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

2023 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 Directors

Mr. WU Yuting
Mr. WANG Stephen Hui *(appointed on January 18, 2024)*

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 and the Hong Kong Chartered Governance Institute)*

AUTHORIZED REPRESENTATIVES

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

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
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CORPORATE HEADQUARTERS

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Causeway Bay, Hong Kong

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
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 2023 annual report of the Group.

In the past year of 2023, in face of the rising U.S. interest rates as well as liquidity constraints, the investment and financing conditions of the biopharmaceutical industry around the globe have inevitably come under pressure. Nonetheless, as a global-wide drug research and development as well as production one-stop platform, Viva Biotech managed to achieve overall satisfying operating results. In respect of the Group's financing, we successfully secured investments from strategic investors such as Temasek, Highlight Capital, True Light Capital and Investment Corporation of Dubai with a total financing size of nearly US$225 million. In respect of CRO business, we continued to strengthen the synergy of our biopharmaceutical and chemical segments and facilitate the establishment of our BD team; in the meantime, we also continued to expand our emerging technology platform that leading to the establishment of a comprehensive drug R&D platform. For CDMO business, Langhua is expanding the capacity to prepare for the commercial production of new molecules in the future. In addition, the Group will also benefit from the business synergy contributing to investment and incubation portfolios and the investment gains due to successful exits.

I hereby wish to look back on our results and operating highlights achieved in 2023 together with you:

- During the Reporting Period, the Group realized a revenue of RMB2,155.6 million and gross profit of RMB738.5 million; the Group recorded a net loss of RMB99.8 million, representing a significant improvement as compared to a loss of RMB504.2 million for the corresponding period of last year; adjusted net profit was RMB208.8 million, representing a significant turnaround from negative for the corresponding period of last year to positive. This improvement was mainly attributable to the stabilization of valuation of certain incubation portfolio companies of the Group and the increased profitability as a result of the Group's initiatives to reduce costs and improve efficiency.

- The Group achieved breakthrough progress in overall financing and the introduction of strategic investors. We successfully secured investments from strategic investors such as Temasek, Highlight Capital, True Light Capital and Investment Corporation of Dubai, with a total financing size of nearly US$225 million. The completion of the Group's financing endeavors and the successful introduction of strategic investors have propelled the Company towards a trajectory of smooth and rapid development.

- As a global leading structure-based drug discovery service provider, during the Reporting Period, the Company delivered approximately 16,110 new protein structures to our clients and launched R&D on 8 new independent drug targets. Besides, the cumulative number of clients increased to 1,398 and our utilization of synchrotron radiation source reached 2,059 hours during the Reporting Period.

- For our CRO business, currently, we have built several core technological platforms, including the PROTAC/molecular glue 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) and artificial intelligence in drug discovery (AIDD) platform, antibody/macromolecule development service platform and pharmaceutical chemistry. During the Reporting Period, the Company has introduced several new platforms, including V-DEL technology platform, covalent compound library and molecular glue technology platform and enhanced the peptide drug development platform. Furthermore, we have expanded the services offered by the antibody macromolecule development platform and made initial progress in establishing the XDC platform with a view of boosting the comprehensive development of drug R&D platform in a more effective way.

- During the Reporting Period, due to the constant channel effect of CMC, the capacity of CDMO is expanding. In respect of CMC, the R&D team consisted of 155 members and the number of completed and currently progressing new drug projects are 183. Projects channeled by the Group progressed smoothly, and one pipeline has rapidly advanced to Phase III clinical trials, fully showcasing the success of the Group's integrated strategy. In respect of the production capacity of Langhua, our current available total capacity reaches 860 cubic meters. We plan to establish a new production capacity of 400 cubic meters between 2024 and 2025 to cater to the commercial production of new molecules.

- Regarding the investment & incubation business, the number of pipelines has been on the rise, with successful exits for some of our incubation portfolio companies. In 2023, the total number of pipeline projects increased to 222, of which 37 had entered the clinical stage. During the Reporting Period, we realized investment exits or partial exits from six of our incubation companies. In the coming one to three years, we have 7 projects with an exit potential. Furthermore, the fundraising and the establishment of the Company's early-stage incubation fund is progressing in an orderly manner.

- Currently, we have well-established laboratories and factories as well as supporting properties and facilities in Shanghai, Chengdu, Jiaxing, Suzhou, Ningbo and Taizhou to cater to our business development needs and workforce expansion plan, and provide the Company with stable R&D, production and operation premises. In addition, we also have corresponding reserved properties in Shanghai and Hangzhou.

Chairman's Statement

In 2023, despite the impact of external macroeconomic environment and the weakened investment and financing data, Viva Biotech has achieved relatively robust operating results with our own efforts. On behalf of the Board of Directors and the management, I would like to take this opportunity to express my 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 ahead to 2024, we will spare no effort in strengthening the integration effect of our biological and chemical segments as well as the capacity building for the BD team, deepening the synergy between CRO and CDMO business, improving the capacity for front-end businesses, further demonstrating the funnel effect, and speeding up the channel for back-end businesses. We proactively strive to establish an open eco-system for global biopharmaceutical innovators, and in turn, maximize the value of the Company and Shareholders' returns.

Dr. Mao Chen Cheney
Chairman and Chief Executive Officer of Viva Biotech
March 28, 2024

Financial Summary and Highlights

	For the Year Ended December 31,				
	2019	2020	2021	2022	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Operating results					
Revenue	323,057	696,958	2,104,083	2,379,631	**2,155,578**
Gross profit	155,873	304,866	650,981	815,679	**738,432**
Gross profit margin	48.3%	43.7%	30.9%	34.3%	**34.3%**
Net (loss)/profit	265,872	(378,870)	300,560	(504,220)	**(99,790)**
Net (loss)/profit margin	82.3%	(54.4)%	14.3%	(21.2)%	**(4.6%)**
Adjusted non-IFRS net profit/ (loss)	318,019	252,318	321,091	(133,859)	**208,835**
Adjusted non-IFRS net profit/ (loss) margin	98.4%	36.2%	15.3%	(5.6%)	**9.7%**
(Loss)/earnings per share *(RMB)*					
(Loss)/earnings per share – Basic	0.19	(0.25)	0.15	(0.28)	**(0.06)**
(Loss)/earnings per share – Diluted	0.18	(0.25)	0.08	(0.28)	**(0.14)**
Adjusted non-IFRS earnings/ (loss) per share – Basic	0.23	0.16	0.16	(0.08)	**0.10**
Adjusted non-IFRS earnings/ (loss) per share – Diluted	0.21	0.16	0.16	(0.08)	**0.09**

	As at December 31,				
	2019	2020	2021	2022	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Total assets	1,898,785	8,154,080	8,044,758	7,920,855	**7,449,912**
Equity attributable to owners of the Company	1,777,394	3,756,831	3,913,356	3,604,714	**3,687,912**
Total liabilities	121,391	4,397,249	4,131,402	4,316,141	**3,762,000**
Bank balances and cash	904,091	2,308,452	800,947	678,569	**1,036,322**
Gearing ratio	6.4%	53.9%	51.4%	54.5%	**50.5%**

Financial Summary and Highlights

During the Reporting Period, we recorded revenue of approximately RMB2,155.6 million, representing a decrease of 9.4% from approximately RMB2,379.6 million for the same period of 2022.

During the Reporting Period, we recorded gross profit of approximately RMB738.5 million, representing a decrease of 9.5% from approximately RMB815.7 million for the same period of 2022.

During the Reporting Period, we recorded net loss of approximately RMB99.8 million, as compared to a net loss of approximately RMB504.2 million for the same period of 2022.

During the Reporting Period, we recorded adjusted Non-IFRS net profit of approximately RMB208.8 million, as compared to an adjusted Non-IFRS net loss of approximately RMB133.9 million for the same period of 2022.

The Directors do not recommend the payment of a final dividend for the year ended December 31, 2023 (2022: Nil). As disclosed in the interim results announcement dated August 29, 2023, no other dividend was proposed for the six months ended June 30, 2023.

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 profit/(loss) 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 profit/(loss).

Adjusted Non-IFRS net (loss)/profit

	2023	2022
	RMB'000	*RMB'000*
Net Loss	**(99,790)**	(504,220)
Add: fair value gain on financial liabilities at fair value through profit or loss ("**FVTPL**")	**(174,323)**	(10,050)
Add: interest expenses of the debt components of the Convertible Bonds	**124,386**	140,232
Add: loss on repurchase of the Convertible Bonds	**222,758**	45,421
Add: transaction costs of restructuring	**36,646**	–
Add: amortization of acquired assets from acquisition	**48,144**	48,367
Add: foreign exchange loss	**51,014**	146,391
Adjusted Non-IFRS Net Profit/(Loss) *(Note i)*	**208,835**	(133,859)

Note:

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

a) Fair value gain on financial liabilities at FVTPL, 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, transaction costs of restructuring and foreign exchange loss, 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

Looking back at 2023, the global biopharmaceutical industry experienced overall pressure in terms of investment and financing due to the impact of increased interest rates on the US dollar and tightened liquidity. Consequently, this placed certain short-term strains on the progress of pipeline advancement and R&D investments for companies engaged in novel drug development. Nevertheless, in the medium and long term, original biopharmaceutical development still maintains a robust growth across the world, with a sustained upward trend in the proportion of R&D and production outsourcing. 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 production.

During the Reporting Period, the cumulative number of clients served by the Group increased to 2,278; the Group's revenue during the Reporting Period decreased by approximately 9.4% from RMB2,379.6 million for the corresponding period of last year to RMB2,155.6 million; and our gross profit decreased by approximately 9.5% from RMB815.7 million for the corresponding period of last year to RMB738.5 million. In 2023, the Group's net loss amounted to RMB99.8 million, a significant improvement from a loss of RMB504.2 million for the corresponding period of last year. Adjusted non-IFRS net loss improved from RMB133.9 million for the corresponding period of last year to an adjusted non-IFRS net profit of RMB208.8 million, representing a significant turnaround from negative to positive. This improvement was corresponding period of last year, which was mainly attributable to the stabilization of valuation of certain incubation portfolio companies of the Group as well as increased profitability as a result of the Group's initiatives to reduce costs and increase efficiency.

In addition, during the Reporting Period, the Group achieved breakthrough progress in overall financing and the introduction of strategic investors. We successfully introduced strategic investors such as Temasek, Highlight Capital, True Light Capital and Investment Corporation of Dubai with a total financing size of nearly US$225 million.

During the Reporting Period, the completion of the Group's financing endeavors and the successful introduction of strategic investors have propelled the Company towards a trajectory of smooth and rapid development. On the one hand, the substantial financing obtained has allowed the Company to fully redeem its previously issued convertible bonds, leading to a substantial improvement in the Company's balance sheet and cash flow. On the other hand, the successful inclusion of strategic investors will play a pivotal role in enhancing corporate governance, facilitating business operation, optimizing investment and financing plans, and driving strategic development. This collective effort will greatly support the Company's long-term growth and the successful implementation and continuous advancement of its integrated strategy.

CRO Business Shows an Attractive Outlook in the Medium to Long Run Despite Slight Fluctuation in the Short Term

In 2023, the Company's revenue from CRO business decreased by approximately 5.6% from RMB895.1 million for the corresponding period of last year to RMB844.9 million, and gross profit from such business decreased by approximately 8.5% from RMB397.3 million for the corresponding period of last year to RMB363.7 million. The revenue for 2023 decreased compared to last year, primarily due to the impact of the global slowdown in biopharmaceutical investment and financing on the R&D of innovative drugs, as well as the strategic contraction of the Company's EFS business. Nevertheless, the Company effectively implemented measures such as cost reduction and efficiency enhancement to maintain a solid profitability for the CRO business.

As at December 31, 2023, the Company has cumulatively more than 65,035 protein structures to our clients, approximately 16,110 of which were newly delivered in 2023, The R&D has accumulated over 1,886 independent drug targets, 8 of which were newly delivered in 2023. Currently, the Company maintains a leading position in the industry worldwide in the field of protein structure analysis. Furthermore, the Company has two key strategies in place. Firstly, it aims to maximize the value from existing customers by fostering synergistic development in biochemistry. Secondly, it is actively enhancing the integration of online digital marketing and offline BD, while expanding its overseas BD team in order to stimulate the recovery and growth of orders. Additionally, the Company is continuously expanding its emerging technology platforms to create new growth drivers and provide sustained support for its existing CRO business. As at the end of the Reporting Period, the Company has introduced several new platforms, including V-DEL technology platform, covalent compound library and molecular glue technology platform, and enhanced the peptide drug development platform. Furthermore, the Company has expanded the services offered by the antibody macromolecule development platform and made initial progress in establishing the XDC platform, that leading to a comprehensive development of drug R&D platform in a more effective way. The cumulative number of CRO clients served had increased to 1,398, including the global top 10 pharmaceutical companies (by reported total revenue for 2023), and revenue from the top ten customers accounted for 25.7% of our total revenue. Clients of our CRO business are geographically diverse, of whom those from overseas contributed approximately 87.1% of our total revenue, representing a year-on-year decrease of approximately 3.7%, and those from Chinese Mainland contributed approximately 12.9% of our total revenue, representing a year-on-year decrease of approximately 16.6%.

During the Reporting Period, our utilization of synchrotron radiation source reached 2,059 hours. The Company established long-term cooperation with 13 synchrotron radiation source centers around the world, which are distributed in ten countries/regions, i.e., Shanghai, China, the United States, Canada, Japan, Australia, the United Kingdom, France, Germany, Switzerland and Taiwan, China, thus guaranteeing uninterrupted data collection all year round.

Expanding CDMO Capacity and Increasing CMC Projects

During the Reporting Period, the Group laid great emphasis on strategic cooperation and synergy with Langhua Pharmaceutical. In particular, we strengthened the capacity expansion and adjusted the business structure of CDMO. In addition, efforts were made to optimize and channel resources towards the CMC business.

In 2023, Langhua Pharmaceutical's revenue amounted to RMB1,310.7 million, representing a year-on-year decrease of approximately 11.7%; and its adjusted gross profit amounted to RMB388.8 million, representing a year-on-year decrease of approximately 10.1%, which was primarily attributable to the impact of the deferred customer order of certain CDMO clients.

As at December 31, 2023, Langhua Pharmaceutical had served a total of 880 clients, with the top ten clients accounting for 51.2% of its total revenue and a 100% retention rate of top ten clients. In addition, Langhua Pharmaceuticals provided CMC and CDMO services to more than a dozen of incubated companies of the Group as well as companies channeled from CRO business. During the Reporting Period, in respect of production capacity, our current available total capacity reaches 860 cubic meters. Furthermore, Langhua Pharmaceuticals plans to establish a new production capacity of 400 cubic meters between 2024 and 2025 to cater to the commercial production of new molecules. The civil engineering project is currently in its final stages, with the workshop's main structure essentially completed. The next phase will involve the procurement and installation of equipment, which expected to commence in 2024. This endeavour will provide sufficient guarantee for the Company's revenue growth with the launch of new products and release of reserved capacity.

The number of CMC projects continues to grow, but the new business is still in the profit ramp-up phase. Since its establishment, CMC has completed and is currently progressing with a total of 183 new drug projects. As at the end of the Reporting Period, the CMC R&D team consisted of 113 members, and CMC generated revenue of nearly RMB56.7 million. During the Reporting Period, the projects channeled by the Group progressed smoothly, and one pipeline has rapidly advanced to Phase III clinical trials, showcasing the success of the Group's integrated strategy. In the future, the Group plans to strengthen BD and channeling efforts for acquiring high-quality CMC projects. By fully utilizing internal project resources and implementing cost reduction measures, the Group aims to achieve a balanced financial outcome for its CMC business. Additionally, in terms of the number of customer orders, external BD accounted for nearly 63.0%, while channeled accounts from Viva represented approximately 37.0%. In terms of order amount, external BD contributed 31.0%, while channeled accounts from Viva contributed 69.0%. Based on these figures, it is evident that within the current CMC projects, channeled projects from Viva tend to generate higher revenue, while external BD projects demonstrate a higher quantity.

Successful Exits of Certain Incubation Portfolio Companies and Future Plans for Incubation Business through Establishment of Investment Funds

During the Reporting Period, the Company achieved complete or partial investment exits from six incubation portfolio companies, realizing corresponding investment returns. In addition, the Company made a new investment and provided incubation support to one startup company through stock-for-stock arrangement. As at December 31, 2023, the Group had invested in a total of 92 portfolio companies. The portfolio companies are mainly from the United States, Canada, Europe and China. 67.0% of the portfolio companies are from North America and 26.0% are from China. The details of the portfolio companies added during the Reporting Period are as follows:

The details of the portfolio company added in 2023 are as follows:

No.	Company Name	Region	Time of Investment	Type	Indications/Primary Technology/Business
1	Full-Life Technologies	PRC	January 2023	Stock-for-stock	A fully integrated international radiopharmaceutical therapy company with cancer as its primary pipeline indication

In 2023, 12 of our portfolio companies completed or was close to completing a new round of financing, raising approximately US$236.0 million in total. The R&D efforts of the portfolio companies were advancing smoothly, with the total number of pipeline projects reaching close to 222, of which 185 pipelines are in the preclinical stage and 37 pipelines in the clinical stage. So far, the Group has successfully realized 13 investment exits or partial exits, and may have an additional 7 potential exits for our portfolio companies in the next one to three years.

As at the end of the Reporting Period, Viva has strategically invested in a series of high-quality assets, including portfolio companies such as Dogma, Arthrosi, Basking, Triumvira, Deka, Mediar, Cybrexa, and VivaVision.

