杭州泰格醫藥科技股份有限公司
Hangzhou Tigermed Consulting Co., Ltd.

(A joint stock company incorporated in the People's Republic of China with limited liability)
（於中華人民共和國註冊成立的股份有限公司）
Stock Code 股份代號 : 3347

2020
ANNUAL REPORT
年報

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Ye Xiaoping (葉小平) *(Chairman)*
Ms. Cao Xiaochun (曹曉春)
Ms. Yin Zhuan

Independent Non-executive Directors

Mr. Zheng Bijun (鄭碧筠)
Dr. Yang Bo (楊波)
Mr. Liu Kai Yu Kenneth (廖啟宇)

JOINT COMPANY SECRETARIES

Mr. Gao Jun (高峻)
Ms. Kwan Sau In (關秀妍) *ACS, ACG*

AUTHORISED REPRESENTATIVES

Dr. Ye Xiaoping (葉小平)
Mr. Gao Jun (高峻)

SUPERVISORS

Mr. Zhang Binghui (張炳輝) *(Chairman)*
Ms. Chen Zhimin (陳智敏)
Mr. Wu Baolin (吳寶林)

STRATEGY DEVELOPMENT COMMITTEE

Dr. Ye Xiaoping (葉小平) *(Chairman)*
Dr. Yang Bo (楊波)
Mr. Zheng Bijun (鄭碧筠)

AUDIT COMMITTEE

Mr. Liu Kai Yu Kenneth (廖啟宇) *(Chairman)*
Mr. Zheng Bijun (鄭碧筠)
Dr. Yang Bo (楊波)

REMUNERATION AND EVALUATION COMMITTEE

Mr. Zheng Bijun (鄭碧筠) *(Chairman)*
Mr. Liu Kai Yu Kenneth (廖啟宇)
Ms. Cao Xiaochun (曹曉春)

NOMINATION COMMITTEE

Dr. Yang Bo (楊波) *(Chairman)*
Ms. Yin Zhuan
Mr. Liu Kai Yu Kenneth (廖啟宇)

AUDITOR

BDO Limited
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HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Hangzhou Fengqi Sub-branch
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Industrial and Commercial Bank of China
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HONG KONG LEGAL ADVISER

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PRC LEGAL ADVISER

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A SHARE REGISTRAR AND TRANSFER OFFICE IN THE PRC

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183 Queen's Road East
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STOCK CODE

A Share: 300347 (Shenzhen Stock Exchange)
H Share: 03347 (the Stock Exchange)

COMPANY'S WEBSITE

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CHAIRMAN AND GENERAL MANAGER'S STATEMENT

Dear Shareholders,

The past year of 2020 was an extraordinary year for the world to remember. The human race was faced with an unprecedented pandemic and found ourselves unprepared. Those of us in the healthcare industry stood by special responsibilities, including Tigermed. We have endeavored to play our part and actively worked with our customers, scientists and medical professionals in the joint race to find a solution to end this crisis.

We took part in the clinical trials of potential COVID-19 therapies in as early as February 2020. We are the leading clinical CRO for the multi-center phase III clinical study of a Ad5-nCoV vaccine, the first phase III vaccine clinical study covering multiple continents initiated by a Chinese company. As of December 31, 2020, we had multiple COVID-19 related clinical trials at hand, many of which are multi-regional. Our controlled subsidiary Frontage also launched speed COVID-19 test services for the local community in the United States.

Our teams managed through highly complicated and challenging pandemic situations and coordinated seamlessly across continents with an aim to provide services with industry-leading quality and efficiency for COVID-19 related clinical trials. This demonstrated our unwavering commitment to our customers and to the society.

Despite challenges from the pandemic, our business further recovered during the second half of 2020 and continued to grow. Our revenue increased by 13.9% year-over-year and our new bookings increased by 30.9% year over year to RMB5,536.5 million. Our contracted future revenue also grew 44.9% year-over-year to have reached RMB7,260.3 million as of December 31, 2020. In 2020, our team contributed to the successful launch of a number of innovative drugs and medical devices.

In 2020, we remained focused on our growth strategy to fulfil our mission – to improve health by accelerating the development of innovative and effective treatments for patients everywhere. We have further strengthened and diversified our services offerings both organically and through bolt-on acquisitions.

Our capacity and capability in key overseas markets were also expanded. In addition, we had strategically and selectively expanded into certain new markets in South Asia, Latin America, and Africa regions. Our overseas project management and clinical operation teams covered all major continents by the end of 2020. We secured over RMB300 million new bookings for multi-regional clinical trials in 2020 and continued to increase the number of multi-regional clinical projects at hand covering multiple therapeutic areas.

We provided services to a total of over 2,000 customers in 2020 as we continued to deepen our partnerships with existing customers and attract new customers. Our talents are most crucial to our ability to provide consistent high-quality services to customers. Our team worked hard to attract, train and retain quality talents, especially those with global experience and technical expertise to support our global expansion.

On the hospital and clinical site front, we initiated the Excellence for Clinical Trial Sites Program with an aim to optimize clinical research resources, improve the infrastructure and technical expertise at hospitals and sites, and increase the efficiency of patient recruitment and follow-ups among collaborating hospitals and sites. We pioneered into real-world study by setting up a dedicated team in collaboration with our clinical operation, project management and site management teams. Our investments into the infrastructure and operational efficiency also continued in 2020.

CHAIRMAN AND GENERAL MANAGER'S STATEMENT

Another major milestone for Tigermed in 2020 is our H Share IPO in Hong Kong. The listing of our shares on the Stock Exchange in August 2020 marks our appearance in global capital markets. We look to leverage the capital raised from our Hong Kong IPO to better fund our growth strategy and global expansion plan.

As we enter into the remainder of 2021 and as the world is gradually recovering from the COVID-19 pandemic, we will review and reflect on our past results and performance and refine our future plans in a way that we believe could enable us to benefit most from the increasing demands for high quality clinical CRO services from customers both in China and globally. We also highly value the corporate social responsibility as a stakeholder in the healthcare industry, as the case in COVID-19 related clinical trials.

We would like to express our heartfelt gratitude to our customers and shareholders for your continuing support. We look to continue to deliver industry leading services, enable global R&D programs, and ultimately help to bring better therapies to patients globally. We will also look to better execute our growth strategy and continue to improve our corporate governance and ESG profile. With our industry reputation and resources, experience and expertise, team strength and commitment, we are confident that we will deliver sustainable long-term growth to our shareholders.

Please allow us to finish with our deepest thanks to all our employees for their hard work, courage and selfless contributions during this unprecedented time. They made all these possible.

Dr. Ye Xiaoping
Chairman

Ms. Cao Xiaochun
General Manager

Hong Kong
March 29, 2021

FINANCIAL HIGHLIGHTS

	Year ended December 31,		
	2020	2019	Change
	RMB million	RMB million	
Operating results			
Revenue	**3,192.3**	2,803.3	13.9%
Gross Profit	**1,503.3**	1,291.9	16.4%
Net profit attributable to the owners of the Company	**1,751.3**	841.2	108.2%
Adjusted net profit attributable to the owners of the Company(1)	**987.2**	721.0	36.9%
Profitability			
Gross Profit Margin	**47.1%**	46.1%	1.0%
Margin of net profit attributable to the owners of the Company	**54.9%**	30.0%	24.9%
Margin of adjusted net profit attributable to the owners of the Company(1)	**30.9%**	25.7%	5.2%
Earnings per share (RMB)			
– Basic	**2.20**	1.13	94.7%
– Diluted	**2.19**	1.13	93.8%
Adjusted earnings per share (RMB)(1)			
– Basic	**1.24**	0.97	27.8%
– Diluted	**1.23**	0.96	28.1%

	As of December 31,		
	2020	2019	Change
	RMB million	RMB million	
Financial position			
Total assets	**19,506.1**	7,568.0	157.7%
Equity attributable to owners of the Company	**16,153.8**	4,246.8	280.4%
Total liabilities	**1,647.6**	2,046.7	-19.5%
Cash and cash equivalents	**9,960.0**	2,006.9	396.3%
Gearing ratio	**–**	16.3%	N/A

Note:

(1) Non-IFRS measure. Please refer to the "Management Discussion and Analysis – Non-International Financial Reporting Standards Measure" for details.

	For the year ended December 31,			
	2017	2018	2019	**2020**
	RMB'000	RMB'000	RMB'000	**RMB'000**
Operating results				
Revenue	1,682,504	2,299,534	2,803,309	**3,192,279**
Gross profit	712,752	981,335	1,291,900	**1,503,333**
Profit for the year	394,157	655,249	974,933	**2,030,555**
Profit attributable to the owners of the Company	344,977	576,886	841,247	**1,751,328**
Profitability				
Gross profit margin	42.4%	42.7%	46.1%	**47.1%**
Profit margin for the year	23.4%	28.5%	34.8%	**63.6%**
Earnings per share (RMB)				
Earnings per share – Basic	0.47	0.77	1.13	**2.20**
Earnings per share – Diluted	0.47	0.77	1.13	**2.19**

	As at December 31,			
	2017	2018	2019	**2020**
	RMB'000	RMB'000	RMB'000	**RMB'000**
Total assets	3,733,074	4,586,604	7,567,976	**19,506,059**
Total liabilities	844,526	1,314,455	2,046,698	**1,647,582**
Non-controlling interests	332,929	444,107	1,274,436	**1,704,653**
Equity attributable to the owners of the Company	2,555,619	2,828,042	4,246,842	**16,153,824**
Gearing ratio	9.6%	19.4%	16.3%	**–**

MANAGEMENT DISCUSSION AND ANALYSIS

The past year of 2020 was an extraordinary year to remember for the world and for those of us in the healthcare industry. The human race was faced with an unprecedented pandemic and found ourselves unprepared. While putting the safety and health of our employees as the first priority, we have endeavored to play our part and actively worked with our customers, scientists and medical professionals in the joint race to find a solution to the crisis. As a leading clinical Contract Research Organization ("**CRO**") in China, we took part in the clinical trials of potential COVID-19 therapies as early as February 2020. We are also the leading clinical CRO for the multi-center phase III clinical study of a Ad5-nCoV vaccine, the first China-initiated phase III vaccine clinical study covering multiple continents, including Asia, Europe, and Latin America. Our controlled subsidiary Frontage Holdings Corporation ("**Frontage**") also launched speed COVID-19 test services for the local community in the United States. For COVID-19 related clinical trials, our teams managed through highly complicated and challenging pandemic situations and coordinated seamlessly across continents with an aim to provide services with industry-leading quality and efficiency. This demonstrated our unwavering commitment to our customers.

Our revenue increased by 13.9% year-over-year ("**YoY**") from RMB2,803.3 million in 2019 to RMB3,192.3 million during the Reporting Period. Revenue generated from clinical trial solutions reached RMB1,519.2 million and that from clinical-related and laboratory services reached RMB1,673.1 million, representing a YoY growth of 12.8% and 14.9%, respectively.

During the Reporting Period, our new bookings reached RMB5,536.5 million, representing a 30.9% YoY growth. Our contracted future revenue reached RMB7,260.3 million as of December 31, 2020, representing a YoY growth of 44.9%. We added 287 new customers and provided services to a total of 2,185 customers during the Reporting Period. In 2020, our team contributed to the successful launch of a number of drugs and medical devices, including Ameile® (EGFR-TKI), Optune® (TTFields), Folotyn® (Pralatrexate), and ASCLEVIR® (NS5A).

Our total employees reached 6,032 as of December 31, 2020 from 5,312 as of June 30, 2020, and 4,959 as of December 31, 2019. Below is a breakdown of our employees by function and by region as of December 31, 2020:

	Number of employees				
Function	PRC	Asia Pacific (excluding PRC)	Americas	EMEA	Total
Project Operation	4,801	196	449	16	5,462
Marketing and business development	147	12	19	–	178
Management and administration	312	29	42	9	392
Total	5,260	237	510	25	6,032

As of December 31, 2020, we had 772 employees based overseas. During the Reporting Period, we spent further efforts to expand and enhance our overseas project management and clinical operation capability. We expanded our clinical operation and project management teams in the U.S., Europe, and Australia. We had also strategically and selectively expanded into certain new markets in South Asia, Latin America, and Africa regions. Managers for seven new countries were hired during the Reporting Period, and our overseas project management and clinical operation teams covered all major continents as of December 31, 2020.

We secured new bookings of more than RMB300 million for Multi-regional Clinical Trials ("**MRCT**"s) during the Reporting Period. As of December 31, 2020, we had a total of 115 clinical trials being conducted overseas, of which 95 were single region trials and 20 were MRCTs. The 20 ongoing MRCTs covered 13 therapeutical areas including but not limited to oncology, rare diseases and vaccines, and were being or planned to be conducted in 21 countries across North America, Asia Pacific, Europe and Latin America. We also led the first China-initiated phase III vaccine clinical study covering multiple continents.

During the Reporting Period, we completed a number of bolt-on acquisitions to further expand our services offerings. In January 2020, we acquired Shanghai Mosim Medical Technology Co., Ltd. (上海謀思醫藥科技有限公司, "**Mosim**") with an aim to provide more comprehensive early clinical development services to our clients. Frontage acquired U.S.-based Biotranex, LLC ("**Biotranex**") in March 2020 to further expand its Drug metabolism and Pharmacokinetics ("**DMPK**") capabilities into transporter analysis, and acquired Acme Bioscience, Inc. ("**ACME**") in July 2020 to enter into drug discovery and early development space.

During the Reporting Period, we set up a dedicated Real-world Study ("**RWS**") team offering real world retrospective and prospective studies, real world safety monitoring, pharmacoeconomics studies and real world patient management services in collaboration with our clinical operation, project management and site management teams. We entered into a collaboration agreement with *Hainan Boao Lecheng Pilot Zone of International Medical Tourism* (海南博鰲樂城國際醫療旅遊先行區) to jointly explore RWS opportunities. As of December 31, 2020, we had three ongoing real world studies. Our site management team revamped its patient call center with artificial intelligence technology in 2020, which significantly improved the efficiency of the call center and optimized the cost for patient follow-ups.

On the hospital and clinical site front, we initiated the Excellence for Clinical Trial Sites ("**E-Site**") Program in 2020. The E-Site Program aims to optimize clinical research resources, improve the infrastructure and technical expertise at hospitals and sites, and increase the efficiency of patient recruitment and follow-ups among collaborating hospitals and sites. The E-Site Program is also committed to identifying promising next generation of principal investigators in China and providing them with tailored training programs. The E-Site Program began with the first batch of five collaborating clinical trial sites and hospitals across China with 17 senior project management directors in charge.

We also made continuing investments on our infrastructure and operational efficiency in 2020. We integrated all our overseas major subsidiaries within our core database, and formulated our five-year plan covering data infrastructure upgrade, analytical and internal decision-making framework, and IT upgrade, integration and implementation during the Reporting Period.

COVID-19 IMPACT

During the Reporting Period, the PRC, Hong Kong and certain other regions and countries where we operate, including the U.S., Korea, Canada, Malaysia, Singapore, India, Pakistan, Australia, Switzerland and Romania, have been affected by the COVID-19 pandemic and, in response, have imposed widespread lockdowns, closure of work places and restrictions on mobility and travel to contain the spread of the virus. Due to the COVID-19 pandemic, certain of our ongoing biopharmaceutical research and development ("**R&D**") projects in China and overseas, including our clinical trial operations, site management and patient recruitment projects and laboratory services, have been adversely affected in a number of ways, including:

COVID-19 IMPACT (Continued)

- Hospitals and other clinical sites in both China and overseas have devoted significant medical resources to patients infected with COVID-19 pandemic, resulting in fewer medical staff and facility resources available for clinical trials and related functions and services;

- In both China and overseas, patient candidates have become less willing to participate in clinical trials out of concern about potential infection at clinical sites, which has presented challenges to patient recruitment;

- The COVID-19 pandemic had resulted in regulatory approval delays and increasing backlog of pending drug and medical device applications in China and overseas due to government-imposed lockdowns, workplace closures and travel restrictions;

- To a lesser extent, reduced transportations and disruption to manufacturing and logistics networks in China and overseas has affected our customers' as well as suppliers' abilities to manufacture drug candidates and other supplies necessary for our clinical trials and laboratory testing. As of December 31, 2020, most of our suppliers had resumed normal operations; and

- Moreover, as social and work gatherings were banned or restricted, mandatory quarantine requirements were imposed and public transportation was suspended in certain cities and countries where our offices and facilities are located, a portion of our employees have been working remotely and our operations in those regions have been interrupted to the extent onsite services of our employees were required.

In China, with the effective control of the COVID-19 pandemic, we had resumed normal operations for most of our business during the second half of 2020. Most hospitals and clinical sites resumed operations as well. We were able to initiate more clinical trials and recruit more patients compared with the first half of 2020. We also mobilized internal resources and leveraged our project execution capabilities in attempt to accelerate certain projects that were delayed earlier due to the pandemic and address the increasing demand of our customers. However, as of December 31, 2020, some of hospitals and clinical sites were still not operating at their full capacity; certain patient candidates still showed a lack of willingness to participate in clinical trials out of concerns about potential infection at hospitals or clinical sites. There were also intermittent upticks of new COVID-19 cases regionally at city or provincial level, which caused certain adverse impacts to projects with clinical sites in and patients recruited from these regions.

We actively engaged in discussions with our customers, research institutions, and scientists on clinical trial projects for COVID-19 therapies and vaccines. We took part in the clinical trials of potential COVID-19 therapies as early as February 2020. We were also the leading clinical CRO for the multi-center phase III clinical study of a Ad5-nCoV vaccine, the first China-initiated phase III vaccine clinical study covering multiple continents, including Asia, Europe, and Latin America. As of December 31, 2020, we had multiple COVID-19 related clinical trial projects at hand, many of which are multi-regional clinical trials. We also highly value the corporate social responsibility when conducting COVID-19 related clinical trials.

Nevertheless during the Reporting Period, COVID-19 did not have a significant adverse impact on the overall operation, financial condition and cash flows of our Group as a whole. For further analysis of the impact of the COVID-19 on the operation, financial condition and cash flows of the Group, please refer to other relevant subsections in "*Management Discussion and Analysis*".

THE MANAGEMENT DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD

Revenue

During the Reporting Period, our revenue increased by 13.9% YoY from RMB2,803.3 million to RMB3,192.3 million. Revenue generated from clinical trial solutions reached RMB1,519.2 million, representing a YoY growth of 12.8%. Revenue generated from clinical-related and laboratory services reached RMB1,673.1 million, representing a YoY growth of 14.9%. Geographically, revenue generated in the PRC increased by 19.2% YoY to RMB1,906.7 million while revenue generated overseas increased by 6.8% YoY to RMB1,285.6 million. Our revenue growth further recovered during the second half of 2020, primarily benefitting from the improvement of the COVID-19 pandemic situation in China.

RMB appreciated significantly against USD during the Reporting Period as compared with the exchange rate level in 2019. RMB appreciation had some negative impact to the growth of our overseas revenue that were mostly generated from USD denominated projects.

(1) Clinical Trial Solutions ("*CTS*")

Revenue generated from our clinical trial solutions during the Reporting Period increased by 12.8% YoY to RMB1,519.2 million. The increase was primarily due to the increased revenue from our clinical trial operation and other services under the CTS segment, including medical registration, medical translation, and pharmacovigilance etc.

Beijing Yaxincheng Medical InfoTech Co., Ltd. (北京雅信誠醫學信息科技有限公司, "**Yaxincheng**"), which was acquired by us in July 2019, and Mosim, which was acquired by us in January 2020, also contributed to the increase of the CTS revenue. During the first half of 2020, we successfully completed the upward re-negotiation of the prices for certain projects with performance obligations beyond the original scope and substantially satisfied in 2019. This allowed us to recognize additional revenue. Such re-negotiation is done on a case-by-case basis.

The amount of pass-through fees in relation to our clinical trial operation business further decreased YoY during the Reporting Period. Direct project-related costs for clinical trials previously paid by us on behalf of our customers were increasingly borne by our customers directly. Generally, when we make such payments on behalf of our customers, we will book revenue and the corresponding costs simultaneously. This decrease of pass-through fees could have certain negative impact on the revenue growth but improves our profitability of the CTS segment.

As of December 31, 2020, we had 389 ongoing drug clinical research projects, up from 287 as of December 31, 2019. 274 projects were being conducted in the PRC and 115 overseas, of which 95 were single region trials and 20 were MRCTs. We also had 185 ongoing medical device clinical research projects and 144 ongoing bioequivalence projects as of December 31, 2020. During the Reporting Period, we expanded our medical device clinical research services into in vitro diagnostic Device ("**IVD**") development services and risk-based monitoring services. Our medical registration team won over 100 new projects with strong demand in our investigation new drug ("**IND**") and New Drug Application ("**NDA**") registration services. Our Pharmacovigilance team won more than 20 new clients with over 100 new projects. Our medical translation team further expanded its capacity to more than 300 people. We acquired Mosim in January 2020 with an aim to provide more comprehensive early clinical development services to our customers.

THE MANAGEMENT DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD (Continued)

Revenue (Continued)

(2) Clinical-related and Laboratory Services ("*CRLS*")

Revenue generated from our clinical-related and laboratory services during the Reporting Period increased by 14.9% YoY from RMB1,456.6 million in 2019 to RMB1,673.1 million. The increase was primarily due to the increase in demand of our laboratory services, site management and patient recruitment services, and Data Management and Statistical Analysis ("**DMSA**") services, primarily during the second half of 2020. Acquisitions made by Frontage also contributed to the increase of revenue of the CRLS segment.

Our site management and patient recruitment services were severely impacted by the COVID-19 pandemic during the first half of 2020. With the effective control of the pandemic in China, most hospitals and clinical sites gradually resumed normal operations during the second half of 2020, although some of them were still not operating at full capacity. We were also able to recruit more patients for clinical trials, yet some potential candidates still showed a lack of willingness to participate in clinical trials.

The COVID-19 pandemic also had adverse impact on our DMSA services as many clinical trials being conducted by our DMSA customers were delayed due to the pandemic and hence the collection of clinical data for relevant DMSA work had also been delayed.

During the first half of 2020, our laboratory services were severely impacted by the COVID-19 pandemic in North America where most revenue was generated. The situation started to improve since the beginning of the second half of 2020, and our laboratory services team were able to work on more projects and recover some progress delayed by the pandemic. During the fourth quarter of 2020, the pandemic situation in North America deteriorated again, which in turn adversely impacted our laboratory services.

We had 665 ongoing DMSA projects from over 110 customers as of December 31, 2020 with 440 projects being conducted by our team based in China and 225 projects being conducted overseas. China-based customers contributed over 20% of total DMSA revenue in 2020 as we increased our local business development efforts. Our DMSA team completed 105 projects in 2020, compared with 158 projects in 2019. The decrease in the number of completed projects in 2020 compared with that in 2019 is primarily due to the impact of COVID-19 pandemic. As of December 31, 2020, our DMSA team had more than 600 professionals in China, South Korea, the United States, and India.

As of December 31, 2020, we had 1,180 ongoing site management projects, up from 855 as of December 31, 2019. We acquired over 400 new site management projects during the Reporting Period. Our site management team completed 122 projects in 2020 as compared with 148 projects in 2019. The decrease in the number of completed projects in 2020 compared with that in 2019 is primarily due to the impact of COVID-19 pandemic.

THE MANAGEMENT DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD (Continued)

Revenue (Continued)

(2) Clinical-related and Laboratory Services ("CRLS") (Continued)

Meanwhile, we had 2,029 ongoing projects for our laboratory services as of December 31, 2020, up from 1,303 as of December 31, 2019. Frontage continued to expand its capacity and capability in laboratory services in both North America and China. In March 2020, it added more than 20,000 sq.m. lab space in Suzhou, China for potential expansion in DMPK and Safety and Toxicology business in China. It also acquired Biotranex in March 2020 with an aim to further expand its DMPK capabilities into transporter analysis, and ACME in July 2020 to entered into drug discovery and early development space. These acquisitions also contributed additional projects. In July 2020, Frontage upgraded its large molecule bioanalytical capability in China with ELISA, MSD, HTRF and other advanced equipment and its Shanghai and Suzhou bioanalytical labs passed the inspection from *National Center for Clinical Laboratories* (國家衛生健康委臨床檢驗中心) with full marks for three consecutive years in August 2020. Frontage also started to offer preclinical genotoxicity and related safety evaluation in the U.S., and gene sequencing services in its U.S. bioanalytical lab during the Reporting Period.

Gross Profit

During the Reporting Period, we realized a gross profit of RMB1,503.3 million (2019: RMB1,291.9 million), representing a 16.4% YoY growth. We improved our gross profit margin to 47.1% during the Reporting Period from 46.1% during the year of 2019.

Our cost of services increased by 11.7% from RMB1,511.4 million during the year of 2019 to RMB1,688.9 million during the Reporting Period. Below is a breakdown of our cost of services by nature and their percentage of our revenue:

	Year ended December 31,	
	2020	2019
	RMB million	RMB million
Direct labor costs	**960.9**	770.2
% of revenue	*30.1%*	*27.5%*
Direct project-related costs	**550.4**	513.3
% of revenue	*17.2%*	*18.3%*
Overhead costs	**177.6**	227.9
% of revenue	*5.6%*	*8.1%*
Total cost of services	**1,688.9**	1,511.4
% of revenue	*52.9%*	*53.9%*

THE MANAGEMENT DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD (Continued)

Gross Profit (Continued)

(1) Clinical Trial Solutions (Continued)

Gross profit of our CTS segment increased by 30.4% from RMB578.8 million during the year of 2019 to RMB754.7 million during the Reporting Period, primarily driven by an increase in the gross profit margin of our clinical trial operations business and gross profit contribution from Mosim and Yaxincheng.

Gross profit margin of CTS segment increased from 43.0% during the year of 2019 to 49.7% during the Reporting Period, primarily due to (i) our acquisition of equity interest in Mosim and Yaxincheng which had a faster revenue growth and higher gross profit margin in 2020 compared to our clinical trial operation services; (ii) other CTS services that were less impacted by the COVID-19 pandemic (e.g. medical registration and pharmacovigilance) realized a faster revenue growth and they had higher gross profit margins compared to our clinical trial operation services; (iii) the amount of pass-through fees in relation to our clinical trial operation business further decreased YoY during the Reporting Period; and (iv) an increase in gross profit margin of our clinical trial operations business, which was primarily because the performance obligations of certain projects were substantially satisfied on or before December 31, 2019 and beyond the original scope, but the transaction prices of these projects were re-negotiated upwards and finalized with relevant customers during the first half of 2020. As a result of the re-negotiation, we recognized additional revenue of these projects with relatively low costs incurred during the Reporting Period. Such re-negotiation is done on a case-by-case basis.

(2) Clinical-related and Laboratory Services

Gross profit of our CRLS segment increased by 5.0% from RMB713.1 million during the year of 2019 to RMB748.6 million during the Reporting Period.

Gross profit margin of our CRLS segment decreased from 49.0% during the year of 2019 to 44.7% during the Reporting Period, primarily due to the decrease in gross profit margin of our laboratory services and site management and patient recruitment services. There are fixed costs in relation to our laboratory service business associated with bench scientists, lab facilities and equipment, which negatively impacted the gross profit margin when the utility rate of our laboratories decreased due to the COVID-19 pandemic. Such fixed costs increased as we expanded the capacity and capability for our laboratory services during the Reporting Period. Our site management and patient recruitment team that operated with scale were unable to operate at a utilization rate comparable to that in 2019 because of the pandemic during the Reporting Period, therefore the profitability of our site management and patient recruitment services were also reduced. The gross profit margin of our DMSA services remained relatively stable during the Reporting Period compare to 2019.

THE MANAGEMENT DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD (Continued)

Other Income

Our other income during the Reporting Period increased by 126.4% to RMB145.1 million from RMB64.1 million during the Corresponding Period, primarily due to the increase of interest income from RMB26.8 million to RMB114.1 million. The increase of interest income primarily came from bank deposits of unused proceeds received from our Hong Kong IPO in August 2020. The government grants we received during the Reporting Period also increased from RMB18.8 million to RMB27.4 million. This was partially offset by the decrease of dividend income from financial assets at fair value through profit or loss ("**FVTPL**") from RMB17.6 million to RMB1.7 million.

Other Gains and Losses, Net

During the Reporting Period, we recorded other gains and losses (net) of RMB1,273.6 million, representing a 252.2% increase YoY from RMB361.6 million during the Corresponding Period, primarily due to the RMB1,137.9 million recorded change in fair value of financial assets at FVTPL during the Reporting Period, compared with RMB185.0 million recorded in 2019. The significant change in fair value of financial assets at FVTPL is primarily due to certain companies invested by us or investment funds of which we are a limited partner became publicly traded at a valuation that is higher than their previous fair values and their stock prices also increased during the Reporting Period. The gain on disposal of financial assets at FVTPL also increased from RMB76.1 million during the Corresponding Period to RMB117.9 million during the Reporting Period, as we exited some of our investments recorded as financial assets at FVTPL. The gain on disposal of associates increased from RMB20.9 million during the Corresponding Period to RMB158.9 million during the Reporting Period, primarily due to the recognition of a gain of RMB67.7 million on the fair value change of previously held interests in Mosim remeasured on the date when Mosim became a non-wholly owned subsidiary of our Group as we acquired additional equity interest in January 2020, and the gain of RMB89.7 million on the disposal of all equity interest of Hangzhou Yibai Health Management Co., Ltd. (杭州頤柏健康管理有限公司, "**Hangzhou Yibai**").

The increase of other gains and losses (net) was partially offset by (i) an RMB147.1 million net foreign exchange loss incurred during the Reporting Period compared with a RMB6.3 million net foreign exchange gain incurred in 2019. The net foreign exchange loss incurred in 2020 was primarily because the RMB appreciated against HKD during the time the proceeds in HKD received from our Hong Kong IPO in August 2020 was still in the process of foreign exchange registration with the State Administration of Foreign Exchange (國家外匯管理局); and (ii) the decrease of gain on disposal of subsidiaries to RMB6.7 million during the Reporting Period from RMB73.7 million in 2019, which was primarily due to our disposal of our interest in Shanghai Shengtong International Logistics Co., Ltd in March 2019.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 19.1% YoY from RMB81.1 million during the year ended December 31, 2019 to RMB96.6 million during the year ended December 31, 2020. The increase is primarily due to the increase of the compensation levels for our sales and marketing employees and the increased cost incurred by our sales and marketing activities as we continued to grow our business and promote our brand name.

THE MANAGEMENT DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD (Continued)

Administrative Expenses

Our administrative expenses increased by 14.3% YoY from RMB350.5 million during the year ended December 31, 2019 to RMB400.7 million during the year ended December 31, 2020. The increase is primarily due to (i) an increase in staff costs to our administrative and management personnel; (ii) increased costs associated with our new office in Hangzhou; (iii) an increase in amortization of intangible assets including business software and acquired customer relationship and backlog; and (iv) an increase of donation by us to help combat the COVID-19 pandemic.

R&D Expenses

Our R&D expenses increased by 26.3% YoY from RMB124.0 million during the year ended December 31, 2019 to RMB156.6 million during the year ended December 31, 2020. The increase is primarily due to an increase in the total number of employees engaged in R&D activities, as well as the increased compensation levels of such employees.

Finance Costs

Our finance costs increased by 20.4% from RMB42.2 million during the year ended December 31, 2019 to RMB50.8 million during the year ended December 31, 2020 due to the increase of interest on lease liabilities.

Income Tax Expense

Our income tax expense increased by 66.7% from RMB113.8 million during the year ended December 31, 2019 to RMB189.7 million during the year ended December 31, 2020, primarily due to the increase of our profit before tax. Our effective tax rate decreased from 10.5% during the year ended December 31, 2019 to 8.5% during the year ended December 31, 2020, primarily because (i) our increased change in certain other gain items such as changes in fair value of financial assets at FVTPL during the Reporting Period, which are partially taxable; and (ii) the increase in our R&D expenses, which entitled us to certain preferential tax treatment in the PRC.

Profit for the Year

As a result of the foregoing discussions, our profit increased by 108.3% from RMB974.9 million during the year ended December 31, 2019 to RMB2,030.6 million during the year ended December 31, 2020. Our net profit margin increased from 34.8% during the year ended December 31, 2019 to 63.6% during the year ended December 31, 2020.

THE MANAGEMENT DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD (Continued)

Non-International Financial Reporting Standards Measure

To supplement our financial information which are presented in accordance with IFRS, we use adjusted net profit attributable to owners of the Company as an additional financial measure, which is not required by, or presented in accordance with IFRS. We define adjusted net profit attributable to owners of the Company as profit for the year attributable to owners of the Company before certain expenses and amortization as set out in the table below. Adjusted net profit attributable to owners of the Company is not an alternative to (i) profit before tax, profit for the year or profit for the year attributable to owners of the Company (as determined in accordance with IFRS) as a measure of our operating performance; (ii) cash flows from operating, investing and financing activities as a measure of our ability to meet our cash needs; or (iii) any other measures of performance or liquidity.

We believe that this non-IFRS measure is useful for understanding and assessing underlying business performance and operating trends, and that the owners of the company and we may benefit from referring to this non-IFRS measure in assessing our financial performance by eliminating the impact of certain unusual, non-recurring, non-cash and/or non-operating items that we do not consider indicative of the performance of our business. However, the presentation of this non-IFRS measure is not intended to, and should not, be considered in isolation from or as a substitute for the financial information prepared and presented in accordance with the IFRS. The owners of the company and potential investors should not view the non-IFRS measures on a stand-alone basis or as a substitute for results under the IFRS, or as being comparable to results or a similarly titled financial measure reported or forecasted by other companies.

We define adjusted net profit attributable to owners of the Company as profit attributable to owners of the Company adjusted for (i) share-based compensation expense; (ii) net foreign exchange loss/(gain); (iii) amortization of intangible assets arising from acquisitions; (iv) listing expenses incurred by our Group; and (v) increase in fair value of financial assets at FVTPL. The following table sets out our adjusted net profit attributable to owners of the Company, and a reconciliation from profit attributable to owners of the Company to adjusted net profit attributable to owners of the Company for the periods indicated.

THE MANAGEMENT DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD (Continued)

Non-International Financial Reporting Standards Measure (Continued)

Adjusted net profit attributable to owners of the Company

	Year ended December 31, 2020 RMB million	2019 RMB million
Profit attributable to owners of the Company	**1,751.3**	841.2
Adjusted for:		
Share-based compensation expense	**35.8**	29.7
Net foreign exchange loss/(gain)	**146.2**	(6.2)
Amortization of intangible assets arising from acquisitions	**6.7**	0.6
Listing expenses incurred by our Group	**5.0**	5.8
Increase in fair value of financial assets at FVTPL	**(957.8)**	(150.1)
Adjusted net profit attributable to owners of the Company	**987.2**	721.0
Margin of adjusted net profit attributable to the owners of the Company[1]	**30.9%**	25.7%
Adjusted earnings per share		
– Basic[2]	**1.24**	0.97
– Diluted[3]	**1.23**	0.96

Notes:

(1) The margin of adjusted net profit attributable to the owners of the Company is calculated using the adjusted net profit attributable to owners of the Company divided by revenue and multiplied by 100%.

(2) The basic adjusted earnings per share is calculated using the adjusted net profit attributable to owners of the Company adjusted for the effect of cash dividend distributed to holders whose restricted shares are expected to be unlocked, divided by the weighted average number of ordinary shares for the purpose of calculated basic earnings per share.

(3) The diluted adjusted earnings per share is calculated using the adjusted net profit attributable to owners of the Company adjusted for the effect of share options issued by subsidiaries, divided by the weighted average number of ordinary shares for the purpose of calculated diluted earnings per share.

(4) Numbers may not add up due to rounding.

Non-IFRSs adjusted net profit attributable to owners of the Company

During the Reporting Period, our Non-IFRSs adjusted net profit attributable to owners of the Company was RMB987.2 million, representing a YoY increase of 36.9% from RMB721.0 million during the year ended December 31, 2019. Our margin of adjusted net profit attributable to the owners of the Company increased from 25.7% during the year ended December 31, 2019 to 30.9% during the Reporting Period.

THE MANAGEMENT DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD (Continued)

Cash Flows

	Year ended December 31,	
	2020	2019
	RMB in million	RMB in million
Net cash from operating activities	**892.4**	537.6
Net cash used in investing activities	**(2,231.3)**	(609.4)
Net cash from financing activities	**9,339.5**	1,352.8

During the year ended December 31, 2020, our net cash generated from operating activities was RMB892.4 million, representing a 66.0% increase from the year ended December 31, 2019. The increase was primarily due to the increase in revenue, cost control measures, and timely collection of receivables.

During the year ended December 31, 2020, our net cash used in investing activities was RMB2,231.3 million, representing a 266.1% increase from the year ended December 31, 2019. The increase was primarily due to (i) RMB193.5 million net cash used in acquisition of subsidiaries; (ii) RMB128.9 million cash used in placement of time deposit over three months; (iii) RMB148.5 million cash used in purchase of property, plant and equipment; and (iv) RMB2,804.6 million cash used in purchase of financial assets at FVTPL and FVOCI. This increase was partially offset by RMB1,001.8 million cash received from disposal of financial assets at FVTPL.

During the year ended December 31, 2020, our net cash generated from financing activities was RMB9,339.5 million, representing a 590.4% increase from the year ended December 31, 2019. The significant increase was primarily because we received net proceeds of RMB10,864.8 million from our Hong Kong IPO in August 2020, which was partially offset by RMB2,095.0 million repayments of bank borrowings.

The Group mainly uses Renminbi to hold cash and cash equivalents.

Liquidity and Capital Resources

The Group's principal sources of funds are cash generated from operation and Hong Kong IPO, and we expect to utilize that to satisfy our future funding needs.

Trade, Bills and Other Receivables and Prepayments

Our trade, bills and other receivables and prepayments increased by 30.2% from RMB490.4 million as of December 31, 2019 to RMB638.7 million as of December 31, 2020, primarily due to (i) an increase in trade receivables from third parties to approximately RMB490.9 million from RMB402.2 million; and (ii) a one-time consideration receivables of RMB69.6 million in relation to our disposal of certain investments.

Trade and Other Payables

Our trade and other payables increased by 23.6% from RMB428.5 million as of December 31, 2019 to RMB529.5 million as of December 31, 2020, primarily due to (i) an increase in trade payables from RMB75.2 million to RMB101.3 million; (ii) one-time consideration payables of RMB39.1 million in relation to the acquisition of additional interest in Yaxincheng and Frontage's acquisition of RMI Laboratories, LLC; and (iii) contingent consideration payables of RMB12.0 million, RMB2.1 million and RMB0.4 million due to the acquisition of ACME, BRI Biopharmaceutical Research Inc., and Biotranex respectively.

THE MANAGEMENT DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD (Continued)

Contract Assets and Liabilities

Our contract assets increased by 9.1% from RMB756.0 million as of December 31, 2019 to RMB824.7 million as of December 31, 2020 due to the increase in total amount of contracts with our customers where revenue has been recognized but we have not yet billed our customers upon the meeting the billing milestones as specified in our customer service agreements or work orders.

Our contract liabilities increased by 21.7% from RMB398.2 million as of December 31, 2019 to RMB484.6 million as of December 31, 2020, as we continued to grow our business and bookings and had received more advanced payments from our customers in relation to our service agreements or work orders with them.

Property, Plant and Equipment

Our property, plant and equipment increased by 30.6% from RMB306.7 million as of December 31, 2019 to RMB400.5 million as of December 31, 2020, primarily due to our procurement of experiment equipment and expansion in buildings and leasehold improvements for laboratory facilities and research capacity.

Goodwill

Our goodwill increased by 24.8% from RMB1,157.8 million as of December 31, 2019 to RMB1,444.5 million as of December 31, 2020, primarily due to our acquisitions of Mosim, Biotranex and ACME in 2020.

Intangible Assets

Our intangible assets increased by 58.4% from RMB78.8 million as of December 31, 2019 to RMB124.8 million as of December 31, 2020, primarily due to the procurement of essential software for our business activities and an increase of customer relationship, customer backlog and non-competition clause deemed as intangible assets acquired through acquisitions.

Right-of-use Assets

Our right-of-use assets increased by 72.0% from RMB193.4 million as of December 31, 2019 to RMB332.6 million as of December 31, 2020, primarily due to the entering into a long term rental contract by Frontage having come into effect during the Reporting Period, in relation to a U.S.-based laboratory facility.

THE MANAGEMENT DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD (Continued)

Financial Assets at FVTPL and Fair Value through Other Comprehensive Income ("FVOCI")

Our financial assets at FVTPL and FVOCI include listed equity securities, unlisted equity investments, unlisted fund investments and structured deposits. Our financial assets at FVTPL and FVOCI increased by 130.0% from RMB2,319.3 million as of December 31, 2019 to RMB5,333.5 million as of December 31, 2020. Such increase was primarily due to our continuous investment activities and the increase in fair value of our financial assets at FVTPL during the Reporting Period. The following table sets forth a breakdown of our financial assets at FVTPL and FVOCI as of the dates indicated:

	As of December 31, 2020 RMB'000	As of December 31, 2019 RMB'000
Non-current assets		
Financial assets at FVTPL		
– Listed equity securities	**482,002**	134,957
– Unlisted equity investments	**2,060,600**	1,040,304
– Unlisted fund investments	**2,749,700**	1,075,213
Financial assets at FVOCI		
– Unlisted equity investments	**15,158**	–
	5,307,460	2,250,474
Current assets		
Structured deposits	**26,000**	68,827
Total financial assets at FVTPL and FVOCI	**5,333,460**	2,319,301

Investments in companies and investment funds

During the Reporting Period, we continued to build and manage our investment portfolio through selective minority investments in the healthcare industry, funding innovative R&D efforts of emerging companies with a goal to forge long-term cooperative relationships and gain access to emerging business and innovative technologies. In addition to direct strategic investments in innovative start-ups, we also cooperate with investment funds to incubate promising biotech and medical device companies as a limited partner of such investment funds. We holistically manage our diversified investment portfolio with a view to drive mid- to long-term values rather than focusing on the performances of any individual investment asset for short-term financial returns. We continued to make investments in the healthcare industry in accordance with our industry strategy during the Reporting Period. We spent a portion of the proceeds received from our Hong Kong IPO in August 2020 to make investments as part of the intended use of proceeds.

As of December 31, 2020, we were a strategic investor in 84 innovative companies and other companies in the healthcare industry, as well as a limited partner in 48 investment funds. For details of the discloseable transaction in relation to the establishment of Suzhou Taifu Huaijin Venture Capital Partnership (Limited Partnership) (蘇州泰福懷謹創業投資合夥企業(有限合夥)) ("**Taifu Huaijin**"), please see the announcements of the Company dated October 20, 2020 and November 4, 2020. As of the date of this annual report, there has been no change in the capital contribution by the Group to Taifu Huaijin and equity investments made by Taifu Huaijin amount to approximately RMB39.6 million, focused on bio-pharmaceutical, biotechnology, medical health and related industries.

THE MANAGEMENT DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD (Continued)

Financial Assets at FVTPL and Fair Value through Other Comprehensive Income ("FVOCI") (Continued)

Investments in companies and investment funds (Continued)

During the Reporting Period, we realized a gain of RMB160.9 million from exiting our investments in companies and investment funds, as measured by the exit amount against our investment cost, up from RMB144.2 million during 2019.

Our investments in listed equity securities amounted to RMB482.0 million as of December 31, 2020, representing a 257.0% increase from RMB135.0 million as of December 31, 2019. The significant increase is primarily due to certain innovative companies we invested became publicly traded at a valuation that was higher than their previous fair values during the Reporting Period, namely I-MAB, Antengene Corporation Limited, and JHBP (CY) Holdings Limited.

Our unlisted equity investments amounted to RMB2,075.8 million as of December 31, 2020, representing a 99.5% increase from RMB1,040.3 million as of December 31, 2019. The increase is primarily due to the increase of the fair value of unlisted equity investments we held and more investments we made during the Reporting Period.

Our unlisted fund investments amounted to RMB2,749.7 million as of December 31, 2020, representing a 155.7% increase from RMB1,075.2 million as of December 31, 2019. The increase is primarily due to more investments we made into healthcare-focused funds and the increase of the fair value of unlisted fund investments we held during the Reporting Period. Certain companies invested by investment funds of which we are a limited partner became publicly traded and their stock prices increased during the Reporting Period.

The movements of our financial assets at FVTPL and FVOCI during the Reporting Period are set forth below:

	Unlisted equity investments RMB'000	Unlisted fund investments RMB'000	Listed equity securities RMB'000	Total RMB'000
Opening balance	1,040,304	1,075,213	134,957	2,250,474
Additions	928,585	1,147,472	151,926	2,227,983
(Transfer to listed companies)/transfer from non-listed companies	(157,465)	–	157,465	–
Fair value change during the Reporting Period	332,293	677,651	128,298	1,138,242
Disposals of shares	(55,843)	(125,905)	(60,897)	(242,645)
Exchange realignment	(12,116)	(24,731)	(29,747)	(66,594)
Ending Balance	2,075,758	2,749,700	482,002	5,307,460

THE MANAGEMENT DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD (Continued)

Indebtedness

Borrowings

The Group had no outstanding borrowings as of December 31, 2020, compared with an RMB901.4 million aggregated borrowings of our Group as at December 31, 2019. The Group repaid all outstanding borrowings after receiving proceeds from our Hong Kong IPO in August 2020 as part of the intended use of proceeds.

