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# THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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**VIVA BIOTECH HOLDINGS**

**维亚生物科技控股集团**

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

**(Stock code: 1873)**

## **PROPOSED REFRESHMENT OF GENERAL MANDATE AND NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to  
the Independent Board Committee and the Independent Shareholders**



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Capitalized terms used on this cover page shall have the same meanings as those defined in “Definitions” in this circular.

A letter from the Board is set out on pages 3 to 12 of this circular. A letter from the Independent Board Committee is set out on page 13 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendations to the Independent Shareholders and the Independent Board Committee is set out on pages 14 to 25 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at 2/F Meeting Room, 334 Aidisheng Road, Zhangjiang Hi-Tech Park, Pudong New District, Shanghai, PRC on February 23, 2021 at 10:00 a.m. is set out on pages 26 to 28 of this circular. Whether or not you propose to attend the meeting, you are advised to complete the form of proxy attached to the notice of the extraordinary general meeting in accordance with the instructions printed thereon and return the same to the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding of the extraordinary general meeting or any adjournment thereof (as the case maybe). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

February 1, 2021

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## DEFINITIONS

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

“2020 AGM”	the annual general meeting of the Company held on June 10, 2020
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Viva Biotech Holdings, a company incorporated in the Cayman Islands
“Directors”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened at 2/F Meeting Room, 334 Aidisheng Road, Zhangjiang Hi-Tech Park, Pudong New District, Shanghai, PRC on February 23, 2021 at 10:00 a.m. for the purpose of considering and, if thought fit, approving the grant of the Refreshed General Mandate
“Existing General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on June 10, 2020 to allot, issue or otherwise deal with the no more than 322,854,568 Shares
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors to advise the Independent Shareholders on the proposed grant of the Refreshed General Mandate
“Independent Financial Adviser”	Somerley Capital Limited, a corporation licensed by the Securities and Futures Commission to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Cap. 571, laws of Hong Kong), the independent financial adviser to the Company in respect of the grant of the Refreshed General Mandate
“Independent Shareholder(s)”	Shareholder(s) other than any Directors (excluding independent non-executive Directors), the chief executive of the Company and their respective associates

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## DEFINITIONS

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“Issuance of Convertible Bonds”	the issuance of US\$280 million of guaranteed convertible bonds convertible into 186,519,893 Shares at the initial conversion price of HK\$11.6370 per Share as disclosed in the announcements of the Company dated December 18, 2020 and December 30, 2020
“Langhua Pharmaceutical”	Zhejiang Langhua Pharmaceutical Co., Ltd. (浙江朗華製藥有限公司), a limited liability company established in the PRC
“Latest Practicable Date”	January 29, 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, which for the sole purpose of this circular excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Placing”	the placing of 130,000,000 new Shares at HK\$8.15 per Share as disclosed in the announcements of the Company dated July 3, 2020 and July 10, 2020
“Refreshed General Mandate”	the general mandate proposed to be granted to the Directors at the EGM to allot and issue new Shares not exceeding 20% of the total number of the issued Shares as at the date of the EGM
“Share(s)”	the shares of the Company
“Shareholder(s)”	the holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	US dollar(s), the lawful currency of the United States of America
“%”	per cent.

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## LETTER FROM THE BOARD

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### VIVA BIOTECH HOLDINGS

### 维亚生物科技控股集团

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

**(Stock code: 1873)**

*Executive Directors:*

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

Mr. WU Ying

Mr. HUA Fengmao

Mr. REN Delin

*Registered office:*

PO Box 309

Ugland House

Grand Cayman, KY1-1104

Cayman Islands

*Non-executive Director:*

Ms. SUN Yanyan

*Corporate Headquarters:*

334 Aidisheng Road

Zhangjiang High-Tech Park

Pudong New District

Shanghai, PRC

*Independent non-executive Directors:*

Mr. FU Lei

Ms. LI Xiangrong

Mr. WANG Haiguang

*Principal place of business in Hong Kong:*

Room 1901, 19/F

Lee Garden One

33 Hysan Avenue

Causeway Bay, Hong Kong

February 1, 2021

*To the Shareholders:*

Dear Sir/Madam,

#### **I. INTRODUCTION**

The purpose of this circular is to provide the Shareholders with information relating to (i) the proposed grant of the Refreshed General Mandate; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders on the proposed grant of the Refreshed General Mandate; (iii) the recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the proposed grant of the Refreshed General Mandate; and (iv) the notice of EGM, at which the necessary resolutions will be proposed to the Independent Shareholders to consider and, if thought fit, approve the grant of the Refreshed General Mandate by way of poll.

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## LETTER FROM THE BOARD

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### II. EXISTING GENERAL MANDATE

At the 2020 AGM, Shareholders approved, among other things, the Existing General Mandate which authorized the Directors to allot and issue not more than 322,854,568 additional Shares or securities convertible in shares, options, warrants or similar rights of the Company, being 20% of the total number of issued Shares as at the date of passing of the resolution at the 2020 AGM.

As at the Latest Practicable Date, the Existing General Mandate had been utilised as to 316,519,893 Shares (being approximately 98.04% of Shares which can be allotted and issued under the Existing General Mandate) in association with completion of the Placing and the Issuance of Convertible Bonds. The Company is considering and may issue additional Shares up to the Existing General Mandate to satisfy the share consideration payable under the Company's proposed acquisition of SYNthesis med chem (Hong Kong) Limited as disclosed in the Company's announcement dated September 21, 2020 upon closing of the acquisition. It is noted that pursuant to the terms of the acquisition, the Company reserves the right to pay the share consideration in cash instead of issuing Shares.

### III. PROPOSED GRANT OF REFRESHMENT OF GENERAL MANDATE

As at the Latest Practicable Date, the Existing General Mandate had almost been fully utilized. The Company will convene the EGM at which ordinary resolutions will be proposed to the Independent Shareholders that:

- (i) the Directors be granted the Refreshed General Mandate to allot and issue Shares not exceeding 20% of the aggregate number of the issued Shares as at the date of passing the relevant ordinary resolutions at the EGM; and
- (ii) the Refreshed General Mandate be extended to Shares repurchased by the Company pursuant to the repurchase mandate granted to the Directors at the 2020 AGM.

The Company has not refreshed the Existing General Mandate since the 2020 AGM. The Refreshed General Mandate proposed will last until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the articles of association of the Company to be held; or
- (iii) the revocation or variation of the authority given to the Directors by passing an ordinary resolution by the Shareholders at a general meeting.