In the future, as these portfolio companies continue to develop successfully, secure ongoing financing, and realize exits, the initial investments will gradually enter the harvesting phase, providing sustained cash returns for the Group.

In addition, the fundraising and the establishment of the Company's early stage incubation fund is progressing in an orderly manner. It also 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

For our CRO business, we have built several core technological platforms, including: the PROTAC/molecular glue 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) and artificial intelligence in drug discovery (AIDD) platform, antibody/macromolecule development service platform, pharmaceutical chemistry, etc. During the Reporting Period, the Company has introduced several new platforms, including V-DEL technology platform, covalent compound library and molecular glue technology platform, and enhanced the peptide drug development platform. Furthermore, the Company has expanded the services offered by the antibody macromolecule development platform and made initial progress in establishing the XDC platform.

During the Reporting Period, the development of the newly expanded emerging technology platforms within the Company showed promising progress. The V-DEL technology platform has introduced novel library construction strategies and innovative DNA-compatible reactions. Leveraging Viva's extensive experience in non-commercial building block molecules, it has launched various 100-billion grade DEL libraries for cyclic peptides, targeted protein degradation technology, covalent inhibitors and molecular fragment. Furthermore, based on Viva's competitive strength in protein production and structural biology, the platform engages in specialized screening activities driven by artificial intelligence and machine learning to facilitate next-generation data analysis and prediction, and efficiently integrates subsequent validation and synthesis processes to ensure seamless workflow.

Furthermore, regarding the latest progress in the peptide technology platform, it has achieved the capability to synthesize a wide range of peptides. Particularly, it focuses on the synthesis of challenging and technologically advanced peptide chains. Extensive research and technical expertise have been accumulated in peptide coupling, PDC, RDC, monocyclic peptides, stapled peptides, complex multi-cyclic peptides (involving peptide folding and selective folding), biotin-labeled peptides and fluorescent-labeled peptides. Viva's peptide technology platform envisions a collaborative approach with Viva's phage display platform and V-DEL platform, aiming to provide customers with one-stop comprehensive services encompassing the entire process from the discovery and validation of hit peptide chains to the identification and optimization of lead compounds, and ultimately the determination of candidate compounds.

In addition, the Company has made initial strides in establishing the XDC platform, an all-in-one conjugate development platform that integrates Viva's extensive R&D expertise in antibody drugs, peptide drugs, and small molecule chemical drugs. This platform is dedicated to delivering efficient and top-quality services for conjugate development to clients.

For development of Viva's existing emerging technology platforms, computer-aided drug design (CADD) and artificial intelligence in drug discovery (AIDD) platforms have been widely used in various stages of drug development, utilizing physical chemistry models, artificial intelligence algorithms, and leveraging supercomputing clusters. Various methods have been extensively applied in drug discovery. The computational chemistry division of the Company has developed a series of advanced algorithms tailored to specific projects (such as FEP) to address drug design challenges. Application of these cutting-edge technologies has significantly facilitated the progress of drug development projects compared to traditional computational tools and commercial software packages. In addition to traditional small molecule drug design, methods developed by the computational chemistry platform have also been applied to various drug modalities, achieving breakthroughs through experimental validation. This includes the development of antibodies, peptides, RNA-targeted small molecule drugs, and more. Overall, Viva's CADD and AIDD platforms have assembled a talented and multidisciplinary team, primarily consisting of individuals with advanced degrees (Masters and Ph.D.). This team possesses the expertise to develop proprietary algorithms and methods, as well as the capability to explore various drug modalities with the hardware support of computing force from the Shanghai Supercomputing Center.

Besides, in terms of the existing Cryo-EM Single Particle Analysis (SPA) technology, Cryo-EM (Micro-ED) can readily analyze structures that are too large or complicated, such as protein complexes and membrane proteins, which are challenging or even impossible to analyze using conventional approaches 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 efficiently identify targets and shorten the time required for drug discovery.

Currently, the Company also provides services relevant to PROTAC/molecular glue drug R&D, and revenue generated in this regard accounted for almost 10.42% of total revenue from CRO business. Our services primarily include studies on protein preparation and structure, screening of PROTAC/molecules glue, kinetics, drug metabolism, pharmaceutical chemistry, Bioassay, CADD/AIDD, etc. As at December 31, 2023, the Company has studied more than 50 E3 ligase complexes and delivered 131 PROTAC ternary complex structures. Additionally, the PROTAC business is expected to contribute to the continuous growth of CRO revenue in the future.

Overall, based on the existing technology platforms, the Company aims to serve the increasing demands of more customers, and consistently invests in expanding and integrating emerging technology platforms, thereby achieving channeling and synergy among different platforms, driving continuous growth in CRO revenue, and building a comprehensive and refined FIC drug R&D platform.

STAFF AND FACILITIES

As at December 31, 2023, the Group had a total of 2,077 employees, of whom the number of CRO R&D personnel reached 1,155, and the number of Langhua Pharmaceutical was 689. 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 had been put into full operation.

- The incubation center located in Faladi Road, Shanghai has an actual usable area of approximately 7,576 square meters, including 5,552 square meters of laboratory area.

- The park in Chengdu has a GFA of approximately 64,564 square meters, of which 12,210 square meters of properties had been put into use as at December 31, 2023, including 10,800 square meters of laboratory area.

- The novel drug incubation center in Qiantang New District, Hangzhou has a GFA of approximately 77,500 square meters. During the Reporting Period, the Company successfully established a collaboration with a local state-owned enterprise. Initially, the Company held full ownership, but it has now transitioned to a 30% equity participation. In the future, the Company plans to engage in cooperation through a leasing arrangement upon completion of construction.

- A park in Suzhou with a total GFA of approximately 7,545 square meters, including nearly 5,305 square meters of laboratory area.

- A park in Jiaxing with a GFA of approximately 6,362 square meters, including nearly 5,335 square meters of laboratory area.

- Shanghai Supercomputing Center 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.

- The factory of Langhua Pharmaceutical in Taizhou, Zhejiang has a GFA of approximately 35,168 square meters, including the Taizhou R&D center with an area of approximately 2,500 square meters. The R&D center of Ningbo Nuobai has an area of approximately 1,300 square meters and the office building of Ningbo Nuobai has an area of approximately 1,500 square meters.

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.

DISCUSSION OF RESULTS OF OPERATION

Revenue

The Group's revenue in the Reporting Period was approximately RMB2,155.6 million, representing a decrease of 9.4% as compared to approximately RMB2,379.6 million in the year ended December 31, 2022, The decline in revenue is primarily attributed to (1) the impact of the slowdown in global biomedical investment on innovative drug development and the Group's strategic contraction of the EFS business; and (2) the customer order deferred within the CDMO division.

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,	
	2023	2022
	RMB'000	*RMB'000*
Types of goods or services		
Drug discovery services		
– Full-time-equivalent	**671,437**	706,395
– Fee-for-service	**161,135**	134,581
– Service-for equity	**12,304**	54,081
CDMO and commercialization services		
– Fee-for-service	**51,975**	28,492
– Sale of products	**1,258,727**	1,456,082
	2,155,578	2,379,631

While the Group's operation is 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,	
	2023	2022
	RMB'000	*RMB'000*
USA	**812,789**	915,818
European Union	**589,561**	508,471
Chinese Mainland	**323,671**	382,377
Other Asian countries and regions outside of Chinese Mainland	**291,391**	392,800
Africa	**45,029**	64,550
Other countries/regions	**93,137**	115,615
	2,155,578	2,379,631

The decrease of revenue in the Reporting Period as compared to the corresponding period last year was primarily due to a decrease in the revenue of the Group's customers headquartered in the USA and other Asian countries and regions outside of Chinese Mainland.

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 RMB1,417.1 million, representing a decrease of 9.4% as compared to approximately RMB1,564.0 million for the year ended December 31, 2022. The decrease was in line with the Group's business decline.

Gross Profit and Gross Profit Margin

During the Reporting Period, the Group's gross profit was approximately RMB738.5 million, representing a decrease of 9.5% as compared to approximately RMB815.7 million in the year ended December 31, 2022. The decrease was in line with the Group's business decline. Despite the decline in gross profit, the company has achieved a gross profit margin of 34.3% for the Reporting Period, which is consistent with last year, owing to its effective implementation of cost reduction and efficiency improvements.

Other Income and Gains

Other income and gains consist primarily of interest income and government grants. During the Reporting Period, the Group recorded other income and gains of approximately RMB87.1 million, representing an increase of 28.8% as compared to approximately RMB67.6 million in the corresponding period last year. The increase was mainly due to the increase in government grant as well as the increase in bank interest income.

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 RMB132.5 million, representing an increase of 1.3% as compared to approximately RMB130.8 million for the year ended December 31, 2022. The slight increase in selling and distribution expenses reflects the Group's ongoing growth of marketing team.

Administrative Expenses

Administrative expenses primarily consist of administrative staff costs, audit and consultancy fees, office administration expense, depreciation, travelling and transportation expenses and others. During the Reporting Period, the Group's administrative expenses were approximately RMB277.1 million, representing a minor increase of 1.3% as compared to approximately RMB273.6 million for the year ended December 31, 2022.

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 RMB128.0 million, representing a decrease of 5.7% as compared to approximately RMB135.8 million for the year ended December 31, 2022. The decrease in research and development expenses is mainly attributed to the Group's continuous efforts towards cost reduction and personnel optimization.

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

Fair value loss 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 are recorded as FVTPL in the Group's financial statements. As at December 31, 2023, 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 RMB11.7 million for the Reporting Period, primarily reflecting the decrease in the fair value of the Group's equity interest in three incubation portfolio companies, Anji Pharmaceuticals Inc., Tabomedex Biosciences, Inc., and VersaPeutics, Inc., as compared to the loss from financial assets at FVTPL of approximately RMB364.2 million for the year ended December 31, 2022.

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 RMB8.1 million for the Reporting Period, as compared to approximately RMB9.4 million of impairment losses for the year ended December 31, 2022.

Other Expenses

For the Reporting Period, the Group recorded other expenses of approximately RMB321.7 million, as compared to approximately RMB254.0 million for the year ended December 31, 2022. The increase is primarily due to the increased repurchase loss on convertible bonds and the fair value loss on the investment property.

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 RMB176.6 million, representing a decrease of 4.4%, as compared to approximately RMB184.7 million for the year ended December 31, 2022. The decrease is primarily due to the reduced interest expense on convertible bonds resulting from the early repurchase of such bonds.

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 convertible bonds. For the Reporting Period, the Group recorded fair value gain on financial liabilities at FVTPL of approximately RMB174.3 million regarding the fair value changes of the convertible bonds as compared to approximately RMB10.1 million of gain regarding the fair value changes of the embedded derivative instruments of the convertible bonds for the year ended December 31, 2022.

Income Tax Expense

The Group's income tax expense for the Reporting Period was approximately RMB43.8 million, representing a decrease of 2.9% from approximately RMB45.1 million for the year ended December 31, 2022.

Net Loss and Net Loss Margin

As a result of the foregoing, the Group's net loss for the Reporting Period was approximately RMB99.8 million, as compared to a net loss of approximately RMB504.2 million for the year ended December 31, 2022.

The adjusted non-IFRS net profit of the Group was approximately RMB208.8 million for the Reporting Period as compared to a non-IFRS net loss of approximately RMB133.9 million for the year ended December 31, 2022. Such turnaround was primarily due to the stabilization of the valuation of the Group's equity interest in incubation portfolio companies and the improvement in profitability resulting from cost reduction and efficiency enhancement measures.

Liquidity, Financial Resources and Gearing Ratio

As at December 31, 2023, the Group's total cash and cash equivalents amounted to approximately RMB1,036.3 million, representing an increase of 52.7% as compared to approximately RMB678.6 million as at December 31, 2022. Such increase was primarily due to the release of pledged deposits of approximately RMB546.1 million during the Reporting Period.

As at December 31, 2023, current assets of the Group amounted to approximately RMB2,030.9 million, including a cash and cash equivalents of approximately RMB1,036.3 million. Current liabilities of the Group amounted to approximately RMB1,534.2 million, including bank borrowings of approximately RMB949.5 million. As at December 31, 2023, the Group has RMB1,544.9 million unutilized banking facilities.

As at December 31, 2023, the gearing ratio, calculated as total liabilities over total assets, was approximately 50.5%, as compared with approximately 54.5% as at December 31, 2022. As at December 31, 2023, the Group had approximately RMB1,532.0 million of secured bank borrowings and RMB339.5 million of unsecured bank borrowings, representing an increase of approximately RMB585.2 million as compared to approximately RMB1,286.3 million as at December 31, 2022. The increase was mainly due to more bank facilities having been utilized to support the continuous business expansion, especially the construction activities and financing the acquisition of the 20% equity interest in Langhua Pharmaceutical. Of the Company's bank borrowings during the Reporting Period, approximately RMB949.5 million are repayable on demand or within one year, and approximately RMB922.0 million are repayable in the second to fifth 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

On June 10, 2023, the Company, its subsidiaries and Mr. Mao Chen Cheney entered into an equity transfer and capital injection agreement with HLC VGC Partners HK II Limited, Huangshan Investments Pte. Ltd. and True Light Investments H Pte. Ltd (collectively, the "**2023 June Investors**"), pursuant to which the 2023 June Investors agreed to (i) inject approximately RMB547.7 million in aggregate into Viva Shanghai; and (ii) acquire approximately US$7.7 million of the registered capital of Viva Shanghai from the Group for a consideration of approximately RMB514.60 million. The transaction was approved by the Shareholders at an extraordinary general meeting of the Company convened on August 25, 2023 and completion took place on November 20, 2023. Upon completion of the transaction, Viva Shanghai became a non-wholly owned subsidiary of the Group. For further details, please refer to the announcements of the Company dated June 11, 2023, July 27, 2023, August 25, 2023 and November 20, 2023, as well as the circular of the Company dated August 9, 2023.

On December 15, 2023, the Company, its subsidiaries and Mr. Mao Chen Cheney entered into an equity transfer agreement with Raed Capital Holdings 2 Ltd ("**Raed**") pursuant to which Raed agreed to acquire US$1,536,611 in the registered capital of Viva Shanghai (representing approximately 2.33% of its registered capital) from Viva Biotech for a consideration of US$15,000,000. Completion of the transaction took place on December 27, 2023, upon completion of the transaction, Viva Shanghai remained as a non-wholly owned subsidiary of the Group. For further details, please refer to the announcements of the Company dated December 15, 2023 and December 27, 2023. On December 15, 2023, the Group also entered into a management co-investment arrangement constituting a connected transaction of the Company, please refer to the section headed "Reports of Directors – Related Party Transactions and Connected Transaction" of this annual report for details.

The Group did not make any significant investments and saved as disclosed in this annual report, did not have material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period.

Pledge of Assets

As at December 31, 2023, the buildings, the investment property, the right-of-use assets, construction in progress and certain time deposits with a carrying amount of approximately RMB207.1 million, RMB115.5 million, RMB196.0 million, RMB7.1 million and RMB161.7 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 RMB158.9 million, which was mainly used for construction of facilities and equipment purchases, as compared to approximately RMB349.8 million for the year ended December 31, 2022. 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 the Reporting Period and up to the date of this report.

Contingent Liability

The Group had no material contingent liabilities as at December 31, 2023.

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 RMB51.0 million and a net foreign exchange loss of approximately RMB146.4 million for the Reporting Period and the year ended December 31, 2022, 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, 2023, 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, 2022.

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, 2023. 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, 2023.

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, 2023.

DIRECTORS

The Directors who held office during the year ended December 31, 2023 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 Directors:
Mr. WU Yuting (吳宇挺)
Mr. WANG Stephan Hui (王暉) *(appointed on January 18, 2024)*

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 43 to 49 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, 2023 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.

We have formulated a Procedures for Identification and Evaluation of Environmental Factors for identifying, evaluating, and managing environmental factors to ensure that the Company is able to control important environmental factors in a timely manner and promote the development and implementation of corresponding improvement plans. This helps us identify potential environmental risks more accurately and take effective measures to address them.

In terms of daily office management, we have issued an Energy Conservation and Emission Reduction Initiative and Green Office Initiative to our staff to promote a series of green office measures. We encourage our staff to take the lead in promoting energy and resource conservation and creating a greener and more environmentally friendly office environment. We also actively carry out environmental protection training and promotion through various channels and forms.

In terms of environmental management system construction, during the Reporting Period, Langhua Pharmaceutical achieved ISO 14001 system certification and obtained a low-risk rating in the audit of the ES module by the Pharmaceutical Supply Chain Initiative (PSCI). The achievement fully demonstrates the maturity and integrity of our environmental management system, and also lay a solid foundation for us to achieve more accomplishments in the field of environmental protection in the future.

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, 2023, 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

On December 15, 2023, Viva Shanghai entered into a capital increase agreement with Mr. Ren Delin (being a Director and a connected person of the Company), Ms. Zhao Huixin (being the spouse of a Director and connected person of the Company) and Bu Xianyong, Wang Zheren, Cai Jianhua, Qian Dongming, Shen Jian, Zhao Yanlong, Wang Lishan, Cai Mengting, Fei Xiaoyu (each being employees of the Group and independent third party) pursuant to which they agree to inject RMB30,016,000 to the capital of Viva Shanghai, representing approximately 0.75% of its registered capital upon completion of the investment.

The investment provided additional funding to support Viva Shanghai's long-term business expansion plan and growth strategies, as well as enhancing the participants' commitment to Viva Shanghai and align their interest with the Group, which would be beneficial for the Group's long term development. For further details of the investment, please refer to the Company's announcement dated December 15, 2023.

Details of the related party transactions of the Group for the year ended December 31, 2023 are set out in Note 41 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.

