Tigermed

2022
年度報告
ANNUAL REPORT

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

COMPANY SECRETARY

Ms. Ho Yin Kwan (何燕群)
(appointed on June 27, 2022)
Ms. Jeanie Lau (劉准羽) *(resigned on June 27, 2022)*

AUTHORISED REPRESENTATIVES

Dr. Ye Xiaoping (葉小平)
Ms. Ho Yin Kwan (何燕群)
(appointed on June 27, 2022)
Ms. Jeanie Lau (劉准羽) *(resigned on June 27, 2022)*

SUPERVISORS

Mr. Zhang Binghui (張炳輝) *(Chairman)*
Ms. Chen Zhimin (陳智敏)
Mr. Wu Baolin (吳寶林) *(resigned on August 25, 2022)*
Ms. Lou Wenqing (樓文卿)
(appointed on August 25, 2022)

STRATEGY DEVELOPMENT COMMITTEE

Dr. Ye Xiaoping (葉小平) *(Chairman)*
Mr. Wu Hao (吳灝)
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

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Shenzhen, China

H SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
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Far East Finance Centre
16 Harcourt Road
Hong Kong

STOCK CODE

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

COMPANY'S WEBSITE

www.tigermedgrp.com

STATEMENT FROM THE CHAIRMAN, THE GENERAL MANAGER AND CO-PRESIDENT

Dear Shareholders,

We were faced with a difficult situation in 2022, including a world with increasing uncertainties on the back of a complex and challenging macro environment for major economies and growing geopolitical tensions. Despite the challenges, life science research and clinical trial activity had shown resilience driven by the recent breakthroughs in basic science and clinical validation, as well as the collective efforts from the academia, industry and medical community to bring more and better therapies to patients around the world.

As the leading clinical solution provider striving to become the CRO partner of choice through our commitment, differentiated solutions and performance, we made progress in building a higher moat on our core services, expanding into more emerging services, investing in technology and digital platform, and enlarging our global presence. We also continued to stay focused on our quality and corporate governance.

Throughout the year, our team has also been working around the clock to mitigate the negative impacts caused by uncontrollable external situations, leveraging our experience and know-how we have accumulated over a period of more than two years. We minimized the adverse impact of uncontrollable factors on our business, addressing the needs of our patients and ensuring their access to treatments to the extent possible, avoiding losses caused by patient dropouts, and protecting our customers' rights and interests.

With all these, we managed to further grow our business despite multiple challenges and deliver solid financial results in both China and overseas markets in 2022.

Our revenue increased by 35.9% YoY from RMB5,213.5 million in 2021 to RMB7,085.5 million in 2022. Revenue generated from Clinical Trial Services reached RMB4,125.2 million and revenue generated from Clinical Related and Laboratory Services reached RMB2,960.3 million in 2022, representing a year-over-year growth of 37.8% and 33.4%, respectively. Geographically, our revenue generated in the PRC increased by 30.7% year-over-year to RMB3,601.6 million and our revenue generated from overseas increased by 41.8% year-over-year to RMB3,483.9 million in 2022.

Our performance reflects the dedication and hard work of our now more than 9,000 talented people, also is a testimony to our ability to enable healthcare innovation and create enduring value for all our stakeholders: patients, shareholders, customers, partners and our employees, even with the impact of global macro headwinds and challenges of the pandemic.

In China, we remain as the leader of the market with our proven track record of clinical trial delivery and premier clinical networks. As of December 31, 2022, we had 680 ongoing drug clinical research projects, up from 567 as of December 31, 2021. In 2022, we handled 13.6% of total HGRAC (Human Genetic Resource Administration of China) clinical research filing projects as the clinical CRO. From 2016 to 2022, we supported the research and development of 65% of all Class 1 innovative drugs (innovative drugs that have not been marketed in China or overseas) approvals in China.

STATEMENT FROM THE CHAIRMAN, THE GENERAL MANAGER AND CO-PRESIDENT

In 2022, we continued expanding our global presence and capabilities by establishing new offices in Europe (the United Kingdom, the Netherlands) and in Latin America (Argentina). As of December 31, 2022, Tigermed represented a global reach of 50 countries and regions across Asia Pacific, Europe, North America, Latin America, and Africa, with over 1,400 overseas employees. Our expanding network around the globe enables us to build differentiated capabilities and provided tailored solutions to meet customer demands that are becoming more diversified.

As of December 31, 2022, we had 188 ongoing single region clinical trials overseas, up from 132 ongoing single region clinical trials overseas as of June 30, 2021. We also had 62 ongoing Multi-regional Clinical Trials ("MRCT"s) as of December 31, 2022, compared with 50 ongoing MRCTs as of December 31, 2021. Our ongoing MRCTs were being conducted in Asia Pacific, Europe, North America, Latin America and Africa covering 17 therapeutic areas including oncology, respiratory, cardiovascular, endocrine, autoimmune, infection, rare diseases, and vaccine etc. During the Reporting Period, we added 21 newly signed MRCT projects and initiated first European-only oncology MRCT.

In January 2023, we also completed the acquisition of Marti Farm D.o.o, a European contract research organization providing services across clinical operations, pharmacovigilance, regulatory affairs, and medical affairs around the world. The strategic acquisition allowed us to enhance local regulatory expertise in Europe and expand safety monitoring capabilities at a global level.

In 2022, we continued to pursue external partnership and collaboration that we believe are mutually beneficial with various stakeholders in the healthcare industry, exemplified by our E-Site (Clinical Trial Site of Excellence) program. During the year, further strengthened collaborations with strategic core centers during the Reporting Period by jointly incubating industry leading clinical research team, improving the efficiency of clinical operations, enhancing hospital infrastructure and Clinical Research Coordinators ("CRC(s)") training system, and reducing the lead time of project initiation at E-Site centers. As of December 31, 2022, our E-Site Program had 189 E-Site centers and 100 core centers across China.

We also made progress in our laboratory services front. Frontage acquired Experimur LLC in the U.S. in January 2022 to enhance pre-clinical toxicology and safety pharmacology capabilities. In China, Frontage expanded laboratory capacity in Wuhan and Shanghai for its multiple business lines.

Our senior management highly value the use of technology and have been investing continuously to improve our understanding of key technology and digitalization trends. In 2022, Tigermed team established a full suite of digital platform including ePRO, eCOA, ePay, RBM, etc., and ready to launch Tigermed Decentralized Clinical Trial ("DCT") Solution for commercial use. Guided by patient-centric values, our DCT Solution is expected to be fully operated in clinical trials in China and overseas in 2023 to help drive our future growth.

This year, we also upgraded our corporate branding which paints a clearer picture of what we stand for as an organization, and what we must do to maintain our reputation. By doing this, we enhanced our vision & culture of putting innovation and people at the center of everything we do, and focusing on Diversity, Equity and Inclusion (DEI) to build a workplace where all people can do their best work. We believe this is essential to sustainable and effective business outcomes and a corporate culture built-to-last.

STATEMENT FROM THE CHAIRMAN, THE GENERAL MANAGER AND CO-PRESIDENT

We believe that every business must be sustainable, it matters to all of us. We integrated Environmental, Social and Governance ("ESG") into all aspects of our corporate governance by establishing company ESG committee and forming a top-down ESG management structure. Our work was recognized by leading ESG institutions. We were rated AAA, the highest ranking of the CNI ESG Ratings launched by Shenzhen Stock Exchange in July 2022 and rated A in 2022 ESG Rating by MSCI in November 2022.

Looking ahead, we are confident that our integrated enabling platform, global network and technological innovation efforts will support our business growth, as we look forward to a new phase of development to create sustainable value for our shareholders in the long run.

We want to conclude with our heartfelt appreciation to our incredible people around the world for their hard work and commitment to living our purpose in a culture of shared success. More importantly, we want to thank all our shareholders for your confidence and continuing support, and for standing with us on this journey.

Xiaoping Ye, PhD
Co-Founder and Chairman

Ms. Xiaochun Cao
Co-Founder, Executive Director and General Manager

Mr. Hao Wu
Executive Director and Co-President

Hong Kong, March 28, 2023

FINANCIAL HIGHLIGHTS

	Year ended December 31, 2022 RMB million	2021 RMB million	Change[2]
Operating results			
Revenue	**7,085.5**	5,213.5	35.9%
Gross profit	**2,785.4**	2,248.1	23.9%
Net profit attributable to the owners of the Company	**2,016.1**	2,879.1	(30.0)%
Adjusted net profit attributable to the owners of the Company[1]	**1,665.8**	1,585.3	5.1%
Profitability			
Gross profit margin	**39.3%**	43.1%	(3.8)%
Margin of net profit attributable to the owners of the Company	**28.5%**	55.2%	(26.7)%
Margin of adjusted net profit attributable to the owners of the Company[1]	**23.5%**	30.4%	(6.9)%
Earnings per share (RMB)			
– Basic	**2.33**	3.32	(29.8)%
– Diluted	**2.33**	3.31	(29.6)%
Adjusted earnings per share (RMB)[1]			
– Basic	**1.93**	1.83	5.5%
– Diluted	**1.92**	1.82	5.5%

	As of December 31, 2022 RMB million	2021 RMB million	Change
Financial position			
Total assets	**27,446.5**	23,741.2	15.6%
Equity attributable to owners of the Company	**19,628.4**	18,185.5	7.9%
Total liabilities	**4,765.5**	3,136.0	52.0%
Cash and cash equivalents	**7,782.7**	8,378.4	(7.1)%
Gearing ratio	**9.3%**	2.4%	6.9%

Notes:

(1) Non-IFRS measures. Please refer to “Non-IFRS Measures” for details.
(2) Changes in percentage points for ratios.

FINANCIAL SUMMARY

	For the year ended December 31,				
	2018	2019	2020	2021	**2022**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Operating results					
Revenue	2,299,534	2,803,309	3,192,279	5,213,538	**7,085,471**
Gross profit	981,335	1,291,900	1,503,333	2,248,118	**2,785,444**
Profit for the year	655,249	974,933	2,030,555	3,396,638	**2,281,260**
Profit attributable to the owners of the Company	576,886	841,247	1,751,328	2,879,099	**2,016,086**
Profitability					
Gross profit margin	42.7%	46.1%	47.1%	43.1%	**39.3%**
Profit margin for the year	28.5%	34.8%	63.6%	65.2%	**32.2%**
Earnings per share (RMB)					
Earnings per share-Basic	0.77	1.13	2.20	3.32	**2.33**
Earnings per share-Diluted	0.77	1.13	2.19	3.31	**2.33**

	As at December 31,				
	2018	2019	2020	2021	**2022**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Total assets	4,586,604	7,567,976	19,506,059	23,741,173	**27,446,510**
Total liabilities	1,314,455	2,046,698	1,647,582	3,135,976	**4,765,482**
Non-controlling interests	444,107	1,274,436	1,704,653	2,419,734	**3,052,583**
Equity attributable to the owners of the Company	2,828,042	4,246,842	16,153,824	18,185,463	**19,628,445**
Gearing ratio	19.4%	16.3%	–	2.4%	**9.3%**

MANAGEMENT DISCUSSION AND ANALYSIS

The Board of Hangzhou Tigermed Consulting Co., Ltd. (杭州泰格醫藥科技股份有限公司) is pleased to announce the audited consolidated annual results of the Group for the year ended December 31, 2022 (the "**Reporting Period**"), together with the comparative figures for the year ended December 31, 2021 (the "**Corresponding Period**").

We were faced with a difficult situation in 2022, including a world with increasing uncertainties on the back of a complex and challenging macro environment for major economies and growing geopolitical tensions. Throughout the year, our team has been working around the clock to mitigate the negative impacts caused by uncontrollable factors, leveraging the experience and know-how we have accumulated over a period of more than two years. We minimized the adverse impact of uncontrollable factors on our business, addressing the needs of our patients and ensuring their access to treatments to the extent possible, avoiding losses caused by patient dropouts, and protecting our customers' rights and interests.

Despite the challenges, life science research and clinical trial activity had shown resilience driven by the recent breakthroughs in basic science and clinical validation, as well as the collective efforts from the academia, industry and medical community to bring more and better therapies to patients around the world. As the leading clinical solution provider striving to become the CRO partner of choice through our commitment, differentiated solutions and performance, we made progress in building a higher moat on our core services, expanding into more emerging services, investing in technology and digital platform, and enlarging our global presence.

With all these, we managed to further grow our business in 2022 despite multiple challenges. Our revenue increased by 35.9% YoY from RMB5,213.5 million during the Corresponding Period to RMB7,085.5 million during the Reporting Period. Revenue generated from CTS segment reached RMB4,125.2 million and revenue generated from CRLS segment reached RMB2,960.3 million during the Reporting Period, representing a YoY growth of 37.8% and 33.4%, respectively. Geographically, our revenue generated in the PRC increased by 30.7% YoY to RMB3,601.6 million and our revenue generated from overseas increased by 41.8% YoY to RMB3,483.9 million in 2022.

During the Reporting Period, our new bookings reached RMB9,673.4 million, compared with RMB9,645.5 million during the Corresponding Period. The relatively low YoY growth of our new bookings in 2022 was due to a high base in 2021 primarily contributed by multiple sizeable vaccine bookings. Continuing R&D spending on innovation therapies by pharmaceutical, biotech and medical device companies, increased attractiveness of China for clinical development programs and further expansion of R&D activities by Chinese companies to overseas market contributed to our new bookings in 2022.

In addition, we saw strong demands from our customers on emerging services including scientific affairs, early-stage pharmacology, pharmacovigilance and real-world study. These emerging services evolve from more stringent regulatory regime and rapid adoption of new technology and analytical tools. Our contracted future revenue reached RMB13,785.9 million as of December 31, 2022, representing a YoY growth of 20.9%.

MANAGEMENT DISCUSSION AND ANALYSIS

The resilience of our business is demonstrated by our reinforced position as the leader of the clinical service industry in China. We provided services to the R&D process of 65% of all Class I (innovative drugs that have not been marketed in China or overseas) innovative drug approved in China from 2004 to 2022 and handled 13.6%[1] of total HGRAC (Human Genetic Resource Administration of China) clinical research filing projects as the clinical CRO in 2022. Notably, our team enabled four COVID-19 vaccine Emergency Use Authorizations in China and overseas in 2022. We also maintained a strong and diversified customer base, seven out of our top 20 customers by revenue in 2022 are top multi-national pharmaceutical companies[2] and 14 out of our top 20 customers by revenue in 2022 are publicly listed. As of December 31, 2022, we had 680 ongoing drug clinical research projects, up from 567 as of December 31, 2021.

We deepened our global reach in 2022 and newly established local subsidiaries in the United Kingdom, Netherlands and Argentina during the Reporting Period. As of December 31, 2022, we operated through 29 subsidiaries worldwide across five continents. In 2022, our team completed the initial expansion plan in the Asia Pacific and Latin America with the ability to provide one-stop clinical operation and project management services in major countries of these two regions.

In January 2023, we completed the acquisition of Marti Farm D.o.o, a European contract research organization providing services across clinical operations, pharmacovigilance, regulatory affairs, and medical affairs around the world. The strategic acquisition allowed us to enhance local regulatory expertise in Europe and expand safety monitoring capabilities at a global level.

As of December 31, 2022, we had 188 ongoing single region clinical trials overseas, primarily in South Korea, Australia and the United States, up from 132 as of December 31, 2021. We also had 62 ongoing MRCTs as of December 31, 2022, compared with 50 as of December 31, 2021. Our ongoing MRCTs were being conducted in Asia Pacific, Europe, North America, Latin America and Africa covering 17 therapeutic areas including oncology, respiratory, cardiovascular, endocrine, autoimmune, infection, rare diseases, and vaccine etc. During the Reporting Period, we added 21 newly signed MRCT projects and initiated first European-only oncology MRCT. As of December 31, 2022, we have established collaborations with over 100 clinical sites in the United States. As of December 31, 2022, our international business unit was planning to recruit additional local employees in the United States, Poland, Bulgaria, Spain, Hungary in Europe, and Vietnam in Asia Pacific to meet clinical business needs. We will continue to grow our global business through expansions, mergers and acquisitions. We aim to foster the growth of overseas businesses, create synergy in our clinical operations, establish differentiated advantages in Europe, Americas and other emerging markets, strengthen our local operation expertise, and enhance our global operation capabilities with an aim to go global with our customers and serve as the gateway to China as well.

During the Reporting Period, we also continued to invest in our centralized service center in China to better support our global business. While a clinical trial is conducted in one or several overseas countries, our centralized service center in China are able to support many other peripheral services in a timely and seamless manner, including medical writing, medical monitoring, registration, data management and statistical analysis, pharmacovigilance, central laboratory and imaging, under our uniformed standard operating procedures ("**SOP**"s) and budgeting management system across all countries and regions where we operate.

1 Source: HGRAC website, might not be exhaustive; a total of 2,326 filings between January 1, 2022 and December 31, 2022, of which 1,239 filings with clinical CRO involvement; filings refer to international collaboration filings including both filings for approvals (審批) and filings for records (備案); includes all controlled subsidiaries of the Company and there maybe be one or more than one projects of the Company that could not be captured from the HGRAC website

2 Multi-national pharmaceutical companies with more than US$20 billion sales in 2022

During the Reporting Period, our team continued to manage through highly complicated and challenging global 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. Cross-business units collaborated to implement large-scale MRCT vaccine research, dispatched elite teams overseas, and used innovative remote monitoring. Good results were achieved especially in the remote monitoring of overseas vaccines. We assisted in enabling four COVID-19 vaccine Emergency Use Authorizations in China and overseas and also cooperated with NMPA to complete the remote verification of two COVID-19 vaccine projects and successfully passed. These businesses mentioned above gave us the opportunity to further strengthen our MRCT execution capability, improve our know-how on global project management and regulatory affairs in new geographies, and enhance our internal standard operating procedures and quality assurance standard.

In 2022, we continued to pursue external partnership and collaboration that we believe are mutually beneficial with various stakeholders in the healthcare industry. As of December 31, 2022, our Excellence for Clinical Trial Sites ("**E-Site**") Program had 189 E-Site centers and 100 core centers across China. Our E-Site team further strengthened collaborations with strategic core centers during the Reporting Period by jointly incubating industry leading clinical research team, improving the efficiency of clinical operations, enhancing hospital infrastructure and Clinical Research Coordinators ("**CRC(s)**") training system, and reducing the lead time of project initiation at E-Site centers. 14 full-time on-site staff were added to strategic core centers in Beijing, Shanghai, Jiangsu, Zhejiang, Hunan, Hubei, Shandong and Fujian in 2022 as well. In addition, our real-world study business formed collaboration with Shanghai Ruijin Hainan Hospital (上海瑞金醫院海南醫院) during the Reporting Period.

In 2022, we also upgraded our corporate branding which paints a clearer picture of what we stand for as an organization, and what we must do to maintain our reputation. By doing this, we enhanced our vision and culture of putting innovation and people at the center of everything we do, and focusing on Diversity, Equity and Inclusion ("**DEI**") to build a workplace where all people can do their best work. We believe this is essential to sustainable and effective business outcomes and a corporate culture built-to-last. We also further enhanced our Environmental, Social, and Governance ("**ESG**") governance in 2022 with recognition from leading institutions. The Company was rated AAA, the highest ranking of the CNI ESG Ratings launched by Shenzhen Stock Exchange in July 2022 and rated A in 2022 ESG Rating by MSCI in November 2022.

The number of our total employees reached 9,233 as of December 31, 2022 from 8,299 as of June 30, 2022, and from 8,326 as of December 31, 2021. Below is a breakdown of our employees by function and by region as of December 31, 2022:

	Number of employees				
Function	PRC	Asia Pacific (excluding PRC)	Americas	EMEA	Total
Project operation	7,037	484	731	50	8,302
Marketing and business development	359	20	30	4	413
Management and administration	411	30	69	8	518
Total	7,807	534	830	62	9,233

MANAGEMENT DISCUSSION AND ANALYSIS

The number of our employees based overseas increased to 1,426 as of December 31, 2022 from 1,151 as of June 30, 2022, and 1,026 as of December 31, 2021. As of December 31, 2022, our global team comprised over 1,100 clinical research associates, over 2,400 clinical research coordinators, over 800 for data management and statistical analysis and over 1,400 for laboratory services. During the Reporting Period, we continued to expand our clinical operation and project management teams in key overseas markets including Europe and the Americas as part of our growth strategies.

In September 2022, we officially released our talent value statement "Inspire to Excel, Empower to Achieve" (激發無限潛能，探索生命旅程), aiming to build a talent development platform for professional innovation and rich resources that covers all our employees. Capable and stable team is essential for our Company to provide consistently high-quality service to our customers. We seek to attract top talent, especially inter-disciplinary talents, industry experts, and technical specialists with global experience to support our global expansion, while continuing to improve our employee recruiting, training and development programs, and long-term incentive schemes to retain talents.

1. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD

Revenue

During the Reporting Period, our revenue increased by 35.9% YoY from RMB5,213.5 million to RMB7,085.5 million. Revenue generated from CTS segment reached RMB4,125.2 million, representing a YoY growth of 37.8%. Revenue generated from CRLS segment reached RMB2,960.3 million, representing a YoY growth of 33.4%.

Geographically, our revenue generated in the PRC increased by 30.7% YoY to RMB3,601.6 million in 2022, primarily driven by the increase in revenue generated from clinical trial operations for drug, vaccine and medical device projects, emerging services including medical registration, scientific affairs, medical translation, real-world studies and pharmacovigilance services etc., and Data Management and Statistical Analysis ("**DMSA**"), as we continued to benefit from our leadership position in the clinical service market in China.

Our revenue generated from overseas during the Reporting Period increased by 41.8% YoY to RMB3,483.9 million. The growth was primarily driven by the revenue generated from increased demands of overseas DMSA projects, clinical trials, MRCTs and laboratory services from our customers, as well as COVID-19 related MRCTs during the Reporting Period.

(1) CTS

During the Reporting Period, our revenue generated from CTS segment increased by 37.8% YoY from RMB2,993.7 million during the Corresponding Period to RMB4,125.2 million. We realized a solid growth of our CTS business in 2022, primarily driven by the increased revenue from our clinical trial operation and other services under the CTS segment including medical registration, scientific affairs, medical translation, real-world studies and pharmacovigilance services etc.

During the Reporting Period, the growth of the revenue generated from our CTS segment is mainly contributed by (i) continuing demands from our customers for clinical trials in China; and (ii) the increased overseas clinical trial and MRCTs projects including clinical trials for COVID-19 vaccines and therapies, which is partially offset by the adverse impact which caused uncontrollable factors throughout the year. Businesses such as patient recruitment and follow-up at hospitals, drug delivery to patients, on-site monitoring of clinical trials, and our business development for new projects were affected, which caused adverse impacts on our business in China.

1. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD (Continued)

Revenue (Continued)

(1) CTS (Continued)

Comprehensive business continuity management plans for risk response had been established since early 2020. All affected project teams kept close communication with the sponsors and clinical study sites at the first moment, and jointly formulated project risk contingency plan based on relevant applicable regulations to ensure that the impact on the project was under control. In addition, the project teams took measures to overcome the effect of unfavorable factors to promote the project progress. For example, for projects affected by drug delivery, measures such as establishing the second warehouses in other cities and transferring drugs between sites were taken. Furthermore, we actively and orderly carried out the overall arrangement of staff coordination, adhered to the policies of the study sites, and strived to meet the needs of the patients, hospitals, clinical study sites, and other interested parties with an aim to mitigate the adverse impact on trial progress to the maximum extent possible.

As of December 31, 2022, we had 680 ongoing drug clinical research projects, up from 607 as of June 30, 2022, and 567 as of December 31, 2021.

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		
	December 31, 2021	June 30, 2022	**December 31, 2022**
Phase I (including PK studies)	231	252	**285**
Phase II	106	117	**134**
Phase III	148	149	**160**
Phase IV	37	37	**34**
Others[3]	45	52	**67**
Total	567	607	**680**

As of December 31, 2022, 430 ongoing drug clinical research projects were being conducted in the PRC and 250 were being conducted overseas, of which 188 were single region trials and 62 were MRCTs. The 188 ongoing single region overseas clinical trials were primarily being conducted in South Korea, Australia and the U.S.. The 62 ongoing MRCTs projects were being conducted across Asia Pacific, North America, Europe, Latin America and Africa with various therapeutic areas including oncology, respiratory, cardiovascular, endocrine, autoimmune, infection, rare diseases and vaccine etc.

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

1. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD (Continued)

Revenue (Continued)

(1) 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		
	December 31, 2021	June 30, 2022	**December 31, 2022**
Single			
PRC	385	400	**430**
Overseas	132	149	**188**
MRCTs	50	58	**62**
Total	567	607	**680**

In 2022, we formally established Tigermed Digital Promotion Center and Decentralized Clinical Trial ("**DCT**") Solution Team and plan to formally roll out Tigermed DCT solutions in early 2023. As of December 31, 2022, we already had multiple in-house developed DCT enabling validated by real projects. These DCT platforms were already in use for multiple clinical trials in China and overseas, including MRCTs. Our integrated DCT solutions are expected to further improve the efficiency of our CTS business.

We also had 432 ongoing medical device projects as of December 31, 2022, including medical device and IVD clinical trial operation, medical monitoring, clinical trial design and medical writings, among which, there is significant revenue growth in medical devices and IVD businesses.

During the Reporting Period, we have offered clinical trial operation services many China's first-in-class medical device products and supported clinical strategies for innovative and pioneering medical device products. We provided services to seven innovative medical devices, covering oncology, cardiovascular, robotics and ophthalmology areas.

In 2022, our medical device team, as one of the main co-authors, collaborated with relevant parties to compose the drafting work of the group standard of Medical Device Validation for Testing Software (醫療器械檢驗用軟件的確認), and to fill the gap in this field in China. We also established a new subsidiary in Suzhou with a focus on building a one-stop service platform in the Yangtze River Delta area for medical device customers in 2022.

1. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD (Continued)

Revenue (Continued)

(1) CTS (Continued)

Our medical registration team saw the increase in number of customers of our regulatory affairs services to 649 as of December 31, 2022 from 550 as of December 31, 2021, and have a total of 1,213 accumulated project experience as of December 31, 2022. We also assisted nine products to be registered and approved in China in 2022. During the Reporting Period, the number of new China Investigational New Drug ("**IND**") projects increased by 35% YoY and the number of new U.S. Food and Drug Administration ("**FDA**") related regulatory affair projects increased by 98% YoY. We have also assisted with IND filings of seven MRCT projects in multiple countries including Mexico, Philippines, Malaysia, Thailand, Brazil, Kenya, Peru, South Africa and Turkey etc.

In 2022, we continued to expand our pharmacovigilance team with full life-cycle pharmacovigilance management and services covering drugs, vaccines, medical devices, and aesthetic medicines. We provided pharmacovigilance services to multiple approved drugs and vaccines in 2022, including COVID-19 vaccines. The size of our global pharmacovigilance team increased to around 200 after the acquisition of Marti Farm D.o.o, which further enhanced our global pharmacovigilance service capability. During the Reporting Period, our pharmacovigilance business added 203 new ongoing projects and the number of global customers reached over 100 as of December 31, 2022.

Our medical translation business added 81 new customers in 2022, including 34 pharmaceutical companies and 47 medical device companies. Our top medical translation customers included top multinational pharmaceutical and medical device companies during the Reporting Period. Our medical translation services covered over 80 languages across the world, including all official languages in European and Southeast Asian countries as of December 31, 2022. In 2022, we established electronic Common Technical Document team and extended our medical translation services to electronic filings, demonstrating our swift response to meet the latest NMPA requirements for drug registrations. In addition, our in-house developed engineering processing system for the online translation platform, EP-Zoo, is close to completion by year-end 2022. EP-Zoo combines project management, data analysis, data processing and other functions in the medical translation process and further improves the efficiency and quality of our medical translation services. According to CSA Research, our medical translation business ranked 57th globally (5th in mainland China and 15th in Asia Pacific) in the 2022 CSA Research Largest Language Service Providers Ranking.

1. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD (Continued)

Revenue (Continued)

(1) CTS (Continued)

Under CTS segment, our real-world study business saw rapid top-line growth in 2022 covering both prospective and retrospective real-world studies, database-driven, rare disease, investigator initiated real-world studies, and real-world consulting services. Formally launched in 2022, our in-house developed patient-centric real-world study management platform e-Clinical Trial Patient Management system had been in use in multiple real-world studies as of December 31, 2022, meaningfully improved patient coverage and the efficiency of patient recruitment. During the Reporting Period, our real-world study business formed collaboration with Shanghai Ruijin Hainan Hospital (上海瑞金醫院海南醫院). Our remote follow-up center was also put into use in 2022. Equipped with in-house developed customer and patient management platform, the remote center allows patients to participate in clinical research without leaving home.

During the Reporting Period, our vaccine clinical service team, formally set up in 2020, added multiple vaccine clinical trial projects, including S. aureus, meningococcal, chickenpox, and rotavirus vaccine etc. We are able to offer one-stop vaccine clinical trial solutions covering trial design, regulatory affairs, clinical trial operations, DMSA and site management etc. Notably, our vaccine team led the project management and operation of multiple large-scale MRCTs on COVID-19 vaccines and therapeutics, of which over 100,000 subjects were recruited and leading to four COVID-19 vaccine Emergency Use Authorizations in China and overseas in 2022. These overseas vaccine MRCTs covered over 10 countries in Asia Pacific, Europe, Latin America and Africa, with over 140,000 subjects recruited in total. We also established strategic cooperation with many Centers for Disease Control and Prevention (CDC) in Jiangsu, Hubei, Sichuan, Guizhou, Shandong, Shanxi and Hunan etc., with which we carry out phase I-IV vaccine clinical trial projects.

In 2022, we continued to develop and refine our centralized digital clinical trial platform Tailinyan (泰臨研), an all-in-one platform comprising Clinical Trial Management System ("**CTMS**"), Electronic Data Capture ("**EDC**"), eSource Record ("**ESR**"), Clinical Trial Remote Monitoring ("**CTRM**"), Electronic Trial Master File ("**eTMF**"), E-Site, and Risk-Based Quality Management ("**RBQM**"). Actively exploring digital innovation models, we established a digital therapy incubator and a full-process incubation procedure, providing services to customers in need of digital therapeutics. During the Reporting Period, our RBQM (Phase II) was launched with functions such as centralized monitoring data analysis, risk visualization, and risk mitigation management. In addition, the system enhances system security management from various aspects such as user access control, audit traces, and data backup and recovery mechanisms to ensure data privacy and integrity.

1. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD (Continued)

Revenue (Continued)

(2) CRLS

Revenue generated from our CRLS segment during the Reporting Period increased by 33.4% YoY to RMB2,960.3 million from RMB2,219.9 million during the Corresponding Period. The increase was primarily due to the increase in revenue from our laboratory services, data management and statistical analysis services, and site management and patient recruitment services.

Laboratory Services

In 2022, our laboratory services capabilities in North America further expanded in the United States and Canada. Our laboratory services team in North America were therefore able to work on more projects and our laboratory facility had a higher utilization rate during the Reporting Period. Bolt-on acquisitions made by our controlled subsidiary Frontage also contributed to the YoY increase of revenue of our laboratory services during the Reporting Period. Frontage acquired Experimur LLC in the U.S. in January 2022 to enhance pre-clinical toxicology and safety pharmacology capabilities.

Furthermore, the service capabilities of our laboratories in China continue to expand. A 7,000 sq. ft. GMP kilo laboratory in Acme Shanghai site became fully operational in the first half of 2022, which enabled us to offer non-GLP/GLP/GMP batch production to our customers, enhancing our chemical expertise from discovery to development, from milligrams to kilograms, and from medicinal chemistry to API synthesis. Additionally, our synthetic and medicinal chemistry facility in Wuhan, covering an area of 200,000 sq. ft., will become partially operational by the first half of 2023. A new 34,000 sq. ft. drug screening facility in Wuhan has been operational, enhancing discovery-related pharmacology and efficiency services. The 67,000 sq. ft. research facility in Lin-Gang, Shanghai has been operational since 2022, in which we began to provide DMPK and bioanalytical services. The 215,000 sq. ft. preclinical animal research facility in Suzhou has been operational since January 2022 and performed several non-GLP test projects. We also launched the GLP verification test in the latter half of 2022 and plan to submit an application for GLP certification to NMPA in the first quarter of 2023. Furthermore, the facility successfully completed the on-site inspection by AAALAC international certification experts at the end of September 2022 and obtained AAALAC certification in March 2023.

As of December, 31, 2022, we had 5,923 ongoing projects for our laboratory services, up from 2,516 as of December 31, 2021. The significant increase of the number of ongoing projects was partially contributed by bolt-on acquisitions made by Frontage.

1. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD (Continued)

Revenue (Continued)

(2) CRLS (Continued)

DMSA

During the Reporting Period, our DMSA team continued to acquire new customers in both China and overseas markets. The total number of DMSA customers increased to 259 as of December 31, 2022, up from 163 as of December 31, 2021, with the number of global customers increasing by 59% YoY. In 2022, our DMSA team entered into a strategic collaboration agreement with a major multinational pharmaceutical company. During the Reporting Period, our DMSA team completed 83 projects. As of December 31, 2022, we had 776 ongoing DMSA projects, of which 502 projects were being conducted by our team based in China and 274 projects by the teams based overseas.

In 2022, we launched a new DMSA site in Luohe, Henan as part of our continuing effort to increase our DMSA capacity and operating efficiency. During the Reporting Period, our DMSA team successfully applied for 35 High-tech software certifications. We also launched DMSA digital solutions in February 2022, including four modules for data management and five for statistical analysis As of December 31, 2022, our DMSA team had over 800 professionals based in China, South Korea, the United States and India.

Site Management and Patient Recruitment

Our site management team had completed 228 site management projects during the Reporting Period, and had 1,621 ongoing site management projects as of December 31, 2022, up from 1,432 as of December 31, 2021. Our site management team works with over 1,300 hospitals and clinical trial centers in more than 140 cities across China. As of December 31, 2022, there were over 2,400 CRCs in our site management team.

During the Reporting Period, the utilization rate of our CRCs was adversely impacted and therefore caused lower profitability. Our site management team adopted contingency plans with priority given to ensure the dosing continuation and minimize protocol deviations for patients enrolled, aiming to reduce the impact on the trial quality to the extent possible. In 2022, our CRC team contributed to avoiding hundreds of missed visits. We delivered higher revenue per CRC and the number of ongoing projects due to dynamic project management and recruitment plans during the Reporting Period.

In 2022, we also provided site management services for COVID-19 therapeutics in China for the first time.

1. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD

(Continued)

Gross Profit

In 2022, we realized a gross profit of RMB2,785.4 million compared to RMB2,248.1 million in 2021, representing a 23.9% YoY growth. Our gross profit margin decreased from 43.1% in 2021 to 39.3% in 2022.

Our cost of services increased by 45.0% from RMB2,965.4 million in 2021 to RMB4,300.0 million in 2022.

During the Reporting Period, we incurred sizeable direct project-related costs in relation to COVID-19 related MRCTs. These costs, natured as pass-through fees, were also simultaneously recognized as revenue. We do not expect these COVID-19 related pass-through fees to be recurring in the future.

Below is a breakdown of our cost of services by nature and their percentage of our revenue during the periods indicated:

	Year ended December 31,	
	2022	2021
	RMB million	RMB million
Direct labour costs	**2,002.9**	1,495.8
% of revenue	*28.3%*	*28.7%*
Direct project-related costs	**1,607.4**	1,220.0
% of revenue	*22.7%*	*23.4%*
Overhead costs	**689.7**	249.6
% of revenue	*9.7%*	*4.8%*
Total cost of services	**4,300.0**	2,965.4
% of revenue	*60.7%*	*56.9%*

(1) CTS

The gross profit of the CTS segment increased by 15.9% YoY from RMB1,325.4 million during the Corresponding Period to RMB1,536.8 million during the Reporting Period, primarily due to the increase of the revenue generated from our CTS segment.

The gross profit margin of our clinical trial operation business under the CTS segment 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 certain subcontracting components to third-party CROs in certain countries or regions where we do not have local presence, and to local hospitals in certain countries where we settled fees in relation to subject recruitments on our customers' behalf. Generally, when we make such pass-through payments on behalf of our customers, we would book revenue and the corresponding costs simultaneously, thereby lowering the gross profit margin. We do not expect these COVID-19 related pass-through fees to be recurring in the future.

As a result, the gross profit margin of the CTS segment decreased to 37.3% during the Reporting Period from 44.3% during the Corresponding Period.

1. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD (Continued)

Gross Profit (Continued)

(2) CRLS

The gross profit of the CRLS segment increased by 35.3% from RMB922.7 million during the Corresponding Period to RMB1,248.6 million during the Reporting Period.

The gross profit margin of the CRLS segment improved by 0.6 percentage points from 41.6% during the Corresponding Period to 42.2% during the Reporting Period. The gross profit margin of our DMSA services improved in 2022 as the RMB depreciated against the US$ in 2022 compared with 2021.

Other Income

Our other income during the Reporting Period decreased by 3.5% YoY to RMB285.0 million from RMB295.2 million during the Corresponding Period, primarily due to the decrease of interest income (from bank deposits and financial products) from RMB259.0 million during the Corresponding Period to RMB228.4 million during the Reporting Period. The dividend income we received from financial assets at Fair Value Through Profit or Loss ("**FVTPL**") also decreased from RMB11.4 million during the Corresponding Period to RMB5.3 million during the Reporting Period. The increase of government grants we received from RMB23.9 million during the Corresponding Period to RMB50.2 million during the Reporting Period partially offset the decrease.

Other Gains and Losses, Net

During the Reporting Period, we recorded other gains and losses (net) of RMB620.3 million, representing a 70.1% decrease YoY from RMB2,077.2 million during the Corresponding Period. The significant decrease is primarily due to the decrease in change in fair value of financial assets at FVTPL, which is recorded as a gain of RMB549.7 million during the Reporting Period, compared with a gain of RMB1,815.4 million recorded during the Corresponding Period. The decrease of fair value gain of financial assets at FVTPL is as a result of the prevailing macroeconomic and market conditions in 2022. The disposal of financial assets at FVTPL reverse from a gain of RMB114.9 million during the Corresponding Period to a loss of RMB1.8 million during the Reporting Period. The change in fair value and gain on disposal of financial assets at FVTPL will be further discussed under "Financial assets at FVTPL and Fair Value Through Other Comprehensive Income ("**FVOCI**")". The gain on disposal of subsidiaries decreased from RMB168.5 million during the Corresponding Period to nil during the Reporting Period, as we did not dispose of any stakes of our subsidiaries in 2022.

The decrease of other gains and losses (net) was partially offset by (i) a RMB20.1 million net foreign exchange gain during the Reporting Period compared with a loss of RMB11.8 million during the Corresponding Period; (ii) the decrease of fair value loss of contingent consideration payables from RMB14.2 million during the Corresponding Period to RMB1.3 million during the Reporting Period; and (iii) an increase of the gain on disposal of associates to RMB54.1 million during the Reporting Period from RMB4.9 million during the Corresponding Period.

1. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD (Continued)

Selling and Marketing Expenses

Our selling and marketing expenses increased by 15.8% YoY from RMB129.4 million during the Corresponding Period to RMB149.9 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.

Administrative Expenses

Our administrative expenses increased by 16.0% YoY from RMB554.8 million during the Corresponding Period to RMB643.3 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) an increase in amortization of intangible assets including business software and acquired customer relationship; and (iii) an earn-out payment made in relation to an acquisition made by Frontage. The increase of administrative expense was offset by the decrease of share-based payments during the Reporting Period.

R&D Expenses

Our R&D expenses increased by 10.8% YoY from RMB211.8 million during the Corresponding Period to RMB234.6 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.

Share of profit of associates

Our share of profit of associates increased by 178.3% from RMB14.3 million during the Corresponding Period to RMB39.8 million during the Reporting Period, primarily due to the increase of the share of profit from Teddy Clinical Research Laboratory (Shanghai) Limited (上海觀合醫藥科技股份有限公司) and Hangzhou Taikun Equity Investment Fund Partnership (Limited Partnership)* (杭州泰鯤股權投資基金合夥企業(有限合夥)) ("**Hangzhou Taikun**").

Finance Costs

Our finance costs increased by 234.1% from RMB24.9 million during the Corresponding Period to RMB83.2 million during the Reporting Period, primarily due to the increase of interest expense on bank borrowings from RMB3.7 million during the Corresponding Period to RMB57.8 million during the Reporting Period.

Income Tax Expense

Our income tax expense increased by 7.1% from RMB292.9 million during the Corresponding Period to RMB313.7 million during the Reporting Period. Our effective tax rate increased from 7.9% during the Corresponding Period to 12.1% during the Reporting Period, primarily due to (i) the decrease 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 non-taxable, and (ii) the increase of our taxable operating profit, which was taxed at an average rate that is higher than our effective tax rate.

1. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD (Continued)

Profit for the Year

As a result of the foregoing discussions, our profit for the year decreased by 32.8% from RMB3,396.6 million during the Corresponding Period to RMB2,281.3 million during the Reporting Period. The profit attributable to owners of the Company decreased by 30.0% from RMB2,879.1 million during the Corresponding Period to RMB2,016.1 million during the Reporting Period, and the profit attributable to non-controlling interests decreased by 48.8% from RMB517.5 million during the Corresponding Period to RMB265.2 million during the Reporting Period. The decrease is primarily due to the increase of cost of sales and the decrease of other gains and losses, net, which is primarily driven by the lower gain in fair value of financial assets at FVTPL and the significant reversal of the disposal of financial assets at FVTPL.

Non-IFRS Measures

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 amortization as set out in the table below. Adjusted net profit attributable to owners of the Company is not an alternative to (i) profit before tax, profit for the 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) amortization of intangible assets arising from acquisitions, and (iv) 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. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD (Continued)

Non-IFRS Measures (Continued)

Adjusted net profit attributable to owners of the Company

	For the Year ended December 31,	
	2022	2021
	RMB million	RMB million
Profit attributable to owners of the Company	**2,016.1**	2,879.1
Adjusted for:		
Share-based compensation expense	**37.5**	66.6
Net foreign exchange (gain)/loss	**(17.0)**	11.2
Amortization of intangible assets arising from acquisitions	**15.5**	13.3
Increase in fair value of financial assets at FVTPL	**(386.3)**	(1,384.9)
Adjusted net profit attributable to owners of the Company	**1,665.8**	1,585.3
Margin of adjusted net profit attributable to the owners of the Company(1)	**23.5%**	30.4%
Adjusted earnings per share (RMB)		
– Basic(2)	**1.93**	1.83
– Diluted(3)	**1.92**	1.82

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 RMB1,665.8 million, representing a YoY increase of 5.1% from RMB1,585.3 million during the Corresponding Period. Our margin of adjusted net profit attributable to the owners of the Company decreased from 30.4% during the Corresponding Period to 23.5% during the Reporting Period.

1. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD

(Continued)

Cash Flows

	Year ended December 31,	
	2022	2021
	RMB million	RMB million
Net cash from operating activities	**1,133.6**	1,162.7
Net cash used in investing activities	**(2,565.4)**	(2,521.6)
Net cash generated from/(used in) financing activities	**809.2**	(163.1)

During the Reporting Period, our net cash generated from operating activities was RMB1,133.6 million, representing a 2.5% decrease from RMB1,162.7 million during the Corresponding Period. The decrease was primarily due to (i) the delay in issuing billing notice to our customers in the fourth quarter of 2022 due to the adverse impact caused uncontrollable factors, which caused delay of reaching the billing milestone for certain projects and issuing payment notice to our customers; (ii) the delay in collection of receivables from certain of our customers as uncontrollable factors negatively impacted some of our customers' ability to process payments in time; and (iii) an increase in taxes paid to authorities of RMB629.9 million during the Reporting Period from RMB327.1 million during the Corresponding Period.

During the Reporting Period, our net cash used in investing activities was RMB2,565.4 million, representing a 1.7% increase from RMB2,521.6 million during the Corresponding Period. The increase was primarily due to (i) an increase in the capital injection into Hangzhou Taikun during the Reporting Period; (ii) an increase of RMB344.6 million of acquisition of subsidiaries, net of cash acquired during the Reporting Period; and (iii) an increase of RMB202.2 million of acquisition of subsidiaries in prior year during the Reporting Period.

During the Reporting Period, our net cash generated from financing activities was RMB809.2 million compared with RMB163.1 million net cash used in financing activities during the Corresponding Period. We incurred RMB3,441.4 million of bank borrowings and repaid RMB1,834.7 million of bank borrowings during the Reporting Period. Major cash outflows in financing activities during the Reporting Period included (i) a RMB369.4 million payment for repurchase of shares; (ii) a RMB433.7 million of dividends to owners of the Company; and (iii) a RMB99.6 million to the non-controlling shareholders for acquisition of additional interest of certain of our subsidiaries.

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

1. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD

(Continued)

Liquidity and Capital Resources

The Group's principal sources of funds are cash generated from operating activities, bank loans and our H Share IPO in August 2020, and we expect to utilize that to satisfy our future funding needs.

