for acquisition	**–**	81,202
– Payable for construction in progress	**154,733**	104,985
– Others	**31,465**	23,452
	186,198	209,639
Salary and bonus payables	**123,953**	85,142
Other taxes payable	**14,366**	17,277
Interest payable	**2,053**	3,431
	326,570	315,489

Other payables are non-interest-bearing.

29. CONTRACT LIABILITIES

	2022	2021
	RMB'000	*RMB'000*
Short-term advances received from customers		
Drug discovery services	**27,676**	37,814
CDMO and commercialisation service	**16,568**	12,191
	44,244	50,005
Long-term advances received from customers		
Drug discovery services	**25,885**	38,828

The advances related to drug discovery services mainly represent purchase consideration settled in service arising from the acquisition of Synthesis HK.

30. INTEREST-BEARING BANK BORROWINGS

	2022			2021		
	Effective interest rate *(%)*	Maturity	*RMB'000*	Effective interest rate *(%)*	Maturity	*RMB'000*
Current						
Bank loans – unsecured	One-year 2.5-4.41	2023	323,938	One-year 3.915-4.41	2022	228,900
	One-year Loan prime rate ("LPR")-40 Basepoints ("bps")	2023	29,000	–	–	–
	One-year LPR-10bps	2023	21,000	–	–	–
Current portion of long term bank loans – secured *(b)*	Eight-year LPR*110%	2023	202	Eight-year LPR* 110%	2022	584
Current portion of long term bank loans – secured and guaranteed *(a)*	One-year LPR+50bps	2023	10,000	One-year LPR-10 bps	2022	3,568
Current portion of long term bank loans – secured *(b)*	One-year LPR-50bps	2023	21,152	–	–	–
			405,292			233,052
Non-current						
Bank loans – secured and guaranteed *(a)*	One-year LPR+50 bps	2024-2025	546,000	One-year LPR+50 bps	2023-2025	556,000
Bank loans – secured *(b)*	–	–	–	Eight-year LPR * 110%	2023	202
Bank loans – secured *(b)*	Five-year LPR+10 bps	2026	43,794	Five-year LPR+10 bps	2026	80,170
Bank loans – secured *(b)*	Five-year LPR+10 bps	2027	56,320	Five-year LPR+10 bps	2027	8,100
Bank loans – secured *(b)*	One-year LPR-10 bps	2024-2026	234,845	One-year LPR-10 bps	2023-2026	174,292
			880,959			818,764
			1,286,251			1,051,816

30. INTEREST-BEARING BANK BORROWINGS (continued)

	2022 *RMB'000*	2021 *RMB'000*
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	405,292	233,052
In the second year	608,282	14,430
In the third to sixth years, inclusive	272,677	804,334
	1,286,251	1,051,816

Notes:

(a) 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. In addition, the buildings as well as the right-of-use assets with carrying amount of approximately RMB117,203,000 was also pledged as collateral to secure such bank borrowing at December 31, 2022.

(b) Details of the assets of the Group at December 31, 2022 and 2021 that have been pledged as collateral to secure the bank borrowings in relation to construction of the Group are set out in notes 14 and 15.

31. DEFERRED INCOME

	2022 *RMB'000*	2021 *RMB'000*
Government grants	47,238	36,441

The Group's deferred government grants represented government grants received for projects and are credited to the statement of profit or loss on a straight-line basis over the expected lives of the related assets or recognised as income on a systematic basis over the periods that the costs, which they are intended to compensate, are expensed.

32. CONVERTIBLE BONDS

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

On February 11, 2020, Viva Incubator HK issued five-year 2.5% convertible bonds in an aggregate principal amount of US$180,000,000, which were guaranteed by the Company.

The conversion period is on or after March 23, 2020 up to the close of business on the 10th day prior to February 11, 2025 and the price of ordinary shares of the Company to be issued in exercise of the right of conversion is initially HK$5.7456 per share. The conversion price would be subject to adjustment for, among other things, consolidation, subdivision, redesignation or reclassification of shares, capitalisation of profits or reserves, distributions, rights issues of shares or options over shares, rights issues of other securities, issues at less than current market price, other issues at less than current market price, modification of rights of conversion, other offers to shareholders.

In addition to the conversion price adjustment situation mentioned above, on February 11, 2021 and February 11, 2022 (the "**reset date**"), the conversion price shall be adjusted by the arithmetic average of the volume weighted average prices of the shares on each trading day for the period of 20 consecutive trading days ending on the trading day immediately prior to the relevant reset date. Any such adjustment to the conversion price shall be limited such that the adjusted conversion price in no event shall be less than HK$4.56.

On February 11, 2025, Viva Incubator HK would redeem all unconverted bonds from bondholders at the price of 108.21% of their principal amount, together with accrued and unpaid interest thereon.