Saved as disclosed in this annual report, 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 during the year ended December 31, 2023.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2023, the revenue amounts from the Group's five largest customers accounted for 28.1% (2022: 30.0%) of the Group's total revenue and the revenue amount from our single largest customer accounted for 19.6% (2022: 18.1%) of the Group's total revenue.

For the year ended December 31, 2023, purchases from the Group's five largest suppliers accounted for approximately 21.5% (2022: 24.7%) of the Group's total purchase amount in the same year. The Group's largest supplier for the year ended December 31, 2023 accounted for approximately 10.1% (2022: 11.4%) 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, 2023, 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 7 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 Cayman Islands, which would oblige the Company to offer new shares of the Company on a pro-rata basis to its 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, 2023 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, 2023 are set out in Note 35 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). On February 28, 2023, all outstanding February 2025 Convertible Bonds have been fully redeemed. The February 2025 Convertible Bonds were withdrawn from listing on the Stock Exchange on March 7, 2023. For details, please refer to the Company's announcement dated February 28, 2023 and Note 33 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, 2023, an aggregate principal amount of US$250,000,000 convertible bonds were repurchased/redeemed by Viva Biotech Investment at a total consideration of US$256,521,000 (equivalent to RMB1,785,937,000). The convertible bonds were withdrawn from listing on the Stock Exchange on January 10, 2024. For details, please refer to Note 33 to the consolidated financial statements.

Issue of HK$470 million Convertible Bonds

On July 7, 2023, the Company issued the 2% convertible bonds in an aggregate principal amount of HK$470,000,000. The Company issued the convertible bond in order to enable the Group to undertake an internal corporate restructuring without occupying the internal financial resources of the Group, the investors subscribing for the convertible bonds are HLC VGC Partners HK II Limited, Huangshan Investments Pte. Ltd. and True Light Investments H Pte. Ltd. Further details of the HK$470,000,000 convertible bonds were set out in the announcements published on June 11, 2023 and July 7, 2023.

On November 20, 2023, such convertible bonds were all converted into 235,000,000 shares of the Company at a conversion price of HK$2.0 per Share (which represented a premium of approximately 5.26% over the closing price of HK$1.90 on June 9, 2023, immediately prior to the date when the conversion price was fixed). in accordance with the stipulation in the agreement.

EQUITY-LINKED AGREEMENTS

The Company has issued the February 2025 Convertible Bonds, the December 2025 Convertible Bonds and the HK$470 million Convertible Bonds, details of which are set out in Note 33 to the consolidated financial statements. The Company has established various equity incentive schemes which subsist as of December 31, 2023 as set out in Note 36 to the consolidated financial statements.

Save for the equity incentive schemes 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, 2023.

RESULTS AND DIVIDEND

The consolidation results of the Group for the year ended December 31, 2023 are set out on pages 97 to 232 of this report.

The Directors do not recommend the payment of a final dividend for the year ended December 31, 2023 (2022: Nil). No dividend was proposed for the six months ended June 30, 2023.

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, 2023. 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, 2023 are set out on page 101 to 102 to the consolidated financial statements. The distributable reserves of the Company as at December 31, 2023 were RMB3,874.2 million (2022: RMB3,637.0 million).

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at December 31, 2023 are set out in the section headed "Management Discussion and Analysis" in this report and Note 31 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.

Mr. WANG Stephen Hui has entered into an appointment letter with the Company. The term of Mr. WANG's service as a non-executive Director is for three years commencing on January 18, 2024.

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, 2023.

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 repurchased 8,670,500 Shares on the Stock Exchange for an aggregate consideration of approximately HK$11.2 million including expenses. The repurchased Shares were subsequently cancelled. The repurchase was effected because the Board considered that the trading price of the Shares does not reflect their intrinsic value and this presents a good opportunity for the Company to repurchase the Shares, thereby enhancing the value of Shares and improving return to shareholders of the Company.

Details of the shares repurchased are as follows:

Month of repurchase	No. of Shares repurchased	Highest price paid per Share *(HK$)*	Lowest price paid per Share *(HK$)*	Aggregate Consideration[1] *(HK$'000)*
September 2023	2,288,000	1.31	1.20	2,922
October 2023	6,282,500	1.38	1.22	8,148
November 2023	100,000	1.26	1.26	126
Total	8,670,500			11,197

Note:

(1) Aggregate consideration inclusive of expenses.

The Group repurchased/redeemed US$250 million of the Convertible Bonds due December 2025 during the Reporting Period for an aggregate consideration of US$256.6 million.

Details of the repurchased/redeemed Convertible Bonds are as follows:

Month of repurchase/redemption	Principal amount repurchased/ redeemed	Aggregate Consideration[1]
September 2023	US$5,000,000	US$4,982,500
October 2023	US$8,000,000	US$8,071,800
November 2023	US$100,400,000	US$102,733,670
December 2023	US$136,600,000	US$140,807,280
Total	US$250,000,000	US$256,595,250

Note:

(1) Aggregate consideration inclusive of expenses.

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

ISSUANCE OF CONVERTIBLE BONDS

In February 2020 and December 2020, Viva Incubator HK, Viva Biotech BVI and the Company issued the February 2025 Convertible Bonds and December 2025 Convertible Bonds and HK$470 million 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, 2023. 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 164 to 167 of this report.

For the year ended December 31, 2023, 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, 2023.

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 36 to the consolidated financial statements on pages 201 to 207 of this report.

Except as disclosed above, no other payments have been made or are payable, for the year ended December 31, 2023, 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, 2023.

MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceeding during the year ended December 31, 2023.

CHANGE OF AUDITOR

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, 2023 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 2024 annual general meeting (the "**2024 AGM**") will be held on Wednesday, June 26, 2024. Notice of the 2024 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 Friday, June 21, 2024 to Wednesday, June 26, 2024, 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 2024 AGM. In order to be eligible to attend and vote at the 2024 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch 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 Thursday, June 20, 2024.

Directors and Senior Management

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

DIRECTORS

Executive Directors

Mr. MAO Chen Cheney (毛晨), aged 62, was appointed as the Chairman, chief executive officer and an executive Director of our Company on July 3, 2018. He is mainly responsible for the overall strategic planning and business development of the Group. Mr. Mao has over 27 years of experience in the CRO industry. Mr. Mao joined the Group in August 2008 and currently serves as the Chairman of Viva Shanghai. He serves as a director at Viva Incubator HK and Viva Biotech BVI. Additionally, he serves as an executive director positions at Weizongchen Pharmaceutical, Langhua Pharmaceutical and Nuobai Pharm. 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 (a substantial Shareholder), cousin of Mr. Wu Ying, and cousin-in-law of Mr. John Wu Jiong (a substantial Shareholder).

Mr. WU Ying (吳鷹), aged 61, was appointed as a Director of our 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 15 years of experience in the CRO industry. Mr. Wu joined our Group in August 2008 as a vice president of Viva Shanghai and currently serves as a director of Viva Shanghai. Mr. Wu also serves as a director of Viva Biotech HK, Viva Incubator HK, Viva Management and Viva GT and the manager of Jiaxing 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 64, was appointed as an executive Director of our Company on July 3, 2018 and concurrently served as the president of our Company from July 3, 2018 to December 1, 2023, mainly responsible for the overall management of our CRO business. Mr. Ren has approximately 14 years of experience in the CRO industry. Mr. Ren served as the vice president of the Department of Biology of Viva Shanghai from May 2009 to August 2017 and has served as the general manager of Viva Shanghai from August 2017 to December 2023. He has also served as the chief executive officer of Viva Shanghai since December 2023. Mr. Ren's work experience prior to joining our Group is set forth below.

- From January 1999 to April 2001, Mr. Ren served as a research scientist in the Warner-Lambert Pharmaceuticals LLC, an American pharmaceutical company which merged with Pfizer Inc. in 2001.
- Mr. Ren worked at the Global Research and Development Center of Pfizer Inc., an American pharmaceutical company, and served as a research scientist in the Metabolic Disease Division from January 2000 to April 2001, a senior scientist focusing on research and development of innovative drugs for central nervous system diseases from April 2001 to December 2003, a principal scientist focusing on research and development of innovative drugs for dermatology therapeutics from December 2003 to June 2007 and a principal scientist focusing on research and development of innovative drugs for cardiovascular and metabolic diseases and exploratory diabetes from July 2007 to April 2009.

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

Non-executive Directors

Mr. WU Yuting (吳宇挺), aged 52, 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).

Mr. WANG Stephen Hui (王暉), aged 50, was appointed as a non-executive Director of the Company on January 18, 2024. Mr. Wang has served as the chief executive officer of HighLight Capital since 2014, leading the fund in investments in the healthcare and consumer technology industries. Prior to joining HighLight Capital, he served as a partner and a member of investment committee of CDH Investments from 2009 to 2014. He is currently a non-executive director of Zylox-Tonbridge Medical Technology Co., Ltd. (歸創通橋醫療科技股份有限公司), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited with the stock code 2190.

Mr. Wang received a bachelor's degree in biology from the University of Science and Technology of China (中國科學技術大學) in the PRC in July 1996 and a master's degree in chemistry from New York University in the United States in May 1998, and an M.B.A. degree from London Business School in the United Kingdom in August 2007.

Independent Non-executive Directors

Mr. FU Lei (傅磊), aged 61, was appointed as an independent non-executive Director on April 14, 2019. Mr. Fu has been a professor of pharmaceutical chemistry in the School of Pharmacy of Shanghai Jiao Tong University since 2006. He has served as the Dean of the School of Pharmacy of Xi'an Jiaotong-Liverpool University since 1 September 2023. 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 (復旦大學) 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 51, 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 61, 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 (浙江大學)) 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) and Mr. WU Ying (吳鷹).

Mr. YE Zhixiong (葉志雄), aged 64, 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 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. WANG Zheren (王哲人), aged 40, joined our Group in April 2021, currently serves as a co-chief financial officer of our Company and is primarily focused on the financial management of the Group's CRO and drug discovery services. 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. XIONG Wei (熊　偉), aged 40, was appointed as a co-chief financial officer of the Group on December 1, 2023 and is primarily focused on the financial management of the Group's contract design and manufacturing (CDMO) and commercialization services. Mr. Xiong joined our Group in November 2020 as part of the Group's acquisition of Zhejiang Langhua Pharmaceutical Co., Ltd. (浙江朗華製藥有限公司, "**Langhua Pharmaceutical**"), he also currently serves as the financial director of Langhua Pharmaceutical and is primarily responsible for its financial management. Mr. Xiong joined Langhua Pharmaceutical in September 2018. Prior to that, Mr. Xiong was employed by Donghaixiang Group Co., Ltd. (東海翔集團有限公司) from November 2011 to September 2018 where he last served as the executive vice general manager and financial director. He was employed by Zhejiang Yongtai Technology Co., Ltd. (浙江永太科技股份有限公司) from May 2007 to November 2011 where he last served as the investment director and securities business representatives and by CITIC Securities where he last served as an industry analyst from July 2005 to November 2006.

Mr. Xiong graduated from the Huazhong University of Science and Technology School of Economics (華中科技大學經濟學院) with a degree in international economics and trade and from the Zhongnan University of Economics and Law (中南財經政法大學) with a degree in law in June 2005. He is qualified to serve as a board secretary for companies listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange, and has been qualified as a senior economist since November 2023.

JOINT COMPANY SECRETARY

Ms. FEI Xiaoyu (費曉玉), aged 37, 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 Shanghai in July 2009. From November 2011 to April 2018, Ms. Fei served as assistant to president and officer manager in Viva Shanghai. From July 2018 to January 2024, Ms. Fei served as the Director of President Office. From January 2024, Ms. Fei was appointed as the vice president in Viva Shanghai. Since joining our Group, she has mainly been responsible for assisting the chairman and the chief executive officer of Viva Shanghai in the daily operations and administrative matters of Viva 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 49, 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 23 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 28, 2024

Corporate Governance Report

The Board of Directors is pleased to present the corporate governance report for the Company for the year ended December 31, 2023.

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 CG Code (the "**CG Code**") 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 2023, 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, 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code (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, two non-executive Directors 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 Directors
Mr. WU Yuting (吳宇挺)
Mr. WANG Stephen Hui (王暉) *(appointed on January 18, 2024)*

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 43 to 49 of this report. In compliance with Rule 3.09D of the revised Listing Rules which took effect on 31 December 2023, Mr. Wang Stephen Hui, who was appointed as a Non-Executive Director of the Company on January 18, 2024, received the legal advice referred to in Rule 3.09D on December 25, 2023, and Mr. Wang has confirmed that he understood his obligations as a Director.

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 CG 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, 2023, 16 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 CG Code.

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

	Number of meeting(s) attended/number of meeting(s) held for the year ended December 31, 2023			
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors:				
Mr. MAO Chen Cheney	16/16	N/A	N/A	2/2
Mr. WU Ying	16/16	N/A	N/A	N/A
Mr. REN Delin	16/16	N/A	N/A	N/A
Non-executive Directors:				
Mr. WU Yuting	16/16	N/A	N/A	N/A
Mr. WANG Stephen Hui[(1)]	0/0	N/A	N/A	N/A
Independent Non-executive Directors:				
Mr. FU Lei	16/16	3/3	7/7	2/2
Ms. LI Xiangrong	16/16	3/3	7/7	N/A
Mr. WANG Haiguang	16/16	3/3	7/7	2/2

Note:

1. Mr. WANG Stephen Hui appointed as a non-executive Director on January 18, 2024

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/her 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. Mr. WANG Stephen Hui has entered into an appointment letter with the Company for a term of three years commencing from January 18, 2024.

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 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, 2023, the audit committee convened three meetings. The attendance record of the Directors at meetings of the audit committee is set out in the table on page 55.

During the meetings, the audit committee:

- reviewed annual results of the Group for the year ended December 31, 2022;
- reviewed interim results of the Group for the six-months ended June 30, 2023;
- discussed and made recommendation as to the re-appointment of the Company's auditor for the year ended December 31, 2023; 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 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 E.1.2(c) under the CG Code (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, 2023, the remuneration committee convened seven meetings. The attendance record of the Directors at meetings of the remuneration committee is set out in the table on page 55.

During the meetings, 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.

In consideration of the benefits in incentivizing and rewarding employees, directors and senior management, having reviewed the existing share scheme of the Company, the remuneration committee considered that such scheme were appropriate.

Details of the remuneration payable to each Director of the Company for the year ended December 31, 2023 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, 2023 is set out below:

Remuneration Bands *(RMB)*	**Number of Persons**
10,000,000-11,000,000	1
3,000,000-4,000,000	1
2,000,000-3,000,000	2
0-1,000,000	1
Total	**5**

Nomination Committee

The Company has established a nomination committee 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, 2023, the nomination committee convened two meetings. The attendance record of the Director at meetings of the nomination committee is set out in the table on page 55.

During the meetings, the nomination committee review the structure, size and composition of the Board as well as nomination of proposed director. 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 eight directors, of which three are executive Directors, two are non-executive Directors and three are independent non-executive Directors. Among which, one Director is female and seven Directors are male and three 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. The Company will continue to ensure gender diversify in the recruitment of middle and senior staff so that our management include a wide range of genders, thereby allowing a diverse group of potential successors to succeed the Board in due course.

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 43 to 46 of this report.

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

Workforce diversity

The gender ratio in the workforce (including senior management) for the year ended December 31, 2023 is 0.54:0.46. 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, 2023 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 CG 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 CG 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, 2023 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.

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

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Pursuant to the code provision 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, 2023 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. WANG Stephen Hui, 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, 2023. A statement by Ernst & Young about their reporting responsibilities for the financial statements is included in the Independent Auditor's Report on pages 91 to 96.

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, 2023 are set out in the table below:

Services rendered for the Company	**Fees paid and payable**
	RMB'000
Audit services:	
Annual audit services	3,400,000
Non-audit services:	
Interim review services	1,200,000
Major transaction circular review report	1,600,000
Tax consultation services	1,505,000
Total	7,705,000

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, an executive 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, 2023.

GENERAL MEETING

For the year ended December 31, 2023, one annual general meeting and one extraordinary general meeting of the Company were held. The attendance record of the directors is set out in the table below:

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

Note:

1. Mr. WANG Stephen Hui was appointed as a non-executive Director on January 18, 2024.

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.

The Company reviewed the Group's shareholders and investor engagement and communication activities conducted during the Reporting Period and was satisfied with the implementation and effectiveness of the shareholders' communication policies of the Group.

CHANGES IN CONSTITUTIONAL DOCUMENTS

During the year ended December 31, 2023, 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, 2023, 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)	2.33%
	Trustee	150,000,000 (L)	6.94%
	Beneficiary of a trust (other than a discretionary interest)	67,065,976 (L)	3.10%
	Interest of controlled corporation	15,925,000 (L)	0.74%
	Other	175,000,000 (L)	8.10%
Mr. Wu Ying(3)	Beneficial owner	17,857,473 (L)	0.83%
	Interest of spouse	4,324,654 (L)	0.20%
	Beneficiary of a trust (other than a discretionary interest)	1,920,000 (L)	0.09%
Mr. Ren Delin(4)	Beneficiary of a trust (other than a discretionary interest)	1,920,000 (L)	0.09%
	Beneficial owner	15,460,248 (L)	0.72%
Mr. WANG Stephen Hui(5)	Interest of controlled corporation	85,000,000 (L)	3.93%

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.

(5) Mr. Wang Stephen Hui is interested in 85,000,000 shares of the Company through HLC VGC Partners HK II Limited ("**HLC SPV**"), HLC SPV is in turn owned and controlled by VGC Fund IV L.P. (an exempted limited partnership formed under the laws of the Cayman Islands) whose general partner is HLC VGC GP IV Limited, which is ultimately owned by Mr. Wang.