As of December 31, 2022, the Group has not used any financial instruments for hedging, nor used any net investment amounts in foreign currencies for hedging via monetary loans and/or other foreign exchange hedging instruments.

Trade, Bills and Other Receivables and Prepayments

Our trade, bills and other receivables and prepayments increased by 24.6% from RMB952.0 million as of December 31, 2021 to RMB1,186.3 million as of December 31, 2022, primarily due to (i) an increase in trade receivables from third parties from RMB857.6 million to RMB1,105.3 million as we continued to grow our business; and (ii) an increase in other receivables from third parties from RMB74.2 million to RMB99.6 million primarily from an increase in interest receivables from bank deposits. The increase was partially offset by the decrease of consideration receivables from RMB8.6 million to nil in relation to our disposal of certain investments.

Trade and Other Payables

Our trade and other payables decreased by 18.4% from RMB880.0 million as of December 31, 2021 to RMB718.0 million as of December 31, 2022, primarily due to (i) a decrease in bills payable from RMB22.1 million to nil as arranged with banks under secured credit facilities; (ii) a decrease in one-time consideration payables from RMB154.5 million to RMB2.3 million primarily due to the settlement of the payment of acquisition consideration of Mosim Medical Technology Co., Ltd.; and (iii) a decrease in restricted share repurchase payable from RMB67.6 million to nil. The decrease was partially offset by (i) the increase of trade payables from RMB125.7 million to RMB158.0 million; and (ii) an increase in salary and bonus payables from RMB256.2 million to RMB292.9 million.

1. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD (Continued)

Contract Assets and Contract Liabilities

Our contract assets increased by 55.4% from RMB1,285.5 million as of December 31, 2021 to RMB1,997.3 million as of December 31, 2022 due to the increase in total amount of contracts with our customers where revenue had been recognized but we have not yet billed our customers upon meeting the billing milestones as specified in our customer service agreements or work orders as we continued to grow our business. Particularly, the adverse impact caused by uncontrollable factors during the Reporting Period caused some delays in (i) reaching the billing milestone for certain projects; and (ii) a delay in issuing billing notice to our customers, which also contributed to the increase of our contract assets as of December 31, 2022.

Our contract liabilities increased by 19.0% from RMB789.5 million as of December 31, 2021 to RMB939.8 million as of December 31, 2022, 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. However, the adverse impact caused by uncontrollable factors during the Reporting Period had delayed the prepayments for certain projects during the Reporting Period.

Property, Plant and Equipment

Our property, plant and equipment increased by 39.2% from RMB701.9 million as of December 31, 2021 to RMB976.7 million as of December 31, 2022, 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.

Intangible Assets

Our intangible assets increased by 17.9% from RMB234.1 million as of December 31, 2021 to RMB276.1 million as of December 31, 2022, primarily contributed by the increase of customer relationship and customer backlog, as well as a trademark of RMB2.8 million from a bolt-on acquisition made by Frontage during the Reporting Period.

Right-of-use Assets

Our right-of-use assets increased by 31.5% from RMB473.3 million as of December 31, 2021 to RMB622.4 million as of December 31, 2022, primarily due to the addition of leasehold land, buildings and experiment equipment from bolt-on acquisitions made by Frontage and DreamCIS.

1. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD

(Continued)

Interest in Associates

Our interests in associates increased from RMB738.8 million as of December 31, 2021 to RMB1,799.8 million as of December 31, 2022 primarily in relation to the capital injection to Hangzhou Taikun which we had 50.0% ownership as of December 31, 2022.

Financial assets at FVTPL and FVOCI

Our financial assets at FVTPL and FVOCI include listed equity securities, unlisted equity investments, unlisted fund investments, financial products, unlisted debt instrument and life insurance policies. Our financial assets at FVTPL and FVOCI increased by 13.7% from RMB8,789.1 million as of December 31, 2021 to RMB9,992.7 million as of December 31, 2022. Such increase was primarily due to the increase in fair value of our financial assets at FVTPL and our continuing investment activities during the Reporting Period. The following table sets for a breakdown of our financial assets at FVTPL and FVOCI as of the dates indicated:

	As of December 31, 2022 RMB'000	As of December 31, 2021 RMB'000
Non-current assets		
Financial assets at FVTPL		
– Life insurance policies	**2,680**	–
– Listed equity securities	**304,175**	105,519
– Unlisted equity investments	**4,718,449**	4,071,784
– Unlisted fund investments	**4,918,549**	4,569,041
– Unlisted debt instrument	**20,000**	–
Total financial assets at FVTPL	**9,963,853**	8,746,344
Financial assets at FVOCI		
– Unlisted equity investments	**3,864**	13,531
Current assets		
Financial assets at FVTPL		
– Financial products	**24,770**	29,180
– Listed equity securities	**62**	–
– Unlisted fund investments	**114**	–
Total financial assets at FVTPL and FVOCI	**9,992,663**	8,789,055

1. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD (Continued)

Financial assets at FVTPL and FVOCI (Continued)

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, including Hangzhou Taikun, 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 our operating activities and a portion of the proceeds received from our H Share IPO in August 2020 as part of the intended use of proceeds to fund our investment activities.

As of December 31, 2022, we were a strategic investor in 153 innovative companies and other related companies in the healthcare industry, as well as a limited partner in 57 professional investment funds.

During the Reporting Period, we realized a gain of RMB162.8 million from exiting our investments in companies and investment funds, as measured by the exit amount against our initial investment cost, down from RMB392.6 million during the Corresponding Period.

Our investments in listed equity securities amounted to RMB304.2 million as of December 31, 2022, representing a 188.3% increase from RMB105.5 million as of December 31, 2021. The increase is primarily due to the successful listing of certain of our portfolio companies during the Reporting Period.

Our unlisted equity investments amounted to RMB4,722.3 million as of December 31, 2022, representing a 15.6% increase from RMB4,085.3 million as of December 31, 2021. The increase is primarily due to more investments we made during the Reporting Period and the increase of the fair value of the unlisted equity portfolio we held since the Corresponding Period.

Our unlisted fund investments amounted to RMB4,918.7 million as of December 31, 2022, representing a 7.7% increase from RMB4,569.0 million as of December 31, 2021. 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.

In addition, our life insurance policies amount to RMB2.7 million as of December 31, 2022. Bolt-on acquisitions made by DreamCIS during the Reporting Period also contributed to the increase.

1. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD (Continued)

Financial assets at FVTPL and FVOCI (Continued)

Investments in companies and investment funds (Continued)

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	Life insurance policies RMB'000	Unlisted debt instrument RMB'000	Total RMB'000
Opening balance	4,085,315	4,569,041	105,519	–	–	8,759,875
Acquisition through business combination	5,580	221	15	2,410	–	8,226
Additions	416,408	271,491	132	1,731	20,000	709,762
(Transfer to listed companies)/transfer from non-listed companies	(279,330)	–	279,330	–	–	–
Transfer to subsidiaries	(41,343)	–	–	–	–	(41,343)
Fair value change during the Reporting Period	523,171	133,564	(92,240)	(246)	–	564,249
Disposals of shares	(20,804)	(135,722)	(83)	(1,404)	–	(158,013)
Exchange realignment	33,316	80,068	11,564	189	–	125,137
Ending Balance	4,722,313	4,918,663	304,237	2,680	20,000	9,967,893

Indebtedness

Borrowings

The Group had RMB2,112.9 million outstanding borrowings as of December 31, 2022, of which RMB1,868.2 million were short-term and RMB244.6 million were long-term. As of December 31, 2022, over 90% of our borrowings were denominated in RMB and 9% were US$ borrowings.

Gearing Ratio

Gearing ratio is calculated using interest-bearing borrowings from banks and other entities divided by total equity and multiplied by 100%, and it was 9.3% as of December 31, 2022.

Lease Liabilities

We had outstanding aggregated lease liabilities (for the remainder of relevant lease terms) of RMB606.7 million as of December 31, 2022, up 26.0% from RMB481.4 million as of December 31, 2021, primarily due to (i) the entering into new rental contracts for office use; (ii) the depreciation charges of existing leases; and (iii) the addition of lease liabilities from bolt-on acquisitions made by Frontage and DreamCIS. Of the aggregated lease liabilities as of December 31, 2022, RMB117.7 million were due within one year and RMB489.0 million would be due in more than one year.

1. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD (Continued)

Indebtedness (Continued)

Pledges over Assets of the Group

Other than disclosed in note 35(a) to the consolidated financial statements in this report, the Group had no pledges over assets of the Group as of December 31, 2022.

Contingent Liabilities

As of December 31, 2022, the Group had no contingent liabilities.

Capital Commitments

As of December 31, 2022, the Group had the total capital commitments entered but outstanding and not provided for in the financial statements amounting to approximately RMB777.0 million (December 31, 2021: approximately RMB1,619.0 million) and mainly included that not provided for the acquisition for the investments in the funds or companies was around RMB746.8 million (December 31, 2021: approximately RMB1,062.0 million).

In addition, the Group entered into a subscription agreement to subscribe 50% equity interests in an associate, Hangzhou Taikun in 2021. The Group has committed to invest additional capital in Hangzhou Taikun, amounting to RMB8.5 billion. The capital commitment by the Group shall be paid subject to the notice to be issued by the general partner of Hangzhou Taikun according to the capital needs of Hangzhou Taikun.

Significant Investments Held

As of December 31, 2022, saved for the investment as mentioned below, the Group did not hold any significant investments and none of the above-mentioned investments constituted a significant investment to our Group.

On July 12, 2021, Hangzhou Tigermed Equity Investment Partnership (Limited Partnership)* (杭州泰格股權投資合夥企業(有限合夥)) ("**Tigermed Equity**") and Hangzhou Tailong Venture Investment Partnership (Limited Partnership)* (杭州泰瓏創業投資合夥企業(有限合夥)) ("**Tailong Investment**"), the subsidiaries of the Company, entered into the partnership agreement with Hangzhou Industry Investment Co., Ltd.* (杭州產業投資有限公司) ("**HZ Industry Investment**") and HZ Hi-Tech Investment Co., Ltd.* (杭州高新創業投資有限公司) ("**HZ Hi-Tech Investment**") in relation to the formation of a fund, namely Hangzhou Taikun. The registered capital of Hangzhou Taikun shall be RMB20 billion, of which RMB200 million will be subscribed by Tailong Investment as the general partner, RMB9.8 billion will be subscribed by the Tigermed Equity 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.

1. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD (Continued)

Indebtedness (Continued)

Significant Investments Held (Continued)

Hangzhou Taikun was established on August 10, 2021 and became an associate of the Group. As of December 31, 2022, our Group has paid up RMB1,500 million of the registered capital of Hangzhou Taikun.

Hangzhou Taikun is principally engaged in investment activities focusing on innovative start-ups in the healthcare industry. In addition to direct strategic investments, Hangzhou Taikun also invests in equity investment and venture capital funds in healthcare industry.

The Company, through its subsidiaries, namely Tigermed Equity and Tailong Investment, holds 50.0% of equity interests of Hangzhou Taikun.

As of December 31, 2022, the carrying amount of our investment in Hangzhou Taikun was RMB1,530.7 million, accounting for 5.6% of the total assets of the Group.

As of December 31, 2022, Hangzhou Taikun had a net asset of RMB3,061.5 million, and generated a profit of RMB48.9 million during the Reporting Period. The Group did not receive any dividend in respect of its investment in Hangzhou Taikun during the Reporting Period.

By investing in Hangzhou Taikun, the Company's strong investment and financing platform can be utilized to, deepen its position in the biopharmaceutical field, promote the optimization of upstream and downstream industrial chain and in turn enhance the Company's core competitiveness. The Directors believe that such investment will be able to complement the Company's long term investment strategy.

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.

Saved as the significant investment mentioned above, the Company has no other future plans for material investments or capital assets.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

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

Treasury Policy

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

1. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD

(Continued)

Core Competence Analysis

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

1. **China's leading clinical CRO with comprehensive services and an expanding global footprint**

   We are the leading clinical CRO in China. Having worked with over 1,370 clinical trial sites with NMPA certification in China since our inception, we have developed one of the most extensive clinical site networks in China. Our industry expertise and enriched experiences, 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, real-world study and scientific affairs etc. 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 continuing efforts and investments into pioneering 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 a presence across the Asia-Pacific region, North America, Europe, Latin America and Africa. As of December 31, 2022, we have a team of over 1,400 professionals based overseas out of 50 countries to provide various clinical trials, clinical trial related and laboratory services, our operations cover all major continents. Combining our China expertise with our overseas presence, we have been entrusted by both Chinese and foreign customers to work on an increasing number of cross-border projects. As of December 31, 2022, we had 188 ongoing single region clinical trials overseas, primarily in South Korea, Australia and the U.S., up from 132 ongoing single region clinical trials overseas as of December 31, 2021. We also had 62 ongoing MRCTs as of December 31, 2022, compared with 50 ongoing MRCTs as of December 31, 2021. Our ongoing MRCTs were being conducted in Asia Pacific, North America, Europe, Africa and Latin America with various therapeutic areas including oncology, vaccine, respiratory, cardiovascular, endocrine, rheumatic immunization, infection and rare diseases etc.

1. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD (Continued)

Core Competence Analysis (Continued)

2. Industry-leading quality standards and project delivery capabilities

Excellent quality management is the solid foundation for clinical research. We adhere to a scientific, rigorous and professional attitude, follow the highest global standards, and constantly improve our quality management system. In 2022, we further strengthened our quality governance structure, refined the specific responsibilities of the Quality Management Committee (質量管理委員會), and mobilized sufficient resources to achieve the company's quality management goals. The Company's president serves as the first person in charge of the Quality Management Committee.

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 SOPs which are regularly updated by our quality assurance department to ensure compliance with applicable laws and regulations. In 2022, we have added and updated a total of 81 QSDs (quality standard documents, including SOP and WPD). We have realized the online management of the whole life cycle of QSD files, improved work efficiency and SOP accessibility, and provided more objective quality indicators and data measurements for quality assessment and identification. 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 and emerging therapies such as gene and cell therapies. Our track record has led to industry-wide recognition of the quality and speed of our services.

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

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

1. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD (Continued)

Core Competence Analysis (Continued)

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

Our talented and dedicated employees set us apart from our competitors. Their technical and therapeutic expertise, combined with extensive know-how accumulated in managing complex R&D projects, contribute to our long track record of high-quality and efficient project delivery. We focus on recruiting high-quality graduates from college and helping them grow within our organization, enriching our pool of potential talents. We cooperated with more than 23 colleges and universities, including Shenyang Pharmaceutical University (瀋陽藥科大學), Nanjing Medical University (南京醫科大學), Beijing University of Chinese Medicine (北京中醫藥大學) and Zhejiang Chinese Medical University (浙江中醫藥大學). Beijing Yaxincheng Medical InfoTech Co. Ltd. (北京雅信誠醫學信息科技有限公司) collaborated with Tsinghua University to open the "Entity Recognition in Biomedicine" (生物醫藥方向的實體識別) course. We collaborated with Xi'an Polytechnic University (西安工程大學) and Xi'an International Studies University (西安外國語學院) to establish practice bases. During the Reporting Period, we recruited more than 560 interns in clinical trial-related positions. To obtain a large pool of excellent potential talents, we have also jointly conducted training with other parties. We worked with Wenzhou Medical University (溫州醫科大學) to establish the Wenzhou Medical University Tigermed Research Institute (溫州醫科大學泰格研究院). We have also cooperated with Shenyang Pharmaceutical University (瀋陽藥科大學) to carry out scientific research projects to jointly train pharmaceutical professionals. We provided lecturers to Hangzhou Medical College (杭州醫學院) and Shanghai Sipo Polytechnic College (思博學院). At the same time, we also provide comprehensive training programs and clear career development paths to all employees.

We offer competitive compensation to our employees, including a variety of long-term share-based incentive schemes (including the 2022 Restricted Share Incentive Scheme 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.

1. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD (Continued)

Core Competence Analysis (Continued)

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. During the Reporting Period, seven out of our top 20 customers by revenue are top multi-national pharmaceutical companies and 14 out of our top 20 customers by revenue in 2022 are publicly listed. We also saw meaningful revenue growth from top domestic pharmaceutical companies, top multi-national pharmaceutical companies, and leading Chinese biotech companies by market capitalization during the Reporting Period.

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 focus on growing with our customers to develop long-term relationships. We have provided services for over five years to many of our top customers across a variety of service offerings. Our long-standing customer relationships not only provide strong stability and visibility to our future revenues, but also allow us to invest more in optimizing our offerings to meet evolving customer needs.

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 addressing 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). In 2023, we completed the acquisition of Marti Farm D.o.o, further enhancing our local expertise in Europe to expand our safety monitoring capabilities at a global level. 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.

1. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD (Continued)

Other Events

1. On December 29, 2021 (New York time), Frontage Laboratories, Inc. ("**Frontage Labs**") as the purchaser entered into a membership interest purchase agreement (the "**Agreement**") with (i) shareholders of Experimur LLC ("**OpCo**") and of Experimur Properties LLC ("**PropertyCo**") (collectively as the "**Sellers**"); (ii) Nabil Hatoum (being Sellers' representative); (iii) Experimur Holdings Inc.; and (iv) OpCo, Experimur Intermediate LLC ("**Experimur Intermediate**"), and PropertyCo (collectively as the "**Targets**"), pursuant to which the Sellers agreed to sell and Frontage Labs agreed to purchase 100% of the equity interests of each of the OpCo, Experimur Intermediate and PropertyCo for a total cash consideration of up to US$76,000,000 in accordance with the terms and conditions of the Agreement.

   The closing of the acquisition took place on January 10, 2022 (New York time). Immediately following the closing of the acquisition, the Targets have become indirect subsidiaries of the Company and the financial results, assets and liabilities of Targets have been consolidated into the consolidated financial statements of the Group.

   Please refer to the announcements of Frontage dated December 30, 2021 and January 11, 2022 for details.

2. On January 4, 2022, Mr. Wang Ruwei tendered his resignation as the vice general manager of the Company due to adjustment of his work arrangement. Following his resignation, Mr. Wang Ruwei will still hold other positions in the subsidiaries of the Group. Please refer to the announcement of the Company on January 4, 2022 for details.

3. On February 11, 2022, the Company convened the twenty-first meeting of the fourth session of the Board to consider and approve the "Resolution on the Share Repurchase Plan of the Company" (《關於回購公司股份方案的議案》), pursuant to which, the Company planned to conduct share repurchase with its own funds or self-raised funds. The total amount of funds for share repurchase shall not be less than RMB250,000,000 and not more than RMB500,000,000, and the price for share repurchase shall not exceed RMB120.00 per A Share. Such portion of shares repurchased will be used for subsequent equity incentive plans or employee stock ownership plans. The term of the share repurchase shall be 12 months from the date of consideration and approval of the share repurchase plan by the Board. As at the date of this report, the Company repurchased a total of 3,909,800 A Shares through the special securities account for share repurchase by centralized price bidding. The cumulative number of A Shares repurchased accounted for 0.4481% of the total Share capital of the Company. The highest and lowest trading prices were RMB102.39 per A Share and RMB79.01 per A Share, respectively. The total transaction amount was approximately RMB369,387,999 (excluding transaction costs). Please refer to the announcement of the Company on February 13, 2022 and the next day disclosure returns of the Company on February 15, 2022, February 16, 2022, February 17, 2022, February 18, 2022, February 21, 2022, February 22, 2022, February 23, 2022, April 28, 2022, April 29, 2022, May 17, 2022, May 19, 2022 and May 26, 2022 for details.

1. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD (Continued)

Other Events (Continued)

4. On March 15, 2022, the Group acquired entire equity interests of Meditip Co., Ltd ("**Meditip**") for cash consideration of KRW20,091,556,000 (equivalent to RMB105,400,000). Meditip is principally engaged in providing bio products and medical devices through licensing, insurance, clinical work, follow-up management, discovery of distributors, and market preliminary research of domestic and world leading bio companies of successful development and commercialization.

   Please refer to the announcement of DreamCIS dated March 15, 2022 for details.

5. On March 28, 2022, the Company convened the twenty-second meeting of the fourth session of the Board and the fifteenth meeting of the fourth session of the Supervisory Committee to approve the "Resolution on the Partial Repurchase and Cancellation of the 2019 Restricted Shares" (《關於回購註銷部分2019年限制性股票的議案》), pursuant to which the Company will repurchase the restricted Shares granted to two of the 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 three of the incentive participants who are the objects 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 was approved by the Shareholders at the annual general meeting of the Company (the "**2021 AGM**"), the 2022 First A Share class meeting of the Company and the 2022 First H Share class meeting of the Company on May 20, 2022. Please refer to the announcements of the Company dated March 28, 2022 and May 20, 2022 for details. The aforementioned repurchase and cancellation of a total of 20,144 restricted Shares were completed on October 20, 2022.

6. On March 28, 2022, the Company convened the twenty-second meeting of the fourth session of the Board to approve the proposed change of registered capital of the Company (the "**Proposed Change of Registered Capital**") and the proposed amendments to the articles of association of the Company (the "**Proposed Amendments to the Articles of Association**") 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 of Registered Capital and Proposed Amendments to the Articles of Association were approved by the Shareholders at the 2021 AGM, the 2022 First A Share class meeting of the Company and the 2022 First H Share class meeting of the Company on May 20, 2022. Please refer to the announcements of the Company dated March 28, 2022 and May 20, 2022 for details.

1. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD (Continued)

Other Events (Continued)

7. On March 28, 2022, the Company convened the twenty-second meeting of the fourth session of the Board to approve the proposed change in use of proceeds from the global offering of the Company ("**Proposed Change in Use of Proceeds**"). The resolution on the Proposed Change in Use of Proceeds was approved by the Shareholders at the 2021 AGM. Please refer to the announcements of the Company dated March 28, 2022 and May 20, 2022 for details.

8. On March 28, 2022, the Company convened the twenty-second meeting of the fourth session of the Board and the fifteenth meeting of the fourth session of the Supervisory Committee to consider and approve the "Resolution on 2022 H Share Appreciation Incentive Scheme of Hangzhou Tigermed Consulting Co., Ltd. (Draft)" (《關於<杭州泰格醫藥科技股份有限公司2022年H股股票增值權激勵計劃(草案)>的議案》) and the "Resolution on Requesting the General Meeting of Shareholders of the Company to Authorize the Board to Handle Matters Regarding the 2022 H Share Appreciation Incentive Scheme" (《關於提請公司股東大會授權董事會辦理2022年H股股票增值權激勵計劃相關事宜的議案》). On May 9, 2022, the Company convened the twenty-fifth meeting of the fourth session of the Board to terminate the H Share Appreciation Incentive Scheme and withdraw the relevant proposed resolutions for Shareholders' approval at the 2021 AGM. Please refer to the announcements of the Company dated March 28, 2022 and May 9, 2022 for details.

9. On March 28, 2022, the Company convened the twenty-second meeting of the fourth session of the Board, the congress of workers and staff and the fifteenth meeting of the fourth session of the Supervisory Committee to consider and approve the "Resolution on 2022 A Share Employee Share Ownership Plan of Hangzhou Tigermed Consulting Co., Ltd. (Draft) and its summary" (《關於<杭州泰格醫藥科技股份有限公司2022年A股員工持股計劃(草案)>及其摘要的議案》), the "Resolution on Administration of 2022 A Share Employee Share Ownership Plan of Hangzhou Tigermed Consulting Co., Ltd." (《關於<杭州泰格醫藥科技股份有限公司2022年A股員工持股計劃管理辦法>的議案》) and the "Resolution on Requesting the General Meeting of Shareholders to Authorize the Board to Handle Matters Regarding the 2022 A Share Employee Share Ownership Plan" (《關於提請股東大會授權董事會辦理公司2022年A股員工持股計劃有關事項的議案》). On April 1, 2022, the Company convened the twenty-third meeting of the fourth session of the Board to consider and approve the adjustments to mechanisms for not achieving performance appraisal requirements at company level under the 2022 A Share Employee Share Ownership Plan and related supporting documentation including the Administrative Measures for the 2022 A Share Employee Share Ownership Plan of Hangzhou Tigermed Consulting Co., Ltd. On May 9, 2022, the Company convened the twenty-fifth meeting of the fourth session of the Board to terminate the 2022 A Share Employee Share Ownership Plan and withdraw the relevant proposed resolutions for Shareholders' approval at the 2021 AGM. Please refer to the announcements of the Company dated March 28, 2022, April 1, 2022 and May 9, 2022 for details.

1. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD (Continued)

Other Events (Continued)

10. On June 10, 2022, the Company convened the twenty-sixth meeting of the fourth session of the Board to approve the amendments to the terms of reference of the Audit Committee. Please refer to the announcement of the Company dated June 10, 2022 for details.

11. On June 27, 2022, the Company convened the twenty-seventh meeting of the fourth session of the Board to consider and approve the appointment of Ms. Ho Yin Kwan in place of Ms. Jeanie Lau as the company secretary of the Company 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 the purpose of accepting services of process and notices on the Company's behalf in Hong Kong under Rule 19A.13 of the Listing Rules, and an authorized representative of the Company for the purpose of Rule 3.05 of the Listing Rules. Please refer to the announcement of the Company dated June 27, 2022 for details.

12. On July 27, 2022 (New York time), Frontage Labs, a subsidiary of the Company, entered into a share purchase agreement with shareholders (the "**Frontage Clinical Sellers**") of Frontage Clinical Services, Inc. ("**Frontage Clinical**"), a FVTPL of the Group, pursuant to which the Frontage Clinical Sellers agreed to sell and Frontage Labs agreed to purchase 88.1% of the equity interests in Frontage Clinical for a cash consideration of approximately US$13,215,000 in accordance with the terms and conditions of the share purchase agreement.

    Immediately following the completion of the acquisition, Frontage Clinical became an indirect subsidiary of the Group and the financial results, assets and liabilities of Frontage Clinical has been consolidated into the consolidated financial statements of the Group.

    Please refer to the announcements of Frontage dated July 28, 2022 and August 2, 2022 for details.

13. With effect from August 15, 2022, the address of the Hong Kong H Share Registrar and Transfer Office of the Company, Tricor Investor Services Limited, has been changed to 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong. Please refer to the announcement of the Company dated August 12, 2022 for details.

14. Mr. Wu Baolin tendered his resignation as the employee supervisor of the fourth session of the Supervisory Committee due to his intention to devote more time on his own duties with effect from August 25, 2022. Following his resignation, Mr. Wu Baolin will still hold other positions in the Company. Ms. Lou Wenqing has been elected as the employee supervisor of the fourth session of the Supervisory Committee with a term commencing from August 25, 2022 until the expiry of the fourth session of the Supervisory Committee. Please refer to the announcement of the Company dated August 25, 2022 for details.

1. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD (Continued)

Other Events (Continued)

15. On October 21, 2022, the Company convened the twenty-ninth meeting of the fourth session of the Board to consider and approve the appointment of Ms. Yang Chengcheng in place of Ms. Cao Xiaochun as the chief financial officer of the Company. Please refer to the announcement of the Company dated October 21, 2022 for details.

16. On October 25, 2022, the Company convened the thirtieth meeting of the fourth session of the Board and the nineteenth meeting of the fourth session of the Supervisory Committee to consider and approve the "Resolution on 2022 Restricted A Share Incentive Scheme (Draft) of the Company and its summary" (《關於公司<2022年A股限制性股票激勵計劃(草案)>及其摘要的議案》), "Resolution on the Management Measures for Assessment Relating to the Implementation of the 2022 Restricted A Share Incentive Scheme of Hangzhou Tigermed Consulting Co., Ltd." (《關於<杭州泰格醫藥科技股份有限公司2022年A股限制性股票激勵計劃實施考核管理辦法>的議案》), "Resolution on Requesting the General Meeting of Shareholders of the Company to Authorize the Board to Handle Matters Regarding the 2022 Restricted A Share Incentive Scheme" (《關於提請股東大會授權董事會辦理公司2022年A股限制性股票激勵計劃有關事項的議案》). The aforesaid resolutions were approved by the Shareholders at the 2022 first extraordinary general meeting of the Company on November 23, 2022.

    Please refer to the announcements of the Company dated October 25, 2022, November 23, 2022 and the circular of the Company dated November 3, 2022 for details.

17. On November 25, 2022, the Company convened the thirty-first meeting of the fourth session of the Board and the twentieth meeting of the fourth session of the Supervisory Committee to consider and approve the "Resolution on Adjustment to the List of Participants and the Number of Restricted Shares Granted under the First Grant of the 2022 Restricted A Share Incentive Scheme of the Company" (《關於調整公司2022年A股限制性股票激勵計劃首次授予激勵對象名單和授予數量的議案》) and "Resolution on the First Grant of Restricted Shares to Participants under the 2022 Restricted A Share Incentive Scheme" (《關於向2022年A股限制性股票激勵計劃激勵對象首次授予限制性股票的議案》), pursuant to which the Board agreed to cancel the qualifications of the 11 employees (among which seven resigned participants were no longer within the scope of the participants and four participants have waived their subscription for all the 2022 Restricted Shares to be granted to them by the Company due to personal reasons) to be granted the 2022 Restricted Shares. After the above adjustments, the total number of 2022 Restricted Shares to be granted under the 2022 Restricted Share Incentive Scheme was adjusted from 7,105,590 to 6,829,784; the number of 2022 Restricted Shares to be granted under the first grant was adjusted from 6,355,590 to 6,079,784; the number of participants of the first grant of 2022 Restricted Shares was adjusted from 828 to 817; and the reserved portion of the 2022 Restricted Shares remained as 750,000. 6,079,784 of 2022 Restricted Shares (being ordinary A Shares repurchased by the Company in the secondary market) were granted to 817 participants with a grant price of RMB69 per Share under first grant of 2022 Restricted Shares. Please refer to the announcement of the Company dated November 25, 2022 for details.

2. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY

Industry and Business Outlook

We envision a continued and rapid growth of the global clinical CRO industry driven by the continuously increasing R&D expenditures and growing market demand for innovative drugs and medical devices, as well as continuing demand for R&D risks and cost reduction. According to Frost & Sullivan, the global R&D CRO market size grew from US$52.54 billion to US$75.94 billion between 2017 and 2021. With global drug R&D expenditures continuously increasing year by year, the global CRO market is expected to grow at a CAGR of 10.8% in the next five years and is expected to reach US$126.99 billion in 2026. The global clinical CRO market grew from US$34.62 billion in 2017 to US$50.17 billion in 2021, with a CAGR of 9.7%, and is expected to reach US$78.04 billion in 2026 with a CAGR of 9.2%.

China's CRO market size is expected to grow faster than other markets and is gradually shifting to an innovation-driven pharmaceutical industry, driven by China's large and aging population, the public's increasing demand for health, and the government's policies endorsing innovative drug R&D. From 2017 to 2021, the size of China's CRO market grew from RMB28.97 billion to RMB64.78 billion, with a CAGR of 22.3%. The market will reach RMB190.42 billion in 2026 at a CAGR of 24.1%. The size of China's clinical CRO market grew from RMB15.70 billion in 2017 to RMB32.65 billion in 2021, with a CAGR of 20.1%. The market is expected to grow at a CAGR of 26.0% to RMB103.75 billion in 2026.

In August 2015, the State Council of the PRC (國務院) issued the "Opinions on Reforming the Review and Approval System of Drugs and Medical Devices" (關於改革藥品醫療器械審評審批制度的意見). In October 2017, the General Office of the Central Committee of the Communist Party of China (中共中央辦公廳) and the General Office of the State Council (國務院辦公廳) issued and implemented the "Opinions on Deepening the Reform of the Review and Approval System and Encouraging Innovation in Drugs and Medical Devices" (關於深化審評審批制度改革鼓勵藥品醫療器械創新的意見). These policies intend to encourage clinical value-oriented drug innovation, optimize the review and approval procedures for innovative drugs, shorten the review time period of clinically urgent innovative drugs, carry out the pilot program of the drug marketing license holder system (藥品上市許可持有人制度試點) and optimize clinical trial management. The reform of review and approval continues, bringing China's technical standards for drug review and approval standards in line with international standards, forming a positive domestic incentive for industrial innovation, and appreciating the value of innovative drug R&D. These lead to a significant increase in the number of China's clinical trial registration, first-time IND and NDA declarations of innovative drugs, innovative drugs approved for marketing, and approved domestic innovative medical devices. Taking the number of China's new drug clinical trial applications as an example, the number of drug clinical trial registrations exceeded 3,000 for the first time in 2021, with a total of 3,358 clinical trials, of which the number of new drug clinical trials was 2,033, an increase of 38.0% over the number of registrations in 2020.

2. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY (Continued)

Industry and Business Outlook (Continued)

After joining the ICH in 2017, NMPA was elected as a member of the ICH Management Committee the following year. By the end of 2022, the implementation of the ICH guiding principles conversion was basically completed. China continuously deepens its regulatory reform, improving its new drug review system and clinical trial-related management system, as well as the construction of a system of technical guiding principles. This has gradually brought the application, review and implementation of China's clinical trials in line with international standards. The government is also actively encouraging multinational pharmaceutical companies to conduct their clinical trials of new drugs in China as well as promoting China's innovative drugs to be marketized overseas. Looking forward, the market demand for international MRCTs initiated and participated in by China will continue to grow, driven by policy endorsement, demographic advantages, lower costs, and the globalization trend of China's pharmaceutical companies and their innovative drugs.

In 2022, the Chinese regulatory authorities have continued to improve their regulatory reform to support the innovative development of the pharmaceutical industry. The "14th Five-Year Plan" on Pharmaceutical Industry Development Plan ("十四五"醫藥工業發展規劃) proposes an average annual increase of more than 10% in R&D investment, promoting the development of innovative drugs and high-end medical equipment. The "14th Five-Year Plan" for the Development of Bioeconomy ("十四五"生物經濟發展規劃) lists biomedicine as one of the four key areas of bioeconomy and makes special arrangements for promoting the development of the healthcare industry. The "14th Five-Year Plan for National Drug Safety and Promotion of High-quality Development" ("十四五"國家藥品安全及促進高品質發展規劃) proposes that by 2025, the overall drug regulatory capabilities will be closely matched to the international advanced level. The regulatory environment supporting the high-quality development of the industry will be further optimized, innovative drugs with clinical value will be marketized faster, the simultaneous domestic and overseas R&D application of new drugs will be encouraged, and the ability to review and approve innovative products will be strengthened to advocate simultaneous review and approval of global innovative drugs and to support the simultaneous listing of new overseas drugs in China, allowing patients to gradually enjoy the global pharmaceutical innovation achievements simultaneously. In 2035, the drug supervision capabilities and the drug supervision technology support capabilities will reach the international advanced level, effectively promoting the prevention of major, infectious diseases and the treatment of difficult and complicated diseases as well as rare diseases. The drugs' innovative R&D capabilities will reach the international advanced level.

2. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY (Continued)

Industry and Business Outlook (Continued)

The "Drug Administration Law" (藥品管理法) came into effect in December 2019. The latest "Revised Draft of the Drug Administration Law and its Implementing Regulations (Draft for Comments)" (藥品管理法實施條例修訂草案(徵求意見稿)) further clarifies the scope of drugs' R&D intellectual property rights protection, supporting any patent disputes to be resolved during drugs' pre-marketized phases. Policies such as "Technical Guiding Principles for the Applicability of Single-Arm Clinical Trials to Support the Marketing Application of Antineoplastic Drugs" (單臂臨床試驗用於支援抗腫瘤藥上市申請的適用性技術指導原則), "Acceleration of the Review Procedures of Listing Applications of Innovative Drug by the Center for Drug Evaluation (Trial) (Draft for Comments)" (藥審中心加快創新藥上市申請審評工作程序(試行)(徵求意見稿)), and " Technical guidelines for protocol changes during drug clinical trials (Trial)"(藥物臨床試驗期間方案變更技術指導原則(試行)) continue to improve new drug clinical trial, registration and application, and review and approval, encouraging innovative drugs to be marketized faster. Policies such as "Technical Guiding Principles for Benefit-Risk Assessment of New Drugs" (新藥獲益－風險評估技術指導原則), "Guiding Principles for General Considerations of Organizing Patients to Participate in Drug Research and Development (Trial)" (組織患者參與藥物研發的一般考慮指導原則(試行)), and the series of technical guidelines (including benefit-risk assessment, design and implementation) of patient-centered clinical trials emphasize the importance of patient-centered and clinical value-oriented clinical trials, setting higher standards for new drug innovation. The regulatory authorities further optimized and improved new drug R&D policies, promoting the restructuring of China's pharmaceutical industry and shifting the focus of R&D to innovation and upgrading.

The "Measures for the Administration of Drug Registration"(藥品註冊管理辦法) implemented in July 2020 also clarifies four accelerated market registration procedures to encourage drug innovation, namely, breakthrough therapeutic drugs, conditional approval, priority review and approval, and special approval procedures (突破性治療藥物、附條件批准、優先審評審批及特別審批程序). The series of policies mentioned above encourages pharmaceutical companies to plan to accelerate the speed and enhance the success rate of new drugs R&D. CROs with a complete industrial chain and enriched project experiences will get more orders.

A series of national plans and policies such as China's "14th Five-Year Plan for the development of the pharmaceutical industry and medical equipment industry" ("十四五"醫藥工業和醫療裝備產業發展規劃), "Conditions and Record Filing Administrative Measures of Medical Device Clinical Trial Institutions" (醫療器械臨床試驗機構條件和備案管理辦法), "Medical Device Administration Regulations" (醫療器械監督管理條例), and "Medical Device Priority Approval Procedures" (醫療器械優先審批程序) endorse China's medical device industry growth and innovations.

2. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY (Continued)

Industry and Business Outlook (Continued)

According to the prediction of Frost & Sullivan, China's medical device market in 2021 is about RMB834.8 billion and the CAGR from 2017 to 2021 is 17.7%. In 2025 and 2030, China's medical device market is expected to reach RMB1,244.2 billion and RMB1,660.6 billion respectively, with a CAGR of 10.2% from 2021 to 2025 and 5.9% from 2025 to 2030.

The growth of the medical device market and the rapid growth of the medical device CRO market are driven by factors such as the increase in market demand for domestic medical devices, the trend of replacing imported medical devices with domestic medical devices, government's supporting policies such as centralized procurement of large-scale medical equipment, and policies such as the "Technical Guiding Principles for Clinical Evaluation of Medical Devices"(醫療器械臨床評價技術指導原則) and " Quality Management Standards for Clinical Trials of Medical Devices" (醫療器械臨床試驗品質管理規範) that further standardized medical device clinical trials' application, review and approval, and implementation.

With industry upgrades and globalization trends, China's regulatory authorities pay special attention to the protection of patients' safety, rights, and interests, as well as the enhancement of clinical trial quality. Due to continual R&D investment, long R&D process, and increasing difficulty and complexity of R&D projects, pharmaceutical companies' willingness to outsource remains strong. The demand for services such as reliable new drug R&D plans, mature process management, strict compliance operation system, optimized clinical trial plan and well-controlled personnel costs continues to increase. We believe that we will continue to build our competitive advantages and maintain our first-class industry competitiveness with our extensive clinical project experiences, strong adaptability of innovative technology, ability to provide efficient, diversified, and high-quality one-stop CRO services, empowerment of new digital technologies, and global large-scale clinical trial project management capabilities.

In recent years, China's regulatory policies have further standardized the management of drugs' entire life cycle, including post market research, pharmacovigilance, real-world studies, and risk management, driving the demand for emerging business services.

Integrating innovation with digital technology is the direction for the future development of the pharmaceutical industry. We are actively exploring innovative models of digitalization and empowering innovative pharmaceutical companies with our digital transformations. With the trend of conducting digitalized, intelligent and decentralized clinical trials, we continue to develop and optimize our digital services. Through our in-house R&D, cooperative research, and the usage of advanced technology tools from the industry, the Company digitalizes the entire process of clinical research from multiple dimensions. Through digitalization, we build a patient-centered, intelligent, and all-in-one platform with an ecosystem that integrates the hospitals, the patients, and the CRO. We have also built solutions and supporting systems suitable for MRCTs in China and the world, improving clinical research quality by supporting every stage of clinical research to reduce communication costs, improve operational efficiency, and enhance data accuracy.

2. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY (Continued)

Industry and Business Outlook (Continued)

With the advancement of digital technology, the use of DCTs has come into practice. DCTs, based on the patient-centered concept, use new technologies such as digitization to perform some or all clinical trial related procedures remotely in multiple scenarios. This involves telemedicine and digital technology application, consisting of a hybrid of technologies such as intelligence, digitalization, and communication. One of the main advantages of using DCTs is to reduce the burden on patients (such as reducing the impact on patients' normal life, work, and study due to participation in clinical trials and reducing traveling and accompanying costs for patients with travel difficulties). This will provide more clinical trial opportunities for patients, improve the quality of clinical trials through digital technology, and ensure emergency measures for clinical trials.

As an integrated pharmaceutical R&D service platform, we are committed to expanding our clinical research service capabilities, constantly exploring innovative solutions, providing customers with high-quality services, and meeting customers' diversified needs. We are actively exploring innovative models of digitalization, attaining a number of achievements and empowering innovative pharmaceutical companies with our digital transformations. Our centralized digital clinical trial platform Tailinyan (泰臨研), an all-in-one platform, comprises CTMS, EDC, ESR, CTRM, eTMF, RBQM system and E-Site. RBQM, based on risk assessments, enhance patients' safety and data quality.

In September 2022, the Company successfully released RBQM (Phase II). RBQM (Phase II) features functions such as centralized surveillance of data analysis, risk visualization, and risk mitigations, advocating better quality and risk management. The system also meets higher level of compliance considerations and ensures better protection of the privacy and integrity of data.

At the beginning of 2023, the Company set up a DCT department, which is responsible for developing DCTs' strategy, launching pilot projects, and implementation. In the future, we aim to continue to develop new models of decentralized and intelligent clinical trial services in combination with big data and digitalization.

We cannot grow our business without the support from our customers. We have a high-quality and diversified customer base. In 2022, seven out of our top 20 customers are large multi-national pharmaceutical companies (with more than US$20 billion sales in 2022), and 14 are listed companies. Looking ahead, we will continue to deepen our relationships with existing customers by expanding our service offerings through diversified collaborations, leveraging our extensive project experience across different R&D stages and various therapeutic areas. Moreover, we will continue to invest in and incubate promising early-stage biotech and medical device companies to drive their development, which will provide us with access to potential customers and business opportunities while obtaining potential investment income. We also aim to further expand 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, enhance the expertise and customer reach of our business development team, and equip them with more technical and service resources to further attract and serve new customers across different fields and markets.

2. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY (Continued)

Industry and Business Outlook (Continued)

We have always been committed to high standards and healthy development of the clinical research industry, and actively carry out industry conferences to share our thinking and experiences. In 2022, the Company participated in conferences such as the DIA China Annual Meeting (DIA中國年會), the PharmaDJ Clinical Development Leaders' Summit (研發客臨床年會) and the 11th China Rare Disease Summit (第十一屆中國罕見病高峰論壇). In addition, we participated in the compilation of the "China's Smart Health Care Blue Paper (2022)" (中國智慧健康醫療藍皮書(2022)) and our jointly compiled "A Guide for Drug Clinical Trial Patients" (藥物臨床試驗受試者小寶典) was published in March 2022. We also actively organize and participate in industry cooperation projects, share our practical experience to help the industry innovate and develop, and jointly explores the industry's future development.

Potential Risks

1. **Risk of force majeure events, natural disasters or outbreaks of other epidemics and contagious diseases, and other emergencies**

   Our business operations, financial condition and results of operations will be adversely affected by the potential force majeure events, natural disasters or outbreaks of other epidemics and contagious diseases, and other emergencies. Furthermore, we may in the future experience additional disruptions that could materially and adversely impact our projects, business, financial condition and results of operations. These additional disruptions may also have the effect of heightening certain other risks, such as those relating to our ability to attract and retain customers, our ability to 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 of the impact to our business will depend on future developments, which are uncertain and unpredictable at the moment.

   We have formulated a business continuity management plan to facilitate the recovery of key operations, functions and technologies before, during and after emergencies or destructive events in a timely and organized way, so as to enable our Group to develop its business on a feasible and stable basis. However, if our business continuity management 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. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY (Continued)

Potential Risks (Continued)

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 as a result of decreased cash flows generated by companies or decreased willingness in investment by external investors, 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/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.

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 or new competitors, 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.

2. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY (Continued)

Potential Risks (Continued)

5. **Risk of failure in business expansion and strategy implementation**

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

6. **Risk of failure in complying with existing or future changes in laws, regulations or industry standards**

   Government agencies and industry regulatory bodies around the world impose strict 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 the Company performs for its customers and its diverse geographic coverage, the Company is subject to various applicable legal and regulatory requirements around the world. In addition, the Company has attached great importance to comply with laws, regulations and industry standards during its operations and will continue to invest in the enhancement of our quality management system and compliance procedures. If the Company fails to comply with any laws, regulations or industry standards in the future in geographies where it operates, its business, financial condition and results of operations will be materially and adversely affected. Further, regulatory authorities may from time to time change their legal and regulatory requirements. Therefore, if the Company's existing quality management system and compliance procedures fail to adequately meet new legal and regulatory requirements, the Company 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 its business, financial condition and results of operations. In addition, if there are any action taken against the Company by governmental regulators for violating the relevant laws, regulations or industry standards, even if successfully defended or settled in the end, could cause the Company to incur relevant legal expenses, divert management's attention from the operation of the Company's business and adversely affect its reputation, business, financial condition and results of operations.

2. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON 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 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.

2. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY (Continued)

Potential Risks (Continued)

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

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 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.

2. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY (Continued)

Potential Risks (Continued)

12. Risk of talent loss

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.

13. Risk 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 RMB1,815.4 million and RMB549.7 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 and received dividends from financial assets at FVTPL of a total of RMB126.2 million and RMB3.5 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 US$. If RMB appreciates significantly against US$, 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.

2. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY (Continued)

Potential Risks (Continued)

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 geopolitical tensions, international conflicts, wars, sanctions, 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, capital markets where our shares are listed and traded, as well as our overseas expansion, our ability to raise additional capital, our financial condition and results of operations.

Relationship with Employees

The number of our employees increased to 9,233 as of December 31, 2022 from 8,326 as of December 31, 2021. 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 December 31, 2022, our overseas employees were based out of 50 countries and regions across 5 continents.

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 at the time when the incentives were awarded. In addition, we invest in continuing education and training programs, including internal and external training, for our management staff and other employees to upgrade their skills and knowledge.

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

Relationship with Customers and Suppliers

We provided services to our customers in 2022 as we continued to deepen our partnerships with existing customers and attract new customers. Our talents are most crucial to our ability to provide consistent high-quality services to customers and which enable us to enjoy a high level of customer loyalty and have developed long-term relationships with many of our customers. We procure a variety of consumables and equipment, mainly for our clinical trial solutions and clinical related and laboratory services. Such supplies are generally available from various suppliers in quantities adequate to meet our needs. Our suppliers are primarily located in China or the United States, including those with local offices and operations in China. We have established stable relationships with many of our key suppliers.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Directors

The Board currently comprises seven (7) Directors, of which four (4) are executive Directors and three (3) are independent non-executive Directors. The following table sets forth information in respect of our Directors:

Name	Position	Age	Date of Appointment as Director
Dr. Ye Xiaoping (葉小平)	Chairman of the Board Executive Director	60	September 18, 2010
Ms. Cao Xiaochun (曹曉春)	Executive Director	54	September 18, 2010
Ms. Yin Zhuan	Executive Director	58	September 18, 2010
Mr. Wu Hao (吳灝)	Executive Director	55	October 15, 2021
Mr. Zheng Bijun (鄭碧筠)	Independent non-Executive Director	54	August 23, 2017
Dr. Yang Bo (楊波)	Independent non-Executive Director	52	April 22, 2020
Mr. Liu Kai Yu Kenneth (廖啟宇)	Independent non-Executive Director	54	April 22, 2020

Supervisors

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

Name	Position	Age	Date of Appointment as Supervisor
Mr. Zhang Binghui (張炳輝)	Chairman of the Supervisory Committee	60	April 22, 2020
Ms. Chen Zhimin (陳智敏)	Supervisor	63	April 22, 2020
Ms. Lou Wenqing (樓文卿)	Employee Supervisor	30	August 25, 2022

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Executive Directors

Dr. Ye Xiaoping (葉小平), aged 60, is the chairman of the Board, an executive Director and co-founder of our Company. Dr. Ye was appointed as the chairman of the Board and a Director since the incorporation of our Company in September 2010 and designated as an executive Director in April 2020. From September 2010 to April 2019, Dr. Ye served as the general manager of our Company. From March 2005 to September 2010, Dr. Ye served successively as manager, director and general manager at Hangzhou Tigermed Limited, the predecessor of our Company. Dr. Ye is primarily responsible for the overall strategic planning of our Group and supervising and overseeing the management of our business. Dr. Ye is the chairman of the Strategy Development Committee of our Company. Dr. Ye possesses extensive experience in biopharmaceutical R&D and strategic planning. Dr. Ye received his doctorate in immunology degree from University of Oxford in April 2001.

Dr. Ye served as a director of Dian Diagnostics Group Co., Ltd. (迪安診斷技術集團股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code: 300244) from September 2020 to December 2022 and Coland Holdings Limited (康聯控股有限公司) (a company listed on the Taiwan Stock Exchange with stock code: 4144, but ceased to be listed on the Taiwan Stock Exchange on October 30, 2020) since December 2010. He served as an independent non-executive director of HBM Holdings Limited (和鉑醫藥控股有限公司) (a company listed on the Stock Exchange with stock code: 2142) since December 2020. From October 2011 to January 2020, Dr. Ye served as a director of Shanghai Lide Biotech Co., Ltd. (上海立迪生物技術股份有限公司) (National Equities Exchange and Quotations stock code: 838848), the shares of which ceased to be listed on the National Equities Exchange and Quotations in April 2019.

Ms. Cao Xiaochun (曹曉春), aged 54, is our executive Director, co-founder and general manager. Ms. Cao was appointed as a deputy general manager in September 2010 and was later appointed as the general manager in April 2019. She was designated as an executive Director in April 2020. From September 17, 2021 to October 21, 2022, she served the chief financial officer of the Company. From November 2010 to May 2019, Ms. Cao served as secretary to the Board of our Company. Ms. Cao served as executive director and director successively from January 2005 to September 2010 of Hangzhou Tigermed Limited, the predecessor of our Company. Ms. Cao is primarily responsible for overseeing our Group's operations and management. Ms. Cao is a member of the Remuneration and Evaluation Committee of our Company. Ms. Cao possesses extensive experience in biopharmaceutical R&D and business operations and management.

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

Ms. Yin Zhuan, aged 58, is our executive Director and deputy general manager. Ms. Yin was appointed as our Director and deputy general manager in September 2010 and designated as an executive Director in April 2020. Ms. Yin is primarily responsible for overseeing our data management and statistical analysis businesses. Ms. Yin is a member of the Nomination Committee of our Company.

Ms. Yin has years of experience in the field of biostatistics and has extensive management experience. She also has considerable experience regarding the review of new drugs, particularly cancer-related drugs. Prior to joining our Group, Ms. Yin served at AstraZeneca LP as a biostatistician, senior biostatistician and associate director of biostatistician from 1995 to 2003. Ms. Yin founded and served as the chairman or executive director of MacroStat from October 2005 to November 2009. Ms. Yin has been a non-executive director of Frontage Holdings Corporation since June 1, 2022.

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

Mr. Wu Hao (吳灝), aged 55, joined the Group in January 2020 and is currently an executive Director and the co-president of our Company. Mr. Wu is a member of the Strategy Development Committee of our Company.

Mr. Wu has over 17 years of experience in the pharmaceutical industry and has extensive marketing and managerial experience. Prior to joining the Group, Mr. Wu served successively as sales manager and a product/project manager of Schering Plough Pharmaceutical Co., Ltd.* (先靈葆雅製藥有限公司) from August 1994 to October 1999, product manager of Shanghai Roche Pharmaceutical Co., Ltd.* (上海羅氏製藥有限公司) from October 1999 to December 2002, marketing director of Eisai China Inc.* (衛材(中國)製藥有限公司) from January 2003 to July 2007, director of marketing and business development department of SciClone International Pharmaceutical Co., Ltd.* (賽生國際製藥有限公司) from August 2007 to January 2009 and the general manager of Meixin Insurance Broker (Shanghai) Co., Ltd. (美信保險經紀(上海)有限公司) from March 2010 to January 2020. Mr.Wu has been a non-executive director of Frontage Holdings Corporation since June 1, 2022.

Mr. Wu obtained his bachelor's degree in clinical medicine from Shanghai Jiao Tong University School of Medicine (formerly known as Shanghai Second Medical University) in 1992 and an EMBA degree from China Europe International Business School in 2009.

Independent non-executive Directors

Mr. Zheng Bijun (鄭碧筠), aged 54, is our independent non-executive Director. Mr. Zheng joined our Company and was appointed as an independent non-executive Director in June 2017. Mr. Zheng is primarily responsible for providing independent opinion and judgment to the Board, thereby protecting the overall interest of our Company. Mr. Zheng is the chairman of the Remuneration and Evaluation Committee, member of the Audit Committee and member of the Strategy Development Committee of our Company. Mr. Zheng has been practicing as a lawyer in the PRC for 13 years and has served as a partner of DeHeng Law Offices (北京德恒律師事務所) since October 2007. Mr. Zheng obtained his graduation certificate in finance from Lanzhou University of Finance and Economics (蘭州財經大學), formerly known as Lanzhou Business School (蘭州商學院) in June 1992 and obtained an executive master of business administration degree from Tsinghua University (清華大學) in January 2018. Mr. Zheng obtained his qualification as a financial economist in November 1998 issued by the Human Resources Department of the PRC (中華人民共和國人事部).

Dr. Yang Bo (楊波), aged 52, is our independent non-executive Director. Dr. Yang joined our Company in March 2014 and served as an independent non-executive Director from March 2014 to May 2015. Dr. Yang was appointed as an independent non-executive Director in April 2020. Dr. Yang is primarily responsible for providing independent opinion and judgment to the Board, thereby protecting the overall interest of our Company. Dr. Yang is the chairman of the Nomination Committee, member of the Audit Committee and member of the Strategy Development Committee of our Company. Dr. Yang has developed her entire professional career at Zhejiang University. Since October 2003, Dr. Yang has served at the Department of Pharmacology, College of Pharmaceutical Sciences of Zhejiang University (浙江大學藥學院), mainly focusing on mechanistic study and innovative drug development of new anti-tumor drugs while teaching undergraduate and graduate courses. Dr. Yang currently serves as the dean of the Sci-Tech Academy of Zhejiang University (浙江大學科學技術研究院), the dean of the Innovative Medicine Academy of Zhejiang University (Hangzhou) (浙江大學(杭州)創新醫藥研究院), and the executive vice dean of the Intelligent Innovative Drug Academy of Zhejiang University (浙江大學智能創新藥物研究院). From August 1998 to October 2000, Dr. Yang served at the College of Pharmaceutical Sciences of Zhejiang University (浙江大學藥學院) as an associate professor and lecturer, focusing on research and development of new anti-tumor drugs and reproductive health drugs while teaching undergraduate and graduate courses.

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

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

Mr. Liu Kai Yu Kenneth (廖啟宇), aged 54, is our independent non-executive Director. Mr. Liu joined our Company and was appointed as an independent non-executive Director in April 2020. Mr. Liu is primarily responsible for providing independent opinion and judgment to the Board, thereby protecting the overall interest of our Company. Mr. Liu is the chairman of the Audit Committee, member of the Remuneration and Evaluation Committee and member of the Nomination Committee of our Company. Mr. Liu served at Hong Kong Exchanges and Clearing Limited (Stock Exchange stock code: 388) from June 2004 to October 2016, with his last position as assistant vice president in IPO Transactions, Listing & Regulatory Affairs Division. Prior to that, he served at VC CEF Capital Limited (now known as VC Capital Limited) from September 2000 to May 2003, with his last position as an assistant manager in the corporate finance department. He also worked as an audit officer in the internal audit department of Kowloon-Canton Railway Corporation from January 2000 to September 2000, an assistant manager of the audit and control division of the Hong Kong branch of Banque Nationale de Paris from August 1996 to September 1997, an accountant at Ernst & Young from August 1994 to May 1996, and a junior accountant in the audit department of Kwan Wong Tan & Fong (merged with Deloitte Touche Tohmatsu in 1997) from May 1994 to August 1994. Mr. Liu has also been serving as an independent non-executive director of Sisram Medical Ltd (a company listed on the Stock Exchange with stock code: 1696) since August 2017; an independent non-executive director of Tianli Education International Holdings Limited (a company listed on the Stock Exchange with stock code: 1773) since June 2018, and an independent non-executive director of Fourace Industries Group Holdings Limited (a company listed on the Hong Kong Stock Exchange with stock code: 1455) since August 2020.

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

Supervisors

Mr. Zhang Binghui (張炳輝), aged 60, is currently the Chairman of our Supervisory Committee. Mr. Zhang was appointed as a non-employee representative Supervisor in April 2020. Mr. Zhang served as an independent director at Hangzhou Tigermed Limited (the predecessor of our Company) and our Company from September 2010 to June 2017. Mr. Zhang is primarily responsible for supervision of the finances of our Group and supervision over the directors and senior management.

Mr. Zhang was an independent director of Zhongjiao Tongli Construction Co., Ltd. (中交通力建設股份有限公司) (the shares of which are listed on the NEEQ with stock code: 870958) from May 2015 to June 2020, was an independent director of the GI Technologies Group Co. Ltd. (吉艾科技集團股份公司) (a company listed on the Shenzhen Stock Exchange with stock code: 300309) from October 2016 to November 2021; was an independent director of Beijing Srt Education & Technology Co., Ltd. (北京尚睿通教育科技股份有限公司) (the shares of which are listed on the NEEQ with stock code: 835971) from December 2017 to December 2020; has been an independent director of Chengdu Kanghua Biological Products Co., Ltd. (成都康華生物製品股份有限公司) from July 2018 to the present; is an independent director of Suzhou Zelgen Biopharmaceuticals Co., Ltd. (蘇州澤璟生物製藥股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code: 300841) since February 2019; has been an independent director of Jiangsu Asieris Pharmaceuticals Co., Ltd. (江蘇亞虹醫藥股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code: 688176) since December 2020.

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

Ms. Chen Zhimin (陳智敏), aged 63, is currently the Supervisor. Ms. Chen was appointed as a shareholder Supervisor in April 2020. Ms. Chen joined our Company and was appointed as an independent non-executive Director in December 2015, and resigned as an independent non-executive Director in April 2020. Ms. Chen is primarily responsible for supervision of the finances of our Group and supervision over the Directors and senior management.

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

Ms. Chen was the Chief Officer of Zhejiang Zhejing Asset Appraisal Institution from May 1996 to January 2000, the chairman and general manager of Zhejiang Zhejing Asset Assessment Co., Ltd (浙江浙經資產評估有限公司) from January 2000 to February 2009, the general manager of Zhejiang Tianjin Engineering Investment and Consulting Co., Ltd. from February 2009 to April 2015, an independent director of Zhejiang Jolly Pharmaceutical Co., Ltd. (浙江佐力藥業股份有限公司) from May 2015 to March 2020, a senior consultant of Zhejiang Tianjin Engineering Investment and Consulting Co., Ltd. from May 2015 to May 2018; and an independent director of Zhejiang Weixing Industrial Development Co., Ltd. (浙江偉星實業發展股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code: 002003) from June 2016 to July 1, 2022. She currently is external director of Zhejiang Finance and Capital Investment Co., Ltd. (浙江財通資本投資有限公司), supervisor of Hangzhou Tigermed Consulting Co., Ltd., independent director of Zhejiang Canaan Technology Limited (浙江迦南科技股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code: 300412), Hangzhou Honghua Digital Technology Stock Co.,Ltd. (杭州宏華數碼科技股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code: 688789), Tongkun Group Co., Ltd. (桐昆集團股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code: 601233) and Hang Zhou Great Star Industrial Co., Ltd. (杭州巨星科技股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code: 002444). She was a member of the 9th, 10th and 11th CPPCC of Zhejiang Province, the 11th and 12th Citizen Building Committee of Hangzhou Province (杭州市民建委員).

Ms. Lou Wenqing (樓文卿), aged 30, is an employee representative Supervisor. Ms. Lou joined the Internal Control and Internal Audit Department of the Company in February 2022 and engaged in internal audit work, and she currently serves as the audit executive of the Company. Ms. Lou is mainly responsible for supervising the finances of our Group and exercising supervision over the directors and senior management. Ms. Lou worked in China Merchants Group* (中財招商集團) from October 2015 to December 2016 as a risk control specialist. From December 2016 to November 2021, she served as the general manager of Hangzhou Junqing Investment Co., Ltd.* (杭州市軍卿投資有限公司), and she served as the alliance officer of the Federation of Seaport, Land, and Airport Information Port Operators in Zhejiang Province* (浙江省海港陸港空港信息港運營商聯合會) from December 2021 to February 2022. Ms. Lou obtained a bachelor's degree in business administration from the School of Modern Science and Technology of China Jiliang University in June 2014 and a master's degree in entrepreneurial management from Royal Holloway, the University of London in October 2015.

Senior Management

Ms. Cao Xiaochun (曹曉春), aged 54, is our executive Director, co-founder and general manager. For the biography of Ms. Cao, please refer to "Executive Directors" of this section.

Mr. Wu Hao (吳灝), aged 55, is our executive Director and co-president. For the biography of Mr. Wu, please refer to "Executive Directors" of this section.

Ms. Yin Zhuan, aged 58, is our executive Director and deputy general manager. For the biography of Ms. Yin, please refer to "Executive Directors" of this section.

Ms. Yang Chengcheng (楊成成), aged 48, joined the Company in September 2022 and is currently the chief financial officer of the Company. Prior to joining the Company, she had worked in management positions such as senior auditor of PricewaterhouseCoopers, assistant financial controller of Otis Electric Elevator Co., Ltd. (奧的斯機電電梯有限公司) (formerly known as Hangzhou Xizi Otis Co., Ltd. (杭州西子奧的斯股份有限公司)), financial controller of Xizi Elevator Group Co., Ltd. (西子電梯集團有限公司), director, financial controller and investment officer of Baida Group Co., Ltd. (百大集團股份有限公司) (its shares are listed on the Shanghai Stock Exchange, stock code: 600865), financial controller of Pacific Shuanglin Biopharmacy Co., Ltd. (派斯雙林生物製藥股份有限公司) and managing director, financial controller and person-in-charge of risk control and post investment of Zhejiang United Investment Group Co., Ltd. (浙江民營企業聯合投資股份有限公司). Ms. Yang is familiar with domestic and overseas accounting and taxation standards and specializes in finance, taxation, risk control and operation management. She has over 20 years of experience in financial management as well as investment and financing and capital operation of listed companies. Ms. Yang holds a master's degree of business administration from Zhejiang University.

CORPORATE GOVERNANCE REPORT

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

VISION, MISSIONS AND VALUES

Our mission is to improve health by accelerating the development of innovative and effective treatments for patients everywhere.

Guided by our values – integrity & honesty, open & inclusive, collaborative & accountable, professional & innovative – we vision to be recognized as the leading global CRO.

Under the leadership of the Board, the Company instil these vision, missions and values in our staff and stakeholders while integrating them into the Group's day-to-day operations. Taking into account the corporate culture in a range of contexts, the Board considers that the culture and the purpose, values and strategy of the Group are aligned.

CORPORATE GOVERNANCE PRACTICES

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

The Board is of the view that the Company has complied with the code provisions in the CG Code, in force during the year, during the Reporting Period. The Board will continue to review and monitor its code of corporate governance practices of the Company with an aim to maintaining a high standard of corporate governance.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code 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.

On March 11, 2022 (which was within the period of 60 days immediately preceding and including the date of the 2021 annual results announcement of the Company), 350,000 listed A Shares held by Ms. Cao Xiaochun, an executive Director and the general manager of the Company, were pledged as additional collaterals in favour of Huatai Securities Co., Ltd. (華泰證券股份有限公司) ("**Huatai**") for a loan provided by Huatai to her to facilitate her personal financial arrangements (the "**2022 Pledge**") as demanded by Huatai as a result of a significant drop of Share price of the Company at the relevant time. Ms. Cao Xiaochun was in a passive position in relation to the 2022 Pledge. The Directors (except Ms. Cao Xiaochun who is affected by the 2022 Pledge) were satisfied that the 2022 Pledge occurred under exceptional circumstances within the meaning of Rule C.14 of the Model Code and should be allowed.

The Company had made specific enquiry of all Directors and Supervisors in relation to the compliance of the Model Code and was not aware of any non-compliance with the Model Code by the Directors and Supervisors during the Reporting Period.

BOARD OF DIRECTORS

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

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

Board Composition

For the year ended December 31, 2022, the Board comprised seven Directors, consisting of four executive Directors and three independent non-executive Directors as follows:

Executive Directors

Dr. Ye Xiaoping *(Chairman)*
Ms. Cao Xiaochun *(General Manager)*
Ms. Yin Zhuan *(Deputy General Manager)*
Mr. Wu Hao *(Co-president)*

Independent Non-executive Directors

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

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

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

Chairman and Chief Executive Officer

Code provision C.2.1 stipulates that the roles of chairman of the board of directors and chief executive should be separate and should not be performed by the same individual.

The chairman of the Board (the "**Chairman**") and general manager of the Company ("**General Manager**") are held by Dr. Ye Xiaoping and Ms. Cao Xiaochun, respectively, thus we have complied with code provision C.2.1. The division of responsibilities between the Chairman and the General Manager has been clearly established.

Independent Non-executive Directors

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

BOARD OF DIRECTORS (Continued)

Independent Non-executive Directors (Continued)

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

The Company has established the following mechanisms to ensure that independent views and input are available to the Board:

- appropriate Board and Board committee structure were in place, including rules on the appointment and tenure of non-executive Directors (including independent non-executive Directors);
- when selecting and recommending candidates for directorship, the Nomination Committee is required to consider whether the candidates for independent non-executive Directors satisfy the independence requirements of the Listing Rules;
- the chairman would hold meetings with the independent non-executive Directors without the presence of other directors at least annually;
- the Board may seek independent professional advice, at the Company's expense, to ensure that they will have access to accurate and relevant professional views in the performance of their responsibilities.
- terms of reference for each Board committee has indicated that they were authorized to engage independent professional advisers, at the Company's expense; and
- effectiveness reviews on the Board and Board committees were held annually, with feedback sought from members on the quality of, and access to, independent external advice.

During the Reporting Period, the Chairman has held one meeting with the independent non-executive Directors without the presence of other Directors to discuss the Company's strategy, Director's contributions, and their independent view. The Board will review the implementation and effectiveness of the above mechanisms on an annual basis.

Appointment and Re-election of Directors

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

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

BOARD OF DIRECTORS (Continued)

Responsibilities of the Directors

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

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

All Directors, including the independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

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

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

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

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

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

Continuous Professional Development of Directors

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

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

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

BOARD OF DIRECTORS (Continued)

Continuous Professional Development of Directors (Continued)

For the year ended December 31, 2022, all Directors attended training sessions on the respective obligations of the Directors and senior management. In addition, relevant reading materials including legal and regulatory update have been provided to the Directors for their reference and studying.

The record of continuous professional development relating to director's duties and regulatory and business development that have been received by the Directors for the year ended December 31, 2022 is summarized as follows:

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

Note:

Types of Training

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

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

Board Diversity Policy

The Board has adopted a board diversity policy (the "**Board Diversity Policy**") in order to enhance the effectiveness of the Board and to maintain high standard of corporate governance. The Board Diversity Policy sets out the criteria in selecting candidates to the Board, including but not limited to gender, age, cultural and educational background and professional experience. The Company also takes into consideration the benefits of diversity on the Board without focusing on a single diversity aspect in determining the optimal composition of the Board. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee would discuss and agree on the measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption. At any given time, the Board may seek to improve one or more aspects of its diversity and measure progress accordingly. The Company aims to maintain an appropriate balance of diversity perspectives of the Board that are relevant to the Company's business growth.

BOARD OF DIRECTORS (Continued)

Board Diversity Policy (Continued)

The Group has also taken, and continues to take, steps to promote diversity at all levels of its workforce. Opportunities for employment, training and career development are equally opened to all eligible employees without discrimination. Further details on the gender ratio of the Group and objectives for achieving gender diversity with respective rights and benefit, together with relevant data, can be found in the 2022 Sustainability Report & Environmental, Social and Governance of the Company.

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

The Nomination Committee is responsible for reviewing the diversity of the Board. The Nomination Committee will monitor and evaluate the implementation of the Board Diversity Policy on an annual basis to ensure its continued effectiveness. The Nomination Committee has reviewed the Board Diversity Policy during the Reporting Period and considered it to be effective.

Nomination Policy

The primary duties of the Nomination Committee are to make recommendations to the Board regarding the appointment of Directors and management personnel and make recommendations for selection criteria and procedures.

The Company has adopted a nomination policy which sets out the objectives, selection criteria and nomination procedures for identifying and recommending candidates for appointment or re-appointment of Directors.

During the Reporting Period, there was no change in the composition of the Board.

BOARD COMMITTEES

The Board has established five committees, namely, the Audit Committee, the Remuneration and Evaluation Committee, the Nomination Committee, the Strategy Development Committee and the Compliance, Environmental, Social and Corporate Governance Management Committee, for overseeing particular aspects of the Company's affairs.

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

BOARD COMMITTEES (Continued)

Audit Committee

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

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

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

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

The Audit Committee held three meetings during the Reporting Period to review the annual financial results and reports, interim financial results and reports, significant issues on the financial reporting, operational and compliance controls, the effectiveness of the Group's risk management and internal control systems and internal audit function.

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

Remuneration and Evaluation Committee

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

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

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

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

BOARD COMMITTEES (Continued)

Remuneration and Evaluation Committee (Continued)

- reviewing and approving the management's proposal on remuneration based on the corporate goals and objectives set by the Board;
- proposing remuneration plans or proposals include but not limited to performance evaluation criteria, procedures and key evaluation system, and major incentive and penalty plans and systems;
- determining, with delegated responsibility from the Board, the remuneration packages of individual executive Directors and members of senior management, or making recommendations to the Board on the remuneration packages of individual executive Directors and members of senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- making recommendations to the Board on the remuneration of non-executive Directors;
- considering salaries paid by peer companies, time commitment and responsibilities and the employment conditions of other positions within the Group;
- reviewing and approving compensation payable related to executive Directors and members of senior management for his/her loss or termination of office or appointment to ensure that the compensation shall be consistent with contractual terms or, in case the compensation is not consistent with contractual terms, is fair and reasonable and not excessive;
- reviewing and approving the compensation arrangements in connection with any dismissal or removal for misconduct to directors, to ensure the arrangements shall be consistent with contractual terms or, in case the compensation is not consistent with contractual terms, is fair and reasonable;
- ensuring that no Director or any of his/her associate is involved in deciding his/her own remuneration;
- examining the performance of the Directors (non-independent Directors) and members of senior management of the Company, and making annual performance evaluation;
- supervising the implementation of the Company's remuneration system;
- reviewing and/or approving matters relating to share schemes under chapter 17 of the Listing Rules; and
- any other matters authorized by the Board.

For details of Directors' remuneration policy, please refer to "Compensation of Directors, Supervisors and Senior Management" of this annual report.

BOARD COMMITTEES (Continued)

Remuneration and Evaluation Committee (Continued)

The Remuneration and Evaluation Committee held two meetings during the Reporting Period to review and make recommendation to the Board on the remuneration policy and structure of the Company and the remuneration packages of the Directors and senior management and other related matters, assessed performance of executive Directors and approved the terms of executive Directors' service contracts, and review the "Resolution on 2022 H Share Appreciation Incentive Scheme of Hangzhou Tigermed Consulting Co., Ltd. (Draft)", the "Resolution on Requesting the General Meeting of Shareholders of the Company to Authorize the Board to Handle Matters Regarding the 2022 H Share Appreciation Incentive Scheme", the "Resolution on 2022 A Share Employee Share Ownership Plan of Hangzhou Tigermed Consulting Co., Ltd. (Draft) and its summary", the "Resolution on Administration of 2022 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 2022 A Share Employee Share Ownership Plan", the "Resolution on amendment of 2022 A Share Employee Share Ownership Plan of Hangzhou Tigermed Consulting Co., Ltd. (Draft) and its summary and related supporting documentation", the "Resolution on 2022 Restricted A Share Incentive Scheme (Draft) of the Company and its summary", the "Resolution on the Management Measures for Assessment Relating to the Implementation of the 2022 Restricted A Share Incentive Scheme of Hangzhou Tigermed Consulting Co., Ltd.", the "Resolution on Requesting the General Meeting of Shareholders of the Company to Authorize the Board to Handle Matters Regarding the 2022 Restricted A Share Incentive Scheme", the "Resolution on Adjustment to the List of Participants and the Number of Restricted Shares Granted under the First Grant of the 2022 Restricted A Share Incentive Scheme of the Company" and the "Resolution on the First Grant of Restricted Shares to Participants under the 2022 Restricted A Share Incentive Scheme".

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

Details of the remuneration of the senior management by band for the year ended December 31, 2022 are set out below:

Remuneration bank (RMB)	Number of person(s)
Nil to 1,000,000	10
1,000,001 to 3,000,000	2
3,000,001 to 5,000,000	1

Nomination Committee

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

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

BOARD COMMITTEES (Continued)

Nomination Committee (Continued)

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

- reviewing the structure, number and composition (including skills, knowledge and experience) of the Board annually and providing recommendations to the Board on the scale and composition of the Board on the basis of the Company's operations, scale of assets and shareholding structure; in considering the composition of the board of directors, the Nomination Committee should ensure a balanced composition of executive and non-executive Directors (including independent Directors) of the Board and consider diversity of the Board from a number of aspects, including but not limited to gender, age, cultural and educational background and professional experience of the directors; develop and review the policy concerning diversity of the Board;

- reviewing and making recommendations to the Board for selection criteria and procedures for Directors and management personnel;

- conducting extensive searches to locate qualified candidates for Directors and management personnel;

- examining the candidates of Directors (including independent directors) and management personnel and making recommendations;

- examining the candidates for other senior management members that are required to be recommended to the Board for appointment and make recommendations;

- making recommendations to the Board on the appointment or re-appointment of Directors and the succession plan for Directors (especially the Chairman) and General Manager;

- reviewing the independence of independent Directors; and

- other matters authorized by the Board.

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

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

BOARD COMMITTEES (Continued)

Nomination Committee (Continued)

Selection procedures for Directors and management personnel are as follows:

(1) the Nomination Committee shall actively communicate with relative departments of the Company to study the demand of the Company for new Directors and management personnel and to produce written materials;

(2) the Nomination Committee shall seek for the right candidates for the position of Directors and manager in the Company itself, controlling (investee) enterprises of the Company and the talent market;

(3) the Committee shall obtain information of the occupation, education background, job title, detailed work experience and all the part-time positions of the preliminary candidates for preparing written reports;

(4) seek for the consent from the nominated candidates on the nomination; otherwise, such nominated candidates shall not be considered as candidates for directors and managers;

(5) convene Nomination Committee meetings to review the qualifications of the preliminary candidates according to the job descriptions of directors and managers;

(6) submit proposals and relevant materials to the board of directors in respect of candidates for directors and managers within one or two months prior to the election of new directors and managers;

(7) carry out other follow-up work according to the decision(s) and feedback of the board of directors.

For the year ended December 31, 2022, the Nomination Committee held one meeting to review the structure, size and composition of the Board and the independence of the independent non-executive Directors. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained and has not set any measurable objective implementing the Board Diversity Policy. The Nomination Committee had also assessed the qualification and background of Ms. Yang Chengcheng as chief financial officer of the Company with reference to the nomination policy of the Company and made recommendations to the Board for approval.

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

Strategy Development Committee

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

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

BOARD COMMITTEES (Continued)

Strategy Development Committee (Continued)

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

- conducting research and making recommendations on the Company's long-term development plans, business goals and development strategies;
- considering and making recommendations on the Company's business strategies, including but not limited to product strategy, market strategy, marketing strategy, research and development strategy and human resources strategy;
- considering and making recommendations on the significant strategic investments and financing schemes of the Company;
- deliberating and making recommendations on major capital operations and asset management projects of the Company;
- considering and making recommendations on other major matters affecting the Company's development;
- following up and monitoring the implementation of the aforesaid matters; and
- making recommendations on other matters authorized by the Board.

For the year ended December 31, 2022, the Strategy Development Committee held one meeting to review the proposed change in use of proceeds from the global offering of the Company.

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

Compliance, Environmental, Social and Corporate Governance Management Committee

The Compliance, Environmental, Social and Corporate Governance Management Committee shall consists of at least three members, of which one shall be a Director. Members of the Compliance, Environmental, Social and Corporate Governance Management Committee who are not Directors are management personnel of the Company who are involved in compliance, environmental, social and corporate governance matters. The Compliance, Environmental, Social and Corporate Governance Management Committee consists of ten members, of which there is one executive Director, namely Ms. Cao Xiaochun, and nine management personnel of the Company, namely Ms. Shi Xiaoli, Ms. Chen Ruibo, Ms.Gong Yunjie, Ms. Su Jing, Mr. Wu Qiang, Mr. Yu Guoyun, Mr. Duan Peijun, Mr. Cui Jie and Mr. Liu Luyang. Ms. Cao Xiaochun is the chairman of the Compliance, Environmental, Social and Corporate Governance Management Committee.

The terms of reference of the Compliance, Environmental, Social and Corporate Governance Management Committee are of no less exacting terms than those set out in the CG Code and in compliance with the relevant laws and regulations of the PRC.

BOARD COMMITTEES (Continued)

Compliance, Environmental, Social and Corporate Governance Management Committee (Continued)

The main duties of the Compliance, Environmental, Social and Corporate Governance Management Committee include but are not limited to:

- formulating the management policies, objectives, strategies and structure of the compliance, environmental, social and corporate governance of the Group to ensure they meet the needs of the Group and comply with the laws, regulations, regulatory requirements and international standards;
- reviewing the performance of related compliance, environmental, social and corporate governance objectives of the Group periodically and providing recommendations on actions to enhance performance;
- identifying and assessing the Group's compliance, environmental, social and corporate governance risks and opportunities and their material impact on the business of the Company, establishing the internal management structure and control systems of the Company and reviewing its effectiveness and adequacy;
- ensuring that compliance, environmental, social and corporate governance considerations are incorporated into management and business decision-making processes;
- reviewing the channels and means of communication between the Group and its stakeholders regularly to ensure the effectiveness of relevant policies;
- compiling the annual environmental, social and corporate governance report of the Group, continuously improve the quality of information disclosure and making recommendations to enhance information disclosure;
- reviewing and evaluating the performance and terms of reference of the Compliance, Environmental, Social and Corporate Governance Management Committee, ensuring the maximum effectiveness of such Committee and proposing reasonable changes for approval by the Board; and
- other matters as authorized by the top management of the Company or the Board.

During the Reporting Period, the Company released Tigermed Environmental, Social and Corporate Governance Code, which includes dimensions such as anti-corruption business guidelines, employee rights, customer rights, environmental protection and social welfare, covering key industry and the Company's environmental, social and corporate governance management issues to enhance the way which the Company make decisions and act on environmental, social and corporate governance issues.

The Compliance, Environmental, Social and Corporate Governance Management Committee held two meetings during the Reporting Period to form the composition and main duties of the Compliance, Environmental, Social and Corporate Governance Management Committee, compile the environmental, social and corporate governance report, report the management progress on environmental, social and corporate governance issues of the Company, 2022 work plans and results of various phrases. External advisors were invited to provide trainings and tailor-made recommendations based on the rating results of the Company. Online training programmes were provided to all employees and its participation and appraisal results were integrated as one of the indicators in the employees' performance evaluation.

BOARD COMMITTEES (Continued)

Compliance, Environmental, Social and Corporate Governance Management Committee (Continued)

The attendance records of the Compliance, Environmental, Social and Corporate Governance Management Committee are set out under "Attendance Record of Directors and Committee Members".

Corporate Governance Functions

The Board is responsible for performing the functions set out in the CG Code.

During the Reporting Period, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and written employee guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director during their tenure of office at the Board and Board committee meetings and the general meetings of the Company held for the year ended December 31, 2022 is set out in the table below:

	Attendance/Number of Meetings								
Name of Director	Board	Audit Committee	Remuneration and Evaluation Committee	Nomination Committee	Strategy Development Committee	Compliance, Environmental, Social and Corporate Governance Management Committee	Annual General Meeting	Other General Meetings	A Share Class Meeting and H Share Class Meeting
Dr. Ye Xiaoping	11/11	N/A	N/A	N/A	1/1	N/A	1/1	0/1	1/1
Ms. Cao Xiaochun	11/11	N/A	2/2	N/A	N/A	2/2	1/1	1/1	1/1
Ms. Yin Zhuan	11/11	N/A	N/A	1/1	N/A	N/A	0/1	0/1	0/1
Mr. Wu Hao	11/11	N/A	N/A	N/A	1/1	N/A	0/1	0/1	0/1
Mr. Zheng Bijun	11/11	3/3	2/2	N/A	1/1	N/A	0/1	0/1	0/1
Dr. Yang Bo	11/11	3/3	N/A	1/1	1/1	N/A	0/1	0/1	0/1
Mr. Liu Kai Yu Kenneth	11/11	3/3	2/2	1/1	N/A	N/A	1/1	1/1	1/1

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

Information Technology and Data Security Risk Management

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

Financial Reporting Risk Management

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

Human Resource Risk Management

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

RISK MANAGEMENT AND INTERNAL CONTROLS (Continued)

Internal Control

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

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

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

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

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

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

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

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited. The Board is aware of its obligations to announce any inside information in accordance with the Listing Rules.

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

RISK MANAGEMENT AND INTERNAL CONTROLS (Continued)

Internal Control (Continued)

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

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

The internal audit policy of the Company was amended during the Reporting Period.

During the Reporting Period, the Board, through a review covering all material controls, including financial, operational and compliance controls for the year ended December 31, 2022, considered that the risk management and internal control system of the Group was effective and adequate and the Company's internal audit function was effective. The Board has also considered the Company's processes for financial reporting and Listing Rules compliance effective. The Board will conduct annual review on the risks management and internal control system of the Company.

Whistleblowing Policy

The Company has adopted a whistle-blowing policy for promoting high corporate governance standards and deterring wrongdoings. The policy aims at encouraging and enabling employees of the Group at all levels and those who deal with the Company (e.g. customers and suppliers) to report to the Company, in confidence, any suspected impropriety, misconduct or malpractice concerning the Group.

For whistleblowing behavior, the Company has stipulated strict whistleblower protection measures and improved the protection system. We keep the personal information of whistleblowers and the information they provide strictly confidential through telephone encryption and other means, and regularly pay attention to the situation of whistleblowers to avoid retaliation against them for reporting or testifying. Once the whistleblower is verified to have been retaliated against, the Company will strictly deal with the personnel involved and take legal measures when appropriate.

The Board delegated the authority to the Audit Committee, which is responsible for ensuring that proper arrangements are in place for fair and independent investigation of any matters raised and appropriate follow-up actions are taken.

RISK MANAGEMENT AND INTERNAL CONTROLS (Continued)

Policy on Anti-corruption

We formulate and strictly implement the Anti-Bribery and Anti-Corruption Policy. During the Reporting Period, the Company released Tigermed Environmental, Social and Corporate Governance Code, where matters such as anti-corruption business guidelines, employee rights and customer rights are covered to outline the Group's zero-tolerance stance against bribery and corruption, assists employees in recognising circumstance which may lead to or give the appearance of being involved in corruption or unethical business conduct, so as to avoid such conduct which is clearly prohibited, and to promptly seek guidance where necessary. We also make clear norms of business ethics including anti-corruption in Tigermed Code of Conduct, which strictly regulates the behavior of all employees (including regular employees, contract labors, interns and individuals acting on behalf of Tigermed). We exercise strict management over anti-corruption issues.

All members of the Board and the Supervisory Committee, senior managers and employees above the director level are required to sign the Tigermed Conflict of Interest Statement, making an explicit commitment to eliminating the prohibited actions including accepting or requesting gifts and rewards in any form beyond ordinary business etiquette from any entity that has a business relationship with Tigermed. In 2022, we conducted anti-corruption and business ethics training for all employees (including regular employees, contract workers and interns).

As an important part of anti-corruption risk control, we strengthen the anti-corruption management of suppliers in procurement. We take concrete actions to make our suppliers an important part of our business ethics. We require suppliers to sign the Tigermed Supplier Code of Conduct and Anti-Bribery and Anti-Corruption Commitment. We also require them to abide by the code of conduct regarding anti-corruption.

In addition, we have set up various compliance reporting channels such as an official website, reporting hotline and reporting email, etc. We set up a working group to investigate and evaluate each report, and deal with it according to the investigation results.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2022.

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the independent auditor's report.

AUDITORS' REMUNERATION

The remuneration paid or payable to the external auditors of the Group (BDO Limited and BDO China Shu Lun Pan Certified Public Accountants LLP ("**BDO China**")) for the year ended December 31, 2022 is set out as follows:

Services rendered	Fees paid/payable RMB
Audit services – BDO China	3,260,000
Audit services – BDO Limited	1,080,000
Non-audit services	156,000
Total	4,496,000

COMPANY SECRETARY

For the year ended December 31, 2022, Ms. Ho Yin Kwan ("**Ms. Ho**"), a vice president of SWCS Corporate Services Group (Hong Kong) Limited, was appointed as the company secretary of the Company on June 27, 2022 in replacement of Ms. Lau Jeanie. The primary corporate contact person of our Company is Ms. Li Xiaori, who is our secretary to the Board.

Ms. Ho has complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of the relevant professional training for the year ended December 31, 2022.

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

SHAREHOLDERS' RIGHTS

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

Convening Shareholders' General Meetings

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

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

SHAREHOLDERS' RIGHTS (Continued)

Convening Shareholders' General Meetings (Continued)

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

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

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

Putting Forward Proposals at General Meetings

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

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

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

Putting Forward Enquiries to the Board

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

Contact Details

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/ INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. For this purpose, the Company has set up a website (www.tigermedgrp.com), where relevant latest information, the up-to-date state of the Company's business operation and development, the Company's financial information and corporate governance practices and other data are available to the public.

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

The market capitalization of the Company as at December 30, 2022, the last trading day in 2022, was HK$89,631,807,376 (issued share capital: 749,293,420 A Shares at closing market price: RMB104.80 per Share and 123,124,800 H Shares at closing market price: HK$90.20 per Share). The public float is around 72.58%.

The 2022 annual general meeting of the Company will be held at the Meeting Room, 1/F, Shengda Science Park Tower A, No. 19 Jugong Road, Binjiang District, Hangzhou, the PRC on Tuesday, May 23, 2023 at 10:00 a.m..

Changes to the Articles of Association

For the year ended December 31, 2022, the Company has amended its Articles of Association and the amendments to the Articles of Association was approved by the annual general meeting held on May 20, 2022. For details, please refer to the announcement of the Company dated May 20, 2022 and the circular dated April 28, 2022. Save as disclosed above, no significant change has been made in the Company's Articles of Association for the year ended December 31, 2022.

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

Policies relating to the Shareholders

The Company has in place a Shareholders' communication policy to ensure that Shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its implementation and effectiveness. The Board has reviewed the implementation and effectiveness of the Shareholders' communication policy. Having considered the multiple channels of communication and engagement in place, it is satisfied that the Shareholders' communication policy has been implemented during the Reporting Period and is effective.

Dividend Policy

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

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

PRINCIPAL ACTIVITIES

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

The activities and particulars of the Company's principal subsidiaries are shown under note 18 to the consolidated financial statements. An analysis of the Group's revenue and operating profit for the year ended December 31, 2022 by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report.

BUSINESS REVIEW

A review of the Group's business during the year ended December 31, 2022, which includes a discussion of the principal risks and uncertainties faced by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year ended December 31, 2022, and an indication of likely future developments in the Group's business, could be found in the sections headed "Chairman's Statement", "Statement from the General Manager and Co-president", "Management Discussion and Analysis" and "Corporate Governance Report" in this annual report. The review and discussion form part of this Directors' Report.

RESULTS AND DIVIDEND

The consolidated results of the Group for the Reporting Period are set out on pages 121 to 273 of this annual report.

The Board proposed to declare a final dividend of RMB5.5 (inclusive of tax) per 10 Shares (representing an aggregate amount of RMB475.7 million (inclusive of tax) based on the total issued Shares of the Company as at the date of this annual report) for the year ended December 31, 2022.

The aforesaid dividend distribution proposed is subject to the consideration and approval at the annual general meeting of the Company ("**AGM**"). If the distribution proposal is approved at the AGM, it is expected that the final dividend for the year ended December 31, 2022 will be paid on or before July 22, 2023 to the Shareholders. Please refer to the 2022 AGM Circular of the Company on the Stock Exchange's website for the details regarding the closure of the register of members of the Company and declaration and payment of dividends.

No Shareholder has waived or agreed to waive any dividends.

FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last five financial years is set out on page 8 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property and equipment of the Group during the Reporting Period are set out in note 20 to the consolidated financial statements on pages 189 to 190 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

The Group has established detailed internal rules regarding environmental protection, in particular, the discharge of air, water and solid waste and noise control. During the year ended December 31, 2022, we did not incur any additional costs specifically attributable to environmental compliance.

The Company has complied with the "comply or explain" provisions set out in the ESG Reporting Guide for the Reporting Period.

