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

2021
INTERIM REPORT
中期報告

CONTENTS

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. Jeanie Lau (劉准羽)

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
Public Interest Entity Auditor registered in accordance with the Financial reporting Council Ordinance

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STOCK CODE

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COMPANY'S WEBSITE

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FINANCIAL HIGHLIGHTS

The Board of Hangzhou Tigermed Consulting Co., Ltd. (杭州泰格醫藥科技股份有限公司) (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**" or "**we**") for the six months ended June 30, 2021 (the "**Reporting Period**"), together with comparative figures for the six months ended June 30, 2020 (the "**Corresponding Period**").

FINANCIAL HIGHLIGHTS

	For the six months ended June 30,		
	2021	2020	Change
	RMB million	RMB million	
	(Unaudited)	(Unaudited)	
Operating results			
Revenue	**2,056.4**	1,452.0	41.6%
Gross profit	**966.9**	698.1	38.5%
Net profit	**1,594.2**	1,049.0	52.0%
Adjusted net profit attributable to the owners of the Company[1]	**692.1**	407.7	69.8%
Profitability			
Gross profit margin	**47.0%**	48.1%	-1.1%
Net profit margin	**77.5%**	72.2%	5.3%
Margin of adjusted net profit attributable to the owners of the Company[1]	**33.7%**	28.1%	5.6%
Earnings per share (RMB)			
– Basic	**1.45**	1.36	6.6%
– Diluted	**1.44**	1.35	6.7%
Adjusted earnings per share (RMB)[1]			
– Basic	**0.80**	0.55	45.5%
– Diluted	**0.79**	0.54	46.3%

Note:

(1) Non-IFRS measures. Please refer to "*Non-International Financial Reporting Standards ("IFRS") Measures*" for details.

The Board resolved not to declare any interim dividend for the six months ended June 30, 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

After an extraordinary year of 2020 with upheavals caused by the largest global pandemic of our life, we have been gradually settling back to the new norm of our life and society. This new norm comes with constant changes and uncertainties, thereby constantly posting new challenges to all of us. Faced with this unprecedented period of time and an ever-changing world, we are sparing no efforts to uphold our unwavering commitments to our customers, grow our business and execute our strategies. We have also been doing our part to actively work with our customers, scientists, doctors and many other medical professionals in the joint race to find a solution to the COVID-19 crisis.

During the Reporting Period, the effective control of the pandemic in China continued, and the pandemic situation in overseas countries and regions where we conduct our business had generally improved after the continuing pandemic control measures in place and massive COVID-19 vaccine inoculation campaigns. Benefitting from this, the growth of our business accelerated during the Reporting Period compared with the Corresponding Period and the year of 2020.

Our revenue increased by 41.6% year-over-year ("**YoY**") from RMB1,452.0 million during the Corresponding Period to RMB2,056.4 million during the Reporting Period. Revenue generated from Clinical Trial Solutions reached RMB1,033.6 million and that from Clinical-related and Laboratory Services reached RMB1,022.8 million, representing a YoY growth of 45.4% and 38.0%, respectively.

Our new bookings during the Reporting Period reached RMB5,074.8 million, representing a 150.8% YoY growth. Continuing research and development ("**R&D**") spending on innovation therapies and medical devices by biopharmaceutical and medical device companies, further recovery of R&D activities from the pandemic, and the increased demand of clinical trials for COVID-19 vaccines and therapies contributed to our strong new bookings during the Reporting Period.

During the Reporting Period, our team contributed to the successful launch of a number of innovative drugs and medical devices globally, including Youxitai® (Contezolid) and Zepusheng® (Donafenib). During the Reporting Period, our team also managed through highly complicated and challenging pandemic situations and coordinated seamlessly across continents to provide services with industry-leading quality and efficiency to support several ongoing clinical trials for COVID-19 vaccines and therapies.

Number of our total employees reached 7,208 as of June 30, 2021 from 6,032 as of December 31, 2020, and 5,312 as of June 30, 2020. Below is a breakdown of our employees by function and by region as of June 30, 2021:

	Number of employees				
Function	PRC	Asia Pacific (excluding PRC)	America	EMEA	Total
Project Operation	5,795	249	502	24	6,570
Marketing and business development	225	11	20	1	257
Management and administration	334	15	28	4	381
Total	6,354	275	550	29	7,208

The number of our employees based overseas increased to 854 as of June 30, 2021 from 772 as of December 31, 2020. During the Reporting Period, we continued to expand our clinical operation and project management teams in key overseas markets including the U.S. and Europe as part of our growth strategies. As of June 30, 2021, our overseas employees were based out of 39 countries and regions across 5 continents.

MANAGEMENT DISCUSSION AND ANALYSIS

As of June 30, 2021, we had 111 ongoing single region clinical trials overseas, primarily in South Korea, Australia and the U.S., up from 95 ongoing single region clinical trials overseas as of December 31, 2020. We also had 29 ongoing Multi-regional Clinical Trials ("**MRCT**"s) as of June 30, 2021, compared with 20 ongoing MRCTs as of December 31, 2020. Our ongoing MRCTs were being conducted in Asia Pacific, North America, Europe, Africa and Latin America with various therapeutic areas including oncology, vaccine, cardiovascular, and rare diseases etc.

During the Reporting Period, our clinical operation team in the U.S. expanded capacity and added capability in certain key peripheral services including FDA-related regulatory affair consulting services. As of June 30, 2021, our U.S. team were able to provide full services for clinical trials based in the U.S. and MRCTs with sites in the U.S. and were working with more than 20 leading oncology clinical trial sites in the U.S.

In light of increasing demands from our customers to conduct clinical trials overseas, particularly by way of MRCTs, we had meaningfully expanded our global project management team to a total of 43 members as of June 30, 2021 from 31 members as of December 31, 2020. They carry profound experiences in cross-functional collaborations and supporting and managing overseas clinical trial and MRCT projects in a global setting.

During the Reporting Period, we secured new MRCT bookings of more than RMB800 million with the bidding successful rate[1] reaching over 30%.

During the Reporting Period, our controlled subsidiary Frontage continued with 2 bolt-on acquisitions to expand our service offerings and geographical coverage in laboratory services. In April 2021, Frontage acquired Ocean Ridge Biosciences, Inc.'s genomics business based in Florida, the U.S. to expand its capacity and capability of genomics services. In June 2021, Frontage announced to acquire Quintara Discovery, Inc. based in San Francisco, the U.S. to expand its capacity and capability in the drug discovery space and to increase its client base, service capacity and business development presence on the west coast of the U.S.

During the Reporting Period, we continued to pursue external partnership and collaboration that we think are mutually beneficial with various stakeholders in the healthcare industry. Four new hospitals were added into our network of collaborating hospitals and clinical centers under our Excellence for Clinical Trial Sites ("**E-Site**") Program initiated in 2020. In addition, the Boao Lecheng Clinical Center (博鰲樂城臨床研究中心) was officially inaugurated in May 2021 in joint efforts of Hainan Government, Hainan Boao Lecheng Pilot Zone of International Medical Tourism (海南博鰲樂城國際醫療旅遊先行區) and our Group with an aim to further promote the healthcare industry in the Haikou Free Trade Port (海口綜合保稅區). Under the existing collaboration agreement with Boao Government, we plan to expand the scope of real-world study ("**RWS**") projects at this newly established clinical center.

COVID-19 IMPACT

During the Reporting Period, Mainland China, Hong Kong SAR, Taiwan Province and most other countries and regions where we operate, including the U.S., South Korea, Australia, India, Singapore, Malaysia, Indonesia, Pakistan, the U.K., Romania, South Africa, Switzerland, Mexico, Brazil, Chile, Columbia, Peru, Argentina and Canada etc., have been adversely affected by the COVID-19 pandemic to a certain extent and, in response, have imposed various pandemic control measures including lockdowns, closure of work places and restrictions on mobility and travel to contain the spread of the virus.

1 Calculated as the sum of the number of contracted MRCTs and the number of confirmed MRCTs to be contracted divided by the number of total MRCT biddings during the Reporting Period

COVID-19 IMPACT (Continued)

Due to the COVID-19 pandemic, certain of our ongoing biopharmaceutical 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:

- As social and work gatherings were restricted or banned, 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;

- Certain hospitals and clinical sites in both China and overseas have imposed restrictions on on-site visits as part of their pandemic control measures, the work comprising on-site visits such as clinical trial monitoring, patient recruitment, and site management have been adversely affected at these hospitals and clinical sites;

- Certain hospitals and clinical sites in both China and overseas have devoted human and medical resources in response to pandemic control measures taken in their local regions (e.g. assisting in SARS-CoV-2 nucleic acid testing) and to patients infected with COVID-19, resulting in fewer medical staff and facility resources available for clinical trials and related functions and services;

- In both China and overseas, certain candidates for clinical trial subjects have become less willing to participate in clinical trials out of concerns about potential infection of COVID-19 at hospitals or clinical sites, which has presented challenges to patient recruitment;

- The COVID-19 pandemic had resulted in certain regulatory approval delays and increasing backlog of pending drug and medical device regulatory 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 have affected our customers' as well as suppliers' abilities to manufacture drug candidates and other supplies necessary for our clinical trials and laboratory testing. During the Reporting Period and as of June 30, 2021, most of our suppliers had resumed normal operations.

Nevertheless, during the Reporting Period, the COVID-19 pandemic did not have a significant adverse impact on the overall operation, financial condition and cash flows of our Group as a whole.

In China, with the effective control of the COVID-19 pandemic, we had resumed normal operations for most of our business since the beginning of the Reporting Period. Most hospitals and clinical sites resumed operations and we were able to initiate new clinical trial and site management projects and recruit new patients for our ongoing projects. We continued to mobilise internal resources and leverage our project execution capabilities with an aim to accelerate certain projects that were delayed in 2020 due to the pandemic and address the increasing new demand from our customers. However, as of June 30, 2021, some hospitals and clinical sites were still unable to operate at their full capacity and efficiency as a result of existing pandemic control measures in place and reduced human and medical resources; certain candidates for clinical trial subjects still showed a lack of willingness to participate in clinical trials out of concerns on potential infection of COVID-19 at hospitals or clinical sites.

COVID-19 IMPACT (Continued)

During the Reporting Period, there were intermittent upticks of new local COVID-19 cases regionally at district or city level in China, which caused certain adverse impacts on projects with hospitals or clinical sites in and patients recruited from these regions. These impacts were generally confined at regional level, as under the State Council's risk-based Joint Prevention and Control Mechanism (國務院聯防聯控機制), when new local COVID-19 cases were found, the local government would take swift and necessary measures including massive nucleic acid testing and lockdown at district or city level to prevent any further spread of the pandemic. Other regions with no local COVID-19 cases would generally not be impacted.

Several COVID-19 vaccines were approved for emergency use or formally approved in certain overseas countries and regions where we conduct our business during the Reporting Period. With the roll-out of massive COVID-19 vaccine inoculation campaigns and the increasing proportion of the population in these countries and regions getting fully vaccinated, the pandemic situation in these overseas countries and regions had generally improved with decreasing infection rate and fatality rate observed.

We continued to actively engage in discussions with our customers, research institutions, and scientists on clinical trial projects for COVID-19 vaccines and therapies. As of June 30, 2021, we had multiple COVID-19 related clinical trial projects at hand, many of which are MRCTs. We highly value the corporate social responsibility when conducting COVID-19 related clinical trials.

For further analysis of the impact of the COVID-19 pandemic on the operation, financial condition and cash flows of our Group, please refer to other relevant subsections under "*Management Discussion and Analysis*".

1. OPERATIONS OF THE GROUP DURING THE REPORTING PERIOD

Revenue

During the Reporting Period, our revenue increased by 41.6% YoY from RMB1,452.0 million to RMB2,056.4 million. Revenue generated from clinical trial solutions reached RMB1,033.6 million, representing a YoY growth of 45.4%. Revenue generated from clinical-related and laboratory services reached RMB1,022.8 million, representing a YoY growth of 38.0%.

Geographically, benefitting from the continuing effective control of the COVID-19 pandemic in China, our revenue generated in the PRC continued its steady growth and increased by 31.3% YoY to RMB1,110.8 million. Businesses in China that were negatively impacted by the COVID-19 pandemic during the Corresponding Period presented strong YoY growth, including site management and laboratory services.

Our overseas business showed strong recovery from the COVID-19 pandemic and revenue generated overseas increased by 56.0% YoY to RMB945.6 million. Increased demand of MRCTs from our customers during the Reporting Period also contributed to the growth of our overseas revenue. The RMB had appreciated significantly against the USD since the Corresponding Period and the appreciation of RMB had some negative impact on the growth of our overseas revenue that were mostly generated from USD denominated projects.

1. OPERATIONS OF THE GROUP DURING THE REPORTING PERIOD (Continued)

Revenue (Continued)

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

Revenue generated from our CTS segment during the Reporting Period increased by 45.4% YoY to RMB1,033.6 million from RMB711.0 million during the Corresponding Period, 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 services etc.

During the Reporting Period, the growth of the revenue generated from our clinical trial operation service accelerated, contributed by continuing demands from our customers for clinical trials in China and the increased overseas clinical trial and MRCT projects including clinical trials for potential COVID-19 vaccines and therapies. As of June 30, 2021, we had 491 ongoing drug clinical research projects, up from 389 as of December 31, 2020.

The following table sets forth a breakdown of our ongoing drug clinical research projects by phase as of the dates indicated:

	As of year/period end		
	June 30, 2020	December 31, 2020	**June 30, 2021**
Phase I (including PK studies)	123	150	**193**
Phase II	74	66	**85**
Phase III	107	117	**137**
Phase IV	24	28	**39**
Others[2]	21	28	**37**
Total	349	389	**491**

As of June 30, 2021, 351 ongoing drug clinical research projects were being conducted in the PRC and 140 being conducted overseas, of which 111 were single region trials and 29 were MRCTs. The 111 ongoing single region overseas clinical trials were primarily being conducted in South Korea, Australia and the U.S. The 29 ongoing MRCT projects were being conducted in more than 20 countries across North America, Asia Pacific, Europe, Africa and Latin America with various therapeutical areas including oncology, vaccine, cardiovascular, and rare diseases etc.

[2] Others primarily consist of investigator-initiated studies and real-world studies

1. OPERATIONS OF THE GROUP DURING THE REPORTING PERIOD (Continued)

Revenue (Continued)

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

The following table sets forth the breakdown of the number of our ongoing drug clinical research projects conducted in different geographic regions as of the dates indicated:

	As of year/period end		
	June 30, 2020	December 31, 2020	**June 30, 2021**
Single Region			
PRC	247	274	**351**
Overseas	85	95	**111**
MRCTs	17	20	**29**
Total	349	389	**491**

We also had 219 ongoing medical device clinical research projects and 132 ongoing bioequivalence clinical projects as of June 30, 2021. During the Reporting Period, our medical device clinical research team initiated multiple real-world device studies in Hainan Boao Lecheng Pilot Zone of International Medical Tourism and had expanded their service offerings by launching medical device regulatory consulting services. During the Reporting Period, our medical device testing lab also started to offer biological evaluation services to Class III devices and expanded its lab testing capability to cover ophthalmology devices.