As at the Latest Practicable Date, the Company had an aggregate of 1,918,110,747 Shares in issue. On the basis that no further Shares are issued and/or repurchased and cancelled by the Company between the Latest Practicable Date and the date of the EGM, the Company will be allowed under the Refreshed General Mandate to allot and issue up to 383,622,068 Shares, representing 20% of the aggregate number of the issued Shares as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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### IV. REASONS FOR THE REFRESHMENT OF GENERAL MANDATE

The Group is an integrated drug discovery platform and has already utilized substantially all of its Existing General Mandate. Taking into consideration that the Company's next annual general meeting may only be held in June 2021, the Board is proposing to seek the approval of Independent Shareholders at the EGM to approve of the proposed grant of the Refreshed General Mandate in order to offer the Company with greater financing flexibility should funding needs arises or attractive terms of investment become available. The Refreshed General Mandate will enable the Company to respond quickly to market conditions and investment opportunities should such arise between now and the next annual general meeting, providing a more efficient process of fund raising and avoiding the uncertainties that may result from not obtaining a specific mandate in a timely manner if and when the Company enters into such transactions.

In order to provide additional flexibility to allow the Company to grasp appropriate fund raising opportunities, the Board believes that the grant of the Refreshed General Mandate is in the best interests of the Company and the Shareholders as a whole by maintaining the financial flexibility necessary for the Group's future business expansion and development as well as to cater for future funding requirement of the Group. The Board considers equity financing to be an important avenue of resources to the Group since it can reduce and limit debt financing which will create additional interest paying obligations on the Group. In appropriate circumstances, the Group will also consider other financing methods such as debt financing or internal cash resources to fund its future business development.

The Directors have considered other financing alternatives apart from equity financing such as debt financing, rights issue, open offer or internal cash resources to meet the financial requirements of the Group, if appropriate, taking into consideration the then financial position, capital structure and cost of funding of the Group as well as the prevailing market condition. However, debt financing may be subject to more lengthy negotiations and less favorable terms as compared to the equity financing available to the Directors if the Refreshed General Mandate is granted. Debt financing will create interest paying obligations on the Group and the terms of any financing facilities available to the Group may depend on different financial institutions' assessment of the Group's creditworthiness which may be a lengthy process. The Company may also have to put up collateral and other securities for such financing facilities which may also be a time consuming process. If the Refreshed General Mandate is granted, the Company will have more flexibility to raise funds through the issuance of Shares with reference to the prevailing market price of the Shares at the time of issuance which may expedite the fundraising process. From the Company's experience, debt financing facilities could take over three months to negotiate and finalize and banking institutions will often require pledging of collateral and guarantee by the Company (for loans that are offer to the Company's subsidiary), this may not be feasible for all transaction opportunities presented to the Company and may limit the Company's ability to undertake development and expansion plans. Furthermore, rights issue or open offer may also involve substantial time and cost to complete as compared to equity financing by issuance of new Shares under general mandate as lengthy discussion with potential commercial underwriters may be required and the Company may not be able to grasp potential business opportunities in a timely manner. Rights issue or open offer may also result in additional administrative work and transaction cost.

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## LETTER FROM THE BOARD

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As disclosed in the unaudited pro forma consolidated statement of the Group as enlarged by the acquisition of Langhua Pharmaceutical contained in the Company's circular dated October 16, 2020, the Group's cash and cash equivalents (including time deposits) amounted to around RMB1.00 billion. Having taken into account the proceeds raised from the Company's placing in July 2020 and convertible bonds issuance in December 2020, the Group's cash and cash equivalents have increased to around RMB3.75 billion. The Group expects that major items settled/to be settled (including capital commitments) for the period between the second half of 2020 to the first half of 2021 relating to, amongst others, various acquisitions and investment, the payment of the dividends, the construction of the new drug incubation and production research and development center in Chengdu, enhancement of Langhua Pharmaceutical's production capacity and estimated funding for incubation projects, are estimated to be around RMB1.71 billion. Furthermore, the Group has agreed to lock up RMB640 million in bank deposits as a condition to obtain the bank guarantee of the same amount provided to the vendors of Langhua Pharmaceutical for the Langhua Pharmaceutical's acquisition. The Group also intends to repay the 5-year bank loan carrying an interest of 4.35% per annum for the Langhua Acquisition (the "**Langhua Bank Loan**") of around RMB1.45 billion (interest inclusive) in the first half of 2021 which can save a total of interest expenses of around RMB0.2 billion in next 4.5 years. Based on the above, the Group may not be able to carry out its early repayment plan with regards to the Langhua Bank Loan and/or acquire a meaningful stake in any of the potential investment targets as discussed above for business expansion, if such opportunity arises and materializes prior to the next annual general meeting.

Having considered that (i) the grant of the Refreshed General Mandate will empower the Directors to issue new Shares under the refreshed limit and provide the Company with the flexibility and ability to capture any appropriate capital raising or business opportunities in a timely manner, which may arise; and (ii) equity financing does not create any interest paying obligations on the Group, the Board considers that the grant of the Refreshed General Mandate is in the best interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date the Company has identified four potential investment targets, which are CDMO companies in the PRC primarily focusing on the large molecule biologics drugs development and manufacturing with estimated valuation ranging from US\$250 million to US\$350 million but it had no concrete plan nor had it entered into any agreement with any party to issue Shares by utilizing the Refreshed General Mandate. The Company will grasp suitable fundraising and merger and acquisition opportunities should there become attractive terms on the market for such fundraising and merger and acquisition opportunities.



# LETTER FROM THE BOARD

## V. FUNDRAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

Set out below is the fund raising activities of the Company in the past twelve months immediately prior to the Latest Practicable Date:

Date of announcements	Fund raising activity	Net proceeds (approximate)	Intended use of net proceeds	Actual use of net proceeds	Unused proceeds
December 18, 2020; December 30, 2020	Issuance of Convertible Bonds	US\$276 million	1) business development and expansion including refinancing of the acquisition cost of 80% of equity interest in Langhua Pharmaceutical  2) other working capital and general corporate purposes.	–	approximately US\$276 million expected to be fully utilized by December 31, 2022
July 3, 2020; July 10, 2020	Placing	HK\$1,050.73 million	1) approximately 70% of the net proceeds towards business development and expansion, mainly for the investment and acquisition of downstream business (including small molecule CMO, large molecule CMO and other complementary business); and  2) any remaining amounts towards other working capital and general corporate purposes	(i) approximately RMB661.5 million used for business development and expansion (partial payment of the acquisition of 80% of equity interest in Langhua Pharmaceutical)  (ii) approximately RMB207.4 million used for other working capital and general corporate purposes	approximately RMB2.3 million expected to be fully utilized by June 30, 2021  approximately RMB77.1 million expected to be fully utilized by January 31, 2021

## LETTER FROM THE BOARD

Date of announcements	Fund raising activity	Net proceeds (approximate)	Intended use of net proceeds	Actual use of net proceeds	Unused proceeds
January 22, 2020; January 23, 2020; February 5, 2020; February 11, 2020	Issuance of convertible bonds	Approximately US\$177.4 million	1) approximately 70% of the net proceeds towards business development and expansion; and	(i) approximately RMB268.6 million used for business development and expansion	the remaining expected to be fully utilized as to (i) RMB179 million for the investment of a project company which will construct and establish a medical chemistry research and development laboratory and an accompanying analytical laboratory in Hangzhou as set out in the Company's announcements dated September 22, 2020, and such proceeds are expected to be utilized by December 31, 2022; and (ii) RMB369 million for the acquisition of Synthesis Med Chem (Hong Kong) Limited as set out in the Company's announcement dated September 21, 2020 upon closing of the acquisition, which is expected to close on or before February 28, 2021
			2) any remaining amounts towards other working capital and general corporate purposes.	(ii) approximately RMB215.2 million used for other working capital and general corporate purposes	approximately RMB135.0 million expected to be fully utilized by December 31, 2021

Save as disclosed above, the Company has not conducted any other equity fund raising activities in the past twelve months immediately preceding the Latest Practicable Date.

