2023

中期報告

INTERIM 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)
Mr. Wen Zengyu (聞增玉)
(appointed on May 23, 2023)
Mr. Wu Hao (吳灝)
Ms. Yin Zhuan (retired on May 23, 2023)

Independent Non-executive Directors

Dr. Yang Bo (楊波)
Mr. Liu Kai Yu Kenneth (廖啟宇)
Mr. Yuan Huagang (袁華剛)
(appointed on May 23, 2023)
Mr. Zheng Bijun (鄭碧筠) (retired on May 23, 2023)

COMPANY SECRETARY

Ms. Ho Yin Kwan (何燕群)

AUTHORISED REPRESENTATIVES

Dr. Ye Xiaoping (葉小平)
Ms. Ho Yin Kwan (何燕群)

SUPERVISORS

Mr. Zhang Binghui (張炳輝) *(Chairman)*
Ms. Chen Zhimin (陳智敏)
Ms. Lou Wenqing (樓文卿)

STRATEGY DEVELOPMENT COMMITTEE

Dr. Ye Xiaoping (葉小平) *(Chairman)*
Mr. Wu Hao (吳灝)
Dr. Yang Bo (楊波)
Mr. Yuan Huagang (袁華剛)
(appointed on May 23, 2023)
Mr. Zheng Bijun (鄭碧筠) (retired on May 23, 2023)

AUDIT COMMITTEE

Mr. Liu Kai Yu Kenneth (廖啟宇) *(Chairman)*
Dr. Yang Bo (楊波)
Mr. Yuan Huagang (袁華剛)
(appointed on May 23, 2023)
Mr. Zheng Bijun (鄭碧筠) (retired on May 23, 2023)

REMUNERATION AND EVALUATION COMMITTEE

Mr. Yuan Huagang (袁華剛) *(Chairman)*
(appointed on May 23, 2023)
Mr. Liu Kai Yu Kenneth (廖啟宇)
Ms. Cao Xiaochun (曹曉春)
Mr. Zheng Bijun (鄭碧筠) *(Chairman)*
(retired on May 23, 2023)

NOMINATION COMMITTEE

Dr. Yang Bo (楊波) *(Chairman)*
Mr. Liu Kai Yu Kenneth (廖啟宇)
Mr. Wen Zengyu (聞增玉)
(appointed on May 23, 2023)
Ms. Yin Zhuan (retired on May 23, 2023)

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STOCK CODE

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H Share: 03347 (the Stock Exchange)

COMPANY'S WEBSITE

www.tigermedgrp.com

FINANCIAL HIGHLIGHTS

The Board is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended June 30, 2023, together with comparative figures for the six months ended June 30, 2022 (the "**Corresponding Period**").

FINANCIAL HIGHLIGHTS

	For the six months ended June 30,		
	2023	2022	Change[2]
	RMB million	*RMB million*	
	(Unaudited)	(Unaudited)	
Operating results			
Revenue	**3,710.9**	3,594.2	3.2%
Gross Profit	**1,466.3**	1,418.3	3.4%
Net profit attributable to the owners of the Company	**1,388.3**	1,192.0	16.5%
Adjusted net profit attributable to the owners of the Company[1]	**895.6**	876.5	2.2%
Profitability			
Gross Profit Margin	**39.5%**	39.5%	0.0%
Margin of net profit attributable to the owners of the Company	**37.4%**	33.2%	4.2%
Margin of adjusted net profit attributable to the owners of the Company[1]	**24.1%**	24.4%	(0.3)%
Earnings per share (RMB)			
– Basic	**1.61**	1.38	16.7%
– Diluted	**1.60**	1.38	15.9%
Adjusted earnings per share (RMB)[1]			
– Basic	**1.04**	1.01	3.0%
– Diluted	**1.03**	1.01	2.0%

Notes:

(1) Non-IFRS measures. Please refer to "Non-IFRS Measures" for details.

(2) Changes in percentage points for ratios.

The Board resolved not to declare any interim dividend for the six months ended June 30, 2023 (June 30, 2022: nil).

We began the year of 2023 with the reopening of our home country and reconnection with the world. After efforts of sustaining and expanding our business whilst mitigating the adverse impacts caused by the pandemic for more than three years, we started to embrace a new norm as we formally ended the business continuity plan for COVID-19.

In the first half of 2023, we continued to see a complex and sometimes challenging external environment. Whilst the global demand for healthcare products continued to grow and the global R&D spending remained relatively stable, the tightening of monetary policies in major economies and macro headwind in China had caused the funding environment to be less receptive, which has negatively impacted some of our biotech customers who rely on external fundings to sustain their R&D pipeline.

Despite this, the innovation and development of life science research and clinical trial activity had shown resilience driven by lasting unmet demands, recent breakthroughs in basic science and clinical and commercial validation. The collective efforts from the academia, industry and medical community to bring more and better therapies to patients around the world had persisted.

In China, the healthcare industry has also been evolving. Particularly, policies and regulations were further improved and optimized. We think that this will lead to a more transparent regulatory regime and predictable market expectations. In the long term, this could drive local pharmaceutical and biotech companies to focus more on investing in new pipelines driven by scientific breakthrough and clinical value. This will also strengthen their competitiveness in the global market.

As a clinical solution provider and strived 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 in the first half of 2023.

In the first half of 2023, we retained our leadership position in the clinical service industry in China. We handled 12.4%[1] of total Human Genetic Resource Administration of China ("**HGRAC**") clinical research filing projects as CRO during the first half of 2023. According to Frost & Sullivan, we are also the only Chinese company that is ranked as top 10 clinical CROs globally in 2022 by revenue, with a market share of 1.5%. We continued to maintain a strong and diversified customer base, 6 out of our top 20 customers by revenue in the first half of 2023 are top multi-national pharmaceutical companies[2] and 15 out of our top 20 customers by revenue in the first half of 2023 are publicly listed. As of June 30, 2023, we had 772 ongoing drug clinical research projects, up from 680 as of December 31, 2022 and 607 as of June 30, 2022.

In the first half of 2023, we started the preparation work of our headquarter for international business in Hong Kong, and such headquarter was officially opened on August 16, 2023. This marks another milestone for the Group's globalization strategy, building a new platform for the Company to develop future overseas businesses. The international headquarters will enable the Company to coordinate and manage global projects more efficiently, drive business expansion, and empower customers on a global scale. Besides, it will bring new energy to the Company's service platform, global talent, supporting functions, corporate culture, and beyond.

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1 Source: HGRAC website, might not be exhaustive; a total of 1,276 filings between January 1, 2023, and June 30, 2023, of which 669 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

By further extending our clinical service platform to Hong Kong, we aim to provide high-quality clinical CRO services to innovative pharmaceutical and medical device companies in Hong Kong and Asia Pacific region more conveniently and efficiently. We also hope to obtain more global innovative clinical research projects through collaboration with leading researchers, investigators and institutions in Hong Kong and Asia Pacific, and to attract more clinical professionals with global expertise and mindset.

As of June 30, 2023, we had 207 ongoing single region clinical trials overseas, primarily in South Korea, the United States and Australia, up from 188 ongoing single regional clinical trials overseas as of December 31, 2022. We also had 62 ongoing MRCTs as of June 30, 2023. During the Reporting Period, we added 8 newly signed MRCT projects, with a cumulative experience of handling over 120 MRCT projects as of June 30, 2023.

As of June 30, 2023, we have established collaborations with over 100 clinical sites in the United States, covering 33 states. As of June 30, 2023, the size of our U.S. clinical operation team has more than doubled from June 30, 2022, reaching 110 employees. As of June 30, 2023, we have over 40 ongoing clinical trials in the United States, including single region clinical trials and MRCTs. The scope of therapeutic areas covered in our ongoing trials in the United States continues to expand. Starting from oncology, we have extended to cover vaccines, ophthalmology, dermatology, rare diseases, neurology, and cardiovascular etc.

In the first half of 2023, we completed the acquisition of Marti Farm in Croatia and integrated Marti Farm's clinical operation and pharmacovigilance teams with our existing business, which further strengthened our ability to provide high quality clinical services in Europe to our global customers. In addition, during the first half of 2023, we established a local business development team in Europe and have integrated, expanded and improved the capacity and capability of our clinical operation and supporting teams in Europe. Multiple services including clinical operation, clinical trial design, project management, medical monitoring, post-market studies, pharmacovigilance and quality assurance have been integrated under a single team force so as to respond to customers' demands as an integrated service platform. As of June 30, 2023, we have 35 ongoing clinical trial projects (including medical device clinical trials and MRCTs) in the EMEA region and our employees and operational entities covering 16 countries in the EMEA region.

As of June 30, 2023, we also have 31 ongoing clinical trial projects in Southeast Asia and South America regions, including 23 MRCTs, covering multiple therapeutic areas including oncology, vaccines, cardiovascular, endocrine and infectious disease etc.

We will continue to grow our global business through organic expansions and 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, to better support our global business, our investments and efforts put in our China-based centralized service center continued. While a clinical trial is conducted in one or several overseas countries, our centralized service center in China is able to support many other peripheral services in a timely and seamless manner, including medical writing, medical monitoring, medical registration, data management and statistical analysis, pharmacovigilance, central laboratory and imaging, under our uniformed standard operating procedures ("**SOPs**") and budgeting management system across all countries and regions where we operate.

In the first half of 2023, we continued to pursue external partnerships and collaboration that we believe are mutually beneficial with various stakeholders in the healthcare industry. As of June 30, 2023, our Excellence for Clinical Trial Sites ("**E-Site**") Program had 204 E-Site centers and 61 green channel centers across China, completed the signing of 39 strategic cooperation centers and the construction of 6 co-centers, forming a diversified and win-win strategic cooperation model. 17 full-time on-site staff were added to strategic core centers in Beijing, Shanghai, Jiangsu, Zhejiang, Hunan, Hubei, Shandong, Fujian, Chongqing and Anhui in the first half of 2023. We started to offer new services including cGCP (Good Laboratory Practice) qualification application and filing support, project bidding and import process support and project initiation process optimization to our E-Site partners.

As of June 30, 2023, the number of our total employees reached 9,455 from 9,233 as of December 31, 2022. As of June 30, 2023, our global team comprised over 1,150 clinical research associates, over 2,800 clinical research coordinators, over 800 for data management and statistical analysis and over 1,600 for laboratory services. Below is a breakdown of our employees by function and by region as of June 30, 2023:

	Number of employees				
Function	**PRC**	**Asia Pacific (excluding PRC)**	**Americas**	**EMEA**	**Total**
Project operation	7,133	508	765	70	8,476
Marketing and business development	365	23	34	7	429
Management and administration	432	32	77	9	550
Total	**7,930**	**563**	**876**	**86**	**9,455**

The number of our employees based overseas further reached to 1,525 as of June 30, 2023 from 1,426 as of December 31, 2022. During the Reporting Period, we expanded our clinical operation, project management and business development teams in key overseas markets.

A 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 DURING THE REPORTING PERIOD

Revenue

During the Reporting Period, our revenue increased by 3.2% YoY from RMB3,594.2 million to RMB3,710.9 million. Revenue generated from CTS segment decreased to RMB2,103.4 million, representing a YoY decrease of 3.2%. Revenue generated from CRLS segment reached RMB1,607.5 million, representing a YoY growth of 13.0%.

Geographically, our revenue generated in the PRC during the Reporting Period increased by 24.2% YoY to RMB2,087.4 million, primarily driven by the increase in revenue generated from clinical trial operations for drug, vaccine and medical device projects, emerging services including medical writing, real-world studies and pharmacovigilance services, Data Management and Statistical Analysis ("**DMSA**") and site management services, 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 decreased by 15.2% YoY to RMB1,623.5 million. The decrease was primarily due to the completion and reduction in the demand for clinical trials related to COVID-19 vaccines as multiple COVID-19 vaccines have been approved and the pandemic situations globally have changed.

(1) CTS

During the Reporting Period, our revenue generated from CTS segment decreased by 3.2% YoY from RMB2,172.1 million during the Corresponding Period to RMB2,103.4 million. During the Reporting Period, we saw a significant decrease in revenue from COVID-19 vaccine clinical trials compared with the Corresponding Period, which was the primary reason of the slight decrease in revenue of the CTS segment. Excluding COVID-19 related revenue, services under CTS segment saw over 40% increase in revenue YoY during the Reporting Period, particularly medical device clinical operations and medical writings.

As of June 30, 2023, we had 772 ongoing drug clinical research projects, up from 680 as of December 31, 2022.

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

	As of year/period end		
	June 30, 2022	December 31, 2022	**June 30, 2023**
Phase I (including PK studies)	252	285	**332**
Phase II	117	134	**146**
Phase III	149	160	**185**
Phase IV	37	34	**35**
Others[3]	52	67	**74**
Total	607	680	**772**

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

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

Revenue (Continued)

(1) CTS (Continued)

As of June 30, 2023, 503 ongoing drug clinical research projects were being conducted in the PRC and 269 were being conducted overseas, of which 207 were single region trials and 62 were MRCTs. The 207 ongoing single region overseas clinical trials were primarily being conducted in South Korea, the United States and Australia.

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

	As of year/period end		
	June 30, 2022	December 31, 2022	**June 30, 2023**
Single region			
PRC	400	430	**503**
Overseas	149	188	**207**
MRCTs	58	62	**62**
Total	607	680	**772**

In the first half of 2023, Tigermed Decentralized Clinical Trial ("**DCT**") Solutions were put into use in multiple projects covering therapeutic areas such as oncology, Alzheimer's disease, migraine, diabetes and COVID-19 etc. We created functions such as remote follow-up, remote monitoring, remote informing, electronic patient report, wearable devices, etc. We compiled the Tigermed DCT Global Regulatory Handbook to provide a regulatory reference and guide for DCT applications in global clinical research, which will be released soon. E2E, which is Electronic Medical Record ("**EMR**") to Electronic Data Capture ("**EDC**"), was officially launched and used in Phase III registered clinical trials, achieving automatic capture, standardized processing and EDC system transmission of electronic raw data in the hospitals. As our DCT digital technologies continue to expand, our DCT service platform is becoming more comprehensive and flexible to provide customers with decentralized clinical trial solutions. We participated in multiple regulatory and industry projects and seminars on the construction of decentralized clinical trial regulations.

Our medical device team offers an integrated service that covers the full lifecycle of medical device R&D, providing services that cover product development strategy, pre-clinical trial, clinical trial, registration and post-market. We had 438 ongoing medical device projects as of June 30, 2023, including medical device and in vitro diagnostic ("**IVD**") clinical trial operation, medical monitoring, clinical trial design and medical writing.

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

Revenue (Continued)

(1) CTS (Continued)

During the Reporting Period, we have offered clinical trial operation services to many of China's first-in-class medical device products and supported clinical strategies for various innovative medical device products. As of June 30, 2023, our medical device team has served more than 1,700 global clients, accumulated experience over more than 5,700 medical device and IVD project registration projects, and more than 700 medical device and IVD clinical trials. Our medical device team has also won the "Best Medical Device Overseas Enabling Service Provider of 2023" (2023 醫療器械出海最佳賦能服務企業) by China-Go-Global Medical Device Conference.

Our medical registration team saw the number of customers increase to 700 as of June 30, 2023, from 649 as of December 31, 2022, and have a total of 940 accumulated project experience as of June 30, 2023. We assisted 7 products to be registered and approved in China, as well as assisted with 16 Investigational New Drug ("**IND**")/MRCT clinical trial filings in multiple countries. In the first half of 2023, we also added 18 new U.S. Food and Drug Administration ("**FDA**") IND projects, of which 9 of them have successfully filed and were cleared for clinical trial.

Our pharmacovigilance continued its growth momentum. In the first half of 2023, we completed the acquisition of Marti Farm in Croatia and integrated Marti Farm's pharmacovigilance teams with our existing pharmacovigilance team in China, providing safety monitoring solutions to both pre-NDA and post-market projects for drugs, medical devices, vaccines and aesthetics etc. in both Europe and China. In the first half of 2023, we further explored the pharmacovigilance solutions for cosmetics and aesthetics medicines. The initial verification and customer trials of our self-developed signal monitoring system has been completed in the first half of 2023. During the Reporting Period, our pharmacovigilance services added 75 newly signed projects and 59 new customers.

