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If you are in any doubt about this circular or as to the action to be taken, you should consult your stockbroker, or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **VIVA BIOTECH HOLDINGS**, you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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

(Stock code: 1873)

MAJOR TRANSACTION DEEMED DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY

A notice convening the EGM of VIVA BIOTECH HOLDINGS to be held at Meeting Room A615, 735 Ziping Road, Zhoupu Town, Pudong New District, Shanghai, PRC on Friday, August 25, 2023 at 10 a.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and the website of the Company at www.vivabiotech.com. Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. no later than 10 a.m. on Wednesday, August 23, 2023, Hong Kong time) or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the EGM or any adjourned meeting thereof if they so wish.

August 9, 2023

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Board”	the board of Directors
“CDMO”	contract development manufacture organization
“CDMO Business”	CDMO and commercialization services
“Company”	Viva Biotech Holdings (维亚生物科技控股集团), a company incorporated in the Cayman Islands as an exempted company with limited liability, the issued shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 1873)
“Company Side”	the Company, Viva Biotech, Viva Investment, VIVA Shanghai, Viva Sichuan and SYNthesis HK
“CRO”	contract research organization
“CRO Business”	drug discovery services
“Daxue Investments”	Daxue Investments Pte. Ltd., a private company limited by shares incorporated in Singapore in 2023
“December 2025 Convertible Bonds”	US\$280 million 1.00% guaranteed convertible bonds due 2025 issued by Viva Investment convertible at the option of the holder thereof into fully paid ordinary Shares of the Company of par value US\$0.000025 each at the initial conversion price of HK\$11.6370 per Share
“Director(s)”	the director(s) of the Company
“EGM”	the first extraordinary general meeting of the Company in 2023 to be held at Meeting Room A615, 735 Ziping Road, Zhoupu Town, Pudong New District, Shanghai, PRC on Friday, August 25, 2023 at 10 a.m., notice of which is set out on pages EGM-1 to EGM-2 of this circular for the Shareholders to consider and, if thought fit, approve the Equity Investment
“Equity Investment”	the proposed acquisition of equity interest and capital injection in VIVA Shanghai by the Investors as contemplated under the Equity Transfer and Capital Injection Agreement
“Equity Transfer and Capital Injection Agreement”	the equity transfer and capital injection agreement dated June 10, 2023 entered into among the Company Side, Mr. Mao and the Investors in connection with the transfer of equity interest and injection of capital in VIVA Shanghai

DEFINITIONS

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HLC SPV”	HLC VGC Partners HK II Limited, a limited company incorporated in Hong Kong in 2022
“HLC VGC”	VGC Fund IV L.P.
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“independent third party(ies)”	the independent third party who is, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, independent of and not connected with the Company and the connected person(s) of the Company
“Internal Corporate Restructuring”	the internal restructuring of the Group’s CRO Business and CDMO Business, details of which have been disclosed under paragraph headed “IV. INFORMATION OF THE GROUP AND VIVA SHANGHAI – Internal Corporate Restructuring” in the Letter from the Board in this circular
“Investors”	HLC SPV, Qingdao Hongyi, Daxue Investments and True Light P, each an “Investor”
“Latest Practicable Date”	August 7, 2023, being the latest practicable date of ascertaining certain information contained in this circular prior to its publication
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Model Code”	the “Model Code for Securities Transactions by Directors of Listed Issuers” set out in Appendix 10 to the Listing Rules
“Mr. Mao”	Mr. MAO Chen Cheney (毛晨), an executive Director and chairman of the Board. As of the Latest Practicable Date, Mr. Mao, together with his associates, is interested in approximately 30.46% of the total issued share capital of the Company and is the de facto controller of the Company, Viva Biotech and VIVA Shanghai for the purpose of the Equity Transfer and Capital Injection Agreement and the Shareholders Agreement
“PRC”	the People’s Republic of China, excluding for the purpose of this circular only, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“Qingdao Hongyi”	Qingdao Hongyi Investment Partnership Enterprise (Limited Partnership) (青島弘熠投資合夥企業(有限合夥)), a limited partnership established in the PRC in 2022
“Qualified IPO”	an initial public offering of the shares of VIVA Shanghai on a domestic stock exchange in the PRC (excluding a listing on the National Equities Exchange and Quotations System and the Beijing Stock Exchange)
“RMB”	Renminbi, the lawful currency of the PRC
“S\$”	Singapore dollars, the lawful currency of Singapore
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the shares of the Company
“Shareholders”	the holders of Shares
“Shareholders Agreement”	the shareholders agreement dated June 10, 2023 entered into among the Company, Mr. Mao, Viva Biotech, VIVA Shanghai and the Investors
“SYNthesis HK”	SYNthesis med chem (Hong Kong) Limited, a limited company incorporated in Hong Kong and a direct wholly-owned subsidiary of the Company
“Target Group”	VIVA Shanghai and its subsidiaries involving in the Internal Corporate Restructuring
“Transaction Documents”	the Equity Transfer and Capital Injection Agreement, the Shareholders Agreement and the other documents or agreements entered into or delivered in connection with the Equity Investment by and among the Company (and their subsidiaries and affiliates, if applicable), on the one hand, and the Investors (and their subsidiaries and affiliates, if applicable), on the other hand
“True Light P”	True Light Investments P Pte. Ltd., a private company limited by shares incorporated in Singapore in 2021
“US\$”	US dollar(s), the lawful currency of the United States
“Viva Biotech”	Viva Biotech Limited (維亞生物科技有限公司), a limited company incorporated in Hong Kong and a direct wholly-owned subsidiary of the Company

DEFINITIONS

“Viva Investment”	Viva Biotech Investment Management Limited, a limited company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company
“VIVA 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 and an indirect wholly-owned subsidiary of the Company
“Viva Sichuan”	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 and an indirect wholly-owned subsidiary of the Company
“%”	percentage

For illustration purposes only, in this circular, the conversion of HK\$ into US\$ is based on the exchange rate of HK\$7.83661 to US\$1.00000; the conversion of RMB into US\$ is based on the exchange rate of RMB7.0821 to US\$1.0000; and the conversion of HK\$ into RMB is based on the exchange rate of HK\$1.00000 to RMB0.90372.

* *For identification purposes only*

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. MAO Chen Cheney (*Chairman of the Board*)

Mr. WU Ying

Mr. REN Delin

Non-executive Director:

Mr. WU Yuting

Independent non-executive Directors:

Mr. FU Lei

Ms. LI Xiangrong

Mr. WANG Haiguang

Registered office:

PO Box 309

Ugland House

Grand Cayman, KY1-1104

Cayman Islands

Corporate Headquarters:

735 Ziping Road

Zhoupu Town

Pudong New District

Shanghai, PRC

Principal place of business in Hong Kong:

Room 1901, 19/F

Lee Garden One

33 Hysan Avenue

Causeway Bay, Hong Kong

August 9, 2023

To the Shareholders:

Dear Sir/Madam,

MAJOR TRANSACTION DEEMED DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY

I. INTRODUCTION

The Company refers to its announcements dated June 11, 2023 and July 27, 2023 in relation to the Equity Investment.

On June 10, 2023, the Company (together with certain subsidiaries) and Mr. Mao entered into the Equity Transfer and Capital Injection Agreement, the Shareholders Agreement and other Transaction Documents with the Investors, pursuant to which the Investors have conditionally agreed to (i) inject approximately RMB547.72 million (equivalent to approximately US\$77.34 million) in aggregate into VIVA Shanghai, of which approximately US\$8.23 million will be accounted as paid-in registered capital of VIVA Shanghai, while the balance of approximately US\$69.11 million will be accounted as its capital reserve; and (ii) acquire approximately US\$7.74 million of the registered capital of VIVA Shanghai from Viva Investment for a consideration of approximately RMB514.60 million (equivalent to approximately US\$72.66 million) in aggregate (together, the “**Equity Investment**”). The total consideration of the Equity Investment amounted to approximately RMB1,062.32 million.