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

The Company's 2022 environmental, social and governance report, which is prepared in both Chinese and English, has been uploaded to the Company's website (https://tigermedgrp.com/en/investors/announcements) and the website of HKEXnews (www.hkexnews.hk) and is available for inspection. Stakeholders may contact the Company in cases where hard copy is needed. The contact details of the Company are as follows:

Address: Room 2001-2010, 20/F, Block 8, No. 19 Jugong Road, Xixing Sub-District, Binjiang District, Hangzhou, China

Company's Email: ir@tigermedgrp.com

SHARE CAPITAL

Details of the movements in share capital of the Company during the Reporting Period are set out in note 38 to the consolidated financial statements on page 209 of this annual report.

RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 124 to 125 of this annual report. Details of the movement in the reserves of the Company during the Reporting Period is set out in note 40 to the consolidated financial statements on pages 211 to 212 of this annual report.

DISTRIBUTABLE RESERVES

As at December 31, 2022, the Company's distributable reserves, calculated in accordance with PRC rules and regulation, were RMB2,115.36 million.

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

(1) Repurchase and Cancellation of Some Restricted A Shares ("2019 Restricted Shares")

On March 28, 2022, the Company convened the twenty-second meeting of the fourth session of the Board, the fifteenth meeting of the fourth session of the Supervisory Committee, and on May 20, 2022, the Company convened the 2021 AGM, the 2022 First A Share class meeting and the 2022 First H Share class meeting, respectively, to approve the "Partial Repurchase and Cancellation of the 2019 Restricted Shares" (《回購註銷部分2019年限制性股份》), pursuant to which, the Company was approved to repurchase and cancel a total of 20,144 2019 Restricted Shares granted to two incentive participants the restricted shares of whom were not yet unlocked and three resigned incentive participants the restricted shares of whom were not yet unlocked according to the 2019 Restricted Shares Incentive Scheme. The repurchase price was RMB26.55 per Share and RMB31.46 per Share, respectively. The aforesaid repurchase and cancellation matters were completed on October 20, 2022.

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

Reference is made to the Company's announcement dated June 15, 2022 regarding the Completion of Registration of the Grant of the 3rd 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 3rd reserved portion under the 2019 Restricted Shares Incentive Scheme. The listing date of the granted shares was June 21, 2022. The reserved part containing 2,099,011 restricted shares was granted to 389 incentive participants.

(3) Repurchase of A Share of the Company

Pursuant to the Resolution on Plan for the Repurchase of the Shares of the Company approved at the twenty-first meeting of the fourth session of the Board on February 11, 2022, the Company repurchased a total of 3,909,800 A Shares on the Shenzhen Stock Exchange held by the public during the period from February 15, 2022 to May 26, 2022 for the purpose of subsequent implementation of the Company's equity incentive scheme or employee stock ownership plan. Particulars of the repurchases are as follows:

Month of repurchase	Number of A Shares repurchased	Price paid per A Share		Aggregate consideration
		Highest (RMB)	Lowest (RMB)	(RMB)
February	2,492,400	102.39	97.00	249,990,128.96
April	582,000	88.63	84.60	49,992,852.00
May	835,400	85.00	79.01	69,405,018.00

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

(4) The First Grant of the 2022 Restricted Shares under the 2022 Restricted Shares Incentive Scheme

Pursuant to the "Resolution on the First Grant of Restricted Shares to Participants under the 2022 Restricted A Share Incentive Scheme" (《關於向2022年A股限制性股票激勵計劃激勵對象首次授予限制性股票的議案》) approved at the thirty-first meeting of the fourth session of the Board on November 25, 2022, 6,079,784 of 2022 Restricted Shares (being ordinary A Shares repurchased by the Company in the secondary market) were granted to 817 participants with a grant price of RMB69 per Share under first grant of 2022 Restricted Shares.

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.

PRE-EMPTIVE RIGHTS

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

USE OF NET PROCEEDS FROM OUR HONG KONG INITIAL PUBLIC OFFERING

The total net proceeds from the issuance of 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.

On March 28, 2022, the Board considered and approved the proposed change in use of proceeds from the global offering of the Company (the "**Proposed Change in Use of Proceeds**"). The Proposed Change in Use of Proceeds would enable the Company to better allocate its financial resources to opportunities that could drive sustainable growth for the Group and deliver returns to Shareholders in the near future. The Board considers that the changes would help the Company better seize domestic market opportunities, which is in line with the future growth strategies of the Company. The Proposed Change in Use of Proceeds was approved at the 2021 AGM held on May 20, 2022. Please refer to the announcements of the Company dated March 28, 2022 and May 20, 2022 and the circular of the Company dated April 28, 2022 for details. For the unutilized net proceeds of approximately HK$$6,102.2 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 announcement of the Company dated March 28, 2022 and the circular of the Company dated April 28, 2022 and proposes to use the unutilized net proceeds in accordance with the expected timetable disclosed in the table below.

USE OF NET PROCEEDS FROM OUR HONG KONG INITIAL PUBLIC OFFERING (Continued)

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

	Revised use of proceeds as stated in the announcement of the Company dated March 28, 2022 and the circular of the Company dated April 28, 2022 (HK$ million)	Actual use of proceeds during the Reporting Period (HK$ million)	Accumulated actual use of proceeds up to the end of the Reporting Period (HK$ million)	Net proceeds unutilized as at the end of the Reporting Period (HK$ million)	Expected timeframe for utilizing the remaining unutilized net proceeds
approximately 15% to organically expand and enhance our service offerings and capabilities across clinical trial solutions services and clinical-related services to meet the rising demands for our services in both domestic and overseas markets	1,594.4	404.9	404.9	1,189.5	36 to 48 months from the Listing
approximately 40% to fund potential acquisitions of attractive domestic and overseas clinical CROs that are complementary to our existing businesses as part of our global expansion plan to 1) further strengthen and diversify our service offerings and 2) expand globally and increase capabilities in key markets	4,727.0	343.0	343.0	4,384.0	36 to 60 months from the Listing
approximately 20% to foster our biopharmaceutical R&D ecosystem by making minority investments in domestic and overseas companies with innovative business models and growth potential, such as biotech companies, healthcare IT companies, hospitals, medical device and diagnostic research companies	296.7	222.6	222.6	74.1	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	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	569.6	569.6	21.3	12 to 36 months from the Listing
approximately 10% to working capital and general corporate purposes	1,181.7	748.4	748.4	433.3	–
Total	9,572.4	3,470.2	3,470.2	6,102.2	

USE OF NET PROCEEDS FROM OUR HONG KONG INITIAL PUBLIC OFFERING (Continued)

Note:

(1) The total net proceeds of HK$11,817.4 million from the issuance of H Shares by the Company from its listing on the Stock Exchange consists of approximately HK$10,251.0 million of net proceeds received prior to the exercise of the over-allotment option and the additional net proceeds of approximately HK$1,566.4 million from the issue of over-allotment H Shares expenses. Such over-allotment option was fully exercised on August 29, 2020. Subsequent to the issuance of our interim results report for the six months ended June 30, 2020, the abovementioned amounts have been adjusted over the course of preparing our verification report (驗資報告) to reflect the final net proceeds received by the Company, after deducting paid commissions and other offering expenses. The verification report has been audited and approved by the China Securities Regulatory Commission (中國證監會).

DIRECTORS

During the Reporting Period and up to the date of this report, the Board consists of the following seven Directors:

Executive Directors

Dr. Ye Xiaoping *(Chairman)*
Ms. Cao Xiaochun *(General Manager)*
Ms. Yin Zhuan *(Deputy General Manager)*
Mr. Wu Hao *(Co-president)*

Independent Non-executive Directors

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

SUPERVISORS

During the Reporting Period and up to the date of this report, the Company has the following three Supervisors:

Mr. Zhang Binghui *(Chairman)*
Ms. Chen Zhimin
Mr. Wu Baolin *(Employee Supervisor) (resigned on August 25, 2022)*
Ms. Lou Wenqing *(Employee Supervisor) (appointed on August 25, 2022)*

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

Biographical details of the Directors, the Supervisors and the senior management of the Group as at the date of this annual report are set out on pages 53 to 59 in the section headed "Profiles of Directors, Supervisors and Senior Management" of this annual report.

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

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

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

NON-COMPETITION ARRANGEMENT

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

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

CONTRACT WITH CONTROLLING SHAREHOLDERS

No contract of significance was entered into between the Company or any of its subsidiaries and the controlling shareholders or any of their respective subsidiaries during the Reporting Period or subsisted at December 31, 2022 and no contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholders or any of their respective subsidiaries was entered into during the Reporting Period or subsisted at December 31, 2022.

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

No transaction, arrangement and contract of significance to the business of the Group which the Company or any of its subsidiaries was a party, and in which a Director or Supervisor or any entity connected with such a Director or Supervisor had a material interest, whether directly or indirectly, subsisted at December 31, 2022 or at any time during the Reporting Period.

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Details of the Directors' and Supervisors' emoluments and emoluments of the five highest paid individuals in the Group are set out in notes 14 and 15 to the consolidated financial statements on pages 174 to 176 of this annual report.

For the Reporting Period, no emoluments were paid by the Group to any Director, Supervisors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors or Supervisors has waived any emoluments for the year ended December 31, 2022.

Except as disclosed above, no other payments have been made or are payable, for the year ended December 31, 2022, by our Group to or on behalf of any of the Directors or Supervisors.

DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESS

For the year ended December 31, 2022, none of the Directors and Supervisors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a Director or Supervisor of the Company and/or its subsidiaries.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

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

MANAGEMENT CONTRACTS

Other than the Directors' and Supervisors' service contracts and appointment letters, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at December 31, 2022 or at any time during the Reporting Period.

EQUITY-LINKED AGREEMENTS

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

MATERIAL LEGAL PROCEEDINGS

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

LOAN AND GUARANTEE

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

SHARE INCENTIVE SCHEMES

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

1. 2019 Restricted Share Scheme

The Company adopted a restricted share scheme in 2019 ("**2019 Restricted Share Scheme**") for the primary purpose of attracting, retaining and motivating the Directors and employees of the Group. 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 2022, 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 RMB0.597 million (for the year ended December 31, 2021: RMB1.243 million) has been refunded to the original incentive recipients.

During the year ended December 31, 2022, a total of 2,457,126 restricted shares were unlocked and vested. Upon the unlock of the restricted shares, a repurchasing obligation, amounting to RMB67.0 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 RMB100.18.

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 December 31, 2022, no dividend payable (as at December 31, 2021: RMB1.221 million) has been recognised.

The Group recognised total expense of RMB2.06 million for the year ended December 31, 2022 (for the year ended December 31, 2021: RMB12.304 million) in relation to restricted shares granted under the 2019 Restricted Share Scheme.

SHARE INCENTIVE SCHEMES (Continued)

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. 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 39 to the consolidated financial statements). The average repurchase price was RMB44.25 per share. On June 20, 2019, 2,120,803 shares previously repurchased by the Company was transferred to the trust unit for 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 year ended December 31, 2022, a total of 848,321 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 RMB0.429 million for the year ended December 31, 2022 (for the year ended December 31, 2021: RMB1.512 million) in relation to the 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)" (《杭州泰格醫藥科技股份有限公司2020年A股員工持股計劃(草案)》) 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" (《杭州泰格醫藥科技股份有限公司2020年A股員工持股計劃(草案)>及其摘要》), the "Resolution on Administration of 2020 A Share Employee Share Ownership Plan of Hangzhou Tigermed Consulting Co., Ltd." (《關於<杭州泰格醫藥科技股份有限公司2020年A股員工持股計劃管理辦法>的議案》), 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" (《關於提請股東大會授權董事會辦理公司2020年A股員工持股計劃有關事項的議案》), and relevant proposals. 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 of the Company do not participate in this Employee Share Ownership Plan. The total number of participants shall not exceed 50. Under the 2020 A Share Employee Share Ownership Plan, a trust entity has been set up for the 2020 A Share Employee Share Ownership Plan and a third party agent with asset management qualifications was engaged by the participants of the 2020 A Share Employee Share Ownership Plan.

The source of funds of the 2020 A Share 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 2020 A Share 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. 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 source of the underlying shares involved in the 2020 A Share Employee Share Ownership Plan are the repurchased A shares previously repurchased and held by the Company as treasury shares (refer to Note 39 to the consolidated financial statements). The average repurchase price was RMB44.25 per share. On February 1, 2021, 286,372 shares previously repurchased by the Company was transferred to the trust unit for Employee Share Ownership Plan by way of non-trade transfer at RMB44.25 per share. As a result, a consideration of RMB12.7 million has been received by the Group upon the transfer of treasury shares.

SHARE INCENTIVE SCHEMES (Continued)

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

The shares held by the Employee Share Ownership Plan in respect of a participant has been unlocked on February 1, 2022. The agent of the Employee Share Ownership Plan will then sell the relevant unlocked shares on the market in accordance with "2020 A Share Employee Share Ownership Plan of Hangzhou Tigermed Consulting Co., Ltd. (Draft)".

Set out below are details of the movements of the outstanding units granted under the 2020 A Share Employee Share Ownership Plan:

	For the year ended December 31,			
	2022		2021	
	Weighted average exercise price (RMB)	Number	Weighted average exercise price (RMB)	Number
Outstanding at the beginning of the Reporting Period	44.25	286,372	–	–
Granted during the Reporting Period	–	–	44.25	286,372
Vested during the Reporting Period	44.25	(181,600)	–	–
Outstanding at the end of the Reporting Period	44.25	104,772	44.25	286,372

The shares held by the 2020 A Share Employee Share Ownership Plan in respect of a holder will be unlocked upon the expiry of the lock-up periods. The agent of the 2020 A Share 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 holders according to the allocations stipulated under the 2020 A Share Employee Share Ownership Plan.

For the year ended December 31, 2022, the Group recognised total expense of approximately RMB8.981 million (for the year ended December 31, 2021: RMB25.174 million) in relation to 2020 A Share Employee Share Ownership Plan.

SHARE INCENTIVE SCHEMES (Continued)

4. 2022 Restricted Share Incentive Scheme

On the premise of fully protecting the interests of the Shareholders, the Company has established the 2022 Restricted Share Incentive Scheme on a compensation-matches-contribution basis for the purpose of further establishing and improving the long-term incentive and restraint mechanism, attracting and retaining talented individuals, fully mobilising the enthusiasm of the core technical (business) personnel of the Company, implementing the loyalty plan of the Company, and effectively aligning the interests of the Shareholders, the Company, and core teams and individuals so that all parties can focus on the long-term development of the Company.

The validity period of the 2022 Restricted Share Incentive Scheme shall commence on the date of the first grant of the 2022 Restricted Shares and end on the date on which all the 2022 Restricted Shares granted to the participants have been vested or lapsed, which shall not exceed 60 months.

The form of incentive adopted under the 2022 Restricted Share Incentive Scheme is 2022 Restricted Shares and the source of the underlying shares of the 2022 Restricted Share Incentive Scheme shall be ordinary A Shares of the Company to be repurchased by the Company from the secondary market.

The participants of the 2022 Restricted Share Incentive Scheme are core technical (business) personnel of the Group. The participants under the first grant of the Restricted Share Incentive Scheme exclude any independent non-executive Directors, Supervisors, the Shareholders or the de facto controllers individually or collectively holding 5% or more of the Shares of the Company and their spouses, parents or children. All the participants shall have employment or labour service relationships with the Company or its subsidiaries at the time of granting the 2022 Restricted Shares by the Company and within the appraisal period under the 2022 Restricted Share Incentive Scheme. Participants of the 2022 Restricted Share Incentive Scheme include some foreign employees. The participants under the reserved grant will be determined within 12 months after the 2022 Restricted Share Incentive Scheme is considered and approved by the general meeting. If the participants are not determined for more than 12 months, the reserved interests will lapse. The basis for determining the participants under the reserved grant shall be made by reference to the basis for the first grant.

On October 25, 2022, the Company convened the thirtieth meeting of the fourth session of the Board and the nineteenth meeting of the fourth session of the Supervisory Committee to consider and approve the "Resolution on 2022 Restricted A Share Incentive Scheme (Draft) of the Company and its summary" (《關於公司<2022年A股限制性股票激勵計劃(草案)>及其摘要的議案》), "Resolution on the Management Measures for Assessment Relating to the Implementation of the 2022 Restricted A Share Incentive Scheme of Hangzhou Tigermed Consulting Co., Ltd." (《關於<杭州泰格醫藥科技股份有限公司2022年A股限制性股票激勵計劃實施考核管理辦法>的議案》), "Resolution on Requesting the General Meeting of Shareholders of the Company to Authorize the Board to Handle Matters Regarding the 2022 Restricted A Share Incentive Scheme" (《關於提請股東大會授權董事會辦理公司2022年A股限制性股票激勵計劃有關事項的議案》). The aforesaid resolutions were approved by the Shareholders at the 2022 first extraordinary general meeting of the Company on November 23, 2022.

SHARE INCENTIVE SCHEMES (Continued)

4. 2022 Restricted Share Incentive Scheme (Continued)

On November 25, 2022, the Company convened the thirty-first meeting of the fourth session of the Board and the twentieth meeting of the fourth session of the Supervisory Committee to consider and approve the "Resolution on Adjustment to the List of Participants and the Number of Restricted Shares Granted under the First Grant of the 2022 Restricted A Share Incentive Scheme of the Company" (《關於調整公司2022年A股限制性股票激勵計劃首次授予激勵對象名單和授予數量的議案》) and "Resolution on the First Grant of Restricted Shares to Participants under the 2022 Restricted A Share Incentive Scheme" (《關於向2022年A股限制性股票激勵計劃激勵對象首次授予限制性股票的議案》), pursuant to which the Board agreed to cancel the qualifications of the 11 employees (among which seven resigned participants were no longer within the scope of the participants and four participants have waived their subscription for all the 2022 Restricted Shares to be granted to them by the Company due to personal reasons) to be granted the 2022 Restricted Shares. After the above adjustments, the total number of 2022 Restricted Shares to be granted under the 2022 Restricted Share Incentive Scheme was adjusted from 7,105,590 to 6,829,784; the number of 2022 Restricted Shares to be granted under the first grant was adjusted from 6,355,590 to 6,079,784; the number of participants of the first grant of 2022 Restricted Shares was adjusted from 828 to 817; and the reserved portion of the 2022 Restricted Shares remained as 750,000. 6,079,784 of 2022 Restricted Shares (being ordinary A Shares repurchased by the Company in the secondary market) were granted to 817 participants with a grant price of RMB69 per Share under first grant of 2022 Restricted Shares on November 25, 2022.

Set out below are details of the movements of the outstanding 2022 Restricted Shares granted during the Reporting Period:

Date of grant	Name/ Category of participants	Grant price per Share (RMB)	Outstanding as at January 1, 2022	Granted during the Reporting Period	Exercised during the Reporting Period	Forfeited during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at December 31, 2022	Vesting period
November 25, 2022	YANG JIANSONG	69	–	66,940	0	0	0	66,940	40% from the first trading day after the expiry of 12 months following November 25, 2022 until the last trading day within the 24 months following November 25, 2022, 30% from the first trading day after the expiry of 24 months following November 25, 2022 until the last trading day within the 36 months following November 25, 2022, and 30% from the first trading day after the expiry of 36 months following November 25, 2022 until the last trading day within the 48 months following November 25, 2022
	Other core technical (business) personnel (816 persons)	69	–	6,012,844	0	0	0	6,012,844	
	Reserved Shares	69	–	750,000	0	0	0	750,000	

SHARE INCENTIVE SCHEMES (Continued)

4. 2022 Restricted Share Incentive Scheme (Continued)

The estimated fair value of the 2022 Restricted Shares at the date of grant was approximately RMB551,858,000. The fair value is calculated by reference to the closing price of A Share at the date of grant, which is RMB90.88. Please refer to note 46(c)(iv) to the consolidated financial statements in this annual report for details.

For the year ended December 31, 2022, the Group recognised total expense of approximately RMB8.754 million in relation to the 2022 Restricted Share Incentive Scheme.

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.

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. The total outstanding share options under Frontage Labs Schemes as at December 31, 2018 were 4,035,000 shares.

On February 28, 2019, the Company granted a total of 7,990,000 share options under the Pre-IPO Share Incentive Plan in 2015 to the eligible employees at an exercise price of US$2.00.

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, 2022	Granted during the Reporting Period	Exercised during the Reporting Period	Forfeited during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at December 31, 2022	Vesting period
Directors									
Dr. Song Li	February 28, 2019	0.200	4,700,000	–	–	–	–	4,700,000	exercisable at any time[1]
Dr. Zhihe Li	February 28, 2019	0.200	4,500,000	–	–	–	–	4,500,000	exercisable at any time[1]
Senior management and other employees	January 21, 2014	0.016	130,000	–	–	–	–	130,000	exercisable at any time[2]
	June 16, 2016	0.049	6,650,000	–	–	–	–	6,650,000	exercisable at any time[2]
	September 14, 2017	0.057	10,350,000	–	400,000	–	–	9,950,000	exercisable at any time[2]
	February 28, 2019	0.200	49,868,000	–	5,827,500	500,000	–	34,340,500	exercisable at any time[1]
Total			66,998,000	–	6,227,500	500,000	–	60,270,500	

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$3.04.

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

SHARE INCENTIVE SCHEMES (Continued)

Frontage Labs 2008 and 2015 Share Incentive Plans (Continued)

The estimated fair value of the share options granted under the 2015 Pre-IPO Share Incentive Plan in 2021 was approximately US$5,001,000. The fair value was calculated using the Black-Scholes model. There were no share options issued during the year ended December 31, 2022 and no more options may be granted under the Frontage Labs Schemes upon the listing of Frontage. The equity-settled share based compensation recognized during the Reporting Period are as follow:

	The year ended December 31,	
	2021	**2022**
	US$	**US$**
Directors	68,000	–
Senior management and other employees	401,000	–

The major inputs into the model are as follows:

Grant date	As at February 28, 2019
Share price (US$)	0.22
Exercise price (US$)	0.20
Expected volatility	30.0%
Expected life (years)	5
Risk-free interest rate	2.5%
Expected dividend yield	–

Share price is determined as the total fair value of Frontage's equity divided by the total number of shares. To determine the fair value of Frontage's equity value as of grant date, the Frontage Holdings Group used primarily the discounted cash flow method under the income approach, using cash flow projections based on financial forecasts approved by management covering a five-year period as appropriate and a discount rate of 18% for the options granted on February 28, 2019. Management's assessment is that the Frontage Holdings Group will arrive at a stable growth stage after a five-year period. Cash flow beyond that five-year period has been extrapolated using a steady 3% growth rate. This growth rate does not exceed the long-term average growth rate for the market in which the Frontage Holdings Group operates. The result from the income approach was cross checked with the market approach, which incorporates certain assumptions, including the market performance of comparable listed companies, as well as the financial results and growth trends of the Frontage Holdings Group, to derive the total equity of the Frontage Holdings Group.

The risk-free interest rate was based on the market yield rate of U.S. government bonds with the term corresponding to the contractual life of the options. Expected volatility was determined by using the historical volatility of the comparable companies.

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

The Group recognised total expense of nil for the year ended December 31, 2022 (for the year ended December 31, 2021: RMB3.013 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 options, restricted share units and any other types of award to eligible employees, including the directors, employees, consultants and advisors of the Frontage Holdings Group or any other person as determined by the Frontage board who the Frontage Board considers, in its absolute discretion, have contributed or will contribute to the Frontage Holdings Group. Each person who receives an Award under the 2018 Share Incentive Plan is a grantee (the "**Grantee**"). 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.

The total number of shares available for issue under the 2018 Share Incentive Plan is 128,144,403, being 6.23% of the issued shares as at the date of this report.

In accordance with the Listing Rules, the maximum number of shares issued and to be issued and/or transferred and to be transferred upon the vesting or exercise of the awards granted to any eligible participant (including all vested, exercised and outstanding awards) in the 2018 Share Incentive Plan in any 12-month period shall not (when aggregated with any shares underlying the awards granted during such period pursuant to any other share award schemes of Frontage) exceed 1% of the shares of Frotange in issue from time to time. Any further grant of share awards 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 directors (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 respective associates, would result in the shares issued and to be issued in respect of all share options (excluding any options lapsed in accordance with the terms of the scheme) 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 shares 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 6 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. 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 in any event shall 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 Frontage provided that for the purpose of determining the exercise price where the shares of Frontage have been listed on the Stock Exchange for less than five trading days, the issue price of the shares of Frontage in the global offering shall be used as the closing price of the shares of Frontage for any trading day falling within the period before the listing of the shares of Frontage on the Stock Exchange.

An option may be exercised in accordance with the terms of the 2018 Share Incentive Plan at any time during a period to be determined by the board of directors of Frontage and notified to the Grantee in the notice of grant, or, where applicable, any period for the exercise of an option as determined by the board of directors of Frontage, which shall expire no later than 10 years from the date on which an offer is made to a participant.

SHARE INCENTIVE SCHEMES (Continued)

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

On October 7, 2022, the board of directors of Frontage has resolved to grant a total of 32,555,000 share options.

Set out below are details of the movements of the outstanding share options granted under the 2018 Frontage Share Award Scheme:

Category of participants	Date of grant	Exercise price per share HK$	Outstanding as at January 1, 2022	Granted during the Reporting Period	Exercised during the Reporting Period	Forfeited during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at December 31, 2022	Vesting period
Director									
Dr. Song Li	October 7, 2022	2.092	–	1,500,000	–	–	–	1,500,000	• 30% on September 1, 2023; • 30% on September 1, 2024; and • 40% on September 1, 2025
Employees	October 7, 2022	2.092	–	31,055,000	–	1,110,000	–	29,945,000	• 30% on September 1, 2023; • 30% on September 1, 2024; and • 40% on September 1, 2025
Total			–	32,555,000	–	1,110,000	–	31,445,000	

Note:

(1) The option exercise period commences from the respective vesting date of the relevant tranche of share options and ends on the date before the 5th anniversary of the date of grant (i.e. 6 October 2027) (both dates inclusive).

Except for the share options granted shown as above, no restricted share units or any other type of share incentive award was granted under the 2018 Share Incentive Plan for the year ended December 31, 2022. The number of Awards available for grant under the 2018 Share Incentive Plan at the beginning and the end of the financial year is 179,267,091 and 146,712,091, respectively.

The fair value of the share options granted under the 2018 Share Incentive Plan as at October 7, 2022 was approximately US$3,255,000 (equivalent to approximately RMB21,995,000), which was calculated in accordance with IFRSs. The fair value was calculated using the Black-Scholes-Merton model. Please refer to note 46(a)(iii) to the consolidated financial statements in this annual report for details.

The Group recognised total expenses of approximately US$415,000 (equivalent to approximately RMB2,801,000) for the year ended December 31, 2022 (for the year ended December 31, 2021: nil) in relation to share options granted under the 2018 Share Incentive Plan.

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 recognise the contributions by certain employees of the Frontage Holdings Group, to give incentives thereto in order to retain them for the continual operation and development of the Frontage Holdings Group and to attract suitable personnel for further development of the Frontage Holdings Group. Each award granted has a contractual terms of 10 years and The respective awarded shares held by the trustee on behalf of selected employee(s) as specified in the 2021 Frontage Share Award Scheme and the grant notice shall vest in such selected employee(s) in accordance with the vesting schedule (if any) as set out in the grant notice.

Under the rules of the 2021 Frontage Share Award Scheme, the individuals eligible to be granted award(s) thereunder include any director, senior management, employee, or consultant of the Company or its subsidiaries, but at the discretion of the board of directors of Frontage, excluding the following persons: (i) any seconded employee or part-time employee or non-full time employee of the Frontage Holdings Group; and (ii) any employee of the Frontage Holdings Group who at the relevant time has given or been given notice terminating his office or directorship as the case may be. Employees who are resident in a place where the award of the awarded shares and/or the vesting and transfer of the awarded shares pursuant to the terms of the 2021 Frontage Share Award Scheme is not permitted under the laws or regulations of such place or where in the view of the board of directors of Frontage or the trustee of the 2021 Frontage Share Award Scheme (as the case may be), compliance with applicable laws or regulations in such place makes it necessary or expedient to exclude such employee, are excluded from the 2021 Frontage Share Award Scheme.

The maximum number of shares in respect of which awards may be granted pursuant to the 2021 Frontage Share Award Scheme is 204,605,091, being 10% of the issued share capital of the Company on the adoption date of the 2021 Frontage Share Award Scheme.

The total number of shares available for issue under the 2021 Frontage Share Award Scheme is 183,108,091, being 8.91% of the issued shares as at the date of this report.

The maximum number of awarded shares which may be awarded to a selected employee shall not in aggregate exceed one percent (1%) of the issued share capital of Frontage as at the adoption date of the 2021 Frontage Share Award Scheme (i.e. January 22, 2021).

No payment is required on acceptance of award under the 2021 Frontage Share Award Scheme.

There is no basis in determining the purchase price under the 2021 Frontage Share Award Scheme.

The 2021 Frontage Share Award Scheme will remain in force for a period of 10 years commencing on its adoption date (i.e. January 22, 2021) unless otherwise terminated by the board of directors of Frontage at an earlier date.

SHARE INCENTIVE SCHEMES (Continued)

2021 Frontage Share Award Scheme (Continued)

On January 25, 2021, the board of directors of Frontage has resolved to grant a total of 22,950,500 awarded shares to 184 award participants pursuant to the terms of the 2021 Frontage Share Award Scheme. Of the 22,950,500 awarded shares, (i) 19,850,500 awarded shares were granted to 182 non-connected award participants, all being employees of the Group who are not connected persons of the Company; and (ii) 3,100,000 awarded shares were granted to two connected award participants (being award participants who are connected with Frontage or connected persons of Frontage), namely Dr. Zhihe Li and Dr. Song Li and were approved by the independent shareholders of Frontage at the annual general meeting of Frontage held on May 27, 2021.

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 awarded shares granted under the 2021 Frontage Share Award Scheme:

			Number of awarded shares						
Category of participants	Date of grant	Purchase Price	Outstanding as at January 1, 2022	Granted during the Reporting Period	Vested during the Reporting Period	Forfeited during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at December 31, 2022	Vesting period
Directors									
Dr. Song Li	January 25, 2021	–	1,850,000	–	462,500	–	–	1,387,500	25% on January 24, 2022, 25% on January 24, 2023, 25% on January 24, 2024, and 25% on January 24, 2025
Dr. Zhihe Li	January 25, 2021	–	1,250,000	–	312,500	–	–	937,500	25% on January 24, 2022, 25% on January 24, 2023, 25% on January 24, 2024, and 25% on January 24, 2025
Other grantees									
Five highest paid individual other than directors	January 25, 2021	–	4,500,000	–	1,125,000	–	–	3,375,000	25% on January 24, 2022, 25% on January 24, 2023, 25% on January 24, 2024, and 25% on January 24, 2025
178 employees	January 25, 2021	–	13,889,500	–	3,462,374	1,716,625	–	8,710,501	25% on January 24, 2022, 25% on January 24, 2023, 25% on January 24, 2024, and 25% on January 24, 2025
		–	21,489,500	–	5,362,374	1,716,625	–	14,410,501	

SHARE INCENTIVE SCHEMES (Continued)

2021 Frontage Share Award Scheme (Continued)

The number of awarded shares available for grant under the 2021 Frontage Share Award Scheme at the beginning and the end of the financial year is 183,108,091 and 183,108,091, respectively.

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 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$4.287 million (equivalent to approximately RMB28.969 million) for the year ended December 31, 2022 (for the year ended December 31, 2021: approximately US$7.048 million (equivalent to RMB45.280 million)) 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.

Each option granted has a contractual term of 5 years.

The exercise price of options shall be a price 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.

Upon adoption of the 2021 DreamCIS Scheme (as defined below), the provisions under the 2018 DreamCIS Scheme pursuant to which share options are granted shall cease to have effect and no further share option shall be granted pursuant to the 2018 DreamCIS Scheme, provided that share options previously granted under the 2018 DreamCIS Scheme shall remain valid and exercisable in accordance with the terms of the 2018 DreamCIS Scheme and their respective terms of grant.

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, 2022	Granted during the Reporting Period	Exercised during the Reporting Period	Forfeited during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at December 31, 2022	Vesting period
Other employees	March 16, 2018	5,000	1,600	–	–	–	–	1,600	May 22, 2020
	May 20, 2019	10,680	42,568	–	–	–	–	42,568	May 19, 2021
	March 26, 2021	16,300	163,200	–	–	31,221	–	131,979	March 25, 2023

Note:

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

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 RMB1.288 million for the year ended December 31, 2022 (for the year ended December 31, 2021: RMB1.788 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.

The number of options available for grant under 2021 DreamCIS Scheme at the beginning is 559,597 and remained the same at the end of the Reporting Period. As at the date of this report, 559,597 shares are available for issue under the 2021 DreamCIS Scheme, representing 10% of shares in issue of DreamCIS as at the date of the annual report.

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

SHARE INCENTIVE SCHEMES (Continued)

2021 DreamCIS Scheme (Continued)

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 (i.e. March 25, 2031). 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. The remaining life of the 2021 DreamCIS Scheme is approximately 8 years.

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 December 31, 2022. Accordingly, there were no exercise, cancel and lapse of options under the 2021 DreamCIS Scheme since the adoption of such scheme and up to December 31, 2022.

SHARE INCENTIVE SCHEMES (Continued)

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. 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:

Category of participants	Date of grant	Exercise price per restricted share (RMB)	Outstanding as at January 1, 2022	Granted during the Reporting Period	Vested during the Reporting Period	Forfeited during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at December 31, 2022	Vesting period
Employees	September 1, 2019	1.5	466,667	–	466,667	–	–	–	September 1, 2022

The Group recognised total expense of nil for the year ended December 31, 2022 (for the year ended December 31, 2021: RMB3.215 million) in relation to restricted shares granted under the Fantastic Bioimaging Scheme.

SHARE INCENTIVE SCHEMES (Continued)

Meditip Scheme

Meditip Co., Ltd ("**Meditip**"), a subsidiary of the Company, adopted a share incentive plan in 2021 (the "**Meditip Scheme**") for the primary purpose of attracting, retaining and motivating the directors, employees and outside consultants of Meditip. Under the Meditip Scheme, the directors of Meditip may grant up to 26,500 share options under the Meditip Scheme to eligible employees, including the directors, employees and outside consultants of Meditip, to subscribe for shares in Meditip.

Each share option granted has a contractual term of 6 years.

Set out below are details of the movements of the outstanding options granted under the Meditip Scheme during the Reporting Period:

Category of participants	Date of grant	Exercise price per share option (RMB)	Outstanding as at acquisition date	Granted during the Reporting Period	Exercised during the Reporting Period	Forfeited during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at December 31, 2022	Vesting period
Other employees	September 8, 2021	281	26,300	–	–	1,500	–	24,800	September 7, 2024

The Group recognised total expense of approximately RMB1.23 million for the year ended December 31, 2022 in relation to share options granted under the Meditip Scheme.

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

As at December 31, 2022, 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 section 352 of the SFO; 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 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	228,901,315 Shares A Shares(L)*	30.55%(L)*	26.24%(L)*
Ms. Cao Xiaochun[(1)]	Beneficial owner; Interest of person acting in concert	228,901,315 Shares A Shares(L)*	30.55%(L)*	26.24%(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 December 31, 2022.

*** 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: 872,418,220 Shares including 749,293,420 A Shares and 123,124,800 H Shares) as at December 31, 2022.

(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 20.32% of our total issued share capital of our Company. Ms. Cao Xiaochun holds 51,661,774 of our A Shares, representing 5.92% 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 228,901,315 of our A Shares, representing 30.55% of the total number of A Shares of our Company and 26.24% 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 December 31, 2022, none of our Directors, Supervisors or chief executive has any interest and/or short position in the Shares, underlying Shares and debentures of the Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

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

As at December 31, 2022, so far as it was known to the Directors or chief executive of the Company, the following persons (other than the Directors, Supervisors 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 shareholding in relevant class of shares**	Approximate percentage of the Company's issued share capital***
2017 Eagle Holdings LLC[(1)]	Interest in controlled corporation	17,258,104 H Shares (L)	14.02%	1.98%
F-J Sands Family I, LLC[(1)]	Interest in controlled corporation	17,258,104 H Shares (L)	14.02%	1.98%
Sands Capital Management, LLC[(1)]	Beneficial owner	17,258,104 H Shares (L)	14.02%	1.98%
Sands Capital Management, LP[(1)]	Interest in controlled corporation	17,258,104 H Shares (L)	14.02%	1.98%
Sands Family Trust, LLC[(1)]	Interest in controlled corporation	17,258,104 H Shares (L)	14.02%	1.98%
Sands Frank Melville Jr.[(1)]	Interest in controlled corporation	17,258,104 H Shares (L)	14.02%	1.98%
JPMorgan Chase & Co.	Interest in controlled corporation/Investment manager/Person having a security interest in shares/Approved lending agent	9,969,359 H Shares (L)	8.10%	1.14%
		854,320 H Shares (S)	0.69%	0.10%
		2,135,277 H Shares (P)	1.73%	0.24%
Brown Brothers Harriman & Co.	Approved lending agent	8,720,165 H Shares (L)	7.08%	1.00%
		8,720,165 H Shares (P)	7.08%	1.00%
Ninety One Plc/Ninety One Ltd	Investment manager	8,666,300 H Shares (L)	7.04%	1.00%
Citigroup Inc.	Approved lending agent/Interest in controlled corporation	8,565,186 H Shares (L)	6.96%	0.98%
		544,547 H Shares (S)	0.44%	0.06%
		8,112,771 H Shares (P)	6.59%	0.93%

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

Name of Shareholder	Nature of Interest	Number and class of shares*	Approximate percentage of shareholding in relevant class of shares**	Approximate percentage of the Company's issued share capital***
Ninety One UK Limited	Investment manager	7,560,500 H Shares (L)	6.14%	0.87%
Canada Pension Plan Investment Board	Beneficial owner	7,395,500 H Shares (L)	6.01%	0.85%
BlackRock, Inc.	Interest in controlled corporation	7,364,603 H Shares (L)	5.98%	0.84%
		33,800 H Shares (S)	0.03%	0.00%

Notes:

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

** 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 December 31, 2022.

*** 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: 872,418,220 Shares including 749,293,420 A Shares and 123,124,800 H Shares) as at December 31, 2022.

(1) Sands Frank Melville Jr. through groups of companies that he has interest in, directly and indirectly held 17,258,104 H Shares.

Save as disclosed above, to the best knowledge of the Directors or chief executive of the Company, as at December 31, 2022, no person (other than the Directors, Supervisors and the chief executive) had informed the Company that he/she had interests or short positions in the Shares or underlying Shares of equity derivatives of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, or held any interests or short position in 5% or more of the respective types of capital in issue of the Company.

ARRANGEMENTS FOR PURCHASE OF SHARES OR DEBENTURES

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

MAJOR SUPPLIERS AND CUSTOMERS

During the Reporting Period, the Group's largest customer accounted for 6.82% of the Group's total revenue. The Group's five largest customers accounted for 21.75% of the Group's total revenue.

During the Reporting Period, the Group's largest supplier accounted for 1.37% of the Group's total purchase. The Group's five largest suppliers accounted for 5.73% of the Group's total purchase.

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

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

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

HUMAN RESOURCES

The Group had 9,233 employees as at December 31, 2022 (as at December 31, 2021: 8,326). The Group enters into employment contracts with its employees to cover matters such as wages, benefits, and grounds for termination.

Remuneration of the Group's employees includes salary, bonus and allowance elements. The compensation programs are designed to remunerate the employees based on their performance, measured against specified objective criteria, and is determined with reference to their experience, qualifications and general market conditions. We also provide our employees with welfare benefits in accordance with applicable regulations and our internal policies. We provide periodic training to our employees in order to improve their quality, skills and knowledge, including introductory training for new employees, technical training, professional and management training and health and safety training, as well as extensive training to our sales and marketing team. In 2022, we provide 12 induction trainings for new employees, 1 PM trainings to PMs, 7 performance management trainings to all management. Totally, we provide over 427 technical trainings. The Group also has in place incentive schemes for its employees, the details of which are set out in the section headed "Share Incentive Schemes".

RETIREMENT BENEFITS SCHEME

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

Details of the pension obligations of the Company are set out in note 50 to the consolidated financial statements in this annual report.

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

During the year of 2022, no forfeited contributions made by the Group on behalf of employees who leave the scheme prior to vesting fully in such contributions may be used by the Group, as the employer, to reduce existing level of contributions. As at 31 December 2022, the Group had no significant obligation apart from the contributions as stated in note 50 to the consolidated financial statements in this annual report.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the Reporting Period are set out in note 52 to the consolidated financial statements contained herein.

The related party transactions disclosed in note 52 were not regarded as connected transactions or were exempt from reporting, announcement and Shareholders' approval requirements under the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this annual report, the Company has maintained a sufficient public float as required under the Listing Rules.

INDEMNITY OF DIRECTORS

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

CORPORATE GOVERNANCE

The Company is committed to ensuring high standards of corporate governance and has adopted the code provisions set out in the CG Code. During the Reporting Period and up to the date of this report, the Company has complied with all the applicable code provisions in the CG Code.

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

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 60 to 80 of this annual report.

DONATIONS

During the Reporting Period, the Company made donations of RMB6.27 million.

AUDITOR

The H Shares were listed on the Stock Exchange since August 7, 2020, and there has been no change in auditors since the date of Listing, being August 7, 2020. The consolidated financial statements for the Reporting Period have been audited by BDO Limited, Certified Public Accountants, who are proposed for re-appointment at the forthcoming 2022 AGM.

COMPLIANCE WITH LAWS AND REGULATIONS

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

EVENTS AFTER THE REPORTING PERIOD

Subsequent to December 31, 2022, the following significant events took place:

1. On March 28, 2023, DreamCIS, the subsidiary of the Company, proposed to adopt a share option scheme (the "**DreamCIS 2023 Share Option Scheme**") to provide incentive or reward to directors or employees of DreamCIS for their contribution to, and continuing efforts to promote the interests of DreamCIS and its subsidiaries. The DreamCIS 2023 Share Option Scheme is subject to the approval of the ordinary resolution by the Shareholders at the general meeting, under which, the total number of DreamCIS share which may be issued upon exercise of options to be granted pursuant to the DreamCIS 2023 Share Option Scheme will not exceed 270,000 shares, representing not more than 10% of the total DreamCIS shares in issue at the date of approval of the DreamCIS 2023 Share Option Scheme. Please refer to the announcement of the Company dated March 28, 2023 for details.

EVENTS AFTER THE REPORTING PERIOD (Continued)

2. On March 28, 2023, the Company convened the thirty-second meeting of the fourth session of the Board to approve the proposed re-election of Dr. Ye Xiaoping, Ms. Cao Xiaochun and Mr. Wu Hao as executive Directors of the fifth session of the Board, election of Mr. Wen Zengyu as an executive Director of the fifth session of the Board, the re-election of Dr. Yang Bo and Mr. Liu Kai Yu Kenneth as independent non-executive Directors of the fifth session of the Board and election of Mr. Zhang Wensheng as an independent non-executive Director of the fifth session of the Board (the "**Proposed Election of the Fifth Session of the Board**"). The resolution on the Proposed Election of the Fifth Session of the Board is subject to approval of the ordinary resolution by the Shareholders at the AGM. Please refer to the announcement of the Company dated March 28, 2023 for details.

3. On March 28, 2023, the Company convened the twenty-first meeting of the fourth session of the Supervisory Committee to approve the proposed re-election of Ms. Chen Zhimin and Mr. Zhang Binghui as the non-employee representative Supervisors of the fifth session of the Supervisory Committee (the "**Proposed Election of the non-employee representative Supervisors of the Fifth Session of the Supervisory Committee**"). The resolution on the Proposed Election of the non-employee representative Supervisors of the Fifth Session of the Supervisory Committee is subject to approval of the ordinary resolution by the Shareholders at the AGM. Please refer to the announcement of the Company dated March 28, 2023 for details.

4. On March 28, 2023, Ms. Lou Wenqing has been elected as the employee supervisor of the fifth session of the Supervisory Committee with a term commencing from the commencement of the fifth session of the Supervisory Committee until the expiry of the fifth session of the Supervisory Committee. Please refer to the announcement of the Company dated March 28, 2023 for details.

Save as disclosed in this annual report and note 53 to the consolidated financial statements, no events after the Reporting Period need to be brought to the attention of the Shareholders.

On behalf of the Board
Dr. Ye Xiaoping
Chairman

Hong Kong, March 28, 2023

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of Hangzhou Tigermed Consulting Co., Ltd. (the "Company") and its subsidiaries (together the "Group") set out on pages 121 to 273, which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Revenue recognition

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

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

KEY AUDIT MATTERS (Continued)

Revenue recognition (Continued)

The Group earns service revenue over time by providing clinical trial solutions and clinical-related and laboratory services. Also, the selection of the method to measure progress towards completion requires judgement and is based on the nature of the products or services to be provided. Depending on which better depicts the transfer of value to the customer, the Group generally measures its progress using either cost-to-cost (input method) or units produced/services transferred to the customers to date (output method). During the year ended December 31, 2022, service revenue recognised over time by the Group is approximately RMB7,085,471,000.