Our medical registration and medical translation services continued their strong growth trend during the Reporting Period on the back of strong customer demands for our high quality and efficient services.

We continued to strengthen our ability to offer comprehensive CTS services to our customers with clinical trial needs, and to invest in technologies to improve the efficiency of our services. During the Reporting Period, we launched our in-house Risk-Based Quality Management ("**RBQM**") system, and our in-house Clinical Trial Management System ("**CTMS**") reached the milestone of running its 2,000th clinical trial.

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

Revenue generated from our CRLS segment during the Reporting Period increased by 38.0% YoY from RMB741.0 million in the Corresponding Period to RMB1,022.8 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.

1. OPERATIONS OF THE GROUP DURING THE REPORTING PERIOD (Continued)

Revenue (Continued)

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

Our laboratory services were severely impacted by the COVID-19 pandemic in North America where most revenue was generated during the Corresponding Period. The improvement of the pandemic situation started since the beginning of the second half of 2020 and continued following massive COVID-19 vaccine inoculation campaigns, despite a temporary deterioration during the fourth quarter of 2020. Our laboratory services team were therefore able to work on more projects and recover some progress delayed by the pandemic during the Reporting Period, thus enabling us to realise a strong YoY growth on the revenue generated from laboratory services during the Reporting Period. Bolt-on acquisitions made by Frontage also contributed to the YoY increase of revenue of our laboratory services during the Reporting Period.

We had 2,417 ongoing projects for our laboratory services as of June 30, 2021, up from 2,029 as of December 31, 2020. During the Reporting Period, Frontage continued to expand its capacity and capability in laboratory services in both North America and China. In April 2021, Frontage acquired Ocean Ridge Biosciences, Inc.'s genomics business based in Florida, the U.S. to expand its capacity and capability of genomics service. In June 2021, Frontage announced to acquire Quintara Discovery, Inc. based in San Francisco, the U.S. to expand its capacity and capability in the drug discovery space and to increase its client base, service capacity and business development presence on the west coast of the U.S.. During the Reporting Period, Frontage also added more than 6,200 sq.m of lab space in Zhangjiang, Shanghai for additional capacity in large molecule bioanalytical and central lab services.

Our site management and patient recruitment services were severely impacted by the COVID-19 pandemic during the Corresponding Period. With the effective control of the pandemic in China, most hospitals and clinical sites resumed operations during the Reporting Period, although some of them were not operating at full capacity. Although some candidates for clinical trial subjects still showed a lack of willingness to participate in clinical trials, our team was also able to recruit more patients for clinical trials. Therefore, our revenue generated from site management and patient recruitment services posted strong YoY growth during the Reporting Period.

As of June 30, 2021, we had 1,329 ongoing site management projects, up from 1,180 as of December 31, 2020. Our site management team had accumulatively completed a total of 759 site management projects and the number of employees of our site management business reached over 2,600 as of June 30, 2021. Meanwhile, our patient recruitment team had more than 120 ongoing projects, predominantly from multinational pharmaceutical companies in China. As of June 30, 2021, our patient recruitment team had successfully recruited a total of more than 10,000 patients as clinical trial subjects.

1. OPERATIONS OF THE GROUP DURING THE REPORTING PERIOD (Continued)

Revenue (Continued)

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

During the Reporting Period, our DMSA team continued to receive orders from existing customers and acquired new customers in both China and overseas markets. Total number of DMSA customers increased to over 150 as of June 30, 2021 from 116 as of December 31, 2020. As a result, revenue generated from our DMSA services during the Reporting Period realised stable YoY growth. As of June 30, 2021, we had 681 ongoing DMSA projects with 453 projects being conducted by our team based in China and 228 projects being conducted overseas and a DMSA team with more than 790 professionals based in China, South Korea, the United States and India. During the Reporting Period, our DMSA team supported the successful approval of a global first-in-class drug by providing full suite of DMSA services during the pivotal clinical trial and Integrated Summary of Safety (ISS) and Integrated Summary of Efficacy (ISE) process with seamless collaborations across our DMSA teams in China and the U.S. Our DMSA team also continued their efforts on improving efficiency and level of automation during the Reporting Period.

The proportion of revenue generated from overseas is meaningfully higher than that of revenue generated in the PRC for our DMSA and laboratory services during the Reporting Period, and most of the revenue generated from overseas is denominated in USD. As a result, the recent appreciation of RMB against USD had certain negative impact to the YoY revenue growth of our CRLS segment during the Reporting Period.

Gross Profit

During the Reporting Period, we realised a gross profit of RMB966.9 million compared to RMB698.1 million during the Corresponding Period, representing a 38.5% YoY growth. Our gross profit margin slightly decreased from 48.1% during the Corresponding Period to 47.0% during the Reporting Period.

Our cost of services increased by 44.5% from RMB753.9 million during the Corresponding Period to RMB1,089.5 million during the Reporting Period. Below is a breakdown of our cost of services by nature and their percentage of our revenue during the periods indicated:

	Six months ended June 30,	
	2021	2020
	RMB million	RMB million
Direct lab or costs	**607.3**	434.9
% of revenue	**29.5%**	30.0%
Direct project-related costs	**324.8**	219.8
% of revenue	**15.8%**	15.1%
Overhead costs	**157.4**	99.2
% of revenue	**7.7%**	6.8%
Total cost of services	**1,089.5**	753.9
% of revenue	**53.0%**	51.9%

1. OPERATIONS OF THE GROUP DURING THE REPORTING PERIOD (Continued)

Gross Profit (Continued)

(1) Clinical Trial Solutions

The gross profit of the CTS segment increased by 45.1% from RMB360.7 million during the Corresponding Period to RMB523.5 million during the Reporting Period, primarily driven by the increase of the revenue generated from our CTS segment.

The gross profit margin of our clinical trial operation business under the CTS segment slightly decreased YoY during the Reporting Period as we worked on more MRCTs including certain COVID-19 related trials that included a higher portion of pass-through fees than our usual clinical trial projects. The higher portion of pass-through fees is primarily in relation to subcontracting components to third-party CROs in certain countries or regions where we do not operate locally. Generally, when we make such pass-through payments on behalf of our customers, we will book revenue and the corresponding costs simultaneously, thereby lowering the gross profit margin.

The impact of the slight decrease of gross profit margin of clinical trial operation business during the Reporting Period to the CTS segment was offset by the faster revenue growth realised from other CTS services with higher gross profit margins compared to our clinical trial operation services, particularly medical translation and medical registration services.

As a result, the gross profit margin of the CTS segment remained relatively stable at 50.6% during the Reporting Period compared with 50.7% during the Corresponding Period.

(2) Clinical-related and Laboratory Services

The gross profit of the CRLS segment increased by 31.4% from RMB337.4 million during the Corresponding Period to RMB443.4 million during the Reporting Period.

The gross profit margin of the CRLS segment decreased by 2.1% from 45.5% during the Corresponding Period to 43.4% during the Reporting Period, primarily due to a decrease of the gross profit margin of our DMSA services because of the mismatch of our overseas DMSA revenue that was lowered by the recent RMB appreciation, and the cost associated with the overseas DMSA revenue that was predominantly RMB denominated during the Reporting Period. The decrease of the gross profit margin of our DMSA services was partially offset by the recovery of the gross profit margin of our laboratory services as the utilisation rate of our lab facilities increased meaningfully YoY during the Reporting Period.

1. OPERATIONS OF THE GROUP DURING THE REPORTING PERIOD (Continued)

Other Income

Our other income during the Reporting Period increased by 362.1% YoY to RMB147.4 million from RMB31.9 million during the Corresponding Period, primarily due to the increase of interest income from RMB22.5 million to RMB134.4 million. The increase of interest income primarily came from bank deposits of unused proceeds received from our Hong Kong IPO in August 2020. The dividend income we received from financial assets at Fair Value Through Profit or Loss ("**FVTPL**") also increased from nil during the Corresponding Period to RMB5.3 million during the Reporting Period. The decrease of government grants we received from RMB9.0 million during the Corresponding Period to RMB7.6 million during the Reporting Period partially offset the increase.

Other Gains and Losses, Net

During the Reporting Period, we recorded other gains and losses (net) of RMB1,007.2 million, representing a 33.9% increase YoY from RMB752.2 million during the Corresponding Period. The increase is primarily contributed by a RMB906.1 million change in fair value of financial assets at FVTPL recorded during the Reporting Period, compared with RMB632.7 million recorded during the Corresponding Period. The positive change in fair value of financial assets at FVTPL held by our Group is primarily due to the increase of valuation of certain companies invested by us or by investment funds of which we are a limited partner during the Reporting Period. The gain on disposal of financial assets at FVTPL also increased from RMB28.6 million during the Corresponding Period to RMB105.0 million during the Reporting Period, primarily contributed by divestitures we made to some of our investments recorded as financial assets at FVTPL. The increase of other gains and losses (net) was partially offset by the decrease of the gain on disposal of associates to RMB4.9 million during the Reporting Period from RMB80.0 million during the Corresponding Period, which was primarily due to the recognition of a gain on the fair value change of our previously held interests in Mosim Medical InfoTech Co. Ltd. remeasured on the date when it became a non–wholly owned subsidiary of our Company as we acquired additional equity interest in January 2020.

Selling and Marketing Expenses

Our selling and marketing expenses increased 67.6% YoY from RMB39.8 million during the Corresponding Period to RMB66.7 million during the Reporting Period. The increase is primarily due to (i) an increase of the number of employees in our sales and marketing team in both China and overseas, (ii) an increase of the compensation levels for our sales and marketing employees, and (iii) the increased cost incurred by our sales and marketing activities, as we continued to grow our business, expand our business development coverage and promote our brand name.

1. OPERATIONS OF THE GROUP DURING THE REPORTING PERIOD (Continued)

Administrative Expenses

Our administrative expenses increased 32.6% YoY from RMB186.1 million during the Corresponding Period to RMB246.7 million during the Reporting Period. The increase is primarily due to (i) an increase in staff costs to our administrative and management personnel in China and overseas, (ii) increased costs associated with our new office in Hangzhou and certain overseas countries, (iii) an increase in amortisation of intangible assets including business software and acquired customer relationship and backlog, and (iv) an increase in share-based compensation under administrative expenses.

R&D Expenses

Our R&D expenses increased 28.5% YoY from RMB72.4 million during the Corresponding Period to RMB93.0 million during the Reporting Period. The increase is primarily due to (i) an increase in the total number of employees engaged in R&D activities and the increased compensation levels of these employees and (ii) an increase in investments made into innovation and technology development by our Group.

Finance Costs

Our finance costs decreased by 76.7% from RMB33.9 million during the Corresponding Period to RMB7.9 million during the Reporting Period due to the decrease of expense on bank borrowings from RMB25.6 million to nil.

Income Tax Expense

Our income tax expense increased by 14.5% from RMB90.4 million during the Corresponding Period to RMB103.5 million during the Reporting Period. Our effective tax rate decreased from 7.9% during the Corresponding Period to 6.1% during the Reporting Period, primarily due to (i) the increase in change in certain other gain items such as changes in fair value of financial assets at FVTPL during the Reporting Period, which are only partially taxable; (ii) the decrease of deferred tax expenses recognised mainly from the change in fair value of financial assets at FVTPL.

Profit for the Period

As a result of the foregoing discussions, our profit for the period increased by 52.0% from RMB1,049.0 million during the Corresponding Period to RMB1,594.2 million during the Reporting Period. The profit attributable to owners of the Company increased by 24.5% from RMB1,011.9 million during the Corresponding Period to RMB1,259.9 million during the Reporting Period, and the profit attributable to non-controlling interests increased by 801.1% from RMB37.1 million to during the Corresponding Period to RMB334.3 million during the Reporting Period. The significant increase of the profit attributable to non-controlling interests is primarily due to a portion of the increase in fair value of financial assets at FVTPL recorded during the Reporting Period was held by entities controlled by our Company but with significant non-controlling interests from external parties.

1. OPERATIONS OF THE GROUP DURING 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 period attributable to owners of the Company before certain expenses and amortisation 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 period or profit for the period 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) amortisation 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.

1. OPERATIONS OF THE GROUP DURING THE REPORTING PERIOD (Continued)

Non-International Financial Reporting Standards Measure (Continued)

Adjusted net profit attributable to owners of the Company

	For the six months ended June 30, 2021 RMB million	2020 RMB million
Profit attributable to owners of the Company	**1,259.9**	1,011.9
Adjusted for:		
Share-based compensation expense	**33.4**	21.0
Net foreign exchange loss/(gain)	**3.5**	(3.4)
Amortisation of intangible assets arising from acquisitions	**4.3**	2.3
Listing expenses	**–**	2.1
Increase in fair value of financial assets at FVTPL	**(609.0)**	(626.2)
Adjusted net profit attributable to owners of the Company	**692.1**	407.7
Margin of adjusted net profit attributable to the owners of the Company(1)	**33.7%**	28.1%
Adjusted earnings per share		
– Basic(2)	**0.80**	0.55
– Diluted(3)	**0.79**	0.54

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 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 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 RMB692.1 million, representing a YoY increase of 69.8% from RMB407.7 million during the Corresponding Period. Our margin of adjusted net profit attributable to the owners of the Company increased from 28.1% during the Corresponding Period to 33.7% during the Reporting Period.

1. OPERATIONS OF THE GROUP DURING THE REPORTING PERIOD (Continued)

Cash Flows

	Six months ended June 30,	
	2021	2020
	RMB in million	RMB in million
Net cash from operating activities	**368.3**	248.1
Net cash used in investing activities	**(746.9)**	(554.1)
Net cash (used in)/from financing activities	**(153.7)**	372.3

During the Reporting Period, our net cash generated from operating activities was RMB368.3 million, representing a 48.4% increase from the Corresponding Period. The increase was primarily due to the increase in revenue, timely collection of receivables and increase in prepayments we received from our customers.

During the Reporting Period, our net cash used in investing activities was RMB746.9 million, representing a 34.8% increase from the Corresponding Period. The increase was primarily due to (i) RMB157.8 million cash used in purchase of property, plant and equipment, and (ii) RMB1,502.4 million cash used in purchase of financial assets at FVTPL. This increase was partially offset by (i) RMB802.1 million cash received from disposal of financial assets at FVTPL, and (ii) RMB116.8 million cash received from bank deposit interests primarily in relation to the unused proceeds received from our Hong Kong IPO in August 2020.

During the Reporting Period, our net cash used in financing activities was RMB153.7 million compared with a RMB372.3 million net cash generated from financing activities during the Corresponding Period. We did not raise capital or incur new bank borrowings during the Reporting Period. The major cash used in financing activities during the Reporting Period was a RMB262.2 million of dividends to owners of the Company, which was partially offset by a RMB106.1 million cash inflow from the non-controlling shareholders of our subsidiaries without change of our control.

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 utilise that to satisfy our future funding needs.

Trade, Bills and Other Receivables and Prepayments

Our trade, bills and other receivables and prepayments increased by 8.7% from RMB638.7 million as of December 31, 2020 to RMB694.0 million as of June 30, 2021, primarily due to (i) an increase in trade receivables from third parties from RMB490.9 million to RMB563.4 million; (ii) an increase in gross amount of other receivables from third parties from RMB54.0 million to RMB93.0 million primarily from an increase in interest receivables from bank deposits and (iii) an increase in prepayment to third parties for materials and services from RMB28.2 million to RMB40.0 million. The increase was partially offset by the decrease of consideration receivables from RMB69.6 million to nil in relation to our disposal of certain investments.