32. CONVERTIBLE BONDS (continued)

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

On February 11, 2023 ("**Put Option Date 1**"), Viva Incubator HK would at the option of the holder of any bond redeem all or some only of such holder's bonds at 104.73% of its principal amount, together with interest accrued but unpaid to (but excluding) such date. To exercise such option, the holder must deposit during normal business hours at the specific office of any paying agent a duly completed and signed put notice in the form for the time being current, obtainable from the specified office of any paying agent, together with the certificate evidencing the bonds to the redeemed not more than 60 days and not less than 30 days prior to the Put Option Date 1.

Subsequently to the reporting period, the Group completed the full redemption of its US$180,000,000 2.50 per cent guaranteed convertible bonds in February 2023 as detailed in note 44.

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.

The US$180,000,000 convertible bonds comprise two components:

(i) Debt component initially measured at fair value amounting to US$129,863,000 (equivalent to RMB919,365,000) and subsequently measured at amortised cost using the effective interest method after considering the effect of the transaction costs; and

(ii) Derivative component comprising conversion options and early redemption options (not closely related to the debt component), which was initially measured at fair value amounting to US$50,137,000 (equivalent to RMB354,945,000) and subsequently measured at fair value with changes in fair value recognised in profit or loss.

The total transaction costs that are related to the issue of the US$180,000,000 convertible bonds were allocated to the debt and derivative components in proportion to their respective fair values. The total transaction costs relating to the derivative components were charged to profit or loss in the current year. Transaction costs 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.

32. CONVERTIBLE BONDS (continued)

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

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 *RMB'000*	Embedded derivative components *RMB'000*	Equity component *RMB'000*	Total *RMB'000*
At December 31, 2021	169,861	53,805	–	223,666
Interest charged	13,445	–	–	13,445
Gain arising on changes of fair value	–	(10,050)	–	(10,050)
Modification	–	(43,990)	37,273	(6,717)
Repurchase*	(162,373)	–	(29,585)	(191,958)
Exchange adjustments	20,634	235	–	20,869
At December 31, 2022	**41,567**	**–**	**7,688**	**49,255**
At December 31, 2020	159,968	200,291	–	360,259
Interest charged	13,712	–	–	13,712
Gain arising on changes of fair value	–	(143,590)	–	(143,590)
Exchange adjustments	(3,819)	(2,896)	–	(6,715)
As at December 31, 2021	169,861	53,805	–	223,666

32. CONVERTIBLE BONDS (continued)

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

* On November 28, 2022, an aggregate principal amount of US$25,400,000 convertible bonds were repurchased by Viva Incubator HK at a total consideration of US$25,222,000 (equivalent to RMB175,554,000). 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$3,197,000 (equivalent to RMB21,501,000). 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$5,293,000 (equivalent to RMB37,906,000).

No conversion or redemption of the convertible bonds has occurred during the year ended December 31, 2022 (2021: Nil).

(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.

On December 30, 2023 ("**Put Option Date 2**"), Viva Biotech BVI would, at the option of the holder of any bond redeem all or some only of such holder's bonds on December 30, 2023 at 103.08% of its principal amount, together with interest accrued but unpaid to (but excluding) such date. To exercise such option, the holder must deposit during normal business hours at the specific office of any paying agent a duly completed and signed put notice in the form for the time being current, obtainable from the specified office of any paying agent, together with the certificate evidencing the bonds to the redeemed not more than 60 days and not less than 30 days prior to the Put Option Date 2.

32. CONVERTIBLE BONDS (continued)

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

On giving not less than 30 nor more than 60 days' notice to the bondholders, the trustee and the principal agent (which notice will be irrevocable), Viva Biotech BVI:

(i) may at any time after January 9, 2024 and prior to December 30, 2025 redeem in whole, but not in part, the bonds for the time being outstanding at the early redemption amount, together with interest accrued but unpaid to but excluding the date fixed for redemption, provided that the closing price of the shares for each of 20 out of 30 consecutive trading days, the last of which occurs not more than five trading days prior to the date upon which notice of such redemption, is published was at least 130% of the applicable early redemption amount for each bond divided by the conversion ratio then applicable; or

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

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 is assigned as the equity component and is included in shareholders' equity.

32. 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 as follows:

	Debt component *RMB'000*	Equity component *RMB'000*	Total *RMB'000*
At December 31, 2021	1,399,554	468,731	1,868,285
Interest charged	103,969	–	103,969
Repurchase**	(162,054)	(50,221)	(212,275)
Exchange adjustments	125,582	–	125,582
At December 31, 2022	**1,467,051**	**418,510**	**1,885,561**
At December 31, 2020	1,331,880	468,731	1,800,611
Interest charged	99,293	–	99,293
Exchange adjustments	(31,619)	–	(31,619)
At December 31, 2021	1,399,554	468,731	1,868,285

** During the year ended December 31, 2022, an aggregate principal amount of US$30,000,000 convertible bonds were repurchased by Viva Biotech Investment at a total consideration of US$19,200,000 (equivalent to RMB126,751,000). 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$3,556,000 (equivalent to RMB23,920,000). 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$16,376,000 (equivalent to RMB109,444,000).

No conversion or redemption of the convertible bonds has occurred during the year ended December 31, 2022 (2021: Nil).