LETTER FROM THE BOARD

II. THE EQUITY INVESTMENT

THE EQUITY TRANSFER AND CAPITAL INJECTION AGREEMENT

Date

June 10, 2023

Parties to the Equity Transfer and Capital Injection Agreement

- (1) the Company Side, including the Company, Viva Biotech, Viva Investment, VIVA Shanghai, SYNthesis HK and Viva Sichuan;
- (2) Mr. Mao; and
- (3) the Investors, including HLC SPV, Qingdao Hongyi, Daxue Investments and True Light P.

The Equity Investment

The Investors conditionally agreed to:

- (1) inject RMB547,718,457 (equivalent to approximately US\$77.34 million) in aggregate into VIVA Shanghai, of which US\$8,234,671 will be accounted as paid-in registered capital of VIVA Shanghai, while the balance will be accounted as its capital reserve. In particular, (i) HLC SPV will subscribe for registered capital of US\$1,490,754 for a consideration of US\$14,000,875; (ii) Qingdao Hongyi will subscribe for registered capital of US\$775,163 for a consideration of RMB51,558,950; (iii) Daxue Investments will subscribe for registered capital of US\$4,775,003 for a consideration of RMB317,603,131; and (iv) True Light P will subscribe for registered capital of US\$1,193,751 for a consideration of RMB79,400,783; and
- (2) acquire US\$7,736,700 of the registered capital of VIVA Shanghai from Viva Investment for a consideration of RMB514,596,543 (equivalent to approximately US\$72.66 million) in aggregate. In particular, (i) HLC SPV will acquire registered capital of US\$1,400,605 for a consideration of US\$13,154,206; (ii) Qingdao Hongyi will acquire registered capital of US\$728,287 for a consideration of RMB48,441,050; (iii) Daxue Investments will acquire registered capital of US\$4,486,247 for a consideration of RMB298,396,869; and (iv) True Light P will acquire registered capital of US\$1,121,561 for a consideration of RMB74,599,217.

Immediately after completion of the Equity Investment, the Investors will be interested in approximately 24.21% of the enlarged registered capital of VIVA Shanghai in aggregate, and the Group's interest in VIVA Shanghai will be diluted from 100% to approximately 75.79%. According to Rule 14.29 of the Listing Rules, the relevant dilution is considered to be a deemed disposal of the Company's interest in a subsidiary. VIVA Shanghai remains as a subsidiary of the Company upon completion of the Equity Investment.

LETTER FROM THE BOARD

Subscription price and basis of determination

The total consideration of the Equity Investment was determined based on arm's length negotiations between the parties with reference to, among other things, the business prospects and financial conditions of VIVA Shanghai and the CRO Business, the Internal Corporate Restructuring initiated by the Company and the possibility of the Qualified IPO. In determining the consideration, the Company and the Investors have taken into account the revenue ratios (equals to the market value divided by the revenue) and gross profit ratios (equals to the market value divided by gross profit) of seven comparable companies listed on the Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange (the "Comparables") which are also engaged in the CRO Business similar to the Group.

The Company is of the view that the consideration is fair and reasonable based on the above determination factors; in particular, such consideration implies a revenue ratio and gross profit ratio of approximately 4.90x and 11.04x with reference to (i) total consideration of the Equity Investment, and (ii) the revenue and gross profit of the CRO Business of the Group for the year ended December 31, 2022 as disclosed in the annual report of the Company for the year 2022 (i.e. approximately RMB895.1 million and RMB397.3 million for the segment revenue and segment results for CRO Business, respectively). The above ratios are at the similar level of the average revenue ratios and gross profit ratios of other Comparables in the year 2022, which are approximately 4.57x and 11.87x, respectively.

The following table sets out details of the Comparables and the relevant ratios:

Name	Stock exchange on which the company is listed	Stock code	Revenue ratio (approximately)	Gross profit ratio (approximately)
WuXi AppTec Co., Ltd.* (無錫藥明康德新藥開發股份有限公司)	Hong Kong Stock Exchange/Shanghai Stock Exchange	2359/603259	4.31	12.22
Pharmaron Beijing Co., Ltd.* (康龍化成(北京)新藥技術股份有限公司)	Hong Kong Stock Exchange/Shenzhen Stock Exchange	3759/300759	2.88	8.23
Frontage Holdings Corporation (方達控股公司*)	Hong Kong Stock Exchange	1521	2.13	6.16
ChemPartner PharmaTech Co., Ltd. (睿智醫藥科技股份有限公司)	Shenzhen Stock Exchange	300149	3.04	12.11
PharmaBlock Sciences (Nanjing), Inc. (南京藥石科技股份有限公司)	Shenzhen Stock Exchange	300725	6.42	14.37

* For identification purposes only

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Name	Stock exchange on which the company is listed	Stock code	Revenue ratio <i>(approximately)</i>	Gross profit ratio <i>(approximately)</i>
Shanghai Medicilon Inc. (上海美迪西生物醫藥股份有限公司)	Shanghai Stock Exchange	688202	6.60	16.61
Shanghai Haoyuan Chemexpress Co.,Ltd. (上海皓元醫藥股份有限公司)	Shanghai Stock Exchange	688131	6.65	13.39
Average			4.57	11.87

Source: Eastmoney Choice Data

Note: The revenue ratio is calculated with reference to the revenue of the Comparables for the year 2022 and their market value as of June 7, 2023. The gross profit ratio is calculated with reference to the gross profit of the Comparables for the year 2022 and their average market value during the period from June 1, 2023 to June 9, 2023.

Payment of the consideration

The total consideration of the Equity Investment amounted to approximately RMB1,062.32 million. The Investors shall settle the total consideration of the Equity Investment upon Completion in cash. If VIVA Shanghai records net liabilities as of the date of Completion, the Company and Viva Biotech shall jointly and severally pay such amount to VIVA Shanghai to the effect that VIVA Shanghai does not have any net liabilities as of the date of Completion.

Conditions precedent

The completion of the Equity Investment (the “**Completion**”) is conditional upon fulfillment of, among other things, the following conditions (the “**Conditions Precedent**”), unless otherwise agreed to be waived by the relevant parties of the respective Conditions Precedent:

- (1) the representations and warranties made by the Company Side and Mr. Mao are true, accurate, complete, without omission and not misleading in all material respects at the time they are made and at and as of the date of Completion, with the same effect as if such representations and warranties had been made at and as of the time of the Completion, except in any case where the representations and warranties are made with respect to matters as of a particular date only, such representations shall be true, accurate and not misleading in all material respects as of that particular date;
- (2) each party of the Company Side and Mr. Mao has performed and complied in all respects with all commitments and obligations contained in the Transaction Documents that are required to be performed or complied with by such party on or before the date of Completion;