Our medical translation services added 52 new customers in the first half of 2023, including 26 pharmaceutical companies and 26 medical device companies. During the Reporting Period, our top customers for our medical translation services included top multinational pharmaceutical and medical device companies. During the Reporting Period, our medical translation team cooperated with local Japanese language service and translation companies to expand the Japanese market. We improved the efficiency of our medical translation services by developing in-house digital platforms, bundling translation systems and services into the clinical operation system. We also continued to tailor our translation platform for academia and educational usage during the Reporting Period. We improved our industry-leading architecture of translation technology, which is a full-process production and delivery platform composed of custom-developed application-layer tools based on artificial intelligence algorithms and big data model engines. This allows us to provide customers with low-cost, high-quality and efficient medical translation services. According to CSA Research, our medical translation business ranked 51st globally (5th in mainland China and 14th 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 DURING THE REPORTING PERIOD (Continued)

Revenue (Continued)

(1) CTS (Continued)

In the first half of 2023, our real-world study business continued to expand the number and types of customers to which we provide service to. We also successfully reached multiple real-world study collaborations with an multi-national pharmaceutical company. Research collaborations with universities and hospitals on real world studies have also been further strengthened during the Reporting Period, including a 14th Five-Year Plan national level project cooperation with the Chinese University of Hong Kong and a multi-center investigator-initiated trial with the Chongqing Medical University. We have also introduced DCT technology and mode into our real-world study projects, using artificial intelligent follow-up tools and self-developed clinical research patient management system (eCPM), effectively improving subject compliance and the efficiency and accuracy of self-reported data, and could potentially reduce the project cost by more than 40%.

Our vaccine clinical service team provides the one-stop phase I-IV vaccine clinical research solution, offering services including vaccine clinical trial design, DMSA, clinical trial operation, electronic data capture and site management etc. As of June 30, 2023, our vaccine clinical service team has accumulated experience in 14 overseas COVID-19 vaccine projects, 8 of those are phase III pivotal clinical trials, covering 17 countries across Southeast Asia, South America, Asia, Europe and Africa, and having enrolled a total of more than 150,000 subjects. During the Reporting Period, we successfully helped the first Chinese vaccine to obtain the clearance to conduct the phase I clinical trial in the United States. In the first half of 2023, we also supported multiple innovative vaccines to carry out phase III protective efficacy research in the Chinese provincial Center for Disease Control and Prevention ("**CDC**") and hospitals including chickenpox, RSV, S. aureus and therapeutic BCG etc.

(2) CRLS

Revenue generated from our CRLS segment during the Reporting Period increased by 13.0% YoY to RMB1,607.5 million from RMB1,422.1 million during the Corresponding Period. The increase was primarily due to the increase in revenue generated from our site management and patient recruitment services, data management and statistical analysis services and laboratory services.

Site Management and Patient Recruitment

Our site management team has completed 105 site management projects in the first half of 2023 and had 1,776 ongoing site management projects as of June 30, 2023, up from 1,621 as of December 31, 2022. In the first half of 2023, we provided site management services to 11 Class I innovative drug approvals in China. Our site management team works with over 1,300 hospitals and clinical trial centers in more than 140 cities across China. As of June 30, 2023, there were over 2,800 Clinical Research Coordinators ("**CRCs**") in our site management team.

1. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP DURING 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 296 as of June 30, 2023, up from 208 as of June 30, 2022. As of June 30, 2023, we had 859 ongoing DMSA projects, of which 553 projects were being conducted by our team based in China and 306 projects by the teams based overseas.

In the first half of 2023, a total of 5 products of the Digital Integrated Solution ("**DIS**") automation tools were released, including the Tigermed Case Report Forms ("**CRF**") template, Tables, Figures and Listings ("**TFL**") Shell automation tool, Study Data Tabulation Model Annotated Case Report Forms ("**SDTM aCRF**") automation tool, Clinical Data Interchange Standards Consortium Study Data Tabulation Model ("**CDISC SDTM**") Macros and Define Generator tool. During the Reporting Period, our DMSA team completed applications for 14 high-tech software certifications. As of June 30, 2023, our DMSA team had over 800 professionals based in China, South Korea, the United States and India.

Laboratory Services

The new 8,000 square meters clinical trial manufacturing facility in Suzhou was officially put into operation, further improving our capacity in Good Manufacturing Practice ("**GMP**") clinical trial manufacturing and meeting the more diversified customer needs.

The Wuhan R&D center of ACME Biopharma, a subsidiary of Frontage, was officially opened on May 15, 2023. With a total space of 18,000 square meters, the first phase of the R&D center has a capacity of 50 chemical pharmacology laboratories, 4 formulation development laboratories and a testing and analysis center, providing one-stop R&D from target screening to pre-clinical pharmacology research.

On June 6, 2023, our Suzhou Safety Assessment Center obtained the GLP (Good Laboratory Practice) certification issued by the NMPA, which demonstrated that Frontage Suzhou Safety Assessment Center has met the requirements of GLP regulations in terms of organizational structure and personnel training, equipment and computerized systems, laboratory materials, standard operating procedures and test operation.

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

(Continued)

Gross Profit

During the Reporting Period, we realized a gross profit of RMB1,466.3 million compared to RMB1,418.3 million during the Corresponding Period, representing a 3.4% YoY growth. Our gross profit margin remained relatively stable at 39.5% comparing to the Corresponding Period.

Our cost of services increased by 3.2% from RMB2,175.9 million during the Corresponding Period to RMB2,244.6 million during the Reporting Period.

During the Reporting Period, the direct project-related costs we incurred decreased as we worked on less COVID-19 related MRCTs. These costs, natured as pass-through fees, were also simultaneously recognized as revenue. We expect the direct project-related costs will continue to decrease as a percentage of revenue going forward. As the direct project-related costs decreased as a percentage of revenue, direct labour costs and overhead costs increased as a percentage of revenue.

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

	For the six months ended June 30,	
	2023	2022
	RMB million	*RMB million*
Direct labour costs	**1,119.1**	948.9
% of revenue	***30.2%***	*26.4%*
Direct project-related costs	**875.6**	1,038.7
% of revenue	***23.6%***	*28.9%*
Overhead costs	**249.9**	188.3
% of revenue	***6.7%***	*5.2%*
Total cost of services	**2,244.6**	2,175.9
% of revenue	***60.5%***	*60.5%*

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

Gross Profit (Continued)

(1) CTS

The gross profit of the CTS segment increased by 3.1% YoY from RMB800.7 million during the Corresponding Period to RMB825.5 million during the Reporting Period.

The gross profit margin of the CTS segment increased to 39.2% during the Reporting Period from 36.9% during the Corresponding Period as (i) the efficiency of our CTS services have improved partly due to the ease of pandemic control measures during the second quarter of 2023; and (ii) we worked on less MRCTs including certain COVID-19 related trials that included a higher portion of pass-through fees than our usual clinical trial projects.

The pass-through fees relates 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. During the Reporting Period, certain pass-through fees were booked in relation to the final closing and settlement of some COVID-19 related clinical trials. We do not expect these COVID-19 related pass-through fees to be recurring in the future.

(2) CRLS

The gross profit of the CRLS segment increased by 3.8% from RMB617.6 million during the Corresponding Period to RMB640.8 million during the Reporting Period.

The gross profit margin of the CRLS segment decreased by 3.5 percentage points from 43.4% during the Corresponding Period to 39.9% during the Reporting Period. The decrease of the gross profit margin is primarily due to (i) the faster growth of our site management services during the Reporting Period, which is of lower margin; and (ii) the revenue increase of Frontage Holdings lowered, especially in preclinical research, Chemistry, Manufacturing and Controls (CMC). Meanwhile, with the operating of newly made investments in China, including Suzhou preclinical animal research facility, Shanghai Lin-Gang laboratory, and Wuhan chemistry facilities, the overhead cost related increased and contributed lower profit margin, causing the decrease of gross profit margin of our laboratory services during the Reporting Period.

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

(Continued)

Other Income

Our other income during the Reporting Period increased by 14.2% YoY to RMB147.1 million from RMB128.8 million during the Corresponding Period, primarily contributed by (i) the dividend income from financial assets at FVTPL increased from RMB0.1 million during the Corresponding Period to RMB10.8 million during the Reporting Period; and (ii) interest income from bank deposits increased from RMB112.9 million during the Corresponding Period to RMB122.5 million during the Reporting Period. On the other hand, interest income from financial products decreased by RMB0.4 million YoY, which partially offset the increase.

Other Gains and Losses, Net

During the Reporting Period, we recorded other gains and losses, net of RMB571.8 million, representing a 22.0% increase YoY from RMB468.6 million during the Corresponding Period. The primary factor contributed to this increase was the net foreign exchange gain, which grew from RMB3.8 million during the Corresponding Period to RMB20.5 million during the Reporting Period. The reason for the boosting exchange gain was triggered by the increasing book value of contract assets and the trade, bills and other receivables and prepayments and positive fluctuation of the foreign exchange rate. Meanwhile, change in fair value of financial assets at FVTPL contributed with the amount of RMB116.5 million. In addition, the change of the gain on disposal of financial assets at FVTPL contributed with the amount of RMB9.1 million to the gains, as there were more FVTPL, including funds and equities held by our Group, reaching the withdrawal period or unlocked period.

The increase of other gains and losses, net was offset by (i) a loss of RMB2.5 million fair value change of contingent consideration payables during the Reporting Period compared with a profit of RMB1.6 million during the Corresponding Period, bolt-on acquisitions made by Frontage during the Reporting Period; and (ii) the decrease of gain on disposal of associates with the amount of RMB35.2 million during the Corresponding Period as there is no disposal of associates during the Reporting Period.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 11.3% YoY from RMB80.0 million during the Corresponding Period to RMB89.0 million during the Reporting Period. The increase was 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 9.0% YoY from RMB321.4 million during the Corresponding Period to RMB350.2 million during the Reporting Period. The increase was primarily due to (i) an increase of RMB16.2 million of the share-based payment, representing 70.2% up from the Corresponding Period to the Reporting Period; (ii) an increase in staff costs to our administrative and management personnel in China and overseas; and (iii) an increase in amortization of intangible assets including business software and acquired customer relationship.

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

(Continued)

R&D Expenses

Our R&D expenses increased by 15.9% YoY from RMB110.5 million during the Corresponding Period to RMB128.1 million during the Reporting Period. The increase was 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 amortization and depreciation of assets for innovation and technology development activities carried by our Group.

Share of profit of associates

Our share of profit of associates increased by 78.9% from RMB35.6 million during the Corresponding Period to RMB63.7 million during the Reporting Period, primarily due to the improved performance of Teddy Clinical Research Laboratory (Shanghai) Limited* (上海觀合醫藥科技股份有限公司) and the increase of the share of profit from 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 70.3% from RMB31.0 million during the Corresponding Period to RMB52.8 million during the Reporting Period, primarily due to the increase of interest expense on bank borrowings from RMB19.4 million during the Corresponding Period to RMB38.5 million during the Reporting Period.

Income Tax Expense

Our income tax expense increased by 17.8% from RMB162.2 million during the Corresponding Period to RMB191.1 million during the Reporting Period. Our effective tax rate increased from 11.0% during the Corresponding Period to 11.9% during the Reporting Period, primarily due to (i) the increase in profit before tax from RMB1,479.9 million during the Corresponding Period to RMB1,599.1 million of Reporting Period; and (ii) the increase of our taxable operating profit, which was taxed at an average rate that is higher than our effective tax rate.

Profit for the Period

As a result of the foregoing discussions, our profit for the period increased by 6.9% from RMB1,317.6 million during the Corresponding Period to RMB1,408.1 million during the Reporting Period. The profit attributable to owners of the Company increased by 16.5% from RMB1,192.0 million during the Corresponding Period to RMB1,388.3 million during the Reporting Period, and the profit attributable to non-controlling interests decreased by 84.2% from RMB125.6 million during the Corresponding Period to RMB19.8 million during the Reporting Period. The increase is primarily due to the increase of operating profits from main business of CTS and CRLS, other gain and loss (net) and share of profit of associate, which have been discussed above in corresponding part.

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

(Continued)

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 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 DURING THE REPORTING PERIOD

(Continued)

Adjusted net profit attributable to owners of the Company

	For the six months ended June 30, 2023 RMB million	2022 RMB million
Profit attributable to owners of the Company	**1,388.3**	1,192.0
Adjusted for:		
Share-based compensation expense	**48.6**	16.6
Net foreign exchange gain	**(17.7)**	(1.8)
Amortization of intangible assets arising from acquisitions	**5.4**	17.2
Increase in fair value of financial assets at FVTPL	**(529.0)**	(347.5)
Adjusted net profit attributable to owners of the Company	**895.6**	876.5
Margin of adjusted net profit attributable to the owners of the Company[(1)]	**24.1%**	24.4%
Adjusted earnings per share (RMB)		
– Basic[(2)]	**1.04**	1.01
– Diluted[(3)]	**1.03**	1.01

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 RMB895.6 million, representing a YoY increase of 2.2% from RMB876.5 million during the Corresponding Period. Our margin of adjusted net profit attributable to the owners of the Company decreased from 24.4% during the Corresponding Period to 24.1% during the Reporting Period.

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

(Continued)

Cash Flows

	For the six months ended June 30,	
	2023	2022
	RMB million	*RMB million*
Net cash generated from operating activities	**252.5**	246.0
Net cash used in investing activities	**(586.3)**	(1,514.6)
Net cash generated from financing activities	**621.3**	556.7

During the Reporting Period, our net cash generated from operating activities was RMB252.5 million, representing a 2.6% increase from RMB246.0 million during the Corresponding Period. The increase was primarily due to (i) an increase of RMB92.1 million of the cash received from sale of products and service, representing 2.9% increase from the Corresponding Period to the Reporting Period; and (ii) the decrease of RMB190.5 million from cash paid for goods and services, representing a 15.1% decrease from the Corresponding Period to the Reporting Period. The increase was offset by an increase of RMB258.2 million from the cash paid to and on behalf of employees, representing 20.3% increase from the Corresponding Period to the Reporting Period.

During the Reporting Period, our net cash used in investing activities was RMB586.3 million, representing a 61.3% decrease from RMB1,514.6 million during the Corresponding Period. The decrease was primarily due to (i) an increase in dividend income from financial assets at FVTPL from RMB0.1 million to RMB10.9 million during the Reporting Period, and an increase in proceeds from disposal of financial assets at FVTPL from RMB256.2 million to RMB383.4 million during the Reporting Period; (ii) a decrease in purchase of financial assets at FVTPL from RMB497.8 million to RMB418.7 million during the Reporting Period; as well as (iii) an increase of RMB576.3 million of the acquisition of subsidiaries (net of cash acquired) from the Corresponding Period to the Reporting Period, which was brought by our subsidiary, Marti Farm.

During the Reporting Period, our net cash generated from financing activities was RMB621.3 million compared with RMB556.7 million net cash generated from financing activities during the Corresponding Period. We obtained RMB1,455.9 million of bank borrowings and repaid RMB896.8 million of bank borrowings during the Reporting Period. Major cash outflows in financing activities during the Reporting Period included (i) a RMB57.5 million repayment of the principal portion and the interests paid on the lease liabilities; and (ii) a RMB51.8 million of interest paid on borrowings.

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

1. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP DURING 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 June 30, 2023, 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 17.9% from RMB1,186.3 million as of December 31, 2022 to RMB1,398.5 million as of June 30, 2023, primarily due to (i) an increase in trade receivables from third parties from RMB1,105.3 million to RMB1,298.4 million as we continued to grow our business; (ii) an increase in other receivables from third parties from RMB99.6 million to RMB118.0 million primarily from an increase in interest receivables from bank deposits; and (iii) an increase in prepayments to third parties from RMB59.1 million to RMB72.6 million.

Trade and Other Payables

Our trade and other payables increased by 60.0% from RMB718.0 million as of December 31, 2022 to RMB1,149.1 million as of June 30, 2023, primarily due to (i) an increase in consideration payables from RMB2.3 million as of December 31, 2022 to RMB16.2 million as of June 30, 2023, which was due to the consideration payables for the additional acquisition of interests in our existing subsidiary DreamCIS during the Reporting Period, which has been subsequently settled in July 2023; (ii) an increase of dividend payables from RMB2.3 million to RMB477.6 million, which has been subsequently settled in July 2023; (iii) an increase of trade payables from RMB158.0 million to RMB174.4 million; and (iv) an increase in other payables to third parties from RMB70.7 million to RMB101.2 million.

The increase was partially offset by (i) a decrease of RMB111.0 million in the salary and bonus payable, representing 37.9% decrease from RMB292.9 million during the Corresponding Period to RMB181.9 million during the Reporting Period. The main reasons for this change were (i) the settlement of annual bonus payable during the Reporting Period; and (ii) a decrease in contingent consideration payables from RMB79.4 million as of December 31, 2022 to RMB46.0 million as of June 30, 2023. Included in contingent consideration payables as of December 2022 mainly represented the contingent consideration payables for the acquisition made by Frontage, which has been settled during the Reporting Period.