33. OTHER NON-CURRENT LIABILITIES

	2022 *RMB'000*	2021 *RMB'000*
Payables for purchase of equity interests from third parties*	**567,112**	541,396
Long-term employee benefits	**4,388**	645
	571,500	542,041

* Payable for purchase of equity interests from third parties mainly represents the present value of amount payable on exercise of put option of non-controlling interests in relation to the acquisition of Langhua Pharmaceutical.

34. SHARE CAPITAL/TREASURY SHARES

Shares

	2022 *RMB'000*	2021 *RMB'000*
Issued and fully paid:		
1,935,036,805 shares of US$0.000025 each		
(2021: 1,935,036,805 shares of US$0.000025 each)		
ordinary shares	**326**	326

34. SHARE CAPITAL/TREASURY SHARES (continued)

Share capital

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital
		RMB'000
At January 1, 2021	1,917,880,747	323
Share repurchase and cancellation	(11,493,000)	(2)
Shares issued upon business combination	8,654,685	2
Shares issued upon exercise of equity-settled share-based payment *(note 35)*	19,994,373	3
At December 31, 2021, January 1, 2022 and December 31, 2022	1,935,036,805	326

Treasury shares

	Number of shares repurchased	Treasury shares
		RMB'000
At December 31, 2020 and January 1, 2021	6,144,000	52,683
Repurchase of ordinary shares for restricted share units *(note 35)*	13,856,000	85,398
Exercise of restricted share units *(note 35)*	(400,000)	(3,430)
At December 31, 2021, January 1, 2022 and December 31, 2022	19,600,000	134,651

35. SHARE-BASED PAYMENT TRANSACTIONS

(a) Employee stock option plan ("ESOP")

The Pre-IPO ESOP

The Company's Pre-IPO Share Option Schemes (the "**Pre-IPO Schemes**") were adopted pursuant to the 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:

Grant date	Number of options	Expiry date	Exercise price per share
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.

The Post-IPO ESOP

The Company's Post-IPO Share Option Scheme (the "**Post-IPO Option Scheme**") was adopted pursuant to the resolutions passed on May 21, 2020, for the primary purpose of providing incentives to the eligible employees of the Group.

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.

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

35. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(a) Employee stock option plan ("ESOP") (continued)

The Post-IPO ESOP (continued)

* 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.

The following share options were outstanding during the reporting periods:

	2022		2021	
	Weighted average exercise price *HK$ per share*	Number of options	Weighted average exercise price *HK$ per share*	Number of options
At January 1	6.51	32,815,141	3.64	39,374,514
Granted during the year	2.89	11,820,000	6.95	16,660,000
Forfeited during the year	7.61	(1,430,000)	7.87	(3,225,000)
Cancelled during the year	7.61	(11,820,000)	–	–
Exercised during the year	–	–	1.01	(19,994,373)
At December 31	4.73	31,385,141	6.51	32,815,141

35. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(a) Employee stock option plan ("ESOP") (continued)

The Post-IPO ESOP (continued)

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

At December 31, 2022 Number of options	**Exercise price HK$ per share**	**Exercise period**
3,665,141	**0.96**	**January 1, 2020 ~ January 1, 2028**
5,460,000	**9.70**	**July 7, 2023 ~ July 6, 2026**
10,800,000	**5.46**	**December 2, 2024 ~ December 1, 2026**
11,460,000	**2.89**	**June 24, 2023 ~ June 23, 2025**
31,385,141		

At December 31, 2021 Number of options	Exercise price HK$ per share	Exercise period
3,665,141	0.96	January 1, 2020 ~ January 1, 2028
12,890,000	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
32,815,141		

35. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(a) Employee stock option plan ("ESOP") (continued)

The Post-IPO ESOP (continued)

The Group recognised the total expense of RMB15,702,000 for the year ended December 31, 2022 in relation to share options granted by the Company (2021: RMB12,434,000).

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).

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

	2022		2021	
	2022 Options	2020 Options	2021 Batch 1	2021 Batch 2
Date of grant/Modification Date	June 24, 2022	June 24, 2022	July 7, 2021	December 2, 2021
Dividend yield *(%)*	0.35	0.35	0.30	0.18
Expected volatility *(%)*	42.70	43.10	38.20	38.83
Risk-free interest rate *(%)*	2.59	2.60	0.62	1.19
Expected life of options *(year)*	3.00	3.00	5.00	5.00
Weighted average fair value *(RMB per share)*	0.62	0.11	2.41	1.55

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

No share options were exercised during the year ended December 31, 2022.

At December 31, 2022, the Company had 31,385,141 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 31,385,141 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$148,562,000 (equivalent to approximately RMB132,706,000) (before issue expenses).

35. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Restricted share units ("RSU")

The Post-IPO RSU

The Company's Post-IPO RSU Scheme (the "**Post-IPO RSU Scheme**") was adopted pursuant to the resolutions passed on June 5, 2020, for the primary purpose of providing incentives to the eligible employees of the Group. Under the Post-IPO RSU Scheme, on December 2, 2021, 4,480,000 RSUs of the Company were granted at an exercise price of HK$5.46 per RSU to the directors and senior management approved by the board of directors in accordance with the Post-IPO RSU Scheme.