Lease Liabilities

The Group had outstanding aggregated unpaid contractual lease payments (for the remainder of relevant lease terms) of RMB331.3 million as of December 31, 2020, up 81.7% from RMB182.3 million as of December 31, 2019, primarily due to the entering into a long term rental contract by Frontage having come into effect during the Reporting Period, in relation to a U.S.-based laboratory facility. Of the aggregated lease liabilities as of December 31, 2020, RMB52.3 million are due within one year and RMB279.0 million would be due in more than one year.

Pledges over Assets of the Group

The Group had no pledges over assets of the Group as of December 31, 2020.

Contingent Liabilities

As of December 31, 2020, the Group had no contingent liabilities.

Capital Commitments

As at December 31, 2020, the Group had the total capital commitments entered but outstanding and not provided for in the financial statements amounting to approximately RMB1,291.1 million (December 31, 2019: approximately RMB386.2 million) and mainly included that not provided for the investments in the funds or companies was around RMB1,131.5 million (December 31, 2019: approximately RMB383.5 million).

Gearing Ratio

Gearing ratio is calculated using interest-bearing borrowings from banks and other entities divided by total equity and multiplied by 100%. As the Group had no outstanding borrowings as of December 31, 2020, our gearing ratio also decreased to nil from 16.3% as of December 31, 2019.

Significant Investments Held

As of December 31, 2020, the Group did not hold any significant investments and none of the above mentioned investments constituted a significant investment to our Group. As at the date of this annual report, the Group does not have any plan for material investments or purchase of capital assets.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the Reporting Period, the Group had not conducted any material acquisitions and disposals of subsidiaries, associates and joint ventures.

Treasury Policy

Currently, the Group follows a set of funding and treasury policies to manage its capital resources and prevent risks involved. The Group expects to fund its working capital and other capital requirements from various sources, including but not limited to cash flow generated from operations activities, and internal financing and external financing at reasonable market rates. Save for Frontage and DreamCIS Inc. ("**DreamCIS**") as they are publicly listed, the Group's treasury activities are centralized. The Group generally deals with financial institutions with good reputation.

THE MANAGEMENT DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD (Continued)

Core Competence Analysis

We believe that the following strengths have enabled us to differentiate from our competitors:

1. **China's leading clinical CRO with comprehensive services and an expanding global footprint**
   We are the leading clinical CRO in China. Having worked with over 80% of the approximately 500 Good Clinical Practice ("**GCP**") registered clinical trial institutions in China since our inception, we have developed one of the most extensive clinical site network in China. We also maintain one of the largest clinical CRO professional teams in China. Our industry expertise, extensive clinical trial institution network and strong professional team enable us to capture the growth opportunities in the fast-growing clinical CRO market in China and overseas. We offer comprehensive and integrated services and are also one of the first among all China-based clinical CROs to offer certain clinical-related services such as pharmacovigilance, medical imaging and Electronic Data Capture ("**EDC**") systems. With our comprehensive service offerings, we offer a convenient, integrated R&D service platform to improve our customers' R&D efficiency and are well positioned to capture more business opportunities along the biopharmaceutical R&D value chain. Among China-based clinical CROs, we have been a pioneer in global expansion and currently have presence in the Asia-Pacific region, North America and Europe. We have a team of over 700 professionals overseas to provide various clinical trial, clinical trial related and laboratory services, our operations cover all major continents. Combining our China expertise with overseas presence, we have been entrusted by both Chinese and foreign customers to work on an increasing number of cross-border projects.

2. **Industry-leading quality standards and project delivery capabilities**
   We earn our customers' trust by expediting their R&D projects without compromising high-quality standards. We have established a comprehensive project management framework with robust quality control standards. Our quality management system encompasses all stages throughout each project, from clinical design and project planning, quality control and quality assurance to remedial actions, ensuring high-quality service and on-time delivery. We implement comprehensive Standard Operational Practices ("**SOPs**") which are regularly updated by our quality assurance department to ensure compliance with applicable laws and regulations. We continuously review and improve the performance of our quality management system based on customer feedback and global best practices. Our commitment to high-quality and accelerated delivery has contributed to our track record of excellence. Our track record of accelerated project delivery also differentiates our services from those offered by our competitors. With our integrated service offerings, extensive network of clinical trial centers and strong professional team, we are able to quickly and effectively identify clinical sites, accelerate patient recruitment, and manage and execute complex projects within minimal lead time. We have helped our customers in the clinical development of various first-to-market drugs. Our track record has led to industry-wide recognition of the quality and speed of our services.

THE MANAGEMENT DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD (Continued)

Core Competence Analysis (Continued)

3. **Visionary and experienced management team supported by talented and dedicated employees**

   The biopharmaceutical R&D process is highly customized based on the project's drug profile, selection of patients and clinical trial centers and geographic location. Such uniqueness, coupled with the complexity of project management and quality control, requires a well-trained and talented team with significant industry know-how that cannot be easily replicated in a short period of time. Led by a visionary and experienced management team with extensive experience in the clinical CRO and biopharmaceutical industries, we have built a culture of excellence through which we attract and retain our talent to deliver high-quality services to our customers. Our co-founders, Dr. Ye Xiaoping and Ms. Cao Xiaochun, both widely recognized as pioneers of China's clinical CRO industry, bring a wealth of industry expertise and leadership to support our long-term growth. In addition, many of our members of management have previously worked at leading global and Chinese biopharmaceutical companies, and as such have first-hand knowledge of the challenges our customers may face in today's clinical development environment.

   Our talented and dedicated employees set us apart from our competitors. Their technical and therapeutic expertise, combined with extensive know-how accumulated in managing complex R&D projects, contribute to our long track record of high-quality and efficient project delivery. We focus on recruiting high-quality graduates from college and helping them grow within our organization. For example, to educate and train medical talent in China, we launched Tigermed Institute with 21 universities to provide college students with hands-on training in clinical trial operation and site management, which has allowed us to access a large, high-quality talent pool. We offer competitive compensation to our employees, including share incentive programs which covered all of our employees who had worked for us for at least three years. Together with our senior management, our talented and dedicated employees underpin our competitive strengths and contribute to our market leadership, which in return enhances our ability to attract and retain talents.

4. **Broad, high-quality and loyal customer base**

   We have a broad, high-quality and loyal customer base, including both leading multinational and Chinese biopharmaceutical companies, as well as small- and medium-sized biotechnology companies and medical device companies with projects sponsored spanning a broad range of therapeutic areas and stages of biopharmaceutical R&D. This growing and diversified customer base enables us to continuously develop our expertise across different areas and drive synergies among our comprehensive service offerings. We have helped our customers successfully secure approvals of a variety of milestone drugs in China. We achieved a 100% YoY customer retention rate for our top ten customers by revenue during the Reporting Period. We focus on growing with our customers to develop long-term relationships. We have provided services for over five years to many of our top customers across a variety of service offerings. Our long-standing customer relationships not only provide strong stability and visibility to our future revenues, but also allow us to invest more in optimizing our offerings to meet evolving customer needs.

THE MANAGEMENT DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD (Continued)

Core Competence Analysis (Continued)

5. **Strong track record of strategic acquisitions and investments driving long-term growth**
   Our strategic acquisitions and investments enable us to foster a flourishing ecosystem that contributes to our sustainable, long-term growth. Through strategic acquisitions, we have broadened and diversified our service offerings throughout the biopharmaceutical R&D process and expanded our geographical footprint. We have acquired and integrated DreamCIS, a leading Korea-based clinical CRO, which marked our first acquisition in a developed market and provided us with experience and know-how that are critical to address the needs of our customers expanding globally. We have also added capabilities in laboratory services through the acquisition of Frontage providing laboratory and bioequivalence study services in both China and the United States, and medical device clinical trials through acquiring Taizhou Tigermed-Jyton Medical Tech. Co. Ltd. (泰州泰格捷通醫藥科技有限公司). As a key industry stakeholder committed to innovation, we have also made minority investments in innovative biopharmaceutical and medical device start-ups. Our industry reputation, experience and expertise have allowed us to identify attractive early-stage investment opportunities and build a diversified investment portfolio. We have provided start-ups with funding support and, in some cases, offered integrated R&D solutions to their ongoing projects. Through our strategic investments, we aim to forge long-term cooperative relationships with these companies and promote innovation in China's and the global biopharmaceutical industry. In addition to opportunities for financial returns, we believe these investments give us access to emerging technologies, acquire potential customers and capture additional business opportunities as these start-ups grow and succeed.

Other Events

1. On February 27, 2020, the Company announced that it received the "Letter Regarding the Spin-off and Overseas Listing of Subsidiary by Hangzhou Tigermed Consulting Co., Ltd." from the CSRC, and the International Cooperation Division of CSRC had no objection to relevant matters regarding the spin-off and overseas listing by DreamCIS, its holding subsidiary. On March 26, 2020, DreamCIS received a notice from the Korean Exchange (the "**KRX**") that DreamCIS was granted the approval for listing from the KRX.

2. On March 16, 2020, the Company convened the thirty-second meeting of the third session of the Board and the eighteenth meeting of the third session of the supervisory committee to consider and approve the "Resolution on the Company's Issuance of H Shares and Listing on the Main Board of the Stock Exchange and Conversion into a Joint Stock Limited Company Offering Shares Overseas" and issuance plan of H Shares and other resolutions regarding Listing. On April 2, 2020, the Company convened the 2020 third extraordinary general meeting to consider and approve relevant resolutions regarding the Listing of H Shares.

THE MANAGEMENT DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD (Continued)

Other Events (Continued)

3. On April 3, 2020, the Company convened the thirty-third meeting of the third session of the Board and the nineteenth meeting of the third session of the supervisory committee to consider and approve the "Resolution in Relation to the Re-election of Members of the Board and the Nomination of Candidates for Directors of the Fourth Session of the Board of the Company" and "Resolution in Relation to the Re-election of Members of the Supervisory Committee and the Nomination of Candidates for Non-employee Representative Supervisors of the Fourth Session of the Supervisory Committee of the Company". On the same day, the Company convened the employee representative meeting to elect the employee representative supervisors of the fourth session of the supervisory committee of the Company. On April 22, 2020, the Company held the 2020 fourth extraordinary general meeting to elect members of the Board and non-employee representative supervisors of the fourth session of the Board and the supervisory committee of the Company by the way of accumulative voting. On April 28, 2020, the Company convened the first meeting of the fourth session of the Board and the supervisory committee to elect the chairman of the Board, chief supervisor and senior management of the Company.

4. On April 20, 2020, the Company received the "Acceptance Notice of the Application for Administrative Permission from the CSRC (《中國證監會行政許可申請受理單》)" issued by the CSRC on April 16, 2020, pursuant to which, the CSRC reviewed the application materials submitted by the Company for the administrative license of the issuance and listing of H Shares, and believed that such application materials were complete and in compliance with the prescribed form. Therefore, it decided to accept the application for such administrative license.

5. On April 23, 2020, the Company submitted the application for the issuance and listing of H Shares to the Stock Exchange, and published the application materials for such issuance and listing on the website of the Stock Exchange on the same date.

6. On May 20, 2020, DreamCIS, our controlled subsidiary, received a notice from the KRX that DreamCIS was granted the final approval for listing from the KRX. With the approval of the KRX, DreamCIS issued 1,354,786 new ordinary shares at the issue price of KRW14,900 per share, and the total number of shares after the issuance was 5,419,150 shares. Shares of DreamCIS were listed and commenced trading on the KOSDAQ Market of the KRX on May 22, 2020. The English stock name of DreamCIS is "DreamCIS", and the Korean name is "드림씨아이에스", with the stock code of "A223250".

7. On June 22, 2020, the Company received the "Reply on the Approval of the Issuance of Overseas-listed Foreign Shares by Hangzhou Tigermed Consulting Co., Ltd. (《關於核准杭州泰格醫藥科技股份有限公司發行境外上市外資股的批覆》)" issued by the CSRC, pursuant to which, the CSRC approved the Company to newly issue no more than 152,097,848 overseas-listed foreign shares with a nominal value of RMB1 each, all of which were ordinary shares. After the completion of the issuance, the H Shares of the Company can commence listing and trading on the Main Board of the Stock Exchange.

8. On July 2, 2020, Frontage Laboratories Inc., a subsidiary of Frontage, signed a share purchase agreement to purchase 100% equity interests in ACME and its subsidiaries. This acquisition aims to enhance Frontage's capabilities in organic synthesis, medicinal chemistry and process R&D, which will make Frontage grow in drug discovery, early drug development and other ancillary services.

THE MANAGEMENT DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD (Continued)

Other Events (Continued)

9. On July 16, 2020, the Listing Committee of the Stock Exchange held a listing hearing, at which the Company's application for stock issuance and listing was considered. For details, see the Company's announcement on Juchao website (www.cninfo.com.cn) on July 17, 2020. On July 19, 2020, the Company published its post hearing pack on the website of the Stock Exchange.

10. On July 22, 2020, the Company convened the third meeting of the fourth session of the Board, being a post-hearing Board meeting for the listing of H Shares on the Stock Exchange, at which the "Resolution on the Confirmation of the Global Offering of H Shares (including the Hong Kong Public Offering and the International Offering) and the Listing on the Stock Exchange" and the "Resolution on the Revision of the Corporate Governance System of Hangzhou Tigermed Consulting Co., Ltd. Applicable after the Listing of H Shares" were considered and approved.

11. On July 28, 2020, the Company published and distributed the prospectus of the listing of H Shares in Hong Kong. The public offering of overseas listed H Shares in Hong Kong commenced on July 28, 2020. On August 3, 2020, the final price of the H Shares was determined at HK$100.00 per share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%). On August 6, 2020, the Company announced the allotment results of H Shares, for which the total number of H Shares of the Company under the Global Offering was 107,065,100 Shares (before the exercise of the Over-allotment Option), of which 23,019,000 H Shares was under the Hong Kong Public Offering, representing approximately 21.5% of the total number under the Global Offering (before the exercise of the Over-allotment Option) and 84,046,100 H Shares was under the International Offering, representing approximately 78.5% of the total number under the Global Offering (before the exercise of the Over-allotment Option).

12. On August 7, 2020, 107,065,100 H Shares issued by the Company (before the exercise of the Over-allotment Option) were listed and traded on the Main board of the Stock Exchange. The stock short name of the Company's H Shares is "泰格醫藥" in Chinese and "Tigermed" in English, with the stock code "3347".

13. On August 28, 2020, the Company convened the fifth meeting of the fourth session of the Board to consider and approve the "Resolution in Relation to Change of the Registered Address", pursuant to which, the change of the registered corporate address was approved. To meet the business development needs, the Company's registered address was changed to: Room 2001-2010, 20/F, Block 8, No. 19 Jugong Road, Xixing Sub-District, Binjiang District, Hangzhou, Zhejiang Province. The proposal has been deliberated and approved by the fifth extraordinary general meeting of shareholders in 2020, the first A shares class meeting in 2020 and the first H Shares class meeting in 2020.

14. On August 28, 2020, the Company convened the fifth meeting of the fourth session of the Board to consider and approve the "Resolution in Relation to Appointment of the Deputy General Manager". To meet the development needs of the Company and improve the corporate governance structure, under nomination by Ms. Cao Xiaochun, our general manager, and approval from the nomination committee of the Board, the Board approved to appoint Mr. Wang Ruwei as the deputy general manager for a term from the date of consideration and approval by the Board to the date of expiration of the fourth session of the Board.

THE MANAGEMENT DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD (Continued)

Other Events (Continued)

15. On August 29, 2020, the Company fully exercised the over-allotment option described in the prospectus of the listing of H Shares and issued an additional 16,059,700 the listing of H Shares, which were listed and commenced trading on the Main board of the Stock Exchange at 9:00 a.m. on September 2, 2020.

16. On October 1, 2020, Mr. Gao Yifeng, the chief financial officer of Frontage, resigned due to other professional endeavors, and Mr. Wang Jianmin was appointed as the chief financial officer of Frontage.

17. On November 25, 2020, Deloitte resigned as the auditor of Frontage as Frontage and Deloitte could not reach a consensus on the audit fee, and the Board of Frontage appointed BDO Limited as its auditor on the recommendation of the Audit and Risk Management Committee. BDO Limited also belongs to the BDO International Network to which the Company's auditors belong. Deloitte confirmed in their letter of resignation to Frontage that there are no matters in connection with its resignation that needs to be brought to the attention to the shareholders of Frontage.

Industry and Business Outlook

Industry and Business Outlook

Since founded in 2004, the Group has established a comprehensive suite of biopharmaceutical R&D service offerings with robust quality management, scientific expertise and extensive regulatory knowledge to help our customers develop drugs and medical devices efficiently and expeditiously in an increasingly complex industry and regulatory environment. Benefitting from the transformative regulatory reforms and the rapid industry development over recent years and relying on our proven track record, we were able to rapidly grow our business to become the largest clinical CRO in China with extensive clinical site network and one of the largest clinical CRO professional teams in China. We participated in over 600 clinical trials and are honored to have supported the R&D process of over 40% of all Class I innovative drugs (innovative drugs that have not been marketed in China or overseas) approved in China since 2017.

Increasing R&D expenditure and R&D complexity, cost saving and risk management initiatives and emerging biotech companies are expected to drive the global clinical CRO industry to continue its growth. In particular, the clinical CRO industry in China is expected to outgrow the rest of the world driven by multiple factors including increasing investments in innovative drugs, more stringent regulatory regime, demand for diversified and integrated clinical CRO services and increasing cross-border opportunities. The clinical CRO industry, whilst growing, is expected to remain competitive and continue to evolve.

Biopharmaceutical and medical device companies are increasingly developing their products in a globalized setting and hence require clinical CROs to help them manage their overseas clinical trials and/or MRCTs and navigate through different regulatory requirements across countries. More advanced technology is expected to be adopted by clinical CROs to help their customers address complex and innovative challenges with an aim to develop innovative and effective therapies, and the level of digitalization and utilization of vast data resources of clinical CROs is also expected to increase.

THE MANAGEMENT DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD (Continued)

Industry and Business Outlook (Continued)

Industry and Business Outlook (Continued)

While we believe we will be able to distinguish ourselves and maintain the competitiveness of our services in the CRO market through, among other things, our market position in China's clinical CRO market with comprehensive services, we need to prepare ourselves to a more evolving industry both in China and globally. Looking ahead, we plan to further strengthen and diversify our service offerings to gain more market share within the clinical CRO market while preparing us to capture new business opportunities. We will continue to enhance our scientific and technical expertise to better serve our customers in their increasingly complex R&D projects. For example, we plan to strengthen our expertise in advanced drug targets and therapeutic areas such as gene and cell therapies. We also plan to further invest in our quality assurance system, project management and delivery capabilities and regulatory know-how. Through organic expansion and strategic acquisitions, we also plan to explore new services and technologies such as real-world evaluation and risk-based monitoring, as well as advanced data analytics. In addition, we will further explore opportunities relating to clinical research hospitals in China to provide more clinical development and site resources to our customers.

China is becoming an integral part of the global healthcare market and we have witnessed more Chinese biopharmaceutical companies launching global R&D projects and more foreign biopharmaceutical companies conducting projects in China. For example, since China became a member of the ICH in 2017, more than 30 Chinese companies had obtained IND approvals from the FDA to conduct clinical trials in the United States and three Chinese companies had applied for the FDA approval to commercialize their drugs in the United States, as of December 31, 2020. In view of this trend, we aim to leverage our overseas presence to assist our Chinese customers with their global trials and explore business opportunities with global biopharmaceutical companies conducting projects, including MRCTs, both in China and overseas. We plan to further expand our global presence, particularly in the United States and Western Europe, through both organic growth and strategic acquisitions and investments. We also plan to further invest in other geographic locations that are critical to addressing the varying needs of both multinational and Chinese customers. We will continue to enhance our global execution capabilities, through improving our integrated operating standards, global project coordination and customer management, overseas business development and marketing, and cross-border regulatory affairs and compliance frameworks. We intend to develop a robust talent management and training system dedicated to serving cross-border and multi-regional R&D projects.

Technology plays a more vital role in biopharmaceutical R&D by enhancing quality and improving efficiency with more integrated and advanced solutions. We will continue to invest in emerging technologies that we think could improve our efficiency and enhance our technical capabilities and service offerings. We will also invest in our fundamental technology and data infrastructure to better support such future technology advancement and operational needs. In addition, we aim to explore potential cross-industry collaborations with business partners to synergize our know-how and develop more innovative solutions for our customers.

THE MANAGEMENT DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD (Continued)

Industry and Business Outlook (Continued)

Industry and Business Outlook (Continued)

We cannot grow without our customers. We will continue to deepen our relationships with existing customers by expanding our service offerings through cross-selling and diversified collaborations across various development stages and therapeutic areas. Moreover, we will continue to invest in and incubate promising early-stage biotech and medical device companies to drive their growth, which in turn will provide us with access to potential customers and business opportunities. We also aim to further grow our customer base and attract new customers with innovative and differentiated product pipelines and recurring business needs for multiple R&D projects and diversified services. To achieve these goals, we will continue to invest in our business development and marketing efforts and enhance the customer reach and expertise of our business development team and equip them with more technical and service resources to better attract and serve new customers across different services and markets.

Our talents are most crucial to our ability to provide consistent high-quality services to customers. We seek to attract top talent, especially those with global experience and technical expertise to support our global expansion. We will continue to improve our employee recruiting, training and development programs.

Potential Risks

1. **Risk of COVID-19 outbreak, and other emergencies or force majeure events**

   Our business operations and financial performance have been adversely affected by the COVID-19 outbreak, and may continue to be affected by the COVID-19 outbreak in the future. Furthermore, we may in the future experience additional disruptions that could materially and adversely impact our projects, business, financial condition and results of operations. To the extent the COVID-19 outbreak adversely affects our business and operations, it may also have the effect of heightening certain other risks, such as those relating to our ability to attract and retain customers, our ability collect payments from our existing and future customers, our ability to recruit healthy volunteers and patients for our clinical trials and our ability to conduct R&D projects with high quality and timely delivery. The extent to which the COVID-19 outbreak may impact our business will depend on future developments, which are uncertain and unpredictable at the moment. In addition, any future occurrence of force majeure events, natural disasters or outbreaks of other epidemics and contagious diseases, may materially and adversely affect our business, financial condition and results of operations.

2. **Risk of reduction in demand for biopharmaceutical R&D services**

   The success of our business depends primarily on the number and size of service contracts with our customers, who are mostly biopharmaceutical and medical device companies. Over the past several years, we have benefited from increasing demand for our services from our customers because of the continued growth of the global pharmaceutical market, increasing R&D budgets of our customers, and a greater degree of outsourcing by our customers. Any slowing or reversal of any of these trends could have a material and adverse effect on the demand for our services. Furthermore, if investments in pharmaceutical industries were to decrease, the demand for outsourced biopharmaceutical R&D services from companies in such industries may also decrease. If our customers reduce their spending on our services, our business, financial condition, results of operations and prospects could also be materially and adversely affected.

THE MANAGEMENT DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD (Continued)

Potential Risks (Continued)

3. **Risk of increasing competition**

   The global pharmaceutical CRO market is increasingly competitive. We face competition in several areas, including price, quality of services, breadth and flexibility of services, capacity, timeliness of delivery of services, compliance with regulatory standards and customer relationships. We compete with multinational CROs and domestic, small to medium-sized CROs. In addition, we compete with the in-house development teams of our customers. If we are not able to compete effectively with existing competitors or new, our business, financial condition and results of operations could be adversely affected. Furthermore, increased competition could create pricing pressure on our services, which could reduce our revenue and profitability.

4. **Risk of failure in business expansion and strategy execution**

   We expect to continue growing our business in the future and hence will continue to diversify our service offerings and enhance our global presence. As such, we will need to continuously enhance and upgrade our services and technology, optimize our branding, sales and marketing efforts, and expand, train and manage our employees. All these efforts will require significant managerial, financial and human resources. If we are not able to manage our growth or execute our strategies effectively, our expansion may not be successful and our business, financial condition and results of operations may be materially and adversely affected.

5. **Risk of failure in complying with existing or future changes in laws, regulations or industry standards and adverse actions taken against us**

   Government agencies and industry regulatory bodies around the world impose strict rules, regulations or industry standards on how customers develop, test, study and manufacture drugs, medical devices, and biologics and how CROs and other third parties acting on customers' behalf perform such regulated services. Given the wide range of services we perform for our customers and our diverse geographic coverage, we are subject to and must comply with various applicable legal and regulatory requirements. Whilst we have attached great importance to comply with laws, regulations and industry standards during our operations and will continue to invest in our quality management system and compliance procedures, our business, financial condition and results of operations will be materially and adversely affected if we fail to comply with any laws, regulations or industry standards in geographies where we operate. Further, regulatory authorities may from time to time change their legal and regulatory requirements. Therefore, if our existing quality management system and compliance procedures are not adequate for new legal and regulatory requirements, we may need to incur additional compliance costs and become exposed to negative findings of relevant governmental authorities, which may cause material and adverse impact to our business, financial condition and results of operations. In addition, if there are any action taken against us for violating the relevant laws, regulations or industry standards, even if successfully defended or settled, could cause us to incur significant expenses, divert management's attention from the operation of our business and adversely affect our reputation, business, financial condition and results of operations.

THE MANAGEMENT DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD (Continued)

Potential Risks (Continued)

6. **Risk of failure in obtaining or renew certain regulatory approvals, licenses, permits and certificates required for our business**

   We are required to obtain and maintain numerous approvals, licenses, assurances, accreditations, permits, registrations, and certificates from relevant authorities to operate our business. If we or our business partners fail to obtain approvals, registrations, licenses, assurances, accreditations, permits and certificates necessary for our operations or to comply with the terms, conditions, and requirements thereunder, enforcement actions may be taken against us, including suspension or termination of licenses, approvals, assurances, accreditations, permits, registrations, and certificates, orders issued by the relevant regulatory authorities causing operations to cease, fines and other penalties, and may include corrective measures requiring capital expenditure or remedial actions. If such enforcement action is taken, our business operations could be materially and adversely disrupted. In addition, some of these approvals, licenses, assurances, accreditations, permits, registrations, and certificates are subject to periodic renewal by the relevant authorities, and the standards of such renewals may change from time to time. If we fail to obtain the necessary renewals and otherwise maintain all approvals, licenses, registrations, assurances, accreditations, permits and certificates necessary to carry out our business at any time, our business could be severely disrupted or discontinued, which could have a material adverse effect on our business, financial condition and results of operations. Furthermore, the interpretation or implementation of existing laws and regulations may change and new regulations may come into effect requiring us to obtain any additional approvals, permits, licenses, registrations, assurances, accreditations or certificates that were previously not required to operate our existing businesses, facilities or any planned future business or facilities. Failure to obtain the additional approvals, permits, licenses or certificates may restrict our ability to conduct our business, which, in turn, could have a material adverse effect on our business, financial condition and results of operations.

7. **Risk of failure in meeting customers' expectations**

   If our customers determine that their expenditures on our services do not generate the expected results, they may allocate a portion or all of their budgets to our competitors, and reduce or terminate their business with us. We may not be able to replace customers which decrease or cease their purchase of our services with new customers that spend at similar levels or more on our services. As a result, we may suffer from a loss of customers and may fail to attract new customers, and our ability to maintain and/or grow our revenues could be materially and adversely affected.

8. **Risk of losing key customers and contracts**

   If our key customers significantly reduce their spending on our services, or terminate their business relationship with us, our business, financial condition, and results of operations could be materially and adversely affected. In addition, if multiple of our contracts or a large contract are terminated, delayed, or altered in the normal course of business, our business, financial condition, and results of operations could be adversely affected.

9. **Risk of acquisitions and investments**

   We have historically grown our business in part through a number of acquisitions and investments and expect to continue to make selective acquisitions and investments in the future. If we fail to identify suitable acquisitions or investments targets, or made acquisitions or investments that are not successful, we may fail to realize our anticipated returns from such transactions. Our business, financial condition and results of operations could also be adversely affected.

THE MANAGEMENT DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD (Continued)

Potential Risks (Continued)

10. **Risk of failing to attract, train, motivate and retain talents**

    Along with our continued expansion, we have established an experienced talent pool with strong project management and R&D capabilities. Skilled and talented personnel help us keep pace with the latest developments in R&D technologies and methodologies in the pharmaceutical and medical device industries, and are therefore critical to our success. Our business operations also rely on personnel possessing highly technical skills for our project management, quality control, compliance, safety and health, information technology and marketing. In order to develop and retain our talent, we provide continuous training programs to our employees through various symposiums, forums and lectures. We also offer employee share incentive programs to our key employees and thus provide them with an opportunity to share in the growth of our business. We intend to continue to attract and retain skilled personnel. However, as there is a limited supply of qualified personnel with the necessary experience and expertise, and such talent is highly sought after by pharmaceutical companies, medical device companies, CROs and research institutions, we have to provide competitive compensation and benefits packages to attract and retain talent. We may not always be able to hire and retain the requisite number of qualified personnel to keep pace with our anticipated growth while maintaining consistent service quality. Our expenses to recruit and retain talent are expected to continue to increase along with the growth of the CRO market in China and around the world. If there is a significant increase, our business, financial condition and results of operations may be adversely affected. In addition, we may not always be successful in training our professionals to quickly adapt to technological advances, evolving standards and changing customer needs, and the quality of our services may therefore be severely affected. If there is any failure to attract, train or retain skilled personnel, our reputation, business, financial condition, results of operations and prospects could be materially and adversely affected.

11. **Risk of failing to retain, attract and recruit management and key technical and scientific personnel**

    Our Directors and our senior management have been instrumental in achieving our historic growth and are crucial to our success. If we lose the services of any of our Directors or our senior management, we may not be able to replace them with suitable and qualified candidates and may incur additional expense to recruit and train new personnel, which could disrupt our business and growth. Furthermore, as we expect to continue to expand our operations and develop new services and products, we will need to continue attracting and retaining experienced management and key technical and scientific personnel. Competition for these talents is intense, and the availability of suitable and qualified candidates is limited. We may be unable to attract or retain such personnel required to achieve our business objectives and failure or delay in doing so could materially and adversely impact our competitiveness, business, financial condition and results of operation.

THE MANAGEMENT DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD (Continued)

Potential Risks (Continued)

12. Risk of related to our financial assets at FVTPL

The fair value of our financial assets at FVTPL, including listed equity securities, unlisted equity investments, unlisted fund investments and structured deposits, are subject to changes beyond our control. In the years ended December 31, 2019 and December 31, 2020, we recorded positive changes in fair value of financial assets at FVTPL in the amount of RMB185.0 million and RMB1,137.9 million, respectively. There is no guarantee that the changes in fair value of our financial assets at FVTPL will continue to be positive, and our financial results may be materially affected by fluctuations in the changes in fair value of financial assets at FVTPL. In the years ended December 31, 2019 and December 31, 2020, we recorded gains on disposal of financial assets at FVTPL of RMB76.1 million and RMB117.9 million, respectively. There is also no guarantee that we will continue to make gains on disposal of financial assets at FVTPL in the future, and our financial results may be materially affected.

13. Foreign exchange risk

Most of our sales and the costs thereof are denominated in same currencies. However, certain entities within the Group do have sales, costs, capital expenditures, cash and cash equivalents and borrowings in foreign currencies, which exposes the Group to foreign currency risks. In addition, certain entities within the Group also have receivables and payables which are denominated in currencies different from their functional currencies. The Group is mainly exposed to the foreign currency of USD. If RMB appreciates significantly against USD, our revenue growth could be negatively impacted, and our margins might also be pressured. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

RMB appreciated significantly against HKD during the Reporting Period, and we incurred an RMB147.1 million net foreign exchange loss compared with an RMB6.3 million net exchange gain incurred in 2019. The net foreign exchange loss incurred in 2020 was mostly because the RMB appreciated sharply against HKD during the time the proceeds in HKD received from our Hong Kong IPO in August 2020 was still in the process of foreign exchange registration with the State Administration of Foreign Exchange (國家外匯管理局).

14. Risk of change of international policy and situations

Our overseas expansion, our financial condition and results of operations could be adversely affected by circumstances including but not limited to material change of laws, regulations, industrial policies or political and economic environment of any foreign nations or regions where we carry out business operation, or any unforeseeable and unpredictable factors such as international tension, war, trade sanction, or other force majeure events. Specifically, international market conditions and the international regulatory environment have historically been affected by competition among countries and geopolitical frictions. Changes to trade policies, treaties and tariffs, or the perception that these changes could occur, could adversely affect the financial and economic conditions in the jurisdictions in which we operate, as well as our overseas expansion, our financial condition and results of operations.

THE MANAGEMENT DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD (Continued)

Relationship with Employees

As of December 31, 2020, we had a total of 6,032 employees. We enter into individual employment contracts with our employees covering matters such as wages, bonuses, employee benefits, workplace safety, confidentiality obligations, non-competition and grounds for termination. These employment contracts typically have terms of three years. We also provide competitive salaries, bonus, A Share scheme and other means to attract, motivate, retain and reward our employees. Our A Share incentive scheme covered all of our employees who had worked for us for at least three years. In addition, we invest in continuing education and training programs, including internal and external training, for our management staff and other employees to upgrade their skills and knowledge.

We regularly review our capabilities and adjust our workforce to ensure we have the right mix of expertise to meet the demand for our services. In China, we have established a labor union that represents employees with respect to the promulgation of bylaws and internal protocols.

Relationship with Customers and Suppliers

We provided services to over 2,000 customers in 2020 as we continued to deepen our partnerships with existing customers and attract new customers. Our talents are most crucial to our ability to provide consistent high-quality services to customers and which enable us to enjoy a high level of customer loyalty and have developed long-term relationships with many of our customers. We procure a variety of consumables and equipment, mainly for our clinical trial solutions and clinical related and laboratory services. Such supplies are generally available from various suppliers in quantities adequate to meet our needs. Our suppliers are primarily located in China or the United States, including those with local offices and operations in China. We have established stable relationships with many of our key suppliers.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Below are the brief profiles of the current Directors, Supervisors and senior management of the Group.

Directors

The Board currently comprises 6 Directors, of which three (3) are executive Directors and three (3) are independent non-executive Directors. The following table sets forth information in respect of our Directors:

Name	Position	Age	Date of Appointment as Director
Dr. Ye Xiaoping (葉小平)	Chairman of the Board Executive Director	58	September 18, 2010
Ms. Cao Xiaochun (曹曉春)	Executive Director	52	September 18, 2010
Ms. Yin Zhuan	Executive Director	56	September 18, 2010
Mr. Zheng Bijun (鄭碧筠)	Independent non-Executive Director	52	August 23, 2017
Dr. Yang Bo (楊波)	Independent non-Executive Director	50	April 22, 2020
Mr. Liu Kai Yu Kenneth (廖啟宇)	Independent non-Executive Director	52	April 22, 2020

Supervisors

Our Supervisory Committee consists of three Supervisors. The following table sets forth information in respect of our Supervisors:

Name	Position	Age	Date of Appointment as Director
Mr. Zhang Binghui (張炳輝)	Chairman of the Supervisory Committee	58	April 22, 2020
Ms. Chen Zhimin (陳智敏)	Supervisor	61	April 22, 2020
Mr. Wu Baolin (吳寶林)	Employee Supervisor	33	April 03, 2020

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Executive Directors

Dr. Ye Xiaoping (葉小平), aged 58, is the chairman of the Board, an executive Director and co-founder of our Company. Dr. Ye was appointed as the chairman of the Board and a Director since the incorporation of our Company in September 2010 and designated as an executive Director in April 2020. From September 2010 to April 2019, Dr. Ye served as the general manager of our Company. From March 2005 to September 2010, Dr. Ye served successively as manager, director and general manager at Hangzhou Tigermed Limited, the predecessor of our Company. Dr. Ye is primarily responsible for the overall strategic planning of our Group and supervising and overseeing the management of our business. Dr. Ye is the chairman of the Strategy Development Committee of our Company. Dr. Ye possesses extensive experience in biopharmaceutical R&D and strategic planning. Dr. Ye received his doctorate in immunology degree from University of Oxford in April 2001.

Ms. Cao Xiaochun (曹曉春), aged 52, is our executive Director, co-founder and general manager. Ms. Cao was appointed as a deputy general manager in September 2010 and was later appointed as the general manager in April 2019. She was designated as an executive Director in April 2020. From November 2010 to May 2019, Ms. Cao served as secretary to the Board of our Company. Ms. Cao served as executive director and director successively from January 2005 to September 2010 of Hangzhou Tigermed Limited, the predecessor of our Company. Ms. Cao is primarily responsible for overseeing our Group's operations and management. Ms. Cao is a member of the Remuneration and Evaluation Committee of our Company. Ms. Cao possesses extensive experience in biopharmaceutical R&D and business operations and management.

Ms. Cao received her bachelor's degree in traditional Chinese medicine and pharmacy from Zhejiang Chinese Medical University (浙江中醫藥大學) in July 1992, graduate certificate in medicine from Zhejiang University (浙江大學) in June 2003 and graduate certificate in business administration from Renmin University of China (中國人民大學) in June 2007. Ms. Cao was admitted as a licensed pharmacist in the PRC by the Office of Personnel of Zhejiang Province (浙江省人事廳) in October 2001 and a senior engineer in the PRC by the Office of Personnel of Zhejiang Province (浙江省人事廳) in December 2002.

Ms. Yin Zhuan, aged 56, is our executive Director and deputy general manager. Ms. Yin was appointed as our Director and deputy general manager in September 2010 and designated as an executive Director in April 2020. Ms. Yin is primarily responsible for overseeing our data management and statistical analysis businesses. Ms. Yin is a member of the Nomination Committee of our Company.

Ms. Yin has years of experience in the field of biostatistics and has extensive management experience. She also has considerable experience regarding the review of new drugs, particularly cancer-related drugs. Prior to joining our Group, Ms. Yin served at AstraZeneca LP as a biostatistician, senior biostatistician and associate director of biostatistician from 1995 to 2003. Ms. Yin founded and served as the chairman or executive director of MacroStat from October 2005 to November 2009.

Ms. Yin received her bachelor's degree in law from Fudan University (復旦大學) in July 1988 and obtained her master's degree of science from University of Massachusetts in September 1993.

Independent non-executive Directors

Mr. Zheng Bijun (鄭碧筠), aged 52, is our independent non-executive Director. Mr. Zheng joined our Company and was appointed as an independent non-executive Director in June 2017. Mr. Zheng is primarily responsible for providing independent opinion and judgment to the Board, thereby protecting the overall interest of our Company. Mr. Zheng is the chairman of the Remuneration and Evaluation Committee, member of the Audit Committee and member of the Strategy Development Committee of our Company. Mr. Zheng has been practicing as a lawyer in the PRC for 13 years and has served as a partner of DeHeng Law Offices (北京德恒律師事務所) since October 2007. Mr. Zheng obtained his graduation certificate in finance from Lanzhou University of Finance and Economics (蘭州財經大學), formerly known as Lanzhou Business School (蘭州商學院) in June 1992 and obtained an executive master of business administration degree from Tsinghua University (清華大學) in January 2018. Mr. Zheng obtained his qualification as a financial economist in November 1998 issued by the Human Resources Department of the PRC (中華人民共和國人事部).

Dr. Yang Bo (楊波), aged 50, is our independent non-executive Director. Dr. Yang joined our Company in March 2014 and served as an independent non-executive Director from March 2014 to May 2015. Dr. Yang was appointed as an independent non-executive Director in April 2020. Dr. Yang is primarily responsible for providing independent opinion and judgment to the Board, thereby protecting the overall interest of our Company. Dr. Yang is the chairman of the Nomination Committee, member of the Audit Committee and member of the Strategy Development Committee of our Company. Dr. Yang has developed her entire professional career at Zhejiang University. Since October 2003, Dr. Yang has served at the Department of Pharmacology, College of Pharmaceutical Sciences of Zhejiang University (浙江大學藥學院), mainly focusing on drug resistance mechanism research and development of new anti-tumor drugs while teaching undergraduate and graduate courses. Dr. Yang currently serves as the dean of the Sci-Tech Academy of Zhejiang University (浙江大學科學技術研究院). From August 1998 to October 2000, Dr. Yang served at the College of Pharmaceutical Sciences of Zhejiang University (浙江大學藥學院) as an associate professor and lecturer, focusing on research and development of new anti-tumor drugs and reproductive health drugs while teaching undergraduate and graduate courses.

Dr. Yang received her bachelor's degree in science in July 1993 and her master's degree in medicine in July 1995 from the College of Pharmaceutical Studies of Zhejiang University (浙江大學藥學院). She received her doctorate in pharmacology degree from the Shanghai Institute of Materia Medica, Chinese Academy of Sciences (中國科學院上海藥物研究所) in July 1998.

Dr. Yang has authored many publications in scientific journals with a focus on anti-cancer and anti-tumor studies. Dr. Yang is currently a vice chairman of the Professional Committee of Zhejiang Pharmacological Society (浙江省藥學會藥理專業委員會), the vice chairman of the Anti-Cancer Drugs Professional Committee of China Anti-Cancer Association (中國抗癌協會抗癌藥物專業委員會) and deputy chairman of the Pharmaceutical Education Professional Committee of the Chinese Pharmaceutical Association (中國藥學會藥學教育專業委員會).

Mr. Liu Kai Yu Kenneth (廖啟宇), aged 52, is our independent non-executive Director. Mr. Liu joined our Company and was appointed as an independent non-executive Director in April 2020. Mr. Liu is primarily responsible for providing independent opinion and judgment to the Board, thereby protecting the overall interest of our Company. Mr. Liu is the chairman of the Audit Committee, member of the Remuneration and Evaluation Committee and member of the Nomination Committee of our Company. Mr. Liu served at Hong Kong Exchanges and Clearing Limited (Hong Kong Stock Exchange stock code: 388) from June 2004 to October 2016, with his last position as assistant vice president in IPO Transactions, Listing & Regulatory Affairs Division. Prior to that, he served at VC CEF Capital Limited (now known as VC Capital Limited) from September 2000 to May 2003, with his last position as an assistant manager in the corporate finance department. He also worked as an audit officer in the internal audit department of Kowloon-Canton Railway Corporation from January 2000 to September 2000, an assistant manager of the audit and control division of the Hong Kong branch of Banque Nationale de Paris from August 1996 to September 1997, an accountant at Ernst & Young from August 1994 to May 1996, and a junior accountant in the audit department of Kwan Wong Tan & Fong (merged with Deloitte Touche Tohmatsu in 1997) from May 1994 to August 1994. Mr. Liu has also been serving as an independent non-executive director of Sisram Medical Ltd (a company listed on the Hong Kong Stock Exchange with stock code: 1696) since August 2017; and an independent non-executive director of Tianli Education International Holdings Limited (a company listed on the Hong Kong Stock Exchange with stock code: 1773) since June 2018, and an independent non-executive director of Fourace Industries Group Holdings Limited (a company listed on the Hong Kong Stock Exchange with stock code: 1455) since August 2020.

Mr. Liu obtained his bachelor's degree in mechanical engineering from the Imperial College of Science, Technology and Medicine of the University of London in August 1991 and a master of business administration degree in international banking and finance from the University of Birmingham in December 1998. Mr. Liu has been a member of the Hong Kong Institute of Certified Public Accountants since July 1999 and a fellow of the Association of Chartered Certified Accountants since April 2004.

Supervisors

Mr. Zhang Binghui (張炳輝), aged 58, is the Chairman of our Supervisory Committee. Mr. Zhang was appointed as a shareholder Supervisor in April 2020. Mr. Zhang served as an independent director at Hangzhou Tigermed Limited, the predecessor of our Company and our Company, from September 2010 to June 2017. Mr. Zhang is primarily responsible for supervision of the finances of our Group and supervision over the directors and senior management.

He was an independent director of Zhongjiao Tongli Construction Co., Ltd. (中交通力建設股份有限公司) from May 2015 to June 2020 and is an independent director of the GI Technologies Group Co. Ltd. (吉艾科技集團股份公司) from October 2016 to the present; was an independent director of Beijing Srt Education & Technology Co., Ltd. (北京尚睿通教育科技股份有限公司) from December 2017 to December 2020; is an independent director of Chengdu Kanghua Biological Products Co., Ltd. (成都康華生物製品股份有限公司) from July 2018 to the present; is an independent director of Suzhou Zelgen Biopharmaceuticals Co., Ltd. (蘇州澤璟生物製藥股份有限公司) from February 2019 to the present; is an independent director of Jiangsu Asieris Pharmaceuticals Co., Ltd. (江蘇亞虹醫藥股份有限公司) from December 2020 to the present.

Mr. Zhang was a certified public accountant in Ruihua Certified Public Accountants LLP (瑞華會計師事務所) (formerly known as Crowe CPA Limited (國富浩華會計師事務所). Mr. Zhang received his graduation certificate in economics from the Correspondence Institute of the Party School of the Central Communist Party (中央黨校函授學院) in December 1993. Mr. Zhang was admitted as a licensed senior accountant by the Shandong Human Resources Department (山東省人事廳) in December 1998. Mr. Zhang has received certificate of membership as a non-practicing member by the Chinese Institute of Certified Public Accountants (中國注冊會計師協會) in May 2013.

Ms. Chen Zhimin (陳智敏), aged 61, is a Supervisor. Ms. Chen was appointed as a shareholder Supervisor in April 2020. Ms. Chen joined our Company and was appointed as an independent non-executive director in December 2015. Ms. Chen is primarily responsible for supervision of the finances of our Group and supervision over the directors and senior management.