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

(Continued)

Contract Assets and Contract Liabilities

Our contract assets increased by 18.4% from RMB1,997.3 million as of December 31, 2022 to RMB2,364.1 million as of June 30, 2023 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) issuing billing notice to our customers, which also contributed to the increase of our contract assets as of June 30, 2023.

Our contract liabilities decreased by 6.7% from RMB939.8 million as of December 31, 2022 to RMB876.4 million as of June 30, 2023, as more projects reached the service milestones.

Property, Plant and Equipment

Our property, plant and equipment increased by 7.5% from RMB976.7 million as of December 31, 2022 to RMB1,049.8 million as of June 30, 2023, 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 decreased by 2.1% from RMB276.1 million as of December 31, 2022 to RMB270.4 million as of June 30, 2023, primarily due to the amortisation of intangible assets during the Reporting Period higher than the newly acquired intangible assets.

Right-of-use Assets

Our right-of-use assets decreased by 6.2% from RMB622.4 million as of December 31, 2022 to RMB584.1 million as of June 30, 2023, primarily due to the reason that fewer new rental contracts and the existing lease contracts expired.

Interest in Associates

Our interests in associates increased from RMB1,799.8 million as of December 31, 2022 to RMB2,413.6 million as of June 30, 2023, primarily in relation to the capital injection to Hangzhou Taikun which we had 50.0% ownership and the newly capital injection to Jiangsu Lanwan Management technology Ltd., Co* (江蘇瀾灣管理科技有限公司) which we had 49.0% ownership, respectively, as of June 30, 2023.

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

(Continued)

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 6.4% from RMB9,992.7 million as of December 31, 2022 to RMB10,633.3 million as of June 30, 2023. 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 June 30, 2023 *RMB'000*	As of December 31, 2022 *RMB'000*
Non-current assets		
Financial assets at FVTPL		
– Life insurance policies	**2,974**	2,680
– Listed equity securities	**529,821**	304,175
– Unlisted equity investments	**4,967,258**	4,718,449
– Unlisted fund investments	**5,095,923**	4,918,549
– Unlisted debt instrument	**13,498**	20,000
Total financial assets at FVTPL	**10,609,474**	9,963,853
Financial assets at FVOCI		
– Unlisted equity investments	**3,844**	3,864
Current assets		
Financial assets at FVTPL		
– Financial products	**20,000**	24,770
– Listed equity securities	**–**	62
– Unlisted fund investments	**–**	114
Total financial assets at FVTPL and FVOCI	**10,633,318**	9,992,663

1. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP DURING 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 June 30, 2023, we were a strategic investor in 158 innovative companies and other related companies in the healthcare industry, as well as a limited partner in 59 professional investment funds.

During the Reporting Period, we realized a gain of RMB152.3 million from exiting our investments in companies and investment funds, as measured by the exit amount against our initial investment cost, compared with RMB80.7 million during the Corresponding Period.

Our investments in listed equity securities amounted to RMB529.8 million as of June 30, 2023, representing a 74.2% increase from RMB304.2 million as of December 31, 2022. The increase is primarily due to the increase of investment in listed companies during the Reporting Period.

Our unlisted equity investments amounted to RMB4,971.1 million as of June 30, 2023, representing a 5.3% increase from RMB4,722.3 million as of December 31, 2022. 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.

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

Financial assets at FVTPL and FVOCI (Continued)

Investments in companies and investment funds (Continued)

Our unlisted fund investments amounted to RMB5,096.0 million as of June 30, 2023, representing a 3.6% increase from RMB4,918.7 million as of December 31, 2022. 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 amounted to RMB3.0 million as of June 30, 2023, representing a 11.1% increase from RMB2.7 million as of December 31, 2022. Bolt-on acquisitions made by DreamCIS during the Reporting Period contributed to the increase.

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	4,722,313	4,918,663	304,237	2,680	20,000	9,967,893
Additions	239,265	22,916	9	550	13,498	276,238
Fair value change during the Reporting Period	20,073	277,894	232,042	(251)	–	529,758
Disposals of shares	(24,863)	(162,186)	(20,474)	–	(20,000)	(227,523)
Exchange realignment	14,314	38,636	14,007	(5)	–	66,952
Ending Balance	4,971,102	5,095,923	529,821	2,974	13,498	10,613,318

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

Indebtedness

Borrowings

The Group had RMB2,678.7 million outstanding borrowings as of June 30, 2023, of which RMB2,390.1 million were short-term and RMB288.6 million were long-term. As of June 30, 2023, approximately 93% of our borrowings were denominated in RMB and approximately 7% were US$ borrowings. As at June 30, 2023, the Group had RMB2,302 million in fixed-rate borrowings and the rest in floating rate 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 11.2% as of June 30, 2023, as compared with 9.3% as of December 31, 2022.

Lease Liabilities

We had outstanding aggregated lease liabilities (for the remainder of relevant lease terms) of RMB572.5 million as of June 30, 2023, falling 5.6% from RMB606.7 million as of December 31, 2022, primarily due to the fewer new rental contracts and the existing lease contracts expiring. Of the aggregated lease liabilities as of June 30, 2023, RMB119.4 million were due within one year and RMB453.1 million would be due in more than one year.

Pledges over Assets of the Group

Other than disclosed in note 21 to the condensed consolidated financial statements in this report, the Group had no pledges over assets of the Group as of June 30, 2023.

Contingent Liabilities

As of June 30, 2023, the Group had no contingent liabilities.

Capital Commitments

As of June 30, 2023, the Group had total capital commitments entered but outstanding and not provided for in the financial statements amounting to approximately RMB1,136.6 million (December 31, 2022: approximately RMB777.0 million) and mainly included that not provided for the acquisition for the investments in the funds or companies was around RMB720.7 million (December 31, 2022: approximately RMB746.8 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 RMB8.0 billion as of June 30, 2023. 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.

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

Indebtedness (Continued)

Significant Investments Held

As of June 30, 2023, saved for the investment as mentioned below, the Group did not hold any other significant investments.

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.

Hangzhou Taikun was established on August 10, 2021 and became an associate of the Group. As of June 30, 2023, our Group has paid up RMB2,000.0 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 June 30, 2023, the carrying amount of our investment in Hangzhou Taikun was RMB2,085.5 million, accounting for 7.0% of the total assets of the Group.

As of June 30, 2023, Hangzhou Taikun had a net asset of RMB4,171.0 million, and generated a profit of RMB109.5 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.

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

Indebtedness (Continued)

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 DURING THE REPORTING PERIOD

(Continued)

Core Competence Analysis

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

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

   We are the leading clinical CRO in China. Having worked with over 1,350 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 June 30, 2023, we have a team of over 1,500 professionals based overseas 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 June 30, 2023, we had 207 ongoing single region clinical trials overseas, primarily in South Korea, Australia and the U.S., up from 188 ongoing single region clinical trials overseas as of December 31, 2022. We also had 62 ongoing MRCTs as of June 30, 2023.

1. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP DURING 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. During the Reporting Period, 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. We have realized the online management of the whole life cycle of quality standard documents ("**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 DURING 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. 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. 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 (上海思博職業技術學院). 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 incentive schemes. 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 DURING 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, 6 out of our top 20 customers by revenue in the first half of 2023 are top multi-national pharmaceutical companies and 15 out of our top 20 customers by revenue in the first half of 2023 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). The acquisition of Marti Farm further enhanced 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 DURING THE REPORTING PERIOD

(Continued)

Other Events

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 was approved by the Shareholders at the annual general meeting of the Company on May 23, 2023 (the "**2022 AGM**"), 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 announcements of the Company dated March 28, 2023 and May 23, 2023 and the circular of the Company dated April 28, 2023 for details.

   On July 14, 2023, the board of directors of DreamCIS approved the proposed DreamCIS 2023 Share Option Scheme.

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, appointment 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 appointment of Mr. Zhang Wensheng as an independent non-executive Director of the fifth session of the Board. As Mr. Zhang Wensheng had withdrawn from the election as a candidate for independent non-executive Directors of the fifth session of the Board due to personal reasons, on April 25, 2023, the Company convened the thirty-third meeting of the fourth session of the Board to approve the proposed appointment of Mr. Yuan Huagang as an independent non-executive Director of the fifth session of the Board (the "**Proposed Election of the Fifth Session of the Board**"). The resolutions on the Proposed Election of the Fifth Session of the Board was approved by the Shareholders at the 2022 AGM. Please refer to the announcements of the Company dated March 28, 2023, April 25, 2023 and May 23, 2023 and the circular of the Company dated April 28, 2023 for details.

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

Other Events (Continued)

3. On March 28, 2023, the twenty-first meeting of the fourth session of the Supervisory Committee was convened 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 was approved by the Shareholders at the 2022 AGM. Please refer to the announcements of the Company dated March 28, 2023 and May 23, 2023 and the circular of the Company dated April 28, 2023 for details.

4. On March 28, 2023, Ms. Lou Wenqing has been elected as the employee representative 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.

5. On May 23, 2023, the Company convened the first meeting of the fifth session of the Board to approve the appointment of Dr. Ye Xiaoping as the chairman of the fifth session of the Board, the appointment of Ms. Cao Xiaochun as the general manager of the Company, Mr. Wu Hao as the co-president of the Company, Mr. Wen Zengyu as the deputy general manager of the Company, Ms. Yang Chengcheng as the chief financial officer of the Company, Ms. Li Xiaori as the secretary to the Board and Ms. Ruan Xinhui as the representative of securities affairs (證券事務代表) of the Company, each with a term commencing from May 23, 2023 until the conclusion of the fifth session of the Board. Mr. Zhang Binghui was appointed as the chairman of the fifth session of the Supervisory Committee with a term commencing from May 23, 2023 until the conclusion of the fifth session of the Supervisory Committee. The composition of the Board committees of the fifth session of the Board are as follows: (1) the Audit Committee comprises Mr. Liu Kai Yu Kenneth, Dr. Yang Bo and Mr. Yuan Huagang, and chaired by Mr. Liu Kai Yu Kenneth; (2) the Nomination Committee comprises Dr. Yang Bo, Mr. Wen Zengyu and Mr. Liu Kai Yu Kenneth, and chaired by Dr. Yang Bo; (3) the Remuneration and Evaluation Committee comprises Mr. Yuan Huagang, Mr. Liu Kai Yu Kenneth and Ms. Cao Xiaochun, and chaired by Mr. Yuan Huagang; and (4) the Strategic Development Committee comprises Dr. Ye Xiaoping, Mr. Wu Hao, Dr. Yang Bo and Mr. Yuan Huagang, and chaired by Dr. Ye Xiaoping, each with a term commencing from May 23, 2023 until the conclusion of the fifth session of the Board. Please refer to the announcement of the Company dated May 23, 2023 for details.

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

Industry and Business Outlook

I. Situation of the industry in which the Company operates during the Reporting Period

Under the background of the declining birth rate and the increase in the proportion of China's population aged 65 and above to the total population, the continuous increase in the average life expectancy of Chinese people and the aging population have been boosting the demand for healthcare in China. Meanwhile, China, as a country with a large population, continues to drive market demand for innovative drug research and development in light of its large patient population, intense competition generated by product homogeneity, continuous improvement in medical technology and living quality, ongoing reforms in national policies, continuous enhancement in the drug approval system and other factors. The number of new clinical trials initiated in China increases progressively year after year since 2016. According to the Drug Clinical Trial Registration and Information Disclosure Platform (藥物臨床試驗登記與資訊公示平台), the number of new drug clinical trials in China increased from 809 in 2016 to 3,320 in 2022, with an average annual growth rate of 29%. As of July 31, 2023, the total number of registered clinical trials in 2023 has reached 2,276.

Regulatory authorities continued to optimize the clinical trial approval process, improve the drug approval system and gradually align the system with global standards, and accelerate the review and approval of urgently needed clinical drugs and medical devices. In the first half of the year, regulatory authorities newly issued the "Measures for the Administration of Drug Standards (Draft for Comments)" (《藥品標準管理辦法(徵求意見稿)》), the "Procedures for Safety Information Assessment and Risk Management during Drug Clinical Trials of CDE (Trial) (Revised Draft for Comments)" (《藥品審評中心藥物臨床試驗期間安全信息評估與風險管理工作程序(試行)修訂稿(徵求意見稿)》), the "Technical Guiding Principles for Benefit-Risk Assessment of New Drugs" (《新藥獲益－風險評估技術指導原則》), the "Specifications for Accelerating the Review of Marketing Authorization Applications of Innovative Drugs by CDE (Trial)" (《藥審中心加快創新藥上市許可申請審評工作規範(試行)》), the "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持抗腫瘤藥上市申請的適用性技術指導原則》), the "Guiding Principles for the Design and Solutions Framework of Real-World Drug Research (Trial)" (《藥物真實世界研究設計與方案框架指導原則(試行)》) and other Relevant regulatory policies, and continued to improve the ICH-related systems, such as "E19: Selective Collection of Safety Data in Specific Later Pre-marketing or Post-marketing Clinical Trials" (《E19: 在特定的上市前後期或上市後臨床試驗中選擇性收集安全性數據》). The government and regulatory authorities have also further optimized and improved the ethical review. The "Measures for Ethical Review of Biomedical Life Science and Medical Research Involving Human Subjects" (《涉及人的生物醫學生命科學和醫學研究倫理審查辦法》) was jointly issued by the National Health Commission, the Ministry of Education, the Ministry of Science and Technology and the National Administration of Traditional Chinese Medicine and came into effect on February 27, 2023, which emphasizes full respect for research participants, comprehensively strengthens the protection of research participants, increases the requirements for the contents of informed consent, and increases the major contents of the initial ethical review of the application. The "Implementing Rules of the Regulations on the Management of Human Genetic Resources" (《人類遺傳資源管理條例實施細則》) was issued on June 1, 2023, which optimizes the relevant administrative rules and further accelerates the development of new drugs.

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

Industry and Business Outlook (Continued)

I. Situation of the industry in which the Company operates during the Reporting Period (Continued)

Furthermore, regulatory authorities continuously refined and improved R&D in drugs for rare diseases, drugs for children, and R&D in a number of therapeutic areas, such as rheumatic and immune diseases, type 2 diabetes in adults, respiratory syncytial virus and tumor. They also issued relevant technical guidance for pharmaceuticals and therapies, including antibody-drug conjugates, therapeutic human stem cells and their derivatives, chemically-synthesized polypeptide drugs, chemical and compound medicine, radiopharmaceuticals, gene therapy for hemophilia, drugs of photodynamic antitumor therapy, and new post-operation non-opioid analgesics. The "Suggestions for Further Improving the Medical Health Service System" (《關於進一步完善醫療衛生服務體系的意見》) issued by the General Office of the CPC Central Committee and the General Office of the State Council explicitly calls for strengthening the R&D system and capacity building of clinical medicine, public health and medical devices, and speeding up the overcoming of the disadvantages to high-end medical equipment.

China's regulatory framework continued to improve the domestic synchronized R&D system for overseas new drugs, promoting overseas innovative drugs to conduct synchronized R&D in China. A number of multinational pharmaceutical companies continuously aim at China's sizeable pharmaceutical market and choose China as one of the first places for the marketization of their new drugs. The strive for the simultaneous launch of innovative drugs in the Chinese market has increased the demand for more domestic clinical CROs. At the same time, the competition of innovative drugs is intensifying and the innovation abilities of many domestic pharmaceutical companies are improving, which not only accelerate these innovative drugs' rate of domestic marketization but also increase some pharmaceutical companies' demands to expand to international markets with their innovative drugs year by year. In recent years, in-licensing & out-licensing of biotech companies are popular and the trend continues to grow. Through in-licensing & out-licensing, biomedicine companies accelerate product R&D, reinforce their competitive advantages, and form a virtuous cycle of innovative development, which is conducive to facilitating global healthcare innovations. Driven by the demands of domestic and overseas pharmaceutical companies, there is also sustainable growth for cooperation between pharmaceutical companies and clinical CROs that have the resources and experience to conduct international multi-regional clinical trials and provide clinical trial protocols that meet international standards and high-quality clinical data.

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

Industry and Business Outlook (Continued)

I. Situation of the industry in which the Company operates during the Reporting Period (Continued)

The innovative drugs' clinical development is well-known for its high investment, high risk, long R&D cycle, as well as great difficulty and complexity. At the same time, factors such as the tightening of regulatory authorities' supervision on drug registration and marketing, a more competitive market, and the growing demand for overseas expansion continue to drive the demand and willingness of innovative drug pharmaceutical companies to outsource their R&D, aiming to reduce R&D costs, improve the R&D success rate, and increase R&D efficiency. Pharmaceutical companies' demand for CROs that can provide reliable new drug R&D plans, mature process management, strict compliance operation system, optimized clinical trial protocols and well-controlled personnel costs continues to increase. Clinical CROs with rich experience in clinical projects, strong adaptability to innovative technologies, the ability to provide diversified and one-stop CRO services, and the empowerment of new digital technologies, as well as the ability to manage large-scale global clinical trial projects, will continue to increase industry barriers and gain more competitive advantages.