LETTER FROM THE BOARD

- (3) the Board and the Shareholders at the general meeting of the Company have approved (as applicable) (i) the Equity Investment and the Internal Corporate Restructuring, (ii) the execution of each of the Transaction Documents by the Company and performance of its obligations thereunder; and the Company has discharged its disclosure obligations required by applicable laws and security regulatory authorities;
- (4) (i) all of the Transaction Documents in connection with the Equity Investment have been duly executed by the relevant parties; (ii) all governmental agency approvals, notifications, filings or registrations and third-party consents or notification required for the execution or performance of the Equity Transfer and Capital Injection Agreement or completion of the Equity Investment by each party of the Company Side (save for certain bank consents) have been obtained from or given to the appropriate governmental agencies or third parties; and (iii) no applicable laws or governmental orders have been enacted, promulgated, enforced or approved by any governmental agencies that would render the transactions contemplated under the Transaction Documents unlawful or otherwise restrict or prohibit the transactions contemplated by the Transaction Documents;
- (5) the shareholders' meeting and the board of directors of VIVA Shanghai have approved (i) the entering into of the Transaction Documents and the completion of the proposed transactions under the Transaction Documents, (ii) the amendment of the articles of association of VIVA Shanghai, (iii) the appointment of each candidate nominated by HLC SPV and/or Qingdao Hongyi and Daxue Investments respectively as directors of VIVA Shanghai); and the existing shareholders of VIVA Shanghai have agreed to waive their pre-emptive rights and right of first refusal in respect of the Equity Investment and other similar rights (if any);
- (6) VIVA Shanghai has obtained the new business license and completed the company registration and change procedures in connection with the Equity Investment, including (i) the registration and filing of the articles of association of VIVA Shanghai, (ii) the registration of the Investors as shareholders of VIVA Shanghai, (iii) the registration of the candidates nominated by the Investors as directors of VIVA Shanghai, (iv) the change of foreign investment information with the competent department of commerce, (v) the registration of change in foreign exchange with the competent department of foreign exchange (or its authorized bank); and (vi) opening of capital account for receiving the capital injection;
- (7) there has been no material adverse change in the condition (financial or otherwise, but shall not include the effect of fluctuations in the share price of the Company), results of operations, assets, regulatory status, business or prospects of the Target Group and the Company Side as a whole; and no event or events have occurred that, individually or in combination, have had a material adverse effect and it is reasonable to expect that no such event or events will occur that could, individually or in combination, have a material adverse effect. In terms of the convertible bonds falling under the scope of the Company's material contracts, no bond holders has demanded the Company to redeem the convertible bonds held by it;

LETTER FROM THE BOARD

- (8) the Target Group and Company Side have discharged or procured others to discharge certain obligations to the satisfaction of the Investors, including (i) implementation of the Internal Corporate Restructuring, (ii) VIVA Shanghai's adoption of share incentive plan and management subscription plan; (iii) adjustments of employment relationship with certain employees of VIVA Shanghai; (iv) settlement of related party loans or advances; (v) communication with certain lending banks in connection with the Equity Investment; (vi) Mr. Mao and Ms. Mao Jun entering into certain undertakings in connection with the Equity Investment; and (vii) provision of certain financial information of members of the Target Group required as part of the due diligence exercise;
- (9) the representations and warranties made by the Investors are true, accurate and not misleading in all material respects at the time they are made, and are true, accurate, and not misleading in all material respects at and as of the date of Completion, with the same effect as if such representations and warranties had been made at and as of the time of the Completion, except in any case where the representations and warranties are made with respect to matters as of a particular date only, such representations shall be true, accurate and not misleading in all material respects as of that particular date; and
- (10) the Investors have performed and complied in all material respects with all commitments and obligations contained in the Transaction Documents that must be performed or complied with by such party on or before the date of Completion.

The parties shall use (to the extent they are able) their respective best endeavors to procure the fulfillment of the above conditions on or before November 30, 2023 or such other date as the parties may agree in writing. Among the Conditions Precedent, Conditions (3), (4) and (5)(i) cannot be waived by the parties. The parties intend to complete the Equity Investment as soon as practicable after obtaining the Shareholders' approval at the EGM. As of the Latest Practicable Date, save for (a) the Board having approved the Equity Investment, the Internal Corporate Restructuring and the execution of the Transaction Documents under Condition (3); (b) the execution of the Equity Transfer and Capital Injection Agreement and the Shareholders Agreement under Condition (4)(i); and (c) the shareholders' meeting and the board of directors of VIVA Shanghai having approved the execution of the Transaction Documents under Condition (5)(i), none of the conditions has been fulfilled or waived.

Completion

Completion of the Equity Investment will take place on the tenth business days after the date on which all of the Conditions Precedent (save for those to be fulfilled or waived on the date of Completion) have been fulfilled (or waived by the Investors), or any other date as agreed by the Investors.

LETTER FROM THE BOARD

Pre-Completion undertakings

Each party of the Company Side has provided certain pre-Completion undertakings, including (but not limited to): (i) implementing the Internal Corporate Restructuring to the stage as agreed with the Investors; (ii) promptly notifying the Investors upon the occurrence of certain material adverse events; (iii) each member of the Target Group conducting its business operations in a manner consistent with past practice and in the normal course of business operations; (iv) procuring members of the Target Group not to take certain actions (including but not limited to amending its articles of association, issue of securities, change of principal business, distribution of dividend and change of accounting standards) without obtaining prior written consents of the Investors; and (v) cooperating with the due diligence exercise of the Investors and its advisers. Mr. Mao undertakes to comply with his undertaking provided, and procure Ms. Mao Jun to comply with her undertaking provided.

Post-Completion undertakings

Mr. Mao and members of the Company Side have provided certain post-Completion undertakings, including (but not limited to): (i) complying with applicable laws and regulations in its business operation; (ii) completing the Internal Corporate Restructuring; (iii) procuring Ms. Mao Jun to comply with her undertaking provided, and using its reasonable efforts to file the application for the Qualified IPO as agreed with the Investors by June 30, 2024 and making pre-consultation with the relevant stock exchange as soon as possible and within three months after the date of Completion on VIVA Shanghai's suitability for the Qualified IPO; (iv) completing the share pledge registration procedures as required under the Shareholders Agreement (as disclosed below); (v) adopting and implementing the share incentive plan and management subscription plan to be further agreed with the Investors; (vi) Target Group to comply with the relevant Qualified IPO application and suitability requirements implemented by the relevant stock exchange based on the progress of its Qualified IPO application preparation; (vii) using its best efforts to procure that VIVA Shanghai's proposed Qualified IPO application shall be conducted in accordance with the requirements under the Listing Rules (including but not limited to the Practice Note 15 of the Listing Rules); and (viii) ensuring that the Target Group will comply with the applicable laws, listing rules of the relevant stock exchange in connection with the Qualified IPO, the Listing Rules and the requests of the intermediaries of the listing application to rectify the issues that may affect the Qualified IPO.

LETTER FROM THE BOARD

Termination

The Equity Transfer and Capital Injection Agreement shall be effective upon the date of execution and may be terminated under the following circumstances before Completion:

- (1) Equity Transfer and Capital Injection Agreement may be terminated by unanimous written consent of the parties thereto;
- (2) If the Conditions Precedent are not satisfied or waived on or before November 30, 2023 (or a later date as agreed by the parties), any party of the Company Side or any Investor who have fulfilled all the applicable Conditions Precedents shall be entitled to terminate the Equity Transfer and Capital Injection Agreement;
- (3) If, during the period from the date of the Equity Transfer and Capital Injection Agreement to the date of Completion, (i) an event or circumstance occurs which has caused or is likely to cause a material adverse effect or any of the Conditions Precedent has been determined as unable to be satisfied or has been breached and is not waived by the Investors, or (ii) VIVA Shanghai has been assigned for the benefit of its creditors, or VIVA Shanghai initiates or is subject to any legal proceedings with a view to declaring VIVA Shanghai in criminal proceedings, bankruptcy or insolvency, or with a view to liquidation, winding up, reorganization or restructuring of its liabilities under any law in connection with bankruptcy, insolvency or reorganization, the Equity Transfer and Capital Injection Agreement may be unilaterally terminated by any Investor;
- (4) If any governmental agency issues an order, decree or ruling, or takes any other action, restricting, preventing or otherwise prohibiting the transactions contemplated under the Equity Transfer and Capital Injection Agreement, and such order, decree, ruling or other action is final and not subject to review, prosecution or appeal, then either the Investors, or the Company Side and Mr. Mao may terminate the Equity Transfer and Capital Injection Agreement; and
- (5) Any complying party may terminate the Equity Transfer and Capital Injection Agreement by giving notice to VIVA Shanghai and the defaulting party if the defaulting party has made a material misrepresentation or has committed a material breach of a promise or covenant contained in the Equity Transfer and Capital Injection Agreement and such breach, if curable, is not cured within thirty (30) days after notice stating the reason and intent for termination is given.

Certain provisions relating to confidentiality, expenses and taxation, liabilities of breach and remedies, governing law and other ancillary provisions in the Equity Transfer and Capital Injection Agreement shall still be legally binding on parties to the Equity Transfer and Capital Injection Agreement after its termination.