She has served as a senior consultant of Zhejiang Tianjin Engineering Investment and Consulting Co., Ltd. (浙江天健東方工程投資諮詢有限公司), a member of the regular board of directors of Institute of Certified Public Accountants of Zhejiang Province and a vice president of Zhejiang Engineering Cost Association (浙江省建設工程造價管理協會).

She was the Chief Officer of Zhejiang Zhejing Asset Appraisal Institution from May 1996 to January 2000, the chairman and general manager of Zhejiang Zhejing Asset Assessment Co., Ltd (浙江浙經資產評估有限公司) from January 2000 to February 2009, the general manager of Zhejiang Tianjin Engineering Investment and Consulting Co., Ltd. from February 2009 to April 2015, an independent director of Zhejiang Jolly Pharmaceutical Co., Ltd. (浙江佐力藥業股份有限公司) from May 2015 to March 2020, a senior consultant of Zhejiang Tianjin Engineering Investment and Consulting Co., Ltd. from May 2015 to May 2018; and currently is external director of Zhejiang Finance and Capital Investment Co., Ltd.(浙江財通資本投資有限公司), supervisor of Hangzhou Tigermed Consulting Co., Ltd., independent director of Zhejiang Canaan Technology Limited (浙江迦南科技股份有限公司), Zhejiang Weixing Industrial Development Co., Ltd. (浙江偉星實業發展股份有限公司), Hangzhou Honghua Digital Technology Stock Co.,Ltd. (杭州宏華數碼科技股份有限公司), Tongkun Group Co., Ltd. (桐昆集團股份有限公司) and Hang Zhou Great Star Industrial Co., Ltd. (杭州巨星科技股份有限公司). She was a member of the 9th, 10th and 11th CPPCC of Zhejiang Province, the 11th and 12th Citizen Building Committee of Hangzhou Province (杭州市民建委員).

Mr. Wu Baolin (吳寶林), aged 33, is an employee Supervisor and an associate medical director of our Company. Mr. Wu joined our Company in June 2011 and was appointed as an employee Supervisor in April 2020. Mr. Wu is primarily responsible for supervision of the finances of our Group and supervision over the directors and senior management. Mr. Wu developed his career in our Company. He joined our Company in June 2011 and served as a clinical research assistant from June 2011 to July 2012. From July 2012 to July 2013 and from July 2013 to January 2016, he served as our clinical researcher and our senior clinical researcher respectively. He subsequently served as a medical supervisor from January 2016 to January 2017 and as a medical manager of our Company from January 2017 to January 2018. From January 2018 to January 2019, he served as a senior medical manager of our Company, responsible for clinical trial work for drugs. Mr. Wu received his double bachelor's degree in pharmaceutical preparation and administrative management from Zhejiang University of Technology in June 2011.

Senior Management

Ms. Cao Xiaochun (曹曉春), aged 52, is our executive Director, co-founder and general manager. For the biography of Ms. Cao, please refer to "- Directors – Executive Directors" of this section.

Ms. Yin Zhuan, aged 56, is our executive Director and deputy general manager. For the biography of Ms. Yin, please refer to "- Directors – Executive Directors" of this section.

Mr. Gao Jun (高峻), aged 46, is our deputy general manager, secretary to the Board and chief financial officer. Mr. Gao was appointed as a deputy general manager and chief financial officer when he joined our Company in November 2016 and later appointed as the secretary to the Board in April 2019. Mr. Gao is primarily responsible for our overall financial management, disclosure control and investor relations.

Prior to joining us, Mr. Gao served at the business assurance and advisory section of PricewaterhouseCoopers Business Consulting (Shanghai) Co., Limited, at Hong Kong Shanghai Alliance Holdings Limited (a company listed on the Hong Kong Stock Exchange with stock code: 1001), formerly known as Van Shun Chong Holdings Limited, at City North Infrastructure Pty Ltd., at Rio Tinto Group (a company listed on the London Stock Exchange, Australian Securities Exchange and New York Stock Exchange with stock symbol: RIO) and at Felix Resources Ltd. Mr. Gao also served as a chief financial officer and secretary to the board of directors of McWong Environmental Technology Corporation Limited (麥王環境技術股份有限公司). From April 2016 to October 2016, Mr. Gao served at Shanghai Xiaoi Robot Technology Corporation Limited (上海智臻智能網絡科技股份有限公司) as the chief financial officer and secretary to the board of directors.

Mr. Gao graduated from Shanghai University of Finance and Economics (上海財經大學) with a bachelor's degree in international accounting in July 1997. Mr. Gao was admitted as a Certified Public Accountant in China by the Chinese Institute of Certified Public Accountants (中國注冊會計師協會). He has been an internationally accredited Certified Internal Auditor since November 2007 admitted by the Institute of Internal Auditors, an Associate of the Chartered Institute of Management Accountants (United Kingdom) since March 2012, and a Fellow of the Association of Chartered Certified Accountants (United Kingdom) since April 2009.

Mr. Wang Ruwei (王如偉), aged 54, is our vice general manager. He joined the Company in July 2020 and is a Chinese national. He graduated from Medical Science Department of Zhejiang Medical University with a Bachelor degree. He received a Master of Business Administration and a doctorate in medicine of the Shimane University of Japan, and is a licensed pharmacist, a professor of high-caliber engineers. He was previously the vice president of the People's Hospital in Lishui of Zhejiang, the director of the 7th and the 9th session of board of directors, vice president, chief executive officer, vice chairman of the board of directors of Zhejiang Conba Pharmaceutical Co., Ltd. He was a director, vice chairman and the president of Genor Biopharma. He currently is a member of Chinese Pharmacopoeia Commission, part-time professor and a doctoral supervisor of Zhejiang Chinese Medical University. He has been an independent director of Sichuan Huiyu Pharmaceutical Co., Ltd. (四川匯宇製藥股份有限公司), since June 2020.

The Board of the Company is pleased to present this corporate governance report in this annual report (the "**Corporate Governance Report**").

CORPORATE GOVERNANCE PRACTICES

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of our shareholders as a whole. The Company has adopted corporate governance practices based on the principles and code provisions as set out in the CG Code as contained in Appendix 14 to the Listing Rules as its own code of corporate governance practices.

The Board is of the view that throughout the period from the Listing Date to December 31, 2020, the Company has complied with all the code provisions as set out in the CG Code. The Board will continue to review and monitor its code of corporate governance practices of the Company with an aim to maintaining a high standard of corporate governance.

DIRECTORS' SECURITIES TRANSACTIONS

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

Ms. Cao Xiaochun, an executive Director and general manager of the Company, has overlooked Rule A.3(a)(i) of the Model Code and pledged an aggregate of 750,000 listed A shares of the Company on March 4, 2021 in favour of Huatai Securities Co., Ltd. (華泰證券股份有限公司) ("Huatai") as security for a loan extended by Huatai to her to facilitate her personal financial arrangements. The pledge was within the prohibition period (January 28, 2021 to March 29, 2021) and Ms. Cao Xiaochun had forgotten to first notify in writing the Company's chairman or a designated Director and had not obtained a written acknowledgment as set out in Rule B.8 of the Model Code.

Ms. Cao Xiaochun overlooked the dealing prohibition by applying the A Share interpretation which prohibits trading of shares but does not further prohibit the pledging of shares and does not require any advanced written notification or acknowledgment. Upon notifying the Company of the pledge, she was made aware by the Company of her non-compliance with the Model Code and immediately acknowledged her breaches of the Model Code. She undertook that she will review the relevant rules under the Model Code again, attend a training session and comply with the required standards as set out in the Model Code in the future. Save as disclosed above, she does not have any record in breach of Model Code since she became a Director of the Company.

The Company has maintained an effective system in monitoring the dealings by Directors (including a notification mechanism) to ensure compliance with the Model Code. In particular, the Company has notified all Directors the prohibition period before the commencement of such prohibition period. The Board is of the view that the guidelines and procedures for the director's dealings of shares in the Company are adequate and effective.

DIRECTORS' SECURITIES TRANSACTIONS (Continued)

Nevertheless, the Company acknowledges that it is crucial for Directors to take the personal initiative to ask for approval from the Company in order for the Company to properly keep track of Directors' dealings. In order to avoid similar incidents in the future, the Company reminded all the Directors at the Directors' meeting of the Company on March 9, 2021 the importance of complying with the Model Code in their dealings of the Company's shares and in submission of notifications. The Company has recirculated the Model Code to all Directors, supervisors and relevant employees of the Company. A training seminar regarding the knowledge of Model Code has been held and provided to Directors on April 13, 2021. The Company will also emphasize and remind the Directors to avoid similar incidents in the prohibition period in the future. The Company also provides briefings to update and refresh the Directors' knowledge and skills in performing their duties as director of a Hong Kong listed company, including to update the Directors on the latest developments regarding the Model Code, to ensure compliance and enhance their awareness of good corporate government practices.

The Company had also made specific enquiry of all Directors in relation to the compliance of the Model Code. Save for the above, the Company was not aware of any non-compliance with the Model Code for the year ended December 31, 2020 and up to the date of this annual report.

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

During the period from the Listing Date to December 31, 2020, the Board comprised 6 Directors, consisting of 3 executive Directors and 3 independent non-executive Directors as follows:

Executive Directors
Dr. Ye Xiaoping *(Chairman)*
Ms. Cao Xiaochun
Ms. Yin Zhuan

Independent Non-executive Directors
Mr. Zheng Bijun
Dr. Yang Bo
Mr. Liu Kai Yu Kenneth

The biographical information of the Directors are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" of this annual report and the relationships between the Directors are disclosed in the respective Director's biography.

Except for the relationships between the Directors set forth in the respective Director's biography under the section headed "Profiles of Directors, Supervisors and Senior Management", the Directors do not have financial, business, family or other material/relevant relationships with one another.

BOARD OF DIRECTORS (Continued)

Chairman and Chief Executive Officer

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual.

The Chairman and General Manager of the Company are held by Dr. Ye Xiaoping and Ms. Cao Xiaochun respectively, thus we have complied with Code provision A.2.1. The division of responsibilities between the Chairman and the General Manager has been clearly established.

Independent Non-executive Directors

During the period from the Listing Date to December 31, 2020, the Board at all times fulfilled the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors representing one-third of the board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Appointment and Re-election of Directors

The non-executive Directors (including independent non-executive Directors) of the Company are appointed for a specific term of three years and are eligible for re-election upon expiry of their term of office in accordance with the Articles of Association of the Company.

A director's term of service commences from the date he takes office, until the current term of service of the board of directors ends. Without violation of relevant laws and regulations and the regulatory rules of the place where the shares of the Company are listed, any director appointed to fill a casual vacancy or as an addition to the board of directors shall hold office only until the next annual general meeting of the Company and shall be eligible for re-election at the meeting. Any director appointed to fill a casual vacancy shall accept shareholders' election at the first general meeting after acceptance of the appointment.

Responsibilities of the Directors

The Board should assume responsibility for leadership and control of the Company and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

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.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

BOARD OF DIRECTORS (Continued)

Responsibilities of the Directors (Continued)

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses, for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended December 31, 2020, all Directors attended training sessions on the respective obligations of the Directors and senior management. In addition, relevant reading materials including legal and regulatory update have been provided to the Directors for their reference and studying.

BOARD OF DIRECTORS (Continued)

Continuous Professional Development of Directors (Continued)

The record of continuous professional development relating to director's duties and regulatory and business development that have been received by the Directors for the year ended December 31, 2020 is summarized as follows:

Directors	Type of Training[Note]
Executive Directors	
Dr. Ye Xiaoping	A/B
Ms. Cao Xiaochun	A/B
Ms. Yin Zhuan	A/B
Independent Non-Executive Directors	
Mr. Zheng Bijun	A/B
Dr. Yang Bo	A/B
Mr. Liu Kai Yu Kenneth	A/B

Note:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

Board Diversity Policy

The Board has adopted a board diversity policy (the "**Board Diversity Policy**") in order to enhance the effectiveness of our Board and to maintain high standard of corporate governance. The Board Diversity Policy sets out the criteria in selecting candidates to our Board, including but not limited to gender, age, cultural and educational background and professional experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board.

Our Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of business management, medical clinical research, scientific research, biostatistics, financial management and accounting. They obtained degrees in various areas including medicine, immunology, biostatistics, pharmacy, science, pharmacology, mechanical engineering, business administration, law, international banking and finance. The Board Diversity Policy is well implemented as evidenced by the fact that there are three female and three male Directors with experience from different industries and sectors. The Directors are of the view that our Board satisfies the Board Diversity Policy.

The Nomination Committee is responsible for reviewing the diversity of the Board. Since the Listing of the H shares of the Company, the Nomination Committee will monitor and evaluate the implementation of the Board Diversity Policy from time to time to ensure its continued effectiveness.

BOARD OF DIRECTORS (Continued)

Nomination Policy

The primary duties of the Nomination Committee are to make recommendation to the Board regarding the appointment of Company's directors and management personnel and make recommendations for selection criteria and procedures.

The Company has adopted Nomination Policy which sets out the objectives, selection criteria and nomination procedures for identifying and recommending candidates for appointment or reappointment of Directors.

During the period from the Listing Date to December 31, 2020, there was no change in the composition of the Board.

BOARD COMMITTEES

The Board has established 4 committees, namely, the Audit Committee, the Remuneration and Evaluation Committee, the Nomination Committee and the Strategy Development Committee, for overseeing particular aspects of the Company's affairs.

All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Mr. Liu Kai Yu Kenneth, Mr. Zheng Bijun and Dr. Yang Bo. Mr. Liu Kai Yu Kenneth is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code and in compliance with the relevant laws and regulations of the PRC.

The main duties of the Audit Committee include but are not limited to:

- handling relationship with the external auditor of the Company;
- reviewing the financial information of the Company;
- monitoring the financial reporting system, risk management and internal control system of the Company;
- reviewing of the effectiveness of internal audit function;
- reviewing and monitoring corporate governance functions; and
- other matters as authorized by the Board.

The Audit Committee held 1 meeting during the period from the Listing Date to December 31, 2020 to review the interim financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the Group's risk management and internal control systems and internal audit function.

The attendance records of the Audit Committee are set out under "Attendance Record of Directors and Committee Members".

BOARD COMMITTEES (Continued)

Remuneration and Evaluation Committee

The Remuneration and Evaluation Committee consists of two Independent Non-executive Directors, namely Mr. Zheng Bijun and Mr. Liu Kai Yu Kenneth, and one Executive Director, namely Ms. Cao Xiaochun. Mr. Zheng Bijun is the chairman of the Remuneration and Evaluation Committee.

The terms of reference of the Remuneration and Evaluation Committee are of no less exacting terms than those set out in the CG Code and in compliance with the relevant laws and regulations of the PRC.

The main duties of the Remuneration and Evaluation Committee include but are not limited to:

- establish remuneration plans or proposals according to the primary scopes, responsibilities, importance and remuneration level of relevant positions of other relevant enterprises of management positions of directors and members of senior management; to make recommendations to the board of directors on overall performance evaluation and remuneration management system and structure for the directors and members of senior management of the Company and establishment of formal and transparent procedures for the formulation of the remuneration policies;

- review and approve the management's proposal on remuneration based on the corporate goals and objectives set by the board of directors;

- propose remuneration plans or proposals include but not limited to performance evaluation criteria, procedures and key evaluation system, and major incentive and penalty plans and systems;

- determine, with delegated responsibility from the board of directors, the remuneration packages of individual executive directors and members of senior management, or to make recommendations to the board of directors on the remuneration packages of individual executive directors and members of senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

- make recommendations to the board of directors on the remuneration of non-executive directors;

- consider salaries paid by peer companies, time commitment and responsibilities and the employment conditions of other positions within the Group;

- review and approve compensation payable related to executive directors and members of senior management for his/her loss or termination of office or appointment to ensure that the compensation shall be consistent with contractual terms or, in case the compensation is not consistent with contractual terms, is fair and reasonable and not excessive;

- review and approve the compensation arrangements in connection with any dismissal or removal for misconduct to directors, to ensure the arrangements shall be consistent with contractual terms or, in case the compensation is not consistent with contractual terms, is fair and reasonable;

- ensure that no director or any of his/her associate is involved in deciding his/her own remuneration;

- examine the performance of the directors (non-independent directors) and members of senior management of the Company, and make annual performance evaluation;

BOARD COMMITTEES (Continued)

Remuneration and Evaluation Committee (Continued)

- supervise the implementation of the Company's remuneration system; and
- any other matters authorized by the Board of Directors.

The Remuneration and Evaluation Committee held 1 meeting during the period from the Listing Date to December 31, 2020 to review and make recommendation to the Board on the remuneration policy and structure of the Company and the remuneration packages of the Directors and senior management and other related matters.

The attendance records of the Remuneration and Evaluation Committee are set out under "Attendance Record of Directors and Committee Members".

Details of the remuneration of the senior management by band for the year ended December 31, 2020 are set out below:

Remuneration band (RMB)	Number of person(s)
Nil to 1,000,000	3
1,000,001 to 3,000,000	1
3,000,001 to 5,000,000	–

Nomination Committee

The Nomination Committee consists of two Independent Non-executive Directors, namely Dr. Yang Bo and Mr. Liu Kai Yu Kenneth, and one Executive Director, namely Ms. Yin Zhuan. Dr. Yang Bo is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code and in compliance with the relevant laws and regulations of the PRC.

The main duties of the Nomination Committee include but are not limited to:

- Reviewing the structure, number and composition (including skills, knowledge and experience) of the board of directors annually and providing recommendations to the board of directors on the scale and composition of the board of directors on the basis of the Company's operations, scale of assets and shareholding structure; in considering the composition of the board of directors, the Nomination Committee should ensure a balanced composition of executive and non-executive directors (including independent directors) of the board of directors and consider diversity of the board of directors from a number of aspects, including but not limited to gender, age, cultural and educational background and professional experience of the directors; develop and review the policy concerning diversity of the board of directors;
- review and making recommendations to the board of directors for selection criteria and procedures for directors and management personnel;
- conduct extensive searches to locate qualified candidates for Directors and management personnel;

BOARD COMMITTEES (Continued)

Nomination Committee (Continued)

- examine the candidates of directors (including independent directors) and management personnel and make recommendations;
- examine the candidates for other senior management members that are required to be recommended to the board of directors for appointment and make recommendations;
- make recommendations to the board of directors on the appointment or re-appointment of directors and the succession plan for directors (especially Chairman) and General Manager;
- review the independence of independent directors; and
- other matters authorized by the board of directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience etc. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence, time commitment and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the period from the Listing Date to December 31, 2020, the Nomination Committee held 1 meeting to review the structure, size and composition of the Board and the independence of the independent non-executive Directors. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained and has not set any measurable objective implementing the Board Diversity Policy.

The attendance records of the Nomination Committee are set out under "Attendance Record of Directors and Committee Members".

Strategy Development Committee

The Strategy Development Committee consists of 3 members including one Executive Directors, namely Dr. Ye Xiaoping and two independent non-executive Directors, namely Dr. Yang Bo and Mr. Zheng Bijun. Dr. Ye Xiaoping is the chairman of the Strategy Development Committee.

The terms of reference of the Strategy Development Committee are in compliance with the relevant laws and regulations of the PRC.

BOARD COMMITTEES (Continued)

Strategy Development Committee (Continued)

The main duties of the Strategy Development Committee include but are not limited to:

- conduct research and make recommendations on the Company's long-term development plans, business goals and development strategies;
- consider and make recommendations on the Company's business strategies, including but not limited to product strategy, market strategy, marketing strategy, research and development strategy and human resources strategy;
- consider and make recommendations on the significant strategic investments and financing schemes of the Company;
- deliberate and make recommendations on major capital operations and asset management projects of the Company;
- consider and make recommendations on other major matters affecting the Company's development;
- follow up and monitor the implementation of the aforesaid matters; and
- Make recommendations on other matters authorized by the board of directors of the Company.

During the period from the Listing Date to December 31, 2020, the Strategy Development Committee held 1 meeting to review the annual financial budget and the current business development and investment projects of the Company.

The attendance records of the Strategy Development Committee are set out under "Attendance Records of Directors and Committee Members".

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

During the period from the Listing Date to December 31, 2020, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director during their tenure of office at the Board and Board Committee meetings and the general meetings of the Company held during the year ended December 31, 2020 is set out in the table below:

	Attendance/Number of Meetings						
Name of Director	Board	Audit Committee	Remuneration and Evaluation Committee	Nomination Committee	Strategy Development Committee	Annual General Meeting	Other General Meetings and A Share Class Meeting and H Share Class meeting
Dr. Ye Xiaoping	14/14	NA	NA	NA	1/1	1/1	6/6
Ms. Cao Xiaochun	14/14	NA	1/1	NA	NA	1/1	6/6
Ms. Yin Zhuan	14/14	NA	NA	1/1	NA	1/1	6/6
Mr. Zheng Bijun	14/14	1/1	1/1	NA	1/1	0/1	0/6
Dr. Yang Bo	9/9	1/1	NA	1/1	1/1	0/1	0/6
Mr. Liu Kai Yu Kenneth	9/9	1/1	1/1	1/1	NA	0/1	0/6

Apart from regular Board meetings, the Chairman also held meetings with the independent non-executive Directors without the presence of other Directors during the year.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Company recognizes that risk management is critical to the success of our business. We believe that key operational risks faced by us include changes in the general market conditions and the regulatory environment of the global CRO market, our ability to offer quality services, our ability to manage our anticipated growth and to execute our growth strategies, our ability to compete in the industry and comply with regulations and industry standards. We are also exposed to credit, liquidity, interest rate and currency risks that arise in the normal course of our business. In order to meet these challenges, our Audit Committee, which consists of three Directors, namely Mr. Liu Kai Yu Kenneth, Mr. Zheng Bijun and Dr. Yang Bo and is chaired by Mr. Liu Kai Yu Kenneth, is responsible for reviewing and supervising our financial reporting process, risk management and internal control system. The details of process used to identify, evaluate and manage significant risks are set out below.

RISK MANAGEMENT AND INTERNAL CONTROLS (Continued)

Information Technology and Data Security Risk Management

The Company considers information technology and data risk management crucial to the safety and security of our operations. We collect, analyze, store and transmit, often electronically, the data of our subjects and clinical trial results, and nearly all of which is confidential. Our IT team is responsible for ensuring that the usage, maintenance and protection of pre-clinical and clinical data comply with our internal rules and applicable laws and regulations. We provide regular training to our IT team and hold regular meetings to review our information technology operations, discussing any issues or necessary updates. Our data protection procedures are set forth in our internal data back-up policies. We back up our data in separate and various secured data back-up systems regularly to minimize the risk of data loss or leakage, and conduct frequent reviews of our back-up systems to ensure that they function properly and are well maintained. We have also built Ipsec virtual private network among Beijing, Hangzhou, Shanghai and Jiaxing and established our Remote Disaster Recovery Center on Amazon Web Services platform. Therefore, we normally hold three copies of data in our system to prevent data loss and enhance data security.

Financial Reporting Risk Management

The Company maintains a set of accounting policies in connection with our financial reporting risk management, such as financial reporting management policies, budget management policies, liability policies, financial statements preparation policies and finance department and staff management policies. We have various procedures and IT systems to implement our accounting policies, and our finance department reviews our management accounts accordingly. We also provide regular training to our finance department employees to ensure that they understand our financial management and accounting policies and strictly enforce them in our daily operations.

Human Resource Risk Management

The Company has set a number of standard operation procedures for human resource management in China and overseas, including the employee management system, training manuals, and human resource planning policies. These measures aim to mitigate our risks in insufficient recruitment, staff attrition, non-compliance with labor regulations, employee information management and others.

Internal Control

The Board of the Company is responsible for establishing and maintaining an effective internal control system. During the Reporting Period, we have regularly reviewed and enhanced our internal control system. Below is a summary of the internal control policies, measures and procedures we have implemented or plan to implement:

We have adopted various measures and procedures regarding each aspect of our operations, such as protection of intellectual property, environmental protection and occupational health and safety. We provide periodic training on these measures and procedures to our employees as part of our employee training program. We also regularly monitor the implementation of those measures and procedures through our on-site internal control team for each stage of the product development process.

RISK MANAGEMENT AND INTERNAL CONTROLS (Continued)

Internal Control (Continued)

Our Directors (who are responsible for overseeing our corporate governance) with assistance from our legal advisors, will periodically review our compliance status with all relevant laws and regulations.

- We have established the Audit Committee which shall (i) make recommendations to our Directors on the appointment and removal of external auditors; (ii) review our financial statements and oversee our financial reporting and internal audit; and (iii) oversee our risk management and internal control procedures.

- We have engaged Somerley Capital Limited as our compliance advisor to provide advice to our Directors and management team regarding matters relating to the Listing Rules.

- We maintain strict anti-corruption policies among our sales personnel and distributors in our sales and marketing activities. We also monitor to ensure that our marketing personnel comply with applicable promotion and advertising requirements, which include restrictions on promoting our products for unapproved uses or patient populations, also known as off-label use, and limitations on industry-sponsored scientific and educational activities.

- We will continue to seek advice from law firms in the United States, Korea and other jurisdictions where we currently operate or may operate in the future to keep us abreast of applicable local laws and regulations. We will continue to arrange various trainings to be provided by external legal advisors from time to time when necessary and/or any appropriate accredited institution to update our Directors, senior management, and relevant employees on the latest laws and regulations in the jurisdictions in which we currently operate or may operate in the future.

The Company has developed its disclosure policy which provides a 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 ensure that unauthorized access and use of inside information are strictly prohibited. The Board is aware of its obligations to announce any inside information in accordance with the Listing Rules.

The Board confirms its responsibilities for risk management and internal control systems, and for reviewing the effectiveness of such risk management and internal control systems. Such systems are designed to manage rather than eliminate the risk of failing to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company has an internal audit function which aims at helping the Company to accomplish its objectives by applying a systematic, disciplined approach to evaluate and improve the effectiveness of the Group's risk management and internal control systems and to resolve material internal control defects.

RISK MANAGEMENT AND INTERNAL CONTROLS (Continued)

Internal Control (Continued)

The Board has reviewed the effectiveness of the internal audit system and the risk management and the internal control system of the Group, including the adequacy of resources, qualifications and experience of staff in the aforementioned systems and of the Company's accounting, internal audit and financial reporting functions and the adequacy of their training programs and budget.

For the period from the Listing Date to December 31, 2020, the Board, through a review covering all material controls, including financial, operational and compliance controls for the period from the Listing Date to December 31, 2020, considered that the risk management and internal control system of the Group was effective and adequate. The Board will conduct annual review on the risks management and internal control system of the Company.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2020.

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.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report.

AUDITORS' REMUNERATION

The remuneration paid or payable to the Company's external auditors of the Group in respect of audit services for the year ended December 31, 2020 amounted to RMB3.3 million.

JOINT COMPANY SECRETARIES

During the period from the Listing Date to December 31, 2020, Mr. Gao Jun ("**Mr. Gao**") and Ms. Kwan Sau In ("**Ms. Kwan**"), an assistant manager of SWCS Corporate Services Group (Hong Kong) Limited ("**SWCS**") were the joint company secretaries of the Company. The primary corporate contact person of our Company is Mr. Gao who is our joint company secretary and chief financial officer.

The joint company secretaries have complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of the relevant professional training during the year.

All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices related matters.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, all resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening Shareholders' General Meetings

An annual general meeting is required to be held once every year within six months following the end of the previous financial year. An extraordinary general meeting is required to be held within two months subsequent to the occurrence of any of the following:

- when the number of directors is less than the minimum number required by the Company Law, or is less than two thirds of the number stipulated in the Articles of Association;
- when the unrecovered losses of the Company amount to one third of the total paid-up share capital;
- when shareholders severally or jointly holding more than 10% shares of the Company request in writing to hold such meeting;
- when the Board deems it necessary to convene the meeting;
- when the Supervisory Committee proposes to convene the meeting; and
- any other circumstances as stipulated by laws, administrative regulations, departmental rules, regulatory documents and the listing rules for stock exchanges where the Company's shares are listed or the Articles of Association.

A general meeting shall be convened by the Board, and chaired by the chairman of the Board ("Chairman"). In the event that the Chairman is incapable of performing or is not performing his/her duties, a Director jointly nominated by half or more of the Directors shall preside over the meeting.

A general meeting convened by the Supervisory Committee shall be chaired by the chairman of the Supervisory Committee. Where the chairman of the Supervisory Committee is incapable of performing or is not performing his/her duties, a supervisor jointly recommended by more than one half of the supervisors shall chair the meeting.

A general meeting convened by the shareholders themselves shall be presided over by a representative elected by the convener. If for any reason, the shareholder is unable to elect a representative as a presider to preside over the meeting, the shareholder holding the most voting shares among the shareholders (including shareholder proxy (other than HKSCC Nominees)) shall act as the preside to preside over the meeting.

SHAREHOLDERS' RIGHTS (Continued)

Putting Forward Proposals at General Meetings

Shareholders who individually or collectively hold over 3% of the shares of the Company may submit ad hoc proposals in writing to the convener of the general meeting 10 days before the convening of the general meeting. The convener shall issue a supplemental notice of general meeting within 2 days upon receipt of the proposals and announce the contents of the ad hoc proposals.

The contents of such proposals shall fall with the functions and powers of the general meeting, shall feature definite topics and specific issues for resolution, and shall be in compliance with relevant requirements of laws, administrative regulations, listing rules for stock exchanges where the Company's shares are listed and the Articles of Association.

For procedures of nomination of candidates for directorship by shareholders, please refer to the Company's website (www.tigermedgrp.com).

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may supervise the operations of the Company, and to make suggestions and enquiries accordingly.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the Company at Fl. 40, Dah Sing Financial Centre, No. 248 Queen's Road East, Wan Chai, Hong Kong (For the attention of the Board/Joint Company Secretaries).

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/ INVESTOR 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. For this purpose, the Company has set up a website (https://tigermedgrp.com/), where relevant latest information, the up-to-date state of the Company's business operation and development, the Company's financial information and corporate governance practices and other data are available to the public.

The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/ INVESTOR RELATIONS (Continued)

Changes to the Articles of Association

During the period from the Listing Date to December 31, 2020, the Company has amended its Articles of Association and the amendments to the Articles of Association was approved by the extraordinary general meeting held on October 20, 2020 and November 26, 2020 respectively. For details, please refer to the announcement of the Company dated August 28, 2020 and October 29, 2020 respectively and the circular dated September 4, 2020 and November 6, 2020 respectively. Save as disclosed above, no significant change has been made in the Company's Articles of Association during the period from the Listing Date to December 31, 2020.

An up-to-date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

Policies relating to Shareholders

The Company has in place a shareholders' communication policy to ensure that Shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

Dividend Policy

The Company has adopted a policy on payment of dividends pursuant to code provision E.1.5 of the CG Code taking into consideration of various elements including but not limited to, among other things, the Company's profitability, operation and development plans, external financing environment, costs of capital, the Company's cash flows and other factors that the Directors may consider relevant. The policy sets out the factors in consideration, procedures, methods and intervals of the payment of dividends with an objective to provide the shareholders with continuing, stable and reasonable returns on investment while maintaining the Company's Business operation and achieving its long-term development goal. At the end of each financial year, distribution of dividends will be formulated by the Board, and will be subject to Shareholders' approval.

DIRECTORS' REPORT

The Board is pleased to present this directors' report together with the audited consolidated financial statements of the Group for the Reporting Period.

PRINCIPAL ACTIVITIES

The Company is a joint stock limited liability company established under the laws of the PRC on December 25, 2004. The Company completed its initial public offering and listing of its A Shares on the Shenzhen Stock Exchange (stock code: 300347) on August 17, 2012. The Company completed its public offering and listing of its H Shares on the Main Board of the Hong Kong Stock Exchange, (stock code: 3347) on August 7, 2020. The Group is a leading China-based provider of comprehensive biopharmaceutical R&D services, with an expanding global presence. The Group is principally engaged in contract research organisation ("**CRO**") services.

The activities and particulars of the Company's principal subsidiaries are shown under note 18 to the consolidated financial statements. An analysis of the Group's revenue and operating profit for the year ended December 31, 2020 by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report.

BUSINESS REVIEW

A review of the Group's business during the year ended December 31, 2020, which includes a discussion of the principal risks and uncertainties faced by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year ended December 31, 2020, and an indication of likely future developments in the Group's business, could be found in the sections headed "Chairman and General Manager's Statement", "Management Discussion and Analysis" and "Corporate Governance Report" in this annual report. The review and discussion form part of this Directors' Report.

RESULTS AND DIVIDEND

The consolidated results of the Group for the Reporting Period are set out on pages 89 to 230 of this annual report.

The Board proposed to declare a final dividend of RMB3.00 (inclusive of tax) per 10 shares (representing an aggregate amount of RMB261.7 million (inclusive of tax) based on the total issued Shares of the Company as of the date of this annual report) for the year ended December 31, 2020.

The aforesaid proposed is subject to the consideration and approval at the annual general meeting of the Company ("**AGM**"). If the distribution proposal is approved at the AGM, it is expected that the final dividend for the year ended December 31, 2020 will be paid around June 21, 2021 to the Shareholders. Please refer to 2020 AGM Circular of the Company on the Stock Exchange's website for the details regarding the closure of the register of members of the Company and declaration and payment of dividends.

FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last four financial years is set out on page 7 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property and equipment of the Group during the Reporting Period are set out in note 20 to the consolidated financial statements on pages 152 to 153 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is highly aware of the importance of environment protection and has not noted any material incompliance with all relevant laws and regulations in relation to its business including environmental protection, health and safety, workplace conditions, employment and the environment.

The Group has established detailed internal rules regarding environmental protection, in particular, the discharge of air, water and solid waste and noise control. During the year ended December 31, 2020, we did not incur any additional costs specifically attributable to environmental compliance.

Further details of the Group's environmental policies and performance will be disclosed in the environmental, social and governance report of the Company for the Reporting Period to be published in due course.

SHARE CAPITAL

Details of the movements in share capital of the Company during the Reporting Period are set out in note 36 to the consolidated financial statements on page 171 of this annual report.

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 on pages 92 to 93 of this annual report. Details of the movement in the reserves of the Company during the Reporting Period is set out in note 38 to the consolidated financial statements on pages 173 to 174 of this annual report.

DISTRIBUTABLE RESERVES

As at December 31, 2020, the Company's distributable reserves, calculated in accordance with PRC rules and regulation, were RMB1,282.99 million.

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

(1) Repurchase and Cancellation of Some Restricted A-Shares

1) On January 20, 2020 and February 7, 2020, the Company convened the thirtieth meeting of the third session of the Board, the sixteenth meeting of the third session of the supervisory committee and the first extraordinary general meeting of shareholders in 2020 to consider and approve the "Resolution on Repurchase and Cancellation of Part of Restricted Shares in 2019", pursuant to which, the Company was approved to repurchase and cancel a total of 20,517 restricted shares granted to two resigned incentive participants the restricted shares of whom were not yet unlocked according to 2019 Restricted Shares Incentive Scheme. The repurchase price is RMB26.55 per Share and the total consideration for the buyback amounted to RMB545,000. On May 12, 2020, the Company completed the repurchase and cancellation of some restricted shares.

2) On February 25, 2020 and March 13, 2020, the Company convened the thirty-first meeting of the third session of the Board, the seventeenth meeting of the third session of the supervisory committee and the second extraordinary general meeting of shareholders in 2020 to consider and approve the "Resolution on Repurchase and Cancellation of Part of Restricted Shares in 2019", pursuant to which, the Company was approved to repurchase and cancel a total of 19,420 restricted shares granted to two resigned incentive participants the restricted shares of whom were not yet unlocked according to 2019 Restricted Shares Incentive Scheme. The repurchase price is RMB26.55 per Share and the total consideration for the buyback amounted to RMB516,000. On May 12, 2020, the Company completed the repurchase and cancellation of some restricted shares.

3) On April 3, 2020 and April 22, 2020, the Company convened the thirty-third meeting of the third session of the Board, the nineteenth meeting of the third session of the supervisory committee and the fourth extraordinary general meeting of shareholders in 2020 to consider and approve the "Resolution on Repurchase and Cancellation of Part of Restricted Shares in 2019", pursuant to which, the Company was approved to repurchase and cancel a total of 12,112 restricted shares granted to one resigned incentive participants the restricted shares of whom were not yet unlocked according to 2019 Restricted Shares Incentive Scheme. The repurchase price is RMB26.55 per Share and the total consideration for the buyback amounted to RMB322,000. On May 12, 2020, the Company completed the repurchase and cancellation of some restricted shares.

4) On August 29, 2020 and October 20, 2020, the Company convened the fifth meeting of the fourth session of the Board, the fourth meeting of the fourth session of the supervisory committee, the fifth extraordinary general meeting of shareholders in 2020, the first A shares class meeting in 2020 and the first H shares class meeting in 2020 to consider and approve the "Resolution on Repurchase and Cancellation of Part of Restricted Shares in 2019", pursuant to which, the Company was approved to repurchase and cancel a total of 71,260 restricted shares granted to seven resigned incentive participants the restricted shares of whom were not yet unlocked according to 2019 Restricted Shares Incentive Scheme. The repurchase price is RMB26.55 per Share and the total consideration for the buyback amounted to RMB1,892,000. The aforesaid repurchase and cancellation matters have been completed on December 23, 2020.

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

(1) Repurchase and Cancellation of Some Restricted A-Shares (Continued)

5) On October 29, 2020 and November 26, 2020, the Company convened the eighth meeting of the fourth session of the Board, the sixth meeting of the fourth session of the supervisory committee, the sixth extraordinary general meeting of shareholders in 2020, the second A shares class meeting in 2020 and the second H shares class meeting in 2020 to consider and approve the "Resolution on Repurchase and Cancellation of Part of Restricted Shares in 2019", pursuant to which, the Company was approved to repurchase and cancel a total of 25,582 restricted shares granted to three resigned incentive participants the restricted shares of whom were not yet unlocked according to 2019 Restricted Shares Incentive Scheme. The repurchase price for the reserved portion is RMB31.46 per Share and the repurchase price for the first grant portion is RMB26.55 per Share, the total consideration for the buyback amounted to RMB734,000. The aforesaid repurchase and cancellation matters have been completed on January 28, 2021.

(2) The Grant of the Reserved Portion under the 2019 Restricted Shares Incentive Scheme

On May 13, 2020, the Company disclosed the "Announcement on Completion of Registration of the Grant of the Reserved Portion under the 2019 Restricted Shares Incentive Scheme". The Shenzhen Stock Exchange and Shenzhen Branch of China Securities Depository and Clearing Co., Ltd. have confirmed that the Company has completed granting registration for the reserved portion under the 2019 restricted shares incentive scheme. The listing date of the granted shares was May 13, 2020. The reserved part containing 770,894 restricted shares was granted to 54 incentive participants.

(3) 2020 A Share Employee Share Ownership Plan (Employee Share Ownership Plan)

In order to establish and improve the benefit sharing mechanism between the Company and the employees, improve the corporate governance level, increase the employees' cohesion and the competitiveness of the Company, and promote the long term, sustainable and stable development of the Company, the Board formulated the "2020 A Share Employee Share Ownership Plan of Hangzhou Tigermed Consulting Co., Ltd. (Draft)" and its summary in accordance with relevant laws and regulations and taking into account the actual status of the Company. On November 30, 2020, the Company convened the ninth meeting of the fourth session of the Board, the congress of workers and staff and the seventh meeting of the fourth session of the supervisory committee to consider and approve the "Resolution on 2020 A Share Employee Share Ownership Plan of Hangzhou Tigermed Consulting Co., Ltd. (Draft) and its summary", the "Resolution on Administration of 2020 A Share Employee Share Ownership Plan of Hangzhou Tigermed Consulting Co., Ltd.", the "Resolution on Requesting the General Meeting of Shareholders to Authorize the Board to Handle Matters Regarding the 2020 A Share Employee Share Ownership Plan", and relevant proposals. The independent directors issued independent opinions on these proposals, and the supervisory committee issued verification opinions on relevant matters of the Employee Share Ownership Plan. Participants of this Employee Share Ownership Plan are core technical (business) personnel of the Company and its wholly-owned subsidiaries. The directors, supervisors and senior management personnel do not participate in this Employee Share Ownership Plan.

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

PRE-EMPTIVE RIGHTS

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

USE OF NET PROCEEDS FROM THE H SHARE LISTING

The total net proceeds from the issue of new H Shares by the Company in its listing on the Stock Exchange amounted to approximately HK$11,817.4 million[(1)], after deducting the underwriting commission and other estimated expenses payable by the Company in connection with the Global Offering. For further details, please refer to the Prospectus of the Company.

The balance of unutilized net proceeds amounted to approximately HK$8,923.1 million as at the end of the Reporting Period. For the unutilized net proceeds of approximately HK$8,923.1 million as at the end of the Reporting Period, the Company intends to use them in the same manner and proportions as described in the Prospectus and proposes to use the unutilized net proceeds in accordance with the expected timetable disclosed in the table below.

As at the end of the Reporting Period, the Group has used the net proceeds as follows:

	Use of proceeds in the same manner and proportion as stated in the Prospectus[(1)] HK$ in million	Actual use of proceeds as at the end of the Reporting Period HK$ in million	Net proceeds unutilized as at the end of the Reporting Period HK$ in million	Expected timeframe for utilizing the remaining unutilized net proceeds
approximately 15% to organically expand and enhance our service offerings and capabilities across clinical trial solutions services and clinical-related services to meet the rising demands for our services in overseas markets	1,772.6	3.9	1,768.7	24 to 36 months from the Listing
approximately 40% to fund potential acquisitions of attractive overseas clinical CROs that are complementary to our existing businesses as part of our global expansion plan	4,727.0	–	4,727.0	12 to 24 months from the Listing
approximately 20% to foster our biopharmaceutical R&D ecosystem by making minority investments in companies with innovative business models and growth potential, such as biotech companies, healthcare IT companies, hospitals, medical device and diagnostic research companies	2,363.5	1,305.1	1,058.4	36 to 48 months from the Listing
approximately 10% to repay certain of our outstanding borrowings as of May 31, 2020	1,181.7	1,181.7	–	–

USE OF PROCEEDS FROM THE H SHARE LISTING (Continued)

	Use of proceeds in the same manner and proportion as stated in the Prospectus[1] HK$ in million	Actual use of proceeds as at the end of the Reporting Period HK$ in million	Net proceeds unutilized as at the end of the Reporting Period HK$ in million	Expected timeframe for utilizing the remaining unutilized net proceeds
approximately 5% to develop advanced technologies to enhance the quality and efficiency of our comprehensive service offerings, such as cloud-based virtual clinical trial platforms and laboratory automation, medical data platforms and site management capabilities, through recruiting qualified technical and scientific professionals and undertaking specific R&D projects	590.9	48.3	542.6	12 to 36 months from the Listing
approximately 10% to working capital and general corporate purposes	1,181.7	355.3	826.4	–
Total	**11,817.4**	**2,894.3**	**8,923.1**	

Note:

(1) The total net proceeds of HK$11,817.4 million from the issuance of H Shares by the Company from its listing on the Stock Exchange consists of approximately HK$10,251.0 million of net proceeds received prior to the exercise of the over-allotment option and the additional net proceeds of approximately HK$1,566.4 million from the issue of over-allotment H Shares expenses. Such over-allotment option was fully exercised on August 29, 2020. Subsequent to the issuance of our interim results report for the six months ended June 30, 2020, the abovementioned amounts have been adjusted over the course of preparing our verification report (驗資報告) to reflect the final net proceeds received by the Company, after deducting paid commissions and other offering expenses. The verification report has been audited and approved by the China Securities Regulatory Commission (中國證監會). As disclosed in the Prospectus, to the extent that the net proceeds are not immediately applied to the above purposes, we intend to deposit the proceeds in interest-bearing accounts with licensed commercial banks or financial institutions in the PRC or Hong Kong. We will comply with the PRC laws relating to foreign exchange registration and proceeds remittance.

DIRECTORS

From the Listing Date to the date of this report, the Board consists of the following 6 Directors:

Executive Directors

Dr. Ye Xiaoping *(Chairman)*
Ms. Cao Xiaochun *(General Manager)*
Ms. Yin Zhuan *(Deputy General Manager)*

Independent Non-executive Directors

Mr. Zheng Bijun
Dr. Yang Bo
Mr. Liu Kai Yu Kenneth

SUPERVISORS

From the Listing Date to the date of this report, the Company has the following 3 Supervisors:

Mr. Zhang Binghui *(Chairman)*
Ms. Chen Zhimin
Mr. Wu Baolin *(Employee Supervisor)*

BIOGRAPHICAL DETAILS OF THE DIRECTORS, THE SUPERVISORS AND THE SENIOR MANAGEMENT

Biographical details of the Directors, the Supervisors and the senior management of the Group as at the date of this annual report are set out on pages 37 to 42 in the section headed "Profiles of Directors, Supervisors and Senior Management" of this annual report.

Pursuant to Rule 13.51(B) of the Listing Rules, there is no other change in the information of Directors, Supervisors or the chief executive of the Company except as disclosed in this annual report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

We have entered into a contract with each of our Directors and Supervisors in respect of, among other things, (i) compliance of relevant laws and regulations; (ii) observance of the Articles of Association; and (iii) provisions on arbitration.

Save as disclosed above, none of the Directors or Supervisors has entered into any service contract with the Company or any of its subsidiaries (excluding contracts expiring or determinable by the Company within one year without payment of compensation, other than statutory compensation).