\+ 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, 2023.

(ii) Interest in associated corporations of the Company

Name of Director	Name of associated corporation	Capacity/Nature of interest	Class of shares in which interested	Number of shares	Approximate percentage of holding of such class of shares
Mr. Mao Chen Cheney	Anji Pharmaceuticals Inc.[2]	Interest in controlled corporation	Ordinary	12,398,500	24.80%
	Clues Therapeutics Inc.[2][3]	Interest in controlled corporation	Ordinary	20,257,515	17.73%
Mr. Wang Stephen Hui	Viva Shanghai	Interest in controlled corporation	Registered capital	US$4.395 million in registered capital	6.61%

Notes:

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

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

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

(4) For details of Mr. Wang Stephen Hui's interest, please also refer to footnote 5 of the preceding table.

Save as disclosed above, as at December 31, 2023, 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, 2023, 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)	13.00%
Mr. John Wu Jiong[3]	Interest in a controlled corporation	176,034,092 (L)	8.14%
	Other	43,000,000 (L)	1.99%
Fenghe Harvest Ltd[3]	Beneficial owner	124,821,323 (L)	5.78%
	Other	30,000,000 (L)	1.39%
JPMorgan Chase & Co.[4]	Interest in a controlled corporation	121,525,510 (L) 118,135,464 (S)	5.62% 5.47%
	Person having a security interest	6,659,870 (L)	0.31%
	Approved lending agent	5,076,448 (L)	0.23%
Tamasek Holdings (Private) Limited[5]	Interest in a controlled corporation	150,000,000 (L)	6.94%

Notes:

1. The letter “L” and “S” denotes the person’s long position and short position in the Shares, respectively.

2. Ms. Mao Jun holds 131,057,654 Shares through 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, 135,464 (S) is unlisted derivatives – cash settled and 3,863,625 (L) is listed derivatives – convertible instruments.

5. Huangshan Investments Pte. Ltd. and True Light Investments H Pte. Ltd., are each corporation controlled by Tamasek Holdings (Private) Limited.

\+ The percentage represents the number of ordinary Shares interested divided by the number of the issued Shares as at December 31, 2023.

Save as disclosed above, as at December 31, 2023, 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, 2023**	**Exercised during the Reporting Period**	**Canceled during the Reporting Period**	**Lapsed during the Reporting Period**	**As of December 31, 2023**	**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 its 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. The remaining life of the scheme is around five years.

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 36 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, 2023 are as follows:

Name and category of participant	Date of grant	As of January 1, 2023	Granted during the Reporting Period	Exercised during the Reporting Period	Canceled during the Reporting Period	Lapsed during the Reporting Period	As of December 31, 2023	Exercise and vesting period
Directors								
Mr. Mao Chen Cheney	July 7, 2021	640,000	–	–	–	–	640,000	*Note 1*
Mr. Wu Ying	July 7, 2021	640,000	–	–	–	–	640,000	*Note 1*
Mr. Ren Delin	July 7, 2021	640,000	–	–	–	–	640,000	*Note 1*
Subtotal		1,920,000	–	–	–	–	1,920,000	
Other employees	July 7, 2021	3,540,000	–	–	–	–	3,540,000	*Note 1*
	December 2, 2021	10,800,000	–	–	–	–	10,800,000	*Note 2*
	June 24, 2022	11,460,000	–	–	–	910,000	10,550,000	*Note 3*
Subtotal		25,800,000	–	–	–	910,000	24,890,000	
Total		27,720,000	–	–	–	910,000	26,810,000	

Notes:

(1) 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.

(2) 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.

(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 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 36 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, 2023 and December 31, 2023 are 110,325,000 and 111,235,000 Shares, respectively. The maximum amount of Shares which may be issued in respect of options granted under the Post-IPO Share Option Scheme is 26,810,000 Shares, representing approximately 1.24% of the issued shares as at the date of this report.

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 0.93% of the number of Shares in issue as of the date of this report. The Committee has granted RSUs underlying 12,800,000 Shares and RSUs underlying 7,200,000 Shares remains grantable as of both January 1, 2023 and December 31, 2023. 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, 2023	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	As of December 31, 2023	
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	320,000	–	–	–	320,000	*Note 1*
	December 2, 2021	640,000	–	–	–	640,000	*Note 3*
– Other employees of the Company	December 11, 2020	5,620,000	–	–	100,000	5,520,000	*Note 1*
	December 2, 2021	1,280,000	–	–	–	1,280,000	*Note 3*
Subtotal		7,860,000	–	–	100,000	7,760,000	
Total		12,500,000	–	–	100,000	12,400,000	

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.

4. Viva Shanghai Share Option Schemes

The Viva Shanghai Phase I Share Option Scheme and the Viva Shanghai Phase II Share Option Scheme were adopted pursuant to the resolutions of the Shareholders on January 18, 2024.

The purpose of the Viva Shanghai Phase I Share Option Scheme and the Viva Shanghai Phase II Share Option Scheme are to motivate and better retain the Incentive Participants (as defined below), to enhance cohesion and sustain the long-term stable development of Viva Shanghai.

Participants

The Board of Directors may subject to and in accordance with the provisions of the Viva Shanghai Phase I Share Option Scheme, Viva Shanghai Phase II Share Option Scheme and the Listing Rules, at its discretion grant options to directors, senior management, core technical and business personnel and any other core employees of Viva Shanghai who in the opinion of Viva Shanghai will directly contribute towards the business results and future development of Viva Shanghai and deserve for incentives. For the purpose of the Viva Shanghai Phase I Share Option Scheme and the Viva Shanghai Phase II Share Option Scheme, this excludes any independent director, supervisors, shareholders singly or collectively holding over 5% of Viva Shanghai's equity/shares, actual controller of Viva Shanghai or their respective spouse, parents, sons or daughters. The employees (other than directors of Viva Shanghai) must have been employed by and have entered into a labor agreement or employment agreement with Viva Shanghai, its wholly-owned or non-wholly owned subsidiary on a full-time basis. The above are collectively defined as the "Incentive Participants".

Term of the Viva Shanghai Phase I Share Option Scheme and the Viva Shanghai Phase II Share Option Scheme

The Viva Shanghai Phase I Share Option Scheme and the Viva Shanghai Phase II Share Option Scheme shall be valid and effective for a period of ten years commencing from the expiry of the vesting period (the "**Scheme Period**"). An Exercise Date must be a trading day that commences from the date of approval of these schemes (i.e. January 18, 2024) and end on the date when all share options granted to the Incentive Participants are exercised or canceled, up to a maximum of ten years, and the first Exercise Date must not be earlier than the date on which Viva Shanghai Shares are listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange. The share options may not be exercised until the fulfillment of such listing, and the share options not exercised at the expiration of the Viva Shanghai Phase I Share Option Scheme and the Viva Shanghai Phase II Share Option Scheme shall be cancelled in accordance with the terms of the scheme. The remaining life of the schemes are around 10 years.

Vesting Period

Viva Shanghai Phase I Share Option Scheme

Incentive Participants may exercise the share options as qualified for exercise in one lump sum after the expiry of the vesting period and within the validity period (for the avoidance of doubt, an Incentive Participant has only one opportunity to exercise the share options during the aforesaid period). An Incentive Participant may elect to exercise all or part of the share options, and in the case of exercising in part, the unexercised share options shall be terminated and automatically lapse. Subject to the Incentive Participant fulfilling the performance targets and lock-up restrictions under the Viva Shanghai Phase I Share Option Scheme, the vesting period of share options granted may be shorter than 12 months from the date of the relevant grant. The Board and the Remuneration Committee considered that such a shorter vesting period is warranted as it would allow Viva Shanghai to flexibly structure the vesting mechanisms of particular Viva Shanghai Phase I Share Options granted. Having consider that the exercise of any such Viva Shanghai Phase I Share Options will also be subject to a 3 year post-exercise lock-up, the granting of options with such vesting options is appropriate and aligned with the purposes of the Viva Shanghai Phase I Share Option Scheme.

Viva Shanghai Phase II Share Option Scheme

Incentive Participants may exercise the share options as qualified for exercise by stages after the expiry of the vesting period, which shall be completed within the Validity Period, as scheduled below:

	Exercise Period	**Exercisable Percentage**
Stage 1	From the date of achievement of the performance target for the first assessment year (2024) as included in the vesting conditions after the listing date of Viva Shanghai, to the expiry of the Validity Period of the scheme	25%
Stage 2	From the date of achievement of the performance target for the second assessment year (2025) as included in the vesting conditions after the listing date of Viva Shanghai, to the expiry of the Validity Period of the scheme	25%
Stage 3	From the date of achievement of the performance target for the third assessment year (2026) as included in the vesting conditions after the listing date of Viva Shanghai, to the expiry of the Validity Period of the scheme	25%
Stage 4	From the date of achievement of the performance target for the fourth assessment year (2027) as included in the vesting conditions after the listing date of Viva Shanghai, to the expiry of the Validity Period of the scheme	25%

In any event, the vesting period of the Phase II Share Options will not be less than 12 months.

Exercise Price

The price per share at which a Grantee may subscribe for Viva Shanghai Shares upon exercise of an option (the "**Exercise Price**") shall be RMB4.22 per share. In the event that the Exercise Price of the share options fall below the price as stipulated in the Listing Rules, the Exercise Price will be adjusted upward to the minimum exercise price required by the Listing Rules. The exercise price of share options, which shall not be lower than the audited net assets or valuation of Viva Shanghai in the most recent year, is determined based on factors such as Viva Shanghai's business conditions and assets, contribution of Incentive Participants to Viva Shanghai, and incentive effect of the Scheme on Incentive Participants.

General and Maximum Limit

The number of Viva Shanghai Shares issuable shall not exceed 7,320,000 for each of the Viva Shanghai Phase I Share Option Scheme and the Viva Shanghai Phase II Share Option Scheme (i.e. 14,640,000 Viva Shanghai Shares in aggregate, representing approximately 3% of Viva Shanghai's share capital in aggregate as of the date of this annual report), no Viva Shanghai Shares were issuable and no Options were grantable during the Reporting Period as the Viva Shanghai Phase I Share Option Scheme and the Viva Shanghai Phase II Share Option Scheme were approved by the Shareholders and adopted on January 18, 2024. The aggregate number of Viva Shanghai Shares issuable under all share incentive schemes of Viva Shanghai within their validity periods shall in no event exceed 3% of Viva Shanghai's registered share capital at the time of adopting the Viva Shanghai Phase I Share Option Scheme and the Viva Shanghai Phase II Share Option Scheme, and any limit shall be also be subject to compliance of applicable laws and rules of relevant regulatory body and stock exchanges.

The aggregate number of Viva Shanghai Shares subscribed by any Incentive Participant under all share incentive schemes of Viva Shanghai within their validity periods shall not exceed 1% of Viva Shanghai's total share capital. Unless approved by a general meeting of the Company and satisfying all other approval requirements of the Listing Rules (including the approval of independent non-executive Directors where applicable), the number of shares issuable under the share options granted within any 12 consecutive months to any independent non-executive Director or substantial shareholder of the Company or their respective associates shall not exceed 0.1% of Viva Shanghai's total share capital.

Please refer to the Company's announcements dated December 22, 2023, January 18, 2024 and circular dated December 28, 2023 for additional details on the Viva Shanghai Phase I Share Option Scheme and the Viva Shanghai Phase II Share Option Scheme, including the grants which were made pursuant to the schemes on January 18, 2024.

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. The Company has announced a change in the intended use of parts of net proceeds from global offering on September 26, 2023. As at December 31, 2023, the details of intended application of net proceeds are set out as follows:

	Approximate % of total net proceeds	Revised use of actual net proceeds	Utilized net proceeds up to December 31, 2022[1]	Proceeds utilized for the year ended December 31, 2023	Utilized net proceeds up to December 31, 2023	Proceeds unused as at December 31, 2023[2]
		RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
Expanding EFS model	25.5%	310.55	303.20	7.35	310.55	–
Building up commercial & research manufacturing capabilities and capacities in CMO	30.0%	365.13	352.09	13.04	365.13	–
Purchasing laboratory equipment and materials	12.1%	146.71	121.71	25.00	146.71	–
Hiring, training and retaining biologics & chemical drug R&D personnel	12.4%	151.29	121.71	29.58	151.29	–
Expanding CMO business	10.0%	121.71	121.71	–	121.71	–
General corporate and working capital	10.0%	121.71	121.71	–	121.71	–

Notes:

1. As disclosed in the Prospectus, the estimated net proceeds from the Global Offering, 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, 2023, all net proceeds had been utilized.

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, 2023:

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, 2022**	**Proceeds utilized for the year ended December 31, 2023**	**Utilized net proceeds up to December 31, 2023**	**Proceeds unused as at December 31, 2023[1]**
		RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
Business development and expansion	70%	879.19	718.75	160.44	879.19	–
Working capital and general corporate purposes	30%	376.80	376.80	–	376.80	–

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 had been utilized as follows at December 31, 2023:

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, 2022**	**Proceeds utilized for the year ended December 31, 2023**	**Utilized net proceeds up to December 31, 2023**	**Proceeds unused as at December 31, 2023[1]**
		RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
Business development and expansion including refinancing of the the acquisition cost of 80% of equity interest in Langhua Pharmaceutical	90%	1,621.4	1,015.08	606.32	1,621.4	–
Other working capital and general corporate purposes	10%	180.2	180.2	–	180.2	–

Note:

1. As at December 31, 2023, all net proceeds had been utilized.

On July 7, 2023, the Company issued the convertible bonds due November 2023. The net proceeds, after deduction the transaction cost of approximately HK$26.9 million, were approximately HK$443.1 million. The net proceeds has been fully utilized and applied for conducting the Group's internal corporate restructuring to segregate the Group's reportable operating segments during the Reporting Period, such use were in accordance with the stated use of proceeds in the Company's announcement dated June 11, 2023 and July 7, 2023.

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. 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, 2023.

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

As at the date of this report, the Group has no material subsequent events after December 31, 2023 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 97 to 232, which comprise the consolidated statement of financial position as at December 31, 2023, 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 material accounting policy information.

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, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

Key audit 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, 2023 in accordance with IFRS 9 Financial Instruments. As at December 31, 2023, the fair value of these investments was RMB992,420,000. The determination of the fair value of these unlisted investments involves significant estimates made by management. The Group engaged an external independent appraiser to perform the valuation for selected unlisted investments. Information about the fair value measurement for unlisted investments was disclosed in note 3 *Significant accounting judgements and estimates*, note 20 *Financial assets at FVTPL* and note 43 *Fair value and fair value hierarchy of financial instruments* to the consolidated 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, 2023 arising from past acquisitions, representing 29% 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 each reporting period end. The impairment test is based on the recoverable value of each of the cash-generating units ("**CGU**") or group of CGUs to which the goodwill is assigned. Management's assessment process was complex and significant judgement was involved, including the degree of subjectivity of expected future cash flow forecasts, associated growth rates and discount rate applied. Information about the goodwill was disclosed in note 3 *Significant accounting judgements and estimates*, note 17 *Goodwill* to the consolidated 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 test of goodwill. We reviewed the forecasts used with respect to future revenues and operating results by comparing the forecasts with the historic performance of the respective CGU and the business development plan. We also checked the related disclosures of goodwill.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

As part of an audit in accordance with HKSAs, we exercise professional 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 Siu Fung Terence Ho.