LETTER FROM THE BOARD

THE SHAREHOLDERS AGREEMENT

Date

June 10, 2023

Parties to the Shareholders Agreement

- (1) Mr. Mao;
- (2) the Company;
- (3) Viva Biotech;
- (4) VIVA Shanghai; and
- (5) the Investors, including HLC SPV, Qingdao Hongyi, Daxue Investments and True Light P.

Shareholders' rights and obligations

The Shareholders Agreement sets out the rights and obligations of the parties thereto in relation to the management and operations of VIVA Shanghai and shall take effect upon the Completion. In particular, it contains the following key provisions in relation to the Investors' rights and obligations as a shareholder of VIVA Shanghai:

Restrictions on equity transfer

Without the prior written consent of the Investors, Mr. Mao, the Company, Viva Biotech and any employee stock ownership platform (the “**ESOP**”) (including its general or limited partners) (the “**Restricted Shareholders**”) shall not directly or indirectly transfer, pledge or otherwise dispose of their interest held directly or indirectly in VIVA Shanghai prior to the completion of the Qualified IPO.

Prior to the completion of the Qualified IPO, the Restricted Shareholders shall not, except with the prior written consent of the Investors, directly or indirectly transfer any equity interests in VIVA Shanghai to third parties other than the Investors at a lower price per share than the benchmark price of RMB66.5137 per share (the “**Benchmark Price**”, being the price paid by the Investors for acquiring US\$1.0 in the registered capital of VIVA Shanghai in the Equity Investment, calculated with reference to the total consideration of the Equity Investment and the registered capital acquired and subscribed in aggregate). Any Investor who consents to such transfer shall also be entitled to enforce the anti-dilution measures as explained below, and Restricted Shareholders shall not conduct such transfer prior to the completion of the anti-dilution measures.

LETTER FROM THE BOARD

The above restrictions on equity transfer do not apply to (i) transfer of equity interests in VIVA Shanghai among the ESOPs, the transfer of partnership interest among partners at the ESOP level, or the repurchase by the ESOPs or its partners of partnership interest held by other partners for the purpose of implementing any share incentive scheme validly approved by shareholders of VIVA Shanghai; and (ii) transfer of Shares by partners of the ESOPs (other than Mr. Mao) through the open market, provided that such transfer does not affect the stability of control of the Target Group.

Pre-emptive right, right of first refusal and tag-along rights

The Investors shall enjoy the pre-emptive right, right of first refusal and tag-along rights that are customary and not subordinated to other shareholders of VIVA Shanghai.

Transfer of equity interest by the Investors

The Investors may transfer, in whole or in part, their equity interest in VIVA Shanghai to any third party (other than competitors of the Group as agreed among the parties) without the consent of other shareholders of VIVA Shanghai and not subject to any right of first refusal, tag-along right or any lock-up period.

Anti-dilution

VIVA Shanghai shall not increase its registered capital or issue any equity securities unless approved by its shareholders. If any capital increase of VIVA Shanghai were conducted at a new price (the “**Lower Price**”) lower than the Benchmark Price (except for the addition of registered capital as a result of the implementation of the employee share incentive scheme, conversion of any convertible equity securities, subscription of new registered capital pursuant to the anti-dilution measures and capitalization issue). The Investors shall be entitled to demand VIVA Shanghai and Viva Biotech to adopt the anti-dilution measures such as making cash compensation or distribution of special dividend to the effect that the Benchmark Price can be adjusted to the same as the Lower Price.

Repurchase obligation

The Investors shall demand VIVA Shanghai, Viva Biotech and the Company to repurchase the equity interest held by the Investors in VIVA Shanghai (the “**Repurchase Obligation**”) upon any of the following circumstances (together, the “**Circumstances**”):

- (1) VIVA Shanghai fails to complete the Qualified IPO on or before December 31, 2026;
- (2) VIVA Shanghai is not acquired or merged by others on or before December 31, 2026, where the consideration for such merger or acquisition is not less than 1.5 times of the post-money valuation subsequent to the Equity Investment;
- (3) there is a change in de facto controller of the Company, Viva Biotech or VIVA Shanghai;

LETTER FROM THE BOARD

- (4) there is substantial impediment to the Qualified IPO due to the failure of Mr. Mao, Ms. Zhou Min and/or Ms. Mao Jun in discharging their undertakings provided in the Transaction Documents;
- (5) there is material breach of any of the undertakings, representations and warranties under the Transaction Documents by Mr. Mao, VIVA Shanghai, Viva Biotech and/or the Company, resulting in material losses suffered by the Target Group or the Investors, leading to the Investors' failure to realize its investment purpose; and
- (6) any other shareholders of VIVA Shanghai demand the relevant obligor to repurchase or acquire any equity interest held by it in VIVA Shanghai pursuant to any agreement between it and VIVA Shanghai or Viva Biotech or applicable laws.

Under the circumstances (1), (2), (3) and (6) above (where circumstance (6) is triggered by circumstances (1) to (3)), the repurchase price should be calculated in accordance with the formula below:

Repurchase price = consideration paid by the relevant Investor in the Equity Investment $\times (1 + 10\% \times N)$ + all cumulative declared but unpaid dividends – dividends paid to such Investor attributable to the equity interest acquired or subscribed by such Investor under the Equity Investment

Under the circumstances (4), (5) and (6) above (where circumstance (6) is triggered by circumstances (4) and (5)), the repurchase price should be calculated in accordance with the formula below:

Repurchase price = consideration paid by the relevant Investor in the Equity Investment $\times (1 + 15\% \times N)$ + all cumulative declared but unpaid dividends – dividends paid to such Investor attributable to the equity interest acquired or subscribed by such Investor under the Equity Investment

The above "N" refers to the number of years from the date of Completion of the Equity Investment to the date on which the Investors receive the repurchase price in full, which shall be calculated by dividing the actual number of days by 365 days in the case of less than one year.

Share pledge

For the purpose of securing full performance of the Repurchase Obligation, including but not limited to full payment of the repurchase price and other fees, costs, expenses and disbursements incurred to obtain such repurchase price, Viva Biotech agrees to pledge its entire equity interest in VIVA Shanghai to the Investors. The relevant parties shall sign an equity (or share) pledge agreement that is reasonably satisfactory to the Investors.

LETTER FROM THE BOARD

Most-favored-nation treatment

The Investors shall be entitled to any terms and conditions in any future or existing financing of VIVA Shanghai that are more favorable than those provided under the Equity Investment.

Board seats

Upon completion of the Equity Investment, the Investors may appoint two directors to the board of directors of VIVA Shanghai, where Viva Biotech shall appoint three directors, including the general manager/chief executive officer of the Target Group. Certain significant matters of VIVA Shanghai such as (i) formulating proposals of change in registered capital or debt issue; (ii) formulating proposals for merger, demerger, dissolution or change in corporate form; (iii) approving the sale, pledge or other disposal of any assets of VIVA Shanghai (including but not limited to intellectual property rights) exceeding RMB10 million individually or RMB25 million in aggregate during the financial year, which is outside the approved annual budget and business plan; and (iv) approving the incurrence of any liabilities, guarantees, expenses, external investments (including the establishment of subsidiaries) or other transactions outside the approved annual budget and business plan exceeding RMB10 million individually or RMB25 million in aggregate during the financial year shall be approved by the board of directors of VIVA Shanghai with at least one affirmative vote from directors nominated by the Investors.

Investors' consent right

Certain significant matters of VIVA Shanghai such as (i) amendments of articles of association, (ii) change in registered capital; (iii) change in de facto controller, principal business or corporate form, and conducting merger, demerger or dissolution; (iv) issue of any preferred shares or convertible securities; (v) change in the board seats and the director appointment procedures; (vi) entering into any related party transactions with its shareholders, directors, senior management and other external related parties (other than those related parties transaction approved with at least one affirmative vote from the Investors in the VIVA Shanghai annual budget); (vii) establishment of and amendment of any employee incentive schemes and proposals; and (viii) application for the Qualified IPO or other form of public share offering, shall be approved at the general meetings of VIVA Shanghai with at least one affirmative vote from the Investors.