NON-COMPETITION ARRANGEMENT

In order to avoid any potential competition between Dr. Ye Xiaoping, Ms. Cao Xiaochun and us, Dr. Ye Xiaoping and Ms. Cao Xiaochun had provided a non-competition undertaking in favor of our Company on March 21, 2011 (the "Non-competition Undertaking"). Details of the non-competition agreements are set out in the section headed "Relationship with Dr. Ye and Ms. Cao — Competition" in the Prospectus.

Both Dr. Ye Xiaoping and Ms. Cao Xiaochun confirmed that they have complied with the non-competition undertakings for the Reporting Period. The independent non-executive Directors have conducted such review for the Reporting Period and also reviewed the relevant undertakings and are satisfied that the non-competition undertakings have been fully complied with.

CONTRACT WITH CONTROLLING SHAREHOLDERS

No contract of significance was entered into between the Company or any of its subsidiaries and the controlling shareholders or any of its subsidiaries during the Reporting Period or subsisted at December 31, 2020 and no contract of significance for the provision of services to the Company or any of its subsidiaries by a Controlling Shareholders or any of its subsidiaries was entered into during the Reporting Period or subsisted at December 31, 2020.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

No transaction, arrangement and contract of significance to the business of the Group which the Company or any of its subsidiaries was a party, and in which a Director or Supervisor or any entity connected with such a Director or Supervisor had a material interest, whether directly or indirectly, subsisted at December 31, 2020 or at any time during the Reporting Period.

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The remuneration of Directors, Supervisors and senior management is determined with reference to factors including the salaries paid by comparable companies, time commitment and responsibilities of the Directors, Supervisors and senior management, employment conditions of other positions in our Company and the desirability of performance-based remuneration.

Details of the Directors' and Supervisors' emoluments and emoluments of the five highest paid individuals in the Group are set out in notes 14 and 15 to the consolidated financial statements on pages 140 to 142 of this annual report.

For the Reporting Period, no emoluments were paid by the Group to any Director, Supervisors 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 or Supervisors has waived any emoluments for the year ended December 31, 2020.

Except as disclosed above, no other payments have been made or are payable, for the year ended December 31, 2020, by our Group to or on behalf of any of the Directors or Supervisors.

DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESS

During the period from the Listing Date to December 31, 2020, none of the Directors and Supervisors 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 or Supervisor of the Company and/or its subsidiaries.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

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

MANAGEMENT CONTRACTS

Other than the Directors' and Supervisors' service contracts and appointment letters, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at December 31, 2020 or at any time during the Reporting Period.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report, during the Reporting Period, the Company has not entered into any equity-linked agreement.

MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceeding during the Reporting Period.

LOAN AND GUARANTEE

During the Reporting Period, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, Supervisors and senior management of the Company, the controlling shareholders of the Company (if any) or their respective connected persons.

SHARE INCENTIVE SCHEMES

The valid share incentive schemes of the Group are set out as follows.

1. 2019 Restricted Shares Incentive Scheme

The Company adopted a restricted share scheme in 2019 ("**2019 Restricted Shares Incentive Scheme**") for the primary purpose of attracting, retaining and motivating the directors and employees of the Group. The 2019 Restricted Shares Incentive Scheme is not subject to the provisions of Chapter 17 of the Listing Rules. Under the 2019 Restricted Shares Incentive Scheme, the directors of the Company may grant up to 4,859,311 restricted A shares under the scheme to eligible employees, including the directors and employees of the Group, to obtain ordinary shares of the Company upon vesting.

The 2019 Restricted Shares Incentive Scheme will be valid and effective for a period of 4 years.

Pursuant to the bonus issue completed on July 1, 2019, all the then outstanding restricted shares granted and the repurchase price are adjusted accordingly.

During the year ended December 31, 2020, upon acceptance of the restricted shares by the employees, a repurchasing obligation, amounting to RMB24.3 million, is recognised as other payable. In 2020, some of the Group's original incentive recipients resigned and lost their right to receive incentives. Therefore, the Group repurchased and cancelled the restricted shares previously held by these incentive recipients. As a result, a total of RMB4.0 million has been refunded to the original incentive recipients. During the year ended December 31, 2020, a total of 1,638,306 restricted shares were unlocked and exercised. Upon the unlock of the restricted shares, a repurchasing obligation, amounting to RMB43.5 million is derecognised as other payable. Under the 2019 Restricted Shares Incentive Scheme, the holders of the restricted shares are entitled to dividend declared by the Company and the dividend will be settled upon the end of lock up period. As at December 31, 2020, a dividend payable of RMB1.7 million (as at December 31, 2019: RMB1.3 million) has been recognised. The Group recognised total expense of approximately RMB26.7 million for the year ended December 31, 2020 (year ended December 31, 2019: RMB13.9 million) in relation to restricted shares granted under the 2019 Restricted Shares Incentive Scheme.

SHARE INCENTIVE SCHEMES (Continued)

2. Share Purchase Scheme

The Company adopted the share purchase scheme in 2019 (the "Share Purchase Scheme") for the primary purpose of attracting, retaining and motivating the directors and employees of the Group. The Share Purchase Scheme is not subject to the provisions of Chapter 17 of the Listing Rules. Under the Share Purchase Scheme, a trust entity has been set up for the scheme and a third party agent with asset management qualifications was engaged by the participants of the scheme.

The minimum and maximum amount of funds to be raised is RMB200 million and RMB500 million, respectively, which shall be divided into respective units to be subscribed at RMB1.00 each. The participants of the Share Purchase Scheme are required to pay the subscription funds in one lump sum according to the number of units subscribed.

In the event that a participant terminates employment with the Company due to expiration of his/her service contract, the units he/she has subscribed for and paid subscription monies shall be subject to mandatory transfer to other participants, at a consideration equal to the subscription costs.

The underlying shares of the Share Purchase Scheme are the repurchased A shares previously repurchased and held by the Company as treasury shares (refer to Note 37 to the consolidated financial statements). The average repurchase price was RMB44.25 per share. On June 20, 2019, 2,120,803 shares previously repurchased by the Company was transferred to the trust unit for Share Purchase Scheme by way of non-trade transfer at RMB44.25 per share. As a result, a consideration of RMB93.8 million has been received by the Group upon the transfer of treasury shares.

Pursuant to the bonus issue completed on July 1, 2019, all the then shares held in the Share Purchase Scheme are adjusted accordingly.

The shares held by the Share Purchase Scheme in respect of a holder will be unlocked upon the expiry of the lock-up periods. The agent of the Share Purchase Scheme will then sell the relevant unlocked shares on the market at such timing and in such appropriate manner as it determines. The sale proceeds, after deducting the relevant tax and fees, will be distributed to the relevant holders according to the allocations stipulated under the Share Purchase Scheme.

The Group recognised total expense of approximately RMB3.2 million and for the year ended December 31, 2020 (year ended December 31, 2019: RMB2.6 million) in relation to Share Purchase Scheme.

SHARE INCENTIVE SCHEMES (Continued)

3. 2020 A Share Employee Share Ownership Plan

In order to establish and improve the benefit sharing mechanism between the Company and the employees, improve the corporate governance level, increase the employees' cohesion and the competitiveness of the Company, and promote the long term, sustainable and stable development of the Company, the Board formulated the "2020 A Share Employee Share Ownership Plan of Hangzhou Tigermed Consulting Co., Ltd. (Draft)" and its summary in accordance with relevant laws and regulations and taking into account the actual status of the Company. On November 30, 2020, the Company convened the ninth meeting of the fourth session of the Board, the congress of workers and staff and the seventh meeting of the fourth session of the supervisory committee to consider and approve the "Resolution on 2020 A Share Employee Share Ownership Plan of Hangzhou Tigermed Consulting Co., Ltd. (Draft) and its summary", the "Resolution on Administration of 2020 A Share Employee Share Ownership Plan of Hangzhou Tigermed Consulting Co., Ltd.", the "Resolution on Requesting the General Meeting of Shareholders to Authorize the Board to Handle Matters Regarding the 2020 A Share Employee Share Ownership Plan", and relevant proposals. The Employee Share Ownership Plan is not subject to the provisions of Chapter 17 of the Listing Rules. Participants of this Employee Share Ownership Plan are core technical (business) personnel of the Company and its wholly-owned subsidiaries. The directors, supervisors and senior management personnel do not participate in this Employee Share Ownership Plan. The total number of participants shall not exceed 50.

The source of funds of the Employee Share Ownership Plan shall be the legitimate remuneration of its participants, self-raised funds and other methods permitted by laws and regulations. The Company is not involved in any provision of financial assistance or provision of loan guarantee to the participants. The total amount of funds to be raised under the Employee Share Ownership Plan shall be no less than RMB10 million and no more than RMB15 million, which shall be divided into a maximum of 15 million units to be subscribed at RMB1.00 each under the portion of employee self-raised funds. Participants shall pay the subscription funds in accordance with the relevant agreements. If the subscription funds of the participants are not paid in full on time, the corresponding subscription rights shall lapse automatically. Other eligible participants may apply for the units to be subscribed.

The source of the underlying shares involved in the Employee Share Ownership Plan are the repurchased A shares previously repurchased and held by the Company as treasury shares (refer to Note 37 to the consolidated financial statements). The average repurchase price was RMB44.25 per share. On February 1, 2021, 286,372 shares previously repurchased by the Company was transferred to the trust unit for Employee Share Ownership Plan by way of non-trade transfer at RMB44.25 per share. As a result, a consideration of RMB12.67 million has been received by the Group upon the transfer of treasury shares.

The shares held by the Employee Share Ownership Plan in respect of a participant will be unlocked upon the expiry of the lock-up periods. The agent of the Employee Share Ownership Plan will then sell the relevant unlocked shares on the market at such timing and in such appropriate manner as it determines. The sale proceeds, after deducting the relevant tax and fees, will be distributed to the relevant participants according to the allocations stipulated under the Employee Share Ownership Plan.

SHARE INCENTIVE SCHEMES (Continued)

Frontage Labs 2008 and 2015 Share Incentive Plans

Frontage Labs, a subsidiary of the Company, adopted 2 Pre-IPO share incentive plans respectively in 2008 and 2015 (collectively referred as the "**Frontage Labs Schemes**") for the primary purpose of attracting, retaining and motivating the directors and employees of the Frontage Labs and its subsidiaries. Under the Frontage Labs Schemes, the directors of Frontage Labs may grant up to 9,434,434 share options under the 2008 share incentive plan and 12,000,000 share options under the 2015 share incentive plan to eligible employees, including the directors and employees of Frontage Labs and its subsidiaries, to subscribe for shares in Frontage Labs. Each option granted has a contractual term of 5 to 10 years and vesting on the one calendar year after grant date. Frontage Labs Schemes are not subject to the provisions of Chapter 17 of the Listing Rules.

On April 17, 2018, Frontage Holdings, Frontage Labs and corresponding employees entered into an agreement pursuant to which Frontage Labs has assigned, and Frontage Holdings has assumed, the rights and obligations of Frontage Labs under the Frontage Labs Schemes.

Pursuant to the capitalisation issue completed on May 11, 2019 (the "**Frontage Capitalisation Issue**"), the number of options granted to an eligible employee under the Frontage Labs Schemes were adjusted to ten times of the original number of options held by that grantee. Accordingly, the exercise price was adjusted to 10% of the original exercise price.

SHARE INCENTIVE SCHEMES (Continued)

Frontage Labs 2008 and 2015 Share Incentive Plans (Continued)

Set out below are details of the movements of the outstanding options granted during the Reporting Period, after taking Frontage Capitalisation Issue into account:

Category of participants	Date of grant[3]	Exercise price per Share (US$)	Outstanding as at January 1, 2020	Granted during the Reporting Period	Exercised during the Reporting Period	Forfeited during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at December 31, 2020	Vesting period
Other employees	March 31, 2010	0.016	500,000	–	500,000	–	–	–	March 31, 2011 (at 20%) and then at 5% on June 30, September 30, December 31 and March 31 of each year until options are fully exercisable[2]
	September 30, 2010	0.016	350,000	–	350,000	–	–	–	exercisable at any time[2]
	January 21, 2014	0.016	600,000	–	470,000	–	–	130,000	exercisable at any time[2]
	June 16, 2016	0.049	16,450,000	–	8,900,000	–	–	7,550,000	exercisable at any time[2]
	September 14, 2017	0.057	19,950,000	–	6,366,000	–	–	13,584,000	exercisable at any time[2]
	February 28, 2019	0.200	77,800,000	–	13,251,000	4,275,000	75,000	60,199,000	50% on December 31, 2019, 25% on December 31, 2020, and 25% on December 31, 2021[1]

Notes:

(1) The option exercise period is five years from the date of grant.

(2) The option exercise period is ten years from the date of grant.

(3) The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$4.51.

The exercise price of options outstanding ranges from US$0.016 to US$0.2 (equivalent to RMB0.11 to RMB1.38).

The Group recognised total expense of approximately RMB6,451,000 for the year ended December 31, 2020 (year ended December 31, 2019: RMB23,169,000) in relation to share options granted under the Frontage Labs Schemes.

SHARE INCENTIVE SCHEMES (Continued)

Frontage Holdings 2018 Share Incentive Plans ("2018 Share Incentive Plans")

On May 11, 2019, for the primary purpose of attracting, retaining and motivating the personnel of the Frontage Holdings group, the board of directors of Frontage Holdings approved an incentive plan to grant share options, restricted share units and any other types of award to eligible employees, including the directors and the employees of the Frontage Holdings group. The total number of shares in respect of which the awards may be granted pursuant to the 2018 Share Incentive Plan and any other equity-based incentive plans of Frontage Holdings is 200,764,091, being 9.80% of the shares of Frontage Holdings in issue as at the date of this report. No awards have been granted under the 2018 Share Incentive Plan as at December 31, 2020. In accordance with the Listing Rules, the maximum number of shares issued and to be issued upon exercise of the share options granted to any eligible participant in the 2018 Share Incentive Plan in any 12-month period shall not exceed 1% of the shares of the Company in issue from time to time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. Share options granted to a director, chief executive or substantial shareholder of the Frontage Holdings, or to any of their close associates, are subject to approval in advance by the independent non-executive (excluding the independent non-executive directors who or whose close associates are the grantees of a share option). In addition, any grant of share options to a substantial shareholder or an independent non-executive director of Frontage Holdings, or to any of their close associates, would result in the securities issued and to be issued upon exercise of all share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: a) representing in aggregate over 0.1% of the relevant class of securities in issue; and b) having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK$5 million, such further grant of share options must be approved by shareholders of Frontage Holdings (voting by way of a poll). The remaining life of the 2018 Share Incentive Plan is approximately 8 years until May 29, 2029. The offer of a grant of share options may be accepted a period to be determined by the board of Frontage Holdings upon payment of a consideration of US$1.00 by the grantee, provided that no such grant shall be open for acceptance after the expiry of the term of the 2018 Share Incentive Plan or after the participant to whom the grant is made has ceased to be a participant. Subject to such terms and conditions as the board of Frontage Holdings may determine, there is no minimum period for which any share option granted under the 2018 Share Incentive Plan must be held before it can be exercised. The exercise price of share options granted under the 2018 Share Incentive Plan will be determined by the board of Frontage Holdings, but may not be less than the highest of (i) the Stock Exchange closing price of the Frontage Holdings's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Frontage Holdings's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share of the Frontage Holdings.

2018 DreamCIS Scheme

DreamCIS, a subsidiary of the Company, adopted a share incentive plan in 2018 (the "**DreamCIS Scheme**") for the primary purpose of attracting, retaining and motivating the directors and employees of DreamCIS. Under the DreamCIS Scheme, the directors of DreamCIS may grant up to 402,372 share options under the share incentive plan to eligible employees, including the directors and employees of DreamCIS, to subscribe for shares in DreamCIS. DreamCIS Scheme is not subject to the provisions of Chapter 17 of the Listing Rules.

Each option granted has a contractual term of 5 years.

Pursuant to the capitalisation issue completed during the year ended December 31, 2019 (the "**DreamCIS Capitalisation Issue**"), all the then outstanding share options granted and the exercise price are adjusted on a one-to-four basis.

SHARE INCENTIVE SCHEMES (Continued)

2018 DreamCIS Scheme (Continued)

Set out below are details of the movements of the outstanding options granted under the DreamCIS Scheme during the Reporting Period, retroactively reflecting the DreamCIS Capitalisation Issue:

Category of participants	Date of grant	Exercise price per share KRW	Outstanding as of January 1, 2020	Granted during the Reporting Period	Exercised during the Reporting Period	Forfeited during the Reporting Period	Lapsed during the Reporting Period	Outstanding as of December 31, 2020	Vesting Period
Other employees	March 16, 2018	5,000	190,080	–	146,720	3,120	–	40,240	May 20, 2023
	May 20, 2019	10,680	114,380	–	–	11,560	–	102,820	May 20, 2023

Note:

(1) The option exercise period is three years from two years of employment after the date of grant.

(2) The weighted average closing price of the shares of DreamCIS immediately before the dates on which the option were exercised was KRW22,100.

The exercise price of options outstanding ranges from KRW5,000 to KRW10,680 (equivalent to RMB30.50 to RMB64.40).

The Group recognised total expense of approximately RMB666,000 for the year ended December 31, 2020 (year ended December 31, 2019: RMB608,000) in relation to share options granted under the DreamCIS Scheme.

2021 DreamCIS Scheme

DreamCIS adopted a share option scheme in 2021 (the "**2021 DreamCIS Scheme**") for the primary purpose of providing incentive or reward to directors or employees of DreamCIS for their contribution to, and continuing efforts to promote the interests of, DreamCIS and its subsidiaries and for such other purposes as the DreamCIS Board may approve from time to time.

Eligible participants mainly include directors or employees of DreamCIS who have contributed or will contribute to the incorporation, management, technological innovation, etc. of DreamCIS.

SHARE INCENTIVE SCHEMES (Continued)

2021 DreamCIS Scheme (Continued)

As at the date of this report, 559,597 of shares are available for issue under the 2021 DreamCIS Scheme representing 10% of shares in issue of DreamCIS as at the date of the annual report.

No option shall be granted to any participant if, at the relevant time of grant, the number of DreamCIS shares issued and to be issued upon exercise of all options (granted and proposed to be granted, whether exercised, cancelled or outstanding) to the participant in the 12-month period up to and including the date of such grant would exceed 1% of the total number of DreamCIS shares in issue at such time, unless: a) such grant has been duly approved, in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules in force from time to time, by ordinary resolution of the Shareholders in general meeting, at which the participant and his associates abstained from voting; b) a circular regarding the grant has been despatched to the Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of Chapter 17 of the Listing Rules in force from time to time. In accordance with the current Listing Rules, the circular must disclose the identity of the participant, the number and terms of the options to be granted (and options previously granted to such participant), the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4); and c) the number and terms (including the exercise price) of such options are fixed before the general meeting of the Shareholders at which the same are approved.

Each offer shall be in writing made to a participant by letter in such form as may be determined by a special resolution of the general meeting of DreamCIS shareholders or the DreamCIS board may from time to time determine at its discretion (the "**Offer Letter**"). The Offer Letter shall state, among others, the option period during which the option may be exercised, which period shall be determined in the Offer Letter to grant the option and shall not exceed five years from the date a grantee has served in office for at least two years from the date of the resolution of a general meeting of DreamCIS shareholders or the DreamCIS board granting the option (subject to the provisions for early termination contained in the 2021 DreamCIS Scheme). The DreamCIS shareholders or the DreamCIS board, as the case may be, may specify any other conditions which must be satisfied before the option may be exercised, including without limitation such performance targets (if any) and minimum periods for which an option must be held before it can be exercised, and any other terms in relation to the exercise of the option, including without limitation such percentages of the options that can be exercised during a certain period of time, as the DreamCIS board or the DreamCIS shareholders, as the case may be, may determine from time to time. The DreamCIS shareholders or the DreamCIS board, as the case may be, shall specify in the Offer Letter a date by which the Grantee must accept the Offer, being a date no later than 28 days after the date on which the Option is offered (the "**Offer Date**") or the date on which the conditions for the Offer are satisfied, whichever is earlier.

The 2021 DreamCIS Scheme shall be valid and effective for a period of 10 years commencing on March 26, 2021, after which period no further options shall be granted. Subject to the above, in all other respects, in particular, in respect of options remaining outstanding on the expiry of the 10-year period referred to in this paragraph, the provisions of the 2021 DreamCIS Scheme shall remain in full force and effect.

SHARE INCENTIVE SCHEMES (Continued)

2021 DreamCIS Scheme (Continued)

Subject to the effect of alterations to share capital of DreamCIS, and as required by the Commercial Act of Korea, the exercise price shall be a price determined by the special resolution of the DreamCIS shareholders and notified to a participant and shall be at least the higher amount between substantial price (as defined below) as of the date of granting the stock option and their face value or nominal value. For the purpose of the 2021 DreamCIS Scheme, "exercise price" means: (x) average of final quotations of the stocks traded on the securities market and disclosed on a daily basis for two months (if any adjustment to a trading reference price is made due to ex-dividends or ex-rights during the same period, and the day immediately preceding the date of granting the stock option comes after at least seven days from the date the ex-dividends or ex-rights occur, it shall be such period) before the day immediately preceding the date the resolution of the Board is made, weighted by trading volume by real transactions; (y) average of final quotations of the stocks traded on the securities market and disclosed on a daily basis for one month (if any adjustment is made to a trading reference price due to ex-dividends or ex-rights during the same period, and the day immediately preceding the date of granting of the stock option comes after at least seven days from the date the ex-dividends or ex-rights occur, it shall be such period) before the day immediately preceding the date of granting stock option, weighted by trading volume by real transactions; and (z) average of final quotations of the stocks traded on the securities market and disclosed on a daily basis for one week before the day immediately preceding the date the stock option is granted, weighted by trading volume by real transactions.

As 2021 DreamCIS Scheme is adopted after the Reporting Period, no grant has been made as at the date of December 31, 2021.

Fantastic Bioimaging Scheme

Fantastic Bioimaging, a subsidiary of the Company, adopted a share incentive plan in 2019 (the "**Fantastic Bioimaging Scheme**") for the primary purpose of attracting, retaining and motivating the employees of the Fantastic Bioimaging. The Fantastic Bioimaging Scheme is not subject to the provisions of Chapter 17 of the Listing Rules. Under the Fantastic Bioimaging Scheme, employees are entitled to subscribe the restricted shares of Fantastic Bioimaging at the net asset value of Fantastic Bioimaging.

Upon the acceptance of the restricted shares granted, employees are required to have corresponding capital injection to Fantastic Bioimaging.

In the event that a participant terminates employment with Fantastic Bioimaging due to expiration of his/her service contract, the restricted shares he/she has subscribed for shall be returned to Fantastic Bioimaging, and Fantastic Bioimaging shall return the paid subscription monies to the employees.

Each restricted share granted has a contractual term of 3 years.

On September 1, 2019, Fantastic Bioimaging granted 466,667 restricted shares to its employees at a price of RMB1.5 per share.

The Group recognised total expense of approximately RMB3,215,000 for the year ended December 31, 2020 (year ended December 31, 2019: RMB1,071,000) in relation to restricted shares granted under the Fantastic Bioimaging Scheme.

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As of December 31, 2020, interests or short positions of Directors, Supervisors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which are registered in the register that the Company must keep in accordance with the section 352 of the Securities and Futures Ordinance; or which shall be separately notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**"), are as follows:

Interests of our Directors in the Shares or Underlying Shares of the Company

Name of Director	Nature of Interest	Number and class of Shares interested in	Approximate Percentage of shareholding in the relevant class of Shares**	Approximate percentage of shareholding in the total Shares in issue of the Company***
Dr. Ye Xiaoping[(1)]	Beneficial owner; Interest of person acting in concert	234,401,315 Shares A Shares(L)*	31.27%(L)*	26.86%(L)*
Ms. Cao Xiaochun[(1)]	Beneficial owner; Interest of person acting in concert	234,401,315 Shares A Shares(L)*	31.27%(L)*	26.86%(L)*
Ms. Yin Zhuan	Beneficial owner	10,296,000 Shares A Shares(L)*	1.37%(L)*	1.18%(L)*

Notes:

* "L" means holding a long position in Shares.

** Refers to the percentage of the number of relevant class of Shares involved divided by the number of Shares in issue of the relevant class of Shares of the Company as at the December 31, 2020.

*** Refers to the percentage of the number of relevant class of Shares involved divided by the number of all Shares in issue of the Company (Total: 872,509,090 Shares including 749,384,290 A Shares and 123,124,800 H Shares) as at the December 31, 2020.

(1) Dr. Ye Xiaoping and Ms. Cao Xiaochun entered into the Concert Agreement on June 9, 2010 and each of them is deemed to be interested in the A Shares that the other person is interested in under section 317 of the SFO. Dr. Ye Xiaoping holds 177,239,541 of our A Shares, representing 20.31% of our total issued share capital of our Company. Ms. Cao Xiaochun holds 57,161,774 of our A Shares, representing 6.55% of our total issued share capital of our Company. Therefore, Dr. Ye Xiaoping and Ms. Cao Xiaochun are deemed to be interested in a total of 234,401,315 of our A Shares, representing 31.27% of the total number of A Shares of our Company and 26.86% of our total issued share capital.

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS (Continued)

Interests of our Directors in the Shares or Underlying Shares of our associated Corporations

Name of Director	Nature of Interest	Member of our Group	Number and class of shares	Approximate percentage of shareholding
Dr. Ye Xiaoping	Beneficial Owner	Tigermed Malaysia Sdn. Bhd.	1 share	1.00%

Save as disclosed above, so far as the Directors are aware, as at the December 31, 2020, none of our Directors, Supervisors or chief executives has any interest and/or short position in the Shares, underlying Shares and debentures of the Company or our associated corporations (within the meaning of Part XV of the SFO) which will be 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 were taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at December 31, 2020, so far as it was known to the Directors or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares which are required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO, or had interests or short positions in 5% or more of the respective type of Shares which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Nature of Interest	Number and class of shares*	Approximate percentage of shares in relevant class of shares	Approximate percentage of the Company's issued share capital
JPMorgan Chase & Co.	Investment manager	14,871,272 H Shares (L)	12.07%	1.70%
		761,433 H Shares (S)	0.61%	0.08%
		2,875,097 H Shares (P)	2.33%	0.32%
FMR LLC	Interest of controlled corporation	11,043,900 H Shares (L)	8.97%	1.26%
2017 Eagle Holdings LLC[(1)]	Interest of controlled corporation	8,928,000 H Shares (L)	7.25%	1.02%
F-J Sands Family I, LLC[(1)]	Interest of controlled corporation	8,928,000 H Shares (L)	7.25%	1.02%
Sands Capital Management, LLC[(1)]	Beneficial owner	8,928,000 H Shares (L)	7.25%	1.02%
Sands Capital Management, LP[(1)]	Interest of controlled corporation	8,928,000 H Shares (L)	7.25%	1.02%
Sands Family Trust, LLC[(1)]	Interest of controlled corporation	8,928,000 H Shares (L)	7.25%	1.02%
Sands Frank Melville Jr.[(1)]	Interest of controlled corporation	8,928,000 H Shares (L)	7.25%	1.02%
Sands Frank Melville Sr.[(1)]	Interest of controlled corporation	8,928,000 H Shares (L)	7.25%	1.02%
NINETY ONE UK LIMITED	Investment manager	8,613,200 H Shares (L)	6.99%	0.98%
FIDELITY INVESTMENT TRUST	Beneficial owner	7,513,500 H Shares (L)	6.10%	0.86%

Note:

* (L)-Long position; (S)-Short position; (P)-Lending pool.

(1) Sands Frank Melville Jr. and Sands Frank Melville Sr. through groups of companies that they have interest in, directly and indirectly held 8,928,000 H Shares.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY (Continued)

Save as disclosed above, to the best knowledge of the Company, as at the Listing Date, no person (other than the Directors and chief executives) had informed the Company that he/she had interests or short positions in the Shares or underlying Shares of equity derivatives of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, or held any interests or short position in 5% or more of the respective types of capital in issue of the Company.

ARRANGEMENTS FOR PURCHASE OF SHARES OR DEBENTURES

None of the Company, its holding company or any of its subsidiaries has entered into any arrangement at any time from the Listing Date to the date of this report, so that the Directors would benefit from the purchase of Shares or debt securities (including debentures) of the Company or any other body corporate.

MAJOR SUPPLIERS AND CUSTOMERS

In the Reporting Period, the Group's largest customers accounted for 4.86% of the Group's total revenue. The Group's five largest customers accounted for 18.03% of the Group's total revenue.

In the Reporting Period, the Group's largest suppliers accounted for 1.48% of the Group's total purchase. The Group's five largest suppliers accounted for 3.95% of the Group's total purchase.

None of the Directors and Supervisors or any of their close associates (as defined under the Listing Rules) or any Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest suppliers or the Group's five largest customers.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

As at the date of this annual report, the Company is not aware of any tax relief or exemption available to the Shareholders of the Company by reason of their holding of the Company's securities.

HUMAN RESOURCES

The Group had 6,032 employees as at December 31, 2020. The Group enters into employment contracts with its employees to cover matters such as wages, benefits, and grounds for termination.

Remuneration of the Group's employees includes salary, bonus and allowance elements. The compensation programs are designed to remunerate the employees based on their performance, measured against specified objective criteria, and is determined with reference to their experience, qualifications and general market conditions. We also provide our employees with welfare benefits in accordance with applicable regulations and our internal policies. We provide periodic training to our employees in order to improve their quality, skills and knowledge, including introductory training for new employees, technical training, professional and management training and health and safety training, as well as extensive training to our sales and marketing team. In 2020, we provide 5 induction trainings for new employees, 31 PM trainings to PMs, 14 performance management trainings to all management. Totally, we held 174 technical trainings. The Group also has in place incentive schemes for its employees, the details of which are set out in the section headed "Share Incentive Schemes".

RETIREMENT BENEFITS SCHEME

The employees of the Group's subsidiaries in the PRC are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to this retirement benefits schemes is to make the specified contributions.

Details of the pension obligations of the Company are set out in note 48 to the consolidated financial statements in this annual report.

During the Reporting Period, no forfeited contributions had been used by the Group to reduce the existing level of contributions.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the Reporting Period are set out in note 50 to the consolidated financial statements contained herein.

The related party transactions disclosed in note 50 were not regarded as connected transactions or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules.

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 annual report, the Company has maintained the public float as required under the Listing Rules.

INDEMNITY OF DIRECTORS

A permitted indemnity provision (as defined in the Hong Kong Companies Ordinance) in relation to the director's and officer's liability insurance is currently in force and was in force during the Reporting Period.

CORPORATE GOVERNANCE

The Company is committed to ensuring high standards of corporate governance and has adopted the code provisions set out in the Corporate Governance Code in Appendix 14 to the Listing Rules (the "**Corporate Governance Code**"). From the Listing Date to the date of this report, the Company has complied with all the applicable code provisions in the Corporate Governance Code.

In order to maintain high standards of corporate governance, the Board will continuously review and monitor the Company's corporate governance code.

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 43 to 59 of this annual report.

DONATIONS

During the Reporting Period, the Company made donations of RMB10.0 million.

AUDITOR

The H Shares were listed on the Stock Exchange since August 7, 2020, and there has been no change in auditors since the Listing Date. The consolidated financial statements for the Reporting Period have been audited by BDO Limited, Certified Public Accountants, who are proposed for reappointment at the forthcoming 2020 AGM.

COMPLIANCE WITH LAWS AND REGULATIONS

For the Reporting Period, the Company is in compliance with the relevant laws and regulations that have a significant impact on the Company.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this annual report and note 51 to the consolidated financial statement, no events after the reporting period need to be brought to the attention of the Shareholders.

On behalf of the Board
Dr. Ye Xiaoping
Chairman

Hong Kong, March 29, 2021

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TO THE SHAREHOLDERS OF HANGZHOU TIGERMED CONSULTING CO., LTD.
(incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Hangzhou Tigermed Consulting Co., Ltd. (the "Company") and its subsidiaries (together the "Group") set out on pages 89 to 230, which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020, and 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.

Revenue recognition

We identified revenue recognition of contracts with customers as a key audit matter due to its significance to the consolidated financial statements and the key judgements exercised by the directors in determining whether the performance obligations have been satisfied and the relevant amounts of revenue to be recognised accordingly.

As disclosed in Note 5 to the consolidated financial statements, recognition of service revenue requires key judgements in determining the performance obligations and timing of satisfaction of such performance obligations.

KEY AUDIT MATTERS (Continued)

Revenue recognition (Continued)

The Group earns service revenue over time by providing clinical trial solutions and clinical-related and laboratory services. Also, the selection of the method to measure progress towards completion requires judgement and is based on the nature of the products or services to be provided. Depending on which better depicts the transfer of value to the customer, the Group generally measures its progress using either cost-to-cost (input method) or units produced/services transferred to the customers to date (output method). During the year ended December 31, 2020, service revenue recognised over time by the Group is approximately RMB3,192,279,000.

Our response:

Our procedures in relation to the revenue recognition included:

- Understanding the policies, procedures, methods and related controls for the determination of budgeted revenue and budgeted costs;
- Inquiring of management and inspecting terms of contract research organisation services contracts to evaluate whether accounting policy of the Group complies with IFRS 15 "Revenue from Contracts with Customers"; and
- Checking the accuracy and appropriateness of revenue recorded, on a sample basis, by tracing to the relevant services contracts for the key terms of the contracts and obtaining the supporting evidence that prove the performance obligations are satisfied.

Fair value measurements for equity investments and fund investments at fair value through profit or loss

We identified fair value measurements for equity investments and fund investments at fair value through profit or loss as a key audit matter due to its significance to the consolidated financial statements and the key judgements exercised by the directors in determining the fair value.

As disclosed in Note 5 to the consolidated financial statements, the Group has investments in a wide variety of companies and accounts for these financial instruments as financial assets at fair value through profit or loss. For those investments with no quoted market price in an active market, their fair values are estimated by using valuation techniques with significant unobservable inputs, assumptions and judgements. The Group has also engaged an independent professional valuer to assist in assessing the fair value of these financial instruments. As at December 31, 2020, the Group's equity investments and fund investments at fair value through profit or loss were approximately RMB5,292,302,000.

KEY AUDIT MATTERS (Continued)

Our response:

Our procedures in relation to the fair value measurements for financial assets at fair value through profit or loss included:

- Evaluating the competence, capabilities and objectivity of the independent professional valuer;
- Obtaining an understanding from management and the independent professional valuer about the valuation methodology, significant unobservable inputs and critical judgement on key inputs and data used in the valuations; and
- Assessing the reasonableness of significant unobservable inputs used by management with the assistance from our internal valuation experts, on a sample basis.

Impairment assessment of goodwill

We identified impairment assessment of goodwill as a key audit matter due to the involvement of significant management judgement and assumptions in this assessment.

As disclosed in Note 22 to the consolidated financial statements, the carrying amount of goodwill amounted to approximately RMB1,444,519,000 as at December 31, 2020. For the purpose of assessing impairment, the recoverable amount of certain cash-generating units to which goodwill has been allocated is determined by management based on value-in-use calculations using financial budgets based on past performance and expectation for market development, where the key inputs parameters include growth rates and discount rates. The recoverable amount of certain cash-generating units to which goodwill has been allocated is determined by management based on fair value less costs of disposal based on the share prices of the cash-generating units.

Based on the management's assessment, there is no impairment of goodwill allocated to any of the cash-generating units based on the calculations of value in use and fair value less costs of disposal.

Our response:

Our procedures in relation to the impairment assessment of goodwill included:

- Assessing the appropriateness of basis of calculation of the value in use and fair value less costs of disposal prepared by management;
- Evaluating the reasonableness of the management's estimate of growth rates and discount rates in determining the value in use with reference to the historical performance and the latest budgets of the Group and market data; and
- Checking the mathematical accuracy of the management's estimates of the recoverable amount.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include 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.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The audit committee of the Company (the "Audit Committee") assists the directors in discharging their responsibility in this regard.

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. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 directors, 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.

BDO Limited
Certified Public Accountants
Alfred Lee
Practising Certificate no. P04960

Hong Kong, March 29, 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2020 RMB'000	2019 RMB'000
Revenue	6	**3,192,279**	2,803,309
Cost of services		**(1,688,946)**	(1,511,409)
Gross profit		**1,503,333**	1,291,900
Other income	8	**145,063**	64,149
Other gains and losses, net	9	**1,273,621**	361,551
Reversal/(provision) of impairment losses, net	10	**10,075**	(21,186)
Selling and marketing expenses		**(96,581)**	(81,072)
Listing expenses		**(3,567)**	–
Administrative expenses		**(400,749)**	(350,510)
Research and development expenses		**(156,648)**	(124,049)
Share of losses of associates	19	**(3,508)**	(9,768)
Finance costs	11	**(50,777)**	(42,243)
Profit before tax	12	**2,220,262**	1,088,772
Income tax expense	13	**(189,707)**	(113,839)
Profit for the year		**2,030,555**	974,933
Other comprehensive income for the year			
Items that will not be reclassified subsequently to profit or loss:			
Change in fair value of financial assets at fair value through other comprehensive income ("FVOCI"), net of tax		**275**	–
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		**(171,146)**	38,420
Total comprehensive income for the year		**1,859,684**	1,013,353
Profit for the year attributable to:			
Owners of the Company		**1,751,328**	841,247
Non-controlling interests		**279,227**	133,686
		2,030,555	974,933
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,633,014**	870,033
Non-controlling interests		**226,670**	143,320
		1,859,684	1,013,353
Earnings per share	16		
– Basic (RMB)		**2.20**	1.13
– Diluted (RMB)		**2.19**	1.13

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	20	**400,455**	306,700
Intangible assets	21	**124,782**	78,831
Goodwill	22	**1,444,519**	1,157,831
Right-of-use assets	23	**332,615**	193,420
Interests in associates	19	**60,270**	109,713
Note receivables		**–**	735
Deferred tax assets	24	**79,507**	91,476
Financial assets at fair value through profit or loss ("FVTPL")	25	**5,292,302**	2,250,474
Financial assets at fair value through other comprehensive income ("FVOCI")	25	**15,158**	–
Restricted bank deposits	29	**1,957**	2,093
Other non-current assets	30	**110,484**	10,389
		7,862,049	4,201,662
CURRENT ASSETS			
Inventories	26	**4,721**	1,206
Trade, bills and other receivables and prepayments	27	**638,680**	490,393
Contract assets	28	**824,714**	756,028
Structured deposits	25	**26,000**	68,827
Note receivables		**944**	1,581
Prepaid income tax		**27,017**	8,066
Restricted bank deposits	29	**52**	3,127
Time deposits with original maturity over three months	29	**161,919**	30,160
Cash and cash equivalents	29	**9,959,963**	2,006,926
		11,644,010	3,366,314
CURRENT LIABILITIES			
Trade and other payables	31	**529,546**	428,471
Contract liabilities	32	**484,643**	398,240
Borrowings	33	**–**	864,863
Income tax payables		**72,858**	70,293
Lease liabilities	34	**52,290**	50,119
		1,139,337	1,811,986
NET CURRENT ASSETS		**10,504,673**	1,554,328
TOTAL ASSETS LESS CURRENT LIABILITIES		**18,366,722**	5,755,990

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT LIABILITIES			
Borrowings	33	–	36,500
Lease liabilities	34	**279,021**	132,151
Other long-term liabilities	35	**97,494**	20,343
Deferred tax liabilities	24	**131,730**	45,718
		508,245	234,712
NET ASSETS		**17,858,477**	5,521,278
CAPITAL AND RESERVES			
Share capital	36	**872,484**	749,508
Treasury shares	37	**(157,912)**	(211,224)
Reserves		**15,439,252**	3,708,558
Equity attributable to owners of the Company		**16,153,824**	4,246,842
Non-controlling interests		**1,704,653**	1,274,436
TOTAL EQUITY		**17,858,477**	5,521,278

On behalf of the directors

Dr. Ye Xiaoping **Ms. Cao Xiaochun**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company										
	Share capital RMB'000 Note 36	Share premium RMB'000 Note 38(a)	Treasury shares RMB'000 Note 37	Employee share-based compensation reserve RMB'000 Note 38(b)	Statutory reserve RMB'000 Note 38(c)	Exchange reserve RMB'000 Note 38(d)	Fair value through other comprehensive income reserve RMB'000 Note 38(e)	Retained earnings RMB'000 Note 38(f)	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at January 1, 2020	749,508	1,044,584	(211,224)	96,378	188,686	26,310	–	2,352,600	4,246,842	1,274,436	5,521,278
Profit for the year	–	–	–	–	–	–	–	1,751,328	1,751,328	279,227	2,030,555
Change in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	–	–	174	–	174	101	275
Exchange differences arising from translation of foreign operations	–	–	–	–	–	(118,488)	–	–	(118,488)	(52,658)	(171,146)
Total comprehensive income for the year	–	–	–	–	–	(118,488)	174	1,751,328	1,633,014	226,670	1,859,684
Transferred to statutory reserve	–	–	–	–	92,377	–	–	(92,377)	–	–	–
Acquisition of a subsidiary (Note 42(a))	–	–	–	–	–	–	–	–	–	12,152	12,152
Reversal/recognition of deferred tax assets related to share-based payments	–	–	–	8,342	–	–	–	(16,362)	(8,020)	–	(8,020)
Recognition of share-based payments (Note 44)	–	–	–	40,186	–	–	–	–	40,186	–	40,186
Exercise of share options	–	5,176	48,870	(17,996)	–	–	–	4,867	40,917	30,304	71,221
Cancellation of shares	(149)	(4,293)	4,442	–	–	–	–	–	–	–	–
Issue of new shares (Note 36(c))	123,125	10,882,573	–	–	–	–	–	–	11,005,698	–	11,005,698
Transaction costs attributable to issue of shares	–	(439,204)	–	–	–	–	–	–	(439,204)	–	(439,204)
Contribution from non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	154,908	154,908
Change in equity interests in subsidiaries without change of control (Note)	–	–	–	–	–	–	–	(157,386)	(157,386)	36,758	(120,628)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(30,575)	(30,575)
Dividends declared (Note 17)	–	–	–	–	–	–	–	(208,223)	(208,223)	–	(208,223)
Balance at December 31, 2020	872,484	11,488,836	(157,912)	126,910	281,063	(92,178)	174	3,634,447	16,153,824	1,704,653	17,858,477

	Attributable to owners of the Company									
	Share capital RMB'000 Note 36	Share premium RMB'000 Note 38(a)	Treasury shares RMB'000 Note 37	Employee share-based compensation reserve RMB'000 Note 38(b)	Statutory reserve RMB'000 Note 38(c)	Exchange reserve RMB'000 Note 38(d)	Retained earnings RMB'000 Note 38(f)	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at January 1, 2019	500,177	1,298,820	(248,125)	10,079	124,336	(2,476)	1,145,231	2,828,042	444,107	3,272,149
Profit for the year	–	–	–	–	–	–	841,247	841,247	133,686	974,933
Exchange differences arising from translation of foreign operations	–	–	–	–	–	28,786	–	28,786	9,634	38,420
Total comprehensive income for the year	–	–	–	–	–	28,786	841,247	870,033	143,320	1,013,353
Transferred to statutory reserve	–	–	–	–	64,350	–	(64,350)	–	–	–
Acquisition of subsidiaries (Note 42(b))	–	–	–	–	–	–	–	–	20,599	20,599
Disposal of subsidiaries (Note 43(b))	–	–	–	–	–	–	–	–	(3,857)	(3,857)
Recognition of share-based payments (Note 44)	–	–	–	41,404	–	–	–	41,404	–	41,404
Shares transferred under Share Purchase Scheme (as defined in Note 44(c))	–	–	93,845	–	–	–	–	93,845	–	93,845
Bonus issue	249,560	(247,646)	(1,914)	–	–	–	–	–	–	–
Cancellation of shares	(229)	(6,590)	6,819	–	–	–	–	–	–	–
Repurchase of shares	–	–	(61,849)	–	–	–	–	(61,849)	–	(61,849)
Contribution from non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	26,677	26,677
Recognition of deferred tax assets related with share-based payments	–	–	–	44,895	–	–	–	44,895	–	44,895
Change in equity interests in subsidiaries without change of control (Note)	–	–	–	–	–	–	605,110	605,110	698,828	1,303,938
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(55,238)	(55,238)
Dividends declared (Note 17)	–	–	–	–	–	–	(174,638)	(174,638)	–	(174,638)
Balance at December 31, 2019	749,508	1,044,584	(211,224)	96,378	188,686	26,310	2,352,600	4,246,842	1,274,436	5,521,278

Note:

During the year ended December 31, 2020, shareholding percentage of Beijing Yaxincheng (as defined in Note 18), increased by 45% as a result of further acquisition by the Company. The difference between the total consideration and the amount of adjustments to the non-controlling interests of RMB237,772,000 was debited to retained earnings.

During the year ended December 31, 2020, shareholding percentage of DreamCIS (as defined in Note 18), decreased by 22.59% as a result of listing on the Korean Securities Dealers Automated Quotations of the Korea Exchange. The difference between the net proceeds received and the amount of adjustments to the non-controlling interests of RMB58,709,000 was credited to retained earnings.

During the year ended December 31, 2019, shareholding percentage of Frontage Holdings (as defined in Note 18) decreased by 17.15% as a result of initial public offering on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The difference between the net proceeds received and the amount of adjustments to the non-controlling interests of RMB614,891,000 was credited to retained earnings.