Our response:

Our procedures in relation to the revenue recognition included:

- Understanding the policies, procedures, methods and related controls for the determination of budgeted revenue and budgeted costs;

- Inquiring of management and inspecting terms of contract research organisation services contracts to evaluate whether accounting policy of the Group complies with IFRS 15 "Revenue from Contracts with Customers"; and

- Checking the accuracy and appropriateness of revenue recorded, on a sample basis, by tracing to the relevant services contracts for the key terms of the contracts and obtaining the supporting evidence that prove the performance obligations are satisfied.

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

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

As disclosed in Note 5 to the consolidated financial statements, the Group has investments in a wide variety of companies and accounts for these financial instruments as financial assets at fair value through profit or loss. For those investments with no quoted market price in an active market, their fair values are estimated by using valuation techniques with significant unobservable inputs, assumptions and judgements. The Group has also engaged an independent professional valuer to assist in assessing the fair value of these financial instruments. As at December 31, 2022, the Group's equity investments and fund investments at fair value through profit or loss were approximately RMB9,941,349,000.

KEY AUDIT MATTERS (Continued)

Our response:

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

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

Impairment assessment of goodwill

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

As disclosed in Note 22 to the consolidated financial statements, the carrying amount of goodwill amounted to approximately RMB2,485,018,000 as at December 31, 2022. For the purpose of assessing impairment, the recoverable amount of certain cash-generating units to which goodwill has been allocated is determined by management based on value-in-use calculations using financial budgets based on past performance and expectation for market development, where the key inputs parameters include growth rates and discount rates. The recoverable amount of certain cash-generating units to which goodwill has been allocated is determined by management based on fair value less costs of disposal based on the share prices of the cash-generating units.

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

Our response:

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

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

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Chau Ka Kin
Practising Certificate no. P07445

Hong Kong, March 28, 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2022

	Notes	2022 RMB'000	2021 RMB'000
Revenue	6	**7,085,471**	5,213,538
Cost of services		**(4,300,027)**	(2,965,420)
Gross profit		**2,785,444**	2,248,118
Other income	8	**284,961**	295,217
Other gains and losses, net	9	**620,322**	2,077,190
Provision of impairment losses, net	10	**(24,575)**	(24,426)
Selling and marketing expenses		**(149,890)**	(129,399)
Administrative expenses		**(643,315)**	(554,807)
Research and development expenses		**(234,619)**	(211,829)
Share of profits of associates	19	**39,763**	14,348
Finance costs	11	**(83,179)**	(24,910)
Profit before tax	12	**2,594,912**	3,689,502
Income tax expense	13	**(313,652)**	(292,864)
Profit for the year		**2,281,260**	3,396,638
Other comprehensive income for the year			
Items that will not be reclassified subsequently to profit or loss:			
Change in fair value of financial assets at fair value through other comprehensive income ("FVOCI"), net of tax		**14,624**	(14)
Remeasurement of net defined benefit obligations		**(112)**	–
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		**288,788**	(89,905)
Total comprehensive income for the year		**2,584,560**	3,306,719
Profit for the year attributable to:			
Owners of the Company		**2,016,086**	2,879,099
Non-controlling interests		**265,174**	517,539
		2,281,260	3,396,638
Total comprehensive income for the year attributable to:			
Owners of the Company		**2,237,630**	2,815,119
Non-controlling interests		**346,930**	491,600
		2,584,560	3,306,719
Earnings per share	16		
– Basic (RMB)		**2.33**	3.32
– Diluted (RMB)		**2.33**	3.31

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	20	**976,679**	701,857
Intangible assets	21	**276,147**	234,090
Goodwill	22	**2,485,018**	1,778,948
Right-of-use assets	23	**622,354**	473,262
Interests in associates	19	**1,799,825**	738,799
Deferred tax assets	24	**121,353**	100,936
Financial assets at fair value through profit or loss ("FVTPL")	25	**9,963,853**	8,746,344
Financial assets at FVOCI	25	**3,864**	13,531
Other financial assets at amortised cost	26	**27,607**	–
Restricted bank deposits	30	**2,089**	1,913
Other non-current assets	31	**62,564**	101,605
		16,341,353	12,891,285
CURRENT ASSETS			
Inventories	27	**22,204**	6,095
Trade, bills and other receivables and prepayments	28	**1,186,273**	952,017
Contract assets	29	**1,997,311**	1,285,475
Financial assets at FVTPL	25	**24,946**	29,180
Prepaid income tax		**15,136**	34,678
Restricted bank deposits	30	**19,115**	8,586
Time deposits with original maturity over three months	30	**54,194**	155,440
Cash and cash equivalents	30	**7,782,741**	8,378,417
		11,101,920	10,849,888
Assets classified as held for sale	32	**3,237**	–
		11,105,157	10,849,888
CURRENT LIABILITIES			
Trade and other payables	33	**717,950**	879,962
Contract liabilities	34	**939,765**	789,509
Borrowings	35	**1,868,215**	492,320
Income tax payables		**85,875**	176,410
Lease liabilities	36	**117,764**	74,515
		3,729,569	2,412,716

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2022

	Notes	2022 RMB'000	2021 RMB'000
NET CURRENT ASSETS		**7,375,588**	8,437,172
TOTAL ASSETS LESS CURRENT LIABILITIES		**23,716,941**	21,328,457
NON-CURRENT LIABILITIES			
Borrowings	35	**244,641**	–
Deferred government grant		**14,786**	–
Pension obligations		**425**	–
Lease liabilities	36	**488,976**	406,839
Other long-term liabilities	37	**72,692**	114,881
Deferred tax liabilities	24	**214,393**	201,540
		1,035,913	723,260
NET ASSETS		**22,681,028**	20,605,197
CAPITAL AND RESERVES			
Share capital	38	**872,419**	872,439
Treasury shares	39	**(869,340)**	(579,186)
Reserves		**19,625,366**	17,892,210
Equity attributable to owners of the Company		**19,628,445**	18,185,463
Non-controlling interests		**3,052,583**	2,419,734
TOTAL EQUITY		**22,681,028**	20,605,197

On behalf of the directors

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2022

	Attributable to owners of the Company										
	Share capital RMB'000 Note 38	Share premium RMB'000 Note 40(a)	Treasury shares RMB'000 Note 39	Employee share-based compensation reserve RMB'000 Note 40(b)	Statutory reserve RMB'000 Note 40(c)	Exchange reserve RMB'000 Note 40(d)	Fair value through other comprehensive income reserve RMB'000 Note 40(e)	Retained earnings RMB'000 Note 40(f)	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at January 1, 2022	872,439	11,495,982	(579,186)	207,587	387,062	(156,149)	165	5,957,563	18,185,463	2,419,734	20,605,197
Profit for the year	–	–	–	–	–	–	–	2,016,086	2,016,086	265,174	2,281,260
Change in fair value of financial assets at FVOCI	–	–	–	–	–	–	8,714	–	8,714	5,910	14,624
Remeasurement of net defined benefit obligations	–	–	–	–	–	–	–	(67)	(67)	(45)	(112)
Exchange differences arising from translation of foreign operations	–	–	–	–	–	212,897	–	–	212,897	75,891	288,788
Total comprehensive income for the year	–	–	–	–	–	212,897	8,714	2,016,019	2,237,630	346,930	2,584,560
Transferred to statutory reserve	–	–	–	–	87,689	–	–	(87,689)	–	–	–
Acquisition of subsidiaries (Note 44(a))	–	–	–	–	–	–	–	–	–	5,817	5,817
Reversal/recognition of deferred tax assets related to share-based payments	–	–	–	4,024	–	–	–	(12,850)	(8,826)	–	(8,826)
Repurchase of shares	–	–	(369,391)	–	–	–	–	–	(369,391)	–	(369,391)
Recognition of share-based payments (Note 46)	–	–	–	54,513	–	–	–	–	54,513	–	54,513
Exercise of share options	–	14,290	78,593	(72,137)	–	–	–	34,586	55,332	19,705	75,037
Utilisation of treasury shares by a subsidiary for business combination	–	–	–	–	–	–	–	2,586	2,586	–	2,586
Cancellation of shares	(20)	(624)	644	–	–	–	–	–	–	–	–
Contribution from non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	315,400	315,400
Change in equity interests in subsidiaries without change of control	–	–	–	–	–	–	–	(39,785)	(39,785)	(45,654)	(85,439)
Share repurchased by a subsidiary	–	–	–	–	–	–	–	(56,614)	(56,614)	–	(56,614)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(9,349)	(9,349)
Dividends declared (Note 17)	–	–	–	–	–	–	–	(432,463)	(432,463)	–	(432,463)
Balance at December 31, 2022	872,419	11,509,648	(869,340)	193,987	474,751	56,748	8,879	7,381,353	19,628,445	3,052,583	22,681,028

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2022

	Attributable to owners of the Company										
	Share capital RMB'000 Note 38	Share premium RMB'000 Note 40(a)	Treasury shares RMB'000 Note 39	Employee share-based compensation reserve RMB'000 Note 40(b)	Statutory reserve RMB'000 Note 40(c)	Exchange reserve RMB'000 Note 40(d)	Fair value through other comprehensive income reserve RMB'000 Note 40(e)	Retained earnings RMB'000 Note 40(f)	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 year	–	–	–	–	–	–	–	2,879,099	2,879,099	517,539	3,396,638
Change in fair value of financial assets at FVOCI	–	–	–	–	–	–	(9)	–	(9)	(5)	(14)
Exchange differences arising from translation of foreign operations	–	–	–	–	–	(63,971)	–	–	(63,971)	(25,934)	(89,905)
Total comprehensive income for the year	–	–	–	–	–	(63,971)	(9)	2,879,099	2,815,119	491,600	3,306,719
Transferred to statutory reserve	–	–	–	–	105,999	–	–	(105,999)	–	–	–
Acquisition of subsidiaries (Note 44(b))	–	–	–	–	–	–	–	–	–	23,034	23,034
Disposal of a subsidiary (Note 45)	–	–	–	–	–	–	–	–	–	(20,353)	(20,353)
Reversal/recognition of deferred tax assets related to share-based payments	–	–	–	13,230	–	–	–	(1,361)	11,869	–	11,869
Repurchase of shares	–	–	(499,949)	–	–	–	–	–	(499,949)	–	(499,949)
Recognition of share-based payments (Note 44)	–	–	–	92,286	–	–	–	–	92,286	–	92,286
Exercise of share options	–	8,577	64,527	(24,839)	–	–	–	6,671	54,936	18,370	73,306
Shares transferred under 2021 Share Purchase Scheme	–	–	12,672	–	–	–	–	–	12,672	–	12,672
Cancellation of shares	(45)	(1,431)	1,476	–	–	–	–	–	–	–	–
Contribution from non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	35,397	35,397
Change in equity interests in subsidiaries without change of control	–	–	–	–	–	–	–	(179,198)	(179,198)	187,761	8,563
Share repurchased by a subsidiary	–	–	–	–	–	–	–	(14,375)	(14,375)	–	(14,375)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(20,728)	(20,728)
Dividends declared (Note 17)	–	–	–	–	–	–	–	(261,721)	(261,721)	–	(261,721)
Balance at December 31, 2021	872,439	11,495,982	(579,186)	207,587	387,062	(156,149)	165	5,957,563	18,185,463	2,419,734	20,605,197

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2022

	2022 RMB'000	2021 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**2,594,912**	3,689,502
Adjustments for:		
Depreciation of property, plant and equipment	**113,932**	82,103
Amortisation of intangible assets	**64,314**	40,320
Depreciation of right-of-use assets	**106,598**	74,339
Impairment losses under expected credit loss ("ECL") model, net of reversal	**24,575**	24,425
Impairment loss of prepayments	**–**	1
Share of profits of associates	**(39,763)**	(14,348)
Gain on disposal of subsidiaries	**–**	(168,532)
Gain on disposal of associates	**(54,135)**	(4,937)
Loss on disposal/written off of property, plant and equipment and intangible assets	**87**	531
Change in fair value of financial assets at FVTPL	**(549,690)**	(1,815,390)
Interest income from bank deposits	**(227,338)**	(255,877)
Interest income from financial products	**(1,090)**	(3,172)
Finance costs	**83,179**	24,910
Share-based payment expenses	**54,513**	92,286
Loss/(gain) on disposal of financial assets at FVTPL	**1,799**	(114,865)
Fair value change of contingent consideration payables	**1,304**	14,171
Loss on property, plant and equipment upon reclassification to assets held for sale	**445**	–
Dividend received from financial assets at FVTPL	**(5,263)**	(11,365)
Operating cash flows before movements in working capital	**2,168,379**	1,654,102
Increase in inventories	**(15,963)**	(1,374)
Increase in trade, bills and other receivables and prepayments	**(152,385)**	(415,982)
Increase in contract assets	**(686,502)**	(464,722)
Increase in trade and other payables	**78,151**	214,651
Increase in other long term liabilities	**31,378**	–
Increase in restricted bank deposits	**(4,000)**	–
Increase in contract liabilities	**116,949**	322,075
Decrease in deferred government grant	**(412)**	–
Cash generated from operations	**1,535,595**	1,308,750
Income tax paid	**(402,044)**	(146,031)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**1,133,551**	1,162,719

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2022

	2022 RMB'000	2021 RMB'000
INVESTING ACTIVITIES		
Proceeds from disposal of subsidiaries	–	66,578
Acquisition of subsidiaries, net of cash acquired	**(663,084)**	(318,462)
Proceeds from disposal of an associate	**74,438**	60,783
Acquisition of associates	**(1,024,868)**	(592,410)
Proceeds from disposal of property, plant and equipment	**2,019**	1,433
Purchase of property, plant and equipment	**(461,096)**	(349,671)
Purchase of intangible assets	**(12,411)**	(9,804)
Proceeds from disposal of financial assets at FVTPL	**349,494**	987,849
Purchase of financial assets at FVTPL and FVOCI	**(884,088)**	(2,588,246)
Decrease/(increase) in prepayment for acquisition of property, plant and equipment	**68,623**	(9,145)
Increase in prepayment for acquisition of interest in a subsidiary	**(42,997)**	–
Purchase of right-of-use assets	**(43,720)**	–
Purchase of financial assets at amortised cost	**(25,392)**	–
Increase in rental deposits	**(1,323)**	(2,759)
Acquisition of subsidiaries in prior year	**(225,981)**	(23,748)
Dividend income from financial assets at FVTPL	**5,263**	11,365
Advance to third parties	**(52)**	–
Repayment from third parties	**105**	–
(Placement)/withdrawal of restricted bank deposits, net	**(6,092)**	(8,514)
Withdrawal/(placement) of time deposits over three months	**100,708**	(11,107)
Interest received	**225,044**	264,250
NET CASH USED IN INVESTING ACTIVITIES	**(2,565,410)**	(2,521,608)
FINANCING ACTIVITIES		
Proceeds from bank borrowings	**3,441,414**	492,320
Repayment of bank borrowings	**(1,834,697)**	–
Interest paid on borrowings	**(49,130)**	(3,857)
Repayment of lease liabilities	**(92,806)**	(69,340)
Interest paid on lease liabilities	**(25,333)**	(21,239)
Proceeds from grant of restricted share under Restricted Share Scheme (as defined in Note 44(c)(i)), net	**(597)**	(1,243)
Proceeds from transfer of shares under 2021 Share Purchase Scheme (as defined in Note 44(c)(iii))	–	12,672
Capital injection from non-controlling interests	**315,400**	35,072
Change in equity interest in subsidiaries without change of control	**(99,634)**	173,321
Proceeds from exercise of share options granted by subsidiaries	**8,027**	18,883
Proceeds from issue of shares by a subsidiary	**15,695**	–
Payment for repurchase of shares	**(369,391)**	(499,949)
Dividends paid to non-controlling interests	**(9,183)**	(22,774)
Dividends paid to owners of the Company	**(433,684)**	(262,198)
Payment for repurchase of shares by a subsidiary	**(56,614)**	(14,761)
Increase in restricted bank deposits	**(218)**	–
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	**809,249**	(163,093)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(622,610)**	(1,521,982)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**8,378,417**	9,959,963
Effects of exchange rate changes	**26,934**	(59,564)
CASH AND CASH EQUIVALENTS AT END OF YEAR, REPRESENTED BY BANK BALANCES AND CASH	**7,782,741**	8,378,417

1. GENERAL INFORMATION

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

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

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

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

2. BASIS OF PREPARATION

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

3. ADOPTION OF IFRSs

(a) Adoption of new/revised IFRSs – effective January 1, 2022

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 16	*Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IFRS 16	*COVID-19-Related Rent Concessions beyond June 30, 2021*
Annual Improvements to IFRSs 2018-2020	

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

Amendments to IAS 16 "Proceeds before Intended Use"

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

3. ADOPTION OF IFRSs (Continued)

(a) Adoption of new/revised IFRSs – effective January 1, 2022 (Continued)

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

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

Amendments to IFRS 3 "Reference to the Conceptual Framework"

The amendments update IFRS 3 "Business Combinations" so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010.

The amendments add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 "Levies", the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

Amendments to IFRS 16 "COVID-19-Related Rent Concessions beyond June 30, 2021"

IFRS 16 "Lease" was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

(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 is lease payments affects only payments originally due on or before 30 June 2021; and

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

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

3. ADOPTION OF IFRSs (Continued)

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

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

Amendment to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendment to IAS 1	Non-current Liabilities with Covenants[2]
Amendment to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendment to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendment to IFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to IFRS 10 and IAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
IFRS 17	Insurance Contracts[1]

1 Effective for annual periods beginning on or after January 1, 2023
2 Effective for annual periods beginning on or after January 1, 2024
3 The amendments shall be applied prospectively to sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

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

The IASB issued amendments to IAS 1 "Classification of Liabilities as Current or Non-current" in January 2020, which have been further amended partially by amendments Non-current Liabilities with Covenants issued in October 2022.

The amendments require that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement for at least twelve months after the reporting period.

As a result of the COVID-19 pandemic, the IASB deferred the effective date of the amendments by one year to annual reporting periods beginning on or after January 1, 2024.

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

3. ADOPTION OF IFRSs (Continued)

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

Amendments to IAS 1 "Non-current Liabilities with Covenants"

Subsequent to the release of amendments to IAS 1 "Classification of Liabilities as Current or Non-Current", the IASB amended IAS 1 further in October 2022.

If an entity's right to defer is subject to the entity complying with specified conditions, such conditions affect whether that right exists at the end of the reporting period, if the entity is required to comply with the condition on or before the end of the reporting period and not if the entity is required to comply with the conditions after the reporting period. The amendments also provide clarification on the meaning of "settlement" for the purpose of classifying a liability as current or non-current.

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

Amendments to IAS 8 "Definition of Accounting Estimates"

In February 2021, the IASB issued amendments to IAS 8, which added the definition of Accounting Estimates in IAS 8. The amendments also clarified that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from correction of prior period errors.

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

3. ADOPTION OF IFRSs (Continued)

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

Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

In May 2021, the IASB issued amendments to IAS 12, which clarify whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognised simultaneously (e.g. a lease in the scope of IFRS 16). The amendments introduce an additional criterion for the initial recognition exemption under IAS 12.15, whereby the exemption does not apply to the initial recognition of an asset or liability which at the time of the transaction, gives rise to equal taxable and deductible temporary differences.

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

Amendments to IAS 1 and IFRS Practice Statement 2 "Disclosure of Accounting Policies"

In February 2021, the IASB issued amendments to IAS 1, which change the disclosure requirements with respect to accounting policies from 'significant accounting policies' to 'material accounting policy information'. The amendments provide guidance on when accounting policy information is likely to be considered material. The amendments to IAS 1 are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. As IFRS Practice Statements are non-mandatory guidance, no mandatory effective date has been specified for the amendments to IFRS Practice Statement 2.

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

Amendment to IFRS 16 "Lease Liability in a Sale and Leaseback"

The IFRS Interpretations Committee issued an agenda decision in June 2020 – Sale and leaseback with Variable Payments. This matter was referred to the IASB for standard setting for some aspects. The IASB issued the final amendments in September 2022.

The amendments provide a requirement for the seller-lessee to determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee.

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

3. ADOPTION OF IFRSs (Continued)

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

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

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

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

3. ADOPTION OF IFRSs (Continued)

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

IFRS 17 "Insurance Contracts"

IFRS 17 introduces an internationally consistent approach to the accounting for insurance contracts. Prior to IFRS 17, significant diversity has existed worldwide relating to the accounting for and disclosure of insurance contracts, with IFRS 4 permitting many previous (non-IFRS) accounting approaches to continue to be followed. IFRS 17 will result in significant changes for many insurers, requiring adjustments to existing systems and processes.

The new standard takes the view that insurance contracts combine features of a financial instrument and a service contract, and that many generate cash flows that vary substantially over time. It therefore takes the approach of:

- Combining current measurement of future cash flows with recognising profit over the period that services are provided under the contract
- Presenting insurance service results (including insurance revenue) separately from insurance finance income or expenses, and
- Requiring an entity to make an accounting policy choice for each portfolio whether to recognise all insurance finance income or expenses for the reporting period in profit or loss, or to recognise some in other comprehensive income.

Subsequent to the issue of IFRS 17, amendments to the standard and deferral of effective dates have been made.

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

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

(b) Basis of consolidation

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

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of consolidation (Continued)

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Business combinations

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Business combinations (Continued)

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

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

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

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

(d) Goodwill

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Goodwill (Continued)

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

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

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

(e) Interests in associates

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Interests in associates (Continued)

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Revenue recognition

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

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

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

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

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Revenue recognition (Continued)

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Revenue recognition (Continued)

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

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

(g) Leasing

The Group as lessee

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Leasing (Continued)

The Group as lessee (Continued)

Right-of-use asset

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Leasing (Continued)

The Group as lessee (Continued)

Lease liability

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

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

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

(h) Foreign currencies

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Foreign currencies (Continued)

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

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

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

(i) Borrowing costs

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

(j) Government grants

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Retirement benefit costs

(i) Defined contribution plans

The Group participates in the following defined contribution schemes:

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

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

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

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

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

(ii) Defined benefit pension plans

Defined benefit pension plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the consolidated statement of financial position in respect of defined pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflow using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past service costs are recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Share-based payment transactions

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

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

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

(m) Short-term employee benefits

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

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

(n) Taxation

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

Current tax

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Taxation (Continued)

Deferred tax

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Property, plant and equipment

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

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

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

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

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

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

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

Construction in progress includes property, plant and equipment in the course of construction for production, supply or administrative purposes and are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Research and development expenditure

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

(q) Intangible assets (other than goodwill)

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

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

Software	5-10 years
Trademark	2 years
Customer relationship	4-7 years
Customer backlog	1-5 years
Non-competition clause	3-5 years
Others	5 years

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

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

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

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

Recoverable amount is the higher of value in use and fair value less costs of disposal. In assessing value in use, the estimated future cash flows of the asset (or the CGU) are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or the CGU) for which the estimates of future cash flows have not been adjusted.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

(s) Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active program to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is highly probable and expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs to sell.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Non-current assets held for sale and disposal groups (Continued)

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

If the Group has classified an asset or disposal group as held for sale, but the criteria for classified as held for sale are no longer met, the Group shall cease to classify the asset or disposal group as held for sale and measure them at the lower of:

(a) its carrying amount before the asset or disposal group was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset or disposal group not been classified as held for sale; and

(b) its recoverable amount at the date of the subsequent decision not to sell.

If the Group ceases to classify a component of the Group as held for sale, the results of operations of the component previously presented in discontinued operations shall be reclassified and included in income from continuing operations for all periods presented. The amounts for prior periods shall be described as having been re-presented.

(t) Financial instruments

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

(i) Financial assets

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

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

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

Effective interest method

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Financial instruments (Continued)

(i) Financial assets (Continued)

Debt instruments

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

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

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

Equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Financial instruments (Continued)

(i) Financial assets (Continued)

Impairment loss on financial assets

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

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

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

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

Significant increase in credit risk

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Financial instruments (Continued)

(i) Financial assets (Continued)

Significant increase in credit risk (Continued)

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Financial instruments (Continued)

(i) Financial assets (Continued)

Definition of default

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

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

Credit-impaired financial assets

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

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

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

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

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

Write-off policy

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Financial instruments (Continued)

(i) Financial assets (Continued)

Measurement and recognition of ECL

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Financial instruments (Continued)

(i) Financial assets (Continued)

Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

Classification as debt or equity

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

Financial liabilities at FVTPL

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Financial instruments (Continued)

(ii) Financial liabilities and equity instruments (Continued)

Financial liabilities at FVTPL (Continued)

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

Financial liabilities at amortised cost

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

Equity instruments

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

Financial guarantee contracts

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

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

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

Derecognition of financial liabilities

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Inventories

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

(v) Treasury shares

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

(w) Provisions and contingent liabilities

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

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

(x) Related parties

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

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

  (b) has significant influence over the Group; or

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Related parties (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

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

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

(i) Performance obligation determination

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

(ii) Timing of satisfaction of performance obligations

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

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

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

Critical judgements in applying accounting policies (Continued)

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

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

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

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

(c) Judgements in determining if entities are accounted for as associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not to control or to have joint control. If the entity holds, directly or indirectly less than 20% of the voting power of the investee, it is presumed that the entity does not have significant influence, unless such influence can be clearly demonstrated. To determinate whether the Group has significant influence over the investee involve significant judgements.

(d) Judgements in determining if entities are accounted for as financial assets at FVTPL

The Group has certain investments, in which it holds more than 20% of their equity interests or voting right. The directors consider that the Group has no significant influence, joint control nor control over the entities based on the fact that the Group does not participate in any operating and financial policies of the entities and exercise its influence on the operating and financial policies in the board of directors of the entities. The Group therefore accounted for these entities as financial assets at FVTPL.

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

Key sources of estimation uncertainty

(a) Fair value measurements for financial assets at fair value

The Group has investments in a wide variety of companies as set out in Note 25. The Group accounts for these financial instruments as financial assets at FVTPL or FVOCI. For those investments with no quoted market prices in an active market, their fair values are estimated by using valuation techniques. These techniques include those further described in Note 43 under the heading "Fair value management". Valuation techniques are certified by independent and recognised business valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Valuation models established by the valuer make the maximum use of market inputs and rely as little as possible on the Group's specific data. However, some inputs, such as probability of redemption of preference shares, require management estimates and assumptions, which are reviewed periodically and adjusted if necessary. Should any of the estimates and assumptions be changed, it may lead to a change in the fair value of the financial assets.

(b) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGUs to which goodwill has been allocated, which is the higher of value in use or fair value less costs of disposal. The value-in-use calculation requires the directors to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

(c) Provision of ECL for trade receivables and contract assets

The Group uses provision matrix to calculate ECL for the trade receivables and contract assets. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and contract assets are disclosed in Note 43.

6. REVENUE

The Group's revenue streams are categorised as follows:

– Clinical trial solutions consist of clinical trial operation services and other core clinical services directly associated with clinical trial operations such as medical writing, translation and registration services, and pharmacovigilance services.

– Clinical-related and laboratory services consist of ancillary services that provide the necessary support to clinical trial operations, including analytical services (e.g., data management and statistical analysis, and medical imaging), logistical and execution support services (e.g., site management), administrative assistance (e.g., patient recruitment), consulting services (e.g., good manufacturing practice ("GMP") consulting), laboratory services (e.g., drug metabolism and pharmacokinetics ("DMPK"), safety and toxicology, bioanalytical, and chemistry, manufacturing and controls ("CMC") services), as well as chemistry services.

An analysis of the Group's revenue is as follows:

	2022 **RMB'000**	2021 RMB'000
Overtime		
Clinical trial solutions	**4,125,199**	2,993,652
Clinical-related and laboratory services	**2,960,272**	2,219,886
	7,085,471	5,213,538

6. REVENUE (Continued)

Transaction price allocated to future performance obligations

The aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) was RMB13,785,925,000 (2021: RMB11,404,911,000) as at December 31, 2022. Management of the Group expects the majority of the transaction price allocated to the unsatisfied contracts as of the end of each reporting period will be recognised within 3 years from the end of each reporting period.

The following table provides information about trade and bills receivables, contract assets and contract liabilities from contracts with customers.

	2022 RMB'000	2021 RMB'000
Trade and bills receivables (Note 28)	**1,033,820**	816,057
Contract assets (Note 29)	**1,997,311**	1,285,475
Contract liabilities (Note 34)	**(939,765)**	(789,509)

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed because the rights are conditioned on the Group's future performance in archiving specified milestones of the contract at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group provides the invoice to the customers.

The contract liabilities mainly relate to the advance consideration received from customers.

7. SEGMENT INFORMATION

Operating segments are determined based on the Group's internal reports which are submitted to chief executive officer, being the chief operating decision maker ("CODM") of the Group, for the purpose of performance assessment and resources allocation. This is also the basis upon which the Group is organised and managed.

No segment assets and liabilities are presented as they were not regularly provided to the CODM for the purpose of performance assessment and resources allocation.

The following are the Group's reportable segments under IFRS 8 "Operating Segments":

– Clinical trial solutions

– Clinical-related and laboratory services

7. SEGMENT INFORMATION (Continued)

Segment revenues and results

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

For the year ended December 31, 2022

	Clinical trial solutions RMB'000	Clinical-related and laboratory services RMB'000	Total RMB'000
Revenue	4,125,199	2,960,272	7,085,471
Gross profit	1,536,811	1,248,633	2,785,444
Unallocated amounts:			
Other income			284,961
Other gains and losses, net			620,322
Provision of impairment losses, net			(24,575)
Selling and marketing expenses			(149,890)
Administrative expenses			(643,315)
Research and development expenses			(234,619)
Share of profits of associates			39,763
Finance costs			(83,179)
Profit before tax			2,594,912

7. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

For the year ended December 31, 2021

	Clinical trial solutions RMB'000	Clinical-related and laboratory services RMB'000	Total RMB'000
Revenue	2,993,652	2,219,886	5,213,538
Gross profit	1,325,432	922,686	2,248,118
Unallocated amounts:			
Other income			295,217
Other gains and losses, net			2,077,190
Provision of impairment losses, net			(24,426)
Selling and marketing expenses			(129,399)
Administrative expenses			(554,807)
Research and development expenses			(211,829)
Share of profits of associates			14,348
Finance costs			(24,910)
Profit before tax			3,689,502

The accounting policies of reportable segments are the same as the Group's accounting policies described in Note 4.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about performance assessment and resources allocation. No analysis of segment assets and liabilities is presented as management does not regularly review such information for the purposes of performance assessment and resource allocation. Therefore, only segment revenue and gross profit are presented.

Geographical information

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

	2022 RMB'000	2021 RMB'000
Revenue from external customers		
– PRC	**3,601,587**	2,756,080
– Other overseas countries and regions	**3,483,884**	2,457,458
	7,085,471	5,213,538

7. SEGMENT INFORMATION (Continued)

Geographical information (Continued)

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

	2022 RMB'000	2021 RMB'000
Non-current assets excluding financial assets and deferred tax assets		
– PRC	**3,695,750**	2,341,230
– Other overseas countries and regions	**2,522,755**	1,621,072
	6,218,505	3,962,302

Information about major customers

Since no revenue from sale to a single customer amounted to 10% or more of the Group's revenue during the current and prior year, no major customer information is presented in accordance with IFRS 8 "Operating Segments".

8. OTHER INCOME

	2022 RMB'000	2021 RMB'000
Interest income from bank deposits	**227,338**	255,877
Interest income from financial products	**1,090**	3,172
Government grants	**50,181**	23,854
Dividend income from financial assets at FVTPL	**5,263**	11,365
Others	**1,089**	949
	284,961	295,217

9. OTHER GAINS AND LOSSES, NET

	2022 RMB'000	2021 RMB'000
Net foreign exchange gain/(loss)	**20,132**	(11,832)
Loss on disposal/written off of property, plant and equipment and intangible assets	**(87)**	(531)
Change in fair value of financial assets at FVTPL	**549,690**	1,815,390
Fair value change of contingent consideration payables	**(1,304)**	(14,171)
Gain on disposal of subsidiaries (Note 45)	**–**	168,532
Gain on disposal of associates	**54,135**	4,937
(Loss)/gain on disposal of financial assets at FVTPL	**(1,799)**	114,865
Loss on property, plant and equipment upon reclassification to assets classified as held for sale	**(445)**	–
	620,322	2,077,190

10. IMPAIRMENT LOSSES

	2022 RMB'000	2021 RMB'000
Impairment losses under ECL model, net of reversal		
Trade receivables	**21,891**	12,803
Contract assets	**1,971**	12,915
Other receivables	**713**	(1,293)
	24,575	24,425
Impairment loss of prepayments	**–**	1
Provision of impairment losses, net	**24,575**	24,426

11. FINANCE COSTS

	2022 RMB'000	2021 RMB'000
Interest expense on bank borrowings	**57,846**	3,671
Interest on lease liabilities	**25,333**	21,239
	83,179	24,910

12. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging/(crediting):

	2022 RMB'000	2021 RMB'000
Depreciation of property, plant and equipment	**113,932**	82,103
Amortisation of intangible assets	**64,314**	40,320
Depreciation of right-of-use assets	**106,598**	74,339
Staff costs (including directors' emoluments):		
– Salaries and other benefits	**2,296,879**	1,696,523
– Retirement benefits scheme contributions	**276,638**	205,727
– Share-based payment expenses	**54,513**	92,286
	2,628,030	1,994,536
Auditors' remuneration	**4,340**	4,200
Short-term leases with application of recognition exemption	**21,527**	3,927
Leases of low-value assets with application of recognition exemption	**8,220**	4,396

13. INCOME TAX EXPENSE

	2022 RMB'000	2021 RMB'000
Current tax:		
– PRC Enterprise Income Tax ("EIT")	**252,007**	245,923
– U.S. income tax	**66,033**	10,465
– Korean income tax	**3,185**	3,417
– Others	**14,840**	7,193
Under provision of current tax in prior year	**(4,347)**	1,730
	331,718	268,728
Deferred tax:		
– Current year (Note 24)	**(18,066)**	24,136
Total income tax expense	**313,652**	292,864

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the standard EIT rate of the PRC subsidiaries is 25%. For the PRC subsidiaries approved as High and New Technology Enterprise or Advance Technology Enterprise by the relevant government authorities, they are subject to a preferential rate of 15%. Funds established as partnerships in the PRC are not taxable entities and EIT will apply at the partner's level. For non-resident enterprises without any establishment in the PRC, they are subject to withholding income tax rate of 10% for their income from the PRC.

The group entities incorporated in USA is subject to Federal Corporate Tax and State Income Tax. The tax rate for Federal Income Tax is 21% for both years. The income subject to tax in a specific state (i.e. state taxable income) is calculated based on the federal taxable income with state tax adjustments, which is then allocated or apportioned to the respective states (i.e. percentage of taxable income that should be apportioned or specially allocated to the respective states in which the Group operates).

The group entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% on the estimated assessable profits for both years. On March 21, 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on March 28, 2018 and was gazette on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The two-tiered profits tax rates regime is applicable to the Group's Hong Kong subsidiaries with estimated assessable profits for its annual reporting periods ending on or after April 1, 2018.

The group entities incorporated in the Cayman Islands are not subject to income or capital gains tax under the law of the Cayman Islands.

The group entities established in the British Virgin Islands ("BVI") are not subject to income tax or capital gains tax under the law of the BVI.

Taxation arising from other jurisdictions is calculated at the rate prevailing in the relevant jurisdictions.

13. INCOME TAX EXPENSE (Continued)

The income tax expense for the year can be reconciled to the profit before tax in the consolidated statement of profit or loss and other comprehensive income as follows:

	2022 RMB'000	2021 RMB'000
Profit before tax	**2,594,912**	3,689,502
Tax at the applicable tax rate of 25%	**648,728**	922,376
Tax effect of share of profits of associates	**(9,941)**	(3,587)
Tax effect of income not taxable for tax purpose	**(142,742)**	(457,443)
Tax effect of expenses not deductible for tax purpose	**15,403**	19,047
Under provision of current tax in prior year	**(4,347)**	1,730
Effect of research and development expenses that are additionally deducted	**(49,000)**	(34,853)
Utilisation of deductible temporary differences and tax losses not recognised	**(6,532)**	(3,769)
Tax at concessionary rate	**(134,522)**	(146,791)
Effect on deferred tax assets or liabilities resulting from change in applicable tax rate	**1,544**	464
Effect of different tax rate of subsidiaries operating in other jurisdictions	**(4,939)**	(4,310)
Income tax expense	**313,652**	292,864

14. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Details of the emoluments paid or payable to the directors and supervisors of the Company for the services provided to the Group during the current and prior year are as follows:

Year ended December 31, 2022

	Directors' fee RMB'000	Salaries and other benefits RMB'000	Performance-based bonus RMB'000	Retirement benefit scheme contributions RMB'000	Share-based compensation RMB'000	Total RMB'000
Executive directors:						
Dr. Ye Xiaoping	1,021	133	126	1	–	1,281
Ms. Cao Xiaochun	753	133	271	68	–	1,225
Ms. Yin Zhuan	730	–	–	243	–	973
Mr. Wu Hao	1,497	–	2,140	135	–	3,772
Independent non-executive directors:						
Dr. Yang Bo	200	–	–	–	–	200
Mr. Liu Kai Yu Kenneth	220	–	–	–	–	220
Mr. Zheng Bijun	200	–	–	–	–	200
Supervisors:						
Ms. Chen Zhimin	–	80	–	–	–	80
Mr. Wu Baolin (note(b))	–	570	260	88	–	918
Mr. Zhang Binghui	–	80	–	–	–	80
Ms. Lou Wenqing (note(c))	–	87	–	21	–	108
	4,621	1,083	2,797	556	–	9,057

14. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

Year ended December 31, 2021

	Directors' fee RMB'000	Salaries and other benefits RMB'000	Performance-based bonus RMB'000	Retirement benefit scheme contributions RMB'000	Share-based compensation RMB'000	Total RMB'000
Executive directors:						
Dr. Ye Xiaoping	836	13	72	1	–	922
Ms. Cao Xiaochun	715	13	108	63	–	899
Ms. Yin Zhuan	696	–	–	–	91	787
Mr. Wu Hao (note (a))	230	2	–	27	–	259
Independent non-executive directors:						
Dr. Yang Bo	200	–	–	–	–	200
Mr. Liu Kai Yu Kenneth	220	–	–	–	–	220
Mr. Zheng Bijun	200	–	–	–	–	200
Supervisors:						
Ms. Chen Zhimin	–	80	–	–	–	80
Mr. Wu Baolin	–	413	78	129	–	620
Mr. Zhang Binghui	–	80	–	–	–	80
	3,097	601	258	220	91	4,267

Notes:

(a) Mr. Wu Hao was appointed as an executive directors on October 15, 2021.

(b) Mr. Wu Baolin resigned as supervisor on August 25, 2022.

(c) Ms. Lou Wenqing was appointed as supervisor on August 25, 2022.

14. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

As advised and confirmed by the Company, the above resignations have no material adverse impact on the Group's operations and financial performance. Furthermore, as advised and confirmed by the Company, there have not been any disagreements or disputes between each of the former directors or supervisors and the Group.

15. FIVE HIGHEST PAID INDIVIDUALS

The five individuals with the highest emoluments in the Group during the year ended December 31, 2022 include none (2021: none) director of the Company, details of whose remuneration are set out in Note 14 above. The emoluments of the five highest paid individuals during the year ended December 31, 2022 were as follows:

	2022 **RMB'000**	2021 RMB'000
Salaries and other benefits	**13,398**	13,613
Performance-based bonus	**6,655**	2,264
Retirement benefits scheme contributions	**537**	103
Share-based compensation	**10,334**	16,378
	30,924	32,358

The emoluments of the five highest paid individuals were within the following bands:

	Number of individuals	
	2022	2021
HK$3,500,001 to HK$4,000,000	**1**	–
HK$5,500,001 to HK$6,000,000	**1**	–
HK$6,000,001 to HK$6,500,000	**–**	1
HK$6,500,001 to HK$7,000,000	**1**	1
HK$7,000,001 to HK$7,500,000	**–**	2
HK$7,500,001 to HK$8,000,000	**1**	–
HK$10,000,001 to HK$10,500,000	**1**	–
HK$12,000,001 to HK$12,500,000	**–**	1
	5	5

During the current and prior year, no emoluments were paid by the Group to the directors, supervisors or the five highest paid individuals (including directors, supervisors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors have waived any emoluments during the current and prior year.

16. EARNINGS PER SHARE

(a) Basic earnings per share

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

	2022 RMB'000	2021 RMB'000
Profit for the year attributed to owners of the Company	**2,016,086**	2,879,099
Effect of cash dividend distributed to holders whose restricted shares are expected to be unlocked (note (i))	**–**	(1,221)
Earnings for the purpose of calculating basic earnings per share	**2,016,086**	2,877,878

Number of shares:

	2022	2021
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**864,681,059**	865,627,320

(b) Diluted earnings per share

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

	2022 RMB'000	2021 RMB'000
Profit for the year attributed to owners of the Company	**2,016,086**	2,879,099
Effect of share options issued by subsidiaries (note (ii))	**(1,569)**	(4,959)
Earnings for the purpose of calculating diluted earnings per share	**2,014,517**	2,874,140

Number of shares:

	2022	2021
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**864,681,059**	865,627,320
Effect of dilutive potential ordinary shares in respect of outstanding restricted share under Restricted Share Scheme (as defined in (Note 46(c)(i)) (note (i))	**806,269**	2,605,465
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**865,487,328**	868,232,785

16. EARNINGS PER SHARE (Continued)

Notes:

(i) The effect of cash dividend distributed to restricted shares holders and dilutive potential ordinary shares is related to the Restricted Share Scheme launched by the Company that disclosed in Note 46(c)(i). For the restricted shares granted under 2022 Restricted Share Scheme (as defined in Note 46 (c)(iv)), 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.

(ii) During the year ended December 31, 2022, the effect of share options issued by subsidiary is related to the share option and share awards issued by Frontage Holdings (as defined in Note 18) and DreamCIS (as defined in Note 18). The effect of share options issued by Meditip (as defined in Note 22) 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 of Meditip. During the year ended December 31, 2021, the effect of share options issued by subsidiaries is related to the share options issued by Frontage Holdings (as defined in Note 18), DreamCIS (as defined in Note 18) and Fantastic Bioimaging (as defined in Note 46(d)) that disclosed in Notes 46(a), 46(b) and 46(d), respectively.

(iii) The weighted average number of ordinary shares shown above has been adjusted for the issue of new shares as set out in Note 38 and treasury shares as set out in Note 39.

17. DIVIDENDS

During the year ended December 31, 2022, the Company proposed cash dividends to its shareholders as follows:

	2022 **RMB'000**	2021 RMB'000
Final dividend proposed after the end of the reporting period of RMB0.55 and RMB0.50 in respect of the years ended December 31, 2022 and 2021, respectively	**475,722**	433,193

The final dividend proposed after the end of the year has not been recognised as a liability at the end of the year.