LETTER FROM THE BOARD

Information and inspection rights

Subject to the compliance with applicable laws, regulations, regulatory documents and the relevant requirements of the supervisory and regulatory authorities of the place of listing, VIVA Shanghai shall provide the following documents to the Investors:

- (1) its consolidated annual financial statements prepared in accordance with PRC accounting standards and audited by an independent auditor and an annual business operation report within four months after the end of each financial year;
- (2) its consolidated interim financial statements prepared in accordance with PRC accounting standards and reviewed by an independent auditor within three months after the end of the second quarter of each financial year;
- (3) its consolidated financial statements prepared in accordance with PRC accounting standards and quarterly business operation report within 45 days after the end of each quarter of each financial year; and
- (4) other business and financial information as each Investor may reasonably request.

Any Investor shall have the right, without affecting the normal business operation of the Target Group and by giving two business days' written notice, to inspect over the premises, equipment, books and records of the Target Group, and have the right to discuss business, financial position and operations of members of the Target Group with its directors, officers and advisers.

Qualified IPO

VIVA Shanghai shall issue and list its shares on a domestic stock exchange in the PRC (excluding a listing on the National Equities Exchange and Quotations System and the Beijing Stock Exchange). If any special rights of any shareholder under the Shareholders Agreement become a legal impediment to the Qualified IPO of VIVA Shanghai, parties agree to enter into written agreements to amend, terminate or cease to enforce such special rights as and when appropriate. Parties to the Shareholders Agreement shall fully cooperate in the application process of the Qualified IPO.

III. FINANCIAL EFFECTS OF THE EQUITY INVESTMENT

Upon the completion of the Equity Investment, the total registered capital of VIVA Shanghai will be increased to US\$65,971,371, of which 75.79%, 4.38%, 2.28%, 14.04% and 3.51% of the total equity interest of VIVA Shanghai will be owned by the Company (through Viva Biotech), HLC SPV, Qingdao Hongyi, Daxue Investments and True Light P, respectively. Hence, the Group's interest in VIVA Shanghai will be diluted from 100% to 75.79% after the completion of the Equity Investment and VIVA Shanghai will remain a subsidiary of the Company.

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The Equity Investment is expected to be recorded as an equity transaction in accordance with International Financial Reporting Standards and the accounting policies of the Group. The Directors do not expect to recognize any gain/loss from the transactions contemplated under the Equity Transfer and Capital Injection Agreement. Shareholders should note that the actual amount of gain/loss from the Equity Investment to be recorded by the Company (if any) will be subject to review by the auditor of the Company.

IV. INFORMATION OF THE GROUP AND VIVA SHANGHAI

The Group

The Group provides one-stop services, consisting of CRO Business and CDMO Business, ranging from early-stage structure-based drug research and development to commercial drug delivery to global biopharmaceutical innovators. The services of CRO Business cover customers' needs for early stage drug discovery, including target protein expression and structure research, hit screening, lead optimization and drug candidate determination. The services of CDMO Business offer worldwide pharmaceutical and biotech partners comprehensive services from drug development through commercial drug manufacturing.

VIVA Shanghai

VIVA Shanghai is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company as of the Latest Practicable Date, which is principally engaged in the CRO Business. Set out below is a summary of the unaudited consolidated financial information of VIVA Shanghai for the two years ended December 31, 2021 and December 31, 2022 respectively, prepared in accordance with International Financial Reporting Standards:

	For the year ended December 31, 2022 (Unaudited) <i>RMB' 000</i> <i>(approximately)</i>	For the year ended December 31, 2021 (Unaudited) <i>RMB' 000</i> <i>(approximately)</i>
Profit before taxation	248,713	250,295
Profit after taxation	202,193	206,297
Net assets	1,158,764	731,836

LETTER FROM THE BOARD

Internal Corporate Restructuring

The Group had two reportable operating segments, being (i) the CRO Business and (ii) the CDMO Business. It also makes strategic investments in biotechnology startup companies with potentials for future cooperation (the “**Incubation Portfolio Companies**”). For the purpose of clearly delineating its business segments and streamlining its business operations, the Group has resolved to conduct certain internal corporate restructuring, upon the completion of which (i) all assets and related personnel of the Group’s CRO Business will be transferred to VIVA Shanghai and its subsidiaries; and (ii) all assets and related personnel of the Group’s CDMO Business will be transferred from VIVA Shanghai to other wholly-owned subsidiaries of the Group. Following the completion of the Internal Corporate Restructuring, the Group will conduct its CRO Business and CDMO Business and hold its equity interests in the Incubation Portfolio Companies through separate groups of subsidiaries. It is currently contemplated that the Group will not be subject to any disclosure or approval requirements under Chapter 14 of the Listing Rules in conducting the Internal Corporate Restructuring. The Group will fully comply with the Listing Rules in conducting the Internal Corporate Restructuring and publish further announcement(s) in compliance with the applicable requirements under the Listing Rules as and when appropriate.

V. INFORMATION OF INVESTORS

HLC SPV

HLC SPV is a company incorporated in Hong Kong, and is owned and controlled by HLC VGC. HLC VGC is an exempted limited partnership formed under the laws of the Cayman Islands, whose primary purpose is to make equity investments with a focus on healthcare, industrial materials and equipment manufacturing. HLC VGC is an affiliate of HighLight Capital. The general partner of HLC VGC is HLC VGC GP IV Limited, which is ultimately owned by Mr. Wang Hui. None of the limited partners of HLC VGC held more than 10% of the limited partnership interest therein. HighLight Capital is a private investment firm dedicated to creating long-term values through promoting technology innovations. With an aggregate of over US\$3 billion of assets under management as of the Latest Practicable Date, its portfolio companies include some of today’s most influential brands in their respective sectors, such as Shenzhen Mindray Bio-Medical Electronics Co., Ltd. (stock code: 300760.SZ), Pharmaron Beijing Co., Ltd. (stock code: 300759.SZ) and Hangzhou Tigermed Consulting Co., Ltd. (stock code: 03347.HK).

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Qingdao Hongyi

Qingdao Hongyi is a limited partnership established in the PRC in 2022, whose primary purpose is to make equity investments with a focus on healthcare, industrial materials and equipment manufacturing. The general partner of Qingdao Hongyi is Shanghai Hehong Jinghui Equity Investments Management Co., Ltd. (上海合弘景暉股權投資管理有限公司) (“**Shanghai Hehong**”), which is an affiliate of HighLight Capital. Shanghai Hehong is controlled by Mr. Wang Hui. None of the ultimate beneficial owners of Qingdao Hongyi is interested in more than 10% of the limited partnership interest therein. HighLight Capital is a private investment firm dedicated to creating long-term values through promoting technology innovations. With an aggregate of over US\$3 billion of assets under management as of the Latest Practicable Date, its portfolio companies include some of today’s most influential brands in their respective sectors, such as Shenzhen Mindray Bio-Medical Electronics Co., Ltd. (stock code: 300760.SZ), Pharmaron Beijing Co., Ltd. (stock code: 300759.SZ) and Hangzhou Tigermed Consulting Co., Ltd. (stock code: 03347.HK).

Daxue Investments

Daxue Investments is a private company limited by shares incorporated in Singapore in 2023. Daxue Investments is indirectly wholly owned by Temasek Holdings (Private) Limited (“**Temasek**”). Temasek is an investment company with a net portfolio value of S\$403 billion (RMB1.89 trillion) as of March 31, 2022. Headquartered in Singapore, it has 12 offices in 8 countries around the world. Temasek’s Purpose “So Every Generation Prospers” guides it to make a difference for today’s and future generations. The Temasek Charter defines its three roles as an Investor, Institution and Steward, and shapes its ethos to do well, do right and do good.