CONSOLIDATED STATEMENT OF CASH FLOWS

	2020 RMB'000	2019 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**2,220,262**	1,088,772
Adjustments for:		
Depreciation of property, plant and equipment	**58,356**	50,273
Amortisation of intangible assets	**26,945**	7,367
Depreciation of right-of-use assets	**64,955**	46,562
Impairment losses under expected credit losses ("ECL") model, net of reversal	**(10,075)**	21,186
Share of losses of associates	**3,508**	9,768
Gain on disposal of subsidiaries	**(6,743)**	(73,747)
Gain on disposal of associates	**(158,948)**	(20,850)
Loss on disposal of property, plant and equipment	**886**	385
Change in fair value of financial assets at FVTPL	**(1,137,889)**	(184,996)
Interest income from bank deposits	**(110,392)**	(25,462)
Interest income from structured deposits	**(3,702)**	(1,372)
Finance costs	**50,777**	42,243
Net exchange loss	**140,944**	–
Share-based payment expenses	**40,186**	41,404
Gain on disposal of financial assets at FVTPL	**(117,878)**	(76,072)
Fair value change of contingent consideration payables	**(126)**	–
Dividend received from financial assets at FVTPL	**(1,722)**	(17,601)
Operating cash flows before movements in working capital	**1,059,344**	907,860
Increase in inventories	**(3,515)**	(493)
Increase in trade, bills and other receivables and prepayments	**(62,359)**	(137,544)
Increase in contract assets	**(63,882)**	(220,989)
Settlement of derivative financial instruments	**–**	1,002
Increase in trade and other payables	**28,670**	101,241
Increase in contract liabilities	**76,767**	8,351
Cash generated from operations	**1,035,025**	659,428
Income tax paid	**(142,651)**	(121,877)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**892,374**	537,551

CONSOLIDATED STATEMENT OF CASH FLOWS

	2020 RMB'000	2019 RMB'000
INVESTING ACTIVITIES		
Cash inflow from disposal of subsidiaries	**4,843**	34,435
Acquisition of subsidiaries, net of cash acquired	**(193,516)**	(72,514)
Proceeds from disposal of an associate	**36,312**	15,597
Acquisition of associates	**(4,535)**	–
Proceeds from disposal of property, plant and equipment	**694**	1,659
Purchase of property, plant and equipment	**(148,467)**	(88,600)
Purchase of intangible assets	**(8,915)**	(13,717)
Proceeds from disposal of financial assets at FVTPL	**1,001,790**	106,496
Purchase of financial assets at FVTPL and FVOCI	**(2,804,565)**	(620,177)
Decrease/(increase) in prepayment for acquisition of property, plant and equipment	**885**	(3,274)
Increase in prepayment for acquisition of addition interest in a subsidiary	**(100,980)**	–
Advance to a third party	**–**	(2,316)
Proceeds from note receivables	**1,372**	17,651
Dividend income from financial assets at FVTPL	**1,722**	17,601
Withdrawal of restricted bank deposits, net	**3,075**	1,115
Placement of time deposits over three months	**(128,854)**	(30,160)
Interest received	**107,827**	26,834
NET CASH USED IN INVESTING ACTIVITIES	**(2,231,312)**	(609,370)
FINANCING ACTIVITIES		
Proceeds from bank borrowings	**1,191,959**	1,253,827
Repayment of bank borrowings	**(2,094,984)**	(1,102,561)
Interest paid on borrowings	**(33,952)**	(32,522)
Repayment of lease liabilities	**(59,542)**	(45,509)
Interest paid on lease liabilities	**(16,825)**	(9,721)
Proceeds from grant of restricted share under Restricted share Scheme (as defined in Note 44(c)(i)), net	**20,243**	146,391
Proceeds from transfer of shares under Share Purchase Scheme (as defined in Note 44(c)(ii))	**–**	93,845
Capital injection from non-controlling interests	**154,908**	26,677
Change in equity interest in subsidiaries without change of control	**(31,798)**	1,381,868
Proceeds from exercise of share options granted by a subsidiary	**27,725**	–
Issue of share capital	**10,864,754**	–
Payment for repurchase of shares	**–**	(61,849)
Dividends paid to non-controlling interests	**(29,537)**	(55,238)
Dividends paid to owners of the Company	**(207,811)**	(173,352)
Issue costs paid by a subsidiary	**(6,478)**	(69,045)
Issue costs paid	**(439,204)**	–
NET CASH GENERATED FROM FINANCING ACTIVITIES	**9,339,458**	1,352,811
NET INCREASE IN CASH AND CASH EQUIVALENT	**8,000,520**	1,280,992
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,006,926**	698,186
Effects of exchange rate changes	**(47,483)**	27,748
CASH AND CASH EQUIVALENTS AT END OF YEAR, REPRESENTED BY BANK BALANCES AND CASH	**9,959,963**	2,006,926

1. GENERAL INFORMATION

Hangzhou Tigermed Consulting Co., Ltd. (the "Company") was established in the People's Republic of China (the "PRC") on December 25, 2004 as a joint stock limited liability company. On August 17, 2012, the Company's shares were listed on the ChiNext ("創業板") of the Shenzhen Stock Exchange with stock code 300347. On August 7, 2020, the Company's share were listed on the Main Board of the Stock Exchange with Stock Code 3347. Its registered office and the principal place of business activities is located at Room 2001-2010, 20/F, Block 8, No. 19 Jugong Road, Xixing Sub-District, Binjiang District, Hangzhou, the PRC.

The Company and its subsidiaries (collectively referred to as the "Group") is principally engaged in the contract research organisation ("CRO") services.

Dr. Ye Xiaoping and Ms. Cao Xiaochun are acting in concert and are the largest shareholders of the Company.

The functional currency of the Company is Renminbi ("RMB"), which is the same as the presentation currency of the consolidated financial statements.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared based on the accounting policies set out in Note 4 which conform with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). In addition, the consolidated financial statements include the applicable disclosures requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange.

3. ADOPTION OF IFRSs

(a) Adoption of new/revised IFRSs – effective January 1, 2020

The IASB has issued a number of new or amended IFRSs that are first effective for the current accounting period of the Group:

Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 7, IFRS 9 and IAS 39	Interest Rate Benchmark Reform
Amendments to IAS 1 and IAS 8	Definition of Material

None of these new or amended IFRSs has a material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended IFRSs that is not yet effective for the current accounting period.

3. ADOPTION OF IFRSs (Continued)

(b) New/revised IFRSs that have been issued but are not yet effective

The following new or amended IFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to IAS 1	Classification of Liabilities as Current or Non-current[5]
Amendments to IAS 16	Proceeds before Intended Use[3]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[3]
Amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[2]
Amendments to IFRS 3	Reference to the Conceptual Framework[4]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[6]
Amendment to IFRS 16	Covid-19-Related Rent Concessions[1]
IFRS 17	Insurance Contracts[5]
Annual Improvements to IFRSs 2018-2020[3]	

1 Effective for annual periods beginning on or after June 1, 2020.
2 Effective for annual periods beginning on or after January 1, 2021.
3 Effective for annual periods beginning on or after January 1, 2022.
4 Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after January 1, 2022.
5 Effective for annual periods beginning on or after January 1, 2023.
6 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The directors do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

Amendments to IAS 16 "Proceeds before Intended Use"

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The directors are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

3. ADOPTION OF IFRSS (Continued)

(b) New/revised IFRSs that have been issued but are not yet effective (Continued)

Amendments to IAS 37 "Onerous Contracts – Cost of Fulfilling a Contract"

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The directors are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

Amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16 "Interest Rate Benchmark Reform – Phase 2"

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "Reform"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

The directors do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

Amendments to IFRS 3 "Reference to the Conceptual Framework"

The amendments update IFRS 3 "Business Combinations" so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 "Levies", the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The directors do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

3. ADOPTION OF IFRSs (Continued)

(b) New/revised IFRSs that have been issued but are not yet effective (Continued)

Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transaction arise.

Amendment to IFRS 16 "Covid-19-Related Rent Concessions"

IFRS 16 "Leases" was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the Covid-19 pandemic, by including an additional practical expedient in IFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of Covid-19 pandemic and only if all of the following criteria are satisfied:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of IFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The directors are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

3. ADOPTION OF IFRSs (Continued)

(b) New/revised IFRSs that have been issued but are not yet effective (Continued)

IFRS 17 "Insurance Contracts"

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 "Insurance Contracts". The standard outlines a 'General Model', which is modified for insurance contracts with direct participation features, described as the 'Variable Fee Approach'. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

The directors do not anticipate that the application of this standard in the future will have an impact on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2018-2020

The annual improvements amends a number of standards, including:

- IFRS 1 "First-time Adoption of International Financial Reporting Standards", which permit a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.

- IFRS 9 "Financial Instruments", which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

- IFRS 16, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- IAS 41 "Agriculture" which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The directors do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 "Share-based Payment", leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

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 listed above.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of consolidation (Continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 "Financial Instruments" or, when applicable, the cost on initial recognition of an interest in an associate or a joint venture.

Investments in subsidiaries are stated at cost less any identified impairment loss on the statement of financial position of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Business combinations

Acquisitions of businesses, other than business combination under common control, are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred 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. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits", respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net of the acquisition date amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Business combinations (Continued)

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition date fair value (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised other comprehensive income and measured under IFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

(d) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") (or group of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Goodwill (Continued)

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount (see definition in Note 4(r)) is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro rata basis based on the carrying amount of each asset in the CGU (or group of CGUs). Any impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal (or any of the CGU within group of CGUs in which the Group monitors goodwill).

The Group's policy for goodwill arising on the acquisition of an associate is described below. An impairment loss recognised for goodwill is not reversed in a subsequent period.

(e) Interests in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not to control or to have joint control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under equity method, an interest in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associates other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An interest in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the interest in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Interests in associates (Continued)

When there is objective evidence that the investment in an associate is impaired, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value-in-use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

The Company's interests in associates are accounted for in the financial statements using the equity method.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Revenue recognition

Revenue is recognised to depict the transfer of promised services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Revenue is recognised when, or as, obligations under the terms of a contract are satisfied, which occurs when control of the promised products or services is transferred to customers. Revenue is measured as the amount of consideration the Group expects to receive in exchange for transferring products or services to a customer ("transaction price").

A performance obligation represents a good and 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 Group's performance as the Group performs;
- the Group's performance creates and 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.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Revenue recognition (Continued)

A contract liability represents the Group's obligation to transfer goods or services to a customer for which Group has received consideration (or an amount of consideration is due) from the customer.

Generally, significant payment terms are disclosed within the contents of a given contract and are in the form of either milestone payment terms representing a percentage of the total budgeted contract price or corresponding directly with the value to the customer of the Group's performance. Revenues recognised in excess of billings are recognised as contract assets and disclosed in the consolidated statement of financial position as contract assets. Amounts billed in accordance with contracted payment schedules but in excess of revenues earned are recognised as contract liabilities and disclosed in the consolidated statement of financial position as contract liabilities.

Contracts are terminable by the customers upon proper notice specified within the contracts, generally 30 to 90 days. A termination fee is generally assessed in addition to the Group being entitled to compensation equivalent to the efforts and costs incurred to satisfy any performance obligations.

To the extent the transaction price includes variable consideration, the Group estimates the amount of variable consideration that should be included in the transaction price utilising the most likely amount to which the Group expects to be entitled. Variable consideration is included in the transaction price if, in the Group's judgement, it is probable that a significant future reversal of cumulative revenue under the contract will not occur. Estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of the Group's anticipated performance and all information (historical, current and forecasted) that is reasonably available. Sales, value added, and other taxes collected on behalf of third parties are excluded from revenue.

The transaction price also includes reimbursable expenses (i.e. out-of-pocket expenses, outside consultants and other reimbursable expenses). Reimbursable expenses which do not represent a transfer of goods or services to the customer are not distinct. Such reimbursable expenses are included in total transaction price for the contract and allocated to individual performance obligations which are satisfied over time.

Contracts with customers may contain multiple performance obligations. For such arrangements, the transaction price is allocated to each performance obligation based on the estimated relative standalone selling prices of the promised products or services underlying each performance obligation, inclusive of reimbursable expenses.

When the sum of the stand-alone transaction prices of those products or services exceeds the promised consideration in a contract, the Group recognises a discount on that particular contract. If the entity does not have observable evidence that the entire discount relates to one or more, but not all performance obligations under the specific contract, the discount is proportionately applied to all performance obligations under a contract.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Revenue recognition (Continued)

The selection of the method to measure progress towards completion requires judgement and is based on the nature of the products or services to be provided. Depending on which better depicts the transfer of value to the customer, the Group generally measures its progress using either cost-to-cost (input method) or units produced/services transferred to the customer to date (output method). The Group uses the known cost measure of progress when it best depicts the transfer of value to the customer which occurs as the Group incurs costs on its contract, generally related to fixed fee service contracts. Under the cost-to-cost measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenue is recorded proportionally as costs are incurred. The units produced/services transferred to the customer to date measure of progress is generally related to rate per unit contracts or contracts for the delivery of services, as the extent of progress towards completion is measured based on discrete service or time-based increments, such as samples tested or services transferred.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued for each period by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(g) Leasing

The Group as lessee

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for leases for which at the commencement date have a lease term less than 12 months and leases of low-value assets. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

The Group presents right-of-use assets and lease liabilities separately in the consolidated statement of financial position.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Leasing (Continued)

The Group as lessee (Continued)

Right-of-use asset

The right-of-use asset is recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

The Group accounts for leasehold land and buildings which are held for own use under IAS 16 as right-of-use assets and are carried at depreciated cost. Other than the above right-of-use assets, the Group also has leased a number of properties and experiment equipment under tenancy agreements which the Group exercises its judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which are held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

The right-of-use asset is subsequently depreciated using the straight-line method from the date of initial application over the shorter of the remaining lease term or the useful life of the underlying asset. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

In addition, the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Leasing (Continued)

The Group as lessee (Continued)

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(h) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non- controlling interests as appropriate).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Foreign currencies (Continued)

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

(i) Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred. There were no borrowing costs eligible to be capitalised into property, plant and equipment during the reporting period.

(j) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expense the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire property, plant and equipment are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Retirement benefit costs

The Group participates in the following defined contribution schemes:

(a) A state-managed retirement benefit scheme in the PRC pursuant to which the Group pays a fixed percentage of its qualifying staff's wages as contributions to the scheme.

(b) A defined contribution plan in the United States of America (the "USA") pursuant to which the Group matches 50 cents for every dollar contributed by each qualifying member of staff up to 4% of their salary. The maximum match is 2% of the qualifying member of staff's gross pay.

(c) The Group's subsidiary in South Korea entered into a defined contribution plan with Kookmin Bank, Woori Bank and Sinhan Bank. The defined contribution is recognised as retirement benefits regardless of the results of the pension plan.

(d) For the mandatory provident fund scheme in Hong Kong, the Group's contributions are set at 5% of the employees' relevant income as defined in the Hong Kong Mandatory Provident Fund Schemes Ordinance and are expensed as incurred.

Payments to such retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

(l) Share-based payment transactions

Equity-settled share-based payments to employees (including directors) are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based transaction (without taking into consideration all non-market vesting condition) is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (employee share-based compensation reserve). At the end of each reporting period, the Group reviews its estimates of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimates, with a corresponding adjustment to the employee share-based compensation reserve.

When the share options are exercised, the amount previously recognised in the employee share-based compensation reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the employee share-based compensation reserve will be transferred to retained earnings.

(m) Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Short-term employee benefits (Continued)

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

(n) Taxation

Income tax expense represents the sum of the current tax and deferred tax.

Current tax

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profits nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries or associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Taxation (Continued)

Deferred tax (Continued)

Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(o) Property, plant and equipment

Property, plant and equipment other than freehold land and construction in progress ("CIP") are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Buildings	10-40 years
Leasehold improvements	5 years – 10 years
Experiment equipment	5-10 years
Furniture, fixtures and equipment	3-7 years
Transportation equipment	5 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

(q) Intangible assets (other than goodwill)

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight-line basis over their useful lives as follows. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. The amortisation expense is recognised in profit or loss and included in administrative expenses.

Software	5-10 years
Trademark	1 year
Customer relationship	4-7 years
Customer backlog	1-5 years
Non-competition clause	3-5 years
Others	5 years

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(r) Impairment losses on tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified

Recoverable amount is the higher of value in use and fair value less costs of disposal. In assessing value in use, the estimated future cash flows of the asset (or the CGU) 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 (or the CGU) for which the estimates of future cash flows have not been adjusted.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Impairment losses on tangible and intangible assets other than goodwill (Continued)

If the recoverable amount of an asset (or the CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or the CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the CGU) in prior periods. A reversal of an impairment loss is recognised immediately in profit or loss.

(s) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL (as defined on the face of the consolidated statement of financial position), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the reporting period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Financial instruments (Continued)

(i) Financial assets (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model, whereby changes in fair value, interest income calculated using the effective interest rate method and foreign exchange gains and losses are recognised in profit or loss. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI (as defined on the face of the consolidated statement of financial position), as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Financial instruments (Continued)

(i) Financial assets (Continued)

Impairment loss on financial assets

The Group recognises a loss allowance for ECL (as defined on the face of the consolidated statement of cash flows) on financial assets which are subject to impairment under IFRS 9 "Financial Instruments". The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group has elected to measure loss allowances for trade receivables using IFRS 9 simplified approach and always recognises lifetime ECL for trade receivables and contract assets. The ECL on these financial assets are assessed collectively using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For other financial instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in the credit risk since initial recognition or evidence that a financial asset is credit-impaired, then the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, 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. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate obtained from economic expert reports, financial analysts and governmental bodies, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Financial instruments (Continued)

(i) Financial assets (Continued)

Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, or the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Financial instruments (Continued)

(i) Financial assets (Continued)

Definition of default

For internal credit risk management, the Group considers an event of default to have occurred when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occur sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries made are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Financial instruments (Continued)

(i) Financial assets (Continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the relevant weighting.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis to cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade receivables, other receivables are each assessed as a separate group. Note receivables are assessed for ECL on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount through a loss allowance account.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Financial instruments (Continued)

(i) Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

(ii) Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at FVTPL except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at FVTPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Financial instruments (Continued)

(ii) Financial liabilities and equity instruments (Continued)

Financial liabilities at FVTPL (Continued)

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the consolidated statement of profit or loss and other comprehensive income.

Financial liabilities at amortised cost

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss. Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL and do not arise from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the revenue recognition policies.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the contracted selling price less all estimated costs of completion and costs necessary to make the sale.

(u) Treasury shares

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

(v) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(w) Related parties

(i) A person or a close member of that person's family is related to the Group if that person:

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

(b) has significant influence over the Group; or

(c) is a member of key management personnel of the Group or the Company's parent.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Related parties (Continued)

(ii) An entity is related to the Group if any of the following conditions apply:

(a) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(c) Both entities are joint ventures of the same third party.

(d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(e) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(f) The entity is controlled or jointly controlled by a person identified in (i)(a).

(g) A person identified in (i)(a) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(h) 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 Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates, judgements and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

(a) Judgements in determining performance obligations and timing of satisfaction of performance obligations

(i) Performance obligation determination

In making their judgements, the directors considered the detailed criteria for recognition of revenue set out in IFRS 15. In determining performance obligations, the directors consider whether the customer benefits from each service on its own and whether it is distinct in the context of the contract. Specifically, when concluding a contract has multiple performance obligations, the directors consider that the individual performance obligation is regularly sold separately and the service is separately identifiable from other promises within the contract.

(ii) Timing of satisfaction of performance obligations

The directors have determined that certain performance obligations are satisfied over time. The key judgement is that the Group's performance does not create an asset with alternative future use since the Group cannot redirect the asset for use on another customer, and the contract terms specify the Company has enforceable right to payments for performance completed up to date.

Depends on which better depicts the transfer of value to the customer, the directors make judgement to measure the progress of the projects using either cost-to-cost (input method) or units services transferred to the customer to date (output method).

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgements in applying accounting policies (Continued)

(b) Judgements in determining if entities are accounted for as subsidiaries

Certain group entities are general partners of the underlying funds, in which the general partners hold less than 50% of their equity interests in these funds, and these funds are nevertheless accounted for as subsidiaries. General partner is primarily the fund manager of the underlying funds. In assessing whether the Group has control over these funds, the following considerations are taken into account:

- The scope of the Group's decision-making authority over the funds;
- The Group's exposure to variability of returns from other interests that it holds in the funds;
- The rights held by third parties; and
- The remuneration to which the Group as the fund manager is entitled in accordance with remuneration agreement(s).

Based on the above relevant facts and circumstances, the directors consider that the Group has a wide ranging discretion regarding the scope of decision making rights on the underlying funds, significant exposure to variable returns of the underlying funds and there was no substantive removal rights held by third parties throughout the reporting period. Accordingly, the directors consider that the Group has control over these funds and these funds are accounted for as subsidiaries of the Company.

(c) Judgements in determining if entities are accounted for as associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not to control or to have joint control. If the entity holds, directly or indirectly less than 20% of the voting power of the investee, it is presumed that the entity does not have significant influence, unless such influence can be clearly demonstrated. To determinate whether the Group has significant influence over the investee involve significant judgements.

(d) Judgements in determining if entities are accounted for as financial assets at FVTPL

The Group has certain investments, in which it holds more than 20% of their equity interests or voting right. The directors consider that the Group has no significant influence, joint control nor control over the entities based on the fact that the Group does not participate in any operating and financial policies of the entities and exercise its influence on the operating and financial policies in the board of directors of the entities. The Group therefore accounted for these entities as financial assets at FVTPL.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty

(a) Fair value measurements for financial assets at fair value

The Group has investments in a wide variety of companies as set out in Note 25. The Group accounts for these financial instruments as financial assets at FVTPL or FVOCI. For those investments with no quoted market prices in an active market, their fair values are estimated by using valuation techniques. These techniques include those further described in Note 41 under the heading "Fair value management". Valuation techniques are certified by independent and recognised business valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Valuation models established by the valuer make the maximum use of market inputs and rely as little as possible on the Group's specific data. However, some inputs, such as probability of redemption of preference shares, require management estimates and assumptions, which are reviewed periodically and adjusted if necessary. Should any of the estimates and assumptions be changed, it may lead to a change in the fair value of the financial assets. The carrying amounts of financial assets at FVTPL and financial assets at FVOCI as at December 31, 2020 were RMB5,318,302,000 (2019: RMB2,319,301,000) and RMB15,158,000 (2019: nil), respectively.

(b) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGUs to which goodwill has been allocated, which is the higher of value in use or fair value less costs of disposal. The value-in-use calculation requires the directors to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amount of goodwill as at December 31, 2020 was RMB1,444,519,000 (2019: RMB1,157,831,000) and no impairment loss (2019: nil) was recognised for the year ended December 31, 2020. Details of the impairment loss calculation are set out in Note 22.

(c) 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 charges 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 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 value in use and fair value less costs of disposal. These calculations require the use of estimates, such as discount rates, future profitability and growth rates.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

(d) Fair value of share-based compensation

The share-based compensation expense is measured based on the fair value of the share rewards as calculated under the Black-Scholes or binomial option pricing model. Management is responsible for determining the fair value of the share options granted to employees. The key assumptions used to determine the fair value of the share unit awards at the grant date include share price on measurement date, expected volatility and risk-free interest rate. Changes in these assumptions could significantly affect the fair value of share awards and hence the amount of compensation expenses the Group recognises in the consolidated financial statements.

(e) Useful lives and residual values of intangible assets

The Group's management determines the useful lives, residual values and related amortisation charges for its intangible assets. This estimate is based on the historical experience of the actual useful lives of intangible assets of similar nature and functions and may vary significantly as a result of technical innovations and keen competitions from competitors, resulting in higher amortisation charge and/or write-off or write-down of technically obsolete assets when useful lives are less than previously estimated. The Group will increase the amortisation charges 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 sold.

(f) Provision of ECL for trade receivables and contract assets

The Group uses provision matrix to calculate ECL for the trade receivables and contract assets. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and contract assets are disclosed in Note 41.

6. REVENUE

The Group's revenue streams are categorised as follows:

- Clinical trial solutions consist of clinical trial operation services and other core clinical services directly associated with clinical trial operations such as medical writing, translation and registration services, and pharmacovigilance services.

- Clinical-related and laboratory services consist of ancillary services that provide the necessary support to clinical trial operations, including analytical services (e.g., data management and statistical analysis, and medical imaging), logistical and execution support services (e.g., site management), administrative assistance (e.g., patient recruitment), consulting services (e.g., good manufacturing practice ("GMP") consulting), laboratory services (e.g., drug metabolism and pharmacokinetics ("DMPK"), safety and toxicology, bioanalytical, and chemistry, manufacturing and controls ("CMC") services), as well as chemistry services.

An analysis of the Group's revenue is as follows:

	2020 RMB'000	2019 RMB'000
Clinical trial solutions	1,519,215	1,346,672
Clinical-related and laboratory services	1,673,064	1,456,637
	3,192,279	2,803,309

	2020 RMB'000	2019 RMB'000
Overtime		
Clinical trial solutions	1,519,215	1,346,672
Clinical-related and laboratory services	1,673,064	1,436,678
	3,192,279	2,783,350
At a point in time		
Clinical-related and laboratory services	–	19,959
	3,192,279	2,803,309

6. REVENUE (Continued)

Transaction price allocated to future performance obligations

The aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) was RMB7,260,323,000 (2019: RMB5,011,160,000) as at December 31, 2020. Management of the Group expects the majority of the transaction price allocated to the unsatisfied contracts as of the end of each reporting period will be recognised within 3 years from the end of each reporting period.

The following table provides information about trade and bills receivables, contract assets and contract liabilities from contracts with customers.

	2020 **RMB'000**	2019 RMB'000
Trade and bills receivables (Note 27)	**494,731**	406,669
Contract assets (Note 28)	**824,714**	756,028
Contract liabilities (Note 32)	**(484,643)**	(398,240)

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed because the rights are conditioned on the Group's future performance in archiving specified milestones of the contract at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group provides the invoice to the customers.

The contract liabilities mainly relate to the advance consideration received from customers.

7. SEGMENT INFORMATION

Operating segments are determined based on the Group's internal reports which are submitted to chief executive officer, being the chief operating decision maker ("CODM") of the Group, for the purpose of performance assessment and resources allocation. This is also the basis upon which the Group is organised and managed.

No segment assets and liabilities are presented as they were not regularly provided to the CODM for the purpose of performance assessment and resources allocation.

The following are the Group's reportable segments under IFRS 8 "Operating Segments":

– Clinical trial solutions

– Clinical-related and laboratory services

7. SEGMENT INFORMATION (Continued)

Segment revenues and results

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

For the year ended December 31, 2020

	Clinical trial solutions RMB'000	Clinical-related and laboratory services RMB'000	Total RMB'000
Revenue	1,519,215	1,673,064	3,192,279
Gross profit	754,650	748,683	1,503,333
Unallocated amounts:			
Other income			145,063
Other gains and losses, net			1,273,621
Reversal of impairment losses, net			10,075
Selling and marketing expenses			(96,581)
Listing expenses			(3,567)
Administrative expenses			(400,749)
Research and development expenses			(156,648)
Share of losses of associates			(3,508)
Finance costs			(50,777)
Profit before tax			2,220,262

7. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

For the year ended December 31, 2019

	Clinical trial solutions RMB'000	Clinical-related and laboratory services RMB'000	Total RMB'000
Revenue	1,346,672	1,456,637	2,803,309
Gross profit	578,774	713,126	1,291,900
Unallocated amounts:			
Other income			64,149
Other gains and losses, net			361,551
Impairment losses			(21,186)
Selling and marketing expenses			(81,072)
Administrative expenses			(350,510)
Research and development expenses			(124,049)
Share of losses of associates			(9,768)
Finance costs			(42,243)
Profit before tax			1,088,772

The accounting policies of reportable segments are the same as the Group's accounting policies described in Note 4.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about performance assessment and resources allocation. 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 gross profit are presented.

Geographical information

An analysis of the Group's revenue from external customers, analysed by region, is presented below:

	2020 RMB'000	2019 RMB'000
Revenue from external customers		
– PRC	**1,906,723**	1,600,125
– Other overseas countries and regions	**1,285,556**	1,203,184
	3,192,279	2,803,309

7. SEGMENT INFORMATION (Continued)

Geographical information (Continued)

Information about the Group's non-current assets by geographical location of the assets are presented below:

	2020 RMB'000	2019 RMB'000
Non-current assets excluding financial assets and deferred tax assets		
– PRC	**1,445,742**	1,150,040
– Other overseas countries and regions	**1,027,383**	706,844
	2,473,125	1,856,884

Information about major customers

Since no revenue from sale to a single customer amounted to 10% or more of the Group's revenue during the current and prior year, no major customer information is presented in accordance with IFRS 8 "Operating Segments".

8. OTHER INCOME

	2020 RMB'000	2019 RMB'000
Interest income from bank deposits	**110,392**	25,462
Interest income from structured deposits	**3,702**	1,372
Government grants	**27,398**	18,800
Dividend income from financial assets at FVTPL	**1,722**	17,601
Others	**1,849**	914
	145,063	64,149

9. OTHER GAINS AND LOSSES, NET

	2020 RMB'000	2019 RMB'000
Net foreign exchange (loss)/gain	**(147,077)**	6,271
Loss on disposal of property, plant and equipment	**(886)**	(385)
Change in fair value of financial assets at FVTPL	**1,137,889**	184,996
Fair value change of contingent consideration payables (Note 35(c))	**126**	–
Gain on disposal of subsidiaries (Note 43)	**6,743**	73,747
Gain on disposal of associates	**158,948**	20,850
Gain on disposal of financial assets at FVTPL	**117,878**	76,072
	1,273,621	361,551

10. IMPAIRMENT LOSSES

	2020 RMB'000	2019 RMB'000
Impairment losses under ECL model, net of reversal		
Trade receivables	**(6,551)**	8,509
Contract assets	**(5,414)**	17,516
Other receivables	**1,890**	(4,839)
(Reversal)/provision of impairment losses, net	**(10,075)**	21,186

11. FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Interest expense on bank borrowings	**33,952**	32,418
Interest on lease liabilities	**16,825**	9,721
Interest expense on loan from other borrowing	**–**	104
	50,777	42,243

12. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging/(crediting):

	2020 RMB'000	2019 RMB'000
Depreciation of property, plant and equipment	**58,356**	50,273
Amortisation of intangible assets	**26,945**	7,367
Depreciation of right-of-use assets	**64,955**	46,562
Staff costs (including directors' emoluments):		
– Salaries and other benefits	**1,203,743**	955,438
– Retirement benefits scheme contributions	**101,575**	122,420
– Share-based payment expenses	**40,186**	41,404
	1,345,504	1,119,262
Auditors' remuneration	**3,300**	1,700
Short-term leases with application of recognition exemption	**87**	3,813
Leases of low-value assets with application of recognition exemption	**398**	337

13. INCOME TAX EXPENSE

	2020 RMB'000	2019 RMB'000
Current tax:		
– PRC Enterprise Income Tax ("EIT")	**119,890**	101,239
– U.S. income tax	**(1,360)**	32,990
– Korean income tax	**3,223**	6,574
– Others	**3,604**	4,035
Over provision of current tax in prior year	**(28)**	(5,105)
	125,329	139,733
Deferred tax:		
– Current year (Note 24)	**64,378**	(25,894)
Total income tax expense	**189,707**	113,839

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the standard EIT rate of the PRC subsidiaries is 25%. For the PRC subsidiaries approved as High and New Technology Enterprise or Advance Technology Enterprise by the relevant government authorities, they are subject to a preferential rate of 15%. Funds established as partnerships in the PRC are not taxable entities and EIT will apply at the partner's level. For non-resident enterprises without any establishment in the PRC, they are subject to withholding income tax rate of 10% for their income from the PRC.

The group entities incorporated in USA is subject to Federal Corporate Tax and State Income Tax. The tax rate for Federal Income Tax is 21% for both years. The income subject to tax in a specific state (i.e. state taxable income) is calculated based on the federal taxable income with state tax adjustments, which is then allocated or apportioned to the respective states (i.e. percentage of taxable income that should be apportioned or specially allocated to the respective states in which the Group operates).

The group entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% on the estimated assessable profits for both years. On March 21, 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on March 28, 2018 and was gazette on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The two-tiered profits tax rates regime is applicable to the Group's Hong Kong subsidiaries with estimated assessable profits for its annual reporting periods ending on or after April 1, 2018.

The group entities incorporated in the Cayman Islands are not subject to income or capital gains tax under the law of the Cayman Islands.

The group entities established in the British Virgin Islands ("BVI") are not subject to income tax or capital gains tax under the law of the BVI.

Taxation arising from other jurisdictions is calculated at the rate prevailing in the relevant jurisdictions.

13. INCOME TAX EXPENSE (Continued)

The income tax expense for the year can be reconciled to the profit before tax in the consolidated statement of profit or loss and other comprehensive income as follows:

	2020 RMB'000	2019 RMB'000
Profit before tax	**2,220,262**	1,088,772
Tax at the applicable tax rate of 25%	**555,066**	272,193
Tax effect of share of losses of associates	**877**	2,442
Tax effect of income not taxable for tax purpose	**(229,360)**	(76,571)
Tax effect of expenses not deductible for tax purpose	**24,147**	21,054
Over provision of current tax in prior year	**(28)**	(5,105)
Effect of research and development expenses that are additionally deducted	**(27,388)**	(21,580)
Utilisation of deductible temporary differences and tax losses not recognised	**(24,630)**	(4,579)
Tax at concessionary rate	**(109,571)**	(57,946)
Effect on deferred tax assets or liabilities resulting from change in applicable tax rate	**5,328**	(484)
Effect of different tax rate of subsidiaries operating in other jurisdictions	**(4,734)**	(13,763)
Others	**–**	(1,822)
Income tax expense	**189,707**	113,839

14. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Details of the emoluments paid or payable to the directors and supervisors of the Company for the services provided to the Group during the current and prior year are as follows:

Year ended December 31, 2020

	Directors' fee RMB'000	Salaries and other benefits RMB'000	Performance-based bonus RMB'000	Retirement benefit scheme contributions RMB'000	Share-based compensation RMB'000	Total RMB'000
Executive directors:						
Dr. Ye Xiaoping	818	–	88	1	–	907
Ms. Cao Xiaochun	678	–	102	56	–	836
Ms. Yin Zhuan	745	–	–	174	189	1,108
Independent non-executive directors:						
Ms. Chen Zhimin (note (a))	32	–	–	–	–	32
Mr. Zeng Su (note (b))	32	–	–	–	–	32
Mr. Zheng Bijun	165	–	–	–	–	165
Dr. Yang Bo (note (c))	150	–	–	–	–	150
Mr. Liu Kai Yu Kenneth (note (c))	165	–	–	–	–	165
Supervisors:						
Ms. Mo Shuang (note (d))	–	62	43	11	–	116
Ms. Shi Xiaoli (note (e))	–	206	60	11	–	277
Ms. Wang Xiaobo (note (f))	–	204	91	17	67	379
Ms. Chen Zhimin (note (a))	–	53	–	–	–	53
Mr. Zhang Binghui (note (g))	–	53	–	–	–	53
Mr. Wu Baolin (note (g))	–	364	–	33	–	397
	2,785	942	384	303	256	4,670

14. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

Year ended December 31, 2019

	Directors' fee RMB'000	Salaries and other benefits RMB'000	Performance-based bonus RMB'000	Retirement benefit scheme contributions RMB'000	Share-based compensation RMB'000	Total RMB'000
Executive directors:						
Dr. Ye Xiaoping	735	–	82	1	–	818
Ms. Cao Xiaochun	634	–	94	56	–	784
Ms. Yin Zhuan	753	–	–	–	158	911
Independent non-executive directors:						
Ms. Chen Zhimin	96	–	–	–	–	96
Mr. Zeng Su	96	–	–	–	–	96
Mr. Zheng Bijun	96	–	–	–	–	96
Supervisors:						
Ms. Mo Shuang	–	150	28	35	–	213
Ms. Shi Xiaoli	–	530	56	44	–	630
Ms. Wang Xiaobo	–	617	70	56	117	860
	2,410	1,297	330	192	275	4,504

Notes:

(a) Ms. Chen Zhimin resigned as independent non-executive director of the Company on April 22, 2020 and was appointed as supervisor on April 22, 2020.

(b) Mr. Zeng Su resigned on April 22, 2020 as he had served as an independent director for more than five successive years and cannot serve the full fourth session of the board. He took the opportunity to step down from his role as a director.

(c) Dr. Yang Bo and Mr. Liu Kai Yu Kenneth were appointed as independent non-executive directors on April 22, 2020.

(d) Ms. Mo Shuang resigned on April 22, 2020 to devote more attention to her responsibilities as senior legal manager of the Company.

(e) Ms. Shi Xiaoli resigned on April 22, 2020. She serves as the head of the data resources department of the Company and was not elected for another term as a PRC company seeking a listing on an overseas stock exchange should increase the number of external supervisors who do not hold position within the Company pursuant to the relevant PRC laws and regulations.

(f) Ms. Wang Xiaobo resigned on April 22, 2020. She serves as head of translation department (翻譯部總監) of the Company and was not elected for another term as a PRC company seeking a listing on an overseas stock exchange should increase the number of external supervisors who do not hold positions within the Company pursuant to the relevant PRC laws and regulations.

(g) Mr. Zhang Binghui and Mr. Wu Baolin were appointed as supervisors on April 22, 2020.

14. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

As advised and confirmed by the Company, the above resignations have no material adverse impact on the Group's operations and financial performance. Furthermore, as advised and confirmed by the Company, there have not been any disagreements or disputes between each of the former directors or supervisors and the Group.

15. FIVE HIGHEST PAID INDIVIDUALS

The five individuals with the highest emoluments in the Group during the year ended December 31, 2020 include none (2019: none) director of the Company, details of whose remuneration are set out in Note 14 above. The emoluments of the five highest paid individuals during the year ended December 31, 2020 were as follows:

	2020 **RMB'000**	2019 RMB'000
Salaries and other benefits	**12,051**	12,020
Performance-based bonus	**2,886**	8,048
Retirement benefits scheme contributions	**128**	138
Share-based compensation	**2,402**	8,747
	17,467	28,953

The emoluments of the five highest paid individuals were within the following bands:

	Number of individuals	
	2020	2019
HK$3,000,001 to HK$3,500,000	**2**	–
HK$3,500,001 to HK$4,000,000	**1**	–
HK$4,000,001 to HK$4,500,000	**1**	–
HK$4,500,001 to HK$5,000,000	**1**	–
HK$5,500,001 to HK$6,000,000	**–**	1
HK$6,000,001 to HK$6,500,000	**–**	2
HK$6,500,001 to HK$7,000,000	**–**	1
HK$7,000,001 to HK$8,000,000	**–**	1
	5	5

During the current and prior year, no emoluments were paid by the Group to the directors, supervisors or the five highest paid individuals (including directors, supervisors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors have waived any emoluments during the current and prior year.

16. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share attributed to owners of the Company is based on the following data:

	2020 RMB'000	2019 RMB'000
Profit for the year attributed to owners of the Company	**1,751,328**	841,247
Effect of cash dividend distributed to holders whose restricted shares are expected to be unlocked (note (i))	**(1,698)**	(1,286)
Earnings for the purpose of calculating basic earnings per share	**1,749,630**	839,961

Number of shares:

	2020	2019
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**793,519,061**	741,399,813

(b) Diluted earnings per share

The calculation of the diluted earnings per share attribute to owners of the Company is based on the following data:

	2020 RMB'000	2019 RMB'000
Profit for the year attributed to owners of the Company	**1,751,328**	841,247
Effect of share options issued by subsidiaries (note (ii))	**(5,285)**	(4,495)
Earnings for the purpose of calculating diluted earnings per share	**1,746,043**	836,752

Number of shares:

	2020	2019
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**793,519,061**	741,399,813
Effect of dilutive potential ordinary shares in respect of outstanding restricted share under Restricted Share Scheme (as defined in (Note 44(c)(i))	**3,520,471**	1,571,256
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**797,039,532**	742,971,069

16. EARNINGS PER SHARE (Continued)

Notes:

(i) The effect of cash dividend distributed to restricted shares holders and dilutive potential ordinary shares is related to the Restricted Share Scheme launched by the Company that disclosed in Note 44(c)(i).

(ii) During the year ended December 31, 2020, the effect of share options issued by subsidiaries is related to the share options issued by Frontage Holdings (as defined in Note 18), DreamCIS (as defined in Note 18) and Fantastic Bioimaging (as defined in Note 44(d)) that disclosed in Notes 44(a), 44(b) and 44(d), respectively.

During the year ended December 31, 2019, for the share options that issued by DreamCIS that disclosed in Note 44(b), it is not considered for the calculation of diluted earnings per share as the exercise price is higher than the fair value of the stock price.

(iii) The weighted average number of ordinary shares shown above has been adjusted for the issue of new shares as set out in Note 36 and treasury shares as set out in Note 37, after taking into account the retrospective adjustment on the assumption that the bonus issue (as disclosed in Note 36) had been in effect on January 1, 2019.

17. DIVIDENDS

During the year ended December 31, 2020, the Company proposed cash dividends to its shareholders as follows:

	2020 **RMB'000**	2019 RMB'000
Final dividend proposed after the end of the reporting period of RMB0.30 and RMB0.278 in respect of the years ended December 31, 2020 and 2019, respectively	**261,745**	208,069

The final dividend proposed after the end of the year has not been recognised as a liability at the end of the year.

18. INVESTMENTS IN SUBSIDIARIES

The Company had direct and indirect equity interests in the following principal subsidiaries:

Name of subsidiaries	Place of incorporation/ establishment and business and nature of legal entity	Authorised share capital/registered capital	Equity interests attributable to the Group as at				Principal activities
			December 31, 2020		December 31, 2019		
			Direct %	Indirect %	Direct %	Indirect %	
上海泰格醫藥科技有限公司 Shanghai Tigermed Consulting Co Ltd (note (a))	PRC, limited liability company	RMB5,000,000	100.00	–	100.00	–	Clinical development service
美斯達(上海)醫藥開發有限公司 MacroStat (China) Clinical Research Co., Ltd ("MacroStat") (note (a))	PRC, limited liability company	RMB1,440,585	100.00	–	100.00	–	Data management and statistical analysis
杭州思默醫藥科技有限公司 Hangzhou Simo Co., Ltd. (note (a))	PRC, limited liability company	RMB17,627,000	100.00	–	100.00	–	Site management organisation and patient recruitment services
嘉興泰格數據管理有限公司 Jiaxing Tigermed Data Management Co., Ltd. (note (a))	PRC, limited liability company	RMB176,083,600	100.00	–	100.00	–	Data management and statistical analysis
香港泰格醫藥科技有限公司 Hongkong Tigermed Co., Limited ("Tigermed HK")	Hong Kong, limited company	HKD640,755,481	100.00	–	100.00	–	Investment holding and clinical trial operation
杭州泰格股權投資合夥企業(有限合夥) Hangzhou Tigermed Equity Investment Partnership (Limited Partnership) (note (a))	PRC, limited partnership	RMB3,600,000,000	99.96	0.04	99.40	0.60	Investment management
泰州泰格捷通醫藥科技有限公司 Taizhou Tigermed-Jyton Medical Tech. Co., Ltd. ("Jietong Tigermed") (previously known as 泰州捷通泰瑞醫藥科技有限公司 (note (a))	PRC, limited liability company	RMB4,000,000	100.00	–	100.00	–	Clinical development service
TG SKY Investment Ltd.	BVI, limited liability company	United State dollar ("US$")50,000	–	100.00	100.00	–	Investment holding
北醫仁智(北京)醫學科技發展有限公司 Beijing Medical Development Co., Ltd. ("Beiyi") (note(a))	PRC, limited liability company	RMB6,500,000	100.00	–	100.00	–	Clinical trial operation and regulatory and registration services
漯河煜康投資中心(有限合夥) Luohe Yukang Investment Center Partnership (Limited Partnership) ("Luohe Yukang") (note (a),(d))	PRC, limited partnership	RMB124,000,000	24.19	0.57	24.19	–	Equity holding
石河子市泰譽股權投資合夥企業(有限合夥) Shihezi Taiyu Equity Investment Partnership (Limited Partnership) ("Shihezi Taiyu") (previously known as: 杭州泰譽股權投資合夥企業(有限合夥)) (note (a),(e))	PRC, limited partnership	RMB150,000,000	13.33	0.46	13.33	1.00	Equity holding
Frontage Holdings Corporation ("Frontage Holdings") (note (b))	Cayman Islands, limited company	US$50,000	–	50.71	–	51.45	Investment holding

18. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Place of incorporation/ establishment and business and nature of legal entity	Authorised share capital/registered capital	Equity interests attributable to the Group as at December 31, 2020 Direct %	December 31, 2020 Indirect %	December 31, 2019 Direct %	December 31, 2019 Indirect %	Principal activities
Frontage Laboratories, Inc., ("Frontage Labs")	USA, limited company	US$20,000	–	**50.71**	–	51.45	Bioanalytical, CMC and DMPK services
Tigermed-BDM Inc., ("Tigermed BDM")	USA, limited company	US$30	–	**100.00**	–	100.00	Data management, statistics, SAS project management
北京康利華諮詢服務有限公司 Beijing Canny Consulting Inc. (note (a))	PRC, limited liability company	RMB1,000,000	**41.88**	**51.00**	39.57	51.00	GMP consulting, medical registration and regulatory affairs, with a focus on regulatory compliance of drugs, health foods and cosmetics
DreamCIS Inc. ("DreamCIS") (note (c))	Korea limited company	KRW50,000,000,000	–	**63.44**	–	87.75	CRO
Bright Sky Resources Investment Ltd	BVI, limited liability company	US$50,000	–	**100.00**	–	100.00	Investment holding
北京捷通康諾醫藥科技有限公司 Beijing Jyton and Kannel Medical Tech. Co., Ltd. (note (a))	PRC, limited liability company	RMB1,000,000	–	**100.00**	–	100.00	Medical device consulting, pharmaceuticals and regulations consulting, clinical trials and recruiting services
Croley Martell Holdings, Inc.	USA, limited company	US$2,000	–	**50.71**	–	51.45	Investment holding
Concord Biosciences, LLC ("Concord")	USA, limited liability company	–	–	**50.71**	–	51.45	Safety and toxicology services
仁智(蘇州)醫學研究有限公司 Beijing Medical Development (Suzhou) Co., Ltd (note (a))	PRC, limited liability company	RMB10,000,000	–	**100.00**	–	100.00	Clinical development service
方達醫藥技術(上海)有限公司 Frontage Laboratories (Shanghai) Co., Ltd. ("Frontage Shanghai") (note (a))	PRC, limited liability company	US$4,355,050	–	**50.71**	–	51.45	Bioequivalence and laboratory services
北京雅信誠醫學信息科技有限公司 Beijing Yaxincheng Medical InfoTech Co. Ltd. ("Beijing Yaxincheng) (note (a), (Note 42(b)(i))	PRC, limited liability company	RMB2,000,000	**100.00**	**–**	55.00	–	DMPK services
方達醫藥技術(蘇州)有限公司 Frontage Laboratories (Suzhou) Co., Ltd. ("Frontage Suzhou") (note (a),(f), Note 42(b)(ii))	PRC, limited liability company	RMB10,000,000	–	**38.03**	–	38.59	CMC operations in the PRC
RMI Laboratories, LLC ("RMI") (Note 42(b)(iii))	USA, limited liability company	–	–	**50.71**	–	51.45	DMPK services

18. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Place of incorporation/ establishment and business and nature of legal entity	Authorised share capital/registered capital	Equity interests attributable to the Group as at December 31, 2020 Direct %	December 31, 2020 Indirect %	December 31, 2019 Direct %	December 31, 2019 Indirect %	Principal activities
BRI Biopharmaceutical Research Inc. ("BRI") (Note 42(b)(iv))	Canada, limited company	–	–	50.71	–	51.45	DMPK services
上海謀思醫藥科技有限公司 Shanghai Mosim Medical Technology Co., Ltd. ("Mosim") (note (a), Note 42(a)(i))	PRC limited liability company	RMB1,000,000	60.00	–	–	–	CRO services
Acme Bioscience, Inc. ("ACME") (Note 42(a)(iii))	USA, limited company	US$10,000	–	50.71	–	–	Chemistry services
合亞醫藥科技(上海)有限公司 Acme Biopharma Co., (Shanghai) Ltd. (note (a), Note 42(a)(iii))	PRC, limited liability company	US$2,000,000	–	50.71	–	–	Chemistry services

Notes:

(a) The English names of the subsidiaries registered in the PRC represent the best efforts made by management of the Company to translate their Chinese names as they do not have official English names.