An aggregate number of 13,856,000 ordinary shares of US$0.000025 each were repurchased and reserved for issuance pursuant to the Post-IPO RSU Scheme in 2021.

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

Grant date	Number of RSUs	Expiry date	Exercise price per share
December 11, 2020*	10,940,000	December 10, 2030	HK$4.90
December 1, 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 year ended December 31, 2022 for the Post-IPO RSU granted was RMB9,115,000 (2021: RMB8,150,000).

35. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Restricted share units ("RSU") (continued)

The Post-IPO RSU (continued)

The following table summarises the Group's Post-IPO RSUs and movements during the year:

	2022		2021	
	Weighted average exercise price *HK$ per share*	Number of options	Weighted average exercise price *HK$ per share*	Number of options
At January 1	**5.09**	**13,020,000**	4.90	10,940,000
Granted during the year	**–**	**–**	5.46	4,480,000
Forfeited during the year	**4.90**	**(520,000)**	4.90	(2,000,000)
Exercised during the year	**–**	**–**	4.90	(400,000)
At December 31	**5.10**	**12,500,000**	5.09	13,020,000

The exercise prices and exercise periods of the RSUs outstanding as at December 31, 2022 are as follows:

At December 31, 2022 Number of RSUs	**Exercise price HK$ per share***	**Exercise period**
8,020,000	**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**
12,500,000		

At December 31, 2021 Number of RSUs	Exercise price HK$ per share*	Exercise period
8,540,000	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
13,020,000		

36. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

(i) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of companies outside Mainland China. The reserve is dealt with in accordance with the accounting policy set out in note 2.4.

(ii) Other reserve

Other reserve of the Group represents the excess of the carrying amount of the non-controlling interests acquired over the consideration and the present value of the amount payable at the time of redemption of a put option over non-controlling interests.

(iii) Statutory reserve

In accordance with the Articles of Association of all subsidiaries established in the People's Republic of China (the "**PRC**"), all subsidiaries established in the PRC are required to transfer 10% of the profit after taxation to the statutory reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve must be made before distributing dividends to equity holders. The statutory reserve can be used to make up for previous years' losses, expand the existing operations or be converted into additional paid-in capital of the subsidiaries.

(iv) Share option reserve

The share option reserve represents the share-based payments reserve due to equity-settled share-based awards.

(v) Share premium

The share premium of the Group represents the share premium contributed by the shareholders of the Company.

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

(1) During the reporting period, the Group provides research services under the SFE method to its customer in exchange for equity interests of the customer of RMB54,081,000 (2021: RMB85,799,000).

(2) During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of nil (2021: RMB5,674,000) and nil (2021: RMB5,001,000), respectively, in respect of lease arrangements for property, plant and equipment.

(b) Changes in liabilities arising from financing activities

2022

	Borrowings *RMB'000*	Lease liabilities *RMB'000*	Convertible bonds included in financial liabilities *RMB'000*	Interest payables *RMB'000*	Total *RMB'000*
At January 1, 2022	1,051,816	33,466	1,623,220	3,431	2,711,933
Changes from financing cash flows	234,435	(4,690)	(302,305)	(72,856)	(145,416)
Equity component of convertible bonds	–	–	(67,544)	–	(67,544)
Gain on modification of convertible bonds	–	–	(6,717)	–	(6,717)
Fair value gain	–	–	(10,050)	–	(10,050)
Termination of lease contracts	–	(2,042)	–	–	(2,042)
Repurchase of convertible bonds	–	–	45,421	–	45,421
Modification of convertible bonds	–	–	(37,273)	–	(37,273)
Foreign exchange movement	–	–	146,451	145	146,596
Interest expense	–	1,337	117,415	71,333	190,085
At December 31, 2022	1,286,251	28,071	1,508,618	2,053	2,824,993

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities (continued)

2021

	Borrowings *RMB'000*	Lease liabilities *RMB'000*	Convertible bonds included in financial liabilities *RMB'000*	Interest payables *RMB'000*	Cash dividends *RMB'000*	Total *RMB'000*
At January 1, 2021	1,462,340	15,323	1,692,139	4,118	–	3,173,920
Changes from financing cash flows	(410,524)	(14,090)	–	(71,275)	(16,270)	(512,159)
Fair value gain	–	–	(143,590)	–	–	(143,590)
New leases	–	5,001	–	–	–	5,001
Termination of lease contracts	–	(945)	–	–	–	(945)
Foreign exchange movement	–	–	(38,334)	(52)	–	(38,386)
Interest expense	–	1,620	113,005	70,640	–	185,265
Final 2020 dividend declared	–	–	–	–	16,270	16,270
Increase arising from acquisition of subsidiaries	–	26,557	–	–	–	26,557
	1,051,816	33,466	1,623,220	3,431	–	2,711,933

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2022 *RMB'000*	2021 *RMB'000*
Within operating activities	–	(600)
Within financing activities	(4,690)	(14,090)
	(4,690)	(14,690)

38. CAPITAL COMMITMENTS

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

	2022 *RMB'000*	2021 *RMB'000*
Contracted, but not provided for:		
Investment in Viva Biotech Chengdu New Drug Incubation and Biologics Production Research & Development Center	68,522	101,497
Acquisition of property, plant and equipment	241,245	356,205
Unlisted equity investments at FVTPL	16,965	33,472
	326,732	491,174

39. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans are included in notes 14, 15 and 30 to the consolidated financial statements.