# LETTER FROM THE BOARD

## VI. POTENTIAL DILUTION ON SHAREHOLDINGS

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) upon full utilization of the Refreshed General Mandate (assuming no other Shares are issued and/or repurchased and cancelled by the Company from the Latest Practicable Date up to and including the date when the Refreshed General Mandate is utilized in full), for illustrative and reference purpose:

	As of the Latest Practicable Date		Upon full utilization of the Refreshed General Mandate (assuming there is no other change in the shareholding structure of the Company from the Latest Practicable Date)	
	No. of Shares held (Note 8)	Approximate % of total Shares in issue	No. of Shares held (Note 8)	Approximate % of total Shares in issue
<b>Directors and substantial shareholders</b>				
Mao Chen Cheney (Note 1 and 3)	282,043,527	14.70%	282,043,527	12.25%
Mao Jun (Note 2 and 3)	215,364,950	11.23%	215,364,950	9.36%
Mao Investment Trust (Note 3)	200,000,000	10.43%	200,000,000	8.69%
Wu John Jiong (Note 4)	233,762,092	12.19%	233,762,092	10.16%
Hua Fengmao (Note 5)	130,096,166	6.78%	130,096,166	5.65%
Wu Ying (Note 6)	20,664,627	1.08%	20,664,627	0.90%
Ren Delin (Note 7)	9,553,317	0.50%	9,553,317	0.42%
<b>Other shareholders</b>				
Other Public	826,626,068	43.09%	826,626,068 (Note 9)	35.90%
Maximum number of new Shares that can be issued under the Refreshed General Mandate	—	—	383,622,149	16.67%
<b>Total</b>	<b>1,918,110,747</b>	<b>100%</b>	<b>2,301,732,896</b>	<b>100%</b>

*Note 1:* Mr. Mao Chen Cheney is the settlor and trustee of the Mao Investment Trust, he is interested in the Shares held by him in his capacity as trustee of the Mao Investment Trust and his interest in Mao Investment Trust is reflected under a separate row below. Also Mr. Mao is the investment manager of the Min Zhou 2018 Family Trust and the manager of MZFT, LLC who exercises the voting rights of the Shares directly held by MZFT, LLC. Mr. Mao is also a beneficiary of Min Zhou 2018 Family Trust. Mr. Mao Chen Cheney is the spouse of Ms. Zhou Min. Under the Securities and Futures Ordinance (Cap. 571), they are deemed to be interested in the same number of Shares in which the other person is interested in. Mr. Mao Chen Cheney is also interested in the Shares that has been lent to J.P. Morgan Securities plc pursuant to a securities lending agreement dated December 17, 2020.

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## LETTER FROM THE BOARD

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- Note 2:* Each of Mao and Sons Limited, and Zhang and Sons Limited is indirectly wholly-owned by Intertrust (Singapore) Ltd. as the trustee of the Z&M Trust (whose interest is held through Z&M International Holdings Limited). Each of JL and JSW Holding Limited, MENGL Holding Limited, TIANL Holding Limited and VVBI Limited is indirectly wholly-owned by Intertrust (Singapore) Ltd. as the trustee of the VVBI Trust (whose interest is held through VVBI Holdings Limited). Each of the Z&M Trust and the VVBI Trust is a revocable family trust set up by Ms. Mao Jun as settlor and protector. Ms. Mao Jun is also a beneficiary of the relevant family trusts. Therefore, Ms. Mao Jun is deemed to be interested in the Shares directly held by each of Mao and Sons Limited, Zhang and Sons Limited, JL and JSW Holding Limited, MENGL Holding Limited, TIANL Holding Limited and VVBI Limited. Ms. Mao Jun is also a beneficiary of Mao Investment Trust and her interest in Mao Investment Trust is reflected under a separate row below.
- Note 3:* Mr. Mao Chen Cheney and Ms. Mao Jun are both also interested in the Shares held by Mao Investment Trust and such interest are reflected as a separate row to their other interest in the Shares, please refer to Note 1 and Note 2 above for details.
- Note 4:* 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 pursuant to a securities lending agreement dated December 17, 2020.
- Note 5:* Mr. Hua Fengmao holds 100.00% equity interest in China Finance Strategies Investment DB Limited. Therefore, Mr. Hua Fengmao is deemed to be interested in the Shares directly held by China Finance Strategies Investment DB Limited.
- Note 6:* Mr. Wu Ying is the spouse of Ms. Zhao Huixin. Under the Securities and Futures Ordinance (Cap. 571), Mr. Wu Ying is deemed to be interested in the same number of Shares in which Ms. Zhao Huixin is interested in.
- Note 7:* Mr. Ren Delin is a beneficiary of Vivastar Trust Scheme.
- Note 8:* Including Shares which may be repurchased by the Company from time to time. As of the Latest Practicable Date, the Company has repurchased 3,098,500 Shares which has not yet been cancelled.
- Note 9:* This excludes the allottees of the new shares allotted and issued under the Refreshed General Mandate.

Assuming that (i) the grant of the Refreshed General Mandate is approved at the EGM; and (ii) no Shares will be issued and/or repurchased and cancelled from the Latest Practicable Date up to the date of the EGM (both dates inclusive), upon full utilization of the Refreshed General Mandate, 383,622,149 Shares can be issued, which represents 20% and approximately 16.67% of the aggregate number of the issued Shares as at the Latest Practicable Date and the aggregate number of the enlarged issued Shares respectively. The aggregate shareholding of the existing public Shareholders will be diluted from approximately 43.09% as at the Latest Practicable Date to approximately 35.90% upon full utilization of the Refreshed General Mandate, representing a potential maximum dilution in public shareholding by approximately 16.67%.

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## LETTER FROM THE BOARD

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### VII. EGM

Pursuant to Rule 13.36(4) of the Listing Rules, the grant of the Refreshed General Mandate will be subject to Independent Shareholders' approval at a general meeting of the Company. Any controlling Shareholders and their respective associates, or where there is no controlling Shareholder, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favor of the relevant resolutions to approve the grant of the Refreshed General Mandate. As at the Latest Practicable Date, there is no controlling Shareholder, and therefore each of the Director (excluding independent non-executive Directors) and chief executive of the Company (namely Mr. Mao Chen Cheney, Mr. Wu Ying, Mr. Hua Fengmao, Mr. Ren Delin, Ms Sun Yanyan) and their respective associates who in aggregate hold 642,357,637 Shares, being approximately 33.49% of the Company's total issued share capital as of the Latest Practicable Date, shall abstain from voting in favor of the resolution for the grant of the Refreshed General Mandate at the EGM.