(b) Frontage Holdings has listed on the Main Board of the Stock Exchange since May 30, 2019. Upon the listing of Frontage Holdings on the Stock Exchange, the shareholding held by the Group diluted to 51.45%.

(c) DreamCIS completed its listing on the Korean Securities Dealers Automated Quotations of the Korea Exchange on May 22, 2020. Upon listing of DreamCIS, the shareholding held by the Group diluted to 65.16%.

(d) In March 2016, the Group entered into an investment agreement with a number of independent third parties to establish Luohe Yukang, which is principally engaged in equity holding of investments. Pursuant to relevant investment agreement, the Group, through its subsidiary, is acting as a general partner and fund manager, and those independent third parties are acting as limited partners. The Group, as a general partner and fund manager, has the power to direct the relevant activities of the fund through the appointment and involvement of investment committee and is functioning as a principal, and limited partners have no substantive power to remove the Group as the general partner. The Group is also significantly exposed to variable returns through its involvement in investment committee. Therefore, the directors consider that the Group has control over Luohe Yukang throughout the reporting period and accounted for as subsidiary of the Company.

(e) In July 2015, the Group entered into an investment agreement with a number of independent third parties to establish Shihezi Taiyu, which is principally engaged in equity holding of investments. Pursuant to relevant investment agreement, the Group, through its subsidiary, is acting as a general partner and fund manager, and those independent third parties are acting as limited partners. The Group, as a general partner and fund manager, has the power to direct the relevant activities of the fund through the appointment and involvement of investment committee and is functioning as a principal, and limited partners have no substantive power to remove the Group as the general partner. The Group is also significantly exposed to variable returns through its involvement in investment committee. Therefore, the directors consider that the Group has control over Shihezi Taiyu throughout the reporting period and accounted for as subsidiary of the Company.

(f) Frontage Suzhou was 75% owned by Frontage Shanghai, which was in turn a 50.71% (2019: 51.45%) owned subsidiary of the Company. Accordingly, the directors consider that the Company has control over Frontage Suzhou.

18. INVESTMENTS IN SUBSIDIARIES (Continued)

Summarised financial information in relation to the subsidiaries with material non-controlling interests (the "NCIs") before intra-group elimination is presented below:

Frontage Holdings and its subsidiaries ("Frontage Holdings Group")

	2020 RMB'000	2019 RMB'000
Revenue	**868,146**	694,842
Profit for the year	**120,170**	127,544
Total comprehensive income for the year	**(8,395)**	144,987
Profit allocated to NCI	**59,007**	52,809
Dividends paid to NCI	**–**	–
Cash flows from operating activities	**240,217**	127,523
Cash flows used in investing activities	**(196,192)**	(86,420)
Cash flows (used in)/from financing activities	**(24,365)**	1,285,147
Net cash inflows	**19,660**	1,326,250

	2020 RMB'000	2019 RMB'000
Current assets	**1,659,855**	1,691,087
Non-current assets	**820,334**	508,286
Current liabilities	**(295,885)**	(202,840)
Non-current liabilities	**(299,467)**	(145,900)
Net assets	**1,884,837**	1,850,633
Accumulated NCI	**929,083**	898,482

18. INVESTMENTS IN SUBSIDIARIES (Continued)

DreamCIS

	2020 RMB'000	2019 RMB'000
Revenue	**137,745**	137,573
Profit for the year	**28,463**	25,829
Total comprehensive income for the year	**28,680**	27,512
Profit allocated to NCI	**8,924**	3,163
Dividends paid to NCI	**–**	–
Cash flows from operating activities	**20,057**	26,650
Cash flows used in investing activities	**(145,324)**	(25,279)
Cash flows from/(used in) financing activities	**115,538**	(2,822)
Net cash outflows	**(9,729)**	(1,451)

	2020 RMB'000	2019 RMB'000
Current assets	**258,662**	144,618
Non-current assets	**32,750**	13,512
Current liabilities	**(70,566)**	(85,976)
Non-current liabilities	**(2,195)**	(4,222)
Net assets	**218,651**	67,932
Accumulated NCI	**79,939**	8,320

19. INTERESTS IN ASSOCIATES

	2020 RMB'000	2019 RMB'000
At the beginning of the year	**109,713**	103,293
Additions (notes (b) to (f),(i))	**6,083**	42,090
Disposal and transfer (notes (c),(d),(h))	**(51,799)**	(22,013)
Share of post-acquisition losses	**(3,508)**	(9,768)
Dividend declared by an associate	**–**	(3,960)
Exchange realignment	**(219)**	71
At the end of the year	**60,270**	109,713

The Group had interests in the following principal associates during the year:

Name of associates	Place of incorporation/ establishment	Authorised capital/ registered capital	Proportion of ownership interest held by the Group as at December 31, 2020	December 31, 2019	Principal activities
上海觀合醫藥科技有限公司 Teddy Clinical Research Laboratory (Shanghai) Limited ("Shanghai Guanhe") (note (a),(b))	PRC	RMB51,813,471	**38.24%**	36.67%	Central laboratory service
杭州頤柏健康管理有限公司 Hangzhou Yibai Health Management Co., Ltd. ("Hangzhou Yibai") (note (a),(c))	PRC	RMB90,153,000	**–**	41.44%	Clinical research service
益新泰格(南通)醫藥科技有限公司 EPS Tigermed (Nantong) Co., Ltd. ("Nantong Yixin") (note (a),(d))	PRC	US$16,666,700	**40.00%**	40.00%	Medical devices and related products sales service
蘇州益新泰格醫藥科技有限公司 EPS Tigermed (Suzhou) Co., Ltd. ("Suzhou Yixin") (note (a),(e))	PRC	RMB9,803,900	**49.00%**	49.00%	Clinical data management and analysis service
Mosim (note (a), (f))	PRC	RMB1,000,000	**–**	33.00%	CRO services
FJ Pharma LLC	USA	US$2,000,000	**49.00%**	49.00%	CRO services
Tigerise Inc. ("Tigerise") (note (g))	Japan	Japanese Yen ("JPY") 20,000,000	**50.00%**	–	CRO services
Tigermed Co., Ltd. (Thailand) ("Tigermed Thailand") (note h)	Thailand	Thai Baht ("Baht") 1,000,000	**48.99%**	–	CRO services

19. INTERESTS IN ASSOCIATES (Continued)

Notes:

(a) The English names of the associates registered in the PRC represent the best efforts made by management of the Company to translate their Chinese names as they do not have official English names.

(b) On March 15, 2019, the Group disposed 2% of the shareholding in Shanghai Guanhe at a cash consideration of approximately RMB1,400,000. On the same day, upon additional capital contribution being made by an independent third party, the registered capital of Shanghai Guanhe was enlarged from RMB50,000,000 to RMB51,813,471. Upon completion of the disposal transaction and additional capital contribution, the Group's equity interests in Shanghai Guanhe was reduced from 40% to 36.67%. On June 18, 2020, the Group acquired 1.57% of the shareholding in Shanghai Guanhe at a cash consideration of RMB3,8000,000. Upon the completion of the acquisition transaction, the Group's equity interest in Shanghai Guanhe was increased from 36.67% to 38.24%. The directors considered that the Group has significant influence over this entity based on the following factors: (1) the Group has appointed 2 directors (including the chairman who did not have special voting right) to the board of directors (total 5 directors), with the other 3 directors appointed by the other shareholder, who owned another 50% equity interests in Shanghai Guanhe; and (2) the appointed directors actively participate in the policy-making process of the entity and the decision making of relevant activities are based on simple majority voting. The directors concluded that the Company only had significant influence and no control over Shanghai Guanhe.

(c) During the year ended December 31, 2019, upon additional capital contribution being made by an independent third party, the registered capital of Hangzhou Yibai was enlarged from RMB71,250,000 to RMB83,028,000 and the Group's equity interests in Hangzhou Yibai was diluted from 49.47% to 41.44%. During the year ended December 31, 2020, the Group disposed 100% of its shareholding in Hangzhou Yibai at a cash consideration of RMB96,577,000, resulting a gain on disposal of approximately RMB89,651,000. As at December 31, 2020, consideration arising from the disposal transaction of RMB60,265,000 has not yet been settled.

(d) Nantong Yixin was established in the PRC on August 1, 2013 and is 40% owned by the Group and the remaining 60% are owned by an independent third party.

(e) Suzhou Yixin was established in the PRC on October 26, 2011 and is 49% owned by the Group and the remaining 51% are owned by an independent third party.

(f) In April 2019, the Group appointed one of the four board members in the board of directors of Mosim, that enables the Group to influence the relevant activities of Mosim, which was previously accounted for as financial asset at FVTPL. The directors consider the Group has significant influence over Mosim after the appointment of the director representing the Group and the investment has therefore been classified as an interest in an associate. On January 9, 2020, the Group further acquired 27% equity interests in Mosim, which then become a subsidiary of the Company (see Note 42(a)(i) for details).

(g) Tigerise was established in Japan during the year ended December 31, 2020 and is 50% owned by the Group and the remaining 50% is owned by an independent third party. The Group appointed two out of six board members in the board of the directors of Tigerise, which enables the Group to significantly influence the relevant activities of Tigerise. The directors consider the Group has significant influence over Tigerise and the investment has therefore been classified as an interest in an associate.

(h) Tigermed Thailand was established in Thailand on April 29, 2020.

All of these associates are accounted for using the equity method in the consolidated financial statements.

19. INTERESTS IN ASSOCIATES (Continued)

Aggregate information of associates that are not individually material

	2020 RMB'000	2019 RMB'000
Aggregate carrying amount of the Group's associates in the consolidated financial statements	**60,270**	109,713

	2020 RMB'000	2019 RMB'000
Share of losses and total comprehensive income of associates	**(3,508)**	(9,768)

20. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RMB'000	Buildings RMB'000	Leasehold improvements RMB'000	Experiment equipment RMB'000	Furniture, fixture and equipment RMB'000	Transportation equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST								
As at January 1, 2019	12,559	106,222	18,410	241,876	57,038	8,640	–	444,745
Additions	–	–	15,067	45,965	4,793	466	22,309	88,600
Acquired through business combination (Note 42(b))	–	15,937	1,320	10,195	1,761	349	–	29,562
Transfer from capitalised leases (Note 23)	–	–	–	8,727	–	–	–	8,727
Derecognised on disposal of subsidiaries (Note 43(b))	–	(93)	(3,956)	(3,717)	(319)	(3,564)	–	(11,649)
Disposals	–	–	–	(15,744)	(2,774)	(292)	–	(18,810)
Exchange realignment	207	271	–	7,505	78	(2)	–	8,059
As at December 31, 2019 and January 1, 2020	12,766	122,337	30,841	294,807	60,577	5,597	22,309	549,234
Additions	–	12,896	9,790	62,646	15,598	3,622	43,915	148,467
Acquired through business combination (Note 42(a))	–	–	1,543	4,375	3,316	17	–	9,251
Transfer from capitalised leases (Note 23)	–	–	–	19,812	–	–	–	19,812
Transfer	–	–	7,679	455	–	130	(8,264)	–
Derecognised on disposal of subsidiaries (Note 43(a))	–	–	–	–	(19)	–	–	(19)
Disposals	–	–	–	(6,626)	(6,708)	(466)	–	(13,800)
Exchange realignment	(826)	(1,628)	–	(15,329)	(1,327)	(16)	(3,120)	(22,246)
Balance at December 31, 2020	**11,940**	**133,605**	**49,853**	**360,140**	**71,437**	**8,884**	**54,840**	**690,699**

20. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Freehold land RMB'000	Buildings RMB'000	Leasehold improvements RMB'000	Experiment equipment RMB'000	Furniture, fixture and equipment RMB'000	Transportation equipment RMB'000	Construction in progress RMB'000	Total RMB'000
DEPRECIATION AND IMPAIRMENT								
As at January 1, 2019	–	13,499	10,022	147,715	33,256	5,051	–	209,543
Provided for the year	–	4,446	3,407	33,628	7,573	1,219	–	50,273
Transfer from capitalised leases (Note 23)	–	–	–	4,907	–	–	–	4,907
Eliminated on disposal of subsidiaries (Note 43(b))	–	(13)	(1,974)	(1,096)	(185)	(2,975)	–	(6,243)
Eliminated on disposals	–	–	–	(14,173)	(2,426)	(167)	–	(16,766)
Exchange realignment	–	13	–	811	–	(4)	–	820
As at December 31, 2019 and January 1, 2020	–	17,945	11,455	171,792	38,218	3,124	–	242,534
Provided for the year	–	8,300	5,087	34,929	8,916	1,124	–	58,356
Transfer from capitalised leases (Note 23)	–	–	–	12,918	–	–	–	12,918
Eliminated on disposal of subsidiaries (Note 43(a))	–	–	–	–	(4)	–	–	(4)
Eliminated on disposals	–	–	–	(6,463)	(5,676)	(81)	–	(12,220)
Exchange realignment	–	(357)	–	(10,171)	(799)	(13)		(11,340)
Balance at December 31, 2020	**–**	**25,888**	**16,542**	**203,005**	**40,655**	**4,154**	**–**	**290,244**
NET BOOK VALUE								
As at December 31, 2020	**11,940**	**107,717**	**33,311**	**157,135**	**30,782**	**4,730**	**54,840**	**400,455**
As at December 31, 2019	12,766	104,392	19,386	123,015	22,359	2,473	22,309	306,700

21. INTANGIBLE ASSETS

	Software RMB'000	Trademark RMB'000	Customer relationship RMB'000	Customer backlog RMB'000	Non-competition clause RMB'000	Others RMB'000	Total RMB'000
COST							
As at January 1, 2019	35,167	687	–	–	–	21	35,875
Additions	13,717	–	–	–	–	–	13,717
Acquired through business combination (Note 42(b))	20,762	–	29,314	6,195	5,417	–	61,688
Exchange realignment	(54)	11	–	–	–	–	(43)
As at December 31, 2019 and January 1, 2020	69,592	698	29,314	6,195	5,417	21	111,237
Additions	8,913	–	–	–	–	2	8,915
Acquired through business combination (Note 42(a))	6,208	–	39,526	7,057	17,650	–	70,441
Written off	(17)	(698)	–	–	–	–	(715)
Exchange realignment	(1,180)	–	(4,092)	(623)	(1,676)	–	(7,571)
As at December 31, 2020	**83,516**	**–**	**64,748**	**12,629**	**21,391**	**23**	**182,307**
AMORTISATION							
As at January 1, 2019	24,540	515	–	–	–	4	25,059
Charge for the year	6,123	175	332	450	270	17	7,367
Exchange realignment	(28)	8	–	–	–	–	(20)
As at December 31, 2019 and January 1, 2020	30,635	698	332	450	270	21	32,406
Charge for the year	13,657	–	4,824	4,969	3,493	2	26,945
Eliminated on written off	(17)	(698)	–	–	–	–	(715)
Exchange realignment	(531)	–	(177)	(201)	(202)	–	(1,111)
As at December 31, 2020	**43,744**	**–**	**4,979**	**5,218**	**3,561**	**23**	**57,525**
NET BOOK VALUE							
As at December 31, 2020	**39,772**	**–**	**59,769**	**7,411**	**17,830**	**–**	**124,782**
As at December 31, 2019	38,957	–	28,982	5,745	5,147	–	78,831

22. GOODWILL

	2020 RMB'000	2019 RMB'000
COST		
At the beginning of year	**1,197,951**	1,074,047
Acquisition of subsidiaries (Note 42)	**295,881**	142,861
Disposal of subsidiaries (Note 43)	**–**	(18,957)
Exchange realignment	**(9,193)**	–
At the end of the year	**1,484,639**	1,197,951
IMPAIRMENT		
At the beginning of year	**40,120**	41,120
Impairment loss released upon disposal of a subsidiary (Note 43)	**–**	(1,000)
At the end of the year	**40,120**	40,120
CARRYING VALUE		
At the end of the year	**1,444,519**	1,157,831

Goodwill acquired through business combinations is allocated to the following CGUs for impairment testing:

- Jietong Tigermed CGU;
- Frontage Holdings Group CGU;
- Mosim CGU;
- DreamCIS CGU;
- Beiyi CGU;
- Beijing Yaxincheng CGU;
- ACME CGU;
- Frontage Suzhou CGU;
- 泰州康利華醫藥科技有限公司 Taizhou Kanglihua Pharmaceutical Technology Co., Ltd ("Taizhou Kanglihua") CGU;
- Tigermed BDM CGU;
- MacroStat CGU;

22. GOODWILL (Continued)

- Biotranex, LLC ("Biotranex") CGU;
- RMI CGU;
- BRI CGU;
- Opera Contract Research Organisation S.R.L. ("Opera") CGU; and
- 台灣泰格國際醫藥股份有限公司 Taiwan International Pharmaceutical Co., Ltd ("Taiwan Tigermed") CGU

The carrying amounts of goodwill allocated to each of the CGUs is as follows:

	2020 RMB'000	2019 RMB'000
Jietong Tigermed CGU	**456,866**	456,866
Frontage Holdings Group CGU	**268,001**	268,001
Mosim CGU	**185,952**	–
DreamCIS CGU	**128,700**	128,700
Beiyi CGU	**112,620**	112,620
Beijing Yaxincheng CGU	**99,350**	99,350
ACME CGU	**91,568**	–
Frontage Suzhou CGU	**27,646**	27,646
Taizhou Kanglihua CGU	**18,407**	18,407
Tigermed BDM CGU	**15,091**	15,091
MacroStat CGU	**11,512**	11,512
Biotranex CGU	**10,036**	–
RMI CGU	**8,304**	8,876
BRI CGU	**6,693**	6,989
Opera CGU	**2,900**	2,900
Taiwan Tigermed CGU	**873**	873
	1,444,519	1,157,831

Apart from the recoverable amounts mentioned below which have been determined by their respective fair value less costs of disposal, the recoverable amounts of other CGUs have been determined based on value-in-use calculations using pre-tax cash flow projections, which is based on financial budgets approved by management.

At December 31, 2020 and December 31, 2019, the recoverable amount of Frontage Holdings Group CGU was determined by its fair value less costs of disposal with reference to the market price of the shares of Frontage Holdings listed on the Stock Exchange (see Note 18(b)).

At December 31, 2020, the recoverable amount of DreamCIS CGU was determined by its fair value less costs of disposal with reference to the market price of the shares of DreamCIS listed on the Korea Securities Dealers Automated Quotation of the Korea Exchange (see Note 18(c)).

22. GOODWILL (Continued)

Frontage Suzhou, RMI and BRI were all acquired by the Group before the end of the year ended December 31, 2019. At December 31, 2019, the recoverable amounts of Frontage Suzhou CGU, RMI CGU and BRI CGU were determined by their fair value less costs of disposal with reference to respective sales and purchase agreements in connection with respective acquisitions. The directors are of the opinion that the considerations could be considered as fair value as the agreements were entered into with independent third parties on an arm's length basis.

Assumptions were used in the value-in-use calculations of other CGUs as at December 31, 2020 and 2019. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

The cash flow projections were based on financial budgets covering a period approved by management as follows:

Jietong Tigermed CGU	5 years
Mosim CGU	5 years
DreamCIS CGU	5 years
Beiyi CGU	5 years
Beijing Yaxincheng CGU	5 years
ACME CGU	5 years
Frontage Suzhou CGU	5 years
Taizhou Kanglihua CGU	5 years
Tigermed BDM CGU	5 years
MacroStat CGU	5 years
Biotranex CGU	5 years
RMI CGU	5 years
BRI CGU	5 years
Opera CGU	5 years
Taiwan Tigermed CGU	5 years

22. GOODWILL (Continued)

The cash flow projections beyond the 5-year period are extrapolated using expected growth rates of revenue as follows:

	2020 %	2019 %
Jietong Tigermed CGU	**5.0**	5.0
Mosim CGU	**5.0**	N/A
DreamCIS CGU	**N/A**	0.0
Beiyi CGU	**0.0**	0.0
Beijing Yaxincheng CGU	**5.0**	0.0
ACME CGU	**3.0**	N/A
Frontage Suzhou CGU	**3.0**	N/A
Taizhou Kanglihua CGU	**5.0**	5.0
Tigermed BDM CGU	**5.0**	5.0
MacroStat CGU	**0.0**	0.0
Biotranex CGU	**3.0**	N/A
RMI CGU	**3.0**	N/A
BRI CGU	**3.0**	N/A
Opera CGU	**5.0**	5.0
Taiwan Tigermed CGU	**3.0**	3.0

This growth rate is based on the relevant industry growth forecast and does not exceed the average long-term growth rate for the relevant industry.

The discount rates applied to the cash flow projections are as follows:

	2020 %	2019 %
Jietong Tigermed CGU	**15.3**	15.3
Mosim CGU	**15.3**	N/A
DreamCIS CGU	**N/A**	18.3
Beiyi CGU	**15.3**	15.3
Beijing Yaxincheng CGU	**15.3**	15.3
ACME CGU	**20.0**	N/A
Frontage Suzhou CGU	**22.0**	N/A
Taizhou Kanglihua CGU	**17.4**	17.4
Tigermed BDM CGU	**22.0**	22.0
MacroStat CGU	**15.3**	15.3
Biotranex CGU	**20.0**	N/A
RMI CGU	**21.0**	N/A
BRI CGU	**20.0**	N/A
Opera CGU	**17.4**	17.4
Taiwan Tigermed CGU	**15.3**	15.3

The discount rates used are pre-tax and reflect specific risk relating to the relevant units.

22. GOODWILL (Continued)

The discount rate is the expected return of the Group's assets that reflects current market assessments of the time value of money and the specific risk associated with the CGU, after taking into account the weighted average cost of equity and debt.

Other key assumptions for the value-in-use calculations related to the estimation of cash inflows/outflows include budgeted sales and gross margins, such estimation is based on the CGU's past performance and management's expectations for the market development.

23. RIGHT-OF-USE ASSETS

	Leasehold land RMB'000	Buildings RMB'000	Experiment equipment RMB'000	Others RMB'000	Total RMB'000
As at January 1, 2019					
Carrying amount	5,409	121,883	40,717	645	168,654
As at December 31, 2019 and January 1, 2020					
Carrying amount	5,279	147,457	39,576	1,108	193,420
As at December 31, 2020					
Carrying amount	**5,148**	**264,717**	**61,810**	**940**	**332,615**
For the year ended December 31, 2019					
Depreciation charge	130	37,022	9,042	368	46,562
For the year ended December 31, 2020					
Depreciation charge	**130**	**52,508**	**11,810**	**507**	**64,955**

23. RIGHT-OF-USE ASSETS (Continued)

The consolidated statement of profit or loss and other comprehensive income contain the following amounts relating to leases:

	2020 RMB'000	2019 RMB'000
Depreciation of right-of-use assets	**64,955**	46,562
Expenses relating to short-term leases and other lease with lease terms ended within 12 months from the date of initial application of IFRS 16	**87**	3,813
Expense relating to leases of low-value assets, excluding short-term leases of low-value asset	**398**	337
Total cash outflow for leases	**77,068**	55,230
Additions to right-of-assets	**215,030**	74,628
Acquired through business combination (Note 42)	**9,485**	2,173
Transferred from capitalised lease to property, plant and equipment (Note 20)	**(6,894)**	(3,820)
Disposal	**(1,906)**	(567)
Derecognised on disposal of subsidiaries (Note 43)	**(415)**	(2,531)
Exchange realignment	**(11,150)**	1,445

For both years, the Group leases various offices and experiment equipment for its operations. Lease contracts are entered into for fixed term of 2 years to 25 years (2019: 2 years to 10 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Restrictions or covenants on lease

Lease liabilities of RMB331,311,000 (2019: RMB182,270,000) are recognised with related right-of-use assets of RMB332,615,000 (2019: RMB193,420,000) as at December 31, 2020. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases committed

As at December 31, 2020, the Group entered into a new lease for a leased property that have not yet commenced, with non-cancellable period ranging from 1 to 5 years, excluding period under extension options. The total future undiscounted cash flows over the non-cancellable period amounted to RMB7,696,000 (2019: RMB237,037,000).

24. DEFERRED TAXATION

The following is a summary of the deferred tax balances of the Group for financial reporting purposes:

	2020 RMB'000	2019 RMB'000
Deferred tax assets	**79,507**	91,476
Deferred tax liabilities	**(131,730)**	(45,718)
	(52,223)	45,758

The followings are the major deferred tax assets and liabilities recognised and movements thereon before offsetting during the current and prior year:

	Change in fair value of financial assets at fair value RMB'000	Impairment allowance RMB'000	Depreciation difference RMB'000	Stock compensation RMB'000	Others RMB'000	Total RMB'000
As at January 1, 2019	(17,487)	14,021	(12,008)	2,799	203	(12,472)
(Charged)/credit to profit or loss (Note 13)	(642)	1,474	3,095	6,121	15,846	25,894
Credit to reserves	–	–	–	44,895	–	44,895
Acquisition of subsidiaries (Note 42(b))	–	865	(13,424)	–	–	(12,559)
As at December 31, 2019 and January 1, 2020	(18,129)	16,360	(22,337)	53,815	16,049	45,758
(Charged)/credit to profit or loss (Note 13)	(63,813)	(53)	(18,962)	7,558	10,892	(64,378)
Charged to reserves	(77)	–	–	(8,020)	–	(8,097)
Acquisition of subsidiaries (Note 42(a))	–	156	(18,946)	–	–	(18,790)
Exchange realignment	–	(3,028)	11,079	(9,813)	(4,954)	(6,716)
As at December 31, 2020	**(82,019)**	**13,435**	**(49,166)**	**43,540**	**21,987**	**(52,223)**

As at December 31, 2020, the Group had unused tax losses of RMB17,871,000 (2019: RMB19,247,000), available to offset against future profits. As at December 31, 2020, unused tax losses of RMB17,871,000 (2019: RMB13,710,000) had been recognised in deferred tax assets, while Nil (2019: RMB5,537,000) had not been recognised as at December 31, 2020 due to the unpredictability of future profit streams.

Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries amounting to RMB1,602,669,000 (2019: RMB763,358,000) as at December 31, 2020 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.

25. FINANCIAL ASSETS AT FAIR VALUE/STRUCTURED DEPOSITS

	2020 RMB'000	2019 RMB'000
Financial assets		
Non-current assets		
Financial assets at FVTPL		
– Listed equity securities	**482,002**	134,957
– Unlisted equity investments	**2,060,600**	1,040,304
– Unlisted fund investments	**2,749,700**	1,075,213
	5,292,302	2,250,474
Financial assets at FVOCI		
– Unlisted equity investments	**15,158**	–
Current assets		
Structured deposits (note)	**26,000**	68,827

Note:

The Group entered into series of structured contracts with banks and other financial institutions in the PRC. The investments are yield enhancement deposits with expected but not guaranteed rates of return. The expected rates of return ranged from 1.5% to 3.1% (2019: 2.8% to 3.2%) per annum for the year ended December 31, 2020, which were determined by reference to the returns of the underlying investments. The directors considered the structured deposits shall be classified as financial assets at FVTPL and the amount paid for the structured deposits approximates its fair value at the end of each reporting period.

26. INVENTORIES

	2020 RMB'000	2019 RMB'000
Raw materials and consumables	**4,721**	1,206

27. TRADE, BILLS AND OTHER RECEIVABLES AND PREPAYMENTS

	2020 RMB'000	2019 RMB'000
Trade receivables		
– Third parties	**531,814**	454,991
– Related parties (note (a))	**–**	20
Less: loss allowance for trade receivables	**(40,890)**	(52,859)
	490,924	402,152
Bills receivable		
– Third parties	**3,807**	4,517
Other receivables		
– Third parties	**54,029**	69,602
– Related parties (note (a))	**31**	123
Less: loss allowance for other receivables	**(7,846)**	(11,018)
	46,214	58,707
Consideration receivables (note (b), (c))	**69,565**	–
Prepayments		
– Third parties	**28,170**	25,017
	638,680	490,393

Notes:

(a) Details of the trade and other receivables due from related parties are set out in Note 50(2).

(b) Consideration receivable for disposal of Hangzhou Yibai

Included in consideration receivables as at December 31, 2020 represents the consideration receivable for the disposal of the entire interest in Hangzhou Yibai amounting to RMB60,265,000. Please refer to Note 19(c) for details.

(c) Consideration receivable for disposal of financial asset at FVTPL

The amount has also included the consideration receivable for the disposal of the interest in financial assets held by the Group, amounting to RMB9,300,000 as at December 31, 2020.

27. TRADE, BILLS AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

The Group allows a credit period ranging from 30 to 90 days to its customers. The following is an aging analysis of trade receivables (net of allowance for impairment losses), presented based on the invoice dates, at the end of each reporting period:

	2020 RMB'000	2019 RMB'000
Within 90 days	**458,158**	358,910
91 to 180 days	**20,465**	29,071
181 days to 1 year	**6,807**	8,193
Over 1 year	**5,494**	5,978
	490,924	402,152

Movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in IFRS 9 for current and prior years:

	2020 RMB'000	2019 RMB'000
At the beginning of year	**52,859**	44,350
Provided	**–**	8,509
Reversed	**(6,551)**	–
Written off	**(4,310)**	–
Exchange realignment	**(1,108)**	–
At the end of year	**40,890**	52,859

28. CONTRACT ASSETS

	2020 RMB'000	2019 RMB'000
Contract assets		
– Third parties	**857,106**	793,049
– Related parties	**54**	–
Less: loss allowance for contract assets	**(32,446)**	(37,021)
	824,714	756,028

Changes in contract assets primarily relate to timing invoicing.

Details of the contract assets due from related parties are set out in Note 50(2).

Movement in lifetime ECL that has been recognised for contract assets in accordance with the simplified approach set out in IFRS 9 for current and prior years:

	2020 RMB'000	2019 RMB'000
At the beginning of year	**37,021**	19,505
Provided	**–**	17,516
Reversed	**(5,414)**	–
Exchange realignment	**839**	–
At the end of year	**32,446**	37,021

29. CASH AND CASH EQUIVALENTS/TIME DEPOSITS WITH ORIGINAL MATURITY OVER THREE MONTHS/RESTRICTED BANK DEPOSITS

	2020 RMB'000	2019 RMB'000
Cash and cash equivalents (note (a))	**9,959,963**	2,006,926
Time deposits with original maturity over three months (note (d))	**161,919**	30,160
Restricted bank deposits		
Portion classified as current assets (note (b))	**52**	3,127
Non-current portion (note (c))	**1,957**	2,093
	2,009	5,220

Notes:

(a) At the end of each reporting period, cash and cash equivalents of the Group comprised of bank balances and cash held. Bank balances carried interest at prevailing market interest rates which ranged from 0.30% to 3.85% (2019: 0.30% to 0.385%) per annum as at December 31, 2020.

(b) On August 20, 2019, the Group entered into an agreement to expand a lab in Pennsylvania, the USA. As part of the agreement, US$1,370,000 (equivalent to RMB9,557,000) was placed in a bank escrow account for funding the expenditures for such expansion, and the amount is restricted. As at December 31, 2020, the remaining amount in the escrow account is US$8,000 (equivalent to RMB52,000) (2019: US$440,000 (equivalent to RMB3,127,000), which is included in restricted bank deposits.

(c) During 2015, the Group entered into a lease agreement for a property located in Secaucus, New Jersey, the USA with a lease term ending in 2027. As part of the lease agreement, a letter of credit of US$550,000 (equivalent to RMB3,594,000) is required as a guarantee over the term of the lease and therefore the Group obtained a letter of credit of US$550,000 (equivalent to RMB3,594,000) from a bank and in return placed an equal amount to the bank as a pledged deposit for the letter of credit. From 2018 onwards, the cash deposit that was required as a guarantee was reduced to US$300,000 (equivalent to RMB1,957,000) (2019: US$300,000 (equivalent to RMB2,093,000)). The pledged bank deposit as of December 31, 2020 carried fixed interest rate of 0.55% per annum (2019: 0.55% per annum) and was classified as a long-term asset.

(d) Time deposits with original maturity over three months represent fixed deposits with maturity more than three months from the date of acquisition which carried interest at prevailing market rates ranging from 0.75% to 1.02% (2019: 1.60% to 2.15%) per annum as at December 31, 2020.

30. OTHER NON-CURRENT ASSETS

	2020 RMB'000	2019 RMB'000
Prepayments for acquisition of additional interest in a subsidiary (note)	**100,980**	–
Prepayments for acquisition of property, plant and equipment	**9,504**	10,389
	110,484	10,389

Note: The amount represents the prepayment for acquisition of additional 40% of equity interests in Mosim, amounting to RMB100,980,000 as at December 31, 2020. The acquisition has been completed subsequent to the end of the year ended December 31, 2020 upon the fulfilment of the condition of the acquisition. Please refer to Note 51 for details.

31. TRADE AND OTHER PAYABLES

	2020 RMB'000	2019 RMB'000
Trade payables		
– Third parties	**100,829**	72,709
– Related parties (note (a))	**466**	2,482
	101,295	75,191
Other payables		
– Third parties	**56,460**	40,002
– Related parties (note (a))	–	854
– Consideration payables (note (c), Note 35(c))	**39,145**	–
– Contingent consideration payables (Note 35(b), Note 35(d), Note 35(e))	**14,486**	–
– Restricted share repurchase payable (Note 44(c)(i))	**123,138**	146,391
– Dividend payable	**1,698**	1,286
– Salary and bonus payables	**140,396**	122,653
– Other taxes payable	**52,928**	42,094
	428,251	353,280
	529,546	428,471

Notes:

(a) Details of the trade and other payables due to related parties are set out in Note 50(2).

(b) The amounts due to related parties were unsecured, repayable on demand and interest free.

(c) Consideration payable for acquisition of additional interests in Beijing Yaxincheng

Included in consideration payables as at December 31, 2020 represents the consideration payable for the acquisition of additional 30% equity interests in Beijing Yaxingcheng, a non-wholly owned subsidiary of the Company amounting to RMB32,739,000 as at December 31, 2020. The Group has further acquired the remaining 15% equity interests in Beijing Yaxincheng. Please refer to Note 35(a) for details.

31. TRADE AND OTHER PAYABLES (Continued)

Payment terms with suppliers are mainly on credit ranging from 30 to 60 days from invoice date. The following is an aging analysis of trade payables, presented based on invoice date, at the end of each of the reporting period:

	2020 RMB'000	2019 RMB'000
Within 90 days	**94,676**	64,311
91 days to 1 year	**4,487**	6,699
Over 1 year	**2,132**	4,181
	101,295	75,191

32. CONTRACT LIABILITIES

	2020 RMB'000	2019 RMB'000
Contract liabilities		
– Third parties	**484,422**	398,230
– Related parties	**221**	10
	484,643	398,240

Details of contract liabilities which are related parties are set out in Note 50(2).

Changes in contract liabilities primarily relate to the Group's performance of services under the contracts. Revenue of RMB225,908,000 (2019: RMB302,344,000) of the Group were recognised for the year ended December 31, 2020 that were included in the contract liabilities at the beginning of the year.

33. BORROWINGS

	2020 RMB'000	2019 RMB'000
Current portion		
Secured and unguaranteed bank loans (note (a))	**–**	352,304
Unsecured and unguaranteed bank loans (note (b))	**–**	512,559
	–	864,863

	2020 RMB'000	2019 RMB'000
Non-current portion		
Unsecured and unguaranteed bank loans (note (b))	**–**	36,500
Loan interest at rate per annum in the range of	**N/A**	3.63% to 6.50%

33. BORROWINGS (Continued)

Total current and non-current borrowings were scheduled to repay as follows:

	2020 RMB'000	2019 RMB'000
On demand or within one year	–	864,863
More than one year, but not exceeding two years	–	1,000
More than two years, but not exceeding five years	–	35,500
	–	901,363

The carrying amounts of the Group's current interest-bearing bank borrowing approximate to their fair values.

Notes:

(a) The Group has pledged certain collateral, including all assets of Frontage Labs, shares in Frontage Holdings, an investment in financial asset through FVTPL and the restricted bank deposits in Note 29, to aggregate banking facilities of RMB390,673,000 acquired from the bankers, of which RMB352,304,000 were utilised as at December 31, 2019.

(b) At December 31, 2020, the Group had banking facilities to the extent of RMB1,900,000,000 (2019: RMB1,747,084,000). The aforesaid bank loans outstanding as at December 31, 2020 were nil (2019: RMB549,059,000).

(c) The Group had aggregated banking facilities of RMB1,900,000,000 (2019: RMB1,236,394,000) which were unutilised as at December 31, 2020.

34. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the reporting period:

	2020 RMB'000	2019 RMB'000
Within one year	**52,290**	50,119
Within a period of more than one year but within two years	**50,851**	29,428
Within a period of more than two years but within five years	**86,378**	50,802
More than five years	**141,792**	51,921
	331,311	182,270
Less: Amounts due for settlement with 12 months shown under current liabilities	**(52,290)**	(50,119)
Amount due for settlement after 12 months shown under non-current liabilities	**279,021**	132,151

35. OTHER LONG-TERM LIABILITIES

	2020 RMB'000	2019 RMB'000
Contingent consideration payables related to:		
– Acquisition of Beijing Yaxincheng (note (a))	**49,613**	–
– Acquisition of ACME (note (b))	**35,000**	–
– Acquisition of RMI (note (c))	**8,345**	15,900
– Acquisition of Biotranex (note (d))	**2,336**	–
– Acquisition of BRI (note (e))	**2,200**	4,443
	97,494	20,343

Notes:

(a) During the year ended December 31, 2020, the Group acquired additional 15% of the equity interests in Beijing Yaxincheng, in addition to the acquisition of 30% equity interests as mentioned in Note 31(c). The consideration to be transferred is based on the audited net profit of Beijing Yaxincheng for the year ending December 31, 2021. Management has determined the fair value of the contingent consideration based on the historical results of Beijing Yaxincheng and the amount is expected to be settled in 2022. The directors considered there was no material change in fair value of the contingent consideration payable as there was no significant change of Beijing Yaxincheng's operations and market environment since the acquisition.

(b) As at December 31, 2020, the amount represented contingent consideration payable arising from the acquisition of ACME in an amount of US$5,364,000 (equivalent to RMB35,000,000) (see Note 42(a)(iii)). Further, an amount of US$1,845,000 (equivalent to RMB12,038,000) was recorded as short-term payable as this amount falls due within one year (see Note 31). The directors considered that there was no material change in fair value of the contingent consideration payable as this was no significant change in ACME's operations and market environment since the acquisition.

(c) As at December 31, 2019, the amount represented contingent consideration payable arising from the acquisition of RMI in an amount of US$2,279,000 (equivalent to RMB15,900,000) (see Note 42(b)(iii)). As at December 31, 2020, the contingent consideration payable was re-measured at fair value and a fair value gain of RMB126,000 was recorded (see Note 9). Further, as at December 31, 2020, an amount of US$982,000 (equivalent to RMB6,406,000) was reclassified as consideration payable under short-term payable as this amount falls due within one year (see Note 31). The balance of US$1,279,000 (equivalent to RMB8,345,000) remained as long-term payable.

(d) As at December 31 2020, the amount represented contingent consideration payable arising from the acquisition of Biotranex in an amount of US$358,000 (equivalent to RMB2,336,000) (see Note 42(a)(ii)). Further, an amount of US$60,000 (equivalent to RMB391,000) was recorded as short-term payable as this amount falls due within one year (see Note 31). The directors considered that there was no material change in fair value of the contingent consideration payable as there was no significant change in Biotranex's operations and market environment since the acquisition.

(e) As at December 31, 2019, the amount represented contingent consideration payable arising from the acquisition of BRI in an amount of Canadian Dollar ("CAD") 832,000 (equivalent to RMB4,443,000) (see Note 42(b)(iv)). As at December 31, 2020, an amount of CAD402,000 (equivalent to RMB2,057,000) was reclassified as contingent consideration payable under short-term payable as this amount falls due within one year (see Note 31). The balance of CAD430,000 (equivalent to RMB2,200,000) remained as long-term payable. The directors considered that there was no material change in fair value of the contingent consideration payable as was no material change in BRI's operations and market environment since the acquisition.

36. SHARE CAPITAL

	Number of ordinary shares	Authorised shares RMB'000	Issued and paid shares RMB'000
As at January 1, 2019	500,176,537	500,177	500,177
Bonus issue (note (a))	249,559,635	249,560	249,560
Cancellation of shares (note (b))	(228,573)	(229)	(229)
As at December 31, 2019 and January 1, 2020	749,507,599	749,508	749,508
Cancellation of shares (note (b))	(148,891)	(149)	(149)
Issue of new shares (note (c))	123,124,800	123,125	123,125
As at December 31, 2020	**872,483,508**	**872,484**	**872,484**

Notes:

(a) On April 25, 2019, the directors proposed a bonus issue on the basis of five bonus shares for every ten existing shares held. The bonus issue was approved by the shareholders on May 17, 2019 and 249,559,635 bonus shares were issued on July 1, 2019.

(b) During the year ended December 31, 2020, some of the Company's original incentive recipients resigned and lost their right to receive incentive. Therefore, the Company repurchased and cancelled 148,891 (2019: 228,573) restricted shares previously held by these incentive recipients with a deduction from the treasury shares of RMB4,442,000 (2019: RMB6,819,000), including a reduction of RMB149,000 (2019: RMB229,000), in share capital, and RMB4,293,000 (2019: RMB6,590,000), in share premium.

(c) On August 7, 2020, 107,065,100 ordinary shares with a par value of RMB1 each of the Company were issued at a price of HK$100 (equivalent to RMB89.56) per share by way of global offering. On the same date, the Company's shares were listed on the Main Board of the Stock Exchange.

On September 2, 2020, 16,059,700 ordinary shares with a par value of RMB1 each of the Company were issued at a price of HK$100 (equivalent to RMB88.23) per share by way of over-allotment.