18. INVESTMENTS IN SUBSIDIARIES

The Company had direct and indirect equity interests in the following principal subsidiaries:

Name of subsidiaries	Place of incorporation/ establishment and business and nature of legal entity	Authorised share capital/registered capital	Equity interests attributable to the Group as at December 31, 2022 Direct %	December 31, 2022 Indirect %	December 31, 2021 Direct %	December 31, 2021 Indirect %	Principal activities
上海泰格醫藥科技有限公司 Shanghai Tigermed Consulting Co Ltd (note (a))	PRC, limited liability company	RMB5,000,000	100.00	–	100.00	–	Clinical development service
美斯達(上海)醫藥開發有限公司 MacroStat (China) Clinical Research Co., Ltd ("MacroStat") (note (a))	PRC, limited liability company	RMB1,440,585	100.00	–	100.00	–	Data management and statistical analysis
杭州思默醫藥科技有限公司 Hangzhou Simo Co., Ltd. (note (a))	PRC, limited liability company	RMB17,627,000	100.00	–	100.00	–	Site management organisation and patient recruitment services
嘉興泰格數據管理有限公司 Jiaxing Tigermed Data Management Co., Ltd. (note (a))	PRC, limited liability company	RMB176,083,600	100.00	–	100.00	–	Data management and statistical analysis
香港泰格醫藥科技有限公司 Hongkong Tigermed Co., Limited ("Tigermed HK")	Hong Kong, limited company	HKD640,755,481	100.00	–	100.00	–	Investment holding and clinical trial operation
杭州泰格股權投資合夥企業(有限合夥) Hangzhou Tigermed Equity Investment Partnership (Limited Partnership) (note (a))	PRC, limited partnership	RMB3,600,000,000	99.98	0.02	99.98	0.02	Investment management
杭州泰譽三期創業投資合夥企業(有限合夥) Hangzhou Taiyu Phase III Venture Investment Partnership (Limited Partnership) (note (a))	PRC, limited partnership	RMB592,850,000	–	40.92	–	40.92	Equity holding
杭州泰譽二期股權投資基金合夥企業(有限合夥) Hangzhou Taiyu Phase II Equity Investment Fund Partnership (Limited Partnership) (note (a))	PRC, limited partnership	RMB203,100,000	–	28.84	–	28.84	Equity holding
泰州泰格捷通醫藥科技有限公司 Taizhou Tigermed-Jyton Medical Tech. Co., Ltd. ("Jietong Tigermed") (previously known as 泰州捷通泰瑞醫藥科技有限公司) (note (a))	PRC, limited liability company	RMB4,000,000	100.00	–	100.00	–	Clinical development service
TG SKY Investment Ltd.	BVI, limited liability company	United State dollar ("US$")50,000	–	100.00	–	100.00	Investment holding
Blue Sky Resources Investment Ltd.	BVI, limited liability company	US$50,000	–	100.00	–	100.00	Equity holding
北醫仁智(北京)醫學科技發展有限公司 Beijing Medical Development Co., Ltd. ("Beiyi") (note(a))	PRC, limited liability company	RMB6,500,000	100.00	–	100.00	–	Clinical trial operation and regulatory and registration services

18. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Place of incorporation/ establishment and business and nature of legal entity	Authorised share capital/registered capital	Equity interests attributable to the Group as at December 31, 2022 Direct %	December 31, 2022 Indirect %	December 31, 2021 Direct %	December 31, 2021 Indirect %	Principal activities
漯河煜康投資中心(有限合夥) Luohe Yukang Investment Center Partnership (Limited Partnership) ("Luohe Yukang") (note (a),(d))	PRC, limited partnership	RMB124,000,000	**24.19**	**0.58**	24.19	0.58	Equity holding
石河子市泰譽股權投資合夥企業(有限合夥) Shihezi Taiyu Equity Investment Partnership (Limited Partnership) ("Shihezi Taiyu") (previously known as: 杭州泰譽股權投資合夥企業(有限合夥)) (note (a),(e))	PRC, limited partnership	RMB150,000,000	**13.33**	**0.46**	13.33	0.46	Equity holding
Frontage Holdings Corporation ("Frontage Holdings") (note (b))	Cayman Islands, limited company	US$50,000	**–**	**51.71**	–	50.36	Investment holding
Frontage Laboratories, Inc. ("Frontage Labs")	USA, limited company	US$20,000	**–**	**51.71**	–	50.36	Bioanalytical, CMC and DMPK services
Tigermed-BDM Inc. ("Tigermed BDM")	USA, limited company	US$30	**–**	**100.00**	–	100.00	Data management, statistics, SAS project management
北京康利華諮詢服務有限公司 Beijing Canny Consulting Inc. (note (a))	PRC, limited liability company	RMB1,000,000	**49.00**	**51.00**	49.00	51.00	GMP consulting, medical registration and regulatory affairs, with a focus on regulatory compliance of drugs, health foods and cosmetics
DreamCIS Inc. ("DreamCIS") (note (c))	Korea limited company	KRW50,000,000,000	**–**	**59.59**	–	62.39	CRO
Bright Sky Resources Investment Ltd	BVI, limited liability company	US$50,000	**–**	**100.00**	–	100.00	Investment holding
北京捷通康諾醫藥科技有限公司 Beijing Jyton and Kannel Medical Tech. Co., Ltd. (note (a))	PRC, limited liability company	RMB1,000,000	**–**	**100.00**	–	100.00	Medical device consulting, pharmaceuticals and regulations consulting, clinical trials and recruiting services
Croley Martell Holdings, Inc.	USA, limited company	US$2,000	**–**	**51.71**	–	50.36	Investment holding
Concord Biosciences, LLC ("Concord")	USA, limited liability company	–	**–**	**51.71**	–	50.36	Safety and toxicology services
仁智(蘇州)醫學研究有限公司 Beijing Medical Development (Suzhou) Co., Ltd (note (a))	PRC, limited liability company	RMB10,000,000	**–**	**100.00**	–	100.00	Clinical development service

18. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Place of incorporation/ establishment and business and nature of legal entity	Authorised share capital/registered capital	Equity interests attributable to the Group as at December 31, 2022 Direct %	December 31, 2022 Indirect %	December 31, 2021 Direct %	December 31, 2021 Indirect %	Principal activities
方達醫藥技術(上海)有限公司 Frontage Laboratories (Shanghai) Co., Ltd. ("Frontage Shanghai") (note (a))	PRC, limited liability company	US$4,355,050	–	**51.71**	–	50.36	Bioequivalence and laboratory services
北京雅信誠醫學信息科技有限公司 Beijing Yaxincheng Medical InfoTech Co. Ltd. ("Beijing Yaxincheng) (note (a))	PRC, limited liability company	RMB2,000,000	**100.00**	–	100.00	–	DMPK services
方達醫藥技術(蘇州)有限公司 Frontage Laboratories (Suzhou) Co., Ltd. ("Frontage Suzhou") (note (a),(f))	PRC, limited liability company	RMB10,000,000	–	**38.78**	–	37.77	CMC operations in the PRC
RMI Laboratories, LLC ("RMI")	USA, limited liability company	–	–	**51.71**	–	50.36	DMPK services
BRI Biopharmaceutical Research Inc. ("BRI")	Canada, limited company	–	–	**51.71**	–	50.36	DMPK services
上海謀思醫藥科技有限公司 Shanghai Mosim Medical Technology Co., Ltd. ("Mosim") (note (a), Note 42(b)(i))	PRC limited liability company	RMB1,000,000	**100.00**	–	100.00	–	CRO services
Acme Bioscience, Inc. ("ACME") (Note 42(b)(iii))	USA, limited company	US$10,000	–	**51.71**	–	50.36	Chemistry services
合亞醫藥科技(上海)有限公司 Acme Biopharma Co., (Shanghai) Ltd. (note (a), Note 42(b)(iii))	PRC, limited liability company	US$2,000,000	–	**51.71**	–	50.36	Chemistry services
Quintara Discovery, Inc. ("Quintara") (Note 42(a)(ii))	USA, limited company	US$10,000	–	**51.71**	–	50.36	Preclinical research
杭州英放生物科技有限公司 Hangzhou Fantastic Bioimaging Co., Ltd. (note (a))	PRC, limited liability company	RMB4,666,667	**67.50**	–	67.50	–	Medical imaging services
杭州泰蘭醫藥科技有限公司 Hangzhou Talent MedConsultant Co., Ltd. (note (a))	PRC, limited liability company	RMB50,000,000	**100.00**	–	100.00	–	Third party training services
杭州泰格益坦醫藥科技有限公司 Tigermed-IntelliPV Co., Ltd. (note (a))	PRC, limited liability company	RMB3,000,000	**100.00**	–	100.00	–	Pharmacovigilance and drug safety services
海南博鰲樂城泰格醫藥科技有限公司 Hainan Boao Lecheng Tigermed Consulting Co., Ltd. (note (a))	PRC, limited liability company	RMB10,000,000	**90.00**	–	90.00	–	CRO services
Opera Contract Research Organization SRL	Romania, limited liability company	Romanian Leu ("RON") 2,560	–	**51.71**	–	51.17	CRO services
香港泰格健康科技有限公司 Hong Kong Tigermed Healthcare Technology Co., Limited	Hong Kong, limited company	HKD130,000,000	**100.00**	–	100.00	–	Investment holding

18. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Place of incorporation/ establishment and business and nature of legal entity	Authorised share capital/registered capital	Equity interests attributable to the Group as at December 31, 2022 Direct %	December 31, 2022 Indirect %	December 31, 2021 Direct %	December 31, 2021 Indirect %	Principal activities
無錫泰格醫藥科技有限公司 Wuxi Tigermed Medical Consulting Co., Ltd. (note(a))	PRC, limited liability company	RMB10,000,000	**100.00**	**–**	100.00	–	CRO services
永修煜康二期創業投資中心（有限合夥） Yongxiu Yukang Phase II Venture Investment Center (Limited Partnership) (note (a))	PRC, limited partnership	RMB232,500,000	**–**	**43.57**	–	43.56	Equity holding
Tigermed Asia Pacific Private Limited	Singapore, limited company	Singapore dollar ("SGD") 100	**51.00**	**–**	51.00	–	Drug R&D, medical device technology development and services

Notes:

(a) The English names of the subsidiaries registered in the PRC represent the best efforts made by management of the Company to translate their Chinese names as they do not have official English names.

(b) Frontage Holdings has listed on the Main Board of the Stock Exchange since May 30, 2019. Upon the listing of Frontage Holdings on the Stock Exchange, the shareholding held by the Group diluted to 51.45%.

(c) DreamCIS completed its listing on the Korean Securities Dealers Automated Quotations of the Korea Exchange on May 22, 2020. Upon listing of DreamCIS, the shareholding held by the Group diluted to 65.16%.

(d) In March 2016, the Group entered into an investment agreement with a number of independent third parties to establish Luohe Yukang, which is principally engaged in equity holding of investments. Pursuant to relevant investment agreement, the Group, through its subsidiary, is acting as a general partner and fund manager, and those independent third parties are acting as limited partners. The Group, as a general partner and fund manager, has the power to direct the relevant activities of the fund through the appointment and involvement of investment committee and is functioning as a principal, and limited partners have no substantive power to remove the Group as the general partner. The Group is also significantly exposed to variable returns through its involvement in investment committee. Therefore, the directors consider that the Group has control over Luohe Yukang throughout the reporting period and accounted for as subsidiary of the Company.

(e) In July 2015, the Group entered into an investment agreement with a number of independent third parties to establish Shihezi Taiyu, which is principally engaged in equity holding of investments. Pursuant to relevant investment agreement, the Group, through its subsidiary, is acting as a general partner and fund manager, and those independent third parties are acting as limited partners. The Group, as a general partner and fund manager, has the power to direct the relevant activities of the fund through the appointment and involvement of investment committee and is functioning as a principal, and limited partners have no substantive power to remove the Group as the general partner. The Group is also significantly exposed to variable returns through its involvement in investment committee. Therefore, the directors consider that the Group has control over Shihezi Taiyu throughout the reporting period and accounted for as subsidiary of the Company.

(f) Frontage Suzhou was 75% owned by Frontage Shanghai, which was in turn a 38.78% (2021: 37.77%) owned subsidiary of the Company. Accordingly, the directors consider that the Company has control over Frontage Suzhou.

18. INVESTMENTS IN SUBSIDIARIES (Continued)

Summarised financial information in relation to the subsidiaries with material non-controlling interests (the "NCIs") before intra-group elimination is presented below:

Frontage Holdings and its subsidiaries ("Frontage Holdings Group")

	2022 RMB'000	2021 RMB'000
Revenue	**1,691,757**	1,190,253
Profit for the year	**175,010**	122,109
Total comprehensive income for the year	**311,373**	76,355
Profit allocated to NCI	**83,398**	60,630
Dividends paid to NCI	**–**	–
Cash flows from operating activities	**421,939**	287,488
Cash flows used in investing activities	**(999,472)**	(693,362)
Cash flows from/(used in) financing activities	**207,172**	(35,777)
Net cash outflows	**(370,361)**	(441,651)

	2022 RMB'000	2021 RMB'000
Current assets	**1,196,798**	1,345,719
Non-current assets	**2,637,864**	1,688,107
Current liabilities	**(678,860)**	(465,381)
Non-current liabilities	**(816,767)**	(508,558)
Net assets	**2,339,035**	2,059,887
Accumulated NCI	**1,129,520**	1,022,627

18. INVESTMENTS IN SUBSIDIARIES (Continued)

DreamCIS and its subsidiaries ("DreamCIS Group")

	2022 RMB'000	2021 RMB'000
Revenue	**203,581**	147,087
Profit for the year	**23,682**	18,158
Total comprehensive income for the year	**47,861**	(5,480)
Profit allocated to NCI	**8,960**	6,803
Dividends paid to NCI	**–**	–
Cash flows from operating activities	**47,567**	33,081
Cash flows used in investing activities	**(28,800)**	(22,961)
Cash flows from/(used in) financing activities	**10,504**	(13,913)
Net cash inflows/(outflows)	**29,271**	(3,793)

	2022 RMB'000	2021 RMB'000
Current assets	**233,889**	248,898
Non-current assets	**196,715**	55,043
Current liabilities	**(131,780)**	(83,736)
Non-current liabilities	**(20,232)**	(16,633)
Net assets	**278,592**	203,572
Accumulated NCI	**112,579**	76,555

19. INTERESTS IN ASSOCIATES

	2022 RMB'000	2021 RMB'000
At the beginning of the year	**738,799**	60,270
Additions (notes (b), (m) and (n))	**1,051,011**	667,293
Disposal and transfer (note (i))	**(29,837)**	(3,084)
Share of post-acquisition profits	**39,763**	14,348
Exchange realignment	**89**	(28)
At the end of the year	**1,799,825**	738,799

The Group had interests in the following principal associates during the year:

Name of associates	Place of incorporation/ establishment	Authorised capital/ registered capital	Proportion of ownership interest held by the Group as at December 31, 2022	December 31, 2021	Principal activities
上海觀合醫藥科技有限公司 Teddy Clinical Research Laboratory (Shanghai) Limited ("Shanghai Guanhe") (note (a),(b))	PRC	RMB60,623,376	**32.53%**	34.84%	Central laboratory service
益新泰格(南通)醫藥科技有限公司 EPS Tigermed (Nantong) Co., Ltd. ("Nantong Yixin") (note (a),(c))	PRC	US$16,666,700	**40.00%**	40.00%	Medical devices and related products sales service
蘇州益新泰格醫藥科技有限公司 EPS Tigermed (Suzhou) Co., Ltd. ("Suzhou Yixin") (note (a),(d))	PRC	RMB9,803,900	**49.00%**	49.00%	Clinical data management and analysis service
Tigerise Inc. ("Tigerise") (note (e))	Japan	Japanese Yen ("JPY") 20,000,000	**50.00%**	50.00%	CRO services
Tigermed Co., Ltd. (Thailand) ("Tigermed Thailand") (note f)	Thailand	Thai Baht ("Baht") 1,000,000	**48.99%**	48.99%	CRO services
PT Tigermed Medical Indonesia (note (g))	Indonesia	Indonesian Rupiah ("RP") 10,000	**49.00%**	49.00%	CRO services
杭州泰鯤股權投資基金合夥企業 Hangzhou Taikun Equity Investment Fund Partnership (Limited Partnership) ("Hangzhou Taikun") (note (a), (h))	PRC	RMB20,000,000,000	**50.00%**	50.00%	Equity holding
嘉興易迪希技術有限公司 Jiaxing Clinflash Computer Technology Co., Ltd. ("Jiaxing EDC") (note (a), (i))	PRC	RMB11,000,000	**19.05%**	29.05%	Information technology services for clinical research
誠弘製藥(威海)有限責任公司 Chenghong Pharmaceutical (Weihai) Co., Ltd. ("Chenghong Pharmaceutical") (note (a), (j))	PRC	RMB23,333,334	**48.57%**	48.57%	Chemistry services
Tigermed Vietnam Co., Limited (note (k))	Vietnam	US$200,000	**49.00%**	49.00%	CRO services
杭州格鑫企業管理諮詢合夥企業(有限合夥) Hangzhou Gexin Enterprise Management Consulting Partnership (Limited Partnership) ("Hangzhou Gexin") (note (a), (l))	PRC	RMB70,000,000	**50.00%**	50.00%	Equity holding
上海佰誠醫藥供應鏈管理有限公司 Shanghai Bioquick Pharmaceutical Supply Chain Management Co., Ltd. ("Shanghai Bioquick") (note (a), (m))	PRC	RMB7,840,060	**19.90%**	N/A	Logistics
北京經緯傳奇醫藥科技有限公司 Beijing Jingwei Legend Pharmaceutical Technology Co., Ltd. ("3audit") (note (a), (n))	PRC	RMB7,195,802	**33.11%**	N/A	CRO services

19. INTERESTS IN ASSOCIATES (Continued)

Notes:

(a) The English names of the associates registered in the PRC represent the best efforts made by management of the Company to translate their Chinese names as they do not have official English names.

(b) During the year ended December 31, 2022, upon additional capital injection contribution being by independent third party, the registered capital of Shanghai Guanhe was enlarged from RMB54,540,000 to RMB60,623,000 and the Group's equity interest in Shanghai Guanhe was diluted from 38.24% to 32.53%. The directors considered that the Group has significant influence over this entity based on the following factors: (1) the Group has appointed 2 directors of Shanghai Guanhe (including the chairman who did not have special voting right) to the board of directors (total 5 directors), with the other 3 directors appointed by the other shareholder, who owned another 50% equity interests in Shanghai Guanhe; and (2) the appointed directors actively participate in the policy-making process of the entity and the decision making of relevant activities are based on simple majority voting. The directors concluded that the Company only had significant influence and no control over Shanghai Guanhe.

(c) Nantong Yixin was established in the PRC on August 1, 2013 and is 40% owned by the Group and the remaining 60% owned by an independent third party.

(d) Suzhou Yixin was established in the PRC on October 26, 2011 and is 49% owned by the Group and the remaining 51% owned by an independent third party.

(e) Tigerise was established in Japan during the year ended December 31, 2020 and is 50% owned by the Group and the remaining 50% is owned by an independent third party. The Group appointed 2 out of 6 board members in the board of the directors of Tigerise, which enables the Group to significantly influence the relevant activities of Tigerise. The directors consider the Group has significant influence over Tigerise and the investment has therefore been classified as an interest in an associate.

(f) Tigermed Thailand was established in Thailand on April 29, 2020.

(g) PT Tigermed Medical Indonesia was established in Indonesia on April 7, 2021.

(h) Hangzhou Taikun was registered in the PRC on August 10, 2021. The directors considered that the Group has significant influence over this entity based on the following factors: (1) the Group has appointed 2 committee members to the investment committee (total 7 committee members); and (2) the appointed committee members actively participate in the policy-making of the entity and the decision making of relevant activities should pass through 5/7 voting rights. The directors concluded that the Group only had significant influence and no control over Hangzhou Taikun. During the year ended December 31, 2022, the Group has further injected RMB1,000,000,000 to the associate.

(i) During the year ended December 31, 2021, the Group entered into agreements to dispose in aggregate of 16.5% of the equity interests of Jiaxing EDC, a then subsidiary of the Group, to independent third parties for a total cash consideration of RMB99,000,000. The Group appointed 1 out of 3 board members in the board of the directors of Jiaxing EDC, which enables the Group to significantly influence the relevant activities of Jiaxing EDC. The directors consider the Group has significant influence over Jiaxing EDC and the investment has therefore been classified as an interest in an associate. Please refer to Note 45 for details. During the year ended December 31, 2022, the Group disposed 10% of the equity interest of Jiaxing EDC at a cash consideration of RMB65,000,000, resulting a gain on disposal of approximately RMB35,353,000.

(j) On November 8, 2021, Frontage Shanghai, a 51.71% owned subsidiary of the Company, entered into a subscription agreement to subscribe 48.57% of the enlarged equity interests in Chenghong Pharmaceutical for a cash consideration of RMB34,000,000. The directors considered that the Group has significant influence over this entity based on the following factors: (1) the Group has appointed 1 director to the board of directors of Chenghong Pharmaceutical (total 5 directors), with the other 4 directors appointed by the other shareholders; and (2) the appointed director actively participates in the policy-making process of the entity and the decision making of relevant activities are based on simple majority voting.

(k) Tigermed Vietnam Co., Limited was established in Vietnam on August 21, 2021.

(l) Hangzhou Gexin was registered in the PRC during the year ended December 31, 2021 and the remaining 50% are owned by an independent third party. The directors considered that the Group has significant influence over this entity as the decision making of relevant activities should pass through 2 out of 3 voting rights, based on the percentage of capital injection made by each shareholder of the entity. The directors concluded that the Group only had significant influence over Hangzhou Gexin and the investment has therefore been classified as an interest in an associate.

19. INTERESTS IN ASSOCIATES (Continued)

Notes: (Continued)

(m) During the year ended December 31, 2022, the Group has acquired 19.9% of shareholding in Shanghai Bioquick. The Group appointed 1 out of 3 board members in the board of the directors of Shanghai Bioquick, which enables the Group to significantly influence the relevant activities of Shanghai Bioquick. The directors consider the Group has significant influence over Shanghai Bioquick and the investment has therefore been classified as an interest in an associate.

(n) During the year ended December 31, 2022, the Group has acquired 33.11% of shareholding in 3audit. The Group appointed 2 out of 5 board members in the board of the directors of 3audit, which enables the Group to significantly influence the relevant activities of 3audit. The directors consider the Group has significant influence over 3audit and the investment has therefore been classified as an interest in an associate.

All of these associates are accounted for using the equity method in the consolidated financial statements.

Summarised financial information of material associate is set out below.

Hangzhou Taikun

	2022 **RMB'000**	2021 RMB'000
Current assets	**484,289**	426,641
Non-current assets	**2,577,224**	589,800
Current liabilities	**(42)**	(3,911)
Net assets	**3,061,471**	1,012,530
Income and gain	**77,618**	16,952
Expenses	**(28,676)**	(4,422)
Profit and total comprehensive income	**48,942**	12,530
Dividends received from associate	**–**	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in material associate:

	2022 **RMB'000**	2021 RMB'000
Net asset of the associate	**3,061,471**	1,012,530
Proportion of the Group's ownership interest	**50.00%**	50.00%
Carrying amount of the Group's interest in the associate	**1,530,736**	506,265

19. INTERESTS IN ASSOCIATES (Continued)

Aggregate information of associates that are not individually material

	2022 RMB'000	2021 RMB'000
Aggregate carrying amount of the Group's associates in the consolidated financial statements	**269,089**	232,534

	2022 RMB'000	2021 RMB'000
Share of profits and total comprehensive income of associates	**15,292**	8,083

20. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RMB'000	Buildings RMB'000	Leasehold improvements RMB'000	Experiment equipment RMB'000	Furniture, fixture and equipment RMB'000	Transportation equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST								
As at January 1, 2021	11,940	133,605	49,853	360,140	71,437	8,884	54,840	690,699
Additions	–	618	7,983	74,311	20,144	5,281	273,974	382,311
Acquired through business combination (Note 44(b))	–	–	253	690	7,015	–	–	7,958
Transfer from capitalised leases (Note 23)	–	–	–	11,722	–	–	–	11,722
Transfer	–	12,579	1,284	80,503	16,193	–	(110,559)	–
Derecognised on disposal of subsidiaries (Note 45)	–	–	–	–	(563)	–	–	(563)
Disposals	–	–	(5,454)	(9,311)	(16,246)	(1,175)	–	(32,186)
Exchange realignment	(273)	(812)	(84)	(7,127)	(1,998)	(56)	(1,113)	(11,463)
As at December 31, 2021 and January 1, 2022	**11,667**	**145,990**	**53,835**	**510,928**	**95,982**	**12,934**	**217,142**	**1,048,478**
Additions	**355**	**2,803**	**22,619**	**31,972**	**32,600**	**133**	**233,355**	**323,837**
Acquired through business combination (Note 44(a))	**4,533**	**27,187**	**371**	**4**	**4,912**	**12**	**–**	**37,019**
Transfer from capitalised leases (Note 23)	**–**	**–**	**–**	**8,619**	**–**	**–**	**–**	**8,619**
Transfer to assets held for sale (Note 32)	**(3,515)**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,515)**
Transfer	**–**	**47,275**	**172,251**	**21,276**	**27,698**	**–**	**(268,500)**	**–**
Disposals	**–**	**–**	**–**	**(6,753)**	**(1,626)**	**(337)**	**–**	**(8,716)**
Exchange realignment	**1,268**	**7,725**	**57**	**32,908**	**5,207**	**30**	**4,281**	**51,476**
As at December 31, 2022	**14,308**	**230,980**	**249,133**	**598,954**	**164,773**	**12,772**	**186,278**	**1,457,198**

20. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Freehold land RMB'000	Buildings RMB'000	Leasehold improvements RMB'000	Experiment equipment RMB'000	Furniture, fixture and equipment RMB'000	Transportation equipment RMB'000	Construction in progress RMB'000	Total RMB'000
DEPRECIATION AND IMPAIRMENT								
As at January 1, 2021	–	25,888	16,542	203,005	40,655	4,154	–	290,244
Provided for the year	–	6,532	7,692	52,591	13,556	1,732	–	82,103
Transfer from capitalised leases (Note 23)	–	–	–	6,486	–	–	–	6,486
Eliminated on disposal of subsidiaries (Note 45)	–	–	–	–	(193)	–	–	(193)
Eliminated on disposals	–	–	(5,454)	(4,650)	(15,504)	(1,117)	–	(26,725)
Exchange realignment	–	(269)	–	(3,834)	(1,135)	(56)	–	(5,294)
As at December 31, 2021 and January 1, 2022	–	32,151	18,780	253,598	37,379	4,713	–	346,621
Provided for the year	–	11,115	19,845	59,250	21,876	1,846	–	113,932
Transfer from capitalised leases (Note 23)	–	–	–	5,514	–	–	–	5,514
Eliminated on disposals	–	–	–	(4,612)	(1,334)	(96)	–	(6,042)
Exchange realignment	–	1,487	–	17,086	1,891	30	–	20,494
As at December 31, 2022	–	44,753	38,625	330,836	59,812	6,493	–	480,519
NET BOOK VALUE								
As at December 31, 2022	14,308	186,227	210,508	268,118	104,961	6,279	186,278	976,679
As at December 31, 2021	11,667	113,839	35,055	257,330	58,603	8,221	217,142	701,857

21. INTANGIBLE ASSETS

	Software RMB'000	Trademark RMB'000	Customer relationship RMB'000	Customer backlog RMB'000	Non-competition clause RMB'000	Others RMB'000	Total RMB'000
COST							
As at January 1, 2021	83,516	–	64,748	12,629	21,391	23	182,307
Additions	9,804	–	–	–	–	–	9,804
Acquired through business combination (Note 44(b))	–	–	115,621	–	29,857	–	145,478
Derecognised on disposal of subsidiaries (Note 45)	(1,665)	–	–	–	–	(23)	(1,688)
Other changes	–	–	706	(2,116)	–	–	(1,410)
Written off	(2,863)	–	–	–	–	–	(2,863)
Exchange realignment	(1,316)	–	(2,951)	24	(942)	–	(5,185)
As at December 31, 2021 and January 1, 2022	**87,476**	**–**	**178,124**	**10,537**	**50,306**	**–**	**326,443**
Additions	**12,411**	**–**	**–**	**–**	**–**	**–**	**12,411**
Acquired through business combination (Note 44(a))	**82**	**3,819**	**51,350**	**15,913**	**1,273**	**–**	**72,437**
Written off	**(991)**	**–**	**–**	**–**	**–**	**–**	**(991)**
Exchange realignment	**1,992**	**360**	**18,092**	**2,028**	**4,691**	**–**	**27,163**
As at December 31, 2022	**100,970**	**4,179**	**247,566**	**28,478**	**56,270**	**–**	**437,463**
AMORTISATION							
As at January 1, 2021	43,744	–	4,979	5,218	3,561	23	57,525
Charge for the year	13,809	–	14,809	3,913	7,789	–	40,320
Eliminated on written off	(2,738)	–	–	–	–	–	(2,738)
Eliminated on disposal of subsidiaries (Note 45)	(1,235)	–	–	–	–	(23)	(1,258)
Exchange realignment	(998)	–	(262)	(108)	(128)	–	(1,496)
As at December 31, 2021 and January 1, 2022	**52,582**	**–**	**19,526**	**9,023**	**11,222**	**–**	**92,353**
Charge for the year	**13,809**	**1,314**	**30,931**	**6,993**	**11,267**	**–**	**64,314**
Eliminated on written off	**(991)**	**–**	**–**	**–**	**–**	**–**	**(991)**
Exchange realignment	**1,314**	**40**	**2,230**	**698**	**1,358**	**–**	**5,640**
As at December 31, 2022	**66,714**	**1,354**	**52,687**	**16,714**	**23,847**	**–**	**161,316**
NET BOOK VALUE							
As at December 31, 2022	**34,256**	**2,825**	**194,879**	**11,764**	**32,423**	**–**	**276,147**
As at December 31, 2021	34,894	–	158,598	1,514	39,084	–	234,090

22. GOODWILL

	2022 RMB'000	2021 RMB'000
COST		
At the beginning of year	**1,819,068**	1,484,639
Acquisition of subsidiaries (Note 44)	**618,463**	323,621
Other changes	**–**	19,749
Exchange realignment	**87,607**	(8,941)
At the end of the year	**2,525,138**	1,819,068
IMPAIRMENT		
At the beginning of year	**40,120**	40,120
At the end of the year	**40,120**	40,120
CARRYING VALUE		
At the end of the year	**2,485,018**	1,778,948

Goodwill acquired through business combinations is allocated to the following CGUs for impairment testing:

- Jietong Tigermed CGU;
- Experimur LLC ("Experimur") CGU;
- Quintara CGU;
- Frontage Holdings Group CGU;
- Mosim CGU;
- DreamCIS CGU;
- ACME CGU;
- Meditip Co., Ltd ("Meditip") CGU;
- Beiyi CGU;
- Beijing Yaxincheng CGU;
- Frontage Clinical Services, Inc. ("Frontage Clinical") CGU;
- Frontage Suzhou CGU;
- Beijing Health Tech Medical Group ("HT-Med") CGU;
- 泰州康利華醫藥科技有限公司 Taizhou Kanglihua Pharmaceutical Technology Co., Ltd ("Taizhou Kanglihua") CGU;
- Wuhan Heyan Biomedical Technology Co., Ltd ("Heyan Biotech") CGU;
- Tigermed BDM CGU;
- Frontage Labs CGU;
- MacroStat CGU;
- Biotranex, LLC ("Biotranex") CGU;
- BRI CGU;
- Opera Contract Research Organisation S.R.L. ("Opera") CGU;
- LCS Co., Ltd ("LCS") CGU; and
- 台灣泰格國際醫藥股份有限公司 Taiwan International Pharmaceutical Co., Ltd ("Taiwan Tigermed") CGU.

22. GOODWILL (Continued)

The carrying amounts of goodwill allocated to each of the CGUs is as follows:

	2022 RMB'000	2021 RMB'000
Jietong Tigermed CGU	**456,866**	456,866
Experimur CGU	**450,840**	–
Quintara CGU	**301,477**	275,985
Frontage Holdings Group CGU	**268,001**	268,001
Mosim CGU	**185,952**	185,952
DreamCIS CGU	**128,700**	128,700
ACME CGU	**117,234**	107,321
Meditip CGU	**117,010**	–
Beiyi CGU	**112,620**	112,620
Beijing Yaxincheng CGU	**101,923**	99,350
Frontage Clinical CGU	**95,132**	–
Frontage Suzhou CGU	**27,646**	27,646
HT-Med CGU	**23,110**	23,110
Taizhou Kanglihua CGU	**18,407**	18,407
Heyan Biotech CGU	**15,544**	15,544
Tigermed BDM CGU	**15,091**	15,091
Frontage Labs CGU	**13,889**	12,716
MacroStat CGU	**11,512**	11,512
Biotranex CGU	**10,713**	9,807
BRI CGU	**6,722**	6,547
Opera CGU	**2,900**	2,900
LCS CGU	**2,856**	–
Taiwan Tigermed CGU	**873**	873
	2,485,018	1,778,948

Note:

During the year ended December 31, 2022, the Group entered into a share purchase agreement with the shareholders of Beijing Bilingual (as defined in Note 44(a)), pursuant to which Beijing Bilingual Sellers agreed to sell and the Group agreed to purchase 100% of the equity interest in Beijing Bilingual.

Upon the completion of the acquisition of Beijing Bilingual, the operation of Beijing Bilingual has integrated to Beijing Yaxincheng in order to improve operation efficiency. Management expected that the benefit of expected synergies of Beijing Bilingual shall be achieved from integrating it into the Group's existing business under Beijing Yaxincheng. Such integration resulted in the reallocation of goodwill to Beijing Yaxincheng as there has been a change to the way in which goodwill is monitored internally.

For the purpose of impairment testing, goodwill is allocated to the CGUs which represents the lowest level within the Group at which goodwill is monitored for internal management purpose.

Apart from the recoverable amounts mentioned below which have been determined by their respective fair value less costs of disposal, the recoverable amounts of other CGUs have been determined based on value-in-use calculations using pre-tax cash flow projections, which is based on financial budgets approved by management.

22. GOODWILL (Continued)

At December 31, 2022 and December 31, 2021, the recoverable amount of Frontage Holdings Group CGU was determined by its fair value less costs of disposal with reference to the market price of the shares of Frontage Holdings listed on the Stock Exchange (see Note 18(b)).

At December 31, 2021, the recoverable amount of DreamCIS CGU was determined by its fair value less costs of disposal with reference to the market price of the shares of DreamCIS listed on the Korea Securities Dealers Automated Quotation of the Korea Exchange (see Note 18(c)).

Assumptions were used in the value-in-use calculations of other CGUs as at December 31, 2022 and 2021. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

The cash flow projections were based on financial budgets covering a period approved by management as follows:

	2022	2021
Jietong Tigermed CGU	5 years	5 years
Experimur CGU	5 years	N/A
Quintara CGU	5 years	5 years
Mosim CGU	5 years	5 years
DreamCIS CGU	5 years	N/A
ACME CGU	5 years	5 years
Meditip CGU	5 years	N/A
Beiyi CGU	5 years	5 years
Beijing Yaxincheng CGU	5 years	5 years
Frontage Clinical CGU	5 years	N/A
Frontage Suzhou CGU	5 years	5 years
HT-Med CGU	5 years	5 years
Taizhou Kanglihua CGU	5 years	5 years
Heyan Biotech CGU	5 years	5 years
Tigermed BDM CGU	5 years	5 years
Frontage Labs CGU	5 years	5 years
MacroStat CGU	5 years	5 years
Biotranex CGU	5 years	5 years
BRI CGU	5 years	5 years
Opera CGU	5 years	5 years
LCS CGU	5 years	N/A
Taiwan Tigermed CGU	5 years	5 years

22. GOODWILL (Continued)

The cash flow projections beyond the 5-year period are extrapolated using expected growth rates of revenue as follows:

	2022 %	2021 %
Jietong Tigermed CGU	**5.0**	5.0
Experimur CGU	**3.0**	N/A
Quintara CGU	**3.0**	3.0
Mosim CGU	**0.0**	5.0
DreamCIS CGU	**0.0**	N/A
ACME CGU	**3.0**	3.0
Meditip CGU	**1.0**	N/A
Beiyi CGU	**0.0**	0.0
Beijing Yaxincheng CGU	**0.0**	0.0
Frontage Clinical CGU	**3.0**	N/A
Frontage Suzhou CGU	**3.0**	3.0
HT-Med CGU	**5.0**	2.0
Taizhou Kanglihua CGU	**5.0**	5.0
Heyan Biotech CGU	**3.0**	3.0
Tigermed BDM CGU	**5.0**	5.0
Frontage Labs CGU	**3.0**	3.0
MacroStat CGU	**0.0**	0.0
Biotranex CGU	**3.0**	3.0
BRI CGU	**3.0**	3.0
Opera CGU	**5.0**	5.0
LCS CGU	**1.0**	N/A
Taiwan Tigermed CGU	**4.0**	3.0

These growth rates are based on the relevant industry growth forecast and do not exceed the average long-term growth rate for the relevant industry.

The discount rates applied to the cash flow projections are as follows:

	2022 %	2021 %
Jietong Tigermed CGU	**16.4**	15.1
Experimur CGU	**20.0**	N/A
Quintara CGU	**20.0**	20.0
Mosim CGU	**13.7**	15.2
DreamCIS CGU	**21.1**	N/A
ACME CGU	**20.0**	20.0
Meditip CGU	**15.6**	N/A
Beiyi CGU	**16.7**	15.3
Beijing Yaxincheng CGU	**16.1**	15.0
Frontage Clinical CGU	**20.0**	N/A
Frontage Suzhou CGU	**20.0**	20.0
HT-Med CGU	**16.6**	17.5
Taizhou Kanglihua CGU	**18.7**	15.3
Heyan Biotech CGU	**20.0**	20.0
Tigermed BDM CGU	**25.9**	20.0
Frontage Labs CGU	**20.0**	20.0
MacroStat CGU	**16.8**	15.2
Biotranex CGU	**20.0**	20.0
BRI CGU	**20.0**	20.0
Opera CGU	**16.4**	14.8
LCS CGU	**17.5**	N/A
Taiwan Tigermed CGU	**17.4**	16.8

The discount rates used are pre-tax and reflect specific risk relating to the relevant units.

22. GOODWILL (Continued)

The discount rate is the expected return of the Group's assets that reflects current market assessments of the time value of money and the specific risk associated with the CGU, after taking into account the weighted average cost of equity and debt.

Other key assumptions for the value-in-use calculations related to the estimation of cash inflows/outflows include budgeted sales and gross margins, such estimation is based on the CGU's past performance and management's expectations for the market development.

23. RIGHT-OF-USE ASSETS

	Leasehold land RMB'000	Buildings RMB'000	Experiment equipment RMB'000	Others RMB'000	Total RMB'000
As at January 1, 2021					
Carrying amount	5,148	264,717	61,810	940	332,615
As at December 31, 2021 and January 1, 2022					
Carrying amount	5,018	365,695	101,940	609	473,262
As at December 31, 2022					
Carrying amount	**48,192**	**459,671**	**114,174**	**317**	**622,354**
For the year ended December 31, 2021					
Depreciation charge	130	61,303	12,442	464	74,339
For the year ended December 31, 2022					
Depreciation charge	**545**	**86,851**	**18,897**	**305**	**106,598**

23. RIGHT-OF-USE ASSETS (Continued)

The consolidated statement of profit or loss and other comprehensive income contain the following amounts relating to leases:

	2022 RMB'000	2021 RMB'000
Depreciation of right-of-use assets	**106,598**	74,339
Expenses relating to short-term leases and other lease with lease terms ended within 12 months from the date of initial application of IFRS 16	**21,527**	3,927
Expense relating to leases of low-value assets, excluding short-term leases of low-value asset	**8,220**	4,396
Total cash outflow for leases	**147,886**	98,902
Additions to right-of-assets	**221,875**	232,546
Acquired through business combination (Note 44)	**16,567**	–
Transferred from capitalised lease to property, plant and equipment (Note 20)	**(3,105)**	(5,236)
Disposal	**(2,478)**	(4,706)
Derecognised on disposal of subsidiaries (Note 45)	**–**	(987)
Exchange realignment	**22,831**	(6,631)

For both years, the Group leases various offices and experiment equipment for its operations. Lease contracts are entered into for fixed term of 2 years to 25 years (2021: 2 years to 25 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Restrictions or covenants on lease

Lease liabilities of RMB606,740,000 (2021: RMB481,354,000) are recognised with related right-of-use assets of RMB574,162,000 (2021: RMB468,244,000) as at December 31, 2022. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases committed

As at December 31, 2022, the Group entered into new leases for leased properties and machinery that have not yet commenced, with non-cancellable period of 15.8 years, excluding period under extension options. The total future undiscounted cash flows over the non-cancellable period amounted to RMB71,601,000 (2021: RMB53,075,000).

24. DEFERRED TAXATION

The following is a summary of the deferred tax balances of the Group for financial reporting purposes:

	2022 RMB'000	2021 RMB'000
Deferred tax assets	**121,353**	100,936
Deferred tax liabilities	**(214,393)**	(201,540)
	(93,040)	(100,604)

The followings are the major deferred tax assets and liabilities recognised and movements thereon before offsetting during the current and prior year:

	Change in fair value of financial assets at fair value RMB'000	Impairment allowance RMB'000	Depreciation difference RMB'000	Stock compensation RMB'000	Others RMB'000	Total RMB'000
As at January 1, 2021	(82,019)	13,435	(49,166)	43,540	21,987	(52,223)
(Charged)/credit to profit or loss (Note 13)	(15,403)	4,409	(20,239)	37	7,060	(24,136)
Credit to reserves	4	–	–	11,869	–	11,873
Other changes	–	–	320	–	–	320
Acquisition of subsidiaries (Note 44(b))	–	13	(34,815)	–	(976)	(35,778)
Disposal of subsidiaries (Note 45)	–	(28)	–	–	–	(28)
Exchange realignment	–	(151)	2,340	(1,235)	(1,586)	(632)
As at December 31, 2021 and January 1, 2022	**(97,418)**	**17,678**	**(101,560)**	**54,211**	**26,485**	**(100,604)**
Credit/(charged) to profit or loss (Note 13)	**14,931**	**3,122**	**(18,033)**	**(4,612)**	**22,658**	**18,066**
Charged to reserves	**65**	**–**	**–**	**(8,826)**	**30**	**(8,731)**
Acquisition of subsidiaries (Note 44(a))	**–**	**486**	**(3,114)**	**–**	**3,322**	**694**
Exchange realignment	**–**	**901**	**(9,264)**	**4,071**	**1,827**	**(2,465)**
As at December 31, 2022	**(82,422)**	**22,187**	**(131,971)**	**44,844**	**54,322**	**(93,040)**

As at December 31, 2022, the Group had unused tax losses of RMB73,174,000 (2021: RMB15,824,000), available to offset against future profits. As at December 31, 2022, unused tax losses of RMB73,174,000 (2021: RMB15,824,000) had been recognised in deferred tax assets.

Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries amounting to RMB4,551,251,000 (2021: RMB3,224,011,000) as at December 31, 2022 as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

25. FINANCIAL ASSETS AT FAIR VALUE/FINANCIAL PRODUCTS

	2022 RMB'000	2021 RMB'000
Financial assets		
Non-current assets		
Financial assets at FVTPL		
– Life insurance policies (note (a))	**2,680**	–
– Listed equity securities	**304,175**	105,519
– Unlisted debt instrument	**20,000**	–
– Unlisted equity investments	**4,718,449**	4,071,784
– Unlisted fund investments	**4,918,549**	4,569,041
	9,963,853	8,746,344
Financial assets at FVOCI		
– Unlisted equity investments	**3,864**	13,531
Current assets		
Financial assets at FVTPL		
– Financial products (note (b))	**24,770**	29,180
– Listed equity securities	**62**	–
– Unlisted fund investments	**114**	–
	24,946	–

Notes:

(a) In prior years, Meditip, a subsidiary of the Group, entered into certain insurance policies with insurance companies to insure the directors of Meditip.

Under these policies, the policy holder and beneficiary is Meditip. The Group is required to pay an upfront payment for each policy. The Group can terminate the policy at any time and can receive cash back at the date of termination based on the account value of the policies, which is determined by the gross premium paid plus accumulated guaranteed interest earned and minus any charges made in accordance with the terms and conditions of the policies. If termination is made between the first policy year to the end of surrender period stated in the policies, there is a specified amount of surrender charge deducted from account value. The insurance companies will pay the Group guaranteed interest plus a premium determined by the insurance companies during the tenures of these policies.

(b) The Group entered into series of financial products contracts with banks and other financial institutions in the PRC. The investments are yield enhancement deposits with expected but not guaranteed rates of return. The expected rates of return was 3.25% (2021: 3.15%) per annum for the year ended December 31, 2022, which were determined by reference to the returns of the underlying investments. The directors considered the financial products shall be classified as financial assets at FVTPL and the amount paid for the financial products approximates its fair value at the end of each reporting period.

26. OTHER FINANCIAL ASSETS AT AMORTISED COST

As at December 31, 2022, the other financial assets at amortised cost comprised of corporate bonds held by the Group, amounted to approximately RMB27,607,000 are unsecured, interest bearing, non-trading related in nature and issued by private entities.

27. INVENTORIES

	2022 RMB'000	2021 RMB'000
Raw materials and consumables	**22,204**	6,095

28. TRADE, BILLS AND OTHER RECEIVABLES AND PREPAYMENTS

	2022 RMB'000	2021 RMB'000
Trade receivables		
– Third parties	**1,105,316**	857,610
– Related parties (note (a))	**–**	3,979
Less: loss allowance for trade receivables	**(77,527)**	(52,462)
	1,027,789	809,127
Bills receivable		
– Third parties	**6,031**	6,930
Other receivables		
– Third parties	**99,619**	74,160
– Related parties (note (a))	**1,010**	505
Less: loss allowance for other receivables	**(7,302)**	(6,549)
	93,327	68,116
Consideration receivables (note (b))	**–**	8,550
Prepayments (note (c))		
– Third parties	**59,103**	59,229
– Related parties (note (a))	**23**	65
	59,126	59,294
	1,186,273	952,017

Notes:

(a) Details of the trade and other receivables due from related parties are set out in Note 52(2).

(b) 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 nil (2021: RMB8,550,000) as at December 31, 2022.

(c) For the year ended December 31, 2021, the Group recorded in impairment of RMB1,000 on the prepayments.

28. 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:

	2022 **RMB'000**	2021 RMB'000
Within 90 days	**854,554**	739,843
91 to 180 days	**107,104**	29,636
181 days to 1 year	**41,734**	31,212
Over 1 year	**24,397**	8,436
	1,027,789	809,127

Movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in IFRS 9 for current and prior years:

	2022 **RMB'000**	2021 RMB'000
At the beginning of year	**52,462**	40,890
Provided	**21,891**	12,803
Written off	**–**	(480)
Exchange realignment	**3,174**	(751)
At the end of year	**77,527**	52,462

29. CONTRACT ASSETS

	2022 RMB'000	2021 RMB'000
Contract assets		
– Third parties	**2,043,093**	1,322,711
– Related parties	**1,550**	8,125
Less: loss allowance for contract assets	**(47,332)**	(45,361)
	1,997,311	1,285,475

Changes in contract assets primarily relate to timing invoicing.