To the best of the Director's knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, except for the Directors and the Shareholders set forth in note 1, note 4, note 5 and note 6 to the section headed "VI. Potential Dilution on Shareholdings" of this circular above, no Shareholder is required to abstain from voting on the proposed resolutions to grant the Refreshed General Mandate at the EGM. Any vote of the Independent Shareholders at the EGM will be taken by poll and the results of the EGM will be made after the EGM.

A notice convening the EGM to be held at 2/F Meeting Room, 334 Aidisheng Road, Zhangjiang Hi-Tech Park, Pudong New District, Shanghai, PRC on February 23, 2021 at 10:00 a.m. is set out on pages 26 to 28 of this circular. A form of proxy for the EGM is enclosed with this circular. Whether or not you are able to attend and vote at the EGM, you are requested to complete the form of proxy and return the same to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

### VIII. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprises Mr. Fu Lei, Ms. Li Xiangrong, and Mr. Wang Haiguang, all being independent non-executive Directors. It has been established to advise the Independent Shareholders on the grant of the Refreshed General Mandate.

Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the grant of the Refreshed General Mandate.

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## LETTER FROM THE BOARD

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### IX. RECOMMENDATIONS

The Directors consider that the grant of the Refreshed General Mandate is in the interests of the Company and the Shareholders as a whole and therefore recommend the Independent Shareholders to vote in favour of the grant of the Refreshed General Mandate to be proposed at the EGM.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the grant of the Refreshed General Mandate is fair and reasonable so far as the Independent Shareholders are concerned and accordingly recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM for approving the grant of the Refreshed General Mandate.

Your attention is drawn to the letter of advice from the Independent Financial Adviser set out in pages 14 to 25 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in connection with the grant of the Refreshed General Mandate and the letter from the Independent Board Committee set out on page 13 of this circular which contains its recommendation to the Independent Shareholders in relation to the grant of the Refreshed General Mandate.

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

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# LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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## VIVA BIOTECH HOLDINGS

### 维亚生物科技控股集团

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

**(Stock code: 1873)**

## PROPOSED REFRESHMENT OF GENERAL MANDATE

February 1, 2021

*To the Independent Shareholders:*

Dear Sir/Madam,

### PROPOSED REFRESHMENT OF GENERAL MANDATE

We refer to the circular of the Company dated February 1, 2021 (the “**Circular**”) of which this letter forms part. Unless the context requires otherwise, capitalized terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of the proposed grant of the Refreshed General Mandate are fair and reasonable so far as the Independent Shareholders are concerned. Somerley Capital Limited has been appointed as the independent financial adviser to advise us in this respect.

Having considered the principal reasons and factors considered by, and the advice of, Somerley Capital Limited as set out in its letter of advice to us on pages 14 to 25 of the Circular, we are of the opinion that the refreshment of the Existing General Mandate is in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favor of the ordinary resolutions to be proposed at the EGM to approve the grant of the Refreshed General Mandate.

Yours faithfully,

*For and on behalf of the Independent Board Committee*

**FU Lei**

*Independent  
non-executive Director*

**LI Xiangrong**

*Independent  
non-executive Director*

**WANG Haiguang**

*Independent  
non-executive Director*

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# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of a letter of advice from Somerley Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the grant of the Refreshed General Mandate, which has been prepared for the purpose of incorporation in this circular.*



## SOMERLEY CAPITAL LIMITED

20th Floor  
China Building  
29 Queen's Road Central  
Hong Kong

February 1, 2021

*To: the Independent Board Committee and the Independent Shareholders of  
Viva Biotech Holdings*

Dear Sir/Madam,

## PROPOSED REFRESHMENT OF GENERAL MANDATE TO ALLOT AND ISSUE SHARES

### INTRODUCTION

We refer to our appointment by the Company to advise the Independent Board Committee and the Independent Shareholders in connection with the grant of the Refreshed General Mandate, details of which are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated February 1, 2021 (the “**Circular**”), of which this letter forms part. Capitalized terms used in this letter have the same meanings as those defined in the Circular unless the context requires otherwise.

As the refreshment of general mandate is made before the next annual general meeting of the Company, pursuant to Rule 13.36(4) of the Listing Rules, the grant of the Refreshed General Mandate will be subject to the approval of the Independent Shareholders by way of ordinary resolutions at the EGM. The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, pass the ordinary resolutions to approve the grant of the Refreshed General Mandate. Any controlling Shareholders and their respective associates, or where there is no controlling Shareholder, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and its respective associates shall abstain from voting in favour of the resolutions approving the grant of the Refreshed General Mandate.

As at the Latest Practicable Date, the Company has no controlling Shareholder, and therefore each of the Directors (excluding independent non-executive Directors) and chief executive of the Company, Mr. Mao Chen Cheney, Mr. Wu Ying, Mr. Hua Fengmao, Mr. Ren Delin, Ms. Sun Yanyan and their respective associates, who in aggregate holds 642,357,637 Shares, being approximately 33.49% of the Company's total issued share capital as of the Latest Practicable Date, shall abstain from voting in favor of the resolutions for the grant of the Refreshed General Mandate.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Independent Board Committee, comprising all of the independent non-executive Directors, namely Mr. Fu Lei, Ms. Li Xiangrong and Mr. Wang Haiguang, has been formed to make recommendations to the Independent Shareholders in respect of the grant of the Refreshed General Mandate. We, Somerley Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard.

We are not associated with the Company, or their respective substantial shareholders or associates and the aforementioned Directors and accordingly we are considered eligible to give independent advice on the grant of the Refreshed General Mandate. Apart from the normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, or its respective substantial shareholders or associates and the aforementioned Directors.

In formulating our opinion, we have reviewed, amongst others, the annual report for the year ended December 31, 2019 (the “**2019 Annual Report**”), interim report for the six months ended June 30, 2020 (the “**Interim Report**”) of the Company, the recent announcements of the Company and the information contained in the Circular. We have also discussed with the management of the Group regarding the businesses of the Group as well as the Group’s funding needs and reasons for conducting the refreshment of general mandate.