Ernst & Young
Certified Public Accountants
Hong Kong
28 March 2024

Consolidated Statement of Profit or Loss

Year ended December 31, 2023

	Notes	2023 RMB'000	2022 RMB'000
REVENUE	5	**2,155,578**	2,379,631
Cost of sales		**(1,417,146)**	(1,563,952)
Gross profit		**738,432**	815,679
Other income and gains	5	**87,053**	67,647
Selling and distribution expenses		**(132,547)**	(130,804)
Administrative expenses		**(277,109)**	(273,649)
Research and development expenses		**(127,967)**	(135,835)
Fair value loss on financial assets at fair value through profit or loss ("**FVTPL**")	20	**(11,682)**	(364,178)
Impairment losses on financial assets, net		**(8,126)**	(9,411)
Other expenses	6	**(321,748)**	(253,990)
Finance costs	7	**(176,582)**	(184,674)
LOSS BEFORE FAIR VALUE GAIN ON FINANCIAL LIABILITIES AT FVTPL AND TAX		**(230,276)**	(469,215)
Fair value gain on financial liabilities at FVTPL	33	**174,323**	10,050
LOSS BEFORE TAX	8	**(55,953)**	(459,165)
Income tax expense	9	**(43,837)**	(45,055)
LOSS FOR THE YEAR		**(99,790)**	(504,220)
Attributable to:			
Owners of the parent		**(116,113)**	(528,475)
Non-controlling interests		**16,323**	24,255
		(99,790)	(504,220)
		RMB	*RMB*
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
– Basic		**(0.06)**	(0.28)
– Diluted		**(0.14)**	(0.28)

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2023

	2023 *RMB'000*	2022 *RMB'000*
LOSS FOR THE YEAR	**(99,790)**	(504,220)
OTHER COMPREHENSIVE (EXPENSE)/INCOME		
Other comprehensive (expense)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**(23,263)**	91,660
OTHER COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR, NET OF TAX	**(23,263)**	91,660
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	**(123,053)**	(412,560)
Attributable to:		
Owners of the parent	**(139,469)**	(437,041)
Non-controlling interests	**16,416**	24,481
	(123,053)	(412,560)

Consolidated Statement of Financial Position

As at December 31, 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**1,350,917**	1,501,711
Investment property	15	**115,500**	–
Right-of-use assets	16(a)	**303,614**	435,669
Goodwill	17	**2,156,419**	2,156,419
Other intangible assets	18	**420,669**	476,061
Equity investments designated at fair value through other comprehensive income		**500**	–
Investments in an associate	19	**42,403**	–
Financial assets at FVTPL	20	**995,281**	1,046,616
Contract assets	21	**5,248**	6,425
Rental deposits and prepayments	22	**7,257**	27,602
Deferred tax assets	23	**21,186**	18,178
Pledged deposits	27	**–**	313,367
Total non-current assets		**5,418,994**	5,982,048
CURRENT ASSETS			
Inventories	24	**259,707**	326,031
Trade and bills receivables	25	**407,405**	445,969
Contract costs		**8,719**	8,447
Prepayments, other receivables and other assets	26	**76,540**	85,333
Amounts due from a related party	41	**80,530**	–
Pledged deposits	27	**161,695**	394,458
Cash and cash equivalents	27	**1,036,322**	678,569
Total current assets		**2,030,918**	1,938,807
CURRENT LIABILITIES			
Derivative financial instruments		**805**	17,804
Trade and bills payables	28	**245,756**	326,130
Other payables and accruals	29	**259,818**	326,570
Contract liabilities	30	**36,423**	44,244
Interest-bearing bank borrowings	31	**949,512**	405,292
Lease liabilities	16(b)	**2,929**	2,270
Income tax payable		**32,021**	41,629
Amounts due to a related party	41	**6,914**	–
Convertible bonds – debt component	33	**–**	1,508,618
Total current liabilities		**1,534,178**	2,672,557
NET CURRENT ASSETS/(LIABILITIES)		**496,740**	(733,750)
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,915,734**	5,248,298

Consolidated Statement of Financial Position

As at December 31, 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*31*	**922,012**	880,959
Deferred income	*32*	**40,858**	47,238
Contract liabilities	*30*	**14,165**	25,885
Lease liabilities	*16(b)*	**28,764**	25,801
Deferred tax liabilities	*23*	**69,192**	92,201
Other non-current liabilities	*34*	**1,152,831**	571,500
Total non-current liabilities		**2,227,822**	1,643,584
Net assets		**3,687,912**	3,604,714
EQUITY			
Equity attributable to owners of the parent			
Share capital	*35*	**367**	326
Treasury shares	*35*	**(134,651)**	(134,651)
Equity component of convertible bonds	*33*	**–**	426,198
Reserves	*37*	**3,822,196**	3,312,841
Total equity		**3,687,912**	3,604,714

The consolidated financial statements on page 97 to 232 were approved and authorised for issue by the directors of the Company on 28 March 2024 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, 2023

		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, 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		–	–	–	–	–	–	(1,235)	–	–	(1,235)	(24,481)	(25,716)
Recognition of equity-settled share based payment	36	–	–	–	–	–	24,817	–	–	–	24,817	–	24,817
Modification of convertible bonds	33	–	–	–	–	37,273	–	–	–	–	37,273	–	37,273
Repurchase of convertible bonds	33	–	–	–	–	(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

Consolidated Statement of Changes in Equity

For the year ended December 31, 2023

		Attributable to owners of the parent											
	Notes	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, 2023		326	(134,651)	3,636,950	(27,427)	426,198	88,263	(206,550)	95,384	(273,779)	3,604,714	–	3,604,714
Loss for the year		–	–	–	–	–	–	–	–	(116,113)	(116,113)	16,323	(99,790)
Other comprehensive expense for the year													
Exchange differences related to foreign operations		–	–	–	(23,356)	–	–	–	–	–	(23,356)	93	(23,263)
Total comprehensive expense for the year		–	–	–	(23,356)	–	–	–	–	(116,113)	(139,469)	16,416	(123,053)
Put option over non-controlling interests	*34*	–	–	–	–	–	–	(722,477)	–	–	(722,477)	(424,022)	(1,146,499)
Recognition of equity-settled share based payment	*36*	–	–	–	–	–	19,007	–	–	–	19,007	–	19,007
Capital injection from non-controlling shareholders of subsidiaries	*34*	–	–	–	–	–	–	730,816	–	–	730,816	419,984	1,150,800
Acquisition of non-controlling shareholders		–	–	–	–	–	–	(80,510)	–	–	(80,510)	7,622	(72,888)
Dividend paid to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	(20,000)	(20,000)
Share repurchase and cancellation	*35*	(1)	–	(10,273)	–	–	–	–	–	–	(10,274)	–	(10,274)
Conversion of convertible bonds	*33*	42	–	247,491	–	–	–	–	–	–	247,533	–	247,533
Repurchase of convertible bonds	*33*	–	–	–	–	(426,198)	–	464,770	–	–	38,572	–	38,572
Transfer from retained profits		–	–	–	–	–	–	–	28,629	(28,629)	–	–	–
At December 31, 2023		367	(134,651)	3,874,168	(50,783)	–	107,270	186,049	124,013	(418,521)	3,687,912	–	3,687,912

* These reserve accounts comprise the consolidated reserves of RMB3,822,196,000 (2022: RMB3,312,841,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

For the year ended December 31, 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(55,953)**	(459,165)
Adjustments for:			
Finance costs	*7*	**176,582**	184,674
Interest income	*5*	**(27,375)**	(21,606)
Loss on disposal of items of property, plant and equipment	*6*	**399**	2,065
Fair value loss, net:			
Derivative financial instruments	*8*	**8,662**	40,939
Financial assets at FVTPL	*20*	**11,682**	364,178
Fair value gain on financial liabilities at FVTPL	*33*	**(174,323)**	(10,050)
Gain on modification of convertible bonds		**–**	(6,717)
Foreign exchange loss		**34,794**	178,116
Income from government grants and subsidies related to assets		**(15,456)**	(5,401)
Revenue from service-for-equity ("**SFE**")	*5*	**(12,304)**	(54,081)
Equity-settled share-based payment expense	*36*	**19,007**	24,817
Gain on disposal of interests in a subsidiary	*38*	**(683)**	–
Loss on fair value change of investment property	*15*	**13,819**	–
Loss on repurchase of convertible bonds	*6*	**222,758**	45,421
Depreciation of property, plant and equipment	*8*	**142,779**	114,777
Depreciation of other intangible assets	*8*	**55,550**	55,597
Depreciation of right-of-use assets	*16*	**12,887**	15,080
Impairment losses under the expected credit model, net of reversal		**8,126**	9,411
Impairment loss on non-financial assets	*6*	**11,366**	6,572
Gain on disposal of right-of-use assets		**–**	(164)
Operating cash flows before movements in working capital		**432,317**	484,463
Decrease/(increase) in inventories		**57,042**	(96,444)
(Increase)/decrease in contract costs		**(2,356)**	1,110
Decrease/(increase) in trade and bills receivables		**30,438**	(22,308)
(Increase)/decrease in prepayments, other receivables and other assets		**(6,396)**	38,731
Decrease/(increase) in pledged time deposits for notes payable		**17,131**	(13,023)
(Decrease)/increase in trade and bills payables		**(80,374)**	45,077
Increase in other payables and accruals		**33,702**	43,913
Decrease in deferred revenue		**(175)**	–
Increase in other non-current liabilities		**1,944**	3,743
Decrease in contract liabilities		**(19,541)**	(18,704)
Cash generated from operations		**463,732**	466,558
Income taxes paid		**(80,327)**	(80,507)
Net cash flows from operating activities		**383,405**	386,051

Consolidated Statement of Cash Flows

For the year ended December 31, 2023

	2023 *RMB'000*	2022 *RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**56,373**	9,437
Purchases of items of property, plant and equipment	**(187,678)**	(249,328)
Purchases of items of other intangible assets	**(158)**	(214)
Proceeds from disposal of items of property, plant and equipment	**648**	660
Payments for the acquisition of equity investments designated at fair value through other comprehensive income	**(500)**	–
Receipt of government grants and subsidies related to assets	**13,199**	16,199
Withdraw of restricted bank deposits	**650,000**	–
Placement of pledged deposits	**(150,000)**	–
Payments for acquisition of subsidiaries	**–**	(81,202)
Proceeds from disposal of a subsidiary	**32,341**	–
Payment for investment in an associate	**(28,500)**	–
Purchase of financial assets at FVTPL	**(38,291)**	(212,901)
Proceeds from disposal of financial assets at FVTPL	**117,401**	164,875
Payment for investment income from derivative financial instruments	**(25,661)**	(20,330)
Net cash flows from/(used in) investing activities	**439,174**	(372,804)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bank borrowings	**(1,038,075)**	(438,606)
Interest paid	**(70,691)**	(72,856)
Proceeds from bank borrowings	**1,623,348**	673,041
Repayment of lease liabilities	**(4,194)**	(4,690)
Proceeds from rental deposits refund	**–**	2,260
Payments of rental deposits	**(284)**	(40)
Payment for repurchase of shares	**(10,274)**	–
Acquisition of non-controlling interests	**(640,000)**	–
Capital injection from non-controlling shareholders of subsidiaries	**1,141,290**	–
Dividend paid to non-controlling shareholders of a subsidiary	**(20,000)**	–
Proceeds from the issue of convertible bonds	**421,856**	–
Payment for repurchase of convertible bonds	**(1,832,478)**	(302,305)
Net cash flows used in financing activities	**(429,502)**	(143,196)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**393,077**	(129,949)
Cash and cash equivalents at beginning of year	**678,569**	800,947
Effect of foreign exchange rate changes, net	**(35,324)**	7,571
CASH AND CASH EQUIVALENTS AT END OF YEAR	**1,036,322**	678,569

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 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102, 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, 2023, 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**")/ Chinese Mainland	US$65,971,371	–	73.46%	Providing research service
Jiaxing Viva Biotech Limited (嘉興維亞生物科技有限公司)	PRC/Chinese Mainland	RMB30,000,000	–	73.46%	Providing 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 Direct	Percentage of equity attributable to the Company Indirect	Principal activities
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/Chinese Mainland	RMB20,000,000	–	100%	Business incubator
Sichuan Viva Benyuan Biotech Limited (四川維亞本苑生物科技有限公司)	PRC/Chinese Mainland	US$50,000,000	–	73.46%	Providing 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/Chinese Mainland	RMB8,591,496	–	100%	Providing Laboratory rental service
Zhejiang Langhua Pharmaceutical Co., Ltd. (“**Langhua Pharmaceutical**”) (浙江朗華制藥有限公司)	PRC/Chinese Mainland	RMB120,000,000	–	100%	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/Chinese Mainland	RMB50,000,000	–	100%	Distribution of small molecule APIs, intermediates and CDMO products
Ningbo Nuobai Pharmaceutical (Hong Kong) Limited (“**Nuobai Hong Kong**”)	Hong Kong	US$255,600	–	100%	Distribution of small molecule APIs, intermediates and CDMO products
Shanghai Viva Private Equity Fund Management Co., Ltd. (“**Viva Fund**”) (上海維亞私募基金管理有限公司)	PRC/Chinese Mainland	RMB10,000,000	–	100%	Investment holding
Shanghai Langhua Pharmaceutical Service Co., Ltd* (“**Shanghai Langhua**”) (上海朗華醫藥服務有限公司)	PRC/Chinese Mainland	RMB10,000,000	–	100%	Providing research service
SYNthesis med chem (Hong Kong) Limited** (“**Synthesis HK**”)	Hong Kong	HK$1,000	–	73.46%	Investment holding
Xinshi Bio Medicine (Shanghai) Co., Ltd. (信實生物醫藥(上海)有限公司)	PRC/Chinese Mainland	US$2,000,000	–	73.46%	Providing research service
Suzhou Xiangshi Medical Development Co., Ltd. (蘇州翔實醫藥發展有限公司)	PRC/Chinese Mainland	US$6,000,000	–	73.46%	Providing 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 Direct	Indirect	Principal activities
Synthesis med chem (Australia) Pty Ltd. ("**Synthesis Australia**")	Australia	AUD1,000	–	73.46%	Project management and bidding
Synthesis Med Chem (UK) Limited ("**Synthesis UK**")	United Kingdom	GBP100	–	73.46%	Project management and bidding
Synkinase Pty Ltd. ("**Synkinase Australia**")	Australia	AUD10	–	73.46%	Sale of compounds
Synkinase USA, Inc. ("**Synkinase USA**")	USA	–	–	73.46%	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
Weizongchen Medical Service (Shanghai) Limited ("**Weizongchen**")* 維宗晨醫藥服務(上海)有限公司	PRC/Chinese Mainland	RMB3,200,000,000	–	100%	Investment holding
Viva Yichen (Shanghai) Entrepreneurship Incubator Limited ("**Viva Yichen**")** 維亞翊晨(上海)創業孵化器有限公司	PRC/Chinese Mainland	RMB200,000,000	–	100%	Investment holding
Weixuchen (Shanghai) Entrepreneurship Incubator Limited ("**Weixuchen**")*** 維旭晨(上海)創業孵化器有限公司	PRC/Chinese Mainland	RMB150,000,000	–	100%	Investment holding

* On June 15, 2023, Weizongchen was established with a register capital of RMB3,200,000,000.

** On July 4, 2023, Viva Yichen was established with a register capital of RMB200,000,000.

*** On August 8, 2023, Weixuchen was established with a register capital of RMB150,000,000.

2. ACCOUNTING POLICIES

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 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 investment property which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended December 31, 2023. 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).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has 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.

2. ACCOUNTING POLICIES (continued)

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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 the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and 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 new and revised IFRSs for the first time for the current year's financial statements.

IFRS 17	*Insurance Contracts*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*

2. ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the consolidated financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. The adoption of amendments to IAS 12 has had no material impact on the Group's financial position and performance for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

2. ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(d) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following revised IFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised IFRSs, if applicable, when they become effective.

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*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[1]
Amendments to IAS 1	*Non-current Liabilities with Covenants*[1]
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*[1]
Amendments to IAS 21	*Lack of Exchangeability*[2]

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

2 Effective for annual periods beginning on or after January 1, 2025

3 No mandatory effective date yet determined but available for adoption

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

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES

Investments in associates

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

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

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

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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 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.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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.

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.

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.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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.

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.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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, financial assets, and investment property), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL 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;

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Related parties (continued)

(b) (continued)

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

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

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

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

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

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. ACCOUNTING POLICIES (continued)

2.4 MATERIAL 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

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 is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including right-of-use assets) held to earn rental income and/or for capital appreciation. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Investment properties (continued)

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above.

Other intangible assets (other than goodwill)

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

Patents

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

Customer relationships

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

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Other intangible assets (other than goodwill) (continued)

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.

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.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(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	5 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. ACCOUNTING POLICIES (continued)

2.4 MATERIAL 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, 2023.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL 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.

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

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL 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 designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments:* Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

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 the equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

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. ACCOUNTING POLICIES (continued)

2.4 MATERIAL 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. ACCOUNTING POLICIES (continued)

2.4 MATERIAL 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.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

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

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

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

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

Simplified approach

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

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

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

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

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

After initial recognition, trade and other payables, and interest-bearing 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. ACCOUNTING POLICIES (continued)

2.4 MATERIAL 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. ACCOUNTING POLICIES (continued)

2.4 MATERIAL 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. ACCOUNTING POLICIES (continued)

2.4 MATERIAL 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.

Treasury shares

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

Inventories

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

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

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.

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.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Income tax (continued)

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 does not give rise to equal taxable and deductible temporary differences; 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 does not give rise to equal taxable and deductible temporary differences; and

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

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

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

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Income tax (continued)

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.

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.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

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.

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

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

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

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Provision of discovery and research services

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

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

For the research services provided under 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.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Provision of discovery and research services (continued)

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

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

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

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

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Sale of goods

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

If the Group performs by transferring goods or services to a customer before being unconditionally entitled to the consideration under the contract terms, 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. They are classified to trade receivables when the right to the consideration becomes unconditional.

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. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Share-based payments

The Company operates share option schemes and restricted share units schemes. 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 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.

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.

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.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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.

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries operating in Chinese Mainland 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.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

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. 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.

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.

2. ACCOUNTING POLICIES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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:

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

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

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.

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, 2023 was RMB2,156,419,000 (2022: RMB2,156,419,000). Further details are given in note 17.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

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 20 and note 43 to the consolidated 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.

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.

Estimation of fair value of investment property

Investment property is stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market condition. In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair value of the Group's investment property and the corresponding adjustments to the amount of fair value gain or loss reported in profit or loss.

The carrying amount of investment property at December 31, 2023 was RMB115,500,000 (2022: nil). Further details, including the key assumptions used for fair value measurement, are given in note 15 to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Provision for expected credit losses on trade receivables

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

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 25 to the consolidated financial statements.