37. TREASURY SHARES

	As at December 31,			
	2020		2019	
	Number of ordinary shares	**Cost of acquisition**	Number of ordinary shares	Cost of acquisition
		RMB'000		RMB'000
Balance brought forward	**6,570,338**	**211,224**	5,432,873	248,125
Repurchase of shares (note (a))	**–**	**–**	1,572,959	61,849
Bonus issue (note 36(a))	**–**	**–**	1,913,882	1,914
Shares transferred under Share Purchase Scheme (as defined in Note 44(c)(ii)) (note (b))	**–**	**–**	(2,120,803)	(93,845)
Cancellation of shares (Note 36(b))	**(148,891)**	**(4,442)**	(228,573)	(6,819)
Exercise of restricted share units under Restricted Share Scheme (as defined in (Note 44(c)(i))	**(1,638,306)**	**(48,870)**	–	–
Balance carried forward	**4,783,141**	**157,912**	6,570,338	211,224

Notes:

(a) The Company acquired its own shares in the open market which are held as treasury shares.

(b) During the year ended December 31, 2019, the Company has adopted the Share Purchase Scheme. On June 20, 2019, 2,120,803 shares previously repurchased by the Company were transferred to the Share Purchase Scheme by way of non-trade transfer at RMB44.25 per share. Details of the Share Purchase Scheme are set out in Note 44(c)(ii).

38. RESERVES MOVEMENT OF THE COMPANY

	Share premium RMB'000	Employee share-based compensation reserve RMB'000	Statutory reserve RMB'000	Retained earnings RMB'000	Total RMB'000
As at January 1, 2019	1,298,820	–	83,683	531,902	1,914,405
Profit for the year	–	–	–	438,941	438,941
Transfer to statutory reserve	–	–	55,016	(55,016)	–
Recognition of share-based payments (Note 44)	–	16,556	–	–	16,556
Bonus issue (Note 36(a))	(247,646)	–	–	–	(247,646)
Cancellation of shares (Note 36(b))	(6,590)	–	–	–	(6,590)
Dividends declared	–	–	–	(174,638)	(174,638)
As at December 31, 2019 and January 1, 2020	1,044,584	16,556	138,699	741,189	1,941,028
Profit for the year	–	–	–	836,908	836,908
Transfer to statutory reserve	–	–	83,224	(83,224)	–
Recognition of share-based payment (Note 44)	–	29,854	–	–	29,854
Exercise of share options	5,176	(10,550)	–	–	(5,374)
Issue of new shares (Note 36(c))	10,882,573	–	–	–	10,882,573
Transaction costs attributed to issue of shares	(439,204)	–	–	–	(439,204)
Cancellation of shares (Note 36(b))	(4,293)	–	–	–	(4,293)
Dividend declared (Note 17)	–	–	–	(208,223)	(208,223)
As at December 31, 2020	**11,488,836**	**35,860**	**221,923**	**1,286,650**	**13,033,269**

38. RESERVES MOVEMENT OF THE COMPANY (Continued)

Notes:

(a) Share premium:

The amount represents capital contribution in excess of nominal value of share capital.

(b) Employee share-based compensation reserve:

The amount represents the fair value of the actual or estimated number of unexercised share options granted by the group entities and recognised in accordance with the accounting policy adopted for share-based payments.

(c) Statutory reserve:

In accordance with the articles of association of subsidiaries established in the PRC, these subsidiaries 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 shall 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 convert into additional capital of the subsidiaries.

The Commercial Code of the Republic of Korea requires DreamCIS to appropriate, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid, until such reserve equals 50% of its issued capital. The reserve is not available for the payment of cash dividends, but may be transferred to issued capital, or used to reduce accumulated deficit, if any.

(d) Exchange reserve:

The amount represents gains/losses arising on retranslating the net assets of foreign operations into presentation currency of the Group.

(e) FVOCI reserve:

The amount represents the cumulative net change in the fair value of equity investment designated at FVOCI under IFRS 9 that are held at the end of the reporting period.

(f) Retained earnings:

Cumulative net gains and losses recognised in profit or loss.

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**23,139**	13,287
Intangible assets		**4,951**	3,623
Right-of-use assets		**46,846**	24,219
Investments in subsidiaries	18	**4,329,166**	2,369,374
Interests in associates		**23,648**	105,936
Deferred tax assets		**14,807**	9,284
Financial assets at FVTPL		**1,063,926**	570,274
Other non-current assets		**106,296**	1,380
		5,612,779	3,097,377
CURRENT ASSETS			
Trade and other receivables and prepayments		**1,100,057**	274,409
Contract assets		**400,486**	394,706
Cash and cash equivalents		**7,995,482**	126,988
		9,496,025	796,103
CURRENT LIABILITIES			
Trade and other payables		**1,008,191**	724,541
Contract liabilities		**113,872**	78,194
Borrowings		**–**	512,559
Income tax payables		**28,658**	20,732
Lease liabilities		**42,901**	13,374
		1,193,622	1,349,400
NET CURRENT ASSETS/(LIABILITIES)		**8,302,403**	(553,297)
TOTAL ASSETS LESS CURRENT LIABILITIES		**13,915,182**	2,544,080

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(Continued)

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT LIABILITIES			
Borrowings		–	36,500
Lease liabilities		**35,709**	10,139
Other long-term liabilities		**49,613**	–
Deferred tax liabilities		**82,019**	18,129
		167,341	64,768
NET ASSETS		**13,747,841**	2,479,312
CAPITAL AND RESERVES			
Share capital	36	**872,484**	749,508
Treasury shares	37	**(157,912)**	(211,224)
Reserves	38	**13,033,269**	1,941,028
TOTAL EQUITY		**13,747,841**	2,479,312

On behalf of the directors

Dr. Ye Xiaoping

Ms. Cao Xiaochun

40. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities comprising the Group will be able to continue as going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the reporting period.

The capital structure of the Group consists of obligations under finance leases/lease liabilities, borrowings (net of cash and cash equivalents) and equity attributable to owners of the Company (comprising capital and reserves).

Management of the Group regularly reviews the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debts.

The Group monitors the following key covenant ratios which were applied to the credit facilities in use during the year ended December 31, 2019, to ensure compliance with the agreed target ratios as required by the underlying agreements:

- For the year ended December 31, 2019 – net worth, maximum leverage ratio (which was defined as total funded debt to earnings before interest, taxes, depreciation and amortisation ("EBITDA"), tested quarterly on a rolling four quarter basis) and debt service coverage (which was defined as EBITDA less cash distributions less maintenance capital expenditures (15% of additions in property, plant and equipment).

- For the year ended December 31, 2020, the Group had no such requirement after the settlement of borrowings.

41. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2020 RMB'000	2019 RMB'000
Financial assets		
Financial assets at amortised cost	**10,735,345**	2,509,998
Financial assets at FVTPL	**5,318,302**	2,319,301
Financial assets at FVOCI	**15,158**	–
	16,068,805	4,829,299
Financial liabilities		
Financial liabilities at amortised cost	**793,443**	1,470,010
Financial liabilities at FVTPL	**111,980**	20,343
	905,423	1,490,353

Financial risk management objectives and policies

The Group's major financial assets and liabilities include note receivables, financial assets at FVTPL, financial assets at FVOCI, restricted bank deposits, trade, bills and other receivables, structured deposits, time deposits with original maturity over three months, cash and cash equivalents, trade and other payables, borrowings, other long-term liabilities and lease liabilities. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose it primarily to currency risk, interest rate risk and price risk. There has been no change in the Group's exposure to these risks or the manner in which it managed and measured the risks during each of the reporting period.

Currency risk

Several subsidiaries of the Company have foreign currency sales, capital expenditure, cash and cash equivalents and borrowings, which expose the Group to foreign currency risk.

The subsidiaries are mainly exposed to foreign currency of US$.

The Group enters into a derivative financial instruments to manage its exposure to currency risk, including forward foreign exchange contracts.

41. FINANCIAL INSTRUMENTS (Continued)

Market risk (Continued)

Currency risk (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets (financial assets at FVTPL, trade, bills and other receivables, cash and cash equivalents) and liabilities (trade and other payables, and borrowings) at the end of each reporting period are summarised as follows:

	2020 RMB'000	2019 RMB'000
Assets		
US$	**487,997**	407,693
JPY	**86,406**	125,071
Liabilities		
US$	**–**	226,938
JPY	**–**	124,163

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against foreign currencies, the foreign currencies with which the Group may have a material exposure. 5% represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis uses outstanding foreign currency denominated monetary items as a base and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rate. A positive number below indicates an increase in profit before tax where foreign currencies strengthens 5% against RMB. For a 5% weakening of foreign currencies against RMB, there would be an equal and opposite impact on profit before tax.

	2020 RMB'000	2019 RMB'000
Impact on profit before tax		
US$	**24,400**	9,038
JPY	**4,320**	45

In the opinion of the directors, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to its restricted bank deposits, note receivables, structured deposits, cash and cash equivalents, lease liabilities and borrowings. Borrowing agreements include a mix of fixed and variable rate loans, the exposure in relation to fixed rate agreements is considered to be minimal.

41. FINANCIAL INSTRUMENTS (Continued)

Market risk (Continued)

Interest rate risk (Continued)

The Group is also exposed to cash flow interest rate risk in relation to variable rate borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the London Inter-Bank offered rate ("LIBOR").

For the variable rate bank borrowings, the Group currently does not have an interest rate hedging policy to mitigate interest rate risk. Nevertheless, management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise. The variable rate borrowings were nil (2019: RMB352,304,000) at the year ended December 31, 2020.

If the interest rate had been 50 basis points higher/lower and all other variables were held constant, the Group's profit before tax would decrease/increase by nil (2019: RMB1,762,000) for the year ended December 31, 2020. Bank balances are excluded from sensitivity analysis as the directors consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

Price risk

The Group is exposed to equity price risk through its investment in equity securities and fund investments measured at FVTPL and FVOCI (see Note 25).

The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

If the prices of the respective instruments at FVTPL had been 5% higher/lower, profit before tax for the year ended December 31, 2020 would increase/decrease by RMB264,615,000 (2019: RMB112,524,000) as a result of the changes in fair value of financial assets at FVTPL.

If the prices of the respective instruments at FVOCI had been 5% higher/lower, other comprehensive income for the year ended December 31, 2020 would increase/decrease by RMB758,000 (2019: nil) as a result of the changes in fair value of financial assets at FVOCI.

Credit risk and impairment assessment

As at the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

41. FINANCIAL INSTRUMENTS (Continued)

Market risk (Continued)

Credit risk and impairment assessment (Continued)

Credit terms are granted to customers who are in good credit reputation. In order to minimise the credit risk, management has designated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the directors review the recoverability of each significant trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. At the end of each reporting period, the Group's maximum exposure to credit risk which cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise credit risk, the Group has tasked its finance team to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. Management uses publicly available financial information and the Group's own historical repayment records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate exposure is spread amongst approved counterparties.

For trade receivables and contract assets, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a provision matrix as at December 31, 2020 and 2019 within lifetime ECL (not credit impaired) estimated based on the financial quality of debtors and historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. The Group's current credit risk grading framework comprises the following categories:

Category	Description
Current	The counterparty has an invoice that is current at reporting date
Within 90 days	The counterparty has an invoice that is past due within 90 days of the reporting date
91 to 180 days	The counterparty has an invoice that is past due within 91 to 180 days of the reporting date
181 days to 1 year	The counterparty has an invoice that is past due within 181 days to 1 year at reporting date
Over 1 year	The counterparty has an invoice that is past due over 1 year at reporting date

41. FINANCIAL INSTRUMENTS (Continued)

Market risk (Continued)

Credit risk and impairment assessment (Continued)

The following table details the risk profile of the Group's trade receivables and contract assets:

As at December 31, 2020	Current	Within 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
	Not credit impaired			Credit impaired		
Expected credit loss rate	**3.6%**	**4.0%**	**14.4%**	**32.5%**	**72.1%**	
Gross carrying amount (RMB'000)	**1,244,379**	**93,595**	**15,954**	**6,630**	**28,416**	**1,388,974**
Loss allowance (RMB'000)	**(44,627)**	**(3,781)**	**(2,292)**	**(2,155)**	**(20,481)**	**(73,336)**
	1,199,752	**89,814**	**13,662**	**4,475**	**7,935**	**1,315,638**

As at December 31, 2019	Current	Within 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
	Not credit impaired			Credit impaired		
Expected credit loss rate	4.6%	5.0%	15.1%	51.5%	79.1%	
Gross carrying amount (RMB'000)	1,066,927	102,157	34,050	17,131	27,795	1,248,060
Loss allowance (RMB'000)	(48,843)	(5,092)	(5,147)	(8,815)	(21,983)	(89,880)
	1,018,084	97,065	28,903	8,316	5,812	1,158,180

For other receivables, management of the Group makes periodic individual assessment on the recoverability based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The Group measures the loss allowance equal to 12m ECL, unless when there are indicators that the financial asset is credit-impaired, the Group recognises lifetime ECL.

The Group recognises lifetime ECL for other receivables when there is evidence indicating (i) there has been significant increase in credit risk since initial recognition; (ii) the asset is credit-impaired but the Group has realistic prospect of recovery; or (iii) the debtor is in severe financial difficulty.

41. FINANCIAL INSTRUMENTS (Continued)

Market risk (Continued)

Credit risk and impairment assessment (Continued)

The table below details the credit risk exposures of the Group's other receivables which are subject to ECL assessment:

As at December 31, 2020	Expected credit loss rate	Gross amounts RMB'000	Loss allowance RMB'000
not credit-impaired	4.8%	28,749	1,369
credit impaired	25.6%	25,311	6,477
		54,060	7,846

As at December 31, 2019	Expected credit loss rate	Gross amounts RMB'000	Loss allowance RMB'000
not credit-impaired	5.0%	35,289	1,764
credit-impaired	26.9%	34,436	9,254
		69,725	11,018

For the purposes of impairment assessment, bills receivables and other financial assets that are subject to impairment and financial guarantee contracts are considered to have low credit risk as the counterparties to these items have no historical default record. Accordingly, for the purpose of impairment assessment for these items assets, the loss allowance is measured at an amount equal to 12m ECL. In determining the ECL for bills receivables and other financial assets that are subject to impairment and financial guarantee contracts, the directors have taken into account the historical default experience and the future prospects of the industries and/or considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of the bills receivables and other financial assets that are subject to impairment and financial guarantee contracts occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. The directors considered that the ECL allowance is insignificant as at December 31, 2020 and 2019.

The Group expects that there is no significant credit risk associated with cash deposits and structured deposits since they are substantially deposited at state-owned banks and other medium or large-sized listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

The Group has no significant concentration of credit risk associated with trade receivables, with exposure spread over a large number of counterparties and customers.

The Group also expects that there is no significant credit risk associated with amounts due from related parties since counterparties are mainly related parties with good reputation.

41. FINANCIAL INSTRUMENTS (Continued)

Market risk (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitor and maintain a level of cash and cash equivalents and unused banking facilities deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Liquidity and interest risk table

	Weighted average interest rate	On demand or less than one year RMB'000	One to five years RMB'000	Over five years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at December 31, 2020						
Trade and other payables	N/A	476,618	–	–	476,618	476,618
Lease liabilities	5.40%	56,974	100,015	201,415	358,404	331,311
Other long-term liabilities	N/A	–	97,494	–	97,494	97,494
Total		533,592	197,509	201,415	932,516	905,423
As at December 31, 2019						
Trade and other payables	N/A	386,377	–	–	386,377	386,377
Borrowings	5.00%	910,404	38,422	–	948,826	901,363
Lease liabilities	5.70%	52,642	139,039	912	192,593	182,270
Other long-term liabilities	N/A	–	20,343	–	20,343	20,343
Total		1,349,423	197,804	912	1,548,139	1,490,353
Financial guarantees issued	N/A	13,200	–	–	13,200	–
Maximum amount guaranteed		13,200	–	–	13,200	–

41. FINANCIAL INSTRUMENTS (Continued)

Fair value measurement

This note provides information about how the Group determines fair value of the following financial assets that are measured at fair value on a recurring basis.

(i) Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis

Financial assets/(liabilities)	Fair value at December 31, 2020 RMB'000	Fair value at December 31, 2019 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Listed equity securities at fair value	**293,086**	134,957	Level 1	Quoted market transaction prices	N/A	N/A
Listed equity securities at fair value	**188,916**	–	Level 2	Quoted market transaction prices, with an adjustment of discount for lack of marketability	N/A	N/A
Unlisted equity investments at fair value	**2,075,758**	1,040,304	Level 3	Market multiples with an adjustment of discount for lack of marketability	Discount for lack of marketability	The higher the discount for lack of marketability, the lower the valuation
				Equity value allocation model	Seniority	The higher the seniority, the higher the valuation
					IPO probability	The higher the IPO probability, the higher the valuation
				Discounted cash flows – Future cash flows are estimated based on expected return, discounted at a rate that reflects risk of underlying assets	Expected growth rate	The higher the expected growth rate, the higher the valuation
					Discount rate	The higher the discount rate, the lower the valuation
				Latest transaction prices/consideration for shares transfer in similar equity interest	Consideration due to timing, condition of sale and terms of agreement, size and nature of similar business to derive estimated value	The higher the value of similar transactions, the higher the valuation

41. FINANCIAL INSTRUMENTS (Continued)

Fair value measurement (Continued)

(i) Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/(liabilities)	Fair value at December 31, 2020 RMB'000	Fair value at December 31, 2019 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Unlisted fund investments at fair value	**2,749,700**	1,075,213	Level 3	Net asset value of underlying investments	Net assets	The higher the net asset value, the higher the valuation
Structured deposits	**26,000**	68,827	Level 2	Discounted cash flows – Future cash flows are estimated based on expected return, discounted at a rate that reflects risk of underlying assets	N/A	N/A
Contingent consideration payables	**(111,980)**	(20,343)	Level 3	Discounted cash flows – Future cash flows are estimated based on expected return, discounted at a rate that reflects risk of underlying assets	Expected growth rate	The higher the expected growth rate, the higher the valuation
					Discount rate	The higher the discount rate, the lower the valuation

There were no transfers between level 1 and level 2 during the current and prior year.

Notes:

The following is the sensitivity analysis of level 3 fair value measurement to change in key unobservable inputs:

(a) Discount for lack of marketability

A 5% increase/decrease in the discount for lack of marketability while holding all other variables constant would decrease/increase the fair value of the unlisted equities by RMB45,630,000 (2019: RMB26,018,000) as at December 31, 2020.

(b) IPO probability

A 5% increase/decrease in the IPO probability while holding all other variables constant would increase/decrease the fair value of the unlisted equities by RMB32,600,000 (2019: RMB14,012,000) as at December 31, 2020.

(c) Net asset value

A 5% increase/decrease in the net asset value while holding all other variables constant would increase/decrease the fair value of the unlisted funds by RMB137,485,000 (2019: RMB53,761,000) as at December 31, 2020.

41. FINANCIAL INSTRUMENTS (Continued)

Fair value measurement (Continued)

(ii) Reconciliation of level 3 fair value measurements

Details of reconciliation of financial assets and financial liabilities at FVTPL and FVOCI measured at Level 3 fair value measurement are set out as below:

	Contingent consideration payables at FVTPL RMB'000	Unlisted equity investments at FVTPL RMB'000	Unlisted equity investments at FVOCI RMB'000	Unlisted fund investments at FVTPL RMB'000
As at January 1, 2019	–	661,596	–	806,854
Acquisitions	–	390,185	–	226,165
Disposals and transfer	–	(115,967)	–	(42,147)
Acquisition through business combination (Note 42(b))	(20,343)	–	–	–
Changes in fair value	–	103,748	–	83,959
Exchange realignment	–	742	–	382
As at December 31, 2019 and January 1, 2020	(20,343)	1,040,304	–	1,075,213
Acquisitions	(49,613)	914,115	14,470	1,147,472
Disposals	–	(55,843)	–	(125,905)
Acquisition through business combination (Note 42(a))	(53,832)	–	–	–
Changes in fair value	126	331,941	352	677,651
Transfer to Level 1 (note (a))	–	(121,209)	–	–
Transfer to Level 2 (note (b))	–	(36,256)	–	–
Transfer to consideration payables	6,406	–	–	–
Exchange realignment	5,276	(12,452)	336	(24,731)
As at December 31, 2020	**(111,980)**	**2,060,600**	**15,158**	**2,749,700**

Notes:

(a) The unlisted equity investments as at December 31, 2019 were transferred from Level 3 to Level 1 as the equity investments have been listed during the year.

(b) The unlisted equity investments as at December 31, 2019 were transferred from Level 3 to Level 2 as the equity investments have been listed during the year, and the shares held by the Group are restricted for sales upon listing as at December 31, 2020.

Of the total gains or losses for the year ended December 31, 2020, included in profit or loss RMB1,009,718,000 (2019: RMB187,707,000) were unrealised fair value gains related to financial instruments at FVTPL on Level 3 fair value measurement held as at December 31, 2020. Fair value gains or losses on contingent consideration payables and on financial assets at FVTPL are presented in Note 9.

41. FINANCIAL INSTRUMENTS (Continued)

Fair value measurement (Continued)

(iii) Fair value of financial assets and financial liabilities that are not measured at fair value

The directors consider that the carrying amount of the Group's financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

42. ACQUISITION OF SUBSIDIARIES

During the current and prior year, the Group continued to actively seek for investment opportunities through acquisitions and has completed several acquisitions of subsidiaries.

(a) For the year ended December 31, 2020

Name of entities acquired	Vendor	Percentage of equity interests acquired	Principal activity	Date of completion
Mosim	Independent third parties	27%	CRO services	January 9, 2020
Biotranex	An independent third party	100%	DMPK services to pharmaceutical and agrichemical industries	March 31, 2020
ACME	Independent third parties	100%	Contract research and custom synthesis services for biopharmaceutical companies	July 2, 2020

(i) Acquisition of Mosim

On January 9, 2020, the Group acquired additional 27% of the equity interests in Mosim, a former associate of the Company, for a cash consideration of RMB91,558,000 from independent third parties. Such acquisition was made so as to expand the Group's CRO business in the PRC.

This acquisition has been accounted for using the acquisition method. During the year ended December 31, 2020, all of the conditions precedent under the sales and purchase agreement were fulfilled, and Mosim became a direct non-wholly owned subsidiary of the Company thereafter.

Acquisition-related costs amounting to RMB10,000 are excluded from the cost of acquisition and have been recognised as an expense in the profit or loss.

The purchase price has been allocated based on the estimated fair value of net assets acquired and liabilities assumed at the date of the acquisition.

42. ACQUISITION OF SUBSIDIARIES (Continued)

(a) For the year ended December 31, 2020 (Continued)

(i) Acquisition of Mosim (Continued)

Details of the fair value of identifiable assets and liabilities are as follows:

	Fair value RMB'000
Property, plant and equipment	233
Intangible assets – software	6,208
Deferred tax assets	156
Trade and other receivables	20,552
Cash and cash equivalents	16,154
Trade and other payables	(5,495)
Contract liabilities	(3,754)
Tax payables	(2,747)
Deferred tax liabilities	(927)
Non-controlling interests	(12,152)
Net assets acquired	18,228

	RMB'000
Cash consideration paid	91,558
Fair value of previously held interests in Mosim	112,622
Less: Fair value of net assets acquired	(18,228)
Goodwill	185,952
Net cash outflow arising on acquisition of a subsidiary:	
Cash consideration paid	91,558
Less: Cash and cash equivalents acquired	(16,154)
	75,404

The fair value of trade and other receivables at the date of acquisition amounted to RMB20,552,000, which is approximately the contractual amounts of those trade and other receivables acquired.

The non-controlling interest recognised at the acquisition date was measured at 40% of the net assets acquired.

The Group remeasured its previously held interests in Mosim on the acquisition date and recognised a gain of RMB67,749,000 on the fair value change of previously held interests, which is included in gain on disposal of associates in Note 9. The fair value of the 33% equity interests was estimated with reference to the sales and purchase in relation of this acquisition. The directors are of opinion that the consideration could be considered as fair value as the agreement was entered with the independent third parties on an arm's length basis.

42. ACQUISITION OF SUBSIDIARIES (Continued)

(a) For the year ended December 31, 2020 (Continued)

(i) Acquisition of Mosim (Continued)

Goodwill arose in the acquisition because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for the identifiable intangible assets.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

Since the acquisition date, Mosim has contributed RMB41,856,000 to the Group's revenue and a profit of RMB16,091,000 to the overall result of the Group for the year ended December 31, 2020. If the acquisition had occurred on January 1, 2020, the Group's revenue would have been RMB3,192,973,000 and the profit of the Group would have been RMB2,030,398,000 for the year ended December 31, 2020.

The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2020, nor is it intended to be a projection of future results.

(ii) Acquisition of Biotranex

On March 31, 2020, the Group acquired entire equity interests of Biotranex for consideration of US$2,600,000 (equivalent to RMB18,422,000) (the "Biotranex Acquisition"). Biotranex, an innovative biotech service company located in Monmouth Junction, New Jersey, USA, is principally engaged in providing a broad spectrum of drug metabolism and pharmacokinetic studies for pharmaceutical and biotechnology companies. Biotranex has been acquired with the objective of providing more comprehensive DMPK services.

The acquisition has been accounted for using acquisition method. During the year ended December 31, 2020, all of the conditions precedent under the sales and purchase agreement were fulfilled, and Biotranex became an indirect subsidiary of the Company thereafter.

The total consideration of the Biotranex Acquisition is subject to downward adjustment in respect of the guarantee to a maximum of US$600,000 (equivalent to RMB4,251,000) if:

(a) the audited EBITDA for the nine months ending December 31, 2020 is less than US$105,000 (equivalent to RMB744,000) (the "Biotranex FY2020 Profit Target");

(b) the audited EBITDA of Biotranex in fiscal year of 2021 is less than US$400,000 (equivalent to RMB2,834,000) (the "Biotranex FY2021 Profit Target"); and

(c) the audited EBITDA of Biotranex in fiscal year of 2022 is less than US$500,000 (equivalent to RMB3,543,000) (the "Biotranex FY2022 Profit Target").

42. ACQUISITION OF SUBSIDIARIES (Continued)

(a) For the year ended December 31, 2020 (Continued)

(ii) Acquisition of Biotranex (Continued)

In case if the total audited EBITDA from April 1, 2020 to December 31, 2022 is less than US$1,005,000 (equivalent to RMB7,121,000) (the "Biotranex Profit Target") but is equal to or exceeds US$495,000 (equivalent to RMB3,507,000), the total consideration of the Biotranex Acquisition is subject to downward adjustment based on the difference the audited profit and the Biotranex Profit Target.

The total consideration shall be satisfied by way of cash by the Group in the following manners:

(a) initial consideration as to US$1,250,000 (equivalent to RMB8,856,000) payable by completion;

(b) second consideration as to a maximum of US$375,000 (equivalent to RMB2,657,000) payable within 6 months after the completion of the Biotranex Acquisition;

(c) third consideration as to a maximum of US$200,000 (equivalent to RMB1,417,000) (if the Biotranex FY2020 Profit Target is attained) is payable by March 31, 2021;

(d) fourth consideration as to a maximum of US$200,000 (equivalent to RMB1,417,000) (if the Biotranex FY2021 Profit Target is attained) is payable by March 21, 2022;

(e) fifth consideration as to a maximum of US$200,000 (equivalent to RMB1,417,000) (if the Biotranex FY2022 Profit Target is attained) is payable by March 31, 2023; and

(f) final consideration as to a maximum of US$375,000 (equivalent to RMB2,657,000) if the payment is mutually agreed by the Group and the seller.

The expected future economic benefits that will flow out of the Group arising from such arrangement are considered as a contingent consideration. The contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in the business combination.

Acquisition-related costs amounting to RMB69,000 are excluded from the cost of acquisition and have been recognised as an expense in the profit or loss.

The purchase price has been preliminarily allocated based on the estimated fair value of net assets acquired and liabilities assumed at the date of the acquisition. The preliminary purchase price allocation is subject to further refinement and may require adjustments to arrive at the final purchase price allocation. These adjustments will primarily relate to intangible assets and income tax-related items. Management expects the purchase price allocation to be completed in the first quarter of 2021.

42. ACQUISITION OF SUBSIDIARIES (Continued)

(a) For the year ended December 31, 2020 (Continued)

(ii) Acquisition of Biotranex (Continued)

Details of the preliminary fair value of identifiable assets and liabilities are as follows:

	Fair value RMB'000
Property, plant and equipment	242
Intangible assets – customer relationship	2,126
Intangible assets – non-competition clause	2,126
Trade and other receivables	1,015
Cash and cash equivalents	973
Trade and other payables	(249)
Net assets acquired	6,233

	RMB'000
Cash consideration paid	14,170
Contingent consideration payable (Note 35)	2,961
Less: Fair value of net assets acquired	(6,233)
Goodwill	10,898
Net cash outflow arising on acquisition of a subsidiary:	
Cash consideration paid	14,170
Less: Cash and cash equivalents acquired	(973)
	13,197

The fair value of trade and other receivables at the date of acquisition amounted to RMB1,015,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB1,015,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected was nil.

Goodwill arising on the acquisition of Biotranex represents a buyer-specific synergy value where the Group intends to integrate DMPK services to its overall business portfolio and it broadens the Group's comprehensive solution offerings to its client. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

42. ACQUISITION OF SUBSIDIARIES (Continued)

(a) For the year ended December 31, 2020 (Continued)

(ii) Acquisition of Biotranex (Continued)

Since the acquisition date, Biotranex has contributed RMB7,431,000 to the Group's revenue and profit of RMB1,149,000 to the overall result of the Group for the year ended December 31, 2020. If the acquisition had occurred on January 1, 2020, the Group's revenue would have been RMB3,194,180,000 and the profit of the Group would have been RMB2,031,526,000 for the year ended December 31, 2020.

The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2020, nor is it intended to be a projection of future results.

(iii) Acquisition of ACME

On July 2, 2020, the Group acquired entire equity interests of ACME for consideration of US$27,397,000 (equivalent to RMB193,330,000) (the "ACME Acquisition"). ACME primarily provides contract research and custom synthesis services for biopharmaceutical companies specialising in drug discovery and development. In completing the ACME Acquisition, the Group will expand the Group's capabilities of organic synthesis, medicinal chemistry, and process research and development, and will enable the Group to capture growth in the drug discovery and early stage development and other ancillary services.

The acquisition has been accounted for using acquisition method. During the year ended December 31, 2020, all of the conditions precedent under the sales and purchase agreement were fulfilled, and ACME became an indirect subsidiary of the Company thereafter.

The total consideration of the ACME Acquisition is subject to downward adjustment in respect of the guarantee to a maximum of US$11,000,000 (equivalent to RMB77,623,000). For details, please refer to the announcement of Frontage Holdings dated August 6, 2020.

The expected future economic benefits that will flow out of the Group arising from such arrangement are considered as a contingent consideration. The contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in the business combination.

Acquisition-related costs amounting to RMB7,000 are excluded from the cost of acquisition and have been recognised as an expense in the profit or loss.

The purchase price has been preliminarily allocated based on the estimated fair value of net assets acquired and liabilities assumed at the date of the acquisition. The preliminary purchase price allocation is subject to further refinement and may require adjustments to arrive at the final purchase price allocation. These adjustments will primarily relate to intangible assets and income tax-related items. Management expects the purchase price allocation to be completed in the third quarter of 2021.

42. ACQUISITION OF SUBSIDIARIES (Continued)

(a) For the year ended December 31, 2020 (Continued)

(iii) Acquisition of ACME (Continued)

Details of the preliminary fair value of identifiable assets and liabilities are as follows:

	Fair value RMB'000
Property, plant and equipment	8,776
Right-of-use assets	9,485
Intangible assets – customer relationship	37,400
Intangible assets – customer backlog	7,057
Intangible assets – non-competition clause	15,524
Trade and other receivables	16,829
Contract assets	511
Prepaid tax	15
Cash and cash equivalents	10,791
Trade and other payables	(6,666)
Contract liabilities	(227)
Income tax payables	(3,722)
Lease liabilities	(10,208)
Deferred tax liabilities	(18,019)
Net assets acquired	67,546

	RMB'000
Cash consideration paid	115,706
Contingent consideration payable (Note 35)	50,871
Less: Fair value of net assets acquired	(67,546)
Goodwill	99,031
Net cash outflow arising on acquisition of a subsidiary:	
Cash consideration paid	115,706
Less: Cash and cash equivalents acquired	(10,791)
	104,915

The fair value of trade and other receivables at the date of acquisition amounted to RMB16,829,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB16,829,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected was nil.

42. ACQUISITION OF SUBSIDIARIES (Continued)

(a) For the year ended December 31, 2020 (Continued)

(iii) Acquisition of ACME (Continued)

Goodwill arose in the acquisition because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for the identifiable intangible assets.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

Since the acquisition date, ACME has contributed RMB43,681,000 to the Group's revenue and loss of RMB226,000 to the overall result of the Group for the year ended December 31, 2020. If the acquisition had occurred on January 1, 2020, the Group's revenue would have been RMB3,246,232,000 and the profit of the Group would have been RMB2,040,384,000 for the year ended December 31, 2020.

The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2020, nor is it intended to be a projection of future results.

(b) For the year ended December 31, 2019

Name of entities acquired	Vendor	Percentage of equity interests acquired	Principal activity	Date of completion
Beijing Yaxincheng	An independent third party	20%	Medical translation	July 1, 2019
Frontage Suzhou	An independent third party	25.96%	Chemistry, manufacturing and controls operations in the PRC	October 25, 2019
RMI	Independent third parties	100%	Metabolite profiling and identification services	October 31, 2019
BRI	An independent third party	100%	Preclinical drug discovery and development of contract research services	December 13, 2019

42. ACQUISITION OF SUBSIDIARIES (Continued)

(b) For the year ended December 31, 2019 (Continued)

(i) Acquisition of Beijing Yaxincheng

On April 18, 2017, the Group completed the acquisition of 35% equity interests in Beijing Yaxincheng (the "Yaxincheng First Acquisition") for a cash consideration of RMB50,400,000 from an independent third party. The Group accounted for its interest in Beijing Yaxincheng as financial asset through FVTPL as the directors consider that the Group has no significant influence, joint control nor control over Beijing Yaxincheng based on the fact that the Group does not participate in any operating and financial policies of Beijing Yaxincheng and exercise its influence on the operating and financial policies in the board of directors of Beijing Yaxincheng.

On July 1, 2019, a sales and purchase agreement was entered between (i) the Company, and (ii) the shareholder of Beijing Yaxincheng in relation to the acquisition of additional 20% equity interests in Beijing Yaxincheng (the "Yaxincheng 20% Acquisition").

During the year ended December 31, 2019, all of the conditions precedent under the sales and purchase agreement were fulfilled. Beijing Yaxincheng became a direct non-wholly owned subsidiary of the Company thereafter.

The Beijing Yaxincheng's business was acquired to fill a strategic gap in the Group's clinical service offering, with this acquisition the Group expands its revenue streams to include medical translation, which will allow the Group to offer a complete clinical trial service in the PRC.

The total consideration was satisfied by cash consideration of RMB43,200,000 in the year ended December 31, 2019.

This transaction was accounted for as a business combination achieved in stages. The Group remeasured its previously held interest in Beijing Yaxincheng on the acquisition date and recognised a gain of RMB25,200,000 on the fair value change of previously held interests, which is included in gain on disposal of financial assets of FVTPL in Note 9.

The fair value of previously held interests in Beijing Yaxincheng at the date of the Yaxincheng 20% Acquisition was estimated with reference to the sales and purchase in relation of this acquisition. The directors are of opinion that the consideration could be considered as fair value as the agreement was entered with the independent third party on an arm's length basis.

Acquisition-related costs amounting to RMB20,000 are excluded from the cost of acquisition and have been recognised as an expense in the profit or loss.

The purchase price has been allocated based on the estimated fair value of net assets acquired and liabilities assumed at the date of the acquisition.

42. ACQUISITION OF SUBSIDIARIES (Continued)

(b) For the year ended December 31, 2019 (Continued)

(i) Acquisition of Beijing Yaxincheng (Continued)

Details of the fair value of identifiable assets and liabilities are as follows:

	Fair value RMB'000
Property, plant and equipment	16,354
Intangible assets – software	14,300
Right-of-use assets	2,173
Trade and other receivables	17,015
Cash and cash equivalents	5,837
Trade and other payables	(9,339)
Contract liabilities	(4,098)
Tax payable	(958)
Lease liabilities	(2,173)
Deferred tax liabilities	(3,747)
Non-controlling interests	(15,914)
Net assets acquired	19,450

	RMB'000
Cash consideration paid	43,200
Fair value of previously held interests in Beijing Yaxincheng	75,600
Less: Fair value of net assets acquired	(19,450)
Goodwill	99,350
Net cash outflow arising on acquisition of a subsidiary:	
Cash consideration paid	43,200
Less: Cash and cash equivalents acquired	(5,837)
	37,363

42. ACQUISITION OF SUBSIDIARIES (Continued)

(b) For the year ended December 31, 2019 (Continued)

(i) Acquisition of Beijing Yaxincheng (Continued)

The fair value of trade and other receivables at the date of acquisition amounted to RMB17,015,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB17,907,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected was RMB892,000.

The non-controlling interest recognised at the acquisition date was measured at 45% of the net assets acquired.

Goodwill arose in the acquisition because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for the identifiable intangible assets.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

Since the acquisition date, Beijing Yaxincheng has contributed RMB31,378,000 to the Group's revenue and a profit of RMB5,550,000 to the overall result of the Group for the year ended December 31, 2019. If the acquisition had occurred on January 1, 2019, the Group's revenue would have been RMB2,851,320,000 and the profit of the Group would have been RMB987,351,000 for the year ended December 31, 2019.

The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2019, nor is it intended to be a projection of future results.

42. ACQUISITION OF SUBSIDIARIES (Continued)

(b) For the year ended December 31, 2019 (Continued)

(ii) Acquisition of Frontage Suzhou

On October 25, 2019, the Group acquired additional 25.96% of the equity interests of Frontage Suzhou, a former associate of the Company, for a cash consideration of RMB14,434,000 from an independent third party. Such acquisition was made so as to expand the Group's CMC business in the PRC.

This acquisition has been accounted for using the acquisition method. During the year ended December 31, 2019, all of the conditions precedent under the sales and purchase agreement were fulfilled, and Frontage Suzhou became an indirect subsidiary of the Company thereafter.

Acquisition-related costs amounting to RMB35,000 are excluded from the cost of acquisition and have been recognised as an expense in the profit or loss.

The purchase price has been allocated based on the estimated fair value of net assets acquired and liabilities assumed at the date of the acquisition.

Details of the fair value of identifiable assets and liabilities are as follows:

	Fair value RMB'000
Property, plant and equipment	9,723
Intangible assets – customer relationship	8,700
Intangible assets – customer backlog	4,800
Intangible assets – software	175
Deferred tax assets	865
Trade and other receivables	9,806
Cash and cash equivalents	10,242
Trade and other payables	(13,205)
Contract liabilities	(10,218)
Tax payable	(124)
Deferred tax liabilities	(2,025)
Non-controlling interests	(4,685)
Net assets acquired	14,054

42. ACQUISITION OF SUBSIDIARIES (Continued)

(b) For the year ended December 31, 2019 (Continued)

(ii) Acquisition of Frontage Suzhou (Continued)

	RMB'000
Cash consideration paid	14,434
Fair value of previously held interests in Frontage Suzhou	27,266
Less: Fair value of net assets acquired	(14,054)
Goodwill	27,646
Net cash outflow arising on acquisition of a subsidiary:	
Cash consideration paid	14,434
Less: Cash and cash equivalents acquired	(10,242)
	4,192

The fair value of trade and other receivables at the date of acquisition amounted to RMB9,806,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB10,278,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected was RMB472,000.

The non-controlling interests recognised at the acquisition was measured at 25% of the net asset acquired.

The Group remeasured its previously held interests in Frontage Suzhou on the acquisition date and recognised a gain of RMB16,288,000 on the fair value change of previously held interests, which is included in gain on disposal of associates in Note 9. The fair value of the 49.04% equity interests was estimated by applying an income approach. The following were the key model inputs used in determining the fair value:

- assumed discount rate of 21%;
- assumed long-term sustainable growth rate of 3%; and
- assumed adjustments because of the lack of control or lack of marketability that market participants would consider when estimating the fair value of the non-controlling interests in Frontage Suzhou.

Goodwill arose in the acquisition because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for the identifiable intangible assets.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

42. ACQUISITION OF SUBSIDIARIES (Continued)

(b) For the year ended December 31, 2019 (Continued)

(ii) Acquisition of Frontage Suzhou (Continued)

Since the acquisition date, Frontage Suzhou has contributed RMB5,403,000 to the Group's revenue and a profit of RMB211,000 to the overall result of the Group for the year ended December 31, 2019. If the acquisition had occurred on January 1, 2019, the Group's revenue would have been RMB2,827,535,000 and the profit of the Group would have been RMB977,210,000 for the year ended December 31, 2019.

The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2019, nor is it intended to be a projection of future results.

(iii) Acquisition of RMI

On October 31, 2019, the Group acquired entire equity interests of RMI for consideration of US$4,800,000 (equivalent to RMB33,486,000) (the "RMI Acquisition"). RMI is engaged in providing quantitative and qualitative drug metabolism services for pharmaceutical and biotechnology companies. In completing the RMI Acquisition, the Group will expand its capacity with additional scientists, equipment, and facilities to be used in the provision of existing and novel services to its customers, effectively expand the current client base that the Group currently serves in this specific field, with the potential to increase the Group's revenue generated through this highly specialised service.

The acquisition has been accounted for using the acquisition method. During the year ended December 31, 2019, all of the conditions precedent under the sales and purchase agreement were fulfilled, and RMI became an indirect subsidiary of the Company thereafter.

The total consideration of the RMI Acquisition is subject to downward adjustment in respect of the guarantee to a maximum of US$2,500,000 (equivalent to RMB17,440,000) if:

(a) the audited EBITDA of RMI from November 1, 2019 to December 31, 2019 is less than US$240,000 (equivalent to RMB1,674,000) (the "RMI FY2019 Profit Target");

(b) the audited EBITDA of RMI in fiscal year of 2020 is less than US$1,600,000 (equivalent to RMB11,162,000) (the "RMI FY2020 Profit Target");

(c) the audited revenue of RMI in fiscal year of 2021 is less than US$3,800,000 (equivalent to RMB26,510,000) (the "RMI FY2021 Revenue Target"); and

(d) the audited revenue of RMI in fiscal year of 2022 is less than US$5,000,000 (equivalent to RMB34,881,000) (the "RMI FY2022 Revenue Target").

42. ACQUISITION OF SUBSIDIARIES (Continued)

(b) For the year ended December 31, 2019 (Continued)

(iii) Acquisition of RMI (Continued)

The total consideration shall be satisfied by way of cash by the Group in the following manners:

(a) initial consideration as to US$2,000,000 (equivalent to RMB13,952,000) payable by completion;

(b) second consideration as to a maximum of US$300,000 (equivalent to RMB2,093,000) (if the RMI FY2019 Profit Target is attained) is payable within 60 days after the completion of the RMI Acquisition;

(c) third consideration as to a maximum of US$1,000,000 (equivalent to RMB6,976,000) (if the RMI FY2020 Profit Target is attained) is payable within 30 days from the fiscal year end of 2020;

(d) forth consideration as to a maximum of US$750,000 (equivalent to RMB5,232,000) (if the RMI FY2021 Revenue Target is attained) is payable within 30 days from the fiscal year end of 2021; and

(e) final consideration as to a maximum of US$750,000 (equivalent to RMB5,232,000) (if the RMI FY2022 Revenue Target is attained) is payable within 30 days from the fiscal year ended of 2022.

The expected future economic benefits that will flow out of the Group arising from such arrangement are considered as a contingent consideration. The contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in the business combination.

Acquisition-related costs amounting to RMB112,000 are excluded from the cost of acquisition and have been recognised as an expense in the profit or loss.

The purchase price has been allocated based on the estimated fair value of net assets acquired and liabilities assumed at the date of the acquisition.

42. ACQUISITION OF SUBSIDIARIES (Continued)

(b) For the year ended December 31, 2019 (Continued)

(iii) Acquisition of RMI (Continued)

Details of the fair value of identifiable assets and liabilities are as follows:

	Fair value RMB'000
Property, plant and equipment	1,076
Intangible assets – customer relationship	10,464
Intangible assets – customer backlog	1,395
Intangible assets – non-competition clause	4,883
Intangible assets – software	6,279
Trade and other receivables	3,790
Cash and cash equivalents	665
Trade and other payables	(263)
Deferred tax liabilities	(5,220)
Net assets acquired	23,069

	RMB'000
Cash consideration paid	16,045
Contingent consideration payable (Note 35)	15,900
Less: Fair value of net assets acquired	(23,069)
Goodwill	8,876
Net cash outflow arising on acquisition of a subsidiary:	
Cash consideration paid	16,045
Less: Cash and cash equivalents acquired	(665)
	15,380

The fair value of trade and other receivables at the date of acquisition amounted to RMB3,790,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB3,790,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected was nil.

Goodwill arose in the acquisition because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for the identifiable intangible assets.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

42. ACQUISITION OF SUBSIDIARIES (Continued)

(b) For the year ended December 31, 2019 (Continued)

(iii) Acquisition of RMI (Continued)

Since the acquisition date, RMI has contributed RMB2,867,000 to the Group's revenue and a profit of RMB927,000 to the overall result of the Group for the year ended December 31, 2019. If the acquisition had occurred on January 1, 2019, the Group's revenue would have been RMB2,821,619,000 and the profit of the Group would have been RMB979,285,000 for the year ended December 31, 2019.

The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2019, nor is it intended to be a projection of future results.