We have relied on the information and facts supplied, and the opinions expressed to us, by the management of the Group and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects at the time they were made. We have also sought and received confirmation from the Company that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view and have no reason to believe that any material information have been withheld, nor doubt the truth or accuracy of the information provided. We have not, however, conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our advice and recommendation with regard to the grant of the Refreshed General Mandate, we have taken into account the principal factors and reasons set out below:

#### 1. Information on and background of the Group

The Group is an integrated drug discovery platform in the PRC and is principally engaged in providing structure-based drug discovery services to the biotechnology and pharmaceutical customers worldwide for their pre-clinical stage innovative drug development. As disclosed in its prospectus dated April 25, 2019, the Company plans to strategically develop the CMO business to provide research and development, manufacturing and other ancillary services to global biotechnology and pharmaceutical companies, and believes this will help its customers to further improve the efficiency of their research and development of new drugs, effectively control their manufacturing costs, expand its service offerings and enhance its market competitiveness.

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

## 2. Financial information of the Group

Set out below are the summarized financial information of the Group for (i) the six months ended June 30, 2019 and 2020 as extracted from the Interim Report (<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0928/2020092800585.pdf>); and (ii) the years ended December 31, 2018 and 2019 as extracted from the 2019 Annual Report (<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0428/2020042800774.pdf>).

**TABLE 1: SUMMARISED FINANCIAL INFORMATION OF THE GROUP**

<i>(RMB'000)</i>	<b>Six months ended June 30,</b>		<b>Year ended December 31,</b>	
	<b>2020</b>	<b>2019</b>	<b>2019</b>	<b>2018</b>
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
<b>Revenue</b>	<b>197,557</b>	<b>142,341</b>	<b>323,057</b>	<b>210,033</b>
<b>Gross profit</b>	<b>100,118</b>	<b>71,891</b>	<b>155,873</b>	<b>105,457</b>
Fair value gain on financial assets at fair value through profit or loss ("FVTPL")	66,658	48,168	217,630	68,286
<b>Profit before fair value loss on financial liabilities at FVTPL and tax</b>	<b>93,133</b>	<b>93,394</b>	<b>315,163</b>	<b>126,519</b>
Fair value loss on financial liabilities at FVTPL	(615,526)	(34,238)	(34,238)	(20,658)
<b>Net profit/ (loss) for the period</b>	<b>(530,272)</b>	<b>46,496</b>	<b>265,872</b>	<b>90,550</b>
Net profit margin	n.a.	32.7%	82.3%	43.1%
<b>Adjusted non-IFRS net profit<sup>(1)</sup></b>	<b>123,700</b>	<b>98,600</b>	<b>318,000</b>	<b>135,500</b>
<b>Adjusted non-IFRS net profit margin<sup>(1)</sup></b>	<b>62.6%</b>	<b>69.3%</b>	<b>98.4%</b>	<b>64.5%</b>

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

<i>(RMB'000)</i>	<b>As at June 30, 2020</b> (Unaudited)	<b>As at December 31, 2019</b> (Audited)	<b>2018</b> (Audited)
<b>Total assets</b>	<b>3,298,043</b>	<b>1,898,785</b>	<b>529,339</b>
Financial assets at FVTPL	855,775	652,483	204,740
Cash and cash equivalents	1,521,285	904,091	155,554
<b>Total liabilities</b>	<b>1,399,295</b>	<b>121,391</b>	<b>277,897</b>
Bank borrowings	16,969	1,865	2,362
Convertible bonds	1,224,677	—	—
<b>Net assets</b>	<b>1,898,748</b>	<b>1,777,394</b>	<b>251,442</b>
<b>Gearing ratio<sup>(2)</sup></b>	<b>42.4%</b>	<b>6.4%</b>	<b>52.5%</b>

*Notes:*

1. The adjusted non-IFRS net profit and adjusted non-IFRS net profit margin excluded fair value loss on financial liabilities at FVTPL, interest expenses of the debt components of the convertible bonds, transaction costs relating to the derivative component of the convertible bonds, gain on repurchase of the convertible bonds and listing expenses.
2. The gearing ratio was calculated as total liabilities over total assets.

## ***For the year ended December 31, 2019***

The Group's revenue increased from RMB210.0 million in 2018 to RMB323.1 million in 2019, representing a year-on-year increase of 53.9%, which primarily reflected the Group's business growth as a result of increase in number of customers as well as customer orders in 2019. The revenue generated from CFS model increased by 58.8% in 2019 as compared to that in 2018 to RMB245.6 million and the revenue generated from EFS model increased by 40.0% as compared to that in 2018 to RMB77.5 million, representing 76% and 24% of the Group's revenue in 2019, respectively. The fair value gain on financial assets at FVTPL reflected the Group's sharing of the upside of the customers' IP values in EFS model. The fair value of the financial assets was assessed and determined by an independent professional appraisal firm engaged by the Group. The Group recorded a fair value gain on financial assets at FVTPL of RMB68.3 million and RMB217.6 million in 2018 and 2019, respectively. The Group's net profit increased by 193.5% from RMB90.6 million in 2018 to RMB265.9 million in 2019 and the Group's net profit margin increased from 43.1% in 2018 to 82.3% in 2019, primarily attributable to mutual contribution of CFS business and EFS business to achieve increased business volume and disposal of certain equity interests. The adjusted non-IFRS net profit, which has excluded fair value loss on financial liabilities at FVTPL, interest expenses of the debt components of the convertible bonds, transaction costs relating to the derivative component of the convertible bonds, gain on repurchase of the convertible bonds and listing expenses, increased by 134.7% from RMB135.5 million in 2018 to RMB318.0 million in 2019 and the adjusted non-IFRS net profit margin increased from 64.5% in 2018 to 98.4% in 2019.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As at December 31, 2019, the Group's financial assets at FVTPL increased to RMB652.5 million, representing an increase of 218.8% from RMB204.7 million as at December 31, 2018, largely due to the increase in the portfolio company investments and gain on fair value change of portfolio company investments in 2019. The Group's cash and cash equivalents amounted to RMB904.1 million as at December 31, 2019, representing an increase of 481.0% as compared to RMB155.6 million as at December 31, 2018, primarily attributable to the proceeds raised from the Group's global offering in 2019. The Group's bank borrowings decreased from RMB2.4 million as at December 31, 2018 to RMB1.9 million as at December 31, 2019. As at December 31, 2019, the gearing ratio (total liabilities over total assets) decreased from 52.5% in 2018 to 6.4% in 2019, largely due to the increase in financial assets at FVTPL as a result of strong positive growth of EFS business and the fair value gain of those investments and increase in the cash and cash equivalents as a result of the Group's global offering in 2019.