Details of the contract assets due from related parties are set out in Note 52(2).

Movement in lifetime ECL that has been recognised for contract assets in accordance with the simplified approach set out in IFRS 9 for current and prior years:

	2022 RMB'000	2021 RMB'000
At the beginning of year	**45,361**	32,446
Provided	**1,971**	12,915
At the end of year	**47,332**	45,361

30. CASH AND CASH EQUIVALENTS/TIME DEPOSITS WITH ORIGINAL MATURITY OVER THREE MONTHS/RESTRICTED BANK DEPOSITS

	2022 RMB'000	2021 RMB'000
Cash and cash equivalents (note (a))	**7,782,741**	8,378,417
Time deposits with original maturity over three months (note (d))	**54,194**	155,440
Restricted bank deposits		
Portion classified as current assets (notes (b), (e) and (f))	**19,115**	8,586
Non-current portion (note (c))	**2,089**	1,913
	21,204	10,499

Notes:

(a) At the end of each reporting period, cash and cash equivalents of the Group comprised of bank balances and cash held. Bank balances carried interest at prevailing market interest rates which ranged from 0.02% to 4.2% (2021: 0.30% to 3.75%) per annum as at December 31, 2022.

(b) As at December 31, 2022, a cash deposit of US$357,000 (equivalent to approximately RMB2,486,000) (2021: US$353,000 (equivalent to approximately RMB2,252,000)) was required by Pennsylvania Department of Environmental Protection, Bureau of Radiation Protection in the USA for radiology license in USA, and the amount is restricted. As at December 31, 2022, the remaining amount in the collateral account was US$357,000 (equivalent to approximately RMB2,486,000) (2021: US$353,000 (equivalent to approximately RMB2,252,000)), which has been included in restricted bank deposits.

(c) According to the lease agreement for the property at Secaucus, NJ, a cash deposit of US$300,000 was required as a guarantee over the property until the end of the lease term in 2027.

(d) Time deposits with original maturity over three months represent fixed deposits with maturity more than three months from the date of acquisition which carried interest at prevailing market rates ranging from 2.35% to 5.20% (2021: 1.01% to 2.00%) per annum as at December 31, 2022.

(e) On March 3, 2021, a cash deposit of RMB1,000,000 was required by Shanghai Customs District P.R. China in the PRC for import value-added tax in China, and the amount is restricted. As at December 31, 2022, the remaining amount in the escrow account was nil (2021: RMB1,000,000), which has been included in restricted bank deposits.

(f) As at December 31, 2022, certain bank deposits with balances of approximately RMB7,118,000 (2021: RMB5,259,000) was pledged to secure bills payable of approximately nil (2021: RMB22,118,000) and bank facilities greated to the Group (see Note 33).

(g) Subsequent to year ended December 31, 2022, management noted that Silicon Valley Bank ("SVB") has been closed by the California Department of Financial Protection and Innovation, which appointed the Federal Deposit Insurance Corporation ("FDIC") as receiver.

As at December 31, 2022, the Group has deposit accounts with SVB with an aggregate balance of approximately US$5.5 million (equivalent to approximately RMB38.1 million). The FDIC's standard insurance covers up to US$250,000 per depositor, per bank for each account ownership category. The FDIC has stated that it will pay uninsured depositors an advance dividend within the week of March 13, 2023, and uninsured depositors will receive a receivership certificate for the remaining amount of their uninsured funds.

Management considered that the credit risks of the relevant financial assets have increased significantly since initial recognition. Management is in the view that the identified impairment loss was immaterial to the Group's consolidated financial statements.

31. OTHER NON-CURRENT ASSETS

	2022 RMB'000	2021 RMB'000
Prepayments for acquisition of a subsidiary (Note 53(a))	**44,517**	–
Prepayments for acquisition of an associate	–	16,609
Prepayments for acquisition of financial assets at FVTPL	–	63,500
Prepayments for acquisition of property, plant and equipment	**13,965**	18,737
Rental deposits	**4,082**	2,759
	62,564	101,605

32. ASSETS CLASSIFIED AS HELD FOR SALE

During the year ended December 31, 2022, the Group has the intention to sell one of its owned land which are ready for sale and have been quoted at prices that are reasonable in relation to their current fair values. At the end of the reporting date, such land was reclassified to "Assets classified as held for sale" under "Current assets" with recoverable amount of RMB3,237,000, which were measured at the lower of the carrying amount of RMB3,682,000 and estimated fair value less costs to sell of RMB3,237,000. As a result, impairment losses of RMB445,000 for the land was recognised for the year ended December 31, 2022.

The Group anticipates that the disposal of the land will be completed within one year.

33. TRADE AND OTHER PAYABLES

	2022 RMB'000	2021 RMB'000
Trade payables		
– Third parties	**125,563**	96,098
– Related parties (note (a))	**32,395**	29,651
	157,958	125,749
Bills payable		
– Third parties (note (b))	–	22,118
Other payables		
– Third parties	**70,678**	86,879
– Related parties (note (a))	**597**	–
– Consideration payables (note (c))	**2,298**	154,460
– Contingent consideration payables	**79,421**	61,322
– Restricted share repurchase payable (Note 46(c)(i))	–	67,607
– Dividend payable	**2,266**	1,221
– Salary and bonus payables	**292,868**	256,194
– Other taxes payable	**111,864**	104,412
	559,992	732,095
	717,950	879,962

33. TRADE AND OTHER PAYABLES (Continued)

Notes:

(a) Details of the trade and other payables due to related parties are set out in Note 52(2).

(b) As at December 31, 2022, bills payable were arranged with banks under secured credit facilities. The Group's bills payable were secured by pledged deposits of approximately nil (2021: RMB5,259,000).

(c) Consideration payable for acquisition of additional interests in subsidiaries.

Included in consideration payables as at December 31, 2021 mainly represented the consideration payable for the acquisition of additional 40% equity interests in Mosim, a non-wholly owned subsidiary of the Company, amounting to RMB97,140,000. The amount has been settled during the year ended December 31, 2022.

Payment terms with suppliers are mainly on credit ranging from 30 to 60 days from invoice date. The following is an aging analysis of trade payables, presented based on invoice date, at the end of each of the reporting period:

	2022 RMB'000	2021 RMB'000
Within 90 days	138,716	119,618
91 days to 1 year	16,284	2,024
Over 1 year	2,958	4,107
	157,958	125,749

34. CONTRACT LIABILITIES

	2022 RMB'000	2021 RMB'000
Contract liabilities		
– Third parties	**936,540**	789,192
– Related parties	**3,225**	317
	939,765	789,509

Details of contract liabilities which are related parties are set out in Note 52(2).

Changes in contract liabilities primarily relate to the Group's performance of services under the contracts. Revenue of RMB460,361,000 (2021: RMB357,763,000) of the Group were recognised for the year ended December 31, 2022 that were included in the contract liabilities at the beginning of the year.

35. BORROWINGS

	2022 RMB'000	2021 RMB'000
Secured and unguaranteed bank loans (note (a))	**340,232**	70
Unsecured and guaranteed bank loans (note (b))	**2,706**	–
Unsecured and unguaranteed bank loans (note (c))	**1,769,918**	492,250
	2,112,856	492,320
Loan interest at rate per annum in the range of	**1.50%-9.50%**	3.40%-4.45%

35. BORROWINGS (Continued)

Total current and non-current borrowings were scheduled to repay as follows:

	2022 RMB'000	2021 RMB'000
On demand or within one year	**1,868,215**	492,320
More than one year, but not exceeding two years	**28,778**	–
More than two year, but not exceeding five years	**165,329**	–
Over five years	**50,534**	–
	2,112,856	492,320

The carrying amounts of the Group's interest-bearing bank borrowing approximate to their fair values.

Notes:

(a) The Group has used certain restricted bank deposits in Note 30, to aggregate banking facilities of RMB360,000,000 (2021: RMB120,000,000) acquired from the bankers, of which nil (2021: RMB22,118,000) and RMB148,137,000 (2021: RMB70,000) were utilised as bills payable and borrowing respectively, as at December 31, 2022.

On May 31, 2022, Frontage Labs entered into a three-year committed senior secured revolving credit agreement with a bank under which the bank has agreed to extend to Frontage Labs a revolving line of credit in the maximum principal amount of US$25,000,000 (equivalent to RMB174,115,000) (subject to an uncommitted increase of up to but not exceeding US$45,000,000 (equivalent to RMB313,407,000)). As at December 31, 2022, US$3,000,000 (equivalent to RMB20,894,000) of the facility were utilised. Frontage Labs is obligated to grant to the bank security interest in and to the collateral of some of its designated subsidiaries in the USA.

On July 22, 2022, Frontage Labs entered into a credit agreement with a bank under which the bank has agreed to provide Frontage Labs a term loan facility in an aggregate principal amount of US$49,000,000 (equivalent to RMB341,265,000). As at December 31, 2022, US$15,000,000 (equivalent to RMB104,469,000) of the facility were utilized. Frontage Holdings Corporation, as the guarantor, is obligated to guarantee for the liabilities, obligations and the full satisfaction of Frontage Labs under this facility. This facility is collateralized by Frontage Labs' assets in some of its designated subsidiaries in the U.S.

On September 16, 2022, Quintara entered into a loan agreement with a bank under which the bank has agreed to provide Quintara with a loan in an aggregate principal amount of up to US$20,000,000 (equivalent to RMB139,292,000) with multiple loan advances. As at December 31, 2022, the loan in the amount US$10,000,000 (equivalent to RMB69,646,000) were utilized. Frontage Labs and the Company, as the guarantors, are obligated to guarantee for the full satisfaction of this loan. This loan is also collateralized by Frontage Labs' entire interest in Quintara.

(b) As at December 31, 2022, bank borrowings amounting to RMB2,706,000 were guaranteed by personal guarantees provided by one of the director of a subsidiary.

(c) At December 31, 2022, the Group had banking facilities to the extent of RMB8,950,000,000 (2021: RMB4,117,500,000). The aforesaid bank loans outstanding as at December 31, 2022 were RMB1,769,918,000 (2021: RMB492,250,000).

(d) The Group had aggregated banking facilities of RMB7,855,027,000 (2021: RMB3,723,062,000) which were unutilised as at December 31, 2022.

36. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the reporting period:

	2022 RMB'000	2021 RMB'000
Within one year	**117,764**	74,515
Within a period of more than one year but within two years	**106,164**	71,874
Within a period of more than two years but within five years	**176,803**	154,265
More than five years	**206,009**	180,700
	606,740	481,354
Less: Amounts due for settlement with 12 months shown under current liabilities	**(117,764)**	(74,515)
Amount due for settlement after 12 months shown under non-current liabilities	**488,976**	406,839

37. OTHER LONG-TERM LIABILITIES

	2022 RMB'000	2021 RMB'000
Salaries and bonus accrual	**31,424**	–
Contingent consideration payables related to:		
– Acquisition of ACME	**–**	34,798
– Acquisition of RMI	**–**	4,622
– Acquisition of Biotranex	**–**	1,229
– Acquisition of BRI	**–**	1,422
– Acquisition of Quintara (note (a))	**40,736**	72,810
– Acquisition of Beijing Bilingual	**532**	–
	72,692	114,881

Note:

(a) As at December 31, 2022, the amount represented contingent consideration payable arising from the acquisition of Quintara in an amount of US$5,849,000 (equivalent to RMB40,736,000) (2021: US$11,420,000 (equivalent to RMB72,810,000)). The contingent consideration payable was re-measured at fair value and a fair value loss of US$729,000 (equivalent to RMB4,926,000) was recorded. Further, an amount of US$6,143,000 (equivalent to RMB42,784,000) was recorded as short-term contingent consideration payable as this amount falls due within one year.

38. SHARE CAPITAL

	Number of ordinary shares	Authorised shares RMB'000	Issued and paid shares RMB'000
As at January 1, 2021	872,483,508	872,484	872,484
Cancellation of shares (note (a))	(45,144)	(45)	(45)
As at December 31, 2021 and January 1, 2022	**872,438,364**	**872,439**	**872,439**
Cancellation of shares (note (a))	**(20,144)**	**(20)**	**(20)**
As at December 31, 2022	**872,418,220**	**872,419**	**872,419**

Note:

(a) During the year ended December 31, 2022, some of the Company's original incentive recipients resigned and lost their right to receive incentive. Therefore, the Company repurchased and cancelled 20,144 (2021: 45,144) restricted shares previously held by these incentive recipients with a deduction from the treasury shares of RMB644,000 (2021: RMB1,476,000), including a reduction of RMB20,000 (2021: RMB45,000), in share capital, and RMB624,000 (2021: RMB1,431,000), in share premium.

39. TREASURY SHARES

	As at December 31,			
	2022		2021	
	Number of ordinary shares	Cost of acquisition	Number of ordinary shares	Cost of acquisition
		RMB'000		RMB'000
Balance brought forward	**6,037,121**	**579,186**	4,783,141	157,912
Repurchase of shares (note (a))	**3,909,800**	**369,391**	3,559,850	499,949
Shares transferred under 2021 Share Purchase Scheme (as defined in Note 46(c)(iii)) (note (b))	**–**	**–**	(286,372)	(12,672)
Cancellation of shares (Note 36(a))	**(20,144)**	**(644)**	(45,144)	(1,476)
Vesting of restricted share units under Restricted Share Scheme (as defined in Note 46(c)(i))	**(2,457,127)**	**(78,593)**	(1,974,354)	(64,527)
Balance carried forward	**7,469,650**	**869,340**	6,037,121	579,186

Notes:

(a) The Company acquired its own shares in the open market which are held as treasury shares.

(b) During the year ended December 31, 2021, the Company has adopted the 2021 Share Purchase Scheme. On February 1, 2021, 286,372 shares previously repurchased by the Company were transferred to the 2021 Share Purchase Scheme by way of non-trade transfer at RMB44.25 per share. Details of the Share Purchase Scheme are set out in Note 46(c)(iii).

40. RESERVES MOVEMENT OF THE COMPANY

	Share premium RMB'000	Employee share-based compensation reserve RMB'000	Statutory reserve RMB'000	Retained earnings RMB'000	Total RMB'000
As at January 1, 2021	11,488,836	35,860	221,923	1,286,650	13,033,269
Profit for the year	–	–	–	951,419	951,419
Transfer to statutory reserve	–	–	95,142	(95,142)	–
Recognition of share-based payments (Note 44(c))	–	38,990	–	–	38,990
Vesting of restricted shares	8,577	(18,820)	–	–	(10,243)
Cancellation of shares (Note 38(a))	(1,431)	–	–	–	(1,431)
Dividends declared (Note 17)	–	–	–	(261,721)	(261,721)
As at December 31, 2021 and January 1, 2022	**11,495,982**	**56,030**	**317,065**	**1,881,206**	**13,750,283**
Profit for the year	**–**	**–**	**–**	**744,758**	**744,758**
Transfer to statutory reserve	**–**	**–**	**74,476**	**(74,476)**	**–**
Recognition of share-based payment (Note 46(c))	**–**	**20,224**	**–**	**–**	**20,224**
Recognition of deferred tax assets related to share-based payments	**–**	**4,028**	**–**	**–**	**4,028**
Vesting of restricted shares	**14,290**	**(25,872)**	**–**	**–**	**(11,582)**
Cancellation of shares (Note 38(a))	**(624)**	**–**	**–**	**–**	**(624)**
Dividend declared (Note 17)	**–**	**–**	**–**	**(432,463)**	**(432,463)**
As at December 31, 2022	**11,509,648**	**54,410**	**391,541**	**2,119,025**	**14,074,624**

40. RESERVES MOVEMENT OF THE COMPANY (Continued)

Notes:

(a) Share premium:

The amount represents capital contribution in excess of nominal value of share capital.

(b) Employee share-based compensation reserve:

The amount represents the fair value of the actual or estimated number of unexercised share options granted by the group entities and recognised in accordance with the accounting policy adopted for share-based payments.

(c) Statutory reserve:

In accordance with the articles of association of subsidiaries established in the PRC, these subsidiaries are required to transfer 10% of the profit after taxation to the statutory reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve shall be made before distributing dividends to equity holders. The statutory reserve can be used to make up for previous years' losses, expand the existing operations or convert into additional capital of the subsidiaries.

The Commercial Code of the Republic of Korea requires DreamCIS to appropriate, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid, until such reserve equals 50% of its issued capital. The reserve is not available for the payment of cash dividends, but may be transferred to issued capital, or used to reduce accumulated deficit, if any.

(d) Exchange reserve:

The amount represents gains/losses arising on retranslating the net assets of foreign operations into presentation currency of the Group.

(e) FVOCI reserve:

The amount represents the cumulative net change in the fair value of equity investment designated at FVOCI under IFRS 9 that are held at the end of the reporting period.

(f) Retained earnings:

Cumulative net gains and losses recognised in profit or loss.

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**34,160**	22,305
Intangible assets		**10,710**	8,324
Right-of-use assets		**90,484**	70,927
Investments in subsidiaries	18	**8,082,554**	6,587,024
Interests in associates		**18,515**	21,458
Deferred tax assets		**18,667**	15,267
Financial assets at FVTPL		**1,093,034**	1,204,534
Other non-current assets		**2,684**	8,512
		9,350,808	7,938,351
CURRENT ASSETS			
Trade and other receivables and prepayments		**1,036,933**	991,142
Contract assets		**1,370,766**	753,015
Cash and cash equivalents		**6,343,550**	6,830,420
		8,751,249	8,574,577
CURRENT LIABILITIES			
Trade and other payables		**1,790,536**	1,448,455
Contract liabilities		**268,974**	268,466
Borrowings		**1,765,500**	492,250
Income tax payables		**47,652**	91,508
Lease liabilities		**27,147**	19,158
		3,899,809	2,319,837
NET CURRENT ASSETS		**4,851,440**	6,254,740
TOTAL ASSETS LESS CURRENT LIABILITIES		**14,202,248**	14,193,091

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(Continued)

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities		**42,122**	52,136
Deferred tax liabilities		**82,423**	97,419
		124,545	149,555
NET ASSETS		**14,077,703**	14,043,536
CAPITAL AND RESERVES			
Share capital	38	**872,419**	872,439
Treasury shares	39	**(869,340)**	(579,186)
Reserves	40	**14,074,624**	13,750,283
TOTAL EQUITY		**14,077,703**	14,043,536

On behalf of the directors

Dr. Ye Xiaoping

Ms. Cao Xiaochun

42. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities comprising the Group will be able to continue as going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the reporting period.

The capital structure of the Group consists of lease liabilities, borrowings (net of cash and cash equivalents) and equity attributable to owners of the Company (comprising capital and reserves).

Management of the Group regularly reviews the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debts.

43. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2022 RMB'000	2021 RMB'000
Financial assets		
Financial assets at amortised cost	**9,016,975**	9,503,338
Financial assets at FVTPL	**9,988,799**	8,775,524
Financial assets at FVOCI	**3,864**	13,531
	19,009,638	18,292,393
Financial liabilities		
Financial liabilities at amortised cost	**3,246,261**	1,687,902
Financial liabilities at FVTPL	**152,113**	176,203
	3,398,374	1,864,105

Financial risk management objectives and policies

The Group's major financial assets and liabilities include other financial assets at amortised cost, financial assets at FVTPL, financial assets at FVOCI, restricted bank deposits, trade, bills and other receivables, time deposits with original maturity over three months, cash and cash equivalents, trade and other payables, borrowings, other long-term liabilities and lease liabilities. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose it primarily to currency risk, interest rate risk and price risk. There has been no change in the Group's exposure to these risks or the manner in which it managed and measured the risks during each of the reporting period.

Currency risk

Several subsidiaries of the Company have foreign currency sales, capital expenditure, cash and cash equivalents and borrowings, which expose the Group to foreign currency risk.

The subsidiaries are mainly exposed to foreign currency of US$.

The Group enters into a derivative financial instruments to manage its exposure to currency risk, including forward foreign exchange contracts.

43. FINANCIAL INSTRUMENTS (Continued)

Market risk (Continued)

Currency risk (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets (financial assets at FVTPL, trade, bills and other receivables, cash and cash equivalents) and liabilities (trade and other payables) at the end of each reporting period are summarised as follows:

	2022 RMB'000	2021 RMB'000
Assets		
US$	**673,469**	504,107
Liabilities		
US$	**6**	20

Sensitivity analysis
The following table details the Group's sensitivity to a 5% increase and decrease in RMB against foreign currencies, the foreign currencies with which the Group may have a material exposure. 5% represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis uses outstanding foreign currency denominated monetary items as a base and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rate. A positive number below indicates an increase in profit before tax where foreign currencies strengthens 5% against RMB. For a 5% weakening of foreign currencies against RMB, there would be an equal and opposite impact on profit before tax.

	2022 RMB'000	2021 RMB'000
Impact on profit before tax		
US$	**33,673**	25,204

In the opinion of the directors, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to its restricted bank deposits, note receivables, financial products, cash and cash equivalents, lease liabilities and borrowings. The exposure in relation to fixed rate agreements is considered to be minimal.

43. FINANCIAL INSTRUMENTS (Continued)

Market risk (Continued)

Interest rate risk (Continued)

The Group is also exposed to cash flow interest rate risk in relation to variable rate bank borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the Prime Rate, Secured Overnight Financing Rate and The Korea Interbank Offered Rates benchmark rates. For the variable rate bank borrowings, the Group currently does not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group analyses the interest rate exposure on a yearly basis. A sensitivity analysis is performed by applying a simulation technique to the liabilities that represent major interest – bearing positions. Various scenarios are run taking into consideration refinancing, renewal of the existing positions, alternative financing and hedging. Based on the simulations performed, the impact on profit or loss and net assets of a 100 basis-point shift (being the maximum reasonable expectation of changes in interest rates basis point: 1/100th of a percentage point) would be an increase of RMB3,406,000 (2021: nil) or a decrease of RMB3,406,000 (2021: nil). The gain or loss potential is then compared to the limits determined by management.

Price risk

The Group is exposed to equity price risk through its investment in equity securities and fund investments measured at FVTPL and FVOCI (see Note 25).

The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

If the prices of the respective instruments at FVTPL had been 5% higher/lower, profit before tax for the year ended December 31, 2022 would increase/decrease by RMB497,059,000 (2021: RMB437,317,000) as a result of the changes in fair value of financial assets at FVTPL.

If the prices of the respective instruments at FVOCI had been 5% higher/lower, other comprehensive income for the year ended December 31, 2022 would increase/decrease by RMB193,000 (2021: RMB677,000) as a result of the changes in fair value of financial assets at FVOCI.

Credit risk and impairment assessment

As at the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

43. FINANCIAL INSTRUMENTS (Continued)

Market risk (Continued)

Credit risk and impairment assessment (Continued)

Credit terms are granted to customers who are in good credit reputation. In order to minimise the credit risk, management has designated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the directors review the recoverability of each significant trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. At the end of each reporting period, the Group's maximum exposure to credit risk which cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise credit risk, the Group has tasked its finance team to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. Management uses publicly available financial information and the Group's own historical repayment records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate exposure is spread amongst approved counterparties.

For trade receivables and contract assets, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a provision matrix as at December 31, 2022 and 2021 within lifetime ECL (not credit impaired) estimated based on the financial quality of debtors and historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. The Group's current credit risk grading framework comprises the following categories:

Category	Description
Current	The counterparty has an invoice that is current at reporting date
Within 90 days	The counterparty has an invoice that is past due within 90 days of the reporting date
91 to 180 days	The counterparty has an invoice that is past due within 91 to 180 days of the reporting date
181 days to 1 year	The counterparty has an invoice that is past due within 181 days to 1 year at reporting date
Over 1 year	The counterparty has an invoice that is past due over 1 year at reporting date

43. FINANCIAL INSTRUMENTS (Continued)

Market risk (Continued)

Credit risk and impairment assessment (Continued)

The following table details the risk profile of the Group's trade receivables and contract assets:

As at December 31, 2022	Current	Within 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
	Not credit impaired			Credit impaired		
Expected credit loss rate	2.21%	6.36%	9.73%	21.35%	53.36%	
Gross carrying amount (RMB'000)	2,708,062	256,701	53,042	84,267	47,887	3,149,959
Loss allowance (RMB'000)	(59,830)	(16,322)	(5,161)	(17,994)	(25,552)	(124,859)
	2,648,232	240,379	47,881	66,273	22,335	3,025,100

As at December 31, 2021	Current	Within 90 days	91 to 180 days	181 days to 1 year	Over 1 year	Total
	Not credit impaired			Credit impaired		
Expected credit loss rate	3.3%	3.4%	10.7%	22.7%	65.1%	
Gross carrying amount (RMB'000)	1,926,747	167,990	33,153	40,252	24,283	2,192,425
Loss allowance (RMB'000)	(63,642)	(5,685)	(3,551)	(9,147)	(15,798)	(97,823)
	1,863,105	162,305	29,602	31,105	8,485	2,094,602

For other receivables, management of the Group makes periodic individual assessment on the recoverability based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The Group measures the loss allowance equal to 12m ECL, unless when there are indicators that the financial asset is credit-impaired, the Group recognises lifetime ECL.

The Group recognises lifetime ECL for other receivables when there is evidence indicating (i) there has been significant increase in credit risk since initial recognition; (ii) the asset is credit-impaired but the Group has realistic prospect of recovery; or (iii) the debtor is in severe financial difficulty.

43. FINANCIAL INSTRUMENTS (Continued)

Market risk (Continued)

Credit risk and impairment assessment (Continued)

The table below details the credit risk exposures of the Group's other receivables which are subject to ECL assessment:

As at December 31, 2022	Expected credit loss rate	Gross amounts RMB'000	Loss allowance RMB'000
not credit-impaired	0.9%	80,624	762
credit impaired	32.7%	20,005	6,540
		100,629	7,302

As at December 31, 2021	Expected credit loss rate	Gross amounts RMB'000	Loss allowance RMB'000
not credit-impaired	4.0%	54,630	2,206
credit-impaired	21.7%	20,035	4,343
		74,665	6,549

For the purposes of impairment assessment, other financial assets at amortised cost, bills receivables and other financial assets that are subject to impairment and financial guarantee contracts are considered to have low credit risk as the counterparties to these items have no historical default record. Accordingly, for the purpose of impairment assessment for these items assets, the loss allowance is measured at an amount equal to 12m ECL. In determining the ECL for other financial assets at amortised cost, bills receivables and other financial assets that are subject to impairment and financial guarantee contracts, the directors have taken into account the historical default experience and the future prospects of the industries and/or considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of the other financial assets at amortised cost, bills receivables and other financial assets that are subject to impairment and financial guarantee contracts occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. The directors considered that the ECL allowance is insignificant as at December 31, 2022 and 2021.

The Group expects that there is no significant credit risk associated with cash deposits and financial products since they are substantially deposited at state-owned banks and other medium or large-sized listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

The Group has no significant concentration of credit risk associated with trade receivables, with exposure spread over a large number of counterparties and customers.

The Group also expects that there is no significant credit risk associated with amounts due from related parties since counterparties are mainly related parties with good reputation.

43. FINANCIAL INSTRUMENTS (Continued)

Market risk (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitor and maintain a level of cash and cash equivalents and unused banking facilities deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Liquidity and interest risk table

	Weighted average interest rate	On demand or less than one year RMB'000	One to five years RMB'000	Over five years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at December 31, 2022						
Trade and other payables	N/A	606,086	–	–	606,086	606,086
Borrowings	3.45%	1,896,805	236,292	52,234	2,185,331	2,112,856
Lease liabilities	5.75%	126,238	297,659	217,737	641,634	606,740
Other long-term liabilities	N/A	–	72,692	–	72,692	72,692
Total		2,629,129	606,643	269,971	3,505,743	3,398,374
As at December 31, 2021						
Trade and other payables	N/A	775,550	–	–	775,550	775,550
Borrowings	3.55%	494,788	–	–	494,788	492,320
Lease liabilities	5.07%	80,363	234,166	182,633	497,162	481,354
Other long-term liabilities	N/A	–	114,881	–	114,881	114,881
Total		1,350,701	349,047	182,633	1,882,381	1,864,105

43. FINANCIAL INSTRUMENTS (Continued)

Fair value measurement

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

(i) Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis

Financial assets/(liabilities)	Fair value at December 31, 2022 RMB'000	Fair value at December 31, 2021 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Listed equity securities at fair value	**43,040**	64,264	Level 1	Quoted market transaction prices	N/A	N/A
Listed equity securities at fair value	**261,197**	41,255	Level 2	Quoted market transaction prices, with an adjustment of discount for lack of marketability	N/A	N/A
Unlisted equity investments at fair value	**4,722,313**	4,085,315	Level 3	Market multiples with an adjustment of discount for lack of marketability	Discount for lack of marketability	The higher the discount for lack of marketability, the lower the valuation
				Equity value allocation model	Seniority	The higher the seniority, the higher the valuation
					IPO probability	The higher the IPO probability, the higher the valuation
				Discounted cash flows – Future cash flows are estimated based on expected return, discounted at a rate that reflects risk of underlying assets	Expected growth rate	The higher the expected growth rate, the higher the valuation
					Discount rate	The higher the discount rate, the lower the valuation
				Latest transaction prices/ consideration for shares transfer in similar equity interest	Consideration due to timing, condition of sale and terms of agreement, size and nature of similar business to derive estimated value	The higher the value of similar transactions, the higher the valuation

43. FINANCIAL INSTRUMENTS (Continued)

Fair value measurement (Continued)

(i) Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/(liabilities)	Fair value at December 31, 2022 RMB'000	Fair value at December 31, 2021 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Unlisted fund investments at fair value	**4,918,549**	4,569,041	Level 3	Net asset value of underlying investments	Net assets	The higher the net asset value, the higher the valuation
	114	–	Level 2	Quoted bid prices for identical assets in market that are not active	N/A	N/A
Life insurance policies	**2,680**	–	Level 2	Quoted price as provided by the insurance companies	N/A	N/A
Unlisted debt instrument	**20,000**	–	Level 3	Binomial model	Discount rate	The higher the discount rate, the lower the valuation
Financial products	**24,770**	29,180	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	**(120,689)**	(176,203)	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

There were no transfers between level 1 and level 2 during the prior year.

Notes:

The following is the sensitivity analysis of level 3 fair value measurement to change in key unobservable inputs:

(a) Discount for lack of marketability

A 5% increase/decrease in the discount for lack of marketability while holding all other variables constant would decrease/increase the fair value of the unlisted equities by RMB152,030,000 (2021: RMB62,325,000) as at December 31, 2022.

(b) IPO probability

A 5% increase/decrease in the IPO probability while holding all other variables constant would increase/decrease the fair value of the unlisted equities by RMB66,247,000 (2021: RMB41,702,000) as at December 31, 2022.

(c) Net asset value

A 5% increase/decrease in the net asset value while holding all other variables constant would increase/decrease the fair value of the unlisted funds by RMB245,927,000 (2021: RMB228,452,000) as at December 31, 2022.

43. FINANCIAL INSTRUMENTS (Continued)

Fair value measurement (Continued)

(ii) Reconciliation of level 3 fair value measurements

Details of reconciliation of financial assets and financial liabilities at FVTPL and FVOCI measured at Level 3 fair value measurement are set out as below:

	Contingent consideration payables RMB'000	Unlisted equity investments at FVTPL RMB'000	Unlisted debt instrument at FVTPL RMB'000	Unlisted equity investments at FVOCI RMB'000	Unlisted fund investments at FVTPL RMB'000
As at January 1, 2021	(111,980)	2,060,600	–	15,158	2,749,700
Acquisitions	(97,020)	1,355,140	–	–	761,095
Disposals	–	(47,570)	–	–	(84,412)
Acquisition through business combination (Note 44(b))	(111,092)	–	–	–	–
Payments	17,413	–	–	–	–
Changes in fair value	(14,171)	768,622	–	(18)	1,157,089
Transfer to Level 2 (note (a))	–	(56,577)	–	–	–
Transfer to consideration payables	154,460	–	–	–	–
Other changes	(18,659)	–	–	–	–
Exchange realignment	4,846	(8,431)	–	(1,609)	(14,431)
As at December 31, 2021 and January 1, 2022	(176,203)	4,071,784	–	13,531	4,569,041
Acquisitions	–	412,744	20,000	3,664	271,491
Disposals	–	(20,804)	–	–	(135,654)
Acquisition through business combination (Note 44(a))	(532)	5,580	–	–	–
Payments	71,334	–	–	–	–
Changes in fair value	(1,304)	508,612	–	14,559	133,613
Transfer to Level 2 (note (a))	–	(279,330)	–	–	–
Transfer due to business combination	–	(13,833)	–	(27,510)	–
Transfer to consideration payables	–	–	–	–	–
Exchange realignment	(13,984)	33,696	–	(380)	80,058
As at December 31, 2022	(120,689)	4,718,449	20,000	3,864	4,918,549

Note:

(a) The unlisted equity investments were transferred from Level 3 to Level 2 as the equity investments have been listed during the years ended December 31, 2022 and 2021, and the shares held by the Group are restricted for sales upon listing as at December 31, 2022 and 2021.

Of the total gains or losses for the year ended December 31, 2022, included in profit or loss RMB640,921,000 (2021: RMB1,911,540,000) were unrealised fair value gains related to financial instruments at FVTPL on Level 3 fair value measurement held as at December 31, 2022. Fair value gains or losses on contingent consideration payables and on financial assets at FVTPL are presented in Note 9.

43. FINANCIAL INSTRUMENTS (Continued)

Fair value measurement (Continued)

(iii) Fair value of financial assets and financial liabilities that are not measured at fair value

The directors consider that the carrying amount of the Group's financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

44. ACQUISITION OF BUSINESSES

During the current and prior year, the Group continued to actively seek for investment opportunities through acquisitions and has completed several acquisitions of businesses.

(a) For the year ended December 31, 2022

Name of businesses acquired	Vendor	Percentage of equity interests acquired	Principal activity	Date of completion
Experimur	Independent third parties	100%	Provision of toxicology testing, research, and laboratory services for biopharmaceutical companies specialising in drug discovery and development.	January 10, 2022
Beijing Bilingual Translation Co., Ltd. ("Beijing Bilingual")	Independent third parties	100%	Medical translation	March 4, 2022
Meditip	Independent third parties	70.25%	Provision of bio products and medical devices through licensing, insurance, clinical work, follow-up management, discovery of distributors, and market preliminary research of domestic and world leading bio companies of successful development and commercialisation.	March 15, 2022
Frontage Clinical	Independent third parties	88.1%	Clinical research services	July 27, 2022
LCS	An independent third party	100%	Clinical research services	August 1, 2022

44. ACQUISITION OF BUSINESSES (Continued)

(a) For the year ended December 31, 2022 (Continued)

(i) Acquisition of Experimur

On December 29, 2021, Frontage Labs entered into a Membership Interest Purchase Agreement (the "Agreement") with (i) shareholders of Experimur and of Experimur Properties LLC ("PropertyCo") (collectively as the "Experimur Sellers"), (ii) Nabil Hatoum (being Experimur Sellers' Representative), (iii) Experimur Holdings, and (iv) Experimur, Experimur Intermediate LLC ("Experimur Intermediate"), and PropertyCo (collectively as the "Experimur Group"), pursuant to which Experimur Sellers agreed to sell and Frontage Labs agreed to purchase 100% of the equity interests of the Experimur Group for a cash consideration of US$76,000,000 (equivalent to RMB483,763,000) payable and subject to an upward or downward adjustments in respect of the Experimur Group's net working capital as of the closing date in accordance with the terms and conditions of the Agreement (the "Experimur Acquisition"). The Experimur Acquisition was completed on January 10, 2022.

The Experimur Group are principally engaged in providing toxicology testing, research, and laboratory services for biopharmaceutical companies specializing in drug discovery and development. In completing the Experimur Acquisition, the Group will expand the Group's capabilities in pharmacological safety assessment, toxicology services, and other ancillary drug discovery and development services and will increase the Group's capacity to provide such services through additional scientists, equipment and facilities. The acquisition has been accounted for as acquisition of business using the acquisition method. During the year ended December 31, 2022, all of the conditions precedent under the sales and purchase agreement, has been fulfilled, and Experimur became an indirect subsidiary of the Company thereafter.

The purchase price has been preliminarily allocated based on the estimated fair value of net assets acquired and liabilities assumed at the date of the acquisition. The preliminary purchase price allocation is subject to further refinement and may require adjustments to arrive at the final purchase price allocation. These adjustments will primarily relate to intangible assets and income tax-related items. Management expects the purchase price allocation to be completed in the first quarter of 2023.

44. ACQUISITION OF BUSINESSES (Continued)

(a) For the year ended December 31, 2022 (Continued)

(i) Acquisition of Experimur (Continued)

Acquisition-related costs amounting to US$458,000 (equivalent to RMB3,095,000) are excluded from the consideration transferred and have been recognized as an expense in the current year, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

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

	Fair value RMB'000
Property, plant and equipment	28,155
Intangible assets – trade name	3,819
Intangible assets – customer relationship	29,280
Intangible assets – customer backing	15,913
Intangible assets – non-competition clause	1,273
Trade and other receivables	7,651
Contract assets	6,968
Deferred tax assets	675
Cash and cash equivalents	15,930
Trade and other payables	(1,568)
Contract liabilities	(7,859)
Deferred government grant	(13,900)
Net assets acquired	86,337

	RMB'000
Cash consideration paid	498,382
Less: Fair value of net assets acquired	(86,337)
Goodwill	412,045
Net cash outflow arising on acquisition of subsidiaries:	
Cash consideration paid	498,382
Less: Cash and cash equivalents acquired	(15,930)
	482,452

The fair value of trade and other receivables at the date of acquisition amounted to RMB7,651,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB7,651,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected was nil.

Goodwill arose in the acquisition of the Experimur Group 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 recognized separately from goodwill because they do not meet the recognition criteria for the identifiable intangible assets.

44. ACQUISITION OF BUSINESSES (Continued)

(a) For the year ended December 31, 2022 (Continued)

(i) Acquisition of Experimur (Continued)

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

Included in the profit for the year is RMB39,024,000 attributable to the additional business generated by the Experimur Group. Revenue for the year includes RMB127,480,000 generated from the Experimur Group.

Had the acquisition been completed on January 1, 2022, revenue for the current year of the Group would have been RMB1,692,697,000, and profit for the current year of the Group would have been RMB174,387,000. 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, 2022, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had the Experimur Group been acquired at the beginning of the current year, the directors calculated amortization of intangible assets acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognized in the pre-acquisition financial statements.

(ii) Acquisition of Beijing Bilingual

On March 2, 2022, the Group entered into a share purchase agreement with the shareholders of Beijing Bilingual (the "Beijing Bilingual Sellers"), pursuant to which Beijing Bilingual Sellers agreed to sell and the Group agreed to purchase 100% of the equity interest in Beijing Bilingual for a cash consideration of approximately RMB2,660,000 (the "Beijing Bilingual Acquisition"). In completing the Beijing Bilingual Acquisition, the Group will expand its capabilities in medical translation services.

The total consideration of the Beijing Bilingual is subject to downward adjustment in respect of the guarantee to a maximum of RMB532,000 in accordance with the terms and conditions of the agreement.

This acquisition has been accounted for using the acquisition method. During the year ended December 31, 2022, all of the conditions precedent under the sales and purchase agreement were fulfilled, and Beijing Bilingual became an indirect subsidiary of the Company thereafter.

The purchase price has been preliminarily allocated based on the estimated fair value of net assets acquired and liabilities assumed at the date of the acquisition. The preliminary purchase price allocation is subject to further refinement and may require adjustments to arrive at the final purchase price allocation. These adjustments will primarily relate to intangible assets and income tax-related items. Management expects the purchase price allocation to be completed in the first quarter of 2023.

44. ACQUISITION OF BUSINESSES (Continued)

(a) For the year ended December 31, 2022 (Continued)

(ii) Acquisition of Beijing Bilingual (Continued)

Details of the preliminary fair value of identifiable assets and liabilities, purchase consideration and goodwill recognised are as follows:

	Fair value RMB'000
Trade, other receivables and prepayments	286
Cash and cash equivalents	195
Trade and other payables	(390)
Income tax payables	(4)
Net assets acquired	87

	RMB'000
Cash consideration paid	1,330
Consideration payable	798
Contingent consideration payable	532
Less: Fair value of net assets acquired	(87)
Goodwill	2,573
Net cash outflow arising on acquisition of a subsidiary:	
Cash consideration paid	1,330
Less: Cash and cash equivalents acquired	(195)
	1,135

Acquisition-related costs, which were immaterial, have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

44. ACQUISITION OF BUSINESSES (Continued)

(a) For the year ended December 31, 2022 (Continued)

(ii) Acquisition of Beijing Bilingual (Continued)

The fair value of trade and other receivables at the date of acquisition amounted to RMB286,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB286,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected was nil.

Goodwill arose in the acquisition of Beijing Bilingual because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for the identifiable intangible assets.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

Since the acquisition date, Beijing Bilingual has contributed RMB498,000 to the Group's revenue and a profit of RMB501,000 to the overall result of the Group for the year ended December 31, 2022. If the acquisition had occurred on January 1, 2022, the Group's revenue would have been RMB7,085,798,000 and the profit of the Group would have been RMB2,281,045,000 for the year ended December 31, 2022.

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, 2022, nor is it intended to be a projection of future results.

(iii) Acquisition of Meditip

On March 15, 2022, the Group acquired additional 70.25% equity interests of Meditip for consideration of KRW25,454,071,000 (equivalent to RMB130,580,000) (the "Meditip Acquisition"). Meditip is principally engaged in providing bio products and medical devices through licensing, insurance, clinical work, follow-up management, discovery of distributors, and market preliminary research of domestic and world leading bio companies of successful development and commercialization.

Prior to the completion of Meditip Acquisition, the Group owns 18.75% equity interest in Meditip. The Group accounted for its interest in Meditip as financial assets at FVOCI.

This acquisition has been accounted for as acquisition of business using the acquisition method. During the year ended December 31, 2022, all of the conditions precedent under the sales and purchase agreement were fulfilled, and Meditip became an indirect subsidiary of the Group.

This transaction was accounted for as a business combination achieved in stages. The Group remeasured its previously held interest in Meditip on the acquisition date and recognised a gain of RMB14,928,000 on the fair value change of previously held interests, which is included in change in fair value of financial assets at FVOCI under "FVOCI reserve".

The purchase price has been preliminarily allocated based on the estimated fair value of net assets acquired and liabilities assumed at the date of the acquisition. The preliminary purchase price allocation is subject to further refinement and may require adjustments to arrive at the final purchase price allocation. These adjustments will primarily relate to intangible assets and income tax-related items. Management expects the purchase price allocation to be completed in the first quarter of 2023.

44. ACQUISITION OF BUSINESSES (Continued)

(a) For the year ended December 31, 2022 (Continued)

(iii) Acquisition of Meditip (Continued)

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

	Fair value RMB'000
Property, plant and equipment	4,509
Intangible assets – customer relationship	14,441
Right-of-use assets	1,352
Financial assets at FVTPL	7,864
Other non-current asset	264
Inventories	146
Trade, other receivables and prepayments	3,443
Contract assets	2,495
Time deposits with original maturity over three months	446
Cash and cash equivalents	12,440
Trade and other payables	(3,663)
Contract liabilities	(6,567)
Income tax payables	(260)
Borrowings	(7,644)
Other long term liabilities	(46)
Lease liabilities	(675)
Deferred tax liabilities	(833)
Non-controlling interests	(5,817)
Net assets acquired	21,895

	RMB'000
Cash consideration paid	103,070
Fair value of previously held interests in Meditip	27,510
Total transferred consideration	130,580
Less: Fair value of net assets acquired	(21,895)
Goodwill	108,685
Net cash outflow arising on acquisition of a subsidiary:	
Cash consideration paid	103,070
Less: Cash and cash equivalents acquired	(12,440)
	90,630

Acquisition-related costs amounting to RMB435,000 are excluded from the consideration transferred and have been recognised as an expense current year, within the administrative expense in the consolidated statement of profit or loss and other comprehensive income.

44. ACQUISITION OF BUSINESSES (Continued)

(a) For the year ended December 31, 2022 (Continued)

(iii) Acquisition of Meditip (Continued)

The fair value of trade and other receivables and prepayments at the date of acquisition amounted to RMB3,443,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB3,443,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected was nil.

The non-controlling interests recognised at the acquisition was measured at net asset value. In prior year, Meditip has granted certain shares options to its employees (see Note 46(e)). The fair value of the share options granted by Meditip was estimated using binominal method. The following were the key model inputs used in determining the fair value of share options:

- volatility : 61.36%-63.24%
- dividend yield: 0%
- expected maturity: 2.9-4.9 years
- risk free rate: 2.64%-2.85%

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, Meditip has contributed RMB36,537,000 to the Group's revenue and a profit of RMB5,558,000 to the overall result of the Group for the year ended December 31, 2022. If the acquisition had occurred on January 1, 2022, the Group's revenue would have been RMB7,095,257,000 and the profit of the Group would have been RMB2,282,071,000 for the year ended December 31, 2022.