40. RELATED PARTY DISCLOSURES

(1) Names of and relationships with related parties

The following companies are significant related parties of the Group that had transactions and/or balances with the Group during the periods presented in the consolidated financial statements.

Company	Relationship
Jiaxing Tekeluo Biotech Co., Ltd*.	Associate

* Since December 2021, Jiaxing Tekeluo Biotech Co., Ltd ("**Jiaxing Tekeluo**") is no longer a related party of the Group.

(2) Transactions with related parties

Provision of research and development services

	2022	2021
	RMB'000	*RMB'000*
Jiaxing Tekeluo	**–**	1,189

(3) Compensation of key management personnel

The remuneration of the directors of the Company and other members of key management of the Group during the years ended December 31, 2021 and 2022 was as follows:

	2022	2021
	RMB'000	*RMB'000*
Short-term employee benefits	**15,496**	16,029
Pension scheme contributions	**168**	141
Equity-settled share-based payment	**10,332**	5,718
	25,996	21,888

Further details of directors' and the chief executive's emoluments are included in note 10 to the financial statements.

41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	2022 *RMB'000*	2021 *RMB'000*
Financial assets		
Financial assets at FVTPL:		
Unlisted investments at FVTPL	**1,045,209**	1,241,702
Listed equity securities	**1,407**	5,028
Derivative financial instruments	**–**	2,805
	1,046,616	1,249,535
Financial assets at amortised cost:		
Trade and bills receivables	**445,969**	429,703
Financial assets included in prepayments, other receivables and other assets	**21,818**	48,905
Rental deposits	**565**	524
Pledged deposits	**707,825**	682,656
Cash and cash equivalents	**678,569**	800,947
	1,854,746	1,962,735
Financial liabilities		
Financial liabilities at FVTPL:		
Convertible bonds – embedded derivative instrument	**–**	53,805
Derivative financial instruments	**17,804**	–
	17,804	53,805
Financial liabilities at amortised cost:		
Trade and bills payables	**326,130**	281,053
Financial liabilities included in other payables and accruals	**185,494**	210,686
Interest-bearing bank borrowings	**1,286,251**	1,051,816
Convertible bonds – debt component	**1,508,618**	1,569,415
Financial liabilities included in other non-current liabilities	**567,112**	541,396
	3,873,605	3,654,366

42. 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	
	2022 *RMB'000*	2021 *RMB'000*	**2022** *RMB'000*	2021 *RMB'000*
Financial assets				
Financial assets at FVTPL	**1,046,616**	1,246,730	**1,046,616**	1,246,730
Derivative financial instruments	**–**	2,805	**–**	2,805
	1,046,616	1,249,535	**1,046,616**	1,249,535
Financial liabilities				
Convertible bonds – debt component	**1,508,618**	1,569,415	**1,711,390**	1,763,136
Convertible bonds – embedded derivative instruments	**–**	53,805	**–**	53,805
Derivative financial instruments	**17,804**	–	**17,804**	–
	1,526,422	1,623,220	**1,729,194**	1,816,941

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, rental deposits, trade and bills receivables, trade and bills payables, financial assets included in prepayments, other receivables and other assets, interest-bearing bank borrowings, financial liabilities included in other payables and accruals, financial liabilities included in other non-current liabilities approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

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

The fair values of the financial assets and liabilities are included at the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair value of convertible bonds – debt component is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk.

Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current stock price. These instruments are included in level 1.

Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all inputs that are significant to fair value measurement are observable, the instrument is included in level 2.

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

Financial instruments in level 3

The fair values of unlisted equity investments designated at fair value through profit or loss have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as enterprise value to research and development ("**R&D**") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an R&D measure. The trading multiple is then discounted for considerations such as illiquidity differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

For the fair value of the unlisted equity investments at fair value through profit or loss, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

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

Financial instruments in level 3 (continued)

The Group's financial assets at FVTPL which are measured at fair value (refer to note 18 for details) at December 31, 2022 and 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 (in particular the valuation techniques and inputs used).