II. Business outlook in 2023

There is no significant change on the future developments in the business of the Group, including the Company's prospects for year 2023 as compared with the information disclosed in the 2022 annual report.

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

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 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 plan fails to cope with the impact of relevant emergencies and force majeure, it may materially adversely affect the Company's business, finance, operating results and future prospects.

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

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

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

Potential Risks (Continued)

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 competitors 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.

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.

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

Potential Risks (Continued)

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.

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.

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

Potential Risks (Continued)

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 in the growth of our business. We intend to continue to attract and retain skilled personnel. However, as there is a limited supply of qualified personnel with the necessary experience and expertise, and such talent is highly sought after by pharmaceutical companies, medical device companies, CROs and research institutions, we have to provide competitive compensation and benefits packages to attract and retain talent. We may not always be able to hire and retain the requisite number of qualified personnel to keep pace with our anticipated growth while maintaining consistent service quality. Our expenses to recruit and retain talent are expected to continue to increase along with the growth of the CRO market in China and around the world. If there is a significant increase, our business, financial condition and results of operations may be adversely affected. In addition, we may not always be successful in training our professionals to quickly adapt to technological advances, evolving standards and changing customer needs, and the quality of our services may therefore be severely affected. If there is any failure to attract, train or retain skilled personnel, our reputation, business, financial condition, results of operations and prospects could be materially and adversely affected.

12. Risk of 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.

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

Potential Risks (Continued)

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 RMB413.3 million and RMB529.8 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 RMB15 million and RMB35 million, respectively. There is also no guarantee that we will continue to make gains on disposal of financial assets at FVTPL in the future, and our financial results may be materially affected.

14. Foreign exchange risk

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

15. Risks of changes in international policies and situations

Our overseas expansion, our financial condition and results of operations could be adversely affected by circumstances including but not limited to material change of laws, regulations, industrial policies or political and economic environment of any foreign nations or regions where we carry out business operation, or any unforeseeable and unpredictable factors such as 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.

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

Employees

The number of our employees increased to 9,455 as of June 30, 2023. 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.

We entered 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, share schemes and other means to attract, motivate, retain and reward our employees. In addition, we invest in continuing education and training programs, including internal and external training, for our management staff and other employees to upgrade their skills and knowledge.

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

SHARE INCENTIVE SCHEMES

The number of A Shares that may be granted under all schemes of the Company during the Reporting Period divided by the weighted average number of Shares of the A Shares in issue for the Reporting Period was nil.

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

1. 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" (《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(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. On January 8, 2021, the Shareholders' meeting of the Company passed a resolution to adopt the 2020 A Share employee share ownership plan (the "**2020 A Share Employee Share Ownership Plan**"). The participants of the 2020 A Share Employee Share Ownership Plan are core technical (business) personnel of the Company and its wholly-owned subsidiaries (excluding Directors, Supervisors and senior management personnel of the Company). 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 eligible employees may subscribe for unit(s) in the 2020 A Share Employee Share Ownership Plan. The subscription price per unit is RMB1.00. The total funds raised under the 2020 A Share Employee Share Ownership Plan shall be no less than RMB10 million and no more than RMB15 million and therefore the maximum number of the units is 15 million units. The total subscription price and the period within which the subscription price shall be paid will be set out in the individual award letter. 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.

SHARE INCENTIVE SCHEMES (Continued)

1. 2020 A Share Employee Share Ownership Plan (Continued)

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 27 to the condensed consolidated financial statements). The 2020 A Share Employee Share Ownership Plan does not involve any grant of share options which will require the Company to issue any new Shares or other new securities. The average repurchase price was RMB44.25 per share. On February 1, 2021, 286,372 shares previously repurchased by the Company was transferred to the trust unit for Employee Share Ownership Plan by way of non-trade transfer at RMB44.25 per share. As a result, a consideration of RMB12.7 million has been received by the Group upon the transfer of treasury shares.

The shares held by the Employee Share Ownership Plan in respect of a participant 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)".

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.

The initial term of the 2020 A Share Employee Share Ownership Plan spans over 36 months, from January 8, 2021 to January 8, 2024, subject to extension or early termination in accordance with the scheme rules. During the Reporting Period, all unlocked shares under the 2020 A Share Employee Share Ownership Plan were sold and sale proceeds have been distributed to all relevant holders. The 2020 A Share Employee Share Ownership Plan was completed, terminated, cleared and distributed according to the number of units held by the relevant holders. During the Reporting Period, the 2020 A Share Employee Share Ownership Plan had ended and no further Shares are available for grant under the 2020 A Share Employee Share Ownership Plan at the beginning and end of the financial period.

No individual holder shall subscribe for units under such scheme corresponding to more than 1% of the total issued share capital of the Company.

SHARE INCENTIVE SCHEMES (Continued)

1. 2020 A Share Employee Share Ownership Plan (Continued)

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

Date of grant	Category of participants	Outstanding as of January 1, 2023	Granted during the Reporting Period	Vested and unlocked during the Reporting Period	Forfeited during the Reporting Period	Lapsed during the Reporting Period	Outstanding as of June 30, 2023	Vesting period
February 1, 2021	Core technical (business) personnel	104,772	–	104,772	–	–	–	The lock-up period of the Shares held under the 2020 A Share Employee Share Ownership Plan is 12 months commencing from February 1, 2021, being the date of announcement of the completion of transfer of the last batch of shares to the relevant collective fund trust plan, and ended on February 1, 2022. The Shares in respect of a holder of the interest in the 2020 A Share Employee Share Ownership Plan will be unlocked upon the expiry of the lock-up period.

The weighted average closing price of the Shares immediately before the date on which the above shares were vested during the Reporting Period was RMB119.19.

For the six months ended June 30, 2023, the Group recognised total expense of nil (for the six months ended June 30, 2022: RMB4.7 million) in relation to 2020 A Share Employee Share Ownership Plan.

SHARE INCENTIVE SCHEMES (Continued)

2. 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.

SHARE INCENTIVE SCHEMES (Continued)

2. 2022 Restricted Share Incentive Scheme (Continued)

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.

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.

SHARE INCENTIVE SCHEMES (Continued)

2. 2022 Restricted Share Incentive Scheme (Continued)

The Shares underlying the 2022 Restricted Share Incentive Scheme shall be A Shares repurchased by the Company from the secondary market. The 2022 Restricted Share Incentive Scheme does not involve any grant of share options which will require the Company to issue any new Shares or other new securities. The total number of restricted shares to be granted under the 2022 Restricted Share Incentive Scheme is nil, being 0% of the total issued Shares as at the date of the 2023 Interim Report. The maximum number of Shares to be granted to a participant under the 2022 Restricted Share Incentive Scheme shall not exceed 1% of the total issued share capital of the Company.

The validity period of the 2022 Restricted Share Incentive Scheme shall commence on the date of the first grant of the restricted Shares, being November 25, 2022, and end on the date on which all the 2022 Restricted Shares under the 2022 Restricted Share Incentive Scheme granted to the participants have been vested or lapsed, which shall not exceed 60 months. As of the date of the 2023 Interim Report, the remaining life of the 2022 Restricted Share Incentive Scheme is approximately four years and two months.

Subject to fulfillment of the conditions as set out in the rules of the 2022 Restricted Share Incentive Scheme, the vesting periods and arrangements of each tranche of the reserved restricted shares granted under the 2022 Restricted Share Incentive Scheme are as follows:

Vesting Period		Proportion of Vesting
First vesting period	From the first trading day after the expiry of 12 months following the date of the reserved grant until the last trading day within the 24 months following the date of the reserved grant	50%
Second vesting period	From the first trading day after the expiry of 24 months following the date of the reserved grant until the last trading day within the 36 months following the date of the reserved grant	50%

The participants shall pay the grant price as decided by the Company upon satisfaction of granting conditions and vesting conditions, and the period within which the grant price shall be paid will be set out in the individual award letter. The source of funds for Directors and employees participating in the 2022 Restricted Share Incentive Scheme consists of funds raised from their compensation, self-raised funds and other methods as permitted by laws and regulations. The grant price of the restricted Shares under the first grant of the 2022 Restricted Share Incentive Scheme shall be RMB69 per Share, and shall not be lower than the par value of the Shares, and shall not be lower than the higher of the following:

(1) 70% of the average trading price of the A Shares for the last trading day preceding the date of the announcement of the draft of the 2022 Restricted Share Incentive Scheme (total trading amount for the preceding trading day/total trading volume traded on the preceding trading day), i.e., RMB57.95 per Share;

(2) 70% of the average trading price of the A Shares for last 20 trading days preceding the date of the announcement of the draft of the 2022 Restricted Share Incentive Scheme (total trading amount for the last 20 trading days/total trading volume traded on the last 20 trading days), i.e. RMB60.35 per Share;

SHARE INCENTIVE SCHEMES (Continued)

2. 2022 Restricted Share Incentive Scheme (Continued)

(3) 70% of the average trading price of the A Shares for last 60 trading days preceding the date of the announcement of the draft of the 2022 Restricted Share Incentive Scheme (total trading amount for the last 60 trading days/total trading volume traded on the last 60 trading days), i.e. RMB67.67 per Share; or

(4) 70% of the average trading price of the A Shares for last 120 trading days preceding the date of the announcement of the draft of the 2022 Restricted Share Incentive Scheme (total trading amount for the last 120 trading days/total trading volume traded on the last 120 trading days), i.e. RMB68.30 per Share.

The grant price of the reserved restricted shares under the 2022 Restricted Share Incentive Scheme shall also be RMB69 per Share, which is the same as grant price of the restricted shares under the first grant of the 2022 Restricted Share Incentive Scheme.

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

Date of grant	Name/Category of participants	Grant price per Share (RMB)	Outstanding as at January 1, 2023	Granted during the Reporting Period	Vested during the Reporting Period	Forfeited during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at June 30, 2023	Vesting period
November 25, 2022	YANG JIANSONG	69	66,940	–	–	–	–	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	–	–	–	–	6,012,844	
	Reserved Shares	69	750,000	–	–	–	–	750,000	
	Total		**6,829,784**	**–**	**–**	**–**	**–**	**6,829,784**	

SHARE INCENTIVE SCHEMES (Continued)

2. 2022 Restricted Share Incentive Scheme (Continued)

The number of restricted shares available for grant under the 2022 Restricted Share Incentive Scheme at the beginning and the end of the financial period is nil and nil, respectively. During the Reporting Period, none of the relevant restricted share granted under the 2022 Restricted Share Incentive Scheme has been vested to any participant. The number of unvested restricted shares as of June 30, 2023 was 6,829,784.

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 27 to the condensed consolidated financial statements in this interim report for details.

For the six months ended June 30, 2023, the Group recognised total expense of approximately RMB40.7 million in relation to the 2022 Restricted Share Incentive Scheme.

SHARE INCENTIVE SCHEMES (Continued)

Frontage Labs 2008 and 2015 Share Incentive Plans

Frontage Labs, a subsidiary of the Company, adopted 2 Pre-IPO share incentive plans respectively in 2008 and 2015 (collectively referred as the "**Frontage Labs Schemes**") for the primary purpose of attracting, retaining and motivating the directors and employees of the Frontage Labs and its subsidiaries. Under the Frontage Labs Schemes, the directors of Frontage Labs may grant up to 9,434,434 share options under the 2008 share incentive plan and 12,000,000 share options under the 2015 share incentive plan to eligible employees, including the directors and employees of Frontage Labs and its subsidiaries, to subscribe for shares in Frontage Labs. Each option granted has a contractual term of 5 to 10 years and vesting on the anniversary one year after grant date.

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.

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	Exercise price per share (US$)	Outstanding as at January 1, 2023	Granted during the Reporting Period	Exercised during the Reporting Period	Forfeited during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at June 30, 2023	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	February 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	9,950,000	–	100,000	–	–	9,850,000	exercisable at any time(2)
	February 28, 2019	0.200	34,340,500	–	2,768,500	–	–	31,572,000	exercisable at any time(1)
Total			**60,270,500**	**–**	**2,868,500**	**–**	**–**	**57,402,000**	

SHARE INCENTIVE SCHEMES (Continued)

Frontage Labs 2008 and 2015 Share Incentive Plans (Continued)

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$2.29.

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

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 six months ended June 30, 2023 and no more options may be granted under the Frontage Labs Schemes upon the listing of Frontage.

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 INCENTIVE SCHEMES (Continued)

Frontage Labs 2008 and 2015 Share Incentive Plans (Continued)

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 six months ended June 30, 2023 (for the six months ended June 30, 2022: nil) in relation to share options granted under the Frontage Labs Schemes.

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.

SHARE INCENTIVE SCHEMES (Continued)

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

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 Frontage 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 5.5 years until May 29, 2029. The offer of a grant of share options may be accepted a period to be determined by the board of Frontage upon payment of a consideration of US$1.00 by the grantee. 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.

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

SHARE INCENTIVE SCHEMES (Continued)

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

Set out below are details of the movements of the outstanding share options granted under the 2018 Share Incentive Plan during the Reporting Period:

Category of participants	Date of grant	Exercise price per share (HK$)	Outstanding as at January 1, 2023	Granted during the Reporting Period	Exercised during the Reporting Period	Forfeited during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at June 30, 2023	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	29,945,000	–	–	1,265,000	–	28,680,000	30% on September 1, 2023; 30% on September 1, 2024; and 40% on September 1, 2025
Total			**31,445,000**	**–**	**–**	**1,265,000**	**–**	**30,180,000**	

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. October 6, 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 six months ended June 30, 2023. The number of Awards available for grant under the 2018 Share Incentive Plan at the beginning and the end of the financial period is 146,712,091 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 27 to the condensed consolidated financial statements for details.

The Group recognised total expenses of approximately US$829,000 (equivalent to approximately RMB5,778,000) for the six months ended June 30, 2023 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 Frontage 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 Frontage 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 8.89% 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 during the Reporting Period:

			Number of awarded shares						
Category of participants	Date of grant	Purchase Price	Outstanding as at January 1, 2023	Granted during the Reporting Period	Vested during the Reporting Period	Forfeited during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at June 30, 2023	Vesting period
Directors									
Dr. Song Li	January 25, 2021	–	1,387,500	–	462,500	–	–	925,000	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	–	937,500	–	312,500	–	–	625,000	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	–	3,375,000	–	1,125,000	–	–	2,250,000	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	–	8,710,501	–	2,795,062	574,063	–	5,341,376	25% on January 24, 2022, 25% on January 24, 2023, 25% on January 24, 2024, and 25% on January 24, 2025
Total		–	14,410,501	–	4,695,062	574,063	–	9,141,376	

The weighted average closing price of the shares immediately before the dates on which the awards were vested during the financial period was HK$2.98.

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 period 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$1.1 million (equivalent to approximately RMB8.0 million) for the six months ended June 30, 2023 (for the six months ended June 30, 2022: approximately US$2.5 million (equivalent to RMB16.1 million)) in relation to share award granted under the 2021 Frontage Share Award Scheme.

The number of shares that may be issued in respect of options and awards granted under all schemes of Frontage during the financial period divided by the weighted average number of shares in issue for the financial period is nil.

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, 2023	Granted during the Reporting Period	Exercised during the Reporting Period	Forfeited during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at June 30, 2023	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	131,979	–	–	3,937	–	128,042	March 25, 2023
Total			176,147	–	1,600	3,937	–	170,610	

Notes:

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

(2) The weighted average closing price of the shares of DreamCIS immediately before the dates on which the option were exercised was KRW13,600.

The exercise price of options outstanding ranges from KRW10,680 to KRW16,300 (equivalent to RMB64.1 to RMB93.2).

The Group recognised total expense of approximately RMB0.2 million for the six months ended June 30, 2023 (for the six months ended June 30, 2022: RMB0.5 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 of the Reporting Period 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 this report.

SHARE INCENTIVE SCHEMES (Continued)

2021 DreamCIS Scheme (Continued)

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

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

The 2021 DreamCIS Scheme shall be valid and effective for a period of 10 years commencing on March 26, 2021, after which period no further options shall be granted (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 7.5 years.

SHARE INCENTIVE SCHEMES (Continued)

2021 DreamCIS Scheme (Continued)

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

No grant has been made since the adoption of the 2021 DreamCIS Scheme and up to June 30, 2023. Accordingly, there were no exercise, cancel and lapse of options under the 2021 DreamCIS Scheme since the adoption of such scheme and up to June 30, 2023.