True Light P

True Light P is a private company limited by shares incorporated in Singapore in 2021. True Light P is indirectly wholly held by True Light Capital GP Pte. Ltd. (“**True Light GP**”) in its capacity as general partner of True Light Fund I LP (“**True Light Fund**”). True Light GP has appointed True Light Capital Pte. Ltd. (“**True Light Capital**”) as the investment manager of True Light Fund. Both True Light GP and True Light Capital are each indirectly wholly owned by Temasek. True Light Capital has its own independent board and management and makes its own investment decisions. True Light Capital invests in high-quality investment opportunities which have a nexus to or have a major business relationship with China, across asset classes, sectors, and stages.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, as of the Latest Practicable Date, each of the Investors and their respective ultimate beneficial owner(s) is a third party independent of the Company and its connected persons.

LETTER FROM THE BOARD

VI. USE OF PROCEEDS

The gross proceeds from the Equity Investment are approximately RMB1,062.32 million and the net proceeds (after the deduction of related transaction expenses) are expected to be approximately RMB1,058.33 million. The Company intends to apply such proceeds to redeem the December 2025 Convertible Bonds on December 30, 2023 (at the option of the bondholders) at 103.08% of its principal amount, together with interest accrued but unpaid.

VII. REASONS FOR AND BENEFITS OF THE EQUITY INVESTMENT

On December 17, 2020, Viva Investment, a wholly-owned subsidiary of the Company, issued the December 2025 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. On December 30, 2023, Viva Investment would, at the option of the bondholders, 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.

The Company intended to apply the net proceeds from the Equity Investment to redeem the December 2025 Convertible Bonds upon the exercise of the put options by the bond holders, which will allow the Group to settle its outstanding liabilities without occupying its internal resources, and thus optimizing its capital structure, lowering its financial risks, enhancing its financing capability in the future and providing strong working capital support for its operations and development to meet the requirements of its business growth.

In accordance with the Company's development strategy of CRO Business, separating the CRO Business and CDMO Business into two distinct companies will deliver benefits to both businesses as they grow. Each business group shall also have enhanced financial flexibility when running the different businesses that have distinct capital allocation needs, this also enables the management of each to pursue their own specific and focused strategy. The Company has initiated the Internal Corporate Restructuring and researched the possibility of Qualified IPO. The Qualified IPO is still in its early discussion and no concrete plan has yet crystallized as of the Latest Practicable Date. By introducing the Investors as shareholders of VIVA Shanghai, the Group will be able to benefit from the Investors' industry resources, further promote its industry positioning and broaden its independent financing channels.

Taking into account the factors mentioned above, the Board considers that the terms and conditions of the Equity Transfer and the Capital Injection Agreement and the Shareholders Agreement and the Equity Investment as contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

VIII. LISTING RULES IMPLICATIONS

VIVA Shanghai is an indirect wholly-owned subsidiary of the Company as of the Latest Practicable Date. It is contemplated that the percentage of the Group's shareholding interest in VIVA Shanghai will reduce to 75.79% following the completion of the Equity Investment by the Investors. The Equity Investment, if materialized, will constitute a deemed disposal by the Company under Rule 14.29 of the Listing Rules.

LETTER FROM THE BOARD

Since one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Equity Investment and the transactions contemplated thereunder exceeds 25% but all are less than 75%, the Equity Investment constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting, announcement, circular and shareholders' approval requirements under the Listing Rules.

Pursuant to the written confirmation of the parties to the Shareholders Agreement, the Company is of the view that upon occurrence of the Circumstances, which will render it impossible to realize the investment purpose of the Investors, the Investors must issue the repurchase notice in accordance with the Shareholders Agreement, and VIVA Shanghai, Viva Biotech and/or the Company must perform such repurchase obligation within 90 days after the Investors issue such notice. As such, the Repurchase Obligation is not an option under Rule 14.72(1) of the Listing Rules but an obligation for which the Company has to perform at the time when any of the Circumstances occurs, and it will not be regarded as a "transaction" under Chapter 14 or Chapter 14A of the Listing Rules or subject to further approval from the Shareholders.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Directors has any material interest in the Equity Investment. Although Mr. Mao is one of the signing parties to the Equity Transfer and Capital Injection Agreement, the Shareholders Agreement and other Transaction Documents, he is in the capacity of a founder of the Group to provide undertakings to the Investors and does not have material interest in the Equity Investment. Therefore, none of the Directors is required to abstain from voting on the relevant resolution approving the Equity Investment at the Board meeting.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders has any material interest in the Equity Investment as contemplated under the Equity Transfer and Capital Injection Agreement, the Shareholders Agreement and other Transaction Documents. Pursuant to Rule 17.05A of the Listing Rules, the trustee holding unvested shares of a share scheme, whether directly or indirectly, shall abstain from voting on matters that require shareholders' approval under the Listing Rules, unless otherwise required by law to vote in accordance with the beneficial owner's direction and such a direction is given. Other than Viva Biotech Holdings Restricted Share Unit Scheme, whose trustee shall not exercise the voting rights attached to 19,600,000 Shares held by it, none of the Shareholders and their associates is required to abstain from voting in the general meeting to be convened by the Company for the approval of the Equity Investment as of the Latest Practicable Date.

LETTER FROM THE BOARD

IX. EGM

The EGM will be held at Meeting Room A615, 735 Ziping Road, Zhoupu Town, Pudong New District, Shanghai, PRC on Friday, August 25, 2023 at 10 a.m. for the Shareholders to consider and, if thought fit, approve the Equity Investment.

Set out on pages EGM-1 to EGM-2 of this circular is the notice of the EGM containing, inter alia, an ordinary resolution in relation to the Equity Investment.

X. FORM OF PROXY

A form of proxy is enclosed for use at the EGM. Such form of proxy is also published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and the website of the Company at www.vivabiotech.com. Whether or not you intend to be present at the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time fixed for the holding of the EGM (i.e. no later than 10 a.m. on Wednesday, August 23, 2023, Hong Kong time) or at any adjournment thereof. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM or any adjourned meeting thereof if they so wish.

XI. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting (save for certain procedural or administrative matters) must be taken by poll. The Chairman of the EGM shall therefore demand voting on the resolution set out in the notice of EGM be taken by way of poll pursuant to article 13.5 of the Articles of Association.

On a poll, every Shareholder present in person or by proxy or, in the case of a Shareholder being a corporation, by its duly authorized representative shall have one vote for every fully paid Share of which he/she/it is the holder. A Shareholder entitled to more than one vote on a poll needs not use all his/her/its votes or cast all the votes he/she/it uses in the same way.

XII. RECOMMENDATION

The Directors consider that the Equity Investment is fair and reasonable and in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favor of the resolution to be proposed at the EGM.

LETTER FROM THE BOARD

XIII. MISCELLANEOUS

The English text of the circular shall prevail over the Chinese text for the purpose of interpretation.

Yours faithfully
By Order of the Board
VIVA BIOTECH HOLDINGS
MAO Chen Cheney
Chairman and Chief Executive Officer

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the years ended December 31, 2020, 2021 and 2022 has been set out in the following documents and is available on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company (www.vivabiotech.com):

- a) the annual report of the Company for the year ended December 31, 2020 published on April 28, 2021 from pages 86 to 224:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0428/2021042801513.pdf>

- b) the annual report of the Company for the year ended December 31, 2021 published on April 28, 2022 from pages 78 to 226:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0428/2022042803361.pdf>

- c) the annual report of the Company for the year ended December 31, 2022 published on April 26, 2023 from pages 86 to 224:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0426/2023042600534.pdf>

2. WORKING CAPITAL

The Directors are of the opinion that taking into account the effect of the Equity Investment, the cash flows generated from operating activities, the financial resources available to the Group including internally generated funds and existing borrowing facilities from a financial institution in the amount of RMB640 million, the working capital available to the Group is sufficient for the Group's requirements for at least 12 months from the date of this circular.

Save for the borrowing facilities of RMB640 million, the institutions providing finance have confirmed in writing the existence of the loans under the facilities as of July 7, 2023. As of the Latest Practicable Date, the Company has obtained a notice from the financial institution confirming the existence of the aforesaid borrowing facilities of RMB640 million.