### ***For the six months ended June 30, 2020***

The Group's revenue increased from RMB142.3 million for the six months ended June 30, 2019 to RMB197.6 million for the corresponding period in 2020, representing a year-on-year increase of 38.9%. The revenue generated from CFS model increased by 46.1% for the six months ended June 30, 2020 as compared to that of the same period in 2019 to RMB154.0 million and the revenue generated from EFS model increased by 17.9% for the six months ended June 30, 2020 as compared to that of the same period in 2019 to RMB43.5 million, representing 78% and 22% of the Group's revenue for the six months ended June 30, 2020, respectively. The Group recorded a fair value gain on financial assets at FVTPL of RMB48.2 million and RMB66.7 million for the six months ended June 30, 2019 and 2020, respectively. The Group incurred a net loss of RMB530.3 million for the six months ended June 30, 2020, as opposed to a net profit of RMB46.5 million for the corresponding period in 2019, primarily due to the increase in fair value loss of the embedded derivative components of convertible bonds issued by the Group during the six months ended June 30, 2020 (the "**Convertible Bonds**"). The adjusted non-IFRS net profit increased by 25.5% from RMB98.6 million for the six months ended June 30, 2019 to RMB123.7 million for the six months ended June 30, 2020 and the adjusted non-IFRS net profit margin decreased from 69.3% for the six months ended June 30, 2019 to 62.6% for the six months June 30, 2020.

As at June 30, 2020, the Group's financial assets at FVTPL amounted to RMB855.8 million, representing an increase of 31.2% as compared to RMB652.5 million as at December 31, 2019, primarily due to the increase in the portfolio company investments, gain on fair value change of portfolio company investments, revenue recognition from SFE and increase in investment in unguaranteed financial products issued by banks during the six months ended June 30, 2020. The Group's cash and cash equivalents amounted to RMB1,521.3 million as at June 30, 2020, representing an increase of 68.3% as compared to RMB904.1 million as at December 31, 2019, primarily attributable to the proceeds from the Convertible Bonds. The Group's bank borrowings increased from RMB1.9 million as at December 31, 2019 to RMB17.0 million as at June 30, 2020. As at June 30, 2020, the gearing ratio (total liabilities over total assets) increased from 6.4% as at December 31, 2019 to 42.4% as at June 30, 2020, primarily due to the increase in the liabilities of RMB1,224.7 million as a result of the issue of the Convertible Bonds.

### 3. Reasons for the refreshment of general mandate

#### *Recent acquisitions and investment*

Subsequent to June 30, 2020, the Group had successfully acquired a land use right of a property in Shanghai, the PRC (the “**Property Acquisition**”) for RMB392.37 million in July 2020 which, as advised by the management of the Group, is used for the Group’s business expansion and development in the coming years. In addition, on August 8, 2020, the Group entered into a share purchase agreement in relation to its acquisition of 80% of the equity interest in Langhua Pharmaceutical, an integrated and comprehensive drug research and development and manufacturing company in Taizhou, Zhejiang Province, at the total cash consideration of RMB2,560 million (the “**Langhua Acquisition**”). Completion of the Langhua Acquisition took place on November 12, 2020. On September 20, 2020, the Company entered into a share transfer agreement in relation to its acquisition of the entire equity interest in SYNthesis med chem (Hong Kong) Limited, a contract research organization for research and development of new preclinical small molecule drugs, at the total consideration of approximately US\$80 million (the “**SYNthesis Acquisition**”). On September 22, 2020, the Group entered into an investment agreement in relation to the establishment of laboratory facilities as well as introducing and supporting the incubation of innovative research and development projects in Hangzhou Pharmaceutical Port of the PRC (the “**Hangzhou Investment**”) with a capital commitment of RMB700 million. Further details of the above transactions are disclosed in the relevant announcements of the Company which are accessible via the following hyperlinks:

For Property Acquisition:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0701/2020070100183.pdf>;

For Langhua Acquisition:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0809/2020080900019.pdf>;

For SYNthesis Acquisition:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0921/2020092100011.pdf>;

For Hangzhou Investment:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0922/2020092201079.pdf>.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Existing General Mandate*

The Existing General Mandate was granted to the Directors to allot and issue up to 322,854,568 Shares, representing 20% of the number of issued Shares of the Company when the relevant resolution was passed at the 2020 AGM on June 10, 2020. As at the Latest Practicable Date, the Existing General Mandate has been utilized as to 130,000,000 Shares by way of placing of new Shares as announced on July 3, 2020 and as to 186,519,893 Shares earmarked for the full conversion of the US\$280 million guaranteed convertible bond (the “**Dec-2020 Convertible Bonds**”) at the initial conversion price as announced on December 18, 2020. The Dec-2020 Convertible Bonds bear interest at 1% per annum. As as the Latest Practicable Date, the remaining number of Shares issuable under the Existing General Mandate is 6,334,675 Shares, which as advised by the management of the Group, may be used to satisfy part of the consideration for the SYNthesis Acquisition. However, the Group may alternatively rely on its rights under the agreement to pay the vendor in cash instead of issuing Shares, which is yet to be decided by the management of the Group.

### *Business plan*

We have discussed with the management of the Group on the future plan of the Group. In order to position at the source of early-stage discovery of innovative drugs with technology platform, flow of traffic and talent advantages, the Company is speeding up the construction of a comprehensive and one-stop drug service platform, which is designated to provide customers with more comprehensive drug development services. Strategic integration with Langhua Pharmaceutical will bring together the synergistic effect of both parties in the research and development, design and manufacturing fields of global pharmaceutical markets, which is of great strategic significance to the Company in terms of vertical integration along the industrial chain and expansion into the CDMO (contract development and manufacturing organization) business.

In the future, the Company will continue to strengthen the technology advantages, enhance operation efficiency, introduce more talented scientists and technologies, improve capacity of the incubation platforms, strengthen loyalty between existing customers and portfolio companies and proactively conduct industrial integration, in a bid to establish an open and cooperative platform targeting at global biopharmaceutical innovators and build an ecosystem featuring cooperation and mutual benefits.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In addition, we have had an interview with the management of the Group and are advised that the Group has successively identified four potential investment targets, which are CDMO companies in the PRC primarily focusing on the large molecule biologics drugs development and manufacturing with estimated valuation ranging from US\$250 million to US\$350 million. Given the Group has been mainly focusing on preclinical drug discovery and small molecule/chemical drug development and manufacturing, the management of the Group considers and we also concur that these CDMO companies represent valuable opportunities for the Group to expand into clinical stage biological CDMO and, if materialise, the Group will be able to offer a more comprehensive services to its customers. Nonetheless, these potential investment opportunities may or may not be materialised and the stake size or the expected consideration are subject to negotiations and yet to be finalised.