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 before tax is measured consistently with the Group's loss before tax except that other income and gains, selling and distribution expenses, administrative expenses, research and development expenses, fair value loss 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, 2023			
Segment revenue	844,876	1,310,702	2,155,578
Segment results	363,677	374,755	738,432
Reconciliation:			
Other income and gains			87,053
Selling and distribution expenses			(132,547)
Administrative expenses			(277,109)
Research and development expenses			(127,967)
Fair value loss on financial assets at FVTPL			(11,682)
Fair value gain on financial liabilities at FVTPL			174,323
Impairment losses on financial assets, net			(8,126)
Other expenses			(321,748)
Finance costs			(176,582)
Group's loss before tax			(55,953)

4. OPERATING SEGMENT INFORMATION (continued)

	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 gain 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)

Geographical information

(a) Revenue from external customers

	2023	2022
	RMB'000	*RMB'000*
United States of America ("**USA**")	**812,789**	915,818
European Union	**589,561**	508,471
Chinese Mainland	**323,671**	382,377
Other Asian countries and regions out of Chinese Mainland	**291,391**	392,800
Africa	**45,029**	64,550
Other countries/regions	**93,137**	115,615
Total	**2,155,578**	2,379,631

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

(b) Non-current assets

	2023	2022
	RMB'000	*RMB'000*
Chinese Mainland	**2,239,510**	2,440,518

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 RMB421,495,000 (2022: RMB431,164,000) 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:

	2023 *RMB'000*	2022 *RMB'000*
Revenue from contracts with customers	**2,155,578**	2,379,631

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended December 31, 2023

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	**637,400**	**–**	**637,400**
FFS services	**141,942**	**23,490**	**165,432**
Sale of products	**–**	**1,258,727**	**1,258,727**
Subtotal	**779,342**	**1,282,217**	**2,061,559**
Revenue from investees			
FTE services	**34,037**	**–**	**34,037**
FFS services	**19,193**	**28,485**	**47,678**
SFE services	**12,304**	**–**	**12,304**
Subtotal	**65,534**	**28,485**	**94,019**
Total revenue from contracts with customers	**844,876**	**1,310,702**	**2,155,578**

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(a) Disaggregated revenue information (continued)

For the year ended December 31, 2023 (continued)

Segments	Drug discovery services *RMB'000*	CDMO and commercialisation services *RMB'000*	Total *RMB'000*
Geographical markets			
USA	642,371	170,418	812,789
European Union	40,622	548,939	589,561
Chinese Mainland	108,701	214,970	323,671
Other Asian countries and regions out of Chinese Mainland	8,307	283,084	291,391
Africa	–	45,029	45,029
Other countries/regions	44,875	48,262	93,137
Total revenue from contracts with customers	844,876	1,310,702	2,155,578
Timing of revenue recognition			
Goods/services transferred at a point in time	161,135	1,310,702	1,471,837
Services transferred over time	683,741	–	683,741
Total revenue from contracts with customers	844,876	1,310,702	2,155,578

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

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
Subtotal	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
Subtotal	101,663	12,814	114,477
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, 2022 (continued)

Segments	Drug discovery services	CDMO and commercialisation services	Total
	RMB'000	*RMB'000*	*RMB'000*
Geographical markets			
USA	671,141	244,677	915,818
European Union	44,115	464,356	508,471
Chinese Mainland	130,296	252,081	382,377
Other Asian countries and regions out of Chinese Mainland	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)

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:

	2023	2022
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
FFS services	**1,225**	3,796
Sale of products	**16,568**	10,497
Total	**17,793**	14,293

(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:

	2023 ***RMB'000***	2022 *RMB'000*
SFE services	**37,668**	95,915

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.

	Notes	**2023** **RMB'000**	2022 RMB'000
Other income			
Interest income			
– banks		**27,374**	21,582
– imputed interest income on rental deposits		**1**	24
Government grants		**55,316**	36,470
Total other income		**82,691**	58,076
Gains			
Gain on modification of convertible bonds		**–**	6,717
Gain on disposal of right-of-use assets		**–**	164
Revenue from sales of raw materials		**1**	1,580
Gain on disposal of a subsidiary *(note 38)*		**683**	–
Others		**3,678**	1,110
Total gains		**4,362**	9,571
Total other income and gains		**87,053**	67,647

6. OTHER EXPENSES

	2023 *RMB'000*	2022 *RMB'000*
Impairment loss on non-financial assets	**11,366**	6,572
Net foreign exchange loss	**51,014**	146,391
Loss on derivative financial instruments	**8,662**	40,939
Loss on disposal of property, plant and equipment	**399**	2,065
Loss on repurchase of convertible bonds	**222,758**	45,421
Fair value loss on investment property *(note 15)*	**13,819**	–
Others	**13,730**	12,602
Total	**321,748**	253,990

7. FINANCE COSTS

	2023 *RMB'000*	2022 *RMB'000*
Interest on convertible bonds	**124,386**	140,232
Interest on lease liabilities	**1,426**	1,337
Interest expenses on bank borrowings	**54,148**	48,516
Total interest expense	**179,960**	190,085
Less: Interest capitalised	**3,378**	5,411
Total	**176,582**	184,674

8. LOSS BEFORE TAX

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

	Notes	2023 RMB'000	2022 RMB'000
Cost of inventories sold		**872,857**	1,002,739
Cost of services provided		**110,993**	103,021
Depreciation of property, plant and equipment	*14*	**142,779**	114,777
Depreciation of right-of-use assets	*16*	**13,327**	16,460
Amortisation of other intangible assets	*18*	**55,550**	55,597
Less: capitalised in contract costs		**(1,384)**	(1,307)
Less: capitalised in inventories		**(1,443)**	(5,846)
Less: capitalised in property, plant and equipment	*16(c)*	**(440)**	(1,380)
		208,389	178,301
Staff cost (including directors' emoluments):			
– Independent non-executive directors' fees		**675**	648
– Salaries and other benefits		**571,920**	683,841
– Retirement benefit scheme contributions		**51,251**	53,310
– Share-based payment expenses	*36*	**19,007**	24,817
		642,853	762,616
Less: capitalised in contract costs		**(5,103)**	(5,452)
Less: capitalised in inventories		**(2,760)**	(11,509)
		634,990	745,655
Foreign exchange loss, net		**51,014**	146,391
Write-down of inventories and contract costs		**11,366**	6,572
Fair value loss on derivative financial instruments		**8,662**	40,939
Gain on modification of convertible bonds		**–**	(6,717)
Loss on disposal of items of property, plant and equipment		**399**	2,065
Fair value loss on investment property		**13,819**	–
Gain on disposal of a subsidiary		**(683)**	–
Gain on disposal of right-of-use assets		**–**	(164)
Loss on repurchase of convertible bonds		**222,758**	45,421
Fair value gain on embedded derivative instruments of convertible bonds	*33*	**–**	(10,050)
Fair value gain on convertible bonds	*33*	**(174,323)**	–
Auditors' remuneration		**4,600**	4,800

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:

	2023	2022
	RMB'000	*RMB'000*
Current tax		
– Hong Kong	**4,749**	2,603
– Chinese mainland	**65,969**	77,989
– Other countries	**–**	232
	70,718	80,824
Deferred tax *(note 23)*	**(26,881)**	(35,769)
	43,837	45,055

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% (2022: 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 (2022: 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)

Chinese Mainland

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 Chinese Mainland 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 [2023] No.12 "Circular of the Ministry of Finance, the State Administration of Taxation Issued on the Tax Policies for Further Support the Development of Small Low-profit Enterprises and Self-employed Businesses" (財政部稅務總局關于進一步支持小微企業和個體工商戶發展有關稅費政策的公告), 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 25%, 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, 2023 and will expire on December 31, 2027.

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 25% from January 1, 2022 to December 31, 2023. 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.

9. INCOME TAX (continued)

United Kingdom (continued)

A reconciliation of the tax expense applicable to loss 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:

	2023 ***RMB'000***	2022 *RMB'000*
Loss before tax	**(55,953)**	(459,165)
Tax at the applicable tax rate of 25%	**(13,988)**	(114,791)
Preferential income tax rates applicable to subsidiaries	**(13,574)**	(11,750)
Effect on opening deferred tax of increase in rates	**–**	1,949
Adjustments in respect of current tax of previous years	**(857)**	75
Expenses not deductible for tax	**142,492**	186,571
Additional deduction allowance for research and development expenses	**(21,520)**	(17,911)
Income not subject to tax	**(70,442)**	(4,088)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**11,287**	2,854
Effect of withholding tax on disposal of interest of a subsidiary located in Chinese Mainland	**9,616**	–
Effect of withholding tax at 7% on the interest income from Chinese Mainland	**823**	2,146
Tax charge at the Group's effective rate	**43,837**	45,055

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:

	2023 ***RMB'000***	2022 *RMB'000*
Fees	**1,575**	1,513
Other emoluments:		
Salaries, allowances and other benefits in kind	**4,682**	4,348
Performance related bonus	**64**	57
Equity-settled share-based payments	**3,334**	4,445
Pension scheme contributions	**–**	58
Subtotal	**8,080**	8,908
Total fees and other emoluments	**9,655**	10,421

In prior years, 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 36 to the consolidated 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.

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

(a) Independent non-executive directors

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

	2023	2022
	RMB'000	*RMB'000*
Mr. Fu Lei	**225**	216
Ms. Wang Haiguang	**225**	216
Ms. Li Xiangrong	**225**	216
	675	648

There were no other emoluments payable to the independent non-executive directors during the year (2022: Nil).

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

	Fees	Salaries, allowances and other benefits in kind	Performance related bonus	Equity-settled share award expenses	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2023						
Chief executive and executive director:						
Mr. Mao Chen Cheney	225	1,455	–	714	–	2,394
Executive directors:						
Mr. Wu Ying	225	1,118	24	1,310	–	2,677
Mr. Ren Delin	225	2,109	40	1,310	–	3,684
Subtotal	675	4,682	64	3,334	–	8,755
Non-executive director:						
Mr. Wu Yuting	225	–	–	–	–	225
Subtotal	225	–	–	–	–	225
Total	900	4,682	64	3,334	–	8,980

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

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

	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
Subtotal	648	4,348	57	4,445	58	9,556
Non-executive directors:						
Ms. Sun Yanyan*	186	–	–	–	–	186
Mr. Wu Yuting**	30	–	–	–	–	30
Subtotal	216	–	–	–	–	216
Total	864	4,348	57	4,445	58	9,772

* 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 (2022: Nil).

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2022: one director), details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the remaining four (2022: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2023 *RMB'000*	2022 *RMB'000*
Salaries, allowances and other benefits in kind	**7,527**	6,518
Performance related bonus	**17,915**	7,387
Equity-settled share-based payments	**3,716**	3,205
Pension scheme contributions	**161**	104
Total	**29,319**	17,214

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	
	2023	2022
HK$3,000,001 to HK$3,500,000	**–**	–
HK$3,500,001 to HK$4,000,000	**2**	2
HK$5,000,001 to HK$5,500,000	**–**	1
HK$7,500,001 to HK$8,000,000	**–**	1
HK$11,000,001 to HK$11,500,000	**1**	–
HK$13,500,001 to HK$14,000,000	**1**	–
Total	**4**	4

During prior years, share options and restricted share units were granted to three and two 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 36 to consolidated 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 PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,940,474,000 (2022: 1,915,437,000) in issue during the year.

The calculation of the diluted loss per share amounts is based on the loss for the year ended December 31, 2023 attributable to ordinary equity holders of the parent, adjusted to reflect the fair value gain on the HK$470,000,000 convertible bond. 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, 2023, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of all dilutive potential ordinary shares into ordinary shares. The diluted loss per share for the year ended December 31, 2023 did not assume the conversion of the US$180,000,000 convertible bonds and US$280,000,000 convertible bonds nor exercise of all batches of share options and restricted share units as their inclusion would be anti-dilutive.

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 calculations of the basic and diluted loss per share are based on:

	2023 ***RMB'000***	2022 *RMB'000*
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculation	**(116,113)**	(528,475)
Less: Fair value gain on the convertible bonds	**174,323**	–
Loss attributable to ordinary equity holders of the parent before the impact of convertible bonds	**(290,436)**	(528,475)

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

	Number of shares ('000)	
	2023	2,022
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**1,940,474**	1,915,437
Effect of dilution – weighted average number of ordinary shares:		
Convertible bonds	**88,205**	–
Total	**2,028,679**	1,915,437

13. DIVIDENDS

The board of directors of the Company did not recommend the distribution of any annual dividend for the year ended December 31, 2023 (2022: 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, 2023							
At January 1, 2023							
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
At January 1, 2023, net of accumulated depreciation	515,794	171,101	328,335	5,378	11,220	469,883	1,501,711
Additions	29,111	11,452	53,149	1,266	–	63,937	158,915
Transfer from CIP	11,323	43,521	3,498	25	–	(58,367)	–
Transfer to investment property *(note 15)*	(25,411)	–	(3,724)	–	–	–	(29,135)
Disposal of a subsidiary *(note 38)*	–	–	–	–	–	(136,749)	(136,749)
Disposals	–	(389)	(186)	(240)	(5)	(226)	(1,046)
Depreciation provided during the year	(32,461)	(29,457)	(77,298)	(1579)	(1,984)	–	(142,779)
At December 31, 2023, net of accumulated depreciation	498,356	196,228	303,774	4,850	9,231	338,478	1,350,917
At December 31, 2023:							
Cost	558,645	275,361	518,616	11,383	26,289	338,478	1,728,772
Accumulated depreciation	(60,289)	(79,133)	(214,842)	(6,533)	(17,058)	–	(377,855)
Net carrying amount	498,356	196,228	303,774	4,850	9,231	338,478	1,350,917

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings	Machinery	Furniture, fixtures and equipment	Transportation equipment	Leasehold improvements	Construction in progress ("CIP")	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*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

At December 31, 2023, buildings and construction in progress with a carrying amount of approximately RMB207,120,000 (2022: RMB229,170,000) and RMB7,089,000 (2022: RMB5,838,000), respectively, were pledged to secure certain bank borrowings of the Group (note 31).

15. INVESTMENT PROPERTY

	2023 *RMB'000*	2022 *RMB'000*
Carrying amount at January 1	–	–
Transfer from owner-occupied property	125,200	–
Net loss from a fair value adjustment	(9,700)	–
Carrying amount at December 31	115,500	–

At August 31, 2023, certain owner-occupied property of the Group located in Chinese Mainland was transferred from property, plant and equipment and right-of-use assets to investment property, following a change in use. The difference of RMB4,119,000 between the fair value of RMB125,200,000 and the carrying amount of the properties, including property, plant and equipment of RMB29,135,000 and right-of-use assets of RMB100,184,000, as of the date of change in use, is recognised in other expenses in profit or loss during the year.

The Group's investment property consists of one industrial property in Chinese Mainland. The Group's investment property was revalued on August 31 and December 31, 2023, respectively, based on valuations performed by PG Advisory, independent professionally qualified valuers, at RMB125,200,000 and RMB115,500,000, respectively. The Group's financial director and the chief financial officer decide, after approval from the audit committee, to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's financial director and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

The investment property is to be leased to third parties under operating leases.

At December 31, 2023, the Group's investment property with a carrying value of RMB115,500,000 (2022: Nil) was pledged to secure general banking facilities granted to the Group (note 31).

15. INVESTMENT PROPERTY (continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment property:

	Fair value measurement as at December 31, 2023 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*
Recurring fair value measurement for:				
Industrial property	–	–	115,500	115,500

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2022: Nil).

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Industrial Property *RMB'000*
Carrying amount at January 1 and December 31, 2022 and January 1, 2023	–
Transfer from owner-occupied property	125,200
Net loss from a fair value adjustment recognised in other expenses in profit or loss	(9,700)
Carrying amount at December 31, 2023	115,500

15. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range or weighted average 2023
Industrial property	Discounted cash flow	Estimated rental value (per sq.m. and per month)	171
		Long term vacancy rate	17%
		Discount rate	5.5% to 6.0%

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

A significant increase (decrease) in the estimated rental value and the market rent growth rate per annum in isolation would result in a significant increase (decrease) in the fair value of the investment property. A significant increase (decrease) in the long-term vacancy rate and the discount rate in isolation would result in a significant decrease (increase) in the fair value of the investment property. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and the discount rate and an opposite change in the long-term vacancy rate.

16. 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, 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 and January 1, 2023	**409,131**	**26,538**	**435,669**
Additions	**–**	**6,390**	**6,390**
Disposal of a subsidiary *(note 38)*	**(24,934)**	**–**	**(24,934)**
Transfer to investment property *(note 15)*	**(100,184)**	**–**	**(100,184)**
Depreciation charge	**(10,189)**	**(3,138)**	**(13,327)**
As at December 31, 2023	**273,824**	**29,790**	**303,614**

At December 31, 2023, the right-of-use assets with a carrying amount of approximately RMB196,026,000 (2022: RMB303,091,000) were pledged to secure certain bank borrowings of the Group (note 31).

16. 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:

	2023 *RMB'000*	2022 *RMB'000*
Carrying amount at January 1	**28,071**	33,466
New leases	**6,390**	–
Termination of lease contracts	**–**	(2,042)
Accretion of interest recognised during the year	**1,426**	1,337
Payments	**(4,194)**	(4,690)
Carrying amount at December 31	**31,693**	28,071
Analysed into:		
Current portion	**2,929**	2,270
Non-current portion	**28,764**	25,801

The maturity analysis of lease liabilities is disclosed in note 44 to the consolidated financial statements.

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

	2023 *RMB'000*	2022 *RMB'000*
Interest on lease liabilities	**1,426**	1,337
Depreciation charge of right-of-use assets	**13,327**	16,460
Less: capitalised in property, plant and equipment	**440**	1,380
Total amount recognised in profit or loss	**14,313**	16,417

The total cash outflow for leases is disclosed in note 39(c) to the consolidated financial statements.

17. GOODWILL

	2023 RMB'000	2022 RMB'000
Cost at January 1, net of accumulated impairment	**2,156,419**	2,156,419
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

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 *(note)*.

Note: In 2023, for the purpose of clearly delineating its business segments and streamlining its business operations, the Group has resolved to conduct certain internal corporate restructuring. The details of the internal corporate restructuring were set out in the announcements published on June 11, 2023, August 8, 2023 and November 20, 2023. The internal corporate restructuring resulted in a change of organisational structure where the entire Synthesis group was integrated with the chemistry drug discovery service segment of the Group in order to realise the synergy of economies of scale. As such, the composition of the original chemistry drug discovery service CGU was changed from the separate Synthesis group to the whole chemistry drug discovery services segment of the Group.