DreamCIS 2023 Share Option Scheme

On March 28, 2023, DreamCIS 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 and for such other purposes as the DreamCIS Board may approve from time to time.

Eligible participants include directors or employees of DreamCIS who have contributed or will contribute to the incorporation, management, technological innovation, etc. of DreamCIS as well as directors or employees of a Related Company (as defined below, in case of granting the Option by resolution of the DreamCIS board, excluding directors of DreamCIS) with supervisor title and above before March 3, 2023; provided that, such person shall not be a Largest Shareholder (as defined below), a Major Shareholder (as defined below), or their Specially Related Person (as defined below, except for persons who have become Specially Related Persons by virtue of becoming an officer of DreamCIS or the Related Company).

SHARE INCENTIVE SCHEMES (Continued)

DreamCIS 2023 Share Option Scheme (Continued)

The qualifications of a person to be granted the option shall be provided for in the articles of incorporation of DreamCIS, through a special resolution of the general meeting of DreamCIS shareholders.

For the purpose of the DreamCIS 2023 Share Option Scheme, a "Related Company" means any of the following, provided that the shares held less than that of (a) or (b) below, but the business scope of the corporations shall be limited to those engaging in manufacturing or sales which affect the results of export of DreamCIS, or those engaging in research and development projects for technical innovation of DreamCIS: (a) a foreign corporation in which investments made by the related company as the largest investor are at least 30% of the corporation's total equity capital; (b) a foreign corporation in which investments made by the foreign corporation mentioned in above (a) as the largest investor are at least 30% of the former foreign corporation's equity capital, or a foreign corporation in which investments made by such foreign corporation as the largest investor are at least 30% of the former foreign corporation's equity capital; or (c) if the related company is a financial holding company as defined in the Financial Holding Companies Act of Korea, an unlisted corporation among subsidiaries and sub-subsidiaries of such financial holding company.

A "**Largest Shareholder**" has its meaning under the Commercial Act of Korea (the "**Commercial Act**"), and means a shareholder who owns the largest number of DreamCIS shares, based on the total number of issued and outstanding DreamCIS shares other than non-voting DreamCIS shares.

A "**Major Shareholder**" has its meaning under the Commercial Act, and means a shareholder who owns more than 10% of the total number of issued and outstanding DreamCIS shares other than non-voting DreamCIS shares on his or her own account regardless of in whose name the DreamCIS shares are held, or exerts de facto influence on important matters related to the management of DreamCIS, including the appointment and dismissal of directors, executive directors or auditors, and his or her spouse, lineal ascendants and lineal descendants.

A "**Specially Related Person**" has its meaning under the Commercial Act, and means any of the following persons of a Largest Shareholder or a Major Shareholder: (a) directors, executive officers, and auditors; (b) affiliated companies and directors, executive officers and auditors thereof; (c) an individual or an organization that has invested at least 30% of the equity capital of the shareholder or has de facto control over important matters in the management of the shareholder, including appointment and dismissal of directors, executive officers and auditors of the shareholder (excluding their affiliated companies) and directors, executive officers and auditors of such individuals or organizations; or (d) an organization, where the shareholder, alone or jointly with the persons specified under (a) through (c) above, has invested at least 30% of the equity capital of such organization or has de facto control over important matters in the management of the organization, including appointment and dismissal of directors, executive officers, and auditors (excluding their affiliated companies) and directors, executive officers and auditors of such organizations.

As the DreamCIS 2023 Share Option Scheme was adopted on July 14, 2023, the number of options available for grant under DreamCIS 2023 Share Option Scheme at the beginning and the end of the Reporting Period is nil and nil, respectively. As at the date of this report, not more than 270,000 shares are available for issue under the DreamCIS 2023 Share Option Scheme, representing not more than 10% of the total shares in issue of DreamCIS as at the date of this report.

SHARE INCENTIVE SCHEMES (Continued)

DreamCIS 2023 Share Option Scheme (Continued)

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 the exercise of all options (excluding options which have lapsed in accordance with the terms of the scheme) 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 the Listing Rules in force from time to time, by ordinary resolution of the Shareholders at the general meeting, at which the participant and his close associates (or associates if the participant is a connected person) 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 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 to be granted to such participants in the 12-month period aforementioned), the purpose of granting options to participants with an explanation as to how the terms of the options serve such purpose; and (c) the number and terms of such options must be fixed before the general meeting of the Shareholders at which the same are approved.

Each offer shall be in writing made to a participant by letter in such form as may be determined by a special resolution of the general meeting of DreamCIS shareholders or the DreamCIS board may from time to time determine at its discretion (the "**2023 Offer Letter**"). The 2023 Offer Letter shall state, among others, the option period during which the option may be exercised, which period shall be determined in the 2023 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 DreamCIS 2023 Share Option 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 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. Options to be granted under the DreamCIS 2023 Share Option Scheme have no performance target.

The DreamCIS shareholders or the DreamCIS board, as the case may be, shall specify in the 2023 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 or the date on which the conditions for the offer are satisfied, whichever is earlier. No amount is payable on application or acceptance of the option.

The DreamCIS 2023 Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date on which it is adopted by ordinary resolution of the Shareholders at the general meeting or on the date on which it is approved by the DreamCIS board, whichever is later, after which period no further options shall be granted. Subject to the above, in all other respects, in particular, in respect of options remaining outstanding on the expiry of the 10-year period referred to in this paragraph, the provisions of the DreamCIS 2023 Share Option Scheme shall remain in full force and effect. The DreamCIS 2023 Share Option Scheme was approved by the Shareholders at the 2022 AGM. On July 14, 2023, the board of directors of DreamCIS approved the proposed DreamCIS 2023 Share Option Scheme. The remaining life of the DreamCIS 2023 Share Option Scheme is 9 years 10 months.

SHARE INCENTIVE SCHEMES (Continued)

DreamCIS 2023 Share Option Scheme (Continued)

Subject to the effect of alterations to share capital of DreamCIS, and as required by the Commercial Act, the price at which each DreamCIS share subject to an option may be subscribed for on the exercise of that option, 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 at the date of granting the stock option and their face value or nominal value.

For the purpose of the DreamCIS 2023 Share Option Scheme, "substantial price" means: (x) average of final quotations of the stocks traded on the securities market and disclosed on a daily basis for two months (if any adjustment to a trading reference price is made due to ex-dividends or ex-rights during the same period, and the day immediately preceding the date of granting the stock option comes after at least seven days from the date the ex-dividends or ex-rights occur, it shall be such period) before the day immediately preceding the date the resolution of the Board is made, weighted by trading volume by real transactions; (y) average of final quotations of the stocks traded on the securities market and disclosed on a daily basis for one month (if any adjustment is made to a trading reference price due to ex-dividends or ex-rights during the same period, and the day immediately preceding the date of granting of the stock option comes after at least seven days from the date the ex-dividends or ex-rights occur, it shall be such period) before the day immediately preceding the date of granting stock option, weighted by trading volume by real transactions; and (z) average of final quotations of the stocks traded on the securities market and disclosed on a daily basis for one week before the day immediately preceding the date the stock option is granted, weighted by trading volume by real transactions.

As the DreamCIS 2023 Share Option Scheme was adopted on July 14, 2023, no grant has been made during the Reporting Period. Accordingly, there were no exercise, cancel and lapse of options under the 2023 DreamCIS Share Option Scheme during the Reporting Period.

The number of shares that may be issued in respect of options and awards granted under all schemes of DreamCIS during the financial period divided by the weighted average number of shares in issue for the financial period is 14.33%.

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.

SHARE INCENTIVE SCHEMES (Continued)

Fantastic Bioimaging Scheme (Continued)

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, 2023	Granted during the Reporting Period	Vested during the Reporting Period	Forfeited during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at June 30, 2023	Vesting period
Employees	September 1, 2019	1.5	–	–	–	–	–	–	September 1, 2022

The Group recognised total expense of nil for the six months ended June 30, 2023 (for the six months ended June 30, 2022: RMB1.6 million) in relation to restricted shares granted under the Fantastic Bioimaging Scheme.

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 restricted share (RMB)	Outstanding as at January 1, 2023	Granted during the Reporting Period	Exercised during the Reporting Period	Forfeited during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at June 30, 2023	Vesting period
Other employees	September 8, 2021	281	24,800	–	–	1,000	–	23,800	September 7, 2024

The Group recognised total expense of approximately RMB0.7 million for the six months ended June 30, 2023 (for the six months ended June 30, 2022: RMB0.2 million) in relation to restricted shares granted under the Fantastic Bioimaging Scheme.

USE OF NET PROCEEDS FROM OUR HONG KONG INITIAL PUBLIC OFFERING

The total net proceeds from the 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 will 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 annual general meeting of the Company in 2021 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$5,658.2 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.

As at 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)*	Net proceeds unutilized as of December 31, 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	1,189.5	351.5	756.4	838.0	36 to 48 months from the Listing

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

	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)*	Net proceeds unutilized as of December 31, 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 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	4,384.0	–	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	74.1	71.2	293.8	2.9	36 to 48 months from the Listing
approximately 10% to repay certain of our outstanding borrowings as of May 31, 2020	1,181.7	–	–	1,181.7	–	–

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

	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)*	Net proceeds unutilized as of December 31, 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 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	21.3	21.3	590.9	–	–
approximately 10% to working capital and general corporate purposes	1,181.7	433.3	–	748.4	433.3	–
Total	**9,572.4**	**6,102.2**	**444.0**	**3,914.2**	**5,658.2**	

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).

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend during the Reporting Period (June 30, 2022: nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

CHANGE OF INFORMATION OF DIRECTORS AND SUPERVISORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the change of information of Directors and Supervisors since the publication of the 2022 annual report and up to the date of this report are set out as follows:

(1) Mr. Wen Zengyu has been appointed as an executive Director and a member of the Nomination Committee on May 23, 2023.

(2) Mr. Yuan Huagang has been appointed as an independent non-executive Director, the chairman of the Remuneration and Evaluation Committee and a member of the Audit Committee and the Strategy Development Committee on May 23, 2023.

(3) Ms. Yin Zhuan retired as an executive Director and a member of the Nomination Committee on May 23, 2023.

(4) Mr. Zheng Bijun retired as an independent non-executive Director, the chairman of the Remuneration and Evaluation Committee and a member of the Audit Committee and the Strategy Development Committee on May 23, 2023.

Since the publication of the 2022 annual report and up to the date of this report, there was no change to information which was required to be disclosed by Directors and Supervisors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

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

As of June 30, 2023, 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 Securities and Futures Ordinance; or which shall be separately notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

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

Name of Director	Nature of Interest	Number and class of Shares interested in	Approximate percentage of shareholding in the relevant class of Shares**	Approximate percentage of shareholding in the total Shares in issue of the Company***
Dr. Ye Xiaoping[(1)]	Beneficial owner; Interest of person acting in concert	228,901,315 A Shares(L)*	30.55%(L)*	26.24%(L)*
Ms. Cao Xiaochun[(1)]	Beneficial owner; Interest of person acting in concert	228,901,315 A Shares(L)*	30.55%(L)*	26.24%(L)*

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 the Company (Continued)

Notes:

* “L” means holding a long position in Shares.

** Refers to the percentage of the number of relevant class of Shares involved divided by the number of Shares in issue of the relevant class of Shares of the Company as at June 30, 2023.

*** 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 June 30, 2023.

(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 of our Directors in the Shares or Underlying Shares of our Associated Corporations

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

Save as disclosed above, so far as the Directors are aware, as at June 30, 2023, none of our Directors, Supervisors or chief executives has any interest and/or short position in the Shares, underlying Shares and debentures of the Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

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

As at June 30, 2023, 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	12,531,426 H Shares (L) 3,544,236 H Shares (S) 1,756,774 H Shares (P)	10.18% 2.88% 1.43%	1.44% 0.41% 0.20%
Brown Brothers Harriman & Co.	Approved lending agent	7,378,645 H Shares (L) 7,378,645 H Shares (P)	5.99% 5.99%	0.85% 0.85%
Citigroup Inc.	Approved lending agent/ Interest in controlled corporation	7,891,985 H Shares (L) 145,982 H Shares (S) 7,736,714 H Shares (P)	6.41% 0.12% 6.28%	0.85% 0.02% 0.89%
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%

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

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 June 30, 2023.
- *** 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 June 30, 2023.

(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 June 30, 2023, 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 TO PURCHASE SHARES OR DEBENTURES

Apart from the above disclosed in the section of "SHARE INCENTIVE SCHEMES", at no time during the Reporting Period was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debt securities including debentures of, the Company or any other body corporate.

COMPLIANCE WITH THE CG CODE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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.

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.

EVENT AFTER THE REPORTING PERIOD

Subsequent to June 30, 2023, the following significant event took place:

1. On August 15, 2023 (New York time), Frontage Canada, Inc. ("**Frontage Canada**"), an indirect wholly owned subsidiary of Frontage, and Frontage Laboratories, Inc., a wholly owned subsidiary of Frontage and Frontage Canada's parent company, entered into a share purchase agreement (the "**Share Purchase Agreement**") with the shareholders of Nucro Technics Inc. ("**Nucro**") and Nucro-Technics Holdings Inc. ("**Nucro Holdings**") as of the date of the Share Purchase Agreement (the "**Sellers**"), Sellers' representative, Nucro, and Nucro Holdings in respect of an acquisition, pursuant to which Sellers agreed to sell and Frontage Canada agreed to purchase 100% of the equity interest in Nucro in aggregate for cash consideration of CAD70,000,000 (equivalent to approximately HK$410,431,000), subject to the adjustments sets forth therein, in accordance with the terms and conditions of the Share Purchase Agreement. The obligations of the Frontage Canada under the Share Purchase Agreement are guaranteed by the Frontage Laboratories, Inc. in favour of the Sellers.

   Immediately following the completion of the acquisition, Nucro becomes an indirect subsidiary of the Group and the financial results, assets and liabilities of Nucro will be consolidated into the consolidated financial statements of the Group.

   For details, please refer to the announcement of Frontage dated August 15, 2023.

   As of the date of this report, it is not practicable to provide an estimate of financial effect of the above acquisition until the Group performed a detailed review.

REVIEW OF INTERIM RESULTS AND INTERIM REPORT

The Audit Committee comprises three independent non-executive Directors, namely Mr. Liu Kai Yu Kenneth, Dr. Yang Bo and Mr. Yuan Huagang. The chairman of the Audit Committee is Mr. Liu Kai Yu Kenneth, who holds the appropriate qualification as required under Rules 3.10(2) and 3.21 of the Listing Rules. The Audit Committee has reviewed the Group's 2023 interim results announcement, interim report and unaudited condensed consolidated financial information of the Group for the six months ended June 30, 2023 with the management of the Company. The Audit Committee considered that the interim results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management of the Company.