### ***Cash position and capital commitments***

Based on the unaudited pro forma consolidated statement of the Group as enlarged by the Langhua Acquisition as set out in the Company's circular dated October 16, 2020, the Group's cash and cash equivalents (including time deposits) amounted to around RMB1.00 billion. Having taken into account the proceeds raised from the Placing and the Dec-2020 Convertible Bonds, the Group's cash and cash equivalents have increased to around RMB3.75 billion. Based on the information provided by the management of the Group, the Group's major items settled/to be settled (including capital commitments) for the period from the second half of 2020 to the first half of 2021 relating to, amongst others, various acquisitions and investment as discussed above, the payment of the dividends, the construction of the new drug incubation and production research and development center in Chengdu, enhancement of Langhua Pharmaceutical's production capacity and estimated funding for incubation projects, are estimated to be around RMB1.71 billion. Furthermore, we are given to understand that the Group agreed to lock up RMB640 million of its bank deposits as a condition to obtain the bank guarantee of the same amount provided to the vendors of Langhua Pharmaceutical for the Langhua Acquisition. We are further advised by the management of the Group that the Group intends to repay the 5-year bank loan carrying an interest of 4.35% per annum for the Langhua Acquisition (i.e. the Langhua Bank Loan) of around RMB1.45 billion (interest inclusive) in the first half of 2021 which can save a total of interest expenses of around RMB0.2 billion in next 4.5 years. Based on the above, the Group will then be unable to carry out its early repayment plan as regards the Langhua Bank Loan and/or acquire a meaningful stake in any of the potential investment targets as discussed above for business expansion, if such opportunity arises and materializes prior to the next annual general meeting. On this basis, we concur with the view of the management of the Group that the Group has legitimate reasons to refresh its general mandate, and if the Refreshed General Mandate is granted, it can allow flexibility for the Group in terms of cash flow management in the near term.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Given (i) the Company has already utilized a vast majority (i.e. around 98%) of its Existing General Mandate; (ii) the Group may not have sufficient fund to early repay the Langhua Bank Loan and/or finance the investment in any potential target for business expansion if such opportunity arises and materializes prior to the next annual general meeting based on the Group's estimation of its cash available for use; and (iii) the cost of equity financing by using the general mandate such as placement of new shares and issuance of convertible bonds would be lower than that of debt financing such as bank borrowings, which will be a better option for the Group in the event it has funding needs in the future, the Directors consider and we also concur that the grant of the Refreshed General Mandate would facilitate the Company greater financing flexibility should funding needs arises or attractive terms of investment become available and enable the Company to respond quickly to market conditions and investment opportunities should such arise between now and the next annual general meeting, providing a more efficient process of fund raising and avoiding the uncertainties that may result from not obtaining a specific mandate in a timely manner if and when the Company enters into such transactions.

#### **4. Other financing alternatives**

As stated in the letter from the Board, the Board considers equity financing to be an important avenue of resources to the Group since it can reduce and limit debt financing which will create additional interest paying obligations on the Group. In appropriate circumstances, the Group will also consider other financing methods such as debt financing or internal cash resources to fund its future business development.

We have discussed with the management of the Group and are advised that debt financing such as bank borrowings are subject to different financial institutions' assessment of the Group's creditworthiness which may result in lengthy negotiations as compared to the equity financing available to the Company if the Refreshed General Mandate is granted. In addition, debt financing not only creates additional interest paying obligations on the Group which affects its profitability but also increases its gearing ratio. Furthermore, debt financing may involve pledge of assets (e.g. the Group's equity interest of incubation portfolio companies) which may potentially impair the Group's flexibility in managing its investment portfolio including but not limited to the realization of its investments. Equity financing by issuance of new shares and convertible bonds under general mandate, on the other hand, is simpler with less requirements and usually with reference to the prevailing market price of the shares which may expedite the fundraising process.

In respect of equity financing such as rights issue and open offer, the management of the Group considers that despite rights issue and open offer would allow the Shareholders to maintain their respective pro-rata shareholdings in the Company, lengthy discussion with potential commercial underwriters may be required and the Company may not be able to grasp the potential business opportunities in a timely manner. Moreover, it may also incur certain transaction costs such as underwriting commission and involve extra administrative work and cost, as compared to equity financing by issuance of new Shares and convertible bonds under the general mandate of the Group.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On the above bases that (i) debt financing may be subject to lengthy negotiations, incur higher interest burden to the Group which affects its profitability, and may involve pledge of assets that can potentially impair the Group's flexibility in managing its investment portfolio; and (ii) rights issue and open offer may take a longer time to complete and may incur additional legal and professional costs while fund raising exercise pursuant to general mandate provides the Company a simpler and less lead time process than other types of fund raising exercise and avoids the uncertainties in such circumstances that specific mandate may not be obtained in a timely manner, we concur with the Directors that the grant of the Refreshed General Mandate can provide flexibility to the Group in deciding the financing methods to cater for its future funding requirements.

### 5. Potential dilution effect on the public Shareholders

As at the Latest Practicable Date, the Company had an aggregate of 1,918,110,747 Shares in issue. Assuming no Share will be issued and/or repurchased and cancelled by the Company during the period from the Latest Practicable Date up to and including the date of the EGM, 383,622,149 Shares can be issued following the passing of the ordinary resolutions in relation to the approval of the grant of the Refreshed General Mandate, representing 20% of the issued share capital of the Company as at the Latest Practicable Date.

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) upon full utilization of the Refreshed General Mandate (assuming no other Shares are issued and/or repurchased and cancelled by the Company from the Latest Practicable Date up to and including the date when the Refreshed General Mandate is utilized in full), for illustrative and reference purpose:

Shareholders	As at the Latest Practicable Date		Upon full utilization of the Refreshed General Mandate (assuming there is no other change in the shareholding structure of the Company from the Latest Practicable Date)	
	Number of Shares held <sup>(2)</sup>	Approximate % of total Shares in issue	Number of Shares held <sup>(2)</sup>	Approximate % of total Shares in issue
<b>Directors and substantial Shareholders</b>				
Mao Chen Cheney	282,043,527	14.70%	282,043,527	12.25%
Mao Jun	215,364,950	11.23%	215,364,950	9.36%
Mao Investment Trust <sup>(1)</sup>	200,000,000	10.43%	200,000,000	8.69%
John Wu Jiong	233,762,092	12.19%	233,762,092	10.16%
Hua Fengmao	130,096,166	6.78%	130,096,166	5.65%
Wu Ying	20,664,627	1.08%	20,664,627	0.90%
Ren Delin	9,553,317	0.50%	9,553,317	0.42%

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Shareholders	As at the Latest Practicable Date		Upon full utilization of the Refreshed General Mandate (assuming there is no other change in the shareholding structure of the Company from the Latest Practicable Date)	
	Number of Shares held <sup>(2)</sup>	Approximate % of total Shares in issue	Number of Shares held <sup>(2)</sup>	Approximate % of total Shares in issue
<b>Other Shareholders</b>				
Existing public Shareholders	826,626,068	43.09%	826,626,068	35.90%
Maximum number of new Shares that can be issued under the Refreshed General Mandate	—	—	383,622,149	16.67%
<b>Total</b>	<b>1,918,110,747</b>	<b>100.00%</b>	<b>2,301,732,896</b>	<b>100.00%</b>

*Note:*

- Both Mr. Mao Chen Cheney and Ms. Mao Jun are also interested in the Shares held by the Mao Investment Trust.
- As of the Latest Practicable Date, the Company has repurchased 3,098,500 Shares which has not yet been cancelled.