3. BUSINESS PROSPECTS

With unique advantages in structure-based drug R&D (SBDD), the Company will increase the cross-sell between biological and chemical businesses as well as the capability building for the business development team, continue to strengthen the construction of a one-stop drug R&D and manufacturing service platform, deepen the synergy between CRO Business 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, so as to establish an open eco-system for global biopharma innovators. Looking into 2023, the Company will spare no effort in materializing and implementing the integrated strategy, in an endeavor to maximize the value of the Company and Shareholders' returns.

4. STATEMENT OF INDEBTEDNESS

The following table sets out the breakdown of the financial indebtedness of the Group at the date included:

	As of July 7, 2023
	<i>RMB'000</i>
Non-current	
Secured and guaranteed bank loans (a)	281,000
Secured and guaranteed bank loans (b)	210,110
Secured and unguaranteed bank loans (c)	83,044
Unsecured and unguaranteed bank loans	14,900
Lease liabilities	29,668
Other non-current liabilities (d)	580,831
	<u>1,199,553</u>
Current	
Unsecured and guaranteed convertible bonds (e)	1,576,452
Unsecured and unguaranteed convertible bonds (f)	432,847
Secured and guaranteed bank loans (a)	275,000
Secured and guaranteed bank loans (b)	54,728
Secured and unguaranteed bank loans (c)	17,070
Secured and unguaranteed bank loans (g)	50,000
Unsecured and unguaranteed bank loans	320,939
Lease liabilities	3,817
	<u>2,730,853</u>
Total	<u><u>3,930,406</u></u>

Notes:

- (a) As of July 7, 2023, the bank loans bear an interest rate of the one-year loan prime rate plus 50 base points per annum and is pledged by a deposit and a property of the Group as collateral and guaranteed by the Company.
- (b) As of July 7, 2023, the bank loans bear an interest of the one-year loan prime rate less 10 base points per annum and is pledged by certain properties of the Group as collateral and guaranteed by the Company.
- (c) As of July 7, 2023, the bank loans bear an interest of the five-year prime rate plus 10 base points per annum and is pledged by certain properties of the Group as collateral.
- (d) Other non-current liabilities represent the present value of amount payable on exercise of put option of non-controlling interests in relation to the acquisition of Zhejiang Langhua Pharmaceutical Co., Ltd, which is approximately RMB581 million as of July 7, 2023.

- (e) On December 30, 2020, Viva Investment, an indirect wholly-owned subsidiary of the Company, issued a five-year 1% convertible bonds with an aggregate principal amount of US\$280 million, which is guaranteed by the Company. In addition, the holders had an option to require the Group to redeem all or some of such convertible bonds on December 30, 2023. During the year ended December 31, 2022, an aggregate principal amount of US\$30 million convertible bonds were repurchased by Viva Investment at a total consideration of US\$19.2 million. As of the close of business on July 7, 2023, the debt components of the convertible bonds amounted to approximately RMB1,576 million.
- (f) On July 7, 2023, the Company issued a 2% per annum convertible bonds with an aggregate principal amount of HK\$470 million, of which the maturity date is November 30, 2023. As of the close of business on July 7, 2023, the fair value of the convertible bonds amounted to approximately RMB433 million.
- (g) As of July 7, 2023, the bank loans bear an interest of 3.20% per annum and is pledged by a patent of the Group as collateral.

Save as aforesaid, and apart from intra-group liabilities, as of the close of business on July 7, 2023, the Group did not have any other outstanding mortgages, charges, debentures, loan capital, bank loans or overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance creditors, guarantees, or other material contingent liabilities.

5. MATERIAL ADVERSE CHANGE

There had been no material adverse change in the financial and trading position or outlook of the Company since December 31, 2022, being the date to which the latest published audited consolidated financial statements of the Company were made up, up to and including the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT AND FORWARD LOOKING STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purposes of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

This circular contains statements that are forward-looking and uses words typically used for forward-looking statements such as “will”, “expect”, “estimate”, “anticipate”, “plan”, “believe”, “may”, “intend”, “ought to”, “continue”, “project”, “should”, “seek”, “potential” and other similar terms. Reliance on any forward-looking statements involves risks and uncertainties. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this circular should not be regarded as representations by the Board that the Company’s plans and objectives will be achieved.

2. DISCLOSURE OF INTEREST

As of the Latest Practicable Date, 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 Hong Kong 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 Hong Kong Stock Exchange pursuant to the Model Code, were as follows:

Name of Directors	Capacity	Number of Shares interested ⁽¹⁾	Approximate percentage of the Company’s issued share capital ⁽²⁾
Mr. Mao ⁽³⁾⁽⁵⁾	Beneficial owner	50,332,551	2.60%
	Trustee	150,000,000	7.75%
	Beneficiary of a trust (other than a discretionary interest)	67,065,976	3.47%
	Interest of controlled corporation	15,925,000	0.82%
	Other	175,000,000	9.04%
Mr. Wu Ying ⁽⁴⁾⁽⁵⁾	Beneficial owner	17,857,473	0.92%
	Interest of spouse	4,324,654	0.22%
	Beneficiary of a trust (other than a discretionary interest)	1,920,000	0.10%
Mr. Ren Delin ⁽⁵⁾	Beneficiary of a trust (other than a discretionary interest)	1,920,000	0.10%
	Beneficial owner	15,460,248	0.80%

Notes:

- (1) All shareholding interest as set out above are long position in the shares.
- (2) The percentage represents the number of ordinary Shares interested divided by 1,935,036,805 issued Shares as of the Latest Practicable Date.
- (3) Mr. Mao 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 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 is also a beneficiary of Min Zhou 2018 Family Trust, CCMFT Trust Scheme and The Chen Mao Charitable Remainder Trust. Mr. Mao 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 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.
- (4) Mr. Wu Ying is the spouse of Ms. Zhao Huixin. Under the SFO, Mr. Wu Ying is deemed to be interested in the same number of Shares in which Ms. Zhao Huixin is interested in.
- (5) Each of Mr. Mao, Mr. Wu Ying and Mr. Ren Delin is a beneficiary of Viva Biotech Holdings Restricted Share Unit Scheme.

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⁽¹⁾	Approximate percentage of holding of such class of shares
Mr. Mao	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 holds 100% equity interest in Chencheney Ltd. Therefore, Mr. Mao is deemed to be interested in the shares of Anji Pharmaceuticals Inc. and Clues Therapeutics Inc. directly held by Chencheney Ltd.
- (3) On June 30, 2020, Mr. Mao (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 of the Latest Practicable Date, 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 Hong Kong 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 Hong Kong Stock Exchange.

As of the Latest Practicable Date, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the shares, underlying shares and debentures of the Company which should be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholders	Capacity	Number of Shares interested⁽¹⁾	Approximate percentage of the Company's issued share capital⁽²⁾
Ms. Mao Jun ⁽³⁾	Beneficiary of a trust (other than a discretionary interest)	281,057,654 (L)	14.52%
Ms. Zhou Min	Beneficial owner	100,000,000 (L)	5.17%
Mr. John Wu Jiong ⁽⁴⁾	Interest in a controlled corporation	178,034,092 (L)	9.20%
	Other	43,000,000 (L)	2.22%
Fenghe Harvest Ltd. ⁽⁴⁾	Beneficial owner	124,821,323 (L)	6.45%
	Other	30,000,000 (L)	1.55%
Z&M International Holdings Limited ⁽³⁾	Interest in a controlled corporation	126,830,206 (L)	6.55%
Intertrust (Singapore) Ltd. ⁽³⁾	Trustee	131,057,654 (L)	6.77%
JPMorgan Chase & Co. ⁽⁵⁾	Interest in a controlled corporation	125,414,787 (L)	6.48%
		118,318,228 (S)	6.11%
	Person having a security interest	3,426,942 (L)	0.18%
	Approved lending agent	4,177,448 (L)	0.21%
Temasek Holdings (Private) Limited ⁽⁶⁾	Interest in a controlled corporation	150,000,000 (L)	7.75%