(iv) Acquisition of BRI

On December 13, 2019, the Group acquired entire equity interests of BRI for consideration of CAD4,200,000 (equivalent to RMB22,437,000) (the "BRI Acquisition"). BRI is engaged in providing science-driven drug discovery and IND/NDA-enabling studies for pharmaceutical and biotechnology companies. In completing the BRI Acquisition, the combined resources upon the acquisition will enable the Group to become a global leader in providing DMPK services to our existing and new clients in pharmaceutical and agrochemical industries, and further the Group's goal to establish new centers of excellence in DMPK throughout North America and the PRC.

This acquisition has been accounted for using the acquisition method. During the year ended December 31, 2019, all of the conditions precedent under the sales and purchase agreement were fulfilled, and BRI became an indirect subsidiary of the Company thereafter.

The total consideration of the BRI Acquisition is subject to downward adjustment in respect of the guarantee to a maximum of CAD1,200,000 (equivalent to RMB6,344,000) if:

(a) the audited revenue of BRI in fiscal year of 2020 is less than CAD3,300,000 (equivalent to RMB17,629,000) (the "BRI FY2020 Revenue Target");

(b) the audited revenue of BRI in fiscal year of 2021 is less than CAD3,630,000 (equivalent to RMB19,392,000) (the "BRI FY2021 Revenue Target"); and

(c) the audited revenue of BRI in fiscal year of 2022 is less than CAD3,990,000 (equivalent to RMB21,315,000) (the "BRI FY2022 Revenue Target).

42. ACQUISITION OF SUBSIDIARIES (Continued)

(b) For the year ended December 31, 2019 (Continued)

(iv) Acquisition of BRI (Continued)

The total consideration shall be satisfied by way of cash by the Group in the following manners:

(a) initial consideration as to CAD3,000,000 (equivalent to RMB16,026,000) payable by completion;

(b) second consideration as to a maximum of CAD500,000 (equivalent to RMB2,671,000) (if the BRI FY2020 Revenue Target is attained) is payable within 95 days from the fiscal year end of 2020;

(c) third consideration as to a maximum of CAD400,000 (equivalent to RMB2,137,000) (if the BRI Y2021 Revenue Target is attained) is payable within 95 days from the fiscal year end of 2021; and

(d) final consideration as to a maximum of CAD300,000 (equivalent to RMB1,603,000) (if the BRI FY2022 Revenue Target is attained) is payable within 95 days from the fiscal year ended of 2022.

The expected future economic benefits that will flow out of the Group arising from such arrangement are considered as a contingent consideration. The contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in the business combination.

Acquisition-related costs amounting to RMB398,000 are excluded from the cost of acquisition and have been recognised as an expense in the profit or loss.

The purchase price has been allocated based on the estimated fair value of net assets acquired and liabilities assumed at the date of the acquisition.

42. ACQUISITION OF SUBSIDIARIES (Continued)

(b) For the year ended December 31, 2019 (Continued)

(iv) Acquisition of BRI (Continued)

Details of the fair value of identifiable assets and liabilities are as follows:

	Fair value RMB'000
Property, plant and equipment	2,409
Intangible assets – customer relationship	10,150
Intangible assets – non-competition clause	534
Intangible assets – software	8
Inventories	207
Trade and other receivables	2,126
Contract assets	1,228
Prepaid income tax	2,608
Cash and cash equivalents	447
Trade and other payables	(3,428)
Contract liabilities	(377)
Deferred tax liabilities	(2,432)
Net assets acquired	13,480

	RMB'000
Cash consideration paid	16,026
Contingent consideration payable (Note 35)	4,443
Less: Fair value of net assets acquired	(13,480)
Goodwill	6,989
Net cash outflow arising on acquisition of a subsidiary:	
Cash consideration paid	16,026
Less: Cash and cash equivalents acquired	(447)
	15,579

42. ACQUISITION OF SUBSIDIARIES (Continued)

(b) For the year ended December 31, 2019 (Continued)

(iv) Acquisition of BRI (Continued)

The fair value of trade and other receivables at the date of acquisition amounted to RMB2,126,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB2,126,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected was nil.

Goodwill arose in the acquisition because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for the identifiable intangible assets.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

Since the acquisition date, BRI has contributed RMB495,000 to the Group's revenue and a profit of nil to the overall result of the Group for the year ended December 31, 2019. If the acquisition had occurred on January 1, 2019, the Group's revenue would have been RMB2,809,322,000 and the profit of the Group would have been RMB974,947,000 for the year ended December 31, 2019.

The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2019, nor is it intended to be a projection of future results.

43. DISPOSAL OF SUBSIDIARIES

During current and prior years, the Group disposed several subsidiaries to concentrate on its core businesses. The following tables summarise these transactions:

(a) For the year ended December 31, 2020

Name of entity disposed	Percentage of equity interests disposed of	Principal activity	Date of disposal
Chengdu Xinsheng Tigermed Technology Company Limited 成都市鑫盛泰格醫藥科技有限公司 ("Chengdu Tigermed") (note)	100%	Clinical development service	January 10, 2020

Note: The English name of the subsidiary registered in the PRC represents the best efforts made by management of the Company to translate its Chinese name as it does not have an official English name.

During the year ended December 31, 2020, the Group disposed all equity interests in a wholly owned subsidiary, Chengdu Tigermed, which is engaged in provision of clinical development service in the PRC, to an associate, Hangzhou Yibai, at a consideration of RMB5,000,000.

A summary of the effects of the disposal of Chengdu Tigermed at the date of disposal is as follows:

	RMB'000
Property, plant and equipment	15
Right-of-use assets	415
Trade and other receivables	145
Cash and cash equivalents	157
Trade and other payables	(2,020)
Lease liabilities	(438)
Tax payables	(17)
Net liabilities disposed	(1,743)

	RMB'000
Consideration received	5,000
Add: net liabilities disposed	1,743
Gain on disposal of a subsidiary	6,743
Net cash inflow arising on disposal of a subsidiary:	
Cash received	5,000
Less: Cash and cash equivalents disposed of	(157)
	4,843

43. DISPOSAL OF SUBSIDIARIES (Continued)

(b) For the year ended December 31, 2019

Name of entities disposed	Percentage of equity interests disposed of	Principal activity	Date of disposal
(i) 上海晟通國際物流有限公司 Shanghai Shengtong International Logistics Co., Ltd. ("Shanghai Shentong")	20%	Cold-chain logistics service	March 20, 2019
(ii) 杭州泰格捷通檢測技術有限公司 Hangzhou Tigermed Jietong ("Hangzhou Tigermed Jietong")	50%	Clinical development service	June 20, 2019

Note: The English name of the subsidiaries registered in the PRC represents the best efforts made by management of the Company to translate its Chinese name as it does not have an official English name.

(i) Disposal of Shanghai Shengtong

On March 20, 2019, the Group disposed in aggregate of 20% equity interests in a non-wholly owned subsidiary, Shanghai Shengtong, which is engaged in provision logistics service in the PRC, to two independent third parties, 寧波虹瑞企業管理合夥企業(有限合夥) and 楊從登 at a consideration of RMB20,000,000 and RMB8,000,000 respectively. The Group retains 35% of issued share capital of Shanghai Shengtong. The directors consider that the Group has no significant influence, joint control nor control over the entity of direct investment after the disposal based on the fact that the Group does not participate in any operating and financial policies of the entity and exercise its influence on the operating and financial policies in the board of directors of the entity. It has been classified as a financial asset at fair value through profit or loss and measured at fair value at the initial recognition of the retained interest.

43. DISPOSAL OF SUBSIDIARIES (Continued)

(b) For the year ended December 31, 2019 (Continued)

(i) Disposal of Shanghai Shengtong (Continued)

A summary of the effects of the disposal of Shanghai Shengtong at the date of disposal is as follows:

	RMB'000
Property, plant and equipment	946
Other non-current assets	80
Trade and other receivables	30,320
Cash and cash equivalents	3,378
Borrowings	(11,740)
Trade and other payables	(5,942)
Contract liabilities	(5,414)
Tax payables	(326)
Non-controlling interests	(5,087)
	6,215
Goodwill	17,957
Net assets disposed	24,172

	RMB'000
Consideration received	28,000
Fair value of remaining interests in Shanghai Shengtong	49,000
Less: net assets disposed	(24,172)
Gain on disposal of a subsidiary	52,828
Net cash inflow arising on disposal of a subsidiary:	
Cash received	28,000
Less: Cash and cash equivalents disposed of	(3,378)
	24,622

43. DISPOSAL OF SUBSIDIARIES (Continued)

(b) For the year ended December 31, 2019 (Continued)

(ii) Disposal of Hangzhou Tigermed Jietong

On June 20, 2019, the Group disposed 50% equity interests in a non-wholly owned subsidiary, Hangzhou Tigermed Jietong, which is engaged in provision clinical development service in the PRC, to an independent third party, 寧波玖達投資管理合夥企業(有限合夥), at a consideration of RMB10,000,000. The Group retains 30% of issued share capital of Hangzhou Tigermed Jietong. The directors consider that the Group has no significant influence, joint control nor control over the entity of direct investment based on the fact that the Group does not participate in any operating and financial policies of the entities and exercise its influence on the operating and financial policies in the board of directors of the entities. It has been classified as a financial asset at fair value through profit or loss and measured at fair value at the initial recognition of the retained interest.

A summary of the effects of the disposal of Hangzhou Tigermed Jietong at the date of disposal is as follows:

	RMB'000
Property, plant and equipment	4,460
Right-of-use assets	2,531
Inventories	13
Trade and other receivables	686
Cash and cash equivalents	187
Trade and other payables	(11,250)
Contract liabilities	(183)
Tax payables	(5)
Lease liabilities	(2,588)
Non-controlling interests	1,230
Net liabilities disposed	(4,919)

	RMB'000
Consideration received	10,000
Fair value of remaining interests in Hangzhou Tigermed Jietong	6,000
Add: net liabilities disposed	4,919
Gain on disposal of a subsidiary	20,919
Net cash inflow arising on disposal of a subsidiary:	
Cash received	10,000
Less: Cash and cash equivalents disposed of	(187)
	9,813

44. SHARE-BASED PAYMENT

During the current and prior year, the Company and its subsidiaries launched and adopted as few share option schemes to its employees. Details of the schemes are as follow:

(a) Frontage Holdings:

2008 and 2015 share incentive plans

Frontage Labs, a subsidiary of the Company, adopted 2 Pre-IPO share incentive plans respectively in 2008 and 2015 (collectively referred as the "Frontage Labs Schemes") for the primary purpose of attracting, retaining and motivating the directors and employees of the Frontage Labs and its subsidiaries. Under the Frontage Labs Schemes, the directors of Frontage Labs may grant up to 9,434,434 share options under the 2008 share incentive plan and 12,000,000 share options under the 2015 share incentive plan to eligible employees, including the directors and employees of Frontage Labs and its subsidiaries, to subscribe for shares in Frontage Labs. Each option granted has a contractual term of 5 to 10 years and vesting on the one calendar year after grant date.

On April 17, 2018, Frontage Holdings, Frontage Labs and corresponding employees entered into an agreement pursuant to which Frontage Labs has assigned, and Frontage Holdings has assumed, the rights and obligations of Frontage Labs under the Frontage Labs Schemes.

On February 28, 2019, Frontage Holdings granted a total 7,990,000 share options under the 2015 share incentive plan to the eligible employees at an exercise price of US$2.00 (equivalent to RMB13.80) per share.

Pursuant to the capitalisation issue completed on May 11, 2019 (the "Frontage Capitalisation Issue"), the number of options granted to an eligible employee under the Frontage Labs Schemes were adjusted to ten times of the original number of options held by that grantee. Accordingly, the exercise price was adjusted to 10% of the original exercise price.

44. SHARE-BASED PAYMENT (Continued)

(a) Frontage Holdings: (Continued)

2008 and 2015 share incentive plans (Continued)

Set out below are details of the movements of the outstanding options granted under the Frontage Labs Schemes during the current and prior year, retroactively reflecting the Frontage Capitalisation Issue:

	2020		2019	
	Weighted average exercise price (RMB)	Number	Weighted average exercise price (RMB)	Number
Outstanding at beginning of year	1.05	115,650,000	0.36	40,350,000
Granted during the year	–	–	1.38	79,900,000
Forfeited during the year	1.30	(4,275,000)	0.83	(4,600,000)
Exercised during the year	0.76	(29,837,000)	–	–
Lapsed during the year	1.30	(75,000)	–	–
Outstanding at end of year	1.04	81,463,000	1.05	115,650,000
Options exercisable		64,150,500		76,750,000
Weighted average contractual life (years)		2.05		5.5

The exercise price of options outstanding ranges from US$0.016 to US$0.2 (equivalent to RMB0.11 to RMB1.38).

The weighted average closing price of the shares of Frontage Holdings immediately before the dates on which the option were exercised was HK$4.51 (equivalent to RMB4.01).

Each option granted generally vested over a three-year period with an agreed award vesting on the anniversary one year after grant date.

The estimated fair value of the share options granted under the 2015 share incentive plan in 2019 was approximately US$5,001,000 (equivalent to RMB34,605,000) for 2019 grants. The fair value was calculated using the Black-Scholes model. The major inputs into the model are as follows by taking into account of the Frontage Capitalisation Issue:

Grant date	2019
Share price	US$0.22 (equivalent to RMB1.52)
Exercise price	US$0.20 (equivalent to RMB1.38)
Expected volatility	30.0%
Expected life (years)	5.0
Risk-free interest rate	2.5%
Expected dividend yield	–

44. SHARE-BASED PAYMENT (Continued)

(a) Frontage Holdings: (Continued)

2008 and 2015 share incentive plans (Continued)

Share price is determined as the total fair value of Frontage Holdings' equity divided by the total number of shares. To determine the fair value of Frontage Holdings' equity value as of grant date, the Group used primarily the discounted cash flow method under the income approach, using cash flow projections based on financial forecasts approved by management covering a five-year period as appropriate and a discount rate of 18% for the options granted during the year ended December 31, 2019. Management assessment is that the Frontage Holdings Group will arrive at a stable growth stage after five-year period. Cash flows beyond that five-year period have been extrapolated using a steady 3% growth rate. This growth rate does not exceed the long-term average growth rate for the market in which the Frontage Holdings Group operates. The result from the income approach was cross checked with the market approach, which incorporates certain assumptions, including the market performance of comparable listed companies, as well as the financial results and growth trends of Frontage Holdings Group, to derive the total equity of Frontage Holdings Group.

The risk-free interest rate was based on market yield rate of United States Government Bonds with the term corresponding to the contractual life of the options. Expected volatility was determined by using the historical volatility of the comparable companies.

Changes in variables and assumptions may result in changes in the fair values of the share options.

The Group recognised total expense of approximately US$935,000 (equivalent to RMB6,451,000) for the years ended December 31, 2020 (2019: US$3,269,000 (equivalent to RMB23,169,000)) in relation to share options granted under the Frontage Labs Schemes.

2018 share incentive plan

On May 11, 2019, the board of directors of Frontage Holdings approved an incentive plan to grant share options, restricted share units and any other types of award to eligible employees, including the directors and employees of the Frontage Holdings Group. The total number of shares in respect of which the awards may be granted pursuant to the 2018 share incentive plan and any other equity-based incentive plans of Frontage Holdings, being 10% of the shares of Frontage Holdings. No awards have been granted under the 2018 share incentive plan by December 31, 2020 (2019: nil).

(b) DreamCIS:

DreamCIS, a subsidiary of the Company, adopted a share incentive plan in 2018 (the "DreamCIS Scheme") for the primary purpose of attracting, retaining and motivating the directors and employees of DreamCIS. Under the DreamCIS Scheme, the directors of DreamCIS may grant up to 402,372 share options under the share incentive plan to eligible employees, including the directors and employees of DreamCIS, to subscribe for shares in DreamCIS.

Each option granted has a contractual term of 5 years.

44. SHARE-BASED PAYMENT (Continued)

(b) DreamCIS: (Continued)

Pursuant to the capitalisation issue completed during the year ended December 31, 2019 (the "DreamCIS Capitalisation Issue"), all the then outstanding share options granted and the exercise price are adjusted on a one-to-four basis.

Set out below are details of the movements of the outstanding options granted under the DreamCIS Scheme during the current and prior year, retroactively reflecting the DreamCIS Capitalisation Issue:

	2020		2019	
	Weighted average exercise price (RMB)	**Number**	Weighted average exercise price (RMB)	Number
Outstanding at beginning of year	**43.0**	**304,460**	30.5	224,240
Granted during the year	**–**	**–**	64.4	127,276
Exercised during the year	**30.0**	**(146,720)**	–	–
Forfeited during the year	**56.8**	**(14,680)**	39.6	(47,056)
Outstanding at end of year	**54.5**	**143,060**	43.0	304,460
Options exercisable		**40,240**		–
Weighted average contractual life (years)		**2.65**		3.65

The exercise price of options outstanding ranges from KRW5,000 to KRW10,680 (equivalent to RMB30.5 to RMB64.4).

The weighted average closing price of the shares of DreamCIS immediately before the dates on which the option were exercised was KRW22,100 (equivalent to RMB130.8).

The estimated fair value of the share options granted were approximately KRW291,462,000 (equivalent to RMB1,758,000) for 2019 grant. The fair value was calculated using the binominal model. The major inputs into the model are as follows by taking into account of the DreamCIS Capitalisation Issue:

Grant date	2019
Share price	KRW9,461 (equivalent to RMB57.1)
Exercise price	KRW10,680 (equivalent to RMB64.4)
Expected volatility	29.02%
Expected life (years)	5.0
Risk-free interest rate	1.73%
Expected dividend yield	–

44. SHARE-BASED PAYMENT (Continued)

(b) DreamCIS: (Continued)

Share price is determined as the total fair value of DreamCIS's equity divided by the total number of shares. To determine the fair value of DreamCIS's equity value as of grant dates, the Group used primarily the discounted cash flow method under the income approach, using cash flow projections based on financial forecasts approved by management covering a five-year period as appropriate and a discount rate of 14.24% for the options granted during the year ended December 31, 2019. Management assessment is that DreamCIS will arrive at a stable growth stage after five-year period. Cash flows beyond that five-year period have been extrapolated using zero growth rate. This growth rate does not exceed the long-term average growth rate for the market in which DreamCIS operates. The result from the income approach was cross checked with the market approach, which incorporates certain assumptions, including the market performance of comparable listed companies, as well as the financial results and growth trends of DreamCIS to derive the total equity of DreamCIS.

The risk-free interest rate was based on the yield of South Korea Treasury Bonds with a maturity life with the term corresponding to the contractual life of the options. Expected volatility was determined by using the historical volatility of the comparable companies.

Change in variables and assumptions may result in change in fair values of the share options.

The Group recognised total expense of approximately RMB666,000 (2019: RMB608,000) for the year ended December 31, 2019 in relation to share options granted under the DreamCIS Scheme.

(c) The Company

(i) Restricted Share Scheme

The Company adopted a restricted share scheme in 2019 (the "Restricted Share Scheme") for the primary purpose of attracting, retaining and motivating the directors and employees of the Group. Under the Restricted Share Scheme, the directors may grant up to 4,859,311 restricted shares under the scheme to eligible employees, including the directors and employees of the Group, to obtain ordinary shares of the Company upon vesting.

The Restricted Share Scheme will be valid and effective for a period of 4 years.

On June 6, 2019, the Group granted 3,827,763 restricted shares to its employees at a price of RMB39.83 per share.

The estimated fair value was approximately RMB44,674,000 for the restricted shares granted in June 2019. The fair value was calculated using the Black-Scholes model.

44. SHARE-BASED PAYMENT (Continued)

(c) The Company (Continued)

(i) Restricted Share Scheme (Continued)

The lock-up periods and the major inputs the restricted shares granted in June are presented in the table below:

Lock-up period	Timing	Proportion of share exercisable %	Share price RMB	Expected volatility %	Dividend yield %	Risk-free rate %
1st lockup period	From the first trading day after 12 months since the registration of granting (i.e. June 6, 2019) to the last trading day within 24 months after the registration of granting.	30	59.38	54.54	0.37	2.6632
2nd lockup period	From the first trading day after 24 months since the registration of granting (i.e. June 6, 2019) to the last trading day within 36 months after the registration of granting.	30	59.38	48.95	0.37	2.7874
3rd lockup period	From the first trading day after 36 months since the registration of granting (i.e. June 6, 2019) to the last trading day within 48 months after the registration of granting.	40	59.38	43.11	0.37	2.9484

Pursuant to the bonus issue completed on July 1, 2019, all the then outstanding restricted share granted and the repurchase price are adjusted accordingly.

On December 9, 2019, the Group further granted 770,894 restricted shares to its employees at a price of RMB31.46 per share.

The estimated fair value was approximately RMB14,235,000 for the restricted shares granted in December 2019. The fair value was calculated using the Black-Scholes model.

44. SHARE-BASED PAYMENT (Continued)

(c) The Company (Continued)

(i) Restricted Share Scheme (Continued)

The lock-up periods and the major inputs for the restricted shares granted in December are presented in the table below:

Lock-up period	Timing	Proportion of share exercisable %	Share price RMB	Expected volatility %	Dividend yield %	Risk-free rate %
1st lockup period	From the first trading day after 12 months since the registration of granting (i.e. December 9, 2019) to the last trading day within 24 months after the registration of granting.	50	62.8	26.11	0.37	1.5
2nd lockup period	From the first trading day after 24 months since the registration of granting (i.e. December 9, 2019) to the last trading day within 36 months after the registration of granting.	50	62.8	26.79	0.37	2.1

Set out below are details of the movements of the outstanding restricted shares granted under the Restricted Share Scheme during the current and prior year, retroactively reflecting the bonus issue (see Note 36(a)):

	2020		2019	
	Weighted average exercise price (RMB)	Number	Weighted average exercise price (RMB)	Number
Outstanding at beginning of year	27.15	6,283,965	–	–
Granted during the year	–	–	27.13	6,512,538
Exercised during the year	26.55	(1,638,306)	–	–
Forfeited during the year	26.92	(148,891)	26.55	(228,573)
Outstanding at end of year	27.38	4,496,768	27.15	6,283,965
Restricted shares exercisable		–		–
Weighted average contractual life (years)		1.52		2.52

44. SHARE-BASED PAYMENT (Continued)

(c) The Company (Continued)

(i) Restricted Share Scheme (Continued)

The risk-free interest rate was based on the yield of Chinese Government Bonds with a maturity life with the term corresponding to the contractual life of the restricted shares. Expected volatility was determined by using the historical volatility of the Company's share price over previous years. The effects of time to vest, non-transferability, exercise restrictions and behavioural considerations have been taken into account in the model. The variables and assumptions used in computing the fair value of the restricted shares are based on management's best estimate. The value of restricted shares varies with different variables of certain subjective assumptions.

Change in variables and assumptions may result in change in fair values of the restricted shares.

During the year ended December 31, 2019, upon acceptance of the restricted shares by the employees, a repurchasing obligation, amounting to RMB152,460,000, is recognised as other payable. In 2019, some of the Group's original incentive recipients resigned and lost their right to receive incentives. Therefore, the Group repurchased and cancelled the restricted shares previously held by these incentive recipients. As a result, a total of RMB6,069,000 has been refunded to the original incentive recipients.

During the year ended December 31, 2020, upon acceptance of the restricted shares by the employees, a repurchasing obligation, amounting to RMB24,252,000, is recognised as other payable. In 2020, some of the Group's original incentive recipients resigned and lost their right to receive incentives. Therefore, the Group repurchased and cancelled the restricted shares previously held by these incentive recipients. As a result, a total of RMB4,009,000 has been refunded to the original incentive recipients.

During the year ended December 31, 2020, a total of 1,638,306 restricted shares were unlocked and exercised. Upon the unlock of the restricted shares, a repurchasing obligation, amounting to RMB43,496,000 is derecognised as other payable. The weighted average closing price of the shares of the Company immediately before the dates on which the option were exercised was RMB85.5.

Under the Restricted Share Scheme, the holders of the restricted shares are entitled to dividend declared by the Company and the dividend will be settled upon the end of lockup period. As at December 31, 2020, a dividend payable of RMB1,698,000 (2019: RMB1,286,000) has been recognised.

The Group recognised total expense of approximately RMB26,702,000 (2019: RMB13,929,000) for the year ended December 31, 2020 in relation to restricted shares granted under the Restricted Share Scheme.

44. SHARE-BASED PAYMENT (Continued)

(c) The Company (Continued)

(ii) Share Purchase Scheme

The Company adopted the share purchase scheme in 2019 (the "Share Purchase Scheme") for the primary purpose of attracting, retaining and motivating the directors and employees of the Group. Under the Share Purchase Scheme, a trust entity has been set up for the scheme and a third party agent with asset management qualifications was engaged by the participants of the scheme.

The minimum and maximum amount of funds to be raised is RMB200,000,000 and RMB500,000,000, respectively, which shall be divided into respective units to be subscribed at RMB1.00 each. The participants of the Share Purchase Scheme are required to pay the subscription funds in one lump sum according to the number of units subscribed.

In the event that a participant terminates employment with the Company due to expiration of his/her service contract, the units he/she has subscribed for and paid subscription monies shall be subject to mandatory transfer to other participants, at a consideration equal to the subscription costs.

The underlying shares of the Share Purchase Scheme are the repurchased shares previously repurchased and held by the Company as treasury shares (Note 37). The average repurchase price was RMB44.25 per share. On June 20, 2019, 2,120,803 shares previously repurchased by the Company was transferred to the trust unit for Share Purchase Scheme by way of non-trade transfer at RMB44.25 per share. As a result, a consideration of RMB93,845,000 has been received by the Group upon the transfer of treasury shares.

Pursuant to the bonus issue completed on July 1, 2019 (see Note 36(a)), all the then shares held in the Share Purchase Scheme are adjusted accordingly.

44. SHARE-BASED PAYMENT (Continued)

(c) The Company (Continued)

(ii) Share Purchase Scheme (Continued)

Set out below are details of the movements of the outstanding units granted under the Share Purchase Scheme during the current and prior year, retroactively reflecting the bonus issue:

	2020		2019	
	Weighted average exercise price (RMB)	**Number**	Weighted average exercise price (RMB)	Number
Outstanding at beginning of year	**44.25**	**2,120,803**	–	–
Granted during the year	**–**	**–**	44.25	2,120,803
Outstanding at end of year	**44.25**	**2,120,803**	44.25	2,120,803
Units exercisable		**–**		–
Weighted average contractual life (years)		**1.52**		2.52

The total fair value of the shares granted under the Share Purchase Scheme at the date of grant was RMB7,720,000. The fair value was determined by reference to the closing share price of the Company at date of grant.

The lock-up periods are presented in the table below:

Lock-up periods	**Proportion of share exercisable %**
June 21, 2019 to June 20, 2020	30
June 21, 2020 to June 20, 2021	30
June 21, 2021 to June 20, 2022	40

Changes in valuations and assumptions may result in changes in fair values of the units.

The shares held by the Share Purchase Scheme in respect of a holder will be unlocked upon the expiry of the lock-up periods. The agent of the Share Purchase Scheme will then sell the relevant unlocked shares on the market at such timing and in such appropriate manner as it determines. The sale proceeds, after deducting the relevant tax and fees, will be distributed to the relevant holders according to the allocations stipulated under the Share Purchase Scheme.

The Group recognised total expense of approximately RMB3,152,000 (2019: RMB2,627,000) for the year ended December 31, 2020 in relation to Share Purchase Scheme.

44. SHARE-BASED PAYMENT (Continued)

(d) 杭州英放生物科技有限公司 Fantastic Bioimaging Co., Ltd. ("Fantastic Bioimaging")

Fantastic Bioimaging, a subsidiary of the Company, adopted a share incentive plan in 2019 (the "Fantastic Bioimaging Scheme") for the primary purpose of attracting, retaining and motivating the employees of the Fantastic Bioimaging. Under the Fantastic Bioimaging Scheme, employees are entitled to subscribe the restricted shares of Fantastic Bioimaging at the net asset value of Fantastic Bioimaging.

Upon the acceptance of the restricted shares granted, employees are required to have corresponding capital injection to Fantastic Bioimaging.

In the event that a participant terminates employment with Fantastic Bioimaging due to expiration of his/her service contract, the restricted shares he/she has subscribed for shall be returned to Fantastic Bioimaging, and Fantastic Bioimaging shall return the paid subscription monies to the employees.

Each restricted share granted has a contractual term of 3 years.

On September 1, 2019, Fantastic Bioimaging granted 466,667 restricted shares to its employees at a price of RMB1.5 per share.

Set out below are details of the movements of the outstanding restricted shares granted under the Fantastic Bioimaging Scheme during the current and prior year:

	2020		2019	
	Weighted average exercise price (RMB)	**Number**	Weighted average exercise price (RMB)	Number
Outstanding at beginning of year	**1.5**	**466,667**	–	–
Granted during the year	**–**	**–**	1.5	466,667
Outstanding at end of year	**1.5**	**466,667**	1.5	466,667
Restricted shares exercisable		**–**		–
Weighted average contractual life (years)		**1.75**		2.75

44. SHARE-BASED PAYMENT (Continued)

(d) 杭州英放生物科技有限公司Fantastic Bioimaging Co., Ltd. ("Fantastic Bioimaging") (Continued)

The estimated fair value was approximately RMB7,502,000 for the restricted shares of Fantastic Bioimaging granted in 2019. The fair value was calculated using the Black-Scholes model. The major inputs the restricted shares granted are presented in the table below:

Grant date	2019
Share price	RMB32.158
Exercise price	RMB1.5
Expected volatility	26.6%
Risk-free interest rate	2.1%
Expected dividend yield	–

Share price is determined as the total fair value of Fantastic Bioimaging's equity divided by the total number of shares. The fair value amount of Fantastic Bioimaging was determined with reference to a sales and purchase agreement entered between a non-controlling shareholder of Fantastic Bioimaging and the Group during the year ended December 31, 2019. The directors are of opinion that the consideration could be considered as fair value as the agreement was entered with independent third party on an arm's length basis.

The risk-free interest rate was based on the yield of Chinese Government Bonds with a maturity life with the term corresponding to the contractual life of the restricted shares.

Changes in variables and assumptions may result in changes in the fair values of the restricted shares.

The Group recognised total expense of approximately RMB3,215,000 (2019: RMB1,071,000) for the year ended December 31, 2020 in relation to restricted shares granted under the Fantastic Bioimaging Scheme.

45. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
At January 1, 2019	634,863	153,144	788,007
Financing cash flows			
– Proceeds from bank borrowings	1,253,827	–	1,253,827
– Repayment of bank borrowings	(1,102,561)	–	(1,102,561)
– Interest paid on borrowings	(32,522)	–	(32,522)
– Repayment of lease liabilities	–	(45,509)	(45,509)
– Interest paid on lease liabilities	–	(9,721)	(9,721)
Non-cash changes			
– Acquisition of subsidiaries	–	2,173	2,173
– Purchase of a financial asset at FVTPL	124,841	–	124,841
– Disposal of subsidiaries	(11,740)	(2,588)	(14,328)
– Recognition of lease liabilities	–	74,628	74,628
– Disposal of right-of-use assets	–	(567)	(567)
– Interest expense recognised	32,522	9,721	42,243
– Exchange realignment	2,133	989	3,122
At December 31, 2019 and January 1, 2020	901,363	182,270	1,083,633
Financing cash flows			
– Proceeds from bank borrowings	1,191,959	–	1,191,959
– Repayment of bank borrowings	(2,094,985)	–	(2,094,985)
– Interest paid on borrowings	(33,952)	–	(33,952)
– Repayment of lease liabilities	–	(59,542)	(59,542)
– Interest paid on lease liabilities	–	(16,825)	(16,825)
Non-cash changes			
– Acquisition of subsidiaries	–	10,208	10,208
– Disposal of subsidiaries	–	(438)	(438)
– Disposal of right of use assets	–	(1,906)	(1,906)
– Recognition of lease liabilities	–	215,030	215,030
– Interest expense recognised	33,952	16,825	50,777
– Exchange realignment	1,663	(14,311)	(12,648)
At December 31, 2020	–	331,311	331,311

46. MAJOR NON-CASH TRANSACTIONS

(a) During the year ended December 31, 2020, the Group entered into an agreement to acquire additional 27% equity interests in Mosim, the then associate of the Company. Upon the completion of the acquisition, Mosim became a non-wholly owned subsidiary of the Company. Please refer to Note 42(a)(i) for details.

(b) The Group entered into lease arrangements in respect of offices and experiment equipment with additions of right-of-use assets and lease liabilities at the inception of the lease of RMB215,030,000 (2019: RMB74,628,000) for the year ended December 31, 2020.

(c) In April 2019, the Group appointed one of the four board members in the board of directors of Mosim, which was previously accounted for as financial asset at FVTPL. The directors consider the Group has significant influence over Mosim after the appointment of the director representing the Group and the investment cost of RMB42,090,000 has therefore been transferred from investment in financial assets through FVTPL to interest in an associate. Please refer to Note 19(f) for details.

(d) During the year ended December 31, 2019, the Group entered into an agreement to acquire additional 20% equity interests in Beijing Yaxincheng, which was previously accounted for as financial asset at FVTPL. Upon the completion of the acquisition, Beijing Yaxincheng became a non-wholly subsidiary of the Company. Please refer to Note 42(b)(i) for details.

(e) During the year ended December 31, 2019, the Group entered into an agreement to acquire additional 25.96% equity interests in Frontage Suzhou, the then associate of the Company. Upon the completion of the acquisition, Frontage Suzhou became a non-wholly owned subsidiary of the Company. Please refer to Note 42(b)(ii) for details.

(f) During the year ended December 31, 2019, the Group acquired a financial asset through FVTPL amounting to RMB124,841,000. The acquisition of the financial asset was settled by assuming directly related bank borrowing.

47. CAPITAL COMMITMENTS

The Group has capital commitments under non-cancellable contracts as follows:

	2020 **RMB'000**	2019 RMB'000
Commitments for the investments in the funds or companies	**1,131,488**	383,539
Commitments for the additional interest in a subsidiary (Note 51(d))	**97,020**	–
Acquisition of property, plant and equipment	**62,580**	2,697

48. RETIREMENT BENEFIT PLANS

The employees of the Group's subsidiaries in the PRC are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of payroll costs to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

A defined contribution plan in the USA pursuant to which the Group matches 50 cents for every dollar contributed by each qualifying member of staff up to 4% of their salary. The maximum match is 2% of the qualifying member of staff's gross pay.

A defined contribution plan in Korea pursuant to which the Group pays a fixed amount of contributions to a separate fund and the contributions are recognised as an expense when the employees provide services.

A defined contribution plan in the Hong Kong pursuant to which the employer and its employee are both required to contribute 5% of the employee's monthly relevant income as mandatory contribution for and in respect of the employee, subject to the minimum and maximum relevant income levels for contribution purposes. The maximum level of relevant income for contribution purposes is currently HK$30,000 per month or HK$360,000 per year.

The total cost charged to profit or loss in respect of the above-mentioned schemes amounted to approximately RMB101,575,000 (2019: RMB122,420,000) for the year ended December 31, 2020.

49. CONTINGENT LIABILITIES

(a) On May 13, 2019, the Company and a commercial bank in the PRC entered into guarantee contracts in relation to a loan provided by commercial bank to Shanghai Shengtong. In respect of the loan provided by the commercial bank, the Company agreed to provide a guarantee (pursuant to which it assumes joint liability in respect of all obligations of Shanghai Shengtong) in favor of the commercial bank, which covers a maximum amount of RMB13,200,000. As at December 31, 2020, the total loan drawn down by Shanghai Shengtong amounted to nil (2019: RMB11,740,000). The Group considered the possibility of any outflow to settle such guarantee is remote and therefore the fair value of the financial guarantee as at inception date is minimal.

(b) On August 29, 2019, Jie Tong Kang Xin was sued by Zhejiang Tiansong Medical Equipment Limited Company for the delay in the execution of contract, and applied for a return of deposit of RMB744,000 and a compensation of loss of RMB1,587,000. On November 10, 2019, the litigation was judged and Jie Tong Kang Xin was required to repay deposit of RMB600,000. Jie Tong Kang Xin applied for an appeal on November 28, 2019 and as at December 31, 2020, the charge was withdrawn. No provision was made as at December 31, 2019 as, in opinion of the directors, the possibility of failure in the dispute was remote.

50. RELATED PARTY TRANSACTIONS AND BALANCES

In addition to the transactions and balances disclosed in Notes 27, 28, 31 and 32, the Group had the following significant transactions and balances with related parties during the current and prior year:

(1) Related party transactions:

(a) Fee paid to related parties for services

	Relationship	2020 RMB'000	2019 RMB'000
Mosim	Associate before January 9, 2020	–	11,694
Shanghai Guanhe	Associate	8,048	8,513
FJ Pharma LLC	Associate	–	518
Tigerise	Associate	1,436	–
		9,484	20,725

(b) Revenue from related parties

	Relationship	2020 RMB'000	2019 RMB'000
Frontage Suzhou	Associate before October 25, 2019	–	10,954
FJ Pharma LLC	Associate	18	1,592
Shanghai Guanhe	Associate	518	–
Suzhou Yixin	Associate	127	–
		663	12,546

(c) Disposal of a subsidiary

	Relationship	2020 RMB'000	2019 RMB'000
Hangzhou Yibai	Associate	5,000	–

The transactions above were carried out in accordance with the terms agreed with the counterparties.

50. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(2) Related party balances:

As at the end of each reporting period, the Group had balances with related parties as follows:

	Relationship	2020 RMB'000	2019 RMB'000
Trade receivables and contract assets (note (b))			
Mosim	Associate	–	20
Shanghai Guanhe	Associate	**54**	–
		54	20
Other receivables (note (c))			
Tigermed Thailand	Associate	**31**	–
FJ Pharma LLC	Associate	**–**	123
		31	123
Trade payables (note (b))			
Shanghai Guanhe	Associate	**466**	2,482
Other payables (note (c))			
Shanghai Guanhe	Associate	**–**	854
Contract liabilities (note (b))			
Shanghai Guanhe	Associate	**54**	10
Suzhou Yixin	Associate	**167**	–
		221	10

Notes:

(a) All the above balances with related parties are unsecured, interest free and repayable on demand.

(b) The amounts are trade-related in nature.

(c) The amounts are non-trade in nature.

50. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(3) Compensation of key management personnel:

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group.

The remuneration of the directors and other members of key management of the Group during the current and prior year was as follows:

	2020 RMB'000	2019 RMB'000
Directors' fee, salaries and other benefits	**5,543**	5,807
Performance-based bonus	**1,277**	1,169
Retirement benefit scheme contributions	**487**	317
Share-based compensation	**459**	275
	7,766	7,568

The remuneration of key management is determined with reference to the performance of the individuals and market trends.

51. SUBSEQUENT EVENTS

(a) On January 8, 2021, the Company convened the first extraordinary general meeting of shareholders in 2021 to consider and approve the "Resolution on 2020 A Share Employee Share Ownership Plan of Hangzhou Tigermed Consulting Co., Ltd. (Draft) and its summary" and relevant resolutions, pursuant to which, the Company was approved to implement the 2020 A Share Employee Share Ownership Plan.

(b) On January 14, 2021, the Company convened the tenth meeting of the fourth session of the Board to consider and approve the "Resolution on the Non-trading Transfer of Shares from the Special Account for Share Repurchase to the Special Account for 2020 A Share Employee Share Ownership Plan", pursuant to which, the Company was approved to transfer 286,372 shares at RMB44.25 per share, the average transaction price of the repurchased shares, from the special account for share repurchase to the special account for "Hangzhou Tigermed Consulting Co., Ltd. – Phase I Employee Stock Ownership Plan" in a non-trading manner.

(c) On February 1, 2021, non-trading transfer of shares for the 2020 A Share Employee Share Ownership Plan was completed. A total of 286,372 shares, accounting for 0.0328% of the Company's total share capital, has been transferred from the special account for share repurchase to "Hangzhou Tigermed Consulting Co., Ltd. – Phase I Employee Stock Ownership Plan" in a non-trading manner on February 1, 2021 at a price of RMB44.25 per share. This part of shares will be locked in accordance with related regulations, and the lock-up period will be 12 months from the date of announcement of completed transfer (i.e. February 1, 2021).

51. SUBSEQUENT EVENTS (Continued)

(d) During the year ended December 31, 2020, the Group acquired additional 40% of the equity interests in Mosim, a non-wholly owned subsidiary of the Company. The consideration to be transferred is based on the audited net profit of Mosim for the year ending December 31, 2021. The consideration for the proposed transaction is estimated to be RMB198,000,000. A prepayment amounting to RMB100,980,000 (see Note 30) were made pursuant to the terms of the contract and the outstanding capital commitment was RMB97,020,000 (see Note 47) as at December 31, 2020. Upon completion of the transaction, Mosim will become a wholly-owned subsidiary of the Company. The acquisition has been completed subsequent to the end of the year ended December 31, 2020 upon the fulfilment of the condition of the acquisition. In the moment, it is not practicable to provide an estimate of financial effect of the acquisition until the Group performs a detailed review.

(e) On January 22, 2021 (Hong Kong time), the Board of Frontage Holdings approved the adoption of the share award scheme (the "2021 Share Award Scheme") to recognise the contributions by certain employees of the Frontage Holdings Group, to give incentives thereto in order to retain them for the continual operation and development of the Frontage Holdings Group and to attract suitable personnel for further development of the Frontage Holdings Group. The 2021 Share Award Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules and is a discretionary scheme of the Frontage Holdings. No shareholders' approval is required for the adoption of the 2021 Share Award Scheme.

(f) On January 25, 2021 (New York time), the Board of Frontage Holdings has resolved to grant a total of 22,950,500 awarded shares of Frontage Holdings to 184 award participants pursuant to the terms of the 2021 Share Award Scheme, in order to recognise the contributions of the award participants and retain them for the continual operation and development of the Frontage Holdings Group. Of the 22,950,500 awarded shares of Frontage Holdings, (i) 19,850,500 awarded shares of Frontage Holdings were granted to 182 non-connected award participants, all being employees of the Frontage Holdings Group who are not connected persons of Frontage Holdings; and (ii) 3,100,000 awarded shares of Frontage Holdings were granted to Dr. Song Li and Dr. Zhihe Li, the executive directors of Frontage Holdings, which shall be subject to the approval by the independent shareholders and the fulfilment of the applicable requirements under Chapter 14A of the Listing Rules.

As at the date of this report, no awarded shares of Frontage Holdings granted under the 2021 Share Award Scheme have vested. For further details of the 2021 Share Award Scheme, please refer to the Frontage Holdings' announcements dated January 22, 2021, January 26, 2021 and February 5, 2021.

(g) On March 11, 2021, DreamCIS, the subsidiary of the Company, plans to adopt a share option scheme (the "DreamCIS 2021 Share Option Scheme") to provide incentive or reward to directors or employees of DreamCIS for their contribution to, and continuing efforts to promote the interests of DreamCIS and its subsidiaries. The total number of DreamCIS share which may be issued upon exercise of options to be granted pursuant to the DreamCIS 2021 Share Option Scheme will not exceed 559,597, representing 10% of the total DreamCIS shares in issue at the date of approval of the DreamCIS 2021 Share Option Scheme. On March 26, 2021, an extraordinary general meeting was held and the adoption of DreamCIS 2021 Share Option Scheme was approved.

As at the date of this report, no awards have been granted under the DreamCIS 2021 Share Option Scheme. For further details of the 2021 DreamCIS Share Option Scheme, please refer to the Company's announcement dated March 11, 2021.

52. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the directors on March 29, 2021.

"A Share(s)"	ordinary shares issued by the Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in Renminbi and are listed for trading on the Shenzhen Stock Exchange
"Audit Committee"	the audit committee of the Board
"Board of Directors" or "Board"	our board of Directors
"CG Code"	the "Corporate Governance Code" as contained in Appendix 14 to the Listing Rules
"China" or "PRC"	the People's Republic of China, which for the purpose of this interim results announcement and for geographical reference only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Company", "our Company", "Tigermed"	Hangzhou Tigermed Consulting Co., Ltd. (杭州泰格醫藥科技股份有限公司), the A Shares of which are listed on the Shenzhen Stock Exchange (stock code: 300347) and the H Shares of which are listed on the Hong Kong Stock Exchange (stock code: 03347)
"COVID-19"	Novel Coronavirus
"Director(s)"	the director(s) of the Company or any one of them
"EMEA"	Europe, Middle East and Africa
"Group"	The Company and its subsidiaries
"H Share(s)"	ordinary share(s) in the share capital of our Company with nominal value of RMB1.00 each, which are listed on the Stock Exchange
"HK$" or "Hong Kong dollars"	Hong Kong dollars and cents, both are the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	International Financial Reporting Standards
"Listing" or "IPO"	the listing of the H Shares on the Main Board of the Stock Exchange on August 7, 2020
"Listing Date"	the date of Listing
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)

DEFINITIONS

"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules
"Prospectus"	the prospectus issued by the Company dated July 28, 2020
"RMB"	Renminbi, the lawful currency of the PRC
"Reporting Period"	the twelve months ended December 31, 2020
"Share(s)"	comprising A Shares and H Shares
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor"	the supervisor of the Company
"U.S."	United States
"U.S. dollars", "USD" or "US$"	United States dollars, the lawful currency of the United States
"%"	percentage

This annual report was originally prepared in English. In the event of discrepancies between the Chinese and English version, the English version shall prevail.

杭州泰格醫藥科技股份有限公司
Hangzhou Tigermed Consulting Co., Ltd.