As illustrated in the table above, the utilization of the Refreshed General Mandate in full would dilute the shareholding of the existing Shareholders. Nevertheless, having considered (i) the reasons for of the refreshment of general mandate as discussed above; and (ii) the shareholding interests of all the existing Shareholders will be diluted in proportion to their respective shareholdings upon any utilization of the Refreshed General Mandate, we consider that such potential dilution in shareholding interest of the public Shareholders is acceptable.

## OPINION AND RECOMMENDATION

Having taken into account (i) the Group has already utilized a vast majority of its Existing General Mandate; (ii) the Group may not have sufficient fund to early repay the Langhua Bank Loan and/or finance the investment in any potential target for business expansion if such opportunity arises and materializes prior to the next annual general meeting based on the Group's estimation of its cash available for use; (iii) the Existing General Mandate could not be renewed until the Company's next annual general meeting in 2021; (iv) the Refreshed General Mandate can serve as an additional financing option to the Group as and when funding or refinancing is required; and (v) issuing new Shares and convertible bonds under the general mandate provides the Company with a simpler and less lead time process than other types of fund raising exercise, we are of the view that the grant of the Refreshed General Mandate is fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the grant of the Refreshed General Mandate. Independent Shareholders are however advised to take note of the possible dilution effect on their shareholdings in the Company when and if the Refreshed General Mandate is utilized.

Yours faithfully,  
for and on behalf of  
**SOMERLEY CAPITAL LIMITED**  
**Jenny Leung**  
*Director*

*Ms. Jenny Leung is a licensed person and responsible officer of Somerley Capital Limited registered with the SFC to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.*

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## NOTICE OF EGM

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### VIVA BIOTECH HOLDINGS

### 维亚生物科技控股集团

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

**(Stock code: 1873)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**Meeting**”) of Viva Biotech Holdings (the “**Company**”) will be held at 2/F Meeting Room, 334 Aidisheng Road, Zhangjiang Hi-Tech Park, Pudong New District, Shanghai, PRC on February 23, 2021 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolutions which will be proposed as ordinary resolutions of the Company. Unless otherwise defined, capitalized terms used in this notice shall have the same meanings as those defined in the circular of the Company dated February 1, 2021.

#### ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the general mandate granted to the Directors to allot, issue and deal with the unissued shares of the Company pursuant to an ordinary resolution passed at the annual general meeting of the Company held on June 10, 2020 be and is hereby revoked (without prejudice to any valid exercise of such general mandate prior to the passing of this resolution including but not limited to the Shares to be issued under the Issuance of Convertible Bonds);
- (b) subject to paragraph (d) below, pursuant to the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue or otherwise deal with the additional shares in the capital of the Company (each a “**Share**”) or securities convertible into shares, or options, warrants or similar rights to subscribe for shares or such convertible securities of the Company and to make or grant offers, agreements and/or options (including bonds, warrants and debentures convertible into shares of the Company), which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;
- (c) the approval in paragraph (b) of this resolution above shall be in addition to any other authorization given to the Directors and shall authorize the Directors to make or grant offers, agreements and options, during the Relevant Period which may might require the exercise of such powers after the end of the Relevant Period;

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## NOTICE OF EGM

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- (d) the total number of Shares allotted, issued or dealt with or agreed conditionally or unconditionally to be allotted, issued or dealt with (whether pursuant to options or otherwise) by the Directors pursuant to the approval in paragraph (b) above during the Relevant Period (as hereinafter defined) pursuant to paragraph (b) of this resolution above, otherwise than pursuant to (1) a Rights Issue (as hereinafter defined); or (2) the grant or exercise of any option under the option scheme of the Company or any other option, scheme or similar arrangement for the time being adopted for the grant or issue to the directors, officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; or (3) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company in force from time to time; or (4) any issue of shares in the Company upon the exercise of rights of subscription or conversion under the terms of any existing convertible notes issued by the Company or any existing securities of the Company which carry rights to subscribe for or are convertible into shares of the Company, shall not exceed the aggregate of 20% of the aggregate nominal amount of share capital of the Company in issue as at the date of passing this resolution and the said approval shall be limited accordingly; and
- (e) for the purposes of this resolution:

“**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the articles of association of the Company to be held; or
- (iii) the revocation or variation of the authority given to the Directors by passing an ordinary resolution by the Shareholders at a general meeting.

“**Rights Issue**” means an offer of shares in the capital of the Company, or an offer or issue of warrants, options or other securities giving rights to subscribe for shares, open for a period fixed by the directors of the Company to holders of shares in the capital of the Company or any class thereof whose names appear on the register of members on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or, having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the exercise or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to the Company, any recognized regulatory body or any stock exchange applicable to the Company).”

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## NOTICE OF EGM

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2. “**THAT:**

conditional upon the passing of resolution no. 1 above, the mandate granted to the Directors at the 2020 AGM to extend the general mandate to allot and issue Shares to Shares repurchased by the Company be and is hereby revoked and replaced by the mandate THAT, the general mandate granted to the Directors to exercise the powers of the Company to allot, issue and otherwise deal with new shares of the Company and to make or grant offers, agreements and options which might require the exercise of such powers pursuant to the ordinary resolution referred to in paragraph (b) of resolution no. 1 above be and is hereby extended by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted or agreed conditional or unconditionally to be allotted by the directors of the Company pursuant to such general mandate of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to ordinary resolution passed at the 2020 AGM, provided that such extended amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the 2020 AGM.”

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

Hong Kong, February 1, 2021

*Notes:*

- (i) A shareholder entitled to attend and vote at the EGM is entitled to appoint another person as his/her proxy to attend and vote instead of him/her; a proxy need not be a shareholder of the Company. A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf at the EGM. On a poll, votes may be given either personally or by proxy. The Company strongly recommends you to monitor the development of the situation with the COVID-19 and to assess, based on the social distancing policies, the necessity for attending the above meeting in person, and the Board respectfully requests that, for the same reason, the Shareholders to appoint the chairman of the above meeting as their proxy rather than a third party to attend and vote on their behalf at the above meeting (or any adjournment thereof). Every Shareholder or proxy attending the EGM will be subject to a compulsory body temperature check and will be required to present their health code or other personal information at the entrance of the venue. Any person with a body temperature of over 37.3 degrees Celsius will not be permitted access to the meeting venue. All Shareholder or proxy attending the EGM will also required to wear a face mask throughout the meeting.
- (ii) In the case of joint holders, any one of such joint holders may vote at the EGM, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the EGM, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined as that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
- (iii) In order to be valid, a form of proxy must be deposited at the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) not less than 48 hours before the time appointed for the holding of the above meeting or any adjournment thereof. The completion and return of the form of proxy shall not preclude shareholders of the Company from attending and voting in person at the above meeting (or any adjourned meeting thereof) if they so wish.
- (iv) The transfer books and register of members of the Company will be closed from February 18, 2021 to February 23, 2021, both days inclusive, during which period no share transfers can be registered. In order to qualify for attending EGM, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on February 17, 2021.