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, 2022, nor is it intended to be a projection of future results.

44. ACQUISITION OF BUSINESSES (Continued)

(a) For the year ended December 31, 2022 (Continued)

(iv) Acquisition of Frontage Clinical

On July 27, 2022, the Group entered into a share purchase agreement with the shareholders of Frontage Clinical (the "Frontage Clinical Sellers") and Frontage Clinical Services, Inc. ("Frontage Clinical"), pursuant to which the Frontage Clinical Sellers agreed to sell and the Group agreed to purchase 88.09% of the equity interest in Frontage Clinical for a cash consideration of approximately US$13,215,000 (equivalent to RMB89,507,000) and subject to an upward or downward adjustments in respects of Frontage Clinical's net working capital in accordance with the terms and conditions of the agreement (the "Frontage Clinical Acquisition"). In completing the Frontage Clinical Acquisition, the Group will expand the its capabilities in clinical research services for Phase I clinical trials, tabaco studies, and human Absorption, Metabolism, and Excretion studies and will increase the Group's capacity to provide such services through additional scientists, personnel equipment and facilities.

Prior to the completion of Frontage Clinical Acquisition, the Group owns 11.91% equity interests in Frontage Clinical. The Group accounted for its interest in Frontage Clinical as financial assets at FVTPL.

This acquisition has been accounted for using the acquisition method. During the year ended December 31, 2022, all of the conditions precedent under the sales and purchase agreement has been fulfilled, and Frontage Clinical became an indirect subsidiary of the Company thereafter.

This transaction was accounted for as a business combination achieved in stages. The Group remeasured its previously held equity interests in Frontage Clinical on the acquisition date and recognised a gain of RMB13,865,000 on the fair value change of previously held interests, which is included in change in fair value of financial assets at FVTPL in Note 9.

The purchase price has been preliminarily allocated based on the estimated fair value of net assets acquired and liabilities assumed at the date of the acquisition. The preliminary purchase price allocation is subject to further refinement and may require adjustments to arrive at the final purchase price allocation. These adjustments will primarily relate to intangible assets and income tax-related items. Management expects the purchase price allocation to be completed in the third quarter of 2023.

44. ACQUISITION OF BUSINESSES (Continued)

(a) For the year ended December 31, 2022 (Continued)

(iv) Acquisition of Frontage Clinical (Continued)

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

	Fair value RMB'000
Property, plant and equipment	4,352
Right-of-use assets	15,035
Intangible assets – software	82
Intangible assets – customer relationship	7,132
Trade and other receivables	19,204
Contract assets	7,962
Deferred tax assets	2,767
Cash and cash equivalents	14,289
Trade and other payables	(4,133)
Lease liabilities	(18,147)
Contract liabilities	(22,786)
Deferred tax liabilities	(1,854)
Net assets acquired	23,903

	RMB'000
Cash consideration paid	102,553
Fair value of the 11.81% owned equity investment	13,833
Total transferred consideration	116,386
Less: Fair value of net assets acquired	(23,903)
Goodwill	92,483
Net cash outflow arising on acquisition of a subsidiary:	
Cash consideration paid	102,553
Less: Cash and cash equivalents acquired	(14,289)
	88,264

Acquisition-related costs amounting to US$15,000 (equivalent to RMB101,000) are excluded from the consideration transferred and have been recognised as an expense in the current year, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

The fair value of trade and other receivables at the date of acquisition amounted to RMB19,204,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB19,204,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected was nil.

44. ACQUISITION OF BUSINESSES (Continued)

(a) For the year ended December 31, 2022 (Continued)

(iv) Acquisition of Frontage Clinical (Continued)

Goodwill arose in the acquisition of Frontage Clinical 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, Frontage Clinical has contributed RMB39,572,000 to the Group's revenue and a profit of RMB6,199,000 to the overall result of the Group for the year ended December 31, 2022. If the acquisition had occurred on January 1, 2022, the Group's revenue would have been RMB1,743,643,000 and the profit of the Group would have been RMB182,959,000 for the year ended December 31, 2022.

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, 2022, nor is it intended to be a projection of future results.

(v) Acquisition of LCS

During the year ended December 31, 2022, the Group entered into a share purchase agreement with the shareholder of LCS (the "LCS Seller"), pursuant to which LCS Seller agreed to sell and the Group agreed to purchase 100% of the equity interest in LCS for a consideration of approximately KRW1,000,000,000 (equivalent to RMB5,173,000). In completing the Frontage Clinical Acquisition, the Group will expand its capabilities in clinical research services in Korea.

Part of the consideration for the acquisition was satisfied by the allotment of an aggregate of 36,231 ordinary shares of DreamCIS at issue price of KRW13,800 per share. The fair value of consideration shares at the date of acquisition amount to KRW499,988,000 was made reference to the closing market price of DreamCIS at the date of acquisition.

This acquisition has been accounted for as acquisition of business using the acquisition method. During the year ended December 31, 2022, all of the conditions precedent under the sales and purchase agreement were fulfilled, and LCS became an indirect subsidiary of the Group.

The purchase price has been preliminarily allocated based on the estimated fair value of net assets acquired and liabilities assumed at the date of the acquisition. The preliminary purchase price allocation is subject to further refinement and may require adjustments to arrive at the final purchase price allocation. These adjustments will primarily relate to intangible assets and income tax-related items. Management expects the purchase price allocation to be completed in the third quarter of 2023.

44. ACQUISITION OF BUSINESSES (Continued)

(a) For the year ended December 31, 2022 (Continued)

(v) Acquisition of LCS (Continued)

Details of the preliminary fair value of identifiable assets and liabilities, purchase consideration and goodwill recognised are as follows:

	Fair value RMB'000
Property, plant and equipment	3
Intangible assets – customer relationship	497
Right-of-use assets	180
Financial assets at FVTPL	362
Other non-current asset	87
Trade, other receivables and prepayments	508
Contract assets	7
Cash and cash equivalents	1,983
Trade and other payables	(386)
Contract liabilities	(90)
Income tax payables	(26)
Pension obligations	(384)
Lease liabilities	(184)
Deferred tax liabilities	(61)
Net assets acquired	2,496

	RMB'000
Cash consideration paid	2,587
Fair value of consideration shares	2,586
Total transferred consideration	5,173
Less: Fair value of net assets acquired	(2,496)
Goodwill	2,677
Net cash outflow arising on acquisition of a subsidiary:	
Cash consideration paid	2,587
Less: Cash and cash equivalents acquired	(1,983)
	604

44. ACQUISITION OF BUSINESSES (Continued)

(a) For the year ended December 31, 2022 (Continued)

(v) Acquisition of LCS (Continued)

Acquisition-related costs, which is immaterial, are excluded from the consideration transferred and have been recognised as an expense in the current year, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

The fair value of trade and other receivables at the date of acquisition amounted to RMB508,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB508,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected was nil.

Goodwill arose in the acquisition of LCS 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, LCS has contributed RMB1,431,000 to the Group's revenue and a profit of RMB560,000 to the overall result of the Group for the year ended December 31, 2022. If the acquisition had occurred on January 1, 2022, the Group's revenue would have been RMB7,086,606,000 and the profit of the Group would have been RMB2,281,565,000 for the year ended December 31, 2022.

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, 2022, nor is it intended to be a projection of future results.

44. ACQUISITION OF BUSINESSES (Continued)

(b) For the year ended December 31, 2021

Name of businesses acquired	Vendor	Percentage of equity interests acquired	Principal activity	Date of completion
Ocean Ridge	An independent third party	100%	Development of novel therapeutics	April 13, 2021
Quintara	Independent third parties	100%	Preclinical research	July 9, 2021
HT-Med	An independent third party	51%	Labour dispatch services in the PRC	July 26, 2021
Heyan Biotech	An independent third party	70%	Preclinical research	August 31, 2021

(i) Acquisition of Ocean Ridge

On April 13, 2021, the Group entered into an agreement with Ocean Ridge Biosciences, LLC ("Ocean Ridge") 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 RMB6,460,000) (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 year ended December 31, 2021, all of the conditions precedent under the sales and purchase agreement were fulfilled.

44. ACQUISITION OF BUSINESSES (Continued)

(b) For the year ended December 31, 2021 (Continued)

(i) Acquisition of Ocean Ridge (Continued)

Acquisition-related costs, which are immaterial, are excluded from the cost of acquisition and have been recognised as an expense in the profit or loss.

The purchase price has been allocated based on the estimated fair value of net assets acquired and liabilities assumed at the date of the acquisition.

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

	Fair value RMB'000
Property, plant and equipment	690
Intangible assets – customer relationship	1,019
Other non-current assets	88
Net assets acquired	1,797

	RMB'000
Cash consideration paid	6,460
Less: Fair value of net assets acquired	(1,797)
Goodwill	4,663
Net cash outflow arising on acquisition of a subsidiary:	
Cash consideration paid	6,460

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.

No pro forma information for the acquisition of Ocean Ridge Business is prepared as the acquisition was completed in April 2021 and the directors of the Company are of the opinion that there is no significant changes to the Group's revenue or profit for the year ended December 31, 2021 had the acquisition been completed on January 1, 2021.

44. ACQUISITION OF BUSINESSES (Continued)

(b) For the year ended December 31, 2021 (Continued)

(ii) Acquisition of Quintara

On July 9, 2021, the Group acquired entire equity interests of Quintara for consideration of US$72,000,000 (equivalent to RMB466,236,000) (the "Quintara Acquisition"). Quintara is principally engaged in providing contract research organization services, including in vitro absorption, distribution, metabolism and excretion profiling, bioanalysis services, and assay development and compound screening services, to the pharmaceutical, biotechnology, medical device or diagnostic industries. In completing the Quintara Acquisition, the Group will expend the Group's drug discovery services.

This acquisition has been accounted for using the acquisition method. During the year ended December 31, 2021, all of the conditions precedent under the sales and purchase agreement were fulfilled, and Quintara became an indirect subsidiary of the Company thereafter.

The total consideration of the Quintara Acquisition is subject to downward adjustment in respect of the guarantee of a maximum of US$18,900,000 (equivalent to RMB122,387,000). For details, please refer to the announcement of Frontage Holdings dated June 28, 2021.

The expected future economic benefits that will flow out of the Group arising from such arrangement are considered as a contingent consideration. The contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in the business combination.

Acquisition-related costs amounting to RMB1,549,000 are excluded from the cost of acquisition and have been recognised as an expense in the profit or loss.

The purchase price has been allocated based on the estimated fair value of net assets acquired and liabilities assumed at the date of the acquisition.

44. ACQUISITION OF BUSINESSES (Continued)

(b) For the year ended December 31, 2021 (Continued)

(ii) Acquisition of Quintara (Continued)

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

	Fair value RMB'000
Property, plant and equipment	6,577
Intangible assets – customer relationship	103,497
Intangible assets – non-competition clause	29,392
Trade and other receivables	16,607
Contract assets	3,192
Prepaid income tax	636
Cash and cash equivalents	26,158
Trade and other payables	(14,599)
Contract liabilities	(36)
Deferred tax liabilities	(34,054)
Net assets acquired	137,370

	RMB'000
Cash consideration paid	306,582
Contingent consideration payable (Note 35)	111,092
Less: Fair value of net assets acquired	(137,370)
Goodwill	280,304
Net cash outflow arising on acquisition of a subsidiary:	
Cash consideration paid	306,582
Less: Cash and cash equivalents acquired	(26,158)
	280,424

The fair value of trade and other receivables at the date of acquisition amounted to RMB16,607,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB16,607,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected was nil.

Goodwill arose in the acquisition because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for the identifiable intangible assets.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

44. ACQUISITION OF BUSINESSES (Continued)

(b) For the year ended December 31, 2021 (Continued)

(ii) Acquisition of Quintara (Continued)

Since the acquisition date, Quintara has contributed RMB65,831,000 to the Group's revenue and a profit of RMB20,427,000 to the overall result of the Group for the year ended December 31, 2021. If the acquisition had occurred on January 1, 2021, the Group's revenue would have been RMB5,270,295,000 and the profit of the Group would have been RMB3,381,292,000 for the year ended December 31, 2021.

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, 2021, nor is it intended to be a projection of future results.

(iii) Acquisition of HT-Med

On July 26, 2021, the Group acquired 51% of the equity interests of HT-Med for a cash consideration of RMB35,700,000 (the "HT-Med Acquisition"). HT-Med is principally engaged in providing labour dispatch services in the PRC. In completing the HT-Med Acquisition, the Group will expand the Group's CRO business in the PRC.

This acquisition has been accounted for using the acquisition method. During the year ended December 31, 2021, all of the conditions precedent under the sales and purchase agreement were fulfilled, and HT-Med became a direct non-wholly owned subsidiary of the Company thereafter.

Acquisition-related costs amounting to RMB50,000 are excluded from the cost of acquisition and have been recognised as an expense in the profit or loss.

The purchase price has been allocated based on the estimated fair value of net assets acquired and liabilities assumed at the date of the acquisition.

44. ACQUISITION OF BUSINESSES (Continued)

(b) For the year ended December 31, 2021 (Continued)

(iii) Acquisition of HT-Med (Continued)

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

	Fair value RMB'000
Intangible assets – customer relationship	9,600
Trade and other receivables	550
Contract assets	6,883
Cash and cash equivalents	11,845
Trade and other payables	(2,246)
Contract liabilities	(252)
Tax payable	(254)
Deferred tax liabilities	(1,440)
Non-controlling interests	(12,096)
Net assets acquired	12,590

	RMB'000
Cash consideration paid	35,700
Less: Fair value of net assets acquired	(12,590)
Goodwill	23,110
Net cash outflow arising on acquisition of a subsidiary:	
Cash consideration paid	35,700
Less: Cash and cash equivalents acquired	(11,845)
	23,855

The fair value of trade and other receivables at the date of acquisition amounted to RMB550,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB550,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected was nil.

44. ACQUISITION OF BUSINESSES (Continued)

(b) For the year ended December 31, 2021 (Continued)

(iii) Acquisition of HT-Med (Continued)

The non-controlling interests recognised at the acquisition was measured at 49% of the net identifiable assets.

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, HT-Med has contributed RMB8,790,000 to the Group's revenue and a profit of RMB1,604,000 to the overall result of the Group for the year ended December 31, 2021. If the acquisition had occurred on January 1, 2021, the Group's revenue would have been RMB5,227,465,000 and the profit of the Group would have been RMB3,398,894,000 for the year ended December 31, 2021.

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, 2021, nor is it intended to be a projection of future results.

(iv) Acquisition of Heyan Biotech

On August 31, 2021, the Group entered into a subscription and share purchase agreement to subscribe and acquire 70% of the enlarged equity interests in Heyan Biotech for a cash consideration of RMB41,067,000 (the "Heyan Biotech Acquisition"). Heyan Biotech and its subsidiary is principally engaged in providing drug discovery services such as drug activity screening and kinase function test. In completing the Heyan Biotech Acquisition, it can enhance the Group's one-stop service capacity and capability in the field of drug discovery and development.

This acquisition has been accounted for using the acquisition method. During the year ended December 31, 2021, all of the conditions precedent under the sales and purchase agreement were fulfilled, and Heyan Biotech became an indirect subsidiary of the Company thereafter.

Acquisition-related costs amounting to RMB45,000 are excluded from the cost of acquisition and have been recognised as an expense in the profit or loss.

The purchase price has been allocated based on the estimated fair value of net assets acquired and liabilities assumed at the date of the acquisition.

44. ACQUISITION OF BUSINESSES (Continued)

(b) For the year ended December 31, 2021 (Continued)

(iv) Acquisition of Heyan Biotech (Continued)

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

	Fair value RMB'000
Property, plant and equipment	691
Intangible assets – customer relationship	1,505
Intangible assets – non-competition clause	465
Deferred tax assets	12
Trade and other receivables	1,272
Cash and cash equivalents	33,344
Trade and other payables	(383)
Contract liabilities	(10)
Tax payable	(139)
Deferred tax liabilities	(296)
Non-controlling interests	(10,938)
Net assets acquired	25,523

	RMB'000
Cash consideration paid	41,067
Less: Fair value of net assets acquired	(25,523)
Goodwill	15,544
Net cash outflow arising on acquisition of a subsidiary:	
Cash consideration paid	41,067
Less: Cash and cash equivalents acquired	(33,344)
	7,723

44. ACQUISITION OF BUSINESSES (Continued)

(b) For the year ended December 31, 2021 (Continued)

(iv) Acquisition of Heyan Biotech (Continued)

The fair value of trade and other receivables at the date of acquisition amounted to RMB1,272,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB1,272,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected was nil.

The non-controlling interests recognised at the acquisition was measured at 30% in the recognised amount of the acquiree's identifiable net assets.

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, Heyan Biotech has contributed RMB2,923,000 to the Group's revenue and a profit of RMB304,000 to the overall result of the Group for the year ended December 31, 2021. If the acquisition had occurred on January 1, 2021, the Group's revenue would have been RMB5,219,254,000 and the profit of the Group would have been RMB3,397,193,000 for the year ended December 31, 2021.

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, 2021, nor is it intended to be a projection of future results.

45. DISPOSAL OF SUBSIDIARIES

During current and prior years, the Group disposed several subsidiaries to concentrate on its core businesses. The following tables summarise these transactions:

For the year ended December 31, 2021

Name of entities disposed	Percentage of equity interests disposed of	Principal activity	Date of disposal
(i) Jiaxing EDC	16.5%	Information Technology services for clinical research	December 23, 2021

Note: The English name of the subsidiaries registered in the PRC represents the best efforts made by management of the Company to translate its Chinese name as it does not have an official English name.

On December 23, 2021, the Group disposed in aggregate of 16.5% of the equity interests in Jiaxing EDC to independent third parties at a total consideration of RMB99,000,000. The Group retains 29.05% of issued share capital of Jiaxing EDC. The directors consider that the Group has significant influence over the entity after the disposal based on the fact that the Group has actively participate in the operating and financial policies of the entity and exercised its influence on the operating and financial policies in the board of directors of the entity. It has been classified as an interest in an associate thereafter and measured at fair value at the initial recognition of the retained interest.

A summary of the effects of the disposal of Jiaxing EDC at the date of disposal is as follows:

	RMB'000
Property, plant and equipment	370
Right-of-use assets	987
Intangible assets	430
Deferred tax assets	28
Trade and other receivables	25,754
Financial products	10,000
Cash and cash equivalents	32,422
Leases liabilities	(1,039)
Trade and other payables	(13,891)
Contract liabilities	(17,507)
Tax payables	(178)
Non-controlling interests	(20,353)
Net assets disposed	17,023

45. DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended December 31, 2021 (Continued)

	RMB'000
Consideration received	99,000
Fair value of remaining interests in Jiaxing EDC	86,555
Less: net assets disposed	(17,023)
Gain on disposal of a subsidiary	168,532
Net cash inflow arising on disposal of a subsidiary:	
Cash received	99,000
Less: Cash and cash equivalents disposed of	(32,422)
	66,578

46. SHARE-BASED PAYMENTS

During the current and prior year, the Company and its subsidiaries launched and adopted as few share option schemes to its employees. Details of the schemes are as follow:

(a) Frontage Holdings:

(i) 2021 Frontage Share Awards Scheme

On January 22, 2021, the board of directors of 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 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 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 anniversary year after grant date. Under 2021 Frontage Share Award Scheme, a trust has set up for the scheme and a third party trustee was engaged by Frontage Holdings to administrate the scheme. The trustee will hold the award shares in trust for the awardees until such shares are rested with the awardees. The trustee shall not exercise the voting rights in respect of any share held under the trust.

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

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

	2022 Number	2021 Number
Outstanding at beginning of year	**21,489,500**	–
Vested during the year	**(5,362,374)**	–
Granted during the year	**–**	22,950,500
Forfeited during the year	**(1,716,625)**	(1,461,000)
Outstanding at end of year	**14,410,501**	21,489,500

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

During the year ended December 31, 2022, 22,950,500 shares of Frontage Holdings were issued for the 2021 Frontage Share Award Scheme (2021: nil).

The Group recognised total expense of approximately US$4,287,000 (equivalent to approximately RMB28,969,000) (2021: US$7,048,000 (equivalent to RMB45,280,000)) for the year ended December 31, 2022 in relation to share award granted by Frontage Holdings under the 2021 Frontage Share Award Scheme.

46. SHARE-BASED PAYMENTS (Continued)

(a) Frontage Holdings: (Continued)

(ii) Frontage Labs Scheme

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 anniversary year after grant date.

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

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.

46. SHARE-BASED PAYMENTS (Continued)

(a) Frontage Holdings: (Continued)

(ii) Frontage Labs Scheme (Continued)

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

	2022		2021	
	Weighted average exercise price (RMB)	Number	Weighted average exercise price (RMB)	Number
Outstanding at beginning of year	**1.04**	**66,998,000**	1.04	81,463,000
Forfeited during the year	**1.35**	**(500,000)**	1.30	(487,500)
Exercised during the year	**1.28**	**(6,227,500)**	1.02	(13,977,500)
Outstanding at end of year	**1.08**	**60,270,500**	1.04	66,998,000
Options exercisable		**60,270,500**		66,998,000
Weighted average contractual life (years)		**1.45**		2.88

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$3.04 (equivalent to RMB2.62) (2021: HK$4.59 (equivalent to RMB3.81)).

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

46. SHARE-BASED PAYMENTS (Continued)

(a) Frontage Holdings: (Continued)

(ii) Frontage Labs Scheme (Continued)

The Group recognised total expense of approximately US$nil (equivalent to RMBnil) for the year ended December 31, 2022 (2021: US$469,000 (equivalent to RMB3,013,000)) in relation to share options granted under the Frontage Labs Schemes.

(iii) 2018 Frontage Share Incentive Scheme

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 ("2018 Frontage Share Incentive Scheme"). The total number of shares in respect of which the awards may be granted pursuant to the 2018 Frontage Share Incentive Scheme and any other equity-based incentive plans of Frontage Holdings, being 10% of the shares of Frontage Holdings.

On October 7, 2022, Frontage Holdings granted a total 32,555,000 share options under 2018 Frontage Share Incentive Scheme.

Set out below are details of the movements of the outstanding options granted during the year ended December 31, 2022:

	Weighted average exercise price (RMB)	Number
Outstanding as at January 1, 2021, December 31, 2021 and January 1, 2022	–	–
Granted during the year	1.82	32,555,000
Forfeited during the year	1.82	(1,110,000)
Outstanding as at December 31, 2022	1.82	31,445,000
Options exercisable		–
Weighted average contractual life (years)		4.80

46. SHARE-BASED PAYMENTS (Continued)

(a) Frontage Holdings: (Continued)

(iii) 2018 Frontage Share Incentive Scheme (Continued)

The exercise price of options outstanding is HK$2.09 (equivalent to RMB1.80).

Each option granted generally vests over a three-year period with an agreed award vesting on the anniversary one year after grant date.

The estimated fair value of the share options granted under the 2018 Frontage Share Incentive Scheme in 2022 is approximately US$3,255,000 (equivalent to approximately RMB21,995,000). The fair value is calculated using the Black-Scholes-Merton model. The major inputs into the model are as follows:

Grant date	October 7, 2022
Share price (HK$)	1.94
Exercise price (HK$)	2.09
Expected volatility	52.0%
Expected life (years)	5
Risk-free interest rate	3.7%
Expected dividend yield	–

Share price is determined by reference to the closing share price of Frontage Holdings at the date of grant.

The risk-free interest rate was based on market yield on Hong Kong Treasury securities with the maturity corresponding to the contractual life of the options. Expected volatility was determined by the average of the longest period historical volatility of the Company, and the 5 years historical volatility of the comparable companies.

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

The Group recognised total expenses of approximately US$415,000 (equivalent to approximately RMB2,801,000) (2021: nil) for the year ended December 31, 2022 in relation to share options granted by the Company under 2018 Frontage Share Incentive Scheme.

46. SHARE-BASED PAYMENTS (Continued)

(b) DreamCIS:

(i) 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 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.

During the year ended December 31, 2021, the board of directors of DreamCIS has resolved to grant a total of 223,122 share options.

46. SHARE-BASED PAYMENTS (Continued)

(b) DreamCIS: (Continued)

(i) 2018 DreamCIS Scheme (Continued)

Set out below are details of the movements of the outstanding options granted under the 2018 DreamCIS Scheme during the current and prior year, retroactively reflecting the DreamCIS Capitalisation Issue:

	2022 Weighted average exercise price (RMB)	2022 Number	2021 Weighted average exercise price (RMB)	2021 Number
Outstanding at beginning of year	80.7	207,368	54.5	143,060
Granted during the year	–	–	91.7	223,122
Exercised during the year	–	–	46.8	(93,184)
Forfeited during the year	85.4	(31,221)	88.9	(65,630)
Outstanding at end of year	77.7	176,147	80.7	207,368
Options exercisable		44,168		44,168
Weighted average contractual life (years)		2.77		3.84

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

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	–

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.

46. SHARE-BASED PAYMENTS (Continued)

(b) DreamCIS: (Continued)

(i) 2018 DreamCIS Scheme (Continued)

Change in variables and assumptions may result in change in fair values of the share options.

The Group recognised total expense of approximately RMB1,288,000 (2021: RMB1,788,000) for the year ended December 31, 2022 in relation to share options granted under the 2018 DreamCIS Scheme.

(ii) 2021 DreamCIS Share Option Scheme

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. No awards have been granted under the 2021 DreamCIS Share Option Scheme by December 31, 2021.

(c) The Company

(i) Restricted Share Scheme

The Company adopted a restricted share scheme in 2019 (the "Restricted Share Scheme") for the primary purpose of attracting, retaining and motivating the directors and employees of the Group. Under the Restricted Share Scheme, the directors may grant up to 4,859,311 restricted shares under the scheme to eligible employees, including the directors and employees of the Group, to obtain ordinary shares of the Company upon vesting.

The Restricted Share Scheme will be valid and effective for a period of 4 years.

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

46. SHARE-BASED PAYMENTS (Continued)

(c) The Company (Continued)

(i) Restricted Share Scheme (Continued)

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

	2022		2021	
	Weighted average exercise price (RMB)	Number	Weighted average exercise price (RMB)	Number
Outstanding at beginning of year	**27.28**	**2,477,270**	27.38	4,496,768
Vested during the year	**27.27**	**(2,457,126)**	27.50	(1,974,354)
Forfeited during the year	**29.64**	**(20,144)**	27.54	(45,144)
Outstanding at end of year	**–**	**–**	27.28	2,477,270
Restricted shares exercisable		**–**		–
Weighted average contractual life (years)		**–**		0.52

During the year ended December 31, 2020, upon acceptance of the restricted shares by the employees, a repurchasing obligation, amounting to RMB24,252,000, is recognised as other payable. In 2022 and 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 RMB596,000 (2021: RMB1,243,000) has been refunded to the original incentive recipients.

During the year ended December 31, 2022, a total of 2,457,126 (2021: 1,974,354) restricted shares were unlocked and vested. Upon the unlock of the restricted shares, a repurchasing obligation, amounting to RMB67,011,000 (2021: 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 option were exercised was RMB100.18 (2021: 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 December 31, 2022, no dividend payable (2021: RMB1,221,000) has been recognised.

The Group recognised total expense of approximately RMB2,060,000 (2021: RMB12,304,000) for the year ended December 31, 2022 in relation to restricted shares granted under the Restricted Share Scheme.

46. SHARE-BASED PAYMENTS (Continued)

(c) The Company (Continued)

(ii) 2019 Share Purchase Scheme

The Company adopted the share purchase scheme in 2019 (the "2019 Share Purchase Scheme") 2019 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 37). The average repurchase price was RMB44.25 per share. On June 20, 2019, 2,120,803 shares previously repurchased by the Company was transferred to the trust unit for 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.

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

	2022		2021	
	Weighted average exercise price (RMB)	**Number**	Weighted average exercise price (RMB)	Number
Outstanding at beginning of year	**44.25**	**848,321**	44.25	1,484,562
Vested during the year	**44.25**	**(848,321)**	44.25	(636,241)
Outstanding at end of year	**–**	**–**	44.25	848,321
Units exercisable		**–**		–

46. SHARE-BASED PAYMENTS (Continued)

(c) The Company (Continued)

(ii) 2019 Share Purchase Scheme (Continued)

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 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 RMB429,000 (2021: RMB1,512,000) for the year ended December 31, 2022 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.

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 37). 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 non-trade 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.

46. SHARE-BASED PAYMENTS (Continued)

(c) The Company (Continued)

(iii) 2021 Share Purchase Scheme (Continued)

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

	2022		2021	
	Weighted average exercise price (RMB)	**Number**	Weighted average exercise price (RMB)	Number
Outstanding at beginning of year	**44.25**	**286,372**	–	–
Vested during the year	**44.25**	**(181,600)**	–	–
Granted during the year	**–**	**–**	44.25	286,372
Outstanding at end of year	**44.25**	**104,772**	44.25	286,372

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 RMB8,981,000 (2021: RMB25,174,000) for the year ended December 31, 2022 in relation to 2021 Share Purchase Scheme.

(iv) 2022 Restricted Share Scheme

The Company adopted the restricted share scheme in 2022 (the "2022 Restricted Share Scheme") for the primary purpose of attracting, retaining and motivating the directors and employees of the Group. Under the 2022 Restricted Share Scheme, the directors may grant up to 7,105,590 restricted A-shares under the scheme to eligible employees, including the directors and employees of the Group, to obtain ordinary shares of the Company upon vesting.

The 2022 Restricted Share Scheme will be valid and effective for a period of 5 years.

46. SHARE-BASED PAYMENTS (Continued)

(c) The Company (Continued)

(iv) 2022 Restricted Share Scheme (Continued)

On November 25, 2022, the Company granted a total 6,079,784 restricted A-shares under the 2022 Restricted Share Scheme to the eligible employees at an exercise price of RMB69.

Set out below are details of the movements of the outstanding restricted A-shares granted during the year ended December 31, 2022:

	Weighted average exercise price (RMB)	Number
Outstanding as at January 1, 2021, December 31, 2021 and January 1, 2022	–	–
Granted during the year	69.00	6,079,784
Forfeited during the year	69.00	(7,400)
Outstanding as at December 31, 2022	**69.00**	**6,072,384**

46. SHARE-BASED PAYMENTS (Continued)

(c) The Company (Continued)

(iv) 2022 Restricted Share Scheme (Continued)

The lock-up periods for the restricted shares granted in November 2022 are presented in the table below:

Lock-up period	Timing	Proportion of share exercisable
1st lock-up period	From the first trading day after 12 months since the listing date of the restricted A-shares to the last trading day within 24 months after the listing date of the restricted A-shares.	40%
2nd lock-up period	From the first trading day after 24 months since the listing date of the restricted A-shares to the last trading day within 36 months after the listing date of the restricted A-shares.	30%
3rd lock-up period	From the first trading day after 36 months since the listing date of the restricted A-shares to the last trading day within 48 months after the listing date of the restricted A-shares.	30%

The estimated fair value of the restricted A-shares granted under the 2022 Restricted Share Scheme in 2022 is approximately RMB551,858,000. The fair value is calculated by reference to the closing A-share price of the Company at the date of grant, which is RMB90.88.

Changes in variables and assumptions may result in changes in the fair values of the restricted A-shares.

The Group recognised total expenses of approximately RMB8,754,000 for the year ended December 31, 2022 in relation to restricted A-shares granted by the Company under 2022 Restricted Share Scheme.

46. SHARE-BASED PAYMENTS (Continued)

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

Fantastic Bioimaging, a subsidiary of the Company, adopted a share incentive plan in 2019 (the "Fantastic Bioimaging Scheme") for the primary purpose of attracting, retaining and motivating the employees of the Fantastic Bioimaging. Under the Fantastic Bioimaging Scheme, employees are entitled to subscribe the restricted shares of Fantastic Bioimaging at the net asset value of Fantastic Bioimaging.

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

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

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

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

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

	2022		2021	
	Weighted average exercise price (RMB)	**Number**	Weighted average exercise price (RMB)	Number
Outstanding at beginning of year	**1.5**	**466,667**	1.5	466,667
Vested during the year	**1.5**	**(466,667)**	–	–
Outstanding at end of year	–	–	1.5	466,667
Restricted shares exercisable		–		–
Weighted average contractual life (years)		–		0.75

The Group recognised total expense of approximately RMB nil (2021: RMB3,215,000) for the year ended December 31, 2022 in relation to restricted shares granted under the Fantastic Bioimaging Scheme.

46. SHARE-BASED PAYMENTS (Continued)

(e) Meditip

Meditip, a subsidiary of the Company, adopted a share incentive plan in 2021 (the "Meditip Scheme") for the primary purpose of attracting, retaining and motivating the directors, employees and outside consultants of Meditip. Under the Meditip Scheme, the directors of Meditip may grant up to 26,500 share options under the share incentive plan to eligible employees, including the directors, employees and outside consultants of Meditip, to subscribe for shares in Meditip. Each option granted has a contractual term of 6 years.

The estimated fair value was approximately RMB7,307,000 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	KRW77,800 to KRW85,201 (equivalent to RMB407 to 446)
Expected volatility	61.36% – 63.24%
Expected life *(years)*	2.9 years – 4.9 years
Risk-free rate	2.64% – 2.85%
Expected dividend yield	–

Share price is determined as the total fair value of Meditip's equity divided by the total number of shares. To determine the fair value of Meditip's equity value as of grant dates, the Group used primarily the discounted cash flow method under the income approach, using cash flow projections based on financial forecasts approved by management covering a five-year period as appropriate and a discount rate of 15.5% for the options granted during the year ended December 31, 2021. Management assessment is that Meditip will arrive at a stable growth stage after 5 years period. Cash flow beyond that five-year period has been extrapolated using a steady 1% growth rate. This growth rate does not exceed the long-term average growth rate for the market in which Meditip operates. The result from the income approach was cross checked with the market approach, which incorporates certain assumptions, including the market performance of comparable listed companies, as well as the financial results and growth trends of the Group, to derive the total equity of Meditip.

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.

46. SHARE-BASED PAYMENTS (Continued)

(e) Meditip (Continued)

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

	2022	
	Weighted average exercise price (RMB)	Number
Outstanding at acquisition date	281.0	26,300
Forfeited during the period	281.0	(1,500)
Outstanding at end of period	281.0	24,800
Options exercisable		–
Weighted average contractual life *(years)*		6.0

The exercise price of options outstanding is KRW54,167 (equivalent to RMB281).

The Group recognised total expense of approximately RMB1,230,000 for the year ended December 31, 2022 in relation to share options granted under the Meditip Scheme.

47. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings RMB'000	Lease liabilities RMB'000	(Prepaid interest)/ interest payables RMB'000	Total RMB'000
At January 1, 2021	–	331,311	–	331,311
Financing cash flows				
– Proceeds from bank borrowings	492,320	–	–	492,320
– Interest paid on borrowings	–	–	(3,857)	(3,857)
– Repayment of lease liabilities	–	(69,340)	–	(69,340)
– Interest paid on lease liabilities	–	(21,239)	–	(21,239)
Non-cash changes				
– Disposal of subsidiaries	–	(1,039)	–	(1,039)
– Recognition of lease liabilities	–	232,546	–	232,546
– Disposal of right-of-use assets	–	(4,706)	–	(4,706)
– Interest expense recognised	–	21,239	3,671	24,910
– Exchange realignment	–	(7,418)	–	(7,418)
At December 31, 2021 and January 1, 2022	**492,320**	**481,354**	**(186)**	**973,488**
Financing cash flows				
– Proceeds from bank borrowings	**3,441,414**	**–**	**–**	**3,441,414**
– Repayment of bank borrowings	**(1,834,697)**	**–**	**–**	**(1,834,697)**
– Interest paid on borrowings	**–**	**–**	**(49,130)**	**(49,130)**
– Repayment of lease liabilities	**–**	**(92,806)**	**–**	**(92,806)**
– Interest paid on lease liabilities	**–**	**(25,333)**	**–**	**(25,333)**
Non-cash changes				
– Acquisition of subsidiaries	**7,644**	**19,006**	**–**	**26,650**
– Disposal of right-of-use assets	**–**	**(2,478)**	**–**	**(2,478)**
– Recognition of lease liabilities	**–**	**178,156**	**–**	**178,156**
– Interest expense recognised	**–**	**25,333**	**57,846**	**83,179**
– Exchange realignment	**6,175**	**23,508**	**–**	**29,683**
As December 31, 2022	**2,112,856**	**606,740**	**8,530**	**2,728,126**

48. MAJOR NON-CASH TRANSACTIONS

(a) 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 RMB178,156,000 (2021: RMB232,546,000) for the year ended December 31, 2022.

49. CAPITAL COMMITMENTS

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

	2022 **RMB'000**	2021 RMB'000
Commitments for the investments in the funds or companies	**746,770**	1,061,953
Commitments for the acquisition of associates	**2,570**	25,688
Commitments for the acquisition of a subsidiary	**–**	484,553
Acquisition of property, plant and equipment	**27,705**	46,810

In addition, during the year ended December 31, 2021, the Group entered a subscription agreement to subscribe 50% equity interest in an associate, Hangzhou Taikun. As at December 31, 2022, the Group has committed to invest additional capital in Hangzhou Taikun, amounting to RMB8,500,000,000 (2021: RMB9,500,000,000). The capital commitment by the Group shall be paid subject to the notice to be issued by the general partner of Hangzhou Taikun according to the capital needs of Hangzhou Taikun.

50. RETIREMENT BENEFIT PLANS

Defined contribution plans

The employees of the Group's subsidiaries in the PRC are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of payroll costs to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

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

A defined contribution plan in Korea pursuant to which the Group pays a fixed amount of contributions to a separate fund and the contributions are recognised as an expense when the employees provide services.

A defined contribution plan in the Hong Kong pursuant to which the employer and its employee are both required to contribute 5% of the employee's monthly relevant income as mandatory contribution for and in respect of the employee, subject to the minimum and maximum relevant income levels for contribution purposes. The maximum level of relevant income for contribution purposes is currently HK$30,000 per month or HK$360,000 per year.

The total cost charged to profit or loss in respect of the above-mentioned schemes amounted to approximately RMB276,638,000 (2021: RMB205,727,000) for the year ended December 31, 2022.

Defined benefit plan

One of the subsidiary in Korea has post-employment defined benefit plan. The present value of the defined benefit obligations were estimated by the directors with reference to the actuarial valuation carried out at December 31, 2022 by an independent qualified professional actuary. The present value of the defined benefit obligations and the related current service cost were measured using the projected unit credit method.

51. CONTINGENT LIABILITIES

As of December 31, 2022, the Group had no contingent liabilities.

52. RELATED PARTY TRANSACTIONS AND BALANCES

In addition to the transactions and balances disclosed in Notes 27, 28, 31 and 32, the Group had the following significant transactions and balances with related parties during the current and prior year:

(1) Related party transactions:

(a) Fee paid to related parties for services

	Relationship	2022 RMB'000	2021 RMB'000
Jiaxing EDC	Associate	50,892	–
Shanghai Guanhe	Associate	31,495	29,013
Tigerise	Associate	980	679
Shanghai Bioquick Pharmaceutical Supply Chain Management Co., Ltd.	Associate	7,185	–
		90,552	29,962

(b) Revenue from related parties

	Relationship	2022 RMB'000	2021 RMB'000
Jiaxing EDC	Associate	14,981	–
Shanghai Guanhe	Associate	176	238
Suzhou Yixin	Associate	619	28
Hangzhou Taikun	Associate	26,795	3,872
		42,571	4,138

52. 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	2022 RMB'000	2021 RMB'000
Trade receivables and contract assets (note (b))			
Shanghai Guanhe	Associate	**4**	51
Hangzhou Taikun	Associate	**–**	3,911
Jiaxing EDC	Associate	**1,027**	8,142
Suzhou Yixin	Associate	**519**	–
		1,550	12,104
Other receivables (note (c))			
Tigermed Thailand	Associate	**772**	315
Tigermed Vietnam Co., Limited	Associate	**63**	4
PT Tigermed Medical Indonesia	Associate	**175**	186
		1,010	505
Prepayment (note (b))			
Jiaxing EDC	Associate	**23**	65
Trade payables (note (b))			
Shanghai Guanhe	Associate	**3,407**	10,213
Jiaxing EDC	Associate	**28,987**	19,438
Shanghai Bioquick Pharmaceutical Supply Chain Management Co., Ltd.	Associate	**1**	–
		32,395	29,651
Contract liabilities (note (b))			
Shanghai Guanhe	Associate	**5**	70
Suzhou Yixin	Associate	**–**	137
Jiaxing EDC	Associate	**3,220**	110
		3,225	317
Other payable (note (c))			
PT Tigermed Medical Indonesia	Associate	**597**	–

52. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(2) Related party balances: (Continued)

Notes:

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

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

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

(3) Compensation of key management personnel:

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group.

The remuneration of the directors and other members of key management of the Group during the current and prior year was as follows:

	2022 **RMB'000**	2021 RMB'000
Directors' fee, salaries and other benefits	**6,540**	6,261
Performance-based bonus	**2,717**	1,109
Retirement benefit scheme contributions	**622**	339
Share-based compensation	**–**	169
	9,879	7,878

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

53. SUBSEQUENT EVENTS

(a) During the year ended December 31, 2022, the Group entered a share purchase agreement with the shareholder of MARTI FARM d.o.o. (the "Marti Farm seller"), pursuant to which Marti Farm sellers agreed to sell and the Group agreed to purchase 70% of the equity interests of MARTI FARM d.o.o. ("Marti Farm") for a cash consideration of EUR6,202,000 (equivalent to approximately RMB44,517,000) in accordance with the terms and conditions of the share purchase agreement.

A prepayment amounting to RMB44,517,000 (see Note 31) were made pursuant to the terms of the contract as at December 31, 2022.

Upon completion of the transaction, Marti Farm will become a non wholly-owned subsidiary of the Company.

The acquisition has been completed subsequent to the end of the year ended December 31, 2022 upon the fulfilment of the condition of the acquisition. In the moment, it is not practicable to provide an estimate of financial effect of the acquisition until the Group performs a detailed review.

(b) On March 28, 2023, DreamCIS, the subsidiary of the Company, proposed to adopt a share option scheme (the "DreamCIS 2023 Share Option Scheme") to provide incentive or reward to directors or employees of DreamCIS for their contribution to, and continuing efforts to promote the interests of DreamCIS and its subsidiaries. The DreamCIS 2023 Share Option Scheme is subject to the approval of the ordinary resolution by the shareholders at the general meeting, under which, the total number of DreamCIS share which may be issued upon exercise of options to be granted pursuant to the DreamCIS 2023 Share Option Scheme will not in aggregrate exceed 10% of the total DreamCIS shares in issue at the date of approval of the DreamCIS 2023 Share Option Scheme. Please refer to the announcement of the Company dated March 28, 2023 for details.

54. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the directors on March 28, 2023.

DEFINITIONS

"2022 Restricted Share(s)"	the shares of the Company to be obtained in tranches and registered by the Participants who meet the conditions for grant under the 2022 Restricted Share Incentive Scheme after meeting the corresponding vesting conditions
"2022 Restricted Share Incentive Scheme"	2022 Restricted A Share Incentive Scheme of Hangzhou Tigermed Consulting Co., Ltd.
"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
"Articles of Association"	the articles of association of the Company, as amended from time to time
"Audit Committee"	the audit committee of the Board
"Board"	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 annual report and for geographical reference only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Company" or "our Company"	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
"CRLS"	Clinical-related and Laboratory Services
"CRO"	Contract research Organization
"CTS"	Clinical Trial Solutions
"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
"EMEA"	Europe, Middle East and Africa

"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 and its subsidiaries
"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
"FVOCI"	fair value through other comprehensive income
"FVTPL"	Fair Value Through Profit or Loss
"Group" or "we"	the Company and its subsidiaries
"H Share(s)"	ordinary share(s) in the share capital of our Company with nominal value of RMB1.00 each, which are listed on the Stock Exchange
"HK$"	Hong Kong dollars and cents, both are the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	International Financial Reporting Standards
"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
"MRCTs"	Multi-regional Clinical Trials
"NMPA"	China National Medical Products Administration
"Prospectus"	the prospectus issued by the Company dated July 28, 2020
"RMB"	Renminbi, the lawful currency of the PRC
"R&D"	research and development

DEFINITIONS

"Reporting Period"	the twelve months ended December 31, 2022
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Share(s)"	comprising A Shares and H Shares
"Shareholder(s)"	holder(s) of Shares
"sq. ft."	square feet
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	the supervisor(s) of the Company or any one of them
"Supervisory Committee"	our board of Supervisors
"U.S."	United States
"US$"	United States dollars, the lawful currency of the United States
"YoY"	year-over-year
"%"	percentage

This report was originally prepared in English. In the event of discrepancies between the Chinese and English version, the English version shall prevail. All numbers in this report are approximate rounded values for particular items.

杭州泰格醫藥科技股份有限公司
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