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
Financial products	Discounted cash flow method	N/A	N/A	N/A
Derivative financial instruments	Discounted cash flow method	N/A	N/A	N/A
Unlisted investment at FVTPL	Most recent transaction price	N/A	N/A	N/A
	Comparable company method	The ratio of P/R&D	2.2-4.9 (December 31, 2021: 6.92)	10% (December 31, 2021: 10%) increase/decrease in multiple would result in increase/decrease in fair value by RMB40,381,000 (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 RMB4,965,000 (December 31, 2021: RMB4,770,000)
	Discounted cash flow method	Conversion probability	20% to 30% (December 31, 2021: 10% to 40%)	5% (December 31, 2021: 5%) increase/decrease in multiple would result in increase/decrease in fair value by RMB993,000 (December 31, 2021: RMB457,000)

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

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at December 31, 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Listed equity securities	1,407	–	–	1,407
Unlisted investment at FVTPL	–	56,174	989,035	1,045,209
	1,407	56,174	989,035	1,046,616

As at December 31, 2021

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

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

Fair value hierarchy (continued)

Liabilities measured at fair value:

As at December 31, 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Derivative financial instruments	**–**	**17,804**	**–**	**17,804**

As at December 31, 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Convertible bonds – embedded derivative instruments	–	–	53,805	53,805

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

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed:

As at December 31, 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	**Significant observable inputs (Level 2)** *RMB'000*	**Significant unobservable inputs (Level 3)** *RMB'000*	**Total** *RMB'000*
Convertible bonds – debt component	**–**	**1,711,390**	**–**	**1,711,390**

As at December 31, 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Convertible bonds – debt component	–	1,763,136	–	1,763,136

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

Fair value hierarchy (continued)

The movements in fair value measurements within Level 3 during the year are as follows:

	2022 *RMB'000*	2021 *RMB'000*
At January 1	**947,125**	772,462
Acquired	**42,981**	90,236
Recognised from SFE revenue	**43,846**	39,568
Recognised from deemed disposal of an associate	**–**	9,486
Gain on fair value change	**(311,236)**	61,277
Exchange adjustment	**47,383**	(7,193)
Disposal	**(22,572)**	(48,743)
Transfer from Level 2*	**243,739**	54,998
Transfer to Level 2**	**(2,231)**	(19,938)
Transfer to Level 1***	**–**	(5,028)
At December 31	**989,035**	947,125

* During the year, as there was no most recent transaction price applicable for certain unlisted investments, the fair value measurement for certain unlisted investments transferred from Level 2 to Level 3 in the fair value hierarchy with the changes of valuation techniques.

** During the year, as most recent transaction price applicable for certain unlisted investments, the fair value measurement for certain unlisted investments transferred from Level 3 to Level 2 in the fair value hierarchy with the changes of valuation techniques.

*** Certain portfolio company was acquired by a listed company in 2021 and certain purchase consideration was settled by the allotment and issuance of shares of the listed company, of which the open market transaction price can be obtained from the active market. Therefore, the Group changed its fair value hierarchy from level 3 to the level 1.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, mainly comprise bank borrowings, pledged deposits, convertible bonds and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The Group also enters into derivative transactions, including forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to interest rate risk for changes in interest rates related primarily to the Group's bank borrowings with floating interest rates. The Group does not use derivative financial instruments to hedge its interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's (loss)/profit before tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax** *RMB'000*	**Increase/ (decrease) in equity** *RMB'000*
2022			
RMB-denominated borrowings	**50**	**(15,213)**	**(15,213)**
RMB-denominated borrowings	**(50)**	**15,213**	**15,213**
2021			
RMB-denominated borrowings	50	(18,434)	(18,434)
RMB-denominated borrowings	(50)	18,434	18,434

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies.

The Group purchased certain foreign exchange forward contracts as set out in note 25 during 2022 and has elected not to adopt hedge accounting for such foreign exchange forward contracts.

The following table demonstrates the sensitivity at the end of each reporting period to a reasonably possible change in the US$ exchange rate, with all other variables held constant, of the Group's (loss)/ profit before tax and equity (arising from US$denominate financial instruments) and the Group's equity (due to changes in the fair value of forward currency contracts).

	Increase/ (decrease) in rate of foreign currency	Increase/ (decrease) in profit before tax	Increase/ (decrease) in in equity
	%	RMB'000	RMB'000
2022			
If the US$ weakens against the RMB	**5**	**76,176**	**22,441**
If the US$ strengthens against the RMB	**(5)**	**(76,176)**	**(22,441)**
2021			
If the US$ weakens against the RMB	5	76,488	(1,368)
If the US$ strengthens against the RMB	(5)	(76,488)	1,368

Credit risk

An impairment analysis was performed at December 31, 2021 and 2022 using a provision matrix to measure expected credit losses. The provision rates are based on ageing for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on ageing information unless other information is available without undue cost or effort, and year – end staging classification as at December 31, 2022 and 2021. The amounts presented are gross carrying amounts for financial assets.