1. OPERATIONS OF THE GROUP DURING THE REPORTING PERIOD

(Continued)

Trade and Other Payables

Our trade and other payables increased by 26.6% from RMB529.5 million as of December 31, 2020 to RMB670.4 million as of June 30, 2021, primarily due to (i) an increase in trade payables from RMB101.3 million to RMB122.7 million; (ii) one-time consideration payables of RMB102.7 million in relation to the acquisition of additional equity interest in Beijing Yaxincheng Medical InfoTech, Co. Ltd. and the acquisition for certain investments at FVTPL; (iii) increase of contingent consideration payables to RMB172.0 million primarily contributed by a RMB97.0 million contingent consideration for the acquisition of additional 40% interests in Mosim Medical Technology Co., Ltd. The increase was partially offset by the decrease of restricted share purchase payable and salary and bonus payables.

Contract Assets and Liabilities

Our contract assets increased by 31.0% from RMB824.7 million as of December 31, 2020 to RMB1,080.2 million as of June 30, 2021 due to the increase in total amount of contracts with our customers where revenue had been recognised 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 29.4% from RMB484.6 million as of December 31, 2020 to RMB626.9 million as of June 30, 2021, as we continued to grow our business and bookings and had received more prepayments 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 32.8% from RMB400.5 million as of December 31, 2020 to RMB532.0 million as of June 30, 2021, primarily due to our procurement of experiment equipment and expansion in buildings and leasehold improvements for our offices, laboratory facilities and research capacity. Bolt-on acquisitions made by Frontage during the Reporting Period also contributed to the increase of our property, plant and equipment.

Deferred tax assets

Our deferred tax assets increased by 79.6% from RMB79.5 million as of December 31, 2020 to RMB142.8 million as of June 30, 2021, primarily due to the increase of share-based compensation expenses as a result of changes of Frontage's share price during the Reporting Period.

Right-of-use assets

Our right-of-use assets increased by 15.1% from RMB332.6 million as of December 31, 2020 to RMB382.9 million as of June 30, 2021, primarily due to (i) the entering into new long term rental contracts by Frontage having come into effect during the Reporting Period, in relation to a U.S.-based laboratory facility and a leasehold building, and (ii) the renewal of a previous leasehold property by way of entering into a new long term rental contract by our controlled subsidiary DreamCIS in South Korea.

1. OPERATIONS OF THE GROUP DURING 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, unlisted debt instrument, and financial products. Our financial assets at FVTPL and FVOCI increased by 32.9% from RMB5,333.5 million as of December 31, 2020 to RMB7,086.4 million as of June 30, 2021. Such increase was primarily due to the increase in fair value of our financial assets held at FVTPL and our continuing investment activities 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 June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Non-current assets		
Financial assets at FVTPL		
– Listed equity securities	**155,256**	482,002
– Unlisted equity investments	**3,200,137**	2,060,600
– Unlisted fund investments	**3,595,603**	2,749,700
– Unlisted debt instrument	**30,000**	–
Financial assets at FVOCI		
– Unlisted equity investments	**14,445**	15,158
	6,995,441	5,307,460
Current assets		
Financial products	**91,000**	26,000
Total financial assets at FVTPL and FVOCI	**7,086,441**	5,333,460

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 these 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 cash generated from operating activities and a portion of the proceeds received from our Hong Kong IPO in August 2020 as part of the intended use of proceeds to fund our investment activities.

As of June 30, 2021, we were a strategic investor in 107 innovative companies and other related companies in the healthcare industry, as well as a limited partner in 53 professional investment funds.

1. OPERATIONS OF THE GROUP DURING 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 realised a gain of RMB272.2 million from exiting our investments in companies and investment funds, as measured by the exit amount against our initial investment cost, up from RMB57.0 million during the Corresponding Period.

Our investments in listed equity securities amounted to RMB155.3 million as of June 30, 2021, representing a 67.8% decrease from RMB482.0 million as of December 31, 2020. The decrease is primarily because of our divestiture of several publicly listed companies in our investment portfolio during the Reporting Period as a result of our investment decisions and strategies in line with our overall investment philosophy.

Our unlisted equity investments amounted to RMB3,214.6 million as of June 30, 2021, representing a 54.9% increase from RMB2,075.8 million as of December 31, 2020. The increase is primarily due to the increase of the fair value of unlisted equity investments we held and more investments we made since the Corresponding Period.

Our unlisted fund investments amounted to RMB3,595.6 million as of June 30, 2021, representing a 30.8% increase from RMB2,749.7 million as of December 31, 2020. 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 since the Corresponding 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	Debt instrument RMB'000	Total RMB'000
Opening balance	2,075,758	2,749,700	482,002	–	5,307,460
Additions	781,217	385,748	–	30,000	1,196,965
Fair value change during the Reporting Period	375,443	536,682	(6,042)	–	906,083
Disposals of shares	(14,440)	(72,281)	(315,739)	–	(402,460)
Exchange realignment	(3,396)	(4,246)	(4,965)	–	(12,607)
Ending balance	3,214,582	3,595,603	155,256	30,000	6,995,441

1. OPERATIONS OF THE GROUP DURING THE REPORTING PERIOD (Continued)

Indebtedness

Borrowings

The Group had no outstanding borrowings as of June 30, 2021.

Gearing Ratio

Gearing ratio is calculated using interest-bearing borrowings from banks and other entities divided by total equity.

As we had no outstanding borrowings, our gearing ratio was nil as of June 30, 2021.

Lease Liabilities

We had outstanding aggregated unpaid contractual lease payments (for the remainder of relevant lease terms) of RMB385.0 million as of June 30, 2021, up 16.2% from RMB331.3 million as of December 31, 2020, primarily due to (i) the entering into long term rental contracts by Frontage in relation to a U.S.-based laboratory facility and leasehold building; (ii) the renewal of previous leasehold property by DreamCIS in South Korea. Of the aggregated lease liabilities as of June 30, 2021, RMB61.1 million are due within one year and RMB323.9 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 June 30, 2021.

Contingent Liabilities

As of June 30, 2021, the Group had no contingent liabilities.

Capital Commitment

As of June 30, 2021, the Group had the total capital commitments entered but outstanding and not provided for in the financial statements amounting to approximately RMB1,742.0 million (December 31, 2020: approximately RMB1,291.1 million) and mainly included that not provided for the investments in the funds or companies was around RMB1,221.2 million (December 31, 2020: approximately RMB1,131.5 million).

Significant Investments Held

As of June 30, 2021, we did not hold any significant investments and none of the above mentioned investments constituted a significant investment to our Group. Saving for the proposed investment as below, the Group has no other proposed significant investments at of the date of this report:

1. OPERATIONS OF THE GROUP DURING THE REPORTING PERIOD (Continued)

Indebtedness (Continued)

Significant Investments Held (Continued)

On July 12, 2021, HZ Tiger and Hangzhou Tailong, the subsidiaries of the Company, entered into the partnership agreement with HZ Industry Investment and HZ Hi-Tech Investment in relation to the formation of a fund. The registered capital of the fund shall be RMB20 billion, of which RMB200 million shall be subscribed by HZ Tailong as the general partner, RMB9.8 billion will be subscribed by the HZ Tiger as a limited partner, RMB5 billion will be subscribed by HZ Industry Investment as a limited partner and RMB5 billion will be subscribed by HZ Hi-Tech Investment as a limited partner. The fund is established to invest in enterprises involved in hi-tech medical equipment, biopharmaceutical, medicare services, medicare informatization, digital therapeutics, intelligent manufacturing and nutrition and health industries.

Upon completion of the subscription, the fund will become an associate of the Group.

The above investment is expected to be completed subsequent to the end of the Reporting Period upon the fulfilment of all condition precedents and other requirements in relation to the investment. As of the date of this report, it is not practicable to provide an estimate of financial effect of the above acquisition until the Group performed a detailed review. Please refer to the announcements of the Company dated July 12, 2021 and August 23, 2021 and the circular of the Company dated July 23, 2021 for details.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the Reporting Period, the Group had not conducted any material acquisitions or 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. Saving for Frontage and DreamCIS as they are publicly listed, the Group's treasury activities are centralised. The Group generally deals with financial institutions with good reputation.

Others

(1) The Group has not used any financial instruments for hedging, nor used any net investment amounts in foreign currencies for hedging via currency borrowing and/or other hedging instruments.

(2) The Group's business are mainly denominated in RMB. However, the Group is subject to certain foreign exchange risk arising from certain subsidiaries, which have receivables denominated in U.S. dollars.

1. OPERATIONS OF THE GROUP DURING 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 1,200 clinical trial sites with NMPA certification 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. We had made further efforts and investments into pioneering into new services and developing industry-leading technology to strengthen the comprehensiveness of our service offerings and increase the efficiency for both CTS and CRLS segments during the Reporting Period.

   Among all China-based clinical CROs, we have been a pioneer in global expansion and currently have presence across the Asia-Pacific region, North America, Europe, Latin America and Africa. As of June 30, 2021, we have a team of over 800 professionals based overseas out of 39 countries 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. As of June 30, 2021, we had 111 ongoing single region clinical trials overseas, primarily in South Korea, Australia and the U.S., up from 95 ongoing single region clinical trials overseas as of December 31, 2020. We also had 29 ongoing MRCTs as of June 30, 2021, compared with 20 ongoing MRCTs as of December 31, 2020. Our ongoing MRCTs were being conducted in Asia Pacific, North America, Europe, Africa and Latin America with various therapeutic areas including oncology, vaccine, cardiovascular, and rare diseases etc.

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 to quality control and quality assurance 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 trials 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.

1. OPERATIONS OF THE GROUP DURING 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 customised based on the project's drug profile, selection of patients and clinical trial sites 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 recognised 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 organisation. 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 a diversity of share incentive schemes including the share option scheme and share award scheme adopted by our controlled subsidiaries DreamCIS and Frontage respectively during the Reporting Period. 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 optimising our offerings to meet evolving customer needs.

1. OPERATIONS OF THE GROUP DURING 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 clinical 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 January 8, 2021, the Company convened the 2021 first extraordinary general meeting of the Company 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.

2. 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.

1. OPERATIONS OF THE GROUP DURING THE REPORTING PERIOD (Continued)

Other Events (Continued)

3. On January 22, 2021 (Hong Kong time), the board of directors of Frontage (the subsidiary of the Company) approved the adoption of the share award scheme (the "**2021 Share Award Scheme**") for the purpose of, inter alia, recognising the contributions of certain employees of Frontage Holdings Group and attracting suitable personnel for further development of Frontage Holdings Group. The 2021 Share Award Scheme, as a discretionary scheme of Frontage, 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. No shareholders' approval is required for the adoption of the 2021 Share Award Scheme.

4. On January 25, 2021 (New York time), the board of Frontage have resolved to grant a total of 22,950,500 awarded shares of Frontage to 184 award participants pursuant to the terms and conditions of the 2021 Share Award Scheme. Of the 22,950,500 awarded shares of Frontage, (i) 19,850,500 awarded shares of Frontage were granted to 182 non – connected award participants, all being employees of the Frontage Holdings Group who are not connected persons of Frontage; and (ii) 3,100,000 awarded shares of Frontage were granted to Dr. Song Li and Dr. Zhihe Li, the executive directors of Frontage, which were approved by the independent shareholders of Frontage and complied with applicable requirements under Chapter 14A of the Listing Rules.

   As at the date of this report, no awarded shares of Frontage granted under the 2021 Share Award Scheme have been vested. For further details of the 2021 Share Award Scheme, please refer to Frontage's announcements dated January 22, 2021, January 26, 2021 and February 5, 2021.

5. 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).

6. On March 11, 2021, DreamCIS, the subsidiary of the Company, proposed 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. On March 26, 2021, an extraordinary general meeting of the Company was held to approve the adoption of DreamCIS 2021 Share Option Scheme, under which, 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.

   As at the date of this report, no awards have been granted under the DreamCIS 2021 Share Option Scheme. For further details of the DreamCIS 2021 Share Option Scheme, please refer to the Company's circular dated March 11, 2021.

2. FUTURE DEVELOPMENT OF THE COMPANY

Industry and Business Outlook

Since founded in 2004, we have 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.

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 government encouraging on innovation, increasing investments in innovative drugs, more stringent and better – established regulatory regime, demand for diversified and integrated clinical CRO services and increasing cross-border opportunities, all of which underpinned by the China's vast population and unmet medical needs.

Recent years, policies in China's healthcare industry had been generally aligned with overall strategies at a national level. The core of the policy trends is expected to remain focus on innovation, accessibility and affordability. From the technical perspective, the regulations governing the registration and clinical trials are expected to further conform with the prevailing ICH-GCP standard, in which the patient-focused drug development and the clinical value of R&D projects will be given more emphasis.

Meanwhile, the clinical CRO industry is expected to remain competitive and continue to adapt, innovate and evolve. Biopharmaceutical and medical device companies are increasingly developing their products in a globalised 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 digitalisation and utilisation of vast data resources of clinical CROs is also expected to increase.

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 and site in China to provide more clinical development and site resources to our customers including expanding our E-Site network.

2. FUTURE DEVELOPMENT OF THE COMPANY (Continued)

Industry and Business Outlook (Continued)

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, there were 163 new MRCTs initiated by Chinese biopharmaceutical companies during the year of 2020, representing a 68% growth from 97 new MRCTs initiated during the year of 2019. In view of this trend, we aim to leverage our overseas presence to better 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 management 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 will be playing a more important role in biopharmaceutical R&D by enhancing quality and improving efficiency with more integrated and advanced solutions. Advanced data analytics, artificial intelligence and other technologies are more being widely applied in clinical trials and peripheral services. 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 synergise our know – how and develop more innovative solutions for our customers.

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 as well as our incentive schemes to retain talents.

2. FUTURE DEVELOPMENT OF THE COMPANY (Continued)

Potential Risks

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

   Our business operations and financial performance have been adversely affected by the COVID-19 pandemic, and may continue to be affected by the COVID-19 pandemic 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 pandemic 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 pandemic 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. Although we have formulated a business continuity plan to facilitate the recovery of key operations, functions and technologies before, during and after emergencies or destructive events in a timely and organised way, so as to enable our Group to develop its business on a feasible and stable basis. However, if the our business continuity plan fails to cope with the impact of relevant emergencies and force majeure, it may materially adversely affect the Company's business, finance, operating results and future prospects.

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.

3. **Risk of failure in adapting to updates or changes in regulations or policies**

   The biopharmaceutical R&D industry is usually heavily regulated by relevant local regulators in countries and regions where we operate or our services are delivered. In developed countries, the regulations and policies governing the biopharmaceutical R&D industry are generally well established. In China, the local government and NMPA have been gradually developing and refining relevant regulations and policies governing biopharmaceutical R&D activities in China. Whilst we have attached great importance to the latest development of these regulations and policies, our business, financial condition and results of operations could be adversely affected if we fail to timely adapt to any updates or changes of these relevant regulations or policies by formulating an updated operating strategy.

2. FUTURE DEVELOPMENT OF THE COMPANY (Continued)

Potential Risks (Continued)

4. 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.