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

Hong Kong, August 25, 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2023

	Notes	Six months ended June 30, 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	5	**3,710,850**	3,594,209
Cost of services		**(2,244,568)**	(2,175,881)
Gross profit		**1,466,282**	1,418,328
Other income	7	**147,146**	128,757
Other gains and losses, net	8	**571,836**	468,609
Impairment losses under expected credit loss ("ECL") model, net of reversal		**(29,777)**	(28,411)
Selling and marketing expenses		**(88,998)**	(80,040)
Administrative expenses		**(350,171)**	(321,379)
Research and development expenses		**(128,082)**	(110,520)
Share of profits of associates		**63,724**	35,556
Finance costs	9	**(52,815)**	(31,035)
Profit before tax	10	**1,599,145**	1,479,865
Income tax expense	11	**(191,055)**	(162,239)
Profit for the period		**1,408,090**	1,317,626
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of financial assets at fair value through other comprehensive income		**–**	14,663
Exchange differences arising from translation of foreign operations		**103,154**	170,171
Total comprehensive income for the period		**1,511,244**	1,502,460
Profit for the period attributable to:			
Owners of the Company		**1,388,337**	1,192,004
Non-controlling interests		**19,753**	125,622
		1,408,090	1,317,626
Total comprehensive income for the period attributable to:			
Owners of the Company		**1,458,198**	1,334,021
Non-controlling interests		**53,046**	168,439
		1,511,244	1,502,460
Earnings per share	12		
– Basic *(RMB)*		**1.61**	1.38
– Diluted *(RMB)*		**1.60**	1.38

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2023

	Notes	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	14	**1,049,760**	976,679
Intangible assets	15	**270,413**	276,147
Goodwill	16	**2,549,178**	2,485,018
Right-of-use assets	14	**584,058**	622,354
Interests in associates		**2,413,561**	1,799,825
Deferred tax assets		**141,532**	121,353
Financial assets at fair value through profit or loss ("FVTPL")	17	**10,609,474**	9,963,853
Financial assets at fair value through other comprehensive income ("FVOCI")	17	**3,844**	3,864
Other financial assets at amortised cost		**39,087**	27,607
Restricted bank deposits		**2,168**	2,089
Other non-current assets		**29,351**	62,564
		17,692,426	16,341,353
CURRENT ASSETS			
Inventories		**26,532**	22,204
Trade, bills and other receivables and prepayments	18	**1,398,473**	1,186,273
Contract assets	19	**2,364,142**	1,997,311
Financial assets at FVTPL	17	**20,000**	24,946
Prepaid income tax		**29,358**	15,136
Restricted bank deposits		**6,884**	19,115
Time deposit with original maturity over three months		**32,688**	54,194
Cash and cash equivalents		**8,096,172**	7,782,741
		11,974,249	11,101,920
Assets classified as held for sale		**–**	3,237
CURRENT LIABILITIES		**11,974,249**	11,105,157
Trade and other payables	20	**1,149,121**	717,950
Contract liabilities		**876,381**	939,765
Bank borrowings	21	**2,390,088**	1,868,215
Income tax payables		**98,295**	85,875
Lease liabilities		**119,365**	117,764
		4,633,250	3,729,569
NET CURRENT ASSETS		**7,340,999**	7,375,588
TOTAL ASSETS LESS CURRENT LIABILITIES		**25,033,425**	23,716,941

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2023

	Notes	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Bank borrowings	21	**288,571**	244,641
Deferred government grant		**15,115**	14,786
Pension obligations		**461**	425
Lease liabilities		**453,103**	488,976
Other long-term liabilities	22	**86,937**	72,692
Deferred tax liabilities		**231,389**	214,393
		1,075,576	1,035,913
NET ASSETS		**23,957,849**	22,681,028
CAPITAL AND RESERVES			
Share capital	23	**872,419**	872,419
Treasury shares	24	**(869,340)**	(869,340)
Reserves		**20,635,416**	19,625,366
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**20,638,495**	19,628,445
Non-controlling interests		**3,319,354**	3,052,583
TOTAL EQUITY		**23,957,849**	22,681,028

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2023

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Employee Share-based compensation reserve RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Fair value through other comprehensive income reserve RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at January 1, 2023	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
Profit for the period	–	–	–	–	–	–	–	1,388,337	1,388,337	19,753	1,408,090
Exchange differences arising from translation of foreign operations	–	–	–	–	–	69,861	–	–	69,861	33,293	103,154
Total comprehensive income for the period	–	–	–	–	–	69,861	–	1,388,337	1,458,198	53,046	1,511,244
Acquisition of subsidiaries (Note 26)	–	–	–	–	–	–	–	–	–	6,755	6,755
Recognition of share-based payments (Note 27)	–	–	–	55,397	–	–	–	–	55,397	–	55,397
Reversal of deferred tax assets related to share-based payment	–	–	–	(8)	–	–	–	–	(8)	–	(8)
Exercise of share options	–	–	–	(30,211)	–	–	–	40,686	10,475	10,181	20,656
Contribution from non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	240,060	240,060
Change in equity interests in subsidiaries without change of control	–	–	–	–	–	–	–	(38,291)	(38,291)	(4,280)	(42,571)
Dividend declared (Note 13)	–	–	–	–	–	–	–	(475,721)	(475,721)	–	(475,721)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(38,991)	(38,991)
Balance at June 30, 2023 (unaudited)	872,419	11,509,648	(869,340)	219,165	474,751	126,609	8,879	8,296,364	20,638,495	3,319,354	23,957,849

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2023

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Employee Share-based compensation reserve RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Fair value through other comprehensive income reserve RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at January 1, 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 period	–	–	–	–	–	–	–	1,192,004	1,192,004	125,622	1,317,626
Change in fair value of FVOCI	–	–	–	–	–	–	8,729	–	8,729	5,934	14,663
Exchange differences arising from translation of foreign operations	–	–	–	–	–	133,288	–	–	133,288	36,883	170,171
Total comprehensive income for the period	–	–	–	–	–	133,288	8,729	1,192,004	1,334,021	168,439	1,502,460
Acquisition of subsidiaries (Note 26)	–	–	–	–	–	–	–	–	–	3,356	3,356
Recognition of share-based payments (Note 27)	–	–	–	25,566	–	–	–	–	25,566	–	25,566
Recognition of deferred tax assets related to share-based payment	–	–	–	42	–	–	–	(10,250)	(10,208)	–	(10,208)
Exercise of share options	–	14,290	78,593	(53,203)	–	–	–	15,357	55,037	12,690	67,727
Repurchase of shares (Note 24)	–	–	(369,391)	–	–	–	–	–	(369,391)	–	(369,391)
Cancellation of shares (Note 23)	(20)	(624)	644	–	–	–	–	–	–	–	–
Contribution from non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	225,400	225,400
Change in equity interests in subsidiaries without change of control	–	–	–	–	–	–	–	(53,260)	(53,260)	(31,744)	(85,004)
Share repurchase by subsidiaries	–	–	–	–	–	–	–	(29,333)	(29,333)	–	(29,333)
Dividend declared (Note 13)	–	–	–	–	–	–	–	(432,463)	(432,463)	–	(432,463)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(6,400)	(6,400)
Balance at June 30, 2022 (unaudited)	872,419	11,509,648	(869,340)	179,992	387,062	(22,861)	8,894	6,639,618	18,705,432	2,791,475	21,496,907

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2023

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**252,503**	245,952
INVESTING ACTIVITIES		
Acquisition of subsidiaries, net of cash acquired	**5,639**	(570,650)
Acquisition of subsidiaries in prior year	**(37,893)**	(147,235)
Proceeds from disposal of an associate	**–**	65,000
Acquisition of associates	**(500,000)**	(538,118)
Proceeds from disposal of property, plant and equipment	**4,762**	205
Purchase of property, plant and equipment	**(153,287)**	(147,872)
Purchase of intangible assets	**(16,810)**	(4,171)
Proceeds from disposal of financial assets at FVTPL	**383,390**	256,235
Purchase of financial assets at FVTPL	**(418,673)**	(497,777)
Decrease/(increase) in prepayment for acquisition of property, plant and equipment	**13,118**	(44,137)
Dividend income from financial assets at FVTPL	**10,869**	121
(Placement)/withdrawal of restricted bank deposits, net	**(232)**	964
Interest received	**122,864**	112,863
NET CASH USED IN INVESTING ACTIVITIES	**(586,253)**	(1,514,572)
FINANCING ACTIVITIES		
Proceeds from bank borrowings	**1,455,851**	1,749,896
Repayment of bank borrowings	**(896,841)**	(450,000)
Interest paid on borrowings	**(51,826)**	(7,334)
Repayment of principal portion of the lease liabilities	**(43,225)**	(38,627)
Interest paid on lease liabilities	**(14,272)**	(11,592)
Payment for grant of restricted share under Restricted Share Scheme (as defined in Note 26(c)(i)), net	**–**	(596)
Capital injection from non-controlling interests	**240,060**	225,400
Change in equity interest in subsidiaries without change of control	**(53,608)**	(69,360)
Proceeds from exercise of share options granted by a subsidiary	**3,891**	716
Payment for repurchase of shares	**–**	(369,391)
Payment for repurchase of shares by a subsidiary	**(4,230)**	(29,333)
Dividends paid to non-controlling interests	**(14,498)**	(6,682)
Dividends paid to owners of the Company	**–**	(436,414)
NET CASH GENERATED FROM FINANCING ACTIVITIES	**621,302**	556,683
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**287,552**	(711,937)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**7,782,741**	8,378,417
Effects of exchange rate changes	**25,879**	30,917
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY BANK BALANCES AND CASH	**8,096,172**	7,697,397

1. GENERAL INFORMATION

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

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

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

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

2. BASIS OF PREPARATION

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

These condensed consolidated financial statements should be read in conjunction with the annual financial statements of the Group for the year ended December 31, 2022.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current interim period, the Group has applied the following amendments to IFRSs issued by the International Accounting Standard Board, for the first time, which are mandatory effective for the annual period beginning on or after January 1, 2023 for the preparation of the Group's condensed consolidated financial statements:

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

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

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing these condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2022.

5. REVENUE

The Group's revenue streams are categorised as follows:

– Clinical trial solutions consist of clinical trial operation services and other core clinical services directly associated with clinical trial operations such as medical writing, translation and registration services, and pharmacovigilance services.

– Clinical-related and laboratory services consist of ancillary services that provide the necessary support to clinical trial operations, including analytical services (e.g., data management and statistical analysis, and medical imaging), logistical and execution support services (e.g., site management), administrative assistance (e.g., patient recruitment), consulting services (e.g., good manufacturing practice ("GMP") consulting), as well as laboratory services (e.g., drug metabolism and pharmacokinetics ("DMPK"), safety and toxicology, bioanalytical, and chemistry, manufacturing and controls ("CMC") services), as well as chemistry services.

An analysis of the Group's revenue is as follows:

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Clinical trial solutions	**2,103,350**	2,172,146
Clinical-related and laboratory services	**1,607,500**	1,422,063
	3,710,850	3,594,209
Overtime		
Clinical trial solutions	**2,103,350**	2,172,146
Clinical-related and laboratory services	**1,607,500**	1,422,063
	3,710,850	3,594,209

6. SEGMENT INFORMATION

Operating segments are determined based on the Group's internal reports which are submitted to chief executives officer, being the chief operating decision maker ("CODM") of the Group, for the purpose of performance assessment and resources allocation. This is also the basis upon which the Group is organised and managed.

No segment assets and liabilities are presented as they were not regularly provided to the CODM for the purpose of performance assessment and resources allocation.

The following are the Group's reportable segments under IFRS 8 "Operating Segments":

– Clinical trial solutions

– Clinical-related and laboratory services

Segment Revenues and Results

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

For the six months ended June 30, 2023

	Clinical trial solutions RMB'000 (Unaudited)	Clinical-related and laboratory services RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue	2,103,350	1,607,500	3,710,850
Gross profit	825,480	640,802	1,466,282
Unallocated amounts:			
Other income			147,146
Other gains and losses, net			571,836
Impairment losses under ECL model, net of reversal			(29,777)
Selling and marketing expenses			(88,998)
Administrative expenses			(350,171)
Research and development expenses			(128,082)
Share of profits of associates			63,724
Finance costs			(52,815)
Profit before tax			1,599,145

6. SEGMENT INFORMATION (Continued)

Segment Revenues and Results (Continued)

For the six months ended June 30, 2022

	Clinical trial solutions RMB'000 (Unaudited)	Clinical-related and laboratory services RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue	2,172,146	1,422,063	3,594,209
Gross profit	800,721	617,607	1,418,328
Unallocated amounts:			
Other income			128,757
Other gains and losses, net			468,609
Impairment losses under ECL model, net of reversal			(28,411)
Selling and marketing expenses			(80,040)
Administrative expenses			(321,379)
Research and development expenses			(110,520)
Share of profits of associates			35,556
Finance costs			(31,035)
Profit before tax			1,479,865

Geographical Information

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

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from external customers		
– PRC	**2,087,365**	1,680,838
– Other overseas countries and regions	**1,623,485**	1,913,371
	3,710,850	3,594,209

6. SEGMENT INFORMATION (Continued)

Geographical Information (Continued)

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

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Non-current assets excluding financial assets and deferred tax assets		
– PRC	**4,348,894**	3,695,750
– Other overseas countries and regions	**2,547,427**	2,522,755
	6,896,321	6,218,505

Information about major customers

Since no revenue from sale to a single customer amounted to 10% or more of the Group's revenue during the current and prior period, no major customer information is presented in accordance with IFRS 8 "Operating Segments".

7. OTHER INCOME

	Six months ended June 30, 2023 RMB'000 (Unaudited)	Six months ended June 30, 2022 RMB'000 (Unaudited)
Interest income from bank deposits	**122,538**	112,928
Interest income from financial products	**326**	690
Government grants	**12,735**	14,233
Dividend income from financial assets at FVTPL	**10,835**	121
Others	**712**	785
	147,146	128,757

8. OTHER GAINS AND LOSSES, NET

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net foreign exchange gain	**20,534**	3,781
Loss on disposal of property, plant and equipment	**(6)**	(109)
Change in fair value of financial assets at FVTPL	**529,758**	413,276
Fair value change of contingent consideration payables	**(2,467)**	1,583
Gain on disposal of associates	**–**	35,200
Gain on disposal of financial assets at FVTPL	**24,017**	14,878
	571,836	468,609

9. FINANCE COSTS

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest expense on bank borrowings	**38,543**	19,443
Interest on lease liabilities	**14,272**	11,592
	52,815	31,035

10. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**68,430**	48,942
Amortisation of intangible assets	**33,600**	30,053
Depreciation of right-of-use assets	**60,069**	43,779
Staff costs (including directors' emoluments):		
– Salaries and other benefits	**1,260,373**	1,075,109
– Retirement benefits scheme contributions	**160,960**	122,730
– Share-based payment expenses	**55,397**	25,566
	1,476,730	1,223,405

11. INCOME TAX EXPENSE

	Six months ended June 30, 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current tax:		
– Current period	**177,281**	187,051
– Under/(over) provision of current tax in prior period	**20,761**	(7,939)
	198,042	179,112
Deferred tax:		
– Current period	**(6,987)**	(16,873)
Total income tax expense	**191,055**	162,239

12. EARNINGS PER SHARE

(a) Basic earnings per share

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

	Six months ended June 30, 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Earnings for the purpose of calculating basic earnings per share	**1,388,337**	1,192,004

Number of shares:

	Six months ended June 30, 2023 (Unaudited)	2022 (Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (note (ii))	**864,948,570**	864,407,604

12. EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share

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

	Six months ended June 30, 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Profit for the period attributable to owners of the Company	**1,388,337**	1,192,004
Effect of share options and share awards issued by subsidiaries (note (i))	**(721)**	(2,514)
Earnings for the purpose of calculating diluted earnings per share	**1,387,616**	1,189,490

Number of shares:

	Six months ended June 30, 2023 (Unaudited)	2022 (Unaudited)
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**864,948,570**	864,407,604

Notes:

(i) During the six months ended June 30, 2023, the effect of share options and share awards issued by subsidiaries is related to the share options and share awards issued by Frontage Holdings, DreamCIS and Meditip that disclosed in Notes 27(a), 27(b) and 27(c) respectively.

(ii) The weighted average number of ordinary shares shown above has been adjusted for the cancellation of shares as set out in Note 23 and the treasury shares as set out in Note 24. For the restricted shares granted under 2022 Restricted Share Incentive Scheme (as defined in Note 27(d)(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.

13. DIVIDENDS

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Final dividend of RMB0.55 and RMB0.50 per ordinary share paid in respect of the years ended December 31, 2022 and 2021	**475,721**	432,463

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

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

During the current interim period, the Group acquired property, plant and equipment of approximately RMB135,247,000 (six months ended June 30, 2022: RMB120,603,000) for the expansion of production facilities and research capacity.

During the current interim period, the Group entered into several new lease agreements for the use of buildings and machinery. On lease commencement, the Group recognised right-of-use assets amounted to RMB14,025,000 (six months ended June 30, 2022: RMB37,081,000).

15. MOVEMENT IN INTANGIBLE ASSETS

During the current interim period, the Group acquired intangible assets of approximately RMB5,342,000 (six months ended June 30, 2022: RMB5,605,000) for the expansion of production facilities and research capacity.