As at December 31, 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000*
Cash and cash equivalents	678,569	–	–	–	678,569
Pledged deposits	707,825	–	–	–	707,825
Trade and bills receivables*	–	–	–	461,093	461,093
Financial assets included in prepayments, other receivables and other assets**	21,818	–	–	–	21,818
Rental deposits	565	–	–	–	565
	1,408,777	–	–	461,093	1,869,870

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at December 31, 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	800,947	–	–	–	800,947
Pledged deposits	682,656	–	–	–	682,656
Trade and bills receivables*	–	–	–	439,155	439,155
Financial assets included in prepayments, other receivables and other assets**	31,053	17,852	–	–	48,905
Rental deposits	524	–	–	–	524
	1,515,180	17,852	–	439,155	1,972,187

* For trade and bills receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 23 to the financial statements.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

At the end of the reporting period, the Group had certain concentrations of credit risk as 34.57% (2021: 38.30%) of the Group's trade receivables were due from the Group's five largest customers.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 23 to the financial statements.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., trade receivables and other financial assets) and projected cash flows from operations. The Group maintains a balance between continuity of funding and flexibility through the use of interest-bearing loans and borrowings, convertible bonds and lease liabilities.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on contractual undiscounted payments, is as follows:

	On demand or less than 1 year *RMB'000*	Over 1 year *RMB'000*	Total undiscounted cash flows *RMB'000*	Carrying amount *RMB'000*
2022				
Trade and bills payables	326,130	–	326,130	326,130
Other payables and accruals	185,494	–	185,494	185,494
Convertible bonds – debt component	1,645,540	–	1,645,540	1,508,618
Interest-bearing bank borrowings	411,815	1,006,381	1,418,196	1,286,251
Other non-current liabilities for purchase equity interest from third parties	–	640,000	640,000	567,112
Lease liabilities	3,500	33,195	36,695	28,071
Total	2,572,479	1,679,576	4,252,055	3,901,676

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	On demand or less than 1 year *RMB'000*	Over 1 year *RMB'000*	Total undiscounted cash flows *RMB'000*	Carrying amount *RMB'000*
2021				
Trade and bills payables	281,053	–	281,053	281,053
Other payables and accruals	210,686	–	210,686	210,686
Convertible bonds – debt component	22,953	2,165,642	2,188,595	1,569,415
Interest-bearing bank borrowings	243,018	976,167	1,219,185	1,051,816
Other non-current liabilities for purchase equity interest from third parties	–	640,000	640,000	541,396
Lease liabilities	7,060	36,636	43,696	33,466
Total	764,770	3,818,445	4,583,215	3,687,832

Equity price risk

The Group is also exposed to equity price risk arising from financial assets at FVTPL as at December 31, 2022. The Group is exposed to equity price risk arising from financial assets at FVTPL and embedded derivative component of convertible bonds as at December 31, 2021.

The sensitivity analysis below has been determined based on the exposure to equity price risk at the reporting date for financial assets at FVTPL and embedded derivative component of convertible bonds.

If the prices of the respective equity instruments had been changed based on the 5% higher/lower, the profit for year ended December 31, 2022 would increase/decrease by RMB70,000 (2021: RMB6,319,000), as a result of the changes in fair value of financial assets at FVTPL in 2022.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2022 and December 31, 2021.

	2022	2021
	RMB'000	*RMB'000*
Total assets	**7,920,855**	8,044,758
Equity attributable to owners of the Company	**3,604,714**	3,913,356
Total liabilities	**4,316,141**	4,131,402
Cash and cash equivalents	**678,569**	800,947
Gearing ratio	**54.49%**	51.40%

44. EVENTS AFTER THE REPORTING PERIOD

Except as disclosed elsewhere in the consolidated financial information, the Group had following significant events subsequent to December 31, 2022:

(a) In February 2023, the Group completed the full redemption of its US$180,000,000 2.50 per cent guaranteed convertible bonds due 2025 upon the bondholders' exercise of their option requiring the Group to redeem all the outstanding convertible bonds. The convertible bonds were withdrawn from listing on the Stock Exchange on March 7, 2023.

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2022 *RMB'000*	2021 *RMB'000*
Non-current assets		
Investments in subsidiaries	2,834,562	2,809,745
Financial assets at FVTPL	54,515	88,625
	2,889,077	2,898,370
Current assets		
Amounts due from subsidiaries	1,097,468	1,415,774
Prepayments, other receivables and other assets	785	655
Cash and cash equivalents	51,036	96,702
	1,149,289	1,513,131
Current liabilities		
Income tax payables	1,602	1,280
Other payables and accruals	31,615	81,785
Financial liabilities at FVTPL	69,611	157,856
Contract liabilities – current	26,228	33,536
Amounts due to subsidiaries	320,271	600,447
	449,327	874,904
Net current assets	699,962	638,227
Total assets less current liabilities	3,589,039	3,536,597

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

	2022 *RMB'000*	2021 *RMB'000*
Non-current liabilities		
Contract liabilities – non current	**25,885**	38,828
	25,885	38,828
Net assets	**3,563,154**	3,497,769
Capital and reserves		
Share capital	**326**	326
Reserves *(note)*	**3,697,479**	3,632,094
Treasury shares	**(134,651)**	(134,651)
Total equity	**3,563,154**	3,497,769