5. 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, optimise 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.

6. 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.

2. FUTURE DEVELOPMENT OF THE COMPANY (Continued)

Potential Risks (Continued)

7. 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.

8. 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.

9. 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.

10. 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 realise our anticipated returns from such transactions. Our business, financial condition and results of operations could also be adversely affected.

2. FUTURE DEVELOPMENT OF THE COMPANY (Continued)

Potential Risks (Continued)

11. 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.

12. 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.

2. FUTURE DEVELOPMENT OF THE COMPANY (Continued)

Potential Risks (Continued)

13. 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, unlisted debt instruments and financial products, are subject to changes beyond our control. During the Corresponding Period and the Reporting Period, we recorded positive changes in fair value of financial assets at FVTPL in the amount of RMB632.7 million and RMB906.1 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. During the Corresponding Period and the Reporting Period, we recorded gains on disposal of financial assets at FVTPL of RMB28.6 million and RMB105.0 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.

14. 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.

15. Risks of changes in international policies 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 ability to raise additional capital, our financial condition and results of operations.

2. FUTURE DEVELOPMENT OF THE COMPANY (Continued)

Employees

As of June 30, 2021, we had a total of 7,208 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 incentive 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.

SHARE INCENTIVE SCHEMES

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

1. 2019 Restricted Share Scheme

The Company adopted a restricted share scheme in 2019 (the "**2019 Restricted Share Scheme**") for the primary purpose of attracting, retaining and motivating the Directors and employees of the Group. The Restricted Share Scheme is not subject to the provisions of Chapter 17 of the Listing Rules. Under the 2019 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 2019 Restricted Share 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.

In 2021, 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 RMB0.4 million (six months ended June 30, 2020: RMB1.4 million) has been refunded to the original incentive recipients.

During the six months ended June 30, 2021, a total of 1,974,354 restricted shares were unlocked and vested. Upon the unlock of the restricted shares, a repurchasing obligation, amounting to RMB54.3 million is derecognised as other payable. The weighted average closing price of Shares immediately before the dates on which the restricted shares were vested was RMB145.33.

Under the 2019 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 June 30, 2021, a dividend payable of RMB1.2 million (as at December 31, 2020: RMB1.7 million) has been recognised.

SHARE INCENTIVE SCHEMES (Continued)

1. 2019 Restricted Share Scheme (Continued)

The Group recognised total expense of approximately RMB7.5 million for the six months ended June 30, 2021 (six months ended June 30, 2020: RMB16.1 million) in relation to restricted shares granted under the 2019 Restricted Share Scheme.

2. 2019 Share Purchase Scheme

The Company adopted the share purchase scheme in 2019 (the "**2019 Share Purchase Scheme**") for the primary purpose of attracting, retaining and motivating the Directors and employees of the Group. The 2019 Share Purchase Scheme is not subject to the provisions of Chapter 17 of the Listing Rules. Under the 2019 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 2019 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 2019 Share Purchase Scheme are the repurchased A shares previously repurchased and held by the Company as treasury shares (refer to Note 23 to the condensed 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 2019 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 2019 Share Purchase Scheme are adjusted accordingly.

During the six months ended June 30, 2021, a total of 85,912 shares held under the 2019 Share Purchase Scheme were unlocked and vested.

The shares held by the 2019 Share Purchase Scheme in respect of a holder will be unlocked upon the expiry of the lock-up periods. The agent of the 2019 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 2019 Share Purchase Scheme.

The Group recognised total expense of approximately RMB1.0 million for the six months ended June 30, 2021 (six months ended June 30, 2020: RMB2.1 million) in relation to 2019 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 23 to the condensed 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 RMB12.7 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 anniversary one 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, Frontage Labs and corresponding employees entered into an agreement pursuant to which Frontage Labs has assigned, and Frontage 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, 2021	Granted during the Reporting Period	Exercised during the Reporting Period	Forfeited during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at June 30, 2021	Vesting period
Other employees	January 21, 2014	0.016	130,000	–	–	–	–	130,000	exercisable at any time[2]
	June 16, 2016	0.049	7,550,000	–	(900,000)	–	–	6,650,000	exercisable at any time[2]
	September 14, 2017	0.057	13,584,000	–	(3,234,000)	–	–	10,350,000	exercisable at any time[2]
	February 28, 2019	0.200	60,199,000	–	(9,668,500)	(262,500)	–	50,268,000	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$4.61.

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 RMB1.2 million for the six months ended June 30, 2021 (six months ended June 30, 2020: RMB3.1 million) in relation to share options granted under the Frontage Labs Schemes.

SHARE INCENTIVE SCHEMES (Continued)

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

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 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 is 200,764,091, being 9.80% of the shares of Frontage in issue as at the date of this report. No awards have been granted under the 2018 Share Incentive Plan as at June 30, 2021.

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, 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, 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 (voting by way of a poll). The remaining life of the 2018 Share Incentive Plan is approximately 7.5 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 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 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, but may not be less than the highest of (i) the Stock Exchange closing price of the Frontage's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Frontage's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share of the Frontage.

SHARE INCENTIVE SCHEMES (Continued)

2021 Frontage Share Award Scheme

On January 22, 2021 (the "**Adoption Date**"), the board of directors of Frontage, a non wholly-owned subsidiary of the Company, approved the adoption of the share award scheme ("**2021 Frontage Share Award Scheme**") to recognize 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. Under the 2021 Frontage Share Award Scheme, the directors of Frontage may grant up to 1% of the issued share capital of Frontage on the Adoption Date of the 2021 Frontage Share Award Scheme. Each award granted has a contractual terms of 10 years and vesting on the one calendar year after grant date. 2021 Frontage Share Award Scheme is not subject to the provisions of Chapter 17 of the Listing Rules.

On January 25, 2021, the board of directors of Frontage has resolved to grant a total of 22,950,500 awarded shares.

Each award share granted generally vested over a four-year period with an agreed award vesting on the anniversary one year after grant date.

Set out below are details of the movements of the outstanding awarded shares granted under the 2021 Frontage Share Award Scheme:

Category of participants	Date of grant	Outstanding as at January 1, 2021	Granted during the Reporting Period	Exercised during the Reporting Period	Forfeited during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at June 30, 2021	Vesting period
Other employees	January 25, 2021	–	22,950,500	–	–	–	22,950,500	January 24, 2022

The estimated fair value was approximately US$16.1 million (equivalent to RMB104.3 million) for the awarded shares. The fair value was calculated by reference to the closing share price of Frontage Holdings at the date of grant, which was HK$6.02 (equivalent to RMB5.02) per share.

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$3.1 million (equivalent to RMB20.1 million) for the six months ended June 30, 2021 in relation to share award granted under the 2021 Frontage Share Award Scheme.

2018 DreamCIS Scheme

DreamCIS, a subsidiary of the Company, adopted a share incentive plan in 2018 (the "**2018 DreamCIS Scheme**") for the primary purpose of attracting, retaining and motivating the directors and employees of DreamCIS. Under the 2018 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. 2018 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 2018 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 at January 1, 2021	Granted during the Reporting Period	Forfeited during the Reporting Period	Exercised during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at June 30, 2021	Vesting Period
Other employees	March 16, 2018	5,000	40,240	–	–	(38,640)	–	1,600	May 22, 2020
	May 20, 2019	10,680	102,820	–	(5,708)	(54,544)	–	42,568	May 19, 2021
	March 26, 2021	16,300	–	223,122	(18,001)	–	–	205,121	March 25, 2023

Notes:

(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 before the dates on which the option were exercised in 2021 was KRW17,750.

The exercise price of options outstanding ranges from KRW5,000 to KRW16,300 (equivalent to RMB30.5 to RMB93.2).

The Group recognised total expense of approximately RMB0.9 million for the six months ended June 30, 2021 (six months ended June 30, 2020: RMB0.3 million) in relation to share options granted under the 2018 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 interim 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.

No grant has been made since the adoption of the 2021 DreamCIS Scheme and up to June 30, 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.

Set out below are details of the movements of the outstanding restricted shares granted under the Fantastic Bioimaging Scheme during the Reporting Period:

SHARE INCENTIVE SCHEMES (Continued)

Fantastic Bioimaging Scheme (Continued)

Category of participants	Date of grant	Exercise price per restricted share (RMB)	Outstanding as at January 1, 2021	Granted during the Reporting Period	Exercised during the Reporting Period	Forfeited during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at June 30, 2021	Vesting period
Employees	September 1, 2019	1.5	466,667	–	–	–	–	466,667	September 1, 2022

The Group recognised total expense of approximately RMB1.6 million for the six months ended June 30, 2021 (six months ended June 30, 2020: RMB1.6 million) in relation to restricted shares granted under the Fantastic Bioimaging Scheme.

USE OF NET PROCEEDS FROM OUR HONG KONG INITIAL PUBLIC OFFERING

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 of the Company. For the unutilised net proceeds of approximately HK$8,104.8 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 unutilised 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 unutilised as at the end of the Reporting Period HK$ in million	Expected timeframe for utilising the remaining unutilised 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	148.6	1,624.0	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	24 to 36 months from the Listing

USE OF NET PROCEEDS FROM OUR HONG KONG INITIAL PUBLIC OFFERING (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 unutilised as at the end of the Reporting Period HK$ in million	Expected timeframe for utilising the remaining unutilised net proceeds
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	1,464.0	899.5	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	–	–
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	287.7	303.2	12 to 36 months from the Listing
approximately 10% to working capital and general corporate purposes	1,181.7	630.6	551.1	–
Total	**11,817.4**	**3,712.6**	**8,104.8**	

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 Corresponding Period, 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).

INTERIM DIVIDEND

The Board does not recommend the distribution of any interim dividend during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

(1) Repurchase and Cancellation of Certain Restricted A-Shares (the "2019 Restricted Shares")

1) 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, respectively, to approve the "Repurchase and Cancellation of Certain 2019 Restricted Shares", 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 restricted shares were repurchased off market and repurchase price for the reserved portion was RMB31.46 per Share and the repurchase price for the first grant portion was RMB26.55 per Share and the total consideration for the buyback amounted to RMB734,340.18. The aforesaid repurchase and cancellation matters were completed on January 28, 2021.

2) On March 29, 2021 and May 21, 2021, the Company convened the twelfth meeting of the fourth session of the Board, the eighth meeting of the fourth session of the Supervisory Committee, the annual general meeting of Shareholders in 2020, the first A shares class meeting in 2021 and the first H shares class meeting in 2021, respectively, to approve the "Repurchase and Cancellation of Certain 2019 Restricted Shares", pursuant to which, the Company was approved to repurchase and cancel a total of 16,554 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 restricted shares were repurchased off market and the repurchase price was RMB26.55 per Share and the total consideration for the buyback amounted to RMB439,508.70. The aforesaid repurchase and cancellation matters were completed on June 4, 2021.

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

1) Reference is made to the Company's announcement dated May 7, 2021 regarding the Completion of Registration of the Grant of the 1st Reserved Portion under the 2019 Restricted Shares Incentive Scheme. The Shenzhen Stock Exchange and Shenzhen Branch of China Securities Depository and Corporation Limited confirmed that the Company had completed granting registration for the 1st reserved portion under the 2019 restricted shares incentive scheme. The listing date of the granted shares was May 13, 2021. The reserved part containing 379,837 restricted shares was granted to 53 incentive participants.

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

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

2) Reference is made to the Company's announcement dated June 15, 2021 regarding the Completion of Registration of the Grant of the 2nd Reserved Portion under the 2019 Restricted Shares Incentive Scheme. The Shenzhen Stock Exchange and Shenzhen Branch of China Securities Depository and Clearing Corporation Limited confirmed that the Company had completed granting registration for the 2nd reserved portion under the 2019 restricted shares incentive scheme. The listing date of the granted shares was June 21, 2021. The reserved part containing 1,594,517 restricted shares was granted to 395 incentive participants.

(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 approve the "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 Authorise the Board to Handle Matters Regarding the 2020 A Share Employee Share Ownership Plan", and relevant proposals. The independent non-executive Directors issued independent opinions on these proposals, and the Supervisory Committee issued verification opinions on relevant matters of the employee stock ownership plan. Participants of this employee stock 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 stock ownership plan. The 2020 A Share Employee Share Ownership Plan was approved on January 8, 2021 at the 2021 first extraordinary general meeting of the Company.

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

CHANGE OF INFORMATION OF DIRECTORS AND SUPERVISORS

Since the publication of the 2020 annual report and up to the date of this report, there was no change to information which was required to be disclosed by Directors and Supervisors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

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 June 30, 2021, 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, 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)*	31.28%(L)*	26.87%(L)*
Ms. Cao Xiaochun[(1)]	Beneficial owner; Interest of person acting in concert	234,401,315 Shares A Shares(L)*	31.28%(L)*	26.87%(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 June 30, 2021.

*** 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: 872,466,954 Shares including 749,342,154 A Shares and 123,124,800 H Shares) as at June 30, 2021.

(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 31.28% of the total number of A Shares of our Company and 26.87% 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 June 30, 2021, 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 June 30, 2021, 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
2017 Eagle Holdings LLC[1]	Interest of controlled corporation	11,095,000 H Shares (L)	9.01%	1.27%
F-J Sands Family I, LLC[1]	Interest of controlled corporation	11,095,000 H Shares (L)	9.01%	1.27%
Sands Capital Management, LLC[1]	Beneficial owner	11,095,000 H Shares (L)	9.01%	1.27%
Sands Capital Management, LP[1]	Interest of controlled corporation	11,095,000 H Shares (L)	9.01%	1.27%
Sands Family Trust, LLC[1]	Interest of controlled corporation	11,095,000 H Shares (L)	9.01%	1.27%
Sands Frank Melville Jr.[1]	Interest of controlled corporation	11,095,000 H Shares (L)	9.01%	1.27%
BlackRock, Inc.	Interest of controlled corporation	10,314,269 H Shares (L)	8.38%	1.18%
		31,800 H Shares (S)	0.03%	0.00%
JPMorgan Chase & Co.	Investment manager	8,991,488 H Shares (L)	7.30%	1.03%
		229,328 H Shares (S)	0.19%	0.03%
		1,930,136 H Shares (P)	1.57%	0.22%
UBS Group AG	Interest of controlled corporation	6,266,473 H Shares (L)	5.09%	0.72%
Brown Brothers Harriman & Co.	Agent	6,177,030 H Shares (L)	5.02%	0.71%
		6,177,030 H Shares (P)	5.02%	0.71%

Notes:

* (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 11,095,000 H Shares. Sands Frank Melville Sr. was passed on March 18, 2021 and Sands Frank Melville Jr. was become the executor of the estate of Sands Frank Melville Sr.

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 June 30, 2021, 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 TO PURCHASE SHARES OR DEBENTURES

Other than the 2019 Share Purchase Scheme and the 2020 A Share Employee Share Ownership Plan, at no time during the Reporting Period was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debt securities including debentures of, the Company or any other body corporate.

COMPLIANCE WITH THE CG CODE

During the Reporting Period, the Company has adopted the principles and code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules and has complied with the code provisions in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

During the Reporting Period, the Company has adopted the 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**"). 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 would review the relevant rules under the Model Code again and 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 a 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.