Notes:

- (1) The letter “L” and “S” denotes the person’s long position and short position in the Shares, respectively.
- (2) The percentage represents the number of ordinary Shares interested divided by 1,935,036,805 issued Shares as of the Latest Practicable Date.
- (3) Each of Mao and Sons Limited and Zhang and Sons Limited is indirectly wholly-owned by Intertrust (Singapore) Ltd. as the trustee of the Z&M Trust (whose interest is held through Z&M International Holdings Limited). Each of JL and JSW Holding Limited and TIANL Holding Limited is indirectly wholly-owned by Intertrust (Singapore) Ltd. as the trustee of the VVBI Trust (whose interest is held through VVBI Holdings Limited). Each of the Z&M Trust and the VVBI Trust is a revocable family trust set up by Ms. Mao Jun as settlor and protector. Ms. Mao Jun is also a beneficiary of the relevant family trusts. Therefore, Ms. Mao Jun is deemed to be interested in the Shares directly held by each of Mao and Sons Limited, Zhang and Sons Limited, JL and JSW Holding Limited and TIANL Holding Limited. Ms. Mao Jun is also a beneficiary of Mao Investment Trust.
- (4) Mr. John Wu Jiong holds 100% equity interest in each of Fenghe Harvest Ltd. and Wu and Sons Limited. In addition, Mr. John Wu Jiong holds 45% 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.
- (5) Among the interests, 500 (L) and 185,000 (S) are unlisted derivatives – cash settled and 7,993,708 (L) and 133,228 (S) are listed derivatives – convertible instruments.
- (6) On June 10, 2023, each of Huangshan Investments Pte. Ltd. and True Light Investments H Pte. Ltd. entered into a subscription agreement with the Company and Mr. Mao, under which they agreed to purchase convertible bonds in the principal amount of HK\$240 million and HK\$60 million, respectively. Based on the initial conversion price of HK\$2.0, 120,000,000 and 30,000,000 Shares will be allotted and issued upon exercise in full of the conversion right attaching to the convertible bonds to Huangshan Investments Pte. Ltd. and True Light Investments H Pte. Ltd., respectively.

Save as disclosed above, as of the Latest Practicable Date, 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, underlying shares or debentures of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

3. DIRECTORS SERVICE CONTRACTS AND LETTER OF APPOINTMENT

As of the Latest Practicable Date, each of the Directors has entered into a service agreement or letter of appointment with the Company for a term of three years, which may be terminated by either party by giving three months written notice or otherwise in accordance with the terms of the service agreement or letter of appointment. Apart from the aforementioned service agreement or letter of appointment, none of the Directors had any existing or is proposed to have a service contract with the Company or any of its associated corporations which will not expire or is not determinable by the Company within one year without payment of compensation other than statutory compensation.

4. DIRECTORS' INTEREST

As of the Latest Practicable Date, save as disclosed in this circular and so far as the Directors were aware of:

- (1) none of the Directors had any direct or indirect interest in any assets which have been, since December 31, 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group, or are proposed to be acquired, disposed of by, or leased to any member of the Group; and
- (2) none of the Directors was materially interested, directly or indirectly, in any contract or arrangement subsisting as of the Latest Practicable Date which is significant in relation to the business of the Group.

5. COMPETING INTEREST

As of the Latest Practicable Date, so far as the Directors were aware of, none of the Directors nor their respective close associates had any interest in any business which competes or is likely to compete, or is in conflict or is likely to be in conflict, either directly or indirectly, with the businesses of Group.

6. MATERIAL CLAIMS AND LITIGATION

As of the Latest Practicable Date, none of the members of the Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Group within two years immediately preceding the Latest Practicable Date which are or may be material:

- (1) the Equity Transfer and Capital Injection Agreement;
- (2) the Shareholders Agreement; and
- (3) the subscription agreements dated June 10, 2023 entered into among the Company, Mr. Mao and each of the HLC VGC Partners HK II Limited, Huangshan Investments Pte. Ltd. and True Light Investments H Pte. Ltd. in connection with the issue and subscription of convertible bonds by the Company in an aggregate principal amount of HK\$470 million.

8. MISCELLANEOUS

- (1) The registered office of the Company is situated in PO Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands. The corporate headquarter of the Company is situated in No. 735, Ziping Road, Zhoupu Town, Pudong New District, Shanghai, PRC. The Company's principal place of business in Hong Kong is situated in Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.
- (2) The Hong Kong branch share registrar and transfer office of the Company is situated at Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (3) The joint company secretaries of the Company are Ms. Fei Xiaoyu and Ms. Chau Hing Ling. Ms. Chau Hing Ling is a fellow member of the Chartered Governance Institute ((formerly known as the Institute of Chartered Secretaries and Administrators) and the Hong Kong Institute of Chartered Secretaries).
- (4) The Company's authorized share capital is 4,000,000,000 Shares. As of the Latest Practicable Date, the Company has issued 1,935,036,805 Shares.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (www.vivabiotech.com) from the date of this circular up to and including the date of the EGM:

- (1) the Equity Transfer and Capital Injection Agreement;
- (2) the Shareholders Agreement and the written confirmation; and
- (3) the subscription agreements dated June 10, 2023 entered into among the Company, Mr. Mao and each of the HLC VGC Partners HK II Limited, Huangshan Investments Pte. Ltd. and True Light Investments H Pte. Ltd. in connection with the issue and subscription of convertible bonds by the Company in an aggregate principal amount of HK\$470 million.

NOTICE OF THE EGM



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)

NOTICE IS HEREBY GIVEN THAT the first extraordinary general meeting (the “**EGM**”) of VIVA BIOTECH HOLDINGS (the “**Company**”) will be held at Meeting Room A615, 735 Ziping Road, Zhoupu Town, Pudong New District, Shanghai, PRC on Friday, August 25, 2023 at 10 a.m. to consider and, if thought fit, approve, with or without amendments, the following resolution of the Company. Unless otherwise defined, capitalized terms used in this notice shall have the same meanings as those defined in the circular of the Company dated August 9, 2023.

ORDINARY RESOLUTION

1. (a) The Equity Transfer and Capital Injection Agreement, Shareholders Agreement and other Transaction Documents and the Equity Investment as contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) Any one Director be and is hereby authorized to sign, execute and deliver or authorize the signing, execution and delivery of all such documents (including affixing the common seal of the Company thereon) and to do all such things as he or she may in his or her absolute discretion consider necessary, expedient or desirable to implement and/or to give effect to or otherwise in connection with the Equity Transfer and Capital Injection Agreement, Shareholders Agreement and other Transaction Documents and the Equity Investment as contemplated thereunder.

By Order of the Board
VIVA BIOTECH HOLDINGS
MAO Chen Cheney
Chairman and Chief Executive Officer

Hong Kong, August 9, 2023

NOTICE OF THE EGM

Notes:

- (i) A shareholder entitled to attend and vote at the EGM is entitled to appoint another person as his/her proxy to attend and vote instead of him/her; a proxy need not be a shareholder of the Company. A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf at the EGM. On a poll, votes may be given either personally or by proxy.
- (ii) In the case of joint holders, any one of such joint holders may vote at the EGM, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the EGM, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined as that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
- (iii) In order to be valid, a form of proxy must be deposited at the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) not less than 48 hours before the time appointed for the holding of the above meeting (i.e. no later than 10 a.m. on Wednesday, August 23, 2023, Hong Kong time) or any adjournment thereof. The completion and return of the form of proxy shall not preclude shareholders of the Company from attending and voting in person at the above meeting (or any adjourned meeting thereof) if they so wish.
- (iv) The transfer books and register of members of the Company will be closed from Tuesday, August 22, 2023 to Friday, August 25, 2023, both days inclusive, during which period no share transfers can be registered. In order to qualify for attending EGM, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, August 21, 2023.