17. GOODWILL (continued)

Impairment testing of goodwill (continued)

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% (2022: 14.5%). The growth rate used to extrapolate the cash flows of the CDMO and commercialization service CGU beyond the five-year period is 2.2% (2022: 2.5%). The budgeted gross margin used in the cash flow projections is from 31% to 37%. (2022: from 31% to 33%).

Chemistry drug discovery service CGU

The recoverable amount of the chemistry drug discovery service 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 14.5% (2022: 15%) and cash flows beyond the five-year period is extrapolated using a growth rate of 2.2% (2022: 2.5%). The budgeted gross margin used in the cash flow projections is from 38% to 40% (2022: 47%).

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

	2023 ***RMB'000***	2022 *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

17. GOODWILL (continued)

Impairment testing of goodwill (continued)

Chemistry drug discovery services CGU (continued)

Assumptions were used in the VIU calculation for December 31, 2023 and December 31, 2022, 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, 2023. No impairment loss in relation to goodwill in such CGUs is recognised for the year ended December 31, 2023.

18. OTHER INTANGIBLE ASSETS

	Patents	Customer relationships	Total
	RMB'000	*RMB'000*	*RMB'000*
December 31, 2023			
Cost at January 1, 2023, net of accumulated amortisation	**107,618**	**368,443**	**476,061**
Additions	**158**	**–**	**158**
Amortisation provided during the year	**(14,021)**	**(41,529)**	**(55,550)**
At December 31, 2023	**93,755**	**326,914**	**420,669**
At December 31, 2023			
Cost	**138,215**	**452,095**	**590,310**
Accumulated impairment	**(44,460)**	**(125,181)**	**(169,641)**
Net carrying amount	**93,755**	**326,914**	**420,669**
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

18. OTHER INTANGIBLE ASSETS (continued)

The patents and customer relationships belong to the CDMO and commercialisation service CGU and Chemistry drug discovery service 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 service CGU which is set out in note 17.

19. INVESTMENT IN AN ASSOCIATE

	2023 ***RMB'000***	2022 *RMB'000*
Share of net assets	**42,198**	–
Goodwill on acquisition	**205**	–
Total share of net assets and goodwill on acquisition	**42,403**	–

The Group's non-trade receivable and payable balances with the associate are disclosed in note 41 to the consolidated financial statements.

The associate was not material to the Group for the reporting period. The following table illustrates its financial information:

	2023 ***RMB'000***	2022 *RMB'000*
Share of the associate's profit for the year	**–**	–
Aggregate carrying amount of the Group's investments in the associate	**42,198**	–

20. FINANCIAL ASSETS AT FVTPL

	2023 *RMB'000*	2022 *RMB'000*
Listed equity securities	**2,861**	1,407
Unlisted investments at FVTPL	**992,420**	1,045,209
Total	**995,281**	1,046,616
Analysed for reporting purposes as:		
Current assets	**–**	–
Non-current assets	**995,281**	1,046,616
Total	**995,281**	1,046,616

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

	RMB'000
At 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 and January 1, 2023	**1,046,616**
Acquired	**38,291**
Recognised from SFE revenue	**13,542**
Loss on fair value change	**(11,682)**
Disposal	**(100,401)**
Exchange adjustment	**8,915**
At December 31, 2023	**995,281**

21. CONTRACT ASSETS

	2023 *RMB'000*	2022 *RMB'000*
Right to receive unlisted investments in exchange for the services transferred	**5,248**	6,425

22. RENTAL DEPOSITS AND PREPAYMENTS

	2023 *RMB'000*	2022 *RMB'000*
Prepayments for property, plant and equipment	**6,407**	27,037
Rental deposits	**850**	565
	7,257	27,602

23. DEFERRED TAX

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

Deferred tax assets

	Lease liability – ROU *RMB'000*	ECL *RMB'000*	Deferred income *RMB'000*	Tax losses *RMB'000*	Accrued payroll *RMB'000*	Fair value change of investment property *RMB'000*	Accrued expenses *RMB'000*	Depreciation difference *RMB'000*	Provision *RMB'000*	Fair value change of derivative financial instruments *RMB'000*	Total *RMB'000*
2023											
At January 1, 2023	–	1,992	7,381	34,569	5,654	–	4,250	31	1,118	3,661	58,656
Disposal of a subsidiary	–	–	(987)	–	–	–	–	–	–	–	(987)
Deferred tax credited/(charged) to the statement of profit or loss *(note 9)*	5,600	872	(221)	11,308	(101)	2,425	(1,408)	(15)	1,278	(3,460)	16,278
Exchange differences	–	1	–	98	24	–	–	–	–	–	123
Gross deferred tax assets at December 31, 2023	5,600	2,865	6,173	45,975	5,577	2,425	2,842	16	2,396	201	74,070
2022											
At January 1, 2022	–	1,815	6,024	16,234	1,113	–	3,676	209	435	–	29,506
Deferred tax (charged)/credited 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

23. DEFERRED TAX (continued)

Deferred tax liabilities

	Lease liability – ROU *RMB'000*	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*
2023					
At January 1, 2023	**–**	**(10,878)**	**(18,672)**	**(103,129)**	**(132,679)**
Deferred tax (credited)/charged to the statement of profit or loss *(note 9)*	**(5,129)**	**6,477**	**(1,487)**	**10,742**	**10,603**
Gross deferred tax liabilities at December 31, 2023	**(5,129)**	**(4,401)**	**(20,159)**	**(92,387)**	**(122,076)**
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)

23. 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.

	2023 *RMB'000*	2022 *RMB'000*
Net deferred tax assets recognised in the consolidated statement of financial position	**21,186**	18,178
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(69,192)**	(92,201)
	(48,006)	(74,023)

The Group has tax losses arising in Hong Kong and United States of America of approximately RMB42,406,000 as of December 31, 2023 (2022: approximately RMB49,023,000) 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 Chinese Mainland of approximately RMB182,267,000 for offsetting against future profits as of December 31, 2023 (2022: approximately RMB122,499,000) 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, 2023, 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 RMB809,800,000 (2022: RMB1,096,539,000) 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.

24. INVENTORIES

	2023 RMB'000	2022 RMB'000
Raw materials	**388,912**	428,040
Work in progress	**12,918**	11,967
Finished goods	**5,575**	5,962
Total	**407,405**	445,969

25. TRADE AND BILLS RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables – third parties	**415,362**	447,610
Bills receivable	**12,856**	13,483
Impairment	**(20,813)**	(15,124)
Total	**407,405**	445,969

The Group allows a credit period ranging from 30 to 90 days to its customers (2022: 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 44. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

25. 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:

	2023 *RMB'000*	2022 *RMB'000*
Within 6 months	388,912	428,040
6 months to 1 year	12,918	11,967
Over 1 year	5,575	5,962
	407,405	445,969

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

	2023 *RMB'000*	2022 *RMB'000*
At beginning of year	15,124	9,452
Impairment losses, net	8,126	6,042
Amount written off as uncollectible	(2,437)	(370)
At end of year	20,813	15,124

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.

25. 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, 2023

	Ageing			
	Less than 6 months	7 to 12 months	Over 12 months	Total
Expected credit loss rate	**1.65%**	**15.11%**	**68.26%**	**4.86%**
Gross carrying amount *(RMB'000)*	**395,438**	**15,217**	**17,563**	**428,218**
Expected credit losses *(RMB'000)*	**6,526**	**2,299**	**11,988**	**20,813**

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

26. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2023 *RMB'000*	2022 *RMB'000*
Other receivables		
– tax refund for export	**12,710**	9,262
– proceeds from disposal of financial assets at FVTPL	**–**	17,000
– capital injection from a non-controlling shareholder	**9,510**	–
– others	**4,161**	4,900
	26,381	31,162
Impairment allowance	**–**	–
Subtotal	**26,381**	31,162
Prepayments	**14,992**	17,978
Prepaid expenses	**5,952**	7,942
Value added tax recoverable	**29,215**	28,251
Total	**76,540**	85,333

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.

27. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2023 *RMB'000*	2022 *RMB'000*
Cash and bank balances	**1,036,322**	678,569
Pledged deposits	**161,695**	707,825
	1,198,017	1,386,394
Less:		
Pledged time deposits for letters of credit	**(150,000)**	(668,515)
Pledged time deposits for notes payable	**(11,695)**	(28,826)
Restricted bank balances	**–**	(10,484)
Cash and cash equivalents	**1,036,322**	678,569
Denominated in RMB	**553,055**	390,149
Denominated in US$	**423,658**	265,358
Denominated in HK$	**35,187**	501
Denominated in AU$	**4,388**	8,089
Denominated in GBP	**17,189**	13,363
Denominated in other currencies	**2,845**	1,109
Cash and cash equivalents	**1,036,322**	678,569

The RMB is not freely convertible into other currencies, however, under the Chinese Mainland 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.

28. 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:

	2023 RMB'000	2022 RMB'000
Within 3 months	129,454	227,725
3 months to 1 year	108,466	96,628
Over 1 year	7,836	1,777
Total	245,756	326,130

The trade and bills payables are non-interest-bearing and are normally settled on 90-day terms.

29. OTHER PAYABLES AND ACCRUALS

	2023 RMB'000	2022 RMB'000
Other payables		
– Payable for construction in progress	101,522	154,733
– Others	24,950	31,465
Subtotal	126,472	186,198
Salary and bonus payables	123,681	123,953
Other taxes payable	7,611	14,366
Interest payable	2,054	2,053
Total	259,818	326,570

Other payables are non-interest-bearing.

30. CONTRACT LIABILITIES

	2023 *RMB'000*	2022 *RMB'000*
Short-term advances received from customers		
Drug discovery services	**24,517**	27,676
CDMO and commercialisation service	**11,906**	16,568
	36,423	44,244
Long-term advances received from customers		
Drug discovery services	**14,165**	25,885

The advances related to drug discovery services mainly represent purchase consideration settled in service arising from the acquisition of Synthesis HK.

31. INTEREST-BEARING BANK BORROWINGS

	2023			2022		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – unsecured	One-year 1.2-3.60	2024	239,529	One-year 2.5-4.41	2023	323,938
	One-year Loan prime rate ("LPR")-40 Basepoints ("bps")	2024	50,000	One-year Loan prime rate 40 Basepoints	2023	29,000
	–	–	–	One-year LPR-10bps	2023	21,000
	One-year LPR-20bps	2024	50,000	–	–	–
Bank loans – secured (a)	One-year LPR-45bps	2024	50,000	–	–	–
Bank loans – secured (b)	One-year 3.80	2024	148,500	–	–	–
Current portion of long term bank loans – secured	–	–	–	Eight-year LPR*110%	2023	202
Current portion of long term bank loans – secured and guaranteed	–	–	–	One-year LPR+50bps	2023	10,000
Current portion of long term bank loans – secured and guaranteed (c)	One-year LPR+55bps	2024	192,000	–	–	–
Current portion of long term bank loans – secured and guaranteed (c)	One-year LPR-45bps	2024	100,000	–	–	–
Current portion of long term bank loans – secured (d)	One-year LPR-10bps	2024	84,843	One-year LPR-10bps	2023	21,152
Current portion of long term bank loans – secured (d)	Five-year LPR+10bps	2024	34,640	–	–	–
			949,512			405,292

31. INTEREST-BEARING BANK BORROWINGS (continued)

	2023			2022		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Non-current						
Bank loans – secured and guaranteed	–	–	–	One-year LPR+50 bps	2024-2025	546,000
Bank loans – secured and guaranteed (c)	One-year LPR-45 bps	2025-2028	156,000	–	–	–
Bank loans – secured and guaranteed (c)	One-year LPR+55 bps	2025-2026	448,000	–	–	–
Bank loans – secured (d)	Five-year LPR+10 bps	2025	34,640	Five-year LPR+10 bps	2024-2026	43,794
Bank loans – secured (d)	Five-year LPR+10 bps	2026-2027	115,684	Five-year LPR+10 bps	2024-2027	56,320
Bank loans – secured and guaranteed (d)	One-year LPR-10 bps	2026	167,688	One-year LPR-10 bps	2024-2026	234,845
			922,012			880,959
			1,871,524			1,286,251

	2023 RMB'000	2022 RMB'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	949,512	405,292
In the second year	493,777	608,282
In the third to sixth years, inclusive	428,235	272,677
	1,871,524	1,286,251

31. INTEREST-BEARING BANK BORROWINGS (continued)

Notes:

(a) The bank loans incurred are pledged with a patent of the Group as collateral.

(b) The bank loans incurred are pledged with deposits of RMB150,000,000 of the Group as collateral.

(c) To finance the acquisition of the 20% equity interest in Langhua Pharmaceutical, the bank loans incurred are pledged with the 100% equity interest in Langhua Pharmaceutical as collateral and guaranteed by the Company. In addition, the investment property with a carrying amount of approximately RMB115,500,000 was also pledged as collateral to secure such bank borrowings at December 31, 2023.

(d) Details of the assets of the Group at December 31, 2023 and 2022 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 16.

32. DEFERRED INCOME

	2023 ***RMB'000***	2022 *RMB'000*
Government grants	**40,858**	47,238

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.

33. 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.

Details of the US$180,000,000 convertible bonds were set out in note 32 to the consolidated financial statements included in the 2022 annual report of the Company.

In February 2023, the Group completed the full redemption of its US$180,000,000 convertible bonds upon the bondholders' exercise of their options 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.

33. CONVERTIBLE BONDS (continued)

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

	Debt component *RMB'000*	Embedded derivative components *RMB'000*	Equity component *RMB'000*	Total *RMB'000*
At December 31, 2022	41,567	–	7,688	49,255
Interest charged	420	–	–	420
Repurchase*	(40,926)	–	(7,688)	(48,614)
Exchange adjustments	(1,061)	–	–	(1,061)
At December 31, 2023	–	–	–	–
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
As at December 31, 2022	41,567	–	7,688	49,255

* On February 11, 2023, an aggregate principal amount of US$6,600,00 convertible bonds were repurchased by Viva Incubator HK at a total consideration of US$6,912,000 (equivalent to RMB46,541,000). The Group determined the fair value of the liability component and allocated this part of the purchase price to the liability component, the difference of US$740,000 (equivalent to RMB5,133,000) between the consideration allocated to the liability component and the carrying amount of the liability component is recognised in profit or loss. The Group allocated the remainder of the purchase price to the equity component, the difference of US$1,064,000 (equivalent to RMB7,206,000) between the consideration allocated to the equity component and the carrying amount of the equity component was recognised in equity.

No conversion of the convertible bonds has occurred during the year ended December 31, 2023 (2022: Nil).

33. CONVERTIBLE BONDS (continued)

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

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

Details of the US$280,000,000 convertible bonds were set out in note 32 to the consolidated financial statements included in the 2022 annual report of the Company.

In December 2023, the Group completed the full redemption of its US$280,000,000 convertible bonds 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 January 10, 2024.

	Debt component *RMB'000*	**Equity component** *RMB'000*	**Total** *RMB'000*
At December 31, 2022	1,467,051	418,510	1,885,561
Interest charged	107,431	–	107,431
Repurchase/redemption*	(1,607,366)	(418,510)	(2,025,876)
Exchange adjustments	32,884	–	32,884
At December 31, 2023	–	–	–
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

* During the year ended December 31, 2023, an aggregate principal amount of US$250,000,000 convertible bonds were repurchased by Viva Biotech Investment at a total consideration of US$256,521,000 (equivalent to RMB1,785,937,000). The Group determined the fair value of the liability component and allocated this part of the purchase price to the liability component, the difference of US$30,874,000 (equivalent to RMB217,625,000) between the consideration allocated to the liability component and the carrying amount of the liability component is recognised in profit or loss. The Group allocated the remainder of the purchase price to the equity component, the difference of US$64,300,000 (equivalent to RMB457,564,000) between the consideration allocated to the equity component and the carrying amount of the equity component was recognised in equity.

No conversion of the convertible bonds has occurred during the year ended December 31, 2023.

33. CONVERTIBLE BONDS (continued)

(c) HK$470,000,000 convertible bonds

On July 7, 2023, the Company issued 2% convertible bonds in an aggregate principal amount of HK$470,000,000. The details of the HK$470,000,000 convertible bonds were set out in the Company's announcements published on June 11, 2023 and July 7, 2023.

The HK$470,000,000 convertible bonds were designated at fair value through profit or loss.

On November 20, 2023, such convertible bonds were all converted into 235,000,000 shares of the Company in accordance with the stipulation in the agreement, which resulted in a fair value gain of approximately RMB174,323,000.

34. OTHER NON-CURRENT LIABILITIES

	2023 ***RMB'000***	2022 *RMB'000*
Payables for purchase of equity interests from third parties *(note a & b)*	**1,146,499**	567,112
Long-term employee benefits	**6,332**	4,388
	1,152,831	571,500

Notes:

a In September 2023, the non-controlling shareholders of Langhua Pharmaceutical exercised their put option at the consideration of RMB640,000,000. Afterwards, Langhua Pharmaceutical became an indirectly wholly-owned subsidiary of the Company.

b During the year ended December 31, 2023, the Company, together with certain subsidiaries, entered into the equity transfer and capital injection agreement with certain investors, pursuant to which, the investors acquired 26.54% equity interests in Viva Biotech Shanghai at a consideration of approximately RMB1,150,800,000. The details of the transactions are set out in the Company's announcements published on June 11, August 8, November 20 and December 15, 2023. Pursuant to the shareholders' agreement, the investors were granted the right to require Viva Biotech Shanghai, Viva Biotech HK or the Company to repurchase the equity interests held by the investors in Viva Biotech Shanghai (the "**Repurchase Obligation**") upon any of the circumstances stipulated in the shareholders' agreement. The details of the Repurchase Obligation are set out in the Company's announcement published on July 27, 2023.