MODEL CODE FOR 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. The Company will also emphasise 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 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 by the Directors during the Reporting Period.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to June 30, 2021, the following significant events took place:

1. On July 12, 2021, HZ Tiger (a wholly-owned subsidiary of the Company), HZ Tailong (a subsidiary of the Company), HZ Industry Investment and HZ Hi-Tech Investment entered into a partnership agreement in relation to the formation of the Hangzhou Tiger Biopharmaceutical Industry Fund Partnership (Limited Partnership)* (杭州泰格生物醫藥產業基金合夥企業(有限合夥)) (the "**Fund**"). The registered capital of the Fund shall be RMB20 billion, of which RMB200 million shall be subscribed by HZ Tailong as the general partner, RMB9.8 billion will be subscribed by the HZ Tiger as a limited partner, RMB5 billion will be subscribed by HZ Industry Investment as a limited partner and RMB5 billion will be subscribed by HZ Hi-Tech Investment as a limited partner. The Fund shall focus on the investment in enterprises involved in hi-tech medical equipment, biopharmaceutical, medicare services, medicare informatization, digital therapeutics, intelligent manufacturing and nutrition and health industries. Please refer to the announcements of the Company dated July 12, 2021 and August 23, 2021 and the circular of the Company dated July 23, 2021 for details.

   The partnership agreement regarding the formation of the Fund and the transactions contemplated thereunder were approved by the Shareholders on August 9, 2021 at the third extraordinary general meeting of the Company.

2. On July 12, 2021 and July 21, 2021, the Company convened the fifteenth and sixteenth meetings of the fourth session of the Board to approve the proposed amendments to the articles of association of the Company to cope with the need of the Company's business development. Please refer to the announcements of the Company dated July 12, 2021 and July 21, 2021 and the circular of the Company dated July 23, 2021 for details.

3. On July 21, 2021, Ms. Kwan Sau In, the joint company secretary and the process agent in Hong Kong for accepting service of process in Hong Kong under Part 16 of the Companies Ordinance, (Chapter 622 of the Laws of Hong Kong) and for accepting services of process and notices on the Company's behalf in Hong Kong under Rule 19A.13 of the Listing Rules, resigned due to other professional endeavors, and Ms. Jeanie Lau was appointed as joint company secretary and the process agent of the Company.

EVENTS AFTER THE REPORTING PERIOD (Continued)

4. On August 10, 2021, the Company convened the seventeenth meeting of the fourth session of the Board to consider and approve "Resolution in Relation to Appointment of the Co-President", pursuant to which Mr. Wu Hao was appointed as the co-president of the Company for a term from August 10, 2021 until the expiry of the term of the fourth session of the Board.

5. On August 25, 2021, the Company convened the eighteenth meeting of the fourth session of the Board and the tenth meeting of the fourth session of the Supervisory Committee to approve the "Resolution on the Partial Repurchase and Cancellation of the 2019 Restricted Shares", pursuant to which, the Company will repurchase the restricted Shares granted to four of the resigned incentive participants who are the objects in the first grant of the 2019 Restricted Share Incentive Scheme (as defined in the Prospectus) but not yet unlocked at the repurchase price of RMB26.55 per Share as adjusted after the completion of the 2018 equity distribution plan, while the Company shall repurchase the restricted Shares granted to one of the resigned incentive participant who is the object of reserved portion under the 2019 Restricted Share Incentive Scheme but not yet unlocked at the reserved portion grant price of the 2019 Restricted Share Incentive Scheme of RMB31.46 per Share.

   The resolution on the aforesaid partial repurchase and cancellation of the restricted Shares is subject to the consideration and approval by special resolution by Shareholders at the 2021 fourth extraordinary general meeting of the Company ("**EGM**"), the A Share class meeting of the Company and the H Share class meeting of the Company. Please refer to the announcement of the Company dated August 25, 2021 and the circular of the Company dated September 9, 2021 for details.

6. On August 25, 2021, the Company convened the eighteenth meeting of the fourth session of the Board to approve the proposed change of registered capital of the Company (the "**Proposed Change**") as a result of the repurchase and cancellation of the Company's restricted Shares as detailed in paragraph 5 above.

   The resolution on the Proposed Change is subject to approval of the special resolution by the Shareholders at the EGM, A Share class meeting of the Company and H Share class meeting of the Company. Please refer to the announcement of the Company dated August 25, 2021 and the circular of the Company dated September 9, 2021 for details.

7. On August 25, 2021, the Company convened the eighteenth meeting of the fourth session of the Board to approve the proposed amendments to the articles of association of the Company (the "**Proposed Amendments**") as a result of the repurchase and cancellation of the Company's restricted Shares as detailed in paragraph 5 above.

   The resolution on the Proposed Amendments is subject to approval of the special resolution by the Shareholders at the EGM. Please refer to the announcement of the Company dated August 25, 2021 and the circular of the Company dated September 9, 2021 for details.

8. On August 25, 2021, the Company convened the eighteenth meeting of the fourth session of the Board and the twelfth meeting of the fourth session of the Supervisory Committee, to approve Resolution on Plan for the Repurchase of the Shares of the Company. Please refer to the announcement of the Company dated August 25, 2021 for details.

REVIEW OF INTERIM RESULTS AND INTERIM REPORT

The Audit Committee comprises three independent non-executive Directors, namely Mr. Liu Kai Yu Kenneth, Mr. Zheng Bijun and Dr. Yang Bo. The chairman of the Audit Committee is Mr. Liu Kai Yu Kenneth who holds the appropriate qualification as required under Rules 3.10(2) and 3.21 of the Listing Rules. The Audit Committee has reviewed the Group's 2021 interim results announcement, interim report and unaudited condensed consolidated financial information of the Group for the six months ended June 30, 2021 with the management and the auditor of the Company. The Audit Committee considered that the interim results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management of the Company.

The independent auditor of the Company, namely BDO Limited, have carried out a review of the interim financial information in accordance with the Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

By order of the Board
Hangzhou Tigermed Consulting Co., Ltd.
Ye Xiaoping
Chairman

Hong Kong, August 25, 2021

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2021

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements set out on page 57 to page 102 which comprise the condensed consolidated statement of financial position of Hangzhou Tigermed Consulting Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of June 30, 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes (the "condensed consolidated financial statements"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). The directors of the Company are responsible for the preparation and presentation of the condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on the condensed consolidated financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of 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.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("HKSRE 2410") issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

BDO Limited
Certified Public Accountants
Alfred Lee
Practising Certificate Number P04960

Hong Kong, August 25, 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2021

	Notes	Six months ended June 30, 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	5	**2,056,375**	1,451,994
Cost of services		**(1,089,456)**	(753,880)
Gross profit		**966,919**	698,114
Other income	7	**147,419**	31,878
Other gains and losses, net	8	**1,007,221**	752,247
Impairment losses under expected credit loss ("ECL") model, net of reversal		**(10,252)**	(5,811)
Selling and marketing expenses		**(66,656)**	(39,759)
Administrative expenses		**(246,682)**	(186,087)
Research and development expenses		**(93,034)**	(72,409)
Listing expenses		**–**	(590)
Share of profits/(losses) of associates		**723**	(4,269)
Finance costs	9	**(7,942)**	(33,916)
Profit before tax	10	**1,697,716**	1,139,398
Income tax expense	11	**(103,533)**	(90,400)
Profit for the period		**1,594,183**	1,048,998
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		**(44,027)**	26,235
Total comprehensive income for the period		**1,550,156**	1,075,233
Profit for the period attributable to:			
Owners of the Company		**1,259,914**	1,011,877
Non-controlling interests		**334,269**	37,121
		1,594,183	1,048,998
Total comprehensive income for the period attributable to:			
Owners of the Company		**1,225,793**	1,026,043
Non-controlling interests		**324,363**	49,190
		1,550,156	1,075,233
Earnings per share	12		
– Basic (RMB)		**1.45**	1.36
– Diluted (RMB)		**1.44**	1.35

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2021

	Notes	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	14	**531,976**	400,455
Intangible assets	15	**114,195**	124,782
Goodwill	16	**1,463,189**	1,444,519
Right-of-use assets	14	**382,906**	332,615
Interests in associates		**63,399**	60,270
Deferred tax assets		**142,777**	79,507
Financial assets at fair value through profit or loss ("FVTPL")	17	**6,980,996**	5,292,302
Financial assets at fair value through other comprehensive income ("FVOCI")	17	**14,445**	15,158
Restricted bank deposits		**1,938**	1,957
Other non-current assets		**68,106**	110,484
		9,763,927	7,862,049
CURRENT ASSETS			
Inventories		**5,525**	4,721
Trade, bills and other receivables and prepayments	18	**694,013**	638,680
Contract assets	19	**1,080,180**	824,714
Financial products	17	**91,000**	26,000
Note receivables		**681**	944
Prepaid income tax		**28,558**	27,017
Restricted bank deposits		**1,052**	52
Time deposit with original maturity over three months		**154,305**	161,919
Cash and cash equivalents		**9,401,666**	9,959,963
		11,456,980	11,644,010
CURRENT LIABILITIES			
Trade and other payables	20	**670,379**	529,546
Contract liabilities		**626,930**	484,643
Income tax payables		**92,307**	72,858
Lease liabilities		**61,106**	52,290
		1,450,722	1,139,337
NET CURRENT ASSETS		**10,006,258**	10,504,673
TOTAL ASSETS LESS CURRENT LIABILITIES		**19,770,185**	18,366,722

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2021

	Notes	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Lease liabilities		**323,885**	279,021
Other long-term liabilities	21	**41,572**	97,494
Deferred tax liabilities		**157,763**	131,730
		523,220	508,245
NET ASSETS		**19,246,965**	17,858,477
CAPITAL AND RESERVES			
Share capital	22	**872,467**	872,484
Treasury shares	23	**(80,220)**	(157,912)
Reserves		**16,287,723**	15,439,252
Equity attributable to owners of the Company		**17,079,970**	16,153,824
Non-controlling interests		**2,166,995**	1,704,653
TOTAL EQUITY		**19,246,965**	17,858,477

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2021

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Employee Share-based compensation reserve RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Fair value through other comprehensive income reserve RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at January 1, 2021	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
Profit for the period	–	–	–	–	–	–	–	1,259,914	1,259,914	334,269	1,594,183
Exchange differences arising from translation of foreign operations	–	–	–	–	–	(34,121)	–	–	(34,121)	(9,906)	(44,027)
Total comprehensive income for the period	–	–	–	–	–	(34,121)	–	1,259,914	1,225,793	324,363	1,550,156
Recognition of share-based payments (Note 26)	–	–	–	44,798	–	–	–	–	44,798	–	44,798
Recognition of deferred tax assets related to share-based payment	–	–	–	43,230	–	–	–	–	43,230	–	43,230
Exercise of share options	–	2,327	64,527	(18,487)	–	–	–	8,010	56,377	16,836	73,213
Share transferred under 2021 Share Purchase Scheme (as defined in Note 26(c)(iii))	–	–	12,672	–	–	–	–	–	12,672	–	12,672
Cancellation of shares (Note 22)	(17)	(476)	493	–	–	–	–	–	–	–	–
Contribution from non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	34,271	34,271
Change in equity interests in subsidiaries without change of control (Note)	–	–	–	–	–	–	–	(194,989)	(194,989)	103,552	(91,437)
Dividend declared (Note 13)	–	–	–	–	–	–	–	(261,735)	(261,735)	–	(261,735)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(16,680)	(16,680)
Balance at June 30, 2021 (unaudited)	872,467	11,490,687	(80,220)	196,451	281,063	(126,299)	174	4,445,647	17,079,970	2,166,995	19,246,965

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2021

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Employee Share-based compensation reserve RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	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 period	–	–	–	–	–	–	1,011,877	1,011,877	37,121	1,048,998
Exchange differences arising from translation of foreign operations	–	–	–	–	–	14,166	–	14,166	12,069	26,235
Total comprehensive income for the period	–	–	–	–	–	14,166	1,011,877	1,026,043	49,190	1,075,233
Transferred to statutory reserve	–	–	–	–	31,518	–	(31,518)	–	–	–
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	12,152	12,152
Recognition of share-based payments (Note 26)	–	–	–	23,076	–	–	–	23,076	–	23,076
Recognition of deferred tax assets related to share-based payment	–	–	–	7,119	–	–	–	7,119	–	7,119
Exercise of share options granted by a subsidiary	–	–	–	(6,823)	–	–	11,008	4,185	12,454	16,639
Exercise of share options	–	7,492	48,870	(12,866)	–	–	–	43,496	–	43,496
Cancellation of shares (Note 22)	(52)	(1,501)	1,553	–	–	–	–	–	–	–
Contribution from non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	34,095	34,095
Change in equity interests in subsidiaries without change of control (Note)	–	–	–	–	–	–	66,859	66,859	73,927	140,786
Dividend declared (Note 13)	–	–	–	–	–	–	(208,257)	(208,257)	–	(208,257)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	(22,575)	(22,575)
Balance at June 30, 2020 (unaudited)	749,456	1,050,575	(160,801)	106,884	220,204	40,476	3,202,569	5,209,363	1,433,679	6,643,042

Note:

During the six months ended June 30, 2021, the Group acquired additional 40% of the equity interests in Mosim Medical Technology Co., Ltd. ("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 transaction is estimated to be RMB198,000,000. The difference between consideration expected to be paid and the amount of adjustments to the non-controlling interests of RMB187,412,000 was debited to retained earnings.

During the six months ended June 30, 2020, shareholding percentage of DreamCIS Inc. ("DreamCIS"), a subsidiary of the Company (as defined in Note 1), 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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2021

	Six months ended June 30, 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**368,325**	248,070
INVESTING ACTIVITIES		
Cash inflow from disposal of subsidiaries	–	4,843
Acquisition of subsidiaries, net of cash acquired	**(6,461)**	(83,288)
Acquisition of subsidiaries in prior year	**(23,821)**	–
Proceeds from disposal of an associate	**60,783**	–
Acquisition of associates	**(555)**	(4,454)
Proceeds from disposal of property, plant and equipment	**184**	81
Purchase of property, plant and equipment	**(157,794)**	(49,417)
Purchase of intangible assets	**(2,298)**	(1,019)
Proceeds from disposal of financial assets at FVTPL	**802,125**	157,825
Purchase of financial assets at FVTPL	**(1,502,365)**	(453,412)
Increase in prepayment for acquisition of property, plant and equipment	**(22,110)**	(3,934)
Increase in prepayment for acquisition of addition interest in a subsidiary	**(15,700)**	–
Proceeds from note receivables	–	616
Dividend income from financial assets at FVTPL	**5,254**	–
(Placement)/withdrawal of restricted bank deposits, net	**(1,000)**	3,071
Placement of time deposit over three months	–	(129,302)
Interest received	**116,821**	4,313
NET CASH USED IN INVESTING ACTIVITIES	**(746,937)**	(554,077)
FINANCING ACTIVITIES		
Proceeds from bank borrowings	–	1,183,659
Repayment of bank borrowings	–	(703,980)
Interest paid on borrowings	–	(25,571)
Repayment of principal portion of the lease liabilities	**(38,888)**	(31,813)
Interest paid on lease liabilities	**(7,942)**	(8,345)
(Payment for)/proceeds from grant of restricted share under Restricted Share Scheme (as defined in Note 26(c)(i)), net	**(440)**	22,870
Proceeds from transfer of shares under 2021 Share Purchase Scheme (as defined in Note 26(c)(ii))	**12,672**	–
Capital injection from non-controlling interests	**34,271**	34,095
Change in equity interest in subsidiaries without change of control	**106,060**	140,786
Proceeds from exercise of share options granted by a subsidiary	**19,883**	16,639
Dividends paid to non-controlling interests	**(17,166)**	(22,575)
Dividends paid to owners of the Company	**(262,174)**	(207,811)
Issue costs paid	–	(25,679)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	**(153,724)**	372,275

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2021

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(532,336)**	66,268
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**9,959,963**	2,006,926
Effects of exchange rate changes	**(25,961)**	18,259
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY BANK BALANCES AND CASH	**9,401,666**	2,091,453

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021

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 of Hong Kong Limited (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 (the "Group") is principally engaged in 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 condensed consolidated financial statements.

2. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"), issued by the International Accounting Standards Board (the "IASB"). In addition, the condensed consolidated financial statements include the applicable disclosures requirements of the Rules Governing the Listing of Securities on the Stock Exchange.

These condensed consolidated financial statements are unaudited, but have been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

These condensed consolidated financial statements should be read in conjunction with the annual financial statements of the Group for the year ended December 31, 2020.

3. APPLICATION OF NEW AND REVISED IFRSs

(a) Application of amendments of IFRSs – effective for annual period beginning on or after January 1, 2021

The condensed 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.

Other than changes in accounting policies resulting from application of new and amendments to IFRSs effective for the first time for annual periods beginning on January 1, 2021, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2021 are the same as those followed in the preparation of the annual financial statements of the Group for the year ended December 31, 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 IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions*

The application of the amendments to IFRS in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed 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.

3. APPLICATION OF NEW AND REVISED IFRSs (Continued)

(a) Application of amendments of IFRSs – effective for annual period beginning on or after January 1, 2021 (Continued)

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 June 30, 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.

(b) Application of amendments to IFRSs have been issued but are not yet effective

The following new or amended IFRSs, potentially relevant to the Group's condensed consolidated 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 in the date they become effective:

Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond June 30, 2021*[1]

[1] Effective for annual periods beginning on or after April 1, 2021.

In March 2021, the IASB amended IFRS 16 Leases, extending the practical expedient in order to permit lessees to apply it to rent concessions for which reductions in lease payments affect payments originally due on or before June 30, 2022. This amendment is applicable for annual reporting periods beginning on or after April 1, 2021, with early application permitted, including in financial statements not authorised for issue at April 9, 2021.

The Group has not early adopted this amendment for its annual reporting period beginning on January 1, 2021.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing these condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2020.

5. 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), as well as 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:

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Clinical trial solutions	**1,033,554**	711,035
Clinical-related and laboratory services	**1,022,821**	740,959
	2,056,375	1,451,994
Overtime		
Clinical trial solutions	**1,033,554**	711,035
Clinical-related and laboratory services	**1,022,821**	740,959
	2,056,375	1,451,994

6. SEGMENT INFORMATION

Operating segments are determined based on the Group's internal reports which are submitted to chief executives 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

Segment Revenues and Results

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

For the six months ended June 30, 2021

	Clinical trial solutions RMB'000 (Unaudited)	Clinical-related and laboratory services RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue	1,033,554	1,022,821	2,056,375
Gross profit	523,488	443,431	966,919
Unallocated amounts:			
Other income			147,419
Other gains and losses, net			1,007,221
Impairment losses under ECL model, net of reversal			(10,252)
Selling and marketing expenses			(66,656)
Administrative expenses			(246,682)
Research and development expenses			(93,034)
Share of profits of associates			723
Finance costs			(7,942)
Profit before tax			1,697,716

6. SEGMENT INFORMATION (Continued)

Segment Revenues and Results (Continued)

For the six months ended June 30, 2020

	Clinical trial solutions RMB'000 (Unaudited)	Clinical-related and laboratory services RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue	711,035	740,959	1,451,994
Gross profit	360,722	337,392	698,114
Unallocated amounts:			
Other income			31,878
Other gains and losses, net			752,247
Impairment losses under ECL model, net of reversal			(5,811)
Selling and marketing expenses			(39,759)
Administrative expenses			(186,087)
Research and development expenses			(72,409)
Listing expenses			(590)
Share of losses of associates			(4,269)
Finance costs			(33,916)
Profit before tax			1,139,398

Geographical Information

An analysis of the Group's revenue from external customers, analysed by region, is presented below:

	Six months ended June 30, 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue from external customers		
– PRC	**1,110,817**	845,823
– Other overseas countries and regions	**945,558**	606,171
	2,056,375	1,451,994

6. SEGMENT INFORMATION (Continued)

Geographical Information (Continued)

Information about the Group's non-current assets by geographical location of the assets are presented below:

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Non-current assets excluding financial assets and deferred tax assets		
– PRC	**1,510,999**	1,445,742
– Other overseas countries and regions	**1,112,772**	1,027,383
	2,623,771	2,473,125

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 period, no major customer information is presented in accordance with IFRS 8 "Operating Segments".

7. OTHER INCOME

	Six months ended June 30, 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Interest income from bank deposits	**132,742**	21,320
Interest income from financial products	**1,619**	1,221
Government grants	**7,637**	9,045
Dividend income from financial assets at FVTPL	**5,254**	–
Others	**167**	292
	147,419	31,878

8. OTHER GAINS AND LOSSES, NET

	Six months ended June 30, 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Net foreign exchange (loss)/gain	**(3,519)**	3,277
Gain/(loss) on disposal of property, plant and equipment	**212**	(17)
Change in fair value of financial assets at FVTPL	**906,083**	632,681
Fair value change of contingent consideration payables	**(5,457)**	1,025
Gain on disposal of subsidiaries	**–**	6,743
Gain on disposal of associates	**4,937**	79,960
Gain on disposal of financial assets at FVTPL	**104,965**	28,578
	1,007,221	752,247

9. FINANCE COSTS

	Six months ended June 30, 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Interest expense on bank borrowings	**–**	25,571
Interest on lease liabilities	**7,942**	8,345
	7,942	33,916

10. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Six months ended June 30, 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Depreciation of property, plant and equipment	**39,096**	28,748
Amortisation of intangible assets	**14,936**	11,965
Depreciation of right-of-use assets	**34,577**	30,119
Staff costs (including directors' emoluments):		
– Salaries and other benefits	**724,190**	531,197
– Retirement benefits scheme contributions	**85,414**	52,329
– Share-based payment expenses	**44,798**	23,076
	854,402	606,602

11. INCOME TAX EXPENSE

	Six months ended June 30, 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Current tax:		
– Current period	**95,877**	52,848
– (Over)/under provision of current tax in prior period	**(1,910)**	2,287
	93,967	55,135
Deferred tax:		
– Current period	**9,566**	35,265
Total income tax expense	**103,533**	90,400

12. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	Six months ended June 30, 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Profit for the period attributable to owners of the Company	**1,259,914**	1,011,877
Effect of cash dividend distributed to holders whose restricted shares are expected to be unlocked (note (i))	**(1,235)**	(1,277)
Earnings for the purpose of calculating basic earnings per share	**1,258,679**	1,010,600

Number of shares:

	Six months ended June 30, 2021 (Unaudited)	2020 (Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (note (iii))	**868,529,722**	744,662,346

12. EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share

The calculation of the diluted earnings per share attributable to owners of the Company is based on the following data:

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company	**1,259,914**	1,011,877
Effect of share options issued by subsidiaries (note (ii))	**(2,189)**	(1,700)
Earnings for the purpose of calculating diluted earnings per share	**1,257,725**	1,010,177

Number of shares:

	Six months ended June 30,	
	2021	2020
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (note (iii))	**868,529,722**	744,662,346
Effect of dilutive potential ordinary shares in respect of outstanding restricted share under Restricted Share Scheme (as defined in Note 26(c)(i)) (note (i))	**3,177,156**	3,380,143
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**871,706,878**	748,042,489

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 26(c)(i).

(ii) During the six months ended June 30, 2021, the effect of share options issued by subsidiaries is related to the share options issued by Frontage Holdings (as defined in Note 26(a)(i)), DreamCIS and Fantastic Bioimaging (as defined in Note 26(d)) that disclosed in Notes 26(a), 26(b) and 26(d), respectively.

During the six months ended June 30, 2020, for the share options that issued by DreamCIS that disclosed in Note 26(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 22 and the treasury shares as set out in Note 23.

13. DIVIDENDS

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Final dividend of RMB0.30 and RMB0.278 per ordinary share paid in respect of the years ended December 31, 2020 and 2019	**261,735**	208,257

The directors of the Company have determined that no dividend will be paid in respect of the interim period.

14. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the current interim period, the Group acquired property, plant and equipment of approximately RMB168,058,000 (six months ended June 30, 2020: RMB49,417,000) for the expansion of production facilities and research capacity.

During the current interim period, the Group entered into several new lease agreements for the use of buildings and machinery. On lease commencement, the Group recognised right-of-use assets amounted to RMB91,497,000 (six months ended June 30, 2020: RMB151,903,000).

15. MOVEMENT IN INTANGIBLE ASSETS

During the current interim period, the Group acquired intangible assets of approximately RMB2,298,000 (six months ended June 30, 2020: RMB1,019,000) for the expansion of production facilities and research capacity.

16. GOODWILL

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
COST		
At the beginning of period/year	**1,484,639**	1,197,951
Acquisition of subsidiaries (Note 25)	**1,557**	295,881
Other changes (Note 25)	**19,749**	–
Exchange realignment	**(2,636)**	(9,193)
At the end of the period/year	**1,503,309**	1,484,639
IMPAIRMENT		
At the beginning of period/year	**40,120**	40,120
At the end of the period/year	**40,120**	40,120
CARRYING VALUE		
At the end of the period/year	**1,463,189**	1,444,519

17. FINANCIAL ASSETS AT FAIR VALUE AND FINANCIAL PRODUCTS

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Financial assets		
Non-current assets		
Financial assets at FVTPL		
– Listed equity securities	**155,256**	482,002
– Unlisted equity investments	**3,200,137**	2,060,600
– Unlisted fund investments	**3,595,603**	2,749,700
– Unlisted debt instrument	**30,000**	–
	6,980,996	5,292,302
Financial assets at FVOCI		
– Unlisted equity investments	**14,445**	15,158
Current assets		
Financial products	**91,000**	26,000

18. TRADE, BILLS AND OTHER RECEIVABLES AND PREPAYMENTS

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Trade receivables		
– Third parties	**607,723**	531,814
Less: loss allowance for trade receivables	**(44,340)**	(40,890)
	563,383	490,924
Bills receivable		
– Third parties	**2,537**	3,807
Other receivables		
– Third parties	**93,010**	54,029
– Related parties (note (a))	**133**	31
Less: loss allowance for other receivables	**(5,042)**	(7,846)
	88,101	46,214
Consideration receivables (note (b), (c))	**–**	69,565
Prepayments		
– Third parties	**39,992**	28,170
	694,013	638,680

Notes:

(a) Details of the trade, bills and other receivables and prepayments due from related parties are set out in Note 29.

(b) Consideration receivable for disposal of Hangzhou Yibai Health Management Co., Ltd. ("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. The amount was settled during the six months ended June 30, 2021.

(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. The amount was settled during the six months ended June 30, 2021.

18. 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:

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Within 90 days	**518,409**	458,158
91 to 180 days	**28,063**	20,465
181 days to 1 year	**12,857**	6,807
Over 1 year	**4,054**	5,494
	563,383	490,924

19. CONTRACT ASSETS

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Contract assets		
– Third parties	**1,121,090**	857,106
– Related parties	**–**	54
Less: loss allowance for contract assets	**(40,910)**	(32,446)
	1,080,180	824,714

The contract assets primarily relate to the Group's right to the consideration for work completed but not billed. The contract assets are transferred to trade receivables when the rights become unconditional.

Details of the contract assets due from related parties are set out in Note 29.

20. TRADE AND OTHER PAYABLES

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Trade payables		
– Third parties	122,195	100,829
– Related parties (note (a))	466	466
	122,661	101,295
Other payables		
– Third parties	30,461	56,460
– Consideration payables (note (b), Note 21(b))	102,739	39,145
– Contingent consideration payables (note (c), Note 21)	172,030	14,486
– Restricted share repurchase payable (Note 26(c)(i))	68,410	123,138
– Dividend payables (Note 26(c)(i))	1,235	1,698
– Salary and bonus payables	103,578	140,396
– Other taxes payables	69,265	52,928
	547,718	428,251
	670,379	529,546

Notes:

(a) Details of the trade and other payables due to related parties are set out in Note 29(2).

(b) Included in consideration payables as at June 30, 2021 represents the consideration payable for the acquisition for investments at FVTPL amounting to RMB70,000,000.

Amounts also included the consideration payable for the acquisition of additional 30% equity interests in Beijing Yaxincheng Medical InfoTech, Co. Ltd. ("Beijing Yaxincheng"), a non-wholly owned subsidiary of the Company, amounting to RMB32,739,000. The Group has further acquired the remaining 15% equity interests in Beijing Yaxincheng. Please refer to Note 21 for details.

(c) Included in contingent consideration payables as at June 30, 2021 represents the contingent consideration for the acquisition of subsidiaries, including Mosim, Acme (as defined in Note 21), RMI (as defined in Note 21), Biotranex (as defined in Note 21) and BRI (as defined in Note 21).

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 reporting period:

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Within 90 days	113,662	94,676
91 days to 1 year	6,481	4,487
Over 1 year	2,518	2,132
	122,661	101,295

21. OTHER LONG-TERM LIABILITIES

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Contingent consideration payables related to:		
– Acquisition of Beijing Yaxincheng (note (a))	–	49,613
– Acquisition of Acme Bioscience Inc. ("Acme") (note (b))	**34,392**	35,000
– Acquisition of RMI Laboratories, LLC. ("RMI") (note (c))	**4,069**	8,345
– Acquisition of Biotranex, LLC. ("Biotranex") (note (d))	**1,210**	2,336
– Acquisition of Biopharmaceutical Research Inc. ("BRI") (note (e))	**1,901**	2,200
	41,572	97,494

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 20(b). 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. As at June 30, 2021, the amount was recorded as short-term payable as this amount falls due within one year. 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 June 30, 2021, the amount represented contingent consideration payable arising from the acquisition of Acme in an amount of US$5,325,000 (equivalent to RMB34,392,000) (as at December 31, 2020: US$5,364,000 (equivalent to RMB35,000,000)). The contingent consideration payable was re-measured at fair value and a fair value loss of US$464,000 (equivalent to RMB3,010,000) was recorded (see Note 8). Further, an amount of US$2,892,000 (equivalent to RMB18,723,000) (as at December 31, 2020: 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 20).

(c) As at June 30, 2021, the amount represented contingent consideration payable arising from the acquisition of RMI in an amount of US$629,000 (equivalent to RMB4,069,000) (as at December 31, 2020: US$1,279,000 (equivalent to RMB8,345,000)). Further, an amount of US$650,000 (equivalent to RMB4,193,000) was reclassified as contingent consideration payable (as at December 31, 2020: US$982,000 (equivalent to RMB6,406,000) as consideration payable) under short-term payable as this amount falls due within one year (see Note 20). The directors considered that there was no material change in fair value of the contingent consideration payable as this was no significant change in RMI's operations and market environment since the acquisition.