16. GOODWILL

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
COST		
At the beginning of period/year	**2,525,138**	1,819,068
Acquisition of subsidiaries	**27,231**	618,463
Exchange realignment	**36,929**	87,607
At the end of the period/year	**2,589,298**	2,525,138
IMPAIRMENT		
At the beginning of period/year	**40,120**	40,120
At the end of the period/year	**40,120**	40,120
CARRYING VALUE		
At the end of the period/year	**2,549,178**	2,485,018

17. FINANCIAL ASSETS AT FAIR VALUE AND FINANCIAL PRODUCTS

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Financial assets		
Non-current assets		
Financial assets at FVTPL		
– Life insurance policies	**2,974**	2,680
– Listed equity securities	**529,821**	304,175
– Unlisted debt instruments	**13,498**	20,000
– Unlisted equity investments	**4,967,258**	4,718,449
– Unlisted fund investments	**5,095,923**	4,918,549
	10,609,474	9,963,853
Financial assets at FVOCI		
– Unlisted equity investments	**3,844**	3,864
Current assets		
– Financial products	**20,000**	24,770
– Listed equity securities	**–**	62
– Unlisted fund investments	**–**	114
	20,000	24,946

18. TRADE, BILLS AND OTHER RECEIVABLES AND PREPAYMENTS

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Trade receivables		
– Third parties	**1,298,434**	1,105,316
– Related parties (note (a))	**2,805**	–
Less: loss allowance for trade receivables	**(99,445)**	(77,527)
	1,201,794	1,027,789
Bills receivable		
– Third parties	**8,357**	6,031
Other receivables		
– Third parties	**117,971**	99,619
– Related parties (note (a))	**2,491**	1,010
Less: loss allowance for other receivables	**(6,700)**	(7,302)
	113,762	93,327
Prepayments		
– Third parties	**72,553**	59,103
– Related parties (note (a))	**2,007**	23
	74,560	59,126
	1,398,473	1,186,273

Notes:

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

18. TRADE, BILLS AND OTHER RECEIVABLES AND PREPAYMENTS

(Continued)

The Group allows a credit period ranging from 30 to 90 days to its customers. The following is an aging analysis of trade receivables (net of allowance for impairment losses), presented based on the invoice dates, at the end of each reporting period:

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Within 90 days	**988,225**	854,554
91 to 180 days	**103,090**	107,104
181 days to 1 year	**76,041**	41,734
Over 1 year	**34,438**	24,397
	1,201,794	1,027,789

19. CONTRACT ASSETS

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Contract assets		
– Third parties	**2,417,146**	2,043,093
– Related parties	**2,547**	1,550
Less: loss allowance for contract assets	**(55,551)**	(47,332)
	2,364,142	1,997,311

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

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

20. TRADE AND OTHER PAYABLES

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Trade payables		
– Third parties	**128,896**	125,563
– Related parties (note (a))	**45,501**	32,395
	174,397	157,958
Other payables		
– Third parties	**101,179**	70,678
– Related parties (note (a))	**35**	597
– Consideration payables	**16,220**	2,298
– Contingent consideration payables	**46,000**	79,421
– Dividend payables	**477,592**	2,266
– Salary and bonus payables	**181,907**	292,868
– Other taxes payables	**151,791**	111,864
	974,724	559,992
	1,149,121	717,950

Note:

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

Payment terms with suppliers are mainly on credit ranging from 30 to 60 days from invoice date. The following is an aging analysis of trade payables presented based on invoice date at the end of each reporting period:

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Within 90 days	**115,340**	138,716
91 days to 1 year	**45,151**	16,284
Over 1 year	**13,906**	2,958
	174,397	157,958

21. BORROWINGS

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Secured and unguaranteed bank loans	**371,863**	340,232
Unsecured and guaranteed bank loans	**–**	2,706
Unsecured and unguaranteed bank loans	**2,306,796**	1,769,918
	2,678,659	2,112,856

Total current and non-current borrowings were scheduled to repay as follows:

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
On demand or within one year	**2,390,088**	1,868,215
More than one year, but not exceeding two years	**53,912**	28,778
More than two years, but not exceeding five years	**193,166**	165,329
Over five years	**41,493**	50,534
	2,678,659	2,112,856
Less: Amount shown under current liabilities	**(2,390,088)**	(1,868,215)
Amount shown under non-current liabilities	**288,571**	244,641

(a) The Group has used certain restricted bank deposits, to secure banking facilities of RMB492,000,000 (equivalent to approximately US$68,089,000) (December 31, 2022: RMB360,000,000 (equivalent to approximately US$51,690,000)), of which RMB182,587,000 (equivalent to approximately US$25,269,000) (December 31, 2022: RMB149,136,000 (equivalent to approximately US$21,413,000)) were utilized as borrowings, respectively, as at June 30, 2023.

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 RMB180,645,000) (subject to an uncommitted increase of up to but not exceeding US$45,000,000 (equivalent to RMB325,161,000)). As at June 30, 2023, US$3,000,000 (equivalent to RMB21,677,400) (December 31, 2022: US$3,000,000 (equivalent to RMB20,893,800)) of the facility were utilized as borrowings. Frontage Labs is obligated to grant to the bank security interest in and to the collateral of some of its designated subsidiaries in the U.S.

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 RMB354,064,200). As at June 30,2023, US$15,000,000 (equivalent to RMB108,387,000) (December 31, 2022: US$15,000,000 (equivalent to RMB104,469,000)) of the facility were utilized as borrowings. The Company, 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 RMB144,516,000) with multiple loan advances. As at June 30, 2023, the loan in the amount US$10,000,000 (equivalent to RMB72,258,000) (December 31, 2022: US$10,000,000 (equivalent to RMB69,646,000)) were utilized as borrowings. 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.

22. OTHER LONG-TERM LIABILITIES

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Bonus accrual	**43,640**	31,424
Contingent consideration payables related to:		
– Acquisition of Quintara Discovery, Inc.	**43,297**	40,736
– Acquisition of Beijing Bilingual	**–**	532
	86,937	72,692

23. SHARE CAPITAL

	As at June 30, 2023			As at December 31, 2022		
	Number of ordinary shares (Unaudited)	**Authorised shares RMB'000 (Unaudited)**	**Issued and paid shares RMB'000 (Unaudited)**	Number of ordinary shares (Audited)	Authorised shares RMB'000 (Audited)	Issued and paid shares RMB'000 (Audited)
Balance brought forward	**872,418,220**	**872,419**	**872,419**	872,438,364	872,439	872,439
Cancellation of shares (note (a))	**–**	**–**	**–**	(20,144)	(20)	(20)
Balance carried forward	**872,418,220**	**872,419**	**872,419**	872,418,220	872,419	872,419

Note:

(a) During the year ended December 31, 2022, some of the Company's original incentive recipients under Restricted Share Scheme (as defined in Note 27(d)(i)) resigned and lost their right to receive incentive. Therefore, the Company repurchased and cancelled 20,144 restricted shares previously held by the incentive recipients with a deduction from the treasury shares of RMB644,000, including a reduction of RMB20,000 in share capital, and RMB624,000 in share premium.

24. TREASURY SHARES

	As at June 30, 2023		As at December 31, 2022	
	Number of shares	Cost of acquisition RMB'000	Number of shares	Cost of acquisition RMB'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Balance brought forward	**7,469,650**	**869,340**	6,037,121	579,186
Repurchase of shares (Note (a))	–	–	3,909,800	369,391
Cancellation of shares (Note 23(a))	–	–	(20,144)	(644)
Vesting of restricted shares under Restricted Share Scheme	–	–	(2,457,127)	(78,593)
Balance carried forward	**7,469,650**	**869,340**	7,469,650	869,340

Note:

(a) The Company acquired its own shares in the open market which are held as treasury shares.

25. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

(a) Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis

Financial assets/ (liabilities)	Fair value at June 30, 2023 RMB'000 (Unaudited)	Fair value at December 31, 2022 RMB'000 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Listed equity securities at fair value	**35,020**	43,040	Level 1	Quoted market transaction prices	N/A	N/A
Listed equity securities at fair value	**494,801**	261,197	Level 2	Quoted market transaction prices, with an adjustment of discount for lack of marketability	N/A	N/A
Unlisted equity investment at fair value	**4,971,102**	4,722,313	Level 3	Market multiples with an adjustment of discount lack of marketability	Discount for lack of marketability	The higher the discount for lack of marketability, the lower the valuation
				Equity value allocation model	Seniority	The higher the seniority, the higher the valuation
					IPO probability	The higher the IPO probability, the higher the valuation
				Latest transaction prices/ consideration for shares transfer in similar equity interest	Consideration due to timing, condition of sale and terms of agreement, size and nature of similar business to derive estimated value	The higher the value of similar transactions, the higher the valuation

25. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(a) Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/ (liabilities)	Fair value at June 30, 2023 RMB'000 (Unaudited)	Fair value at December 31, 2022 RMB'000 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Unlisted fund investments at fair value	**5,095,293**	4,918,549	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	**2,974**	2,680	Level 2	Quoted price as provided by the insurance companies	N/A	N/A
Unlisted debt instruments	**13,498**	20,000	Level 3	Binomial model	Discount rate	The higher the discount rate, the lower the valuation
Financial products	**20,000**	24,770	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	**(89,297)**	(120,689)	Level 3	Discounted cash flows – Future cash flows are estimated based on expected return, discounted at a rate that reflects risk of underlying assets	Expected growth rate Discount rate	The higher the expected growth rate, the higher the valuation The higher the discount rate, the lower the valuation

Notes:

(i) Discount for lack of marketability

A 5% increase/decrease in the discount for lack of marketability while holding all other variables constant would decrease/increase the fair value of the unlisted equities by RMB10,693,000 as at June 30, 2023 (as at December 31, 2022: RMB152,030,000) in the Group.

(ii) IPO probability

A 5% increase/decrease in the IPO probability while holding all other variables constant would increase/decrease the fair value of the unlisted equities by RMB5,851,600 as at June 30, 2023 (as at December 31, 2022: RMB66,247,000) in the Group.

(iii) Net asset value

A 5% increase/decrease in the net asset value while holding all other variables constant would increase/decrease the fair value of the unlisted funds by RMB254,796,000 as at June 30, 2023 (as at December 31, 2022: RMB245,927,000) in the Group.

25. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(b) Reconciliation of level 3 fair value measurements

Details of reconciliation of financial assets and financial liabilities at FVTPL and FVOCI measured at Level 3 fair value measurement are set out as below:

	Contingent consideration payables RMB'000	Unlisted equity investments at FVTPL RMB'000	Unlisted debt instrument at FVTPL RMB'000	Unlisted equity investments at FVOCI RMB'000	Unlisted fund investments at FVTPL RMB'000
As at December 31, 2021 (audited) and January 1, 2022	(176,203)	4,071,784	–	13,531	4,569,041
Acquisitions	–	340,831	–	–	152,057
Disposals	–	(4,587)	–	–	(38,173)
Transfer due to business combination	–	–	–	(28,132)	–
Acquisition through business combinations	(2,660)	–	–	–	–
Payments	24,194	–	–	–	–
Changes in fair value	1,583	428,342	–	14,663	73,544
Transfer to Level 2 (note (a))	–	(145,334)	–	–	–
Transfer to consideration payables	4,949	–	–	–	–
Exchange realignment	(8,479)	19,263	–	(62)	45,789
As at June 30, 2022 (Unaudited)	(156,616)	4,710,299	–	–	4,802,258
As at December 31, 2021 (audited) and January 1, 2023	**(120,689)**	**4,718,449**	**20,000**	**3,864**	**4,918,549**
Acquisitions	**–**	**239,265**	**13,498**	**–**	**16,652**
Disposals	**–**	**(24,863)**	**(20,000)**	**–**	**(155,734)**
Payments	**37,095**	**–**	**–**	**–**	**–**
Changes in fair value	**(2,467)**	**20,073**	**–**	**–**	**277,817**
Exchange realignment	**(3,236)**	**14,334**	**–**	**(20)**	**38,639**
As at June 30, 2023 (Unaudited)	**(89,297)**	**4,967,258**	**13,498**	**3,844**	**5,095,923**

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, 2021 and six months ended June 30, 2022, and the shares held by the Group are restricted for sales upon listing as at December 31, 2021 and June 30, 2022.

Of the total gains or losses for the six months ended June 30, 2023, included in profit or loss, RMB295,423,000 were unrealised fair value gain (for the year ended December 31, 2022: RMB640,921,000) related to financial instruments at FVTPL on Level 3 fair value measurement held as at June 30, 2022. Fair value gains or losses on contingent consideration payables and on financial assets at FVTPL are presented in Note 8.

25. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value of financial assets and financial liabilities that are not measured at fair value

The directors consider that the carrying amount of the Group's financial assets and financial liabilities recorded at amortised cost in condensed consolidated financial statements approximate to their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

26. ACQUISITION OF BUSINESSES

(i) Acquisition of Marti Farm D.O.O ("Marti Farm")

On January 20, 2023, the Group entered into a share purchase agreement with the shareholders of Marti Farm (the "**Marti Farm Sellers**"), pursuant to which Marti Farm Sellers agreed to sell and the Group agreed to purchase 70% of the equity interest in Marti Farm for a cash consideration of approximately EUR€6,202,000 (equivalent to RMB42,992,000) (the "**Marti Farm Acquisition**"). In completing the Marti Farm Acquisition, the Group will expand its capabilities in clinical trials and pharmacovigilance. The consideration has been settled in prior year and included in other non-current asset as at December 31, 2022. The said balance has been utilised during the six months ended June 30, 2023.

This acquisition has been accounted for as acquisition of business using the acquisition method. During the six months ended June 30, 2023, all of the conditions precedent under the sales and purchase agreement were fulfilled, and Marti Farm 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 first quarter of 2023.

26. ACQUISITION OF BUSINESSES (Continued)

(i) Acquisition of Marti Farm (Continued)

Details of the preliminary fair value of identifiable assets and liabilities, purchase consideration and goodwill recognized are as follows:

	Fair value RMB'000
Property, plant and equipment	127
Intangible assets	11,830
Trade and other receivables	13,473
Other current assets	19
Cash and cash equivalents	5,639
Trade and other payables	(5,078)
Income tax payables	(1,365)
Deferred tax liabilities	(2,129)
Non-controlling interests	(6,755)
Net assets acquired	15,761

	RMB'000
Cash consideration paid	42,992
Less: Fair value of net assets acquired	(15,761)
Goodwill	27,231
Net cash inflow arising on acquisition of a subsidiary:	
Cash and cash equivalents acquired	5,639

Acquisition-related costs are excluded from the consideration transferred and have been recognised as an expense current year, within the administrative expense in the condensed 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 RMB13,473,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB13,473,000 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 Marti Farm 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, Marti Farm has contributed RMB14,438,800 to the Group's revenue and a net profit of RMB24,000 to the overall result of the Group for the six months ended June 30, 2023. If the acquisition had occurred on January 1, 2023, the Group's revenue would have been RMB3,727,847,000 and the profit of the Group would have been RMB1,406,656,000 for the six months ended June 30, 2023.

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, 2023, nor is it intended to be a projection of future results.

27. SHARE-BASED PAYMENT

During the six months ended June 30, 2023, the Company and its subsidiaries adopted certain share option schemes to its employees. Details of the schemes are as follow:

(a) Frontage Holdings:

(i) 2021 Frontage Share Award Scheme

On January 22, 2021 (the "Adoption Date"), 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.

27. SHARE-BASED PAYMENT (Continued)

(a) Frontage Holdings: (Continued)

(i) 2021 Frontage Share Award Scheme (Continued)

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

	Six months ended June 30,	
	2023	2022
	Number	Number
	(Unaudited)	(Unaudited)
Outstanding at beginning of period	**14,410,501**	21,489,500
Vested during the period	**(4,695,062)**	(5,362,374)
Cancelled during the period	**(574,063)**	(825,625)
Outstanding at end of period	**9,141,376**	15,301,501

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

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

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

During the six months ended June 30, 2022, 22,950,000 shares of the Company was issued for the 2021 Frontage Share Award Scheme. As at June 30, 2023, there are 12,893,064 shares of Frontage Holdings (six months ended June 30, 2022: 17,588,126) held for such scheme with carrying amount of US$1,000 (equivalent to RMB6,506).

The Group recognised total expense of approximately US$1,143,000 (equivalent to RMB7,967,000) for the six months ended June 30, 2023 (six months ended June 30, 2022: US$2,473,000 (equivalent to RMB16,086,000)) in relation to share award granted under the 2021 Frontage Share Award Scheme.

27. SHARE-BASED PAYMENT (Continued)

(a) Frontage Holdings: (Continued)

(ii) 2008 and 2015 share incentive plans

Frontage Labs, a subsidiary of the Company, adopted 2 Pre-IPO share incentive plans respectively in 2008 and 2015 (collectively referred as the "Frontage Labs Schemes") for the primary purpose of attracting, retaining and motivating the directors and employees of the Frontage Labs and its subsidiaries. Under the Frontage Labs Schemes, the directors of Frontage Labs may grant up to 9,434,434 share options under the 2008 share incentive plan and 12,000,000 share options under the 2015 share incentive plan to eligible employees, including the directors and employees of Frontage Labs and its subsidiaries, to subscribe for shares in Frontage Labs. Each option granted has a contractual term of 5 to 10 years and vesting on the one calendar one year after grant date.