35. SHARE CAPITAL/TREASURY SHARES

Shares

	2023 *RMB'000*	2022 *RMB'000*
Issued and fully paid:		
2,161,366,305 shares of US$0.000025 each (2022: 1,935,036,805 shares of US$0.000025 each) ordinary shares	**367**	326

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, December 31, 2022 and January 1, 2023	1,935,036,805	326
Share repurchase and cancellation*	(8,670,500)	(1)
Share issued upon conversion of convertible bonds *(note 33)*	235,000,000	42
At December 31, 2023	2,161,366,305	367

* The Company exercised its powers under the repurchase mandate to repurchase shares of the Company passed on June 30, 2023 at the annual general meeting of the Company. A total of 8,670,500 shares were repurchased at a total consideration of HK$11,197,000 (equivalent to approximately RMB10,274,000) for the year ended December 31, 2023 (2022: nil) and then were cancelled.

35. SHARE CAPITAL/TREASURY SHARES (continued)

Treasury shares

	Number of shares repurchased	Treasury shares
		RMB'000
At December 31, 2022, January 1, 2023 and December 31, 2023	19,600,000	134,651

36. SHARE-BASED PAYMENT TRANSACTIONS

The exercise period of the share options and restricted share units (the "**Scheme**") granted is determinable by the directors, and commences after a vesting period of two to four years and ends on a date which is not later ten years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options. The Group accounts for the Scheme as an equity-settled plan.

(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.

36. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(a) Employee stock option plan ("ESOP") (continued)

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.

Details of the Post-IPO share options granted are as follows:

Grant date	Number of options	Expiry date	Exercise price per share
July 7, 2021*	5,860,000	July 6, 2026	HK$9.70
December 2, 2021**	10,800,000	December 1, 2026	HK$5.46
June 24, 2022***	11,820,000	June 23, 2025	HK$2.89

* The share option is subject to vesting conditions including performance target of the Group. 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.

36. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(a) Employee stock option plan ("ESOP") (continued)

The Post-IPO ESOP (continued)

The following share options were outstanding during the reporting periods:

	2023		2022	
	Weighted average exercise price *HK$ per share*	Number of options	Weighted average exercise price *HK$ per share*	Number of options
At January 1	4.73	31,385,141	6.51	32,815,141
Granted during the year	–	–	2.89	11,820,000
Forfeited during the year	2.89	(910,000)	7.61	(1,430,000)
Cancelled during the year	–	–	7.61	(11,820,000)
At December 31	4.79	30,475,141	4.73	31,385,141

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, 2023 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
10,550,000	2.89	June 24, 2023 ~ June 23, 2025
30,475,141		

36. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(a) Employee stock option plan ("ESOP") (continued)

The Post-IPO ESOP (continued)

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		

No share options were exercised during the year ended December 31, 2023.

The Group recognised the total expense of RMB13,562,000 for the year ended December 31, 2023 in relation to share options granted by the Company (2022: RMB15,702,000).

At December 31, 2023, the Company had 30,475,141 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 30,475,141 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$145,932,000 (equivalent to approximately RMB132,247,000) (before issue expenses).

At the date of approval of these financial statements, the Company had 30,465,141 share options outstanding under the employee stock option plan, which represented approximately 1.4% of the Company's shares in issue as at that date.

36. 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.

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.

36. 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:

	2023		2022	
	Weighted average exercise price *HK$ per share*	Number of options	Weighted average exercise price *HK$ per share*	Number of options
At January 1	5.10	12,500,000	5.09	13,020,000
Forfeited during the year	4.90	(100,000)	4.90	(520,000)
At December 31	5.10	12,400,000	5.10	12,500,000

The exercise prices and exercise periods of the RSUs outstanding as at December 31, 2023 are as follows:

At December 31, 2023 Number of RSUs	Exercise price HK$ per share*	Exercise period
7,920,000	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
12,400,000		

36. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Restricted share units ("RSU") (continued)

The Post-IPO RSU (continued)

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		

The total expense recognised in the consolidated statement of profit or loss for the year ended December 31, 2023 for the Post-IPO RSU granted was RMB5,445,000 (2022: RMB9,115,000).

As at December 31, 2023, an aggregate number of 19,600,000 ordinary shares of US$0.000025 each were repurchased and reserved for issuance pursuant to the Post-IPO RSU Scheme.

37. 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 Chinese Mainland. 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.

37. RESERVES (continued)

(iii) Statutory reserve

In accordance with the Articles of Association of all subsidiaries established in Chinese Mainland, all subsidiaries established in Chinese Mainland 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.

38. DISPOSAL OF A SUBSIDIARY

In October 2023, Viva GT entered into an agreement with an independent third party, regarding the sale of a 70% equity interests in Viva Dancheng Biotech (Hangzhou) Limited ("**Hangzhou Dancheng**") at a consideration of RMB32,441,000. Upon completion of the disposal, Hangzhou Dancheng ceased to be a subsidiary of the Company. Since Viva GT still held 30% of equity interests in Hangzhou Dancheng and had the power to appoint one out of three directors according to an amendment to the Articles of Association of Hangzhou Dancheng, afterwards the Group was able to exercise significant influence over Hangzhou Dancheng, and the 30% equity interests in Hangzhou Dancheng is accounted for investments in an associate as detailed in note 19 to the consolidated financial statements.

38. DISPOSAL OF A SUBSIDIARY (continued)

Details of the net assets disposed of are as follows:

	Notes	**At date of disposal** *RMB'000*
Net assets disposed of:		
Property, plant and equipment	*14*	136,749
Right-of-use assets	*16*	24,934
Deferred tax assets	*23*	987
Cash and bank balances		100
Prepayments and other receivables		14,613
Accruals and other payables		(127,774)
Deferred income		(3,948)
Subtotal		45,661
Fair value of the 30% equity interest		(13,903)
Gain on disposal of a subsidiary	*5*	683
Total consideration		32,441
Satisfied by:		
Cash		32,441

38. DISPOSAL OF A SUBSIDIARY (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2023 *RMB'000*
Cash consideration	32,441
Cash and bank balances disposed of	(100)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	32,341

39. 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 RMB12,304,000 (2022: RMB54,099,000).

(2) During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB6,390,000 (2022: nil) and RMB6,390,000 (2022: nil), respectively, in respect of lease arrangements for property, plant and equipment.

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities

2023

	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, 2023	1,286,251	28,071	1,508,618	2,053	2,824,993
Changes from financing cash flows	585,273	(4,194)	(1,832,478)	(70,691)	(1,322,090)
Equity component of convertible bonds	–	–	(38,572)	–	(38,572)
New leases	–	6,390	–	–	6,390
Loss on repurchase of convertible bonds	–	–	222,758	–	222,758
Foreign exchange movement	–	–	31,823	9	31,832
Interest expense	–	1,426	107,851	70,683	179,960
At December 31, 2023	1,871,524	31,693	–	2,054	1,905,271

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities (continued)

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

39. 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:

	2023 *RMB'000*	2022 *RMB'000*
Within financing activities	**(4,194)**	(4,690)

40. CAPITAL COMMITMENTS

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

	2023 *RMB'000*	2022 *RMB'000*
Investment in Viva Biotech Chengdu New Drug Incubation and Biologics Production Research & Development Center	**64,326**	68,522
Acquisition of property, plant and equipment	**67,657**	241,245
Unlisted equity investments at FVTPL	**–**	16,965
	131,983	326,732

In addition, the Group had the following commitments provided to the associate, which are not included in the above:

	2023 *RMB'000*	2022 *RMB'000*
Capital contributions	**4,350**	–
Loan commitment	**30,000**	–
	34,350	–

41. 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
Hangzhou Dancheng *(note 38)*	Associate

(2) Related party balances

	2023	2022
	RMB'000	*RMB'000*
Amounts due from a related party – non-trade in nature		
Hangzhou Dancheng	**80,530**	–
Amounts due to a related party – non-trade in nature		
Hangzhou Dancheng	**6,914**	–

(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, 2022 and 2023 was as follows:

	2023	2022
	RMB'000	*RMB'000*
Short-term employee benefits	**17,426**	15,496
Pension scheme contributions	**153**	168
Equity-settled share-based payments	**6,243**	10,332
	23,822	25,996

Further details of directors' and the chief executive's emoluments are included in note 10 to the consolidated financial statements.

42. 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:

	2023 *RMB'000*	2022 *RMB'000*
Financial assets		
Financial assets at FVTPL:		
Unlisted investments at FVTPL	**992,420**	1,045,209
Listed equity securities	**2,861**	1,407
Equity investments designated at fair value through other comprehensive income	**500**	–
Total	**995,781**	1,046,616
Financial assets at amortised cost:		
Trade and bills receivables	**407,405**	445,969
Financial assets included in prepayments, other receivables and other assets	**13,302**	21,818
Rental deposits	**850**	565
Amounts due from a related party	**80,530**	–
Pledged deposits	**161,695**	707,825
Cash and cash equivalents	**1,036,322**	678,569
Total	**1,700,104**	1,854,746
Financial liabilities		
Financial liabilities at FVTPL:		
Derivative financial instruments	**805**	17,804
Financial liabilities at amortised cost:		
Trade and bills payables	**245,756**	326,130
Financial liabilities included in other payables and accruals	**126,058**	185,494
Interest-bearing bank borrowings	**1,871,524**	1,286,251
Convertible bonds – debt component	**–**	1,508,618
Amounts due to a related party	**6,914**	–
Financial liabilities included in other non-current liabilities	**1,146,499**	567,112
Total	**3,396,751**	3,873,605

43. 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	
	2023	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Financial assets				
Equity investments designated at fair value through other comprehensive income	**500**	–	**500**	–
Financial assets at FVTPL	**995,281**	1,046,616	**995,281**	1,046,616
Total	**995,781**	1,046,616	**995,781**	1,046,616
Financial liabilities				
Convertible bonds				
– debt component	**–**	1,508,618	**–**	1,711,390
Derivative financial instruments	**805**	17,804	**805**	17,804
Total	**805**	1,526,422	**805**	1,729,194

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, amounts due to/from a related party, 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.

43. 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.

43. 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.

The Group's financial assets at FVTPL which are measured at fair value (refer to note 20 for details) at December 31, 2023 and 2022 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).

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

Financial instruments in level 3 (continued)

Financial instruments	Valuation techniques	Significant unobservable inputs	Range	Sensitivity of fair value to the input
Financial assets				
Listed equity securities	Active market quoted transaction price	N/A	N/A	N/A
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	1.5-4.13 (December 31, 2022: 2.2-4.9)	10% (December 31, 2022: 10%) increase/decrease in multiples would result in increase/decrease in fair value by RMB34,051,000 (December 31, 2022: RMB40,381,000)
	Backsolve from most recent transaction price	IPO probability	10% to 50% (December 31, 2022: 20% to 55%)	5% (December 31, 2022: 5%) increase/decrease in multiples would result in increase/decrease in fair value by RMB137,000 (December 31, 2022: RMB4,965,000)
	Discounted cash flow method	Conversion probability	0% to 50% (December 31, 2022: 20% to 30%)	5% (December 31, 2022: 5%) increase/decrease in multiples would result in increase/decrease in fair value by RMB1,334,000 (December 31, 2022: RMB993,000)

43. 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, 2023

	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	2,861	–	–	2,861
Equity investments designated at fair value through other comprehensive income	–	500	–	500
Unlisted investment at FVTPL	–	66,298	926,122	992,420
	2,861	66,798	926,122	995,781

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

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

Fair value hierarchy (continued)

Liabilities measured at fair value:

As at December 31, 2023

	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*
Derivative financial instruments	–	805	–	805

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*
Derivative financial instruments	–	17,804	–	17,804

43. 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)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Convertible bonds				
– debt component	–	1,711,390	–	1,711,390

The movements in fair value measurements within Level 3 during the year are as follows:

	2023	2022
	RMB'000	*RMB'000*
At January 1	**989,035**	947,125
Acquired	**12,868**	42,981
Recognised from SFE revenue	**8,030**	43,846
Recognised from deemed disposal of an associate	**–**	–
Loss on fair value change	**(2,764)**	(311,236)
Exchange adjustment	**8,408**	47,383
Disposal	**(99,772)**	(22,572)
Transfer from Level 2*	**10,317**	243,739
Transfer to Level 2**	**–**	(2,231)
At December 31	**926,122**	989,035

* 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.

** As most recent transaction price applicable for certain unlisted investments in 2022, 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.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, mainly comprise bank borrowings, pledged deposits, convertible bonds and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The Group also enters into derivative transactions, including forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to interest rate risk for changes in interest rates related primarily to the Group's bank borrowings with floating interest rates. The Group does not use derivative financial instruments to hedge its interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's (loss)/profit before tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax** *RMB'000*	**Increase/ (decrease) in equity** *RMB'000*
2023			
RMB-denominated borrowings	**50**	**(10,405)**	**(10,405)**
RMB-denominated borrowings	**(50)**	**10,405**	**10,405**
2022			
RMB-denominated borrowings	50	(15,213)	(15,213)
RMB-denominated borrowings	(50)	15,213	15,213

44. 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 during 2023 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*
2023			
If the US$ weakens against the RMB	**5**	**(1,857)**	**46,319**
If the US$ strengthens against the RMB	**(5)**	**1,857**	**(46,319)**
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)

Credit risk

An impairment analysis was performed at December 31, 2022 and 2023 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.

44. 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, 2023 and 2022. The amounts presented are gross carrying amounts for financial assets.

As at December 31, 2023

	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	1,036,322	–	–	–	1,036,322
Pledged deposits	161,695	–	–	–	161,695
Trade and bills receivables*	–	–	–	428,218	428,218
Financial assets included in prepayments, other receivables and other assets**	13,302	–	–	–	13,302
Amounts due to a related party	80,530	–	–	–	80,530
Rental deposits	850	–	–	–	850
	1,292,699	–	–	428,218	1,720,917

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at December 31, 2022

	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	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
Amounts due to a related party	6,914	–	–	–	6,914
Rental deposits	565	–	–	–	565
	1,415,691	–	–	461,093	1,876,784

* 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 25 to the consolidated 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 27.78% (2022: 34.57%) 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 25 to the consolidated financial statements.

44. 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*
2023				
Trade and bills payables	245,756	–	245,756	245,756
Amounts due to a related party	6,914	–	6,914	6,914
Other payables and accruals	126,058	–	126,058	126,058
Interest-bearing bank borrowings	1,420,675	523,585	1,944,260	1,871,524
Other non-current liabilities for purchase equity interest from third parties	–	1,531,790	1,531,790	1,146,499
Lease liabilities	4,102	36,848	40,950	31,693
Total	1,803,505	2,092,223	3,895,728	3,428,444

44. 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*
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

44. 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, 2023 and December 31, 2022.

	2023	2022
	RMB'000	*RMB'000*
Total assets	**7,449,912**	7,920,855
Equity attributable to owners of the Company	**3,687,912**	3,604,714
Total liabilities	**3,762,000**	4,316,141
Cash and cash equivalents	**1,036,322**	678,569
Gearing ratio	**50.50%**	54.49%

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:

	2023 *RMB'000*	2022 *RMB'000*
Non-current assets		
Investments in subsidiaries	**2,438,638**	2,834,562
Financial assets at FVTPL	**25,569**	54,515
	2,464,207	2,889,077
Current assets		
Amounts due from subsidiaries	**1,851,113**	1,097,468
Prepayments, other receivables and other assets	**797**	785
Cash and cash equivalents	**19,046**	51,036
	1,870,956	1,149,289
Current liabilities		
Income tax payables	**–**	1,602
Other payables and accruals	**17,239**	31,615
Financial liabilities at FVTPL	**10,972**	69,611
Contract liabilities – current	**22,229**	26,228
Amounts due to subsidiaries	**169,173**	320,271
	219,613	449,327
Net current assets	**1,651,343**	699,962
Total assets less current liabilities	**4,115,550**	3,589,039

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

	2023 *RMB'000*	2022 *RMB'000*
Non-current liabilities		
Financial liabilities at FVTPL	**144,305**	–
Contract liabilities – non-current	**14,165**	25,885
	158,470	25,885
Net assets	**3,957,080**	3,563,154
Capital and reserves		
Share capital	**367**	326
Reserves *(note)*	**4,091,364**	3,697,479
Treasury shares	**(134,651)**	(134,651)
Total equity	**3,957,080**	3,563,154

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

The reserve movement of the Company is as follows:

	Share premium	Share option reserve	Retained profits/ accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2023				
At January 1, 2023	**3,636,950**	**88,263**	**(27,734)**	**3,697,479**
Profit for the year	**–**	**–**	**137,660**	**137,660**
	3,636,950	**88,263**	**109,926**	**3,835,139**
Equity-settled share-based payments	**–**	**19,007**	**–**	**19,007**
Shares repurchase and cancelled	**(10,273)**	**–**	**–**	**(10,273)**
Conversion of convertible bonds	**247,491**	**–**	**–**	**247,491**
At December 31, 2023	**3,874,168**	**107,270**	**109,926**	**4,091,364**
2022				
At January 1, 2022	3,636,950	63,446	(68,302)	3,632,094
Profit 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

46. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on March 28, 2024.

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 C1 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 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 C3 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, 2023
"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

Definitions

"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 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
"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 on August 14, 2008, 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