(d) As at June 30, 2021, the amount represented contingent consideration payable arising from the acquisition of Biotranex in an amount of US$187,000 (equivalent to RMB1,210,000) (as at December 31, 2020: US$358,000 (equivalent to RMB2,336,000)). The contingent consideration payable was re-measured at fair value and a fair value loss of US$169,000 (equivalent to RMB1,093,000) was recorded (see Note 8). Further, an amount of US$200,000 (equivalent to RMB1,292,000) (as at December 31, 2020: US$60,000 (equivalent to RMB391,000)) was recorded as short-term payable as this amount falls due within one year (see Note 20).

(e) As at June 30, 2021, the amount represented contingent consideration payable arising from the acquisition of BRI in an amount of Canadian Dollar ("CAD") 365,000 (equivalent to RMB1,901,000) (as at December 31, 2020: CAD430,000 (equivalent to RMB2,200,000)). The contingent consideration payable was re-measured at fair value and a fair value loss of CAD261,000 (equivalent to RMB1,354,000) was recorded (see Note 8). Further, an amount of CAD228,000 (equivalent to RMB1,189,000) (as at December 31, 2020: CAD402,000 (equivalent to RMB2,057,000)) was recorded as contingent consideration payable under short-term payable as this amount falls due within one year (see Note 20).

22. SHARE CAPITAL

	As at June 30, 2021			As at December 31, 2020		
	Number of ordinary shares	Authorised shares RMB'000	Issued and paid shares RMB'000	Number of ordinary shares	Authorised shares RMB'000	Issued and paid shares RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Balance brought forward	**872,483,508**	**872,484**	**872,484**	749,507,599	749,508	749,508
Issue of new shares (note (a))	**–**	**–**	**–**	123,124,800	123,125	123,125
Cancellation of shares (note (b))	**(16,554)**	**(17)**	**(17)**	(148,891)	(149)	(149)
Balance carried forward	**872,466,954**	**872,467**	**872,467**	872,483,508	872,484	872,484

Notes:

(a) 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 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.

(b) During the six months ended June 30, 2021, some of the Company's original incentive recipients under Restricted Share Scheme (as defined in Note 26(c)(i)) resigned and lost their right to receive incentive. Therefore, the Company repurchased and cancelled 16,554 restricted shares (as at December 31, 2020: 148,891 restricted shares) previously held by the incentive recipients with a deduction from the treasury shares of RMB493,000 (as at December 31, 2020: RMB4,442,000), including a reduction of RMB17,000 (as at December 31, 2020: RMB149,000) in share capital, and RMB476,000 (as at December 31, 2020: RMB4,293,000) in share premium.

23. TREASURY SHARES

	As at June 30, 2021		As at December 31, 2020	
	Number of shares	Cost of acquisition RMB'000	Number of shares	Cost of acquisition RMB'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Balance brought forward	**4,783,141**	**157,912**	6,570,338	211,224
Cancellation of shares (Note 22(b))	**(16,554)**	**(493)**	(148,891)	(4,442)
Share transferred under 2021 Share Transfer Scheme (as defined in Note 26(c)(iii))	**(286,372)**	**(12,672)**	–	–
Vesting of restricted shares under Restricted Share Scheme	**(1,974,354)**	**(64,527)**	(1,638,306)	(48,870)
Balance carried forward	**2,505,861**	**80,220**	4,783,141	157,912

24. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

This note provides information about how the Group determines fair value of the following financial assets and liabilities that are measured at fair value on a recurring basis.

(a) 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 June 30, 2021 RMB'000 (Unaudited)	Fair value at December 31, 2020 RMB'000 (Audited)	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	**118,893**	293,086	Level 1	Quoted market transaction prices	N/A	N/A
Listed equity securities at fair value	**36,363**	188,916	Level 2	Quoted market transaction prices, with an adjustment of discount for lack of marketability	N/A	N/A
Unlisted equity investment at fair value	**3,214,582**	2,075,758	Level 3	Market multiples with an adjustment of discount 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
				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

24. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(a) 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 June 30, 2021 RMB'000 (Unaudited)	Fair value at December 31, 2020 RMB'000 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Unlisted debt instruments at fair value	**30,000**	–	Level 3	Binomial model	Discount rate	The higher the discount rate, the lower the valuation
Unlisted fund investments at fair value	**3,595,603**	2,749,700	Level 3	Net asset value of underlying investments	Net assets	The higher the net asset value, the higher the valuation
Financial products	**91,000**	26,000	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	**(213,602)**	(111,980)	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 Discount rate	The higher the expected growth rate, the higher the valuation The higher the discount rate, the lower the valuation

Notes:

(i) 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 RMB17,563,000 as at June 30, 2021 (as at December 31, 2020: RMB45,630,000) in the Group.

(ii) 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 RMB16,726,000 as at June 30, 2021 (as at December 31, 2020: RMB32,600,000) in the Group.

(iii) 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 RMB179,780,000 as at June 30, 2021 (as at December 31, 2020: RMB137,485,000) in the Group.

24. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(b) 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 RMB'000	Unlisted equity investments at FVTPL RMB'000	Unlisted equity investments at FVOCI RMB'000	Unlisted fund investments at FVTPL RMB'000	Unlisted debt instrument at FVTPL RMB'000
As at 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 combinations	(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 (audited) and January 1, 2021	**(111,980)**	**2,060,600**	**15,158**	**2,749,700**	**–**
Acquisitions	**(97,020)**	**781,217**	**–**	**385,748**	**30,000**
Disposals	**–**	**(14,440)**	**–**	**(72,281)**	**–**
Payments	**17,484**	**–**	**–**	**–**	**–**
Changes in fair value	**(5,457)**	**375,443**	**–**	**536,682**	**–**
Other changes (Note 25)	**(18,659)**	**–**	**–**	**–**	**–**
Exchange realignment	**2,030**	**(2,683)**	**(713)**	**(4,246)**	**–**
As at June 30, 2021 (Unaudited)	**(213,602)**	**3,200,137**	**14,445**	**3,595,603**	**30,000**

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 ended December 31, 2020.

(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 ended December 31, 2020, 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 six months ended June 30, 2021, included in profit or loss, RMB906,668,000 (for the year ended December 31, 2020: RMB1,009,718,000) were unrealised fair value gains related to financial instruments at FVTPL on Level 3 fair value measurement held as at June 30, 2021. Fair value gains or losses on contingent consideration payables and on financial assets at FVTPL are presented in Note 8.

24. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(c) 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 condensed 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.

25. ACQUISITION OF BUSINESSES

For the six months ended June 30, 2021

Name of business acquired	Vendor	Percentage of equity interests acquired	Principal activity	Date of completion
Ocean Ridge Biosciences, Inc.	An independent third party	100%	Development of novel therapeutics	April 13, 2021

On April 13, 2021, the Group entered into an agreement with Ocean Ridge Biosciences, Inc. to acquire the business relating to development of novel therapeutics, including services related to biofluid profiling, RNA sequencing, bioinformatics, exosomes, microbiomics, oncopanels, cell-free DNA bisulfite sequencing, gene expression microarray, multiplex protein profiling and formalin-fixed, paraffin-embedded tissues (the "Ocean Ridge Business"), for a consideration of US$1,000,000 (equivalent to RMB6,461,000) (the "Ocean Ridge Acquisition"). In completing the Ocean Ridge Acquisition, the Group will expand the Group's capabilities to provide genomic services to the health care and life science industries and academic institutions.

This acquisition has been accounted for using the acquisition method. During the six months ended June 30, 2021, all of the conditions precedent under the sales and purchase agreement were fulfilled.

Acquisition-related costs 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 second quarter of 2022.

25. ACQUISITION OF BUSINESSES (Continued)

Details of the preliminary fair value of identifiable assets and liabilities are as follows:

	Fair value RMB'000
Property, plant and equipment	691
Intangible assets	4,124
Other non-current assets	89
Net assets acquired	4,904

	RMB'000
Cash consideration paid	6,461
Less: Fair value of net assets acquired	(4,904)
Goodwill	1,557
Net cash inflow arising on acquisition of a subsidiary:	
Cash consideration paid	6,461

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.

25. ACQUISITION OF BUSINESSES (Continued)

For the year ended December 31, 2020

Name of subsidiary acquired	Vendor	Percentage of equity interests acquired	Principal activity	Date of completion
Acme	Independent third parties	100%	Contract research and custom synthesis services for biopharmaceutical companies	July 2, 2020

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.

25. ACQUISITION OF BUSINESSES (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	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

During the year ended December 31, 2020, the Group acquired entire equity interests of Acme of which the valuations have not been completed and the respective fair values of the identifiable net assets and goodwill were determined provisionally. During the six months ended June 30, 2021 (within measurement period), the Group made certain fair value adjustments, with reference to the finalised independent valuation issued in May 2021, to the carrying amounts of intangible assets and deferred taxation of Acme, as well as contingent liabilities and goodwill arising from the transaction as a result of completing the initial accounting. Given the amount of the adjustments is not material to the Group, the consolidated financial position as at January 1, 2021 was not adjusted. Accordingly, no restated consolidated statement of financial position as at January 1, 2021 is presented.

25. ACQUISITION OF BUSINESSES (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.

26. SHARE-BASED PAYMENT

During the six months ended June 30, 2021, the Company and its subsidiaries adopted certain share option schemes to its employees. Details of the schemes are as follow:

(a) Frontage Holdings:

(i) 2021 share awards scheme

On January 22, 2021 (the "Adoption Date"), the board of directors of Frontage Holdings Corporation ("Frontage Holdings"), a non wholly-owned subsidiary of the Company, approved the adoption of the share award scheme ("2021 Frontage Share Award Scheme") to recognise the contributions by certain employees of the Frontage Holdings and its subsidiaries (the "Frontage Group"), to give incentives thereto in order to retain them for the continual operation and development of the Frontage Group and to attract suitable personnel for further development of the Frontage Group. Under the 2021 Frontage Share Award Scheme, the directors of Frontage Holdings may grant up to 1% of the issued share capital of Frontage Holdings on the Adoption Date of the 2021 Frontage Share Award Scheme. Each award granted has a contractual terms of 10 years and vesting on the one calendar year after grant date.

On January 25, 2021, the board of directors of Frontage Holdings has resolved to grant a total of 22,950,500 awarded shares.

26. SHARE-BASED PAYMENT (Continued)

(a) Frontage Holdings: (Continued)

(i) 2021 share awards scheme (Continued)

Set out below are details of the movements of the outstanding awarded shares granted under the 2021 Frontage Share Scheme during the current period:

	Six months ended June 30, 2021 Number (Unaudited)
Outstanding at beginning of period	–
Granted during the period	22,950,500
Outstanding at end of period	22,950,500

Each award share granted generally vested over a four-year period with an agreed award vesting on the anniversary one year after grant date.

The estimated fair value was approximately US$16,120,000 (equivalent to RMB104,311,000) for the awarded shares. The fair value was calculated by reference to the closing share price of Frontage Holdings at the date of grant, which was HK$6.02 (equivalent to RMB5.02) per share.

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$3,100,000 (equivalent to RMB20,053,000) for the six months ended June 30, 2021 in relation to share award granted under the 2021 Frontage Share Award Scheme.

(ii) 2008 and 2015 share incentive plans

Frontage Laboratories, Inc. ("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 one year after grant date.

On April 17, 2018, Frontage Holdings Corporation ("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.

26. SHARE-BASED PAYMENT (Continued)

(a) Frontage Holdings: (Continued)

(ii) 2008 and 2015 share incentive plans (Continued)

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.

Set out below are details of the movements of the outstanding options granted under the Frontage Labs Schemes during the current and prior period, retroactively reflecting the Frontage Capitalisation Issue:

	Six months ended June 30,			
	2021		2020	
	Weighted average exercise price (RMB) (Unaudited)	Number (Unaudited)	Weighted average exercise price (RMB) (Unaudited)	Number (Unaudited)
Outstanding at beginning of period	1.03	81,463,000	1.05	115,650,000
Forfeited during the period	1.29	(262,500)	1.41	(3,350,000)
Exercised during the period	1.05	(13,802,500)	0.84	(20,010,000)
Lapsed during the period	–	–	1.41	(75,000)
Outstanding at end of period	1.04	67,398,000	1.13	92,215,000
Options exercisable		50,348,000		56,665,000
Weighted average contractual life (years)		3.45		4.56

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$4.61 (equivalent to RMB3.84) (six months ended June 30, 2020: HK$4.39 (equivalent to RMB4.01)).

The Group recognised total expense of approximately US$191,000 (equivalent to RMB1,235,000) for the six months ended June 30, 2021 (six months ended June 30, 2020: US$436,000 (equivalent to RMB3,070,000)) in relation to share options granted under the Frontage Labs Schemes.

26. SHARE-BASED PAYMENT (Continued)

(a) Frontage Holdings: (Continued)

(iii) 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 June 30, 2021.

(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.

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.

On March 26, 2021, the board of directors of DreamCIS approved the adoption of the share option scheme ("2021 DreamCIS 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. Under the 2021 DreamCIS Share Option Scheme, the directors of DreamCIS may grant up to 559,597 share options. Each award granted has a contractual terms of 10 years.

During the six months ended June 30, 2021, the board of directors of DreamCIS has resolved to grant a total of 223,122 share options.

The estimated fair value was approximately RMB5,811,000 for the share options granted in 2021. The fair value was calculated based on binomial model. The major inputs into the model are as follows:

Grant date	2021
Share price	KRW15,800 (equivalent to RMB90)
Expected volatility	47.75%
Expected life (years)	2.5
Risk-free rate	1.03%
Expected dividend yield	–

Share price is determined as the market price of DreamCIS as at grant date.

26. SHARE-BASED PAYMENT (Continued)

(b) DreamCIS: (Continued)

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.

Changes in variables and assumptions may result in changes in the fair values of the share options.

Set out below are details of the movements of the outstanding options granted under the DreamCIS Scheme during the current and prior period, retroactively reflecting the DreamCIS Capitalisation Issue:

	Six months ended June 30,			
	2021		2020	
	Weighted average exercise price (RMB) (Unaudited)	Number (Unaudited)	Weighted average exercise price (RMB) (Unaudited)	Number (Unaudited)
Outstanding at beginning of period	**54.5**	**143,060**	43.0	304,460
Granted during the period	**93.2**	**223,122**	–	–
Forfeited during the period	**85.4**	**(23,709)**	51.3	(9,400)
Exercised during the period	**47.6**	**(93,184)**	–	–
Outstanding at end of period	**87.3**	**249,289**	41.8	295,060
Options exercisable		**44,168**		–
Weighted average contractual life (years)		**2.0**		3.15

The exercise price of options outstanding ranges from KRW5,000 to KRW16,300 (equivalent to RMB30.5 to RMB93.2).

The Group recognised total expense of approximately RMB900,000 for the six months ended June 30, 2021 (six months ended June 30, 2020: RMB279,000) in relation to share options granted under the DreamCIS Scheme.