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

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

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

	Six months ended June 30,			
	2023		2022	
	Weighted average exercise price (RMB) (Unaudited)	Number (Unaudited)	Weighted average exercise price (RMB) (Unaudited)	Number (Unaudited)
Outstanding at beginning of period	1.04	60,270,500	1.04	66,998,000
Forfeited during the period	–	–	1.30	(500,000)
Exercised during the period	1.39	(2,868,500)	0.91	(905,000)
Outstanding at end of period	1.16	57,402,000	1.04	65,593,000
Options exercisable		57,402,000		65,593,000
Weighted average contractual life *(years)*		1.0		2.35

27. SHARE-BASED PAYMENT (Continued)

(a) Frontage Holdings: (Continued)

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

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$2.29 (equivalent to RMB2.04) (six months ended June 30, 2022: HK$3.57 (equivalent to RMB2.97)).

The Group recognised total expense of nil for the six months ended June 30, 2023 (six months ended June 30, 2022: nil) in relation to share options granted under the Frontage Labs Schemes.

(iii) 2018 share incentive plan

On May 11, 2019, the board of directors of Frontage Holdings approved an incentive plan to grant share options, restricted share units and any other types of award to eligible employees, including the directors and employees of the Frontage Holdings Group. The total number of shares in respect of which the awards may be granted pursuant to the 2018 share incentive plan and any other equity-based incentive plans of Frontage Holdings, being 10% of the shares of Frontage Holdings. No awards have been granted under the 2018 share incentive plan by June 30, 2022.

	Six months ended June 30, 2023	
	Weighted average exercise price (RMB) (Unaudited)	Number (Unaudited)
Outstanding as at beginning of period	1.88	31,445,000
Forfeited during the period	1.88	(1,265,000)
Outstanding as at end of period	1.95	30,180,000
Options exercisable		30,180,000
Weighted average contractual life (years)		4.3

27. SHARE-BASED PAYMENT (Continued)

(a) Frontage Holdings: (Continued)

(iii) 2018 share incentive plan (Continued)

The exercise price of options outstanding is HK$2.09 (equivalent to US$0.27).

The Group recognised total expenses of approximately US$829,000 (equivalent to RMB5,778,000) for the six months ended June 30, 2023 (six months ended June 30, 2022: nil) in relation to share options granted under 2018 Frontage Share Incentive Scheme.

(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 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.

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

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

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

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

27. SHARE-BASED PAYMENT (Continued)

(b) DreamCIS: (Continued)

(i) 2018 DreamCIS Scheme (Continued)

The risk-free interest rate was based on the yield of South Korea Treasury Bonds with a maturity life with the term corresponding to the contractual life of the options. Expected volatility was determined by using the historical volatility of the comparable companies.

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

Set out below are details of the movements of the outstanding options granted under the 2018 DreamCIS Scheme during the current and prior period, retroactively reflecting the DreamCIS Capitalisation Issue:

	Six months ended June 30,			
	2023		2022	
	Weighted average exercise price (RMB) (Unaudited)	Number (Unaudited)	Weighted average exercise price (RMB) (Unaudited)	Number (Unaudited)
Outstanding at beginning of period	77.7	176,147	80.7	207,368
Forfeited during the period	87.2	(3,937)	85.7	(28,032)
Exercised during the period	26.75	(1,600)	–	–
Outstanding at end of period	79.7	170,610	78.2	179,336
Options exercisable		170,610		44,168
Weighted average contractual life *(years)*		2.0		3.1

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 RMB174,000 for the six months ended June 30, 2023 (six months ended June 30, 2022: RMB544,000) in relation to share options granted under the 2018 DreamCIS Scheme.

(ii) 2021 DreamCIS Scheme

On March 26, 2021, the board of directors of DreamCIS approved the adoption of the share option scheme ("2021 DreamCIS 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 Scheme, the directors of DreamCIS may grant up to 559,597 share options. No awards have been granted under the 2021 DreamCIS Scheme by June 30, 2023.

27. SHARE-BASED PAYMENT (Continued)

(c) 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 RMB4,304,000 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	KRW54,167 (equivalent to RMB281)
Expected volatility	58.60%
Expected life *(years)*	6
Risk-free rate	1.82%
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.

27. SHARE-BASED PAYMENT (Continued)

(c) 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:

	Six months ended June 30,			
	2023		2022	
	Weighted average exercise price (RMB) (Unaudited)	Number (Unaudited)	Weighted average exercise price (RMB) (Unaudited)	Number (Unaudited)
Outstanding at acquisition date	281	24,800	281.0	26,300
Forfeited during the period	290	(1,000)	281.0	(1,500)
Outstanding at end of period	290	23,800	281.0	24,800
Options exercisable		–		–
Weighted average contractual life *(years)*		5.5		6.0

The exercise price of options outstanding is KRW54,167 (equivalent to RMB281).

The Group recognised total expense of approximately RMB722,000 for the six months ended June 30, 2023 (six months ended June 30, 2022: RMB180,000) in relation to share options granted under the Meditip Scheme.

(d) The Company:

(i) Restricted Share Scheme

The Company adopted a restricted share scheme in 2019 (the "Restricted Share Scheme") for the primary purpose of attracting, retaining and motivating the directors and employees of the Group. Under the Restricted Share Scheme, the directors of the Company may grant up to 4,859,311 restricted shares under the scheme to eligible employees, including the directors and employees of the Group, to obtain ordinary shares of the Company upon vesting.

The Restricted Share Scheme will be valid and effective for a period of 4 years.

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

27. SHARE-BASED PAYMENT (Continued)

(d) 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 period, retroactively reflecting the bonus issue:

	Six months ended June 30,			
	2023		2022	
	Weighted average exercise price (RMB) (Unaudited)	Number (Unaudited)	Weighted average exercise price (RMB) (Unaudited)	Number (Unaudited)
Outstanding at beginning of period	–	–	27.28	2,477,270
Forfeited during the period	–	–	29.64	(20,144)
Vested during the period	–	–	27.27	(2,457,126)
Outstanding at end of period	–	–	–	–
Restricted shares exercisable		–		–
Weighted average contractual life *(years)*		–		–

During the six months ended June 30, 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 RMB67,011,000 is derecognised as other payable. The weighted average closing price of the shares of the Company immediately before the dates on which the restricted shares were vested was RMB145.33.

Under the Restricted Share Scheme, the holders of the restricted shares are entitled to dividend declared by the Company and the dividend will be settled upon the end of lockup period. As at June 30, 2023, no dividend payable (as at December 31, 2022: nil) has been recognised.

The Group recognised total expense of nil for the six months ended June 30, 2023 (six months ended June 30, 2022: RMB2,060,000) in relation to restricted shares granted under the Restricted Share Scheme.

27. SHARE-BASED PAYMENT (Continued)

(d) The Company: (Continued)

(ii) 2019 Share Purchase Scheme

The Company adopted the share purchase scheme in 2019 (the "2019 Share Purchase Scheme") for the primary purpose of attracting, retaining and motivating the directors and employees of the Group. Under the 2019 Share Purchase Scheme, a trust entity has been set up for the scheme and a third party agent with asset management qualifications was engaged by the participants of the scheme.

The minimum and maximum amount of funds to be raised is RMB200,000,000 and RMB500,000,000, respectively, which shall be divided into respective units to be subscribed at RMB1.00 each. The participants of the 2019 Share Purchase Scheme are required to pay the subscription funds in one lump sum according to the number of units subscribed.

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

The underlying shares of the 2019 Share Purchase Scheme are the repurchased shares previously repurchased and held by the Company as treasury shares (Note 23). The average repurchase price was RMB44.25 per share. On June 20, 2019, 2,120,803 shares previously repurchased by the Company was transferred to the trust unit for 2019 Share Purchase Scheme by way of non-trade transfer at RMB44.25 per share. As a result, a consideration of RMB93,845,000 has been received by the Group upon the transfer of treasury shares.

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

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

	Six months ended June 30,			
	2023		2022	
	Weighted average exercise price (RMB) (Unaudited)	Number (Unaudited)	Weighted average exercise price (RMB) (Unaudited)	Number (Unaudited)
Outstanding at beginning of period	–	–	44.25	848,321
Vested during the period	–	–	44.25	(848,321)
Outstanding at end of period	–	–	–	–

27. SHARE-BASED PAYMENT (Continued)

(d) 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 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 nil for the six months ended June 30, 2023 (six months ended June 30, 2022: RMB429,000) in relation to 2019 Share Purchase Scheme.

(iii) 2020 A Share Employee Share Ownership Plan

The Company adopted the share purchase scheme in 2021 (the "2020 A Share Employee Share Ownership Plan") for the primary purpose of attracting, retaining and motivating the directors and employees of the Group. Under the 2020 A Share Employee Share Ownership Plan, 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 2020 A Share Employee Share Ownership Plan 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 2020 A Share Employee Share Ownership Plan are the repurchased shares previously repurchased and held by the Company as treasury shares (Note 23). The average repurchase price was RMB44.25 per share. On February 1, 2021, 286,372 shares previously repurchased by the Company was transferred to the trust unit for 2020 A Share Employee Share Ownership Plan 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.

27. SHARE-BASED PAYMENT (Continued)

(d) The Company: (Continued)

(iii) 2020 A Share Employee Share Ownership Plan (Continued)

Set out below are details of the movements of the outstanding units granted under the 2020 A Share Employee Share Ownership Plan during the current and prior period:

	Six months ended June 30,			
	2023		2022	
	Weighted average exercise price (RMB) (Unaudited)	Number (Unaudited)	Weighted average exercise price (RMB) (Unaudited)	Number (Unaudited)
Outstanding at beginning of period	**44.25**	**104,772**	44.25	286,372
Vested during the period	**44.25**	**(104,772)**	44.25	(181,600)
Outstanding at end of period	**–**	**–**	44.25	104,772

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.

The Group recognised total expense of nil (six months ended June 30, 2022: RMB4,659,000) in relation to 2020 A Share Employee Share Ownership Plan.

27. SHARE-BASED PAYMENT (Continued)

(d) The Company: (Continued)

(iv) 2022 Restricted Share Incentive Scheme

The Company adopted the restricted share scheme in 2022 (the "2022 Restricted Share Incentive Scheme") for the primary purpose of attracting, retaining and motivating the directors and employees of the Group. Under the 2022 Restricted Share Incentive 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 Incentive Scheme will be valid and effective for a period of 5 years.

On November 25, 2022, the Company granted a total 6,079,784 restricted A-shares under the 2022 Restricted Share Incentive 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 current period:

	Six months ended June 30, 2023	
	Weighted average exercise price (RMB)	Number
Outstanding at beginning of period	69.00	6,072,384
Outstanding at end of period	**69.00**	**6,072,384**

27. SHARE-BASED PAYMENT (Continued)

(d) The Company: (Continued)

(iv) 2022 Restricted Share Incentive 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 Incentive 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 RMB40,655,000 for the six months ended June 30, 2023 (six months ended June 30, 2022: nil) in relation to restricted A-shares granted by the Company under 2022 Restricted Share Incentive Scheme.

27. SHARE-BASED PAYMENT (Continued)

(e) 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 period:

	Six months ended June 30,			
	2023		2022	
	Weighted average exercise price (RMB) (Unaudited)	Number (Unaudited)	Weighted average exercise price (RMB) (Unaudited)	Number (Unaudited)
Outstanding at beginning of period	–	–	1.5	466,667
Outstanding at end of period	–	–	1.5	466,667
Restricted shares exercisable		–		–
Weighted average contractual life *(years)*		–		0.25

The Group recognised total expense of nil for the six months ended June 30, 2023 (six months ended June 30, 2022: RMB1,608,000) in relation to restricted shares granted under the Fantastic Bioimaging Scheme.

28. CAPITAL COMMITMENTS

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

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Commitments for the investments in the funds or companies	**720,693**	746,770
Commitments for the acquisition of associates	**397,923**	2,570
Acquisition of property, plant and equipment	**18,028**	27,705

In addition, the Group entered a subscription agreement to subscribe 50% equity interest in an associate, Hangzhou Taikun. The Group has committed to invest additional capital in Hangzhou Taikun, amounting to RMB8,000,000,000 (as at December 31, 2022: RMB8,500,000,000). 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.

29. RELATED PARTY TRANSACTIONS AND BALANCES

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

(1) Related party transactions:

(a) Fee paid to related parties for services

	Relationship	Six months ended June 30, 2023 RMB'000 (Unaudited)	Six months ended June 30, 2022 RMB'000 (Unaudited)
Shanghai Guanhe (note (a))	Associate	**12,977**	15,379
Jiaxing Clinflash Computer Technology Co., Ltd. ("Jiaxing EDC") (note (a))	Associate	**29,390**	30,077
Tigerise Inc.	Associate	**4,214**	–
Chenghong Pharma (Weihai) Co., Ltd. (note (a))	Associate	**127**	–
Shanghai Bioquick Pharmaceutical Supply Chain Management Co., Ltd. ("Shanghai Bioquick") (note (a))	Associate	**11,468**	–
		58,176	45,456

29. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(1) Related party transactions: (Continued)

(b) Revenue from related parties

	Relationship	Six months ended June 30, 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Hangzhou Taikun	Associate	**18,695**	10,408
Shanghai Guanhe	Associate	**109**	158
Jiaxing EDC	Associate	**5,703**	11,352
Suzhou Yixin	Associate	**–**	1
		24,507	21,919

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

(2) Related party balances:

As at the end of each reporting period, the Group had balances with related parties as follows:

	Relationship	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Trade receivables and contract assets *(note (b))*			
Shanghai Guanhe	Associate	**235**	4
Jiaxing EDC	Associate	**4,598**	1,027
EPS Tigermed (Suzhou) Co., Ltd.	Associate	**519**	519
		5,352	1,550
Other receivables *(note (c))*			
Tigermed Co., Ltd. (Thailand)	Associate	**1,048**	772
Tigermed Vietnam Co., Limited	Associate	**98**	63
PT Tigermed Medical Indonesia	Associate	**181**	175
Shanghai Bioquick	Associate	**1,164**	–
		2,491	1,010

29. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(2) Related party balances: (Continued)

	Relationship	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Prepayment *(note (b))*			
Jiaxing EDC	Associate	–	23
Tigerise Inc.	Associate	2,007	–
		2,007	23
Trade payables *(note (b))*			
Shanghai Guanhe	Associate	13,723	3,407
Jiaxing EDC	Associate	31,631	28,987
Shanghai Bioquick	Associate	20	1
Chenghong Pharma (Weihai) Co., Ltd.	Associate	127	–
		45,501	32,395
Other payables *(note (c))*			
PT Tigermed Medical Indonesia	Associate	–	597
Jiaxing EDC	Associate	26	–
Shanghai Bioquick	Associate	9	–
		35	597
Contract liabilities *(note (b))*			
Shanghai Guanhe	Associate	5	5
Jiaxing EDC	Associate	2,198	3,220
		2,203	3,225

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) The amounts are trade-related in nature.

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

29. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(3) Compensation of key management personnel:

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group.

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

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Directors' fee, salaries and other benefits	**4,525**	3,169
Performance-based bonus	**1,245**	2,586
Retirement benefit scheme contributions	**211**	187
Share-based compensation	**–**	26
	5,981	5,968

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

30. SUBSEQUENT EVENTS

The Board of Frontage Holdings is pleased to announce that, on August 15, 2023 (New York time), Purchaser, an indirect wholly owned subsidiary of Company, and Guarantor, a wholly owned subsidiary of Company and Purchaser's parent company, entered into a Share Purchase Agreement (the "Agreement") with Sellers, Sellers' Representative, Nucro, and Nucro Holdings in respect of the Acquisition, pursuant to which Sellers agreed to sell and Purchaser agreed to purchase 100% of the equity interest in Targets in aggregate ("Acquired Shares") for cash consideration of CAD70,000,000 (equivalent to approximately HKD410,431,000), subject to the adjustments sets forth therein, in accordance with the terms and conditions of the Agreement.

For details, please refer to the Frontage's announcements dated August 15, 2023.

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

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
"Audit Committee"	the audit committee of the Board
"Board of Directors" or "Board"	our board of Directors
"CG Code"	the "Corporate Governance Code" as contained in Appendix 14 to the Listing Rules
"China" or "PRC"	the People's Republic of China, which for the purpose of this interim report and for geographical reference only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Company" 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, a company focused on providing R&D services to companies in the pharmaceutical and agrochemical markets
"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"	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 Holdings Group"	Frontage and its subsidiaries
"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)
"Marti Farm"	Marti Farm D.o.o
"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
"Nomination Committee"	the nomination committee of the Board

"Remuneration and Evaluation Committee"	the remuneration and evaluation committee of the Board
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"R&D"	research & development
"Reporting Period"	the six months ended June 30, 2023
"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
"Strategic Development Committee"	the strategic development committee of the Board
"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
"USD" or "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.

* *For identification purpose only*

杭州泰格醫藥科技股份有限公司
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