HANGZHOU TIGERMED CONSULTING CO., LTD.
杭州泰格醫藥科技股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 3347)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2023

FINANCIAL HIGHLIGHTS

	Year ended December 31,		
	2023	2022	Change[2]
	RMB million	*RMB million*	
Operating results			
Revenue	**7,384.0**	7,085.5	4.2%
Gross Profit	**