26. SHARE-BASED PAYMENT (Continued)

(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 of the Company 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.

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

Set out below are details of the movements of the outstanding restricted shares granted under the Restricted Share Scheme during the current and prior period, retroactively reflecting the bonus issue:

	Six months ended June 30,			
	2021		2020	
	Weighted average exercise price (RMB) (Unaudited)	Number (Unaudited)	Weighted average exercise price (RMB) (Unaudited)	Number (Unaudited)
Outstanding at beginning of period	27.15	4,496,768	27.13	6,283,965
Forfeited during the period	26.55	(16,554)	26.55	(52,049)
Vested during the period	27.50	(1,974,354)	26.55	(1,638,306)
Outstanding at end of period	27.30	2,505,860	27.38	4,593,610
Restricted shares exercisable		–		–
Weighted average contractual life (years)		0.52		1.65

During the six months ended June 30, 2020, upon acceptance of the restricted shares by the employees, a repurchasing obligation, amounting to RMB24,252,000, is recognised as other payable. In current and prior period, 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 RMB440,000 (six month ended June 30, 2020: RMB1,382,000) has been refunded to the original incentive recipients.

26. SHARE-BASED PAYMENT (Continued)

(c) The Company: (Continued)

(i) Restricted Share Scheme (Continued)

During the six months ended June 30, 2021, a total of 1,974,354 restricted shares were unlocked and vested. Upon the unlock of the restricted shares, a repurchasing obligation, amounting to RMB54,288,000 is derecognised as other payable. The weighted average closing price of the shares of the Company immediately before the dates on which the restricted shares were vested was RMB145.33.

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 June 30, 2021, a dividend payable of RMB1,235,000 (as at December 31, 2020: RMB1,698,000) has been recognised.

The Group recognised total expense of approximately RMB7,542,000 for the six months ended June 30, 2021 (six months ended June 30, 2020: RMB16,061,000) in relation to restricted shares granted under the Restricted Share Scheme.

(ii) 2019 Share Purchase Scheme

The Company adopted the share purchase scheme in 2019 (the "2019 Share Purchase Scheme") for the primary purpose of attracting, retaining and motivating the directors and employees of the Group. Under the 2019 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 2019 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 2019 Share Purchase Scheme are the repurchased shares previously repurchased and held by the Company as treasury shares (Note 23). 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 2019 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, all the then shares held in the 2019 Share Purchase Scheme are adjusted accordingly.

26. SHARE-BASED PAYMENT (Continued)

(c) The Company: (Continued)

(ii) 2019 Share Purchase Scheme (Continued)

Set out below are details of the movements of the outstanding units granted under the 2019 Share Purchase Scheme during the current and prior period, retroactively reflecting the bonus issue:

	Six months ended June 30,			
	2021		2020	
	Weighted average exercise price (RMB) (Unaudited)	Number (Unaudited)	Weighted average exercise price (RMB) (Unaudited)	Number (Unaudited)
Outstanding at beginning of period	44.25	2,120,803	44.25	2,120,803
Vested during the period	44.25	(85,912)	–	–
Outstanding at end of period	44.25	2,034,891	44.25	2,120,803

The shares held by the 2019 Share Purchase Scheme in respect of a holder will be unlocked upon the expiry of the lock-up periods. The agent of the 2019 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 2019 Share Purchase Scheme.

The Group recognised total expense of approximately RMB997,000 for the six months ended June 30, 2021 (six months ended June 30, 2020: RMB2,058,000) in relation to 2019 Share Purchase Scheme.

(iii) 2021 Share Purchase Scheme

The Company adopted the share purchase scheme in 2021 (the "2021 Share Purchase Scheme") for the primary purpose of attracting, retaining and motivating the directors and employees of the Group. Under the 2021 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 RMB10,000,000 and RMB15,000,000, respectively, which shall be divided into respective units to be subscribed at RMB1.00 each. The participants of the 2021 Share Purchase Scheme are required to pay the subscription funds in one lump sum according to the number of units subscribed.

26. SHARE-BASED PAYMENT (Continued)

(c) The Company: (Continued)

(iii) 2021 Share Purchase Scheme (Continued)

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 2021 Share Purchase Scheme are the repurchased shares previously repurchased and held by the Company as treasury shares (Note 23). 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 2021 Share Purchase Scheme by way of nontrade transfer at RMB44.25 per share. As a result, a consideration of RMB12,672,000 has been received by the Group upon the transfer of treasury shares.

Set out below are details of the movements of the outstanding units granted under the 2021 Share Purchase Scheme during the current and prior period:

	Six months ended June 30, 2021	
	Weighted average exercise price (RMB) (Unaudited)	Number (Unaudited)
Outstanding at beginning of period	–	–
Granted during the period	44.25	286,372
Outstanding at end of period	44.25	286,372

The total fair value of the shares granted under the 2021 Share Purchase Scheme at the date of grant was RMB34,579,000. 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 %
January 8, 2021 to January 7, 2022	50
January 8, 2022 to January 7, 2023	50

Changes in valuations and assumptions may result in changes in fair values of the units.

26. SHARE-BASED PAYMENT (Continued)

(c) The Company: (Continued)

(iii) 2021 Share Purchase Scheme (Continued)

The shares held by the 2021 Share Purchase Scheme in respect of a holder will be unlocked upon the expiry of the lock-up periods. The agent of the 2021 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 2021 Share Purchase Scheme.

The Group recognised total expense of approximately RMB12,463,000 for the six months ended June 30, 2021 in relation to 2021 Share Purchase Scheme.

(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.

26. SHARE-BASED PAYMENT (Continued)

(d) 杭州英放生物科技有限公司 Fantastic Bioimaging Co., Ltd. ("Fantastic Bioimaging") (Continued)

Set out below are details of the movements of the outstanding restricted shares granted under the Fantastic Bioimaging Scheme during the current period:

	Six months ended June 30,			
	2021		2020	
	Weighted average exercise price (RMB) (Unaudited)	Number (Unaudited)	Weighted average exercise price (RMB) (Unaudited)	Number (Unaudited)
Outstanding at beginning of period	1.5	466,667	1.5	466,667
Granted during the period	–	–	–	–
Outstanding at end of period	1.5	466,667	1.5	466,667
Restricted shares exercisable		–		–
Weighted average contractual life (years)		1.25		2.25

The Group recognised total expense of approximately RMB1,608,000 for the six months ended June 30, 2021 (six months ended June 30, 2020: RMB1,608,000) in relation to restricted shares granted under the Fantastic Bioimaging Scheme.

27. MAJOR NON-CASH TRANSACTIONS

(a) During the six months ended June 30, 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.

(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 RMB91,497,000 for the six months ended June 30, 2021 (six months ended June 30, 2020: RMB151,903,000).

(c) During the six months ended June 30, 2021, upon the satisfaction of unlocking conditions, a total of 1,974,354 (for the six months ended June 30, 2020: 1,638,306) restricted shares were unlocked and vested. Upon the unlock of the restricted shares, a repurchasing obligation, amounting to RMB54,288,000 (six months ended June 30, 2020: RMB43,496,000) is derecognised as other payable.

28. CAPITAL COMMITMENTS

The Group has capital commitments under non-cancellable contracts as follows:

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Commitments for the investments in the funds or companies	**1,221,210**	1,131,488
Commitment for the additional interest in a subsidiary	**–**	97,020
Commitment for the acquisition of businesses	**485,127**	–
Acquisition of property, plant and equipment	**35,681**	62,580

29. RELATED PARTY TRANSACTIONS AND BALANCES

In addition to the transactions and balances disclosed in Notes 18, 19 and 20, the Group had the following significant transactions and balances with related parties during the current and prior period:

(1) Related party transactions:

(a) Fee paid to related parties for services

	Relationship	Six months ended June 30, 2021 RMB'000 (Unaudited)	Six months ended June 30, 2020 RMB'000 (Unaudited)
Teddy Clinical Research Laboratory (Shanghai) Limited 上海觀合醫藥科技有限公司("Shanghai Guanhe") (note (a))	Associate	**8,572**	3,598
Tigerise Inc.	Associate	**–**	1,002
EPS Tigermed (Suzhou) Co., Ltd. 蘇州益新泰格醫藥科技有限公司 ("Suzhou Yixin") (note (a))	Associate	**62**	–
		8,634	4,600

29. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(1) Related party transactions: (Continued)

(b) Revenue from related parties

	Relationship	Six months ended June 30, 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Shanghai Guanhe	Associate	**132**	417
Suzhou Yixin	Associate	–	127
FJ Pharma LLC	Associate	–	5
		132	549

(c) Disposal of a subsidiary

	Relationship	Six months ended June 30, 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Hangzhou Yibai	Associate	–	5,000

The transactions above were carried out in accordance with the terms agreed with the counterparties.

29. 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	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Contract assets (note (c))			
Shanghai Guanhe	Associate	–	54
Other receivables (note (d))			
Tigermed Co., Ltd. (Thailand)	Associate	133	31
Trade payables (note (c))			
Shanghai Guanhe	Associate	466	466
Contract liabilities (note (c))			
Shanghai Guanhe	Associate	24	54
Suzhou Yixin	Associate	233	167
		257	221

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) All the above balances with related parties are unsecured, interest free and repayable on demand.

(c) The amounts are trade-related in nature.

(d) The amounts are non-trade in nature.

(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 of the Company and other members of key management of the Group during the current and prior period were as follows:

	Six months ended June 30, 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Directors' fee, salaries and other benefits	3,051	2,636
Performance-based bonus	1,076	1,277
Retirement benefit scheme contributions	238	81
Share-based compensation	250	216
	4,615	4,210

The remuneration of key management is determined with reference to the performance of the individuals and market trends.

30. SUBSEQUENT EVENTS

(a) On June 26, 2021, Frontage Labs entered into an Agreement and Plan of Merger (the "Merger Agreement") by and among Frontage CA Merger Sub, Inc., wholly-owned subsidiary of Frontage Labs ("Merger Sub"), Quintara Discovery, Inc., ("Target Company"), the shareholders of Target Company ("Sellers") and the shareholders' representative ("Representative"), under which the parties have agreed, among other things, to effect a reverse triangular merger in accordance with the California Corporation Code (the "CCC"). Pursuant to the terms and conditions of the Merger Agreement, upon the closing, Merger Sub shall be merged with and into Target Company (the "Merger" and, collectively with the other transactions contemplated by the Merger Agreement, the "Transactions"), whereupon the separate corporate existence of Merger Sub shall cease and Target Company shall be the surviving entity (the "Surviving Entity") in the Merger and continue as a wholly-owned subsidiary of Frontage Labs.

Upon closing of the Merger, the Surviving Entity will become an indirect wholly-owned subsidiary of the Company and the financial results of the Surviving Entity will be consolidated into the Group's financial statements.

On July 29, 2021 (Hong Kong time), the Board of Frontage Holdings announced that the transaction has closed and the Merger became effective. At the effective time of the Merger, Merger Sub was merged with and into Target Company, whereupon the separate corporate existence of Merger Sub ceased and Target Company continued as the surviving entity and a wholly-owned subsidiary of Frontage Labs. For details, please refer to the announcements of Frontage Holdings dated June 28, 2021 and July 29, 2021.

In the moment, it is not practicable to provide an estimate of financial effect of the above acquisition until the Group performed a detailed review.

(b) On July 12, 2021, Hangzhou Tiger Equity Investment Partnership (Limited Partnership) ("HZ Tiger") and Hangzhou Tailong Venture Investment Partnership (Limited Partnership) ("HZ Tailong"), the subsidiaries of the Company, entered into the partnership agreement with Hangzhou Industry Investment Co., Ltd. ("HZ Industry Investment") and Hangzhou Hi-Tech Investment Co., Ltd. ("HZ Hi-Tech Investment") in relation to the formation of a fund. The registered capital of the fund shall be RMB20,000,000,000, of which RMB200,000,000 shall be subscribed by HZ Tailong as the general partner, RMB9,800,000,000 will be subscribed by the HZ Tiger as a limited partner, RMB5,000,000,000 will be subscribed by HZ Industry Investment as a limited partner and RMB5,000,000,000 will be subscribed by HZ Hi-Tech Investment as a limited partner.

The above transaction has been completed subsequent to the end of reporting period upon the fulfilment of the condition of the transaction. In the moment, it is not practicable to provide an estimate of financial effect of the above transaction until the Group performed a detailed review.

"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 report and for geographical reference only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Company", "our Company", "Tigermed", "We"	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 Stock Exchange (stock code: 03347)
"COVID-19"	Novel Coronavirus
"CRO"	Contract Research Organization, a company focused on providing R&D services to companies in the pharmaceutical and agrochemical markets
"Director(s)"	the director(s) of the Company or any one of them
"DreamCIS"	DreamCIS INC., a joint stock company incorporated under the laws of Korea on April 27, 2000, which is listed on the Korean Securities Dealers Automated Quotations of the Korea Exchange (stock code: A223250) and a subsidiary of the Company
"Fantastic Bioimaging"	Fantastic Bioimaging Co., Ltd. (杭州英放生物科技有限公司), a limited liability company established under the laws of the PRC on January 4, 2013, and a subsidiary of the Company, in which we held 67.5% equity interest as of the date of this report
"Frontage Holdings Group"	Frontage Holdings and its subsidiaries
"Frontage Holdings" or "Frontage"	Frontage Holdings Corporation, a company incorporated under the laws of the Cayman Islands with limited liability on April 16, 2018, which is listed on the Stock Exchange (stock code: 1521) and a subsidiary of the Company
"Frontage Labs"	Frontage Laboratories, Inc., a company incorporated under the laws of Pennsylvania, United States on April 21, 2004 and a subsidiary of the Company
"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

DEFINITIONS

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HZ Industry Investment"	Hangzhou Industry Investment Co., Ltd.* (杭州產業投資有限公司)
"HZ Tailong"	Hangzhou Tailong Venture Investment Partnership (Limited Partnership)* (杭州泰瓏創業投資合夥企業(有限合夥)), a limited partnership established in the PRC and a subsidiary of the Company
"HZ Tiger"	Hangzhou Tiger Equity Investment Partnership (Limited Partnership)* (杭州泰格股權投資合夥企業(有限合夥)), a limited partnership established in the PRC and a wholly-owned subsidiary of the Company
"HZ Hi-Tech Investment"	Hangzhou Hi-Tech Investment Co., Ltd.* (杭州高新創業投資有限公司)
"IFRS"	International Financial Reporting Standards
"KRW"	South Korean Won, the lawful currency of the South Korea
"Listing" or "IPO"	the listing of the H Shares on the Main Board of the Stock Exchange on August 7, 2020
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules
"Prospectus"	the prospectus issued by the Company dated July 28, 2020
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	comprising A Shares and H Shares
"Shareholder(s)"	holder(s) of Shares
"Share Purchase Scheme"	the employee share purchase scheme adopted and approved by the Company in November 2018 (as amended in March 2019)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor"	the supervisor of the Company
"Supervisory Committee"	our board of Supervisors
"U.S. dollars", "USD" or "US$"	United States dollars, the lawful currency of the United States
"%"	percentage

This report is prepared in English. Should there be discrepancy between the English and Chinese version, the English version shall prevail. All numbers in this report are approximate rounded values for particular items.

Tigermed

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