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

The reserve movement of the Company is as follows:

	Share premium *RMB'000*	Share option reserve *RMB'000*	Accumulated losses/retained profits *RMB'000*	Total *RMB'000*
2022				
At January 1, 2022	**3,636,950**	**63,446**	**(68,302)**	**3,632,094**
Loss for the year	**–**	**–**	**40,568**	**40,568**
	3,636,950	**63,446**	**(27,734)**	**3,672,662**
Equity-settled share-based payment	**–**	**24,817**	**–**	**24,817**
At December 31, 2022	**3,636,950**	**88,263**	**(27,734)**	**3,697,479**
2021				
At January 1, 2021	3,650,761	42,863	15,158	3,708,782
Loss for the year	–	–	(83,460)	(83,460)
	3,650,761	42,863	(68,302)	3,625,322
Equity-settled share-based payment	–	20,583	–	20,583
At December 31, 2021	3,636,950	63,446	(68,302)	3,632,094

46. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on March 30, 2023.

Definitions

"Articles of Association"	the articles of association of the Company, as amended from time to time
"Audit Committee"	the audit committee of the Board
"Board of Directors" or "Board"	the board of Directors
"BVI"	British Virgin Islands
"CG Code"	the "Corporate Governance Code" as contained in Appendix 14 to the Listing Rules
"China" or "PRC"	the People's Republic of China, which, for the purpose of this report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"Company", "our Company"	Viva Biotech Holdings (维亚生物科技控股集团), an exempted company with limited liability incorporated in the Cayman Islands on August 27, 2008
"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

Definitions

"HK$" or "Hong Kong dollars"	Hong Kong dollars and cents, each being the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"Independent third party(ies)"	a person or entity who/which is not a connected person or associate of a connected person of our Company under the Listing Rules
"Jiaxing Viva"	Jiaxing Viva Biotech Limited (嘉興維亞生物科技有限公司), a limited liability company established in the PRC on March 19, 2014, and an indirect wholly-owned subsidiary of our Company
"Langhua Pharmaceutical"	Zhejiang Langhua Pharmaceutical Co., Ltd. (浙江朗華製藥有限公司)
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	May 9, 2019, on which the Shares were listed and from which dealings therein were permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules

"Post-IPO Share Option Scheme"	the post-IPO share option scheme as adopted by the Company on April 14, 2019
"Pre-IPO Share Incentive Schemes"	the 2009 Stock Incentive Plan, the 2018 Stock Incentive Plan and the Pre-IPO Stock Incentive Plan, the principal terms of which are summarized in "Statutory and General Information – D. Share Incentive Schemes – 1. Pre-IPO Share Incentive Schemes" in Appendix IV to the Prospectus
"Pre-IPO Stock Incentive Plan"	the pre-IPO stock incentive plan approved and adopted by the Company on June 21, 2018, the principal terms of which are summarized in "Statutory and General Information – D. Share Incentive Schemes – 1. Pre-IPO Share Incentive Schemes" in Appendix IV to the Prospectus
"Prospectus"	the prospectus of the Company dated April 25, 2019
"Reporting Period"	the year ended December 31, 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
"Sichuan Viva"	Sichuan Viva Benyuan Biotech Limited (四川維亞本苑生物科技有限公司), a limited liability company established in the PRC on October 30, 2018, and an indirect wholly-owned subsidiary of our Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"SYNthesis"	SYNthesis med chem (Hong Kong) Limited

"US$" or "United States dollars"	United States dollars and cents, each being the lawful currency of United States of America
"Viva Biotech BVI"	Viva Biotech Investment Management Limited, a limited liability company incorporated in the British Virgin Islands on July 9, 2020, and a wholly-owned subsidiary of the Company
"Viva Biotech HK"	Viva Biotech Limited (維亞生物科技有限公司), a limited company incorporated in Hong Kong on June 17, 2008, and a direct wholly-owned subsidiary of the Company
"Viva Biotech Shanghai"	Viva Biotech (Shanghai) Ltd. (維亞生物科技(上海)有限公司), a limited liability company established in the PRC on August 14, 2008, and an indirect wholly-owned subsidiary of the Company
"Viva Incubator HK"	Viva Incubator Investment Management Limited, a limited liability company incorporated in Hong Kong on March 20, 2017, and a wholly-owned subsidiary of the Company
"Viva Incubator Shanghai"	Shanghai Viva Dancheng Entrepreneurship Incubator Management Limited (上海維亞聃誠創業孵化器管理有限公司), formerly known as Shanghai Benyuan Entrepreneurship Incubator Management Limited (上海本苑創業孵化器管理有限公司), a limited liability company established in the PRC on December 7, 2015, and an indirect wholly-owned subsidiary of the Company
"%"	per cent
"2009 Stock Incentive Plan"	The stock incentive plan approved and adopted by the Company on July 1, 2009 and as amended and restated on June 8, 2018
"2018 Stock Incentive Plan"	The stock incentive plan approved and adopted by the Company on January 1, 2018 and as amended and restated on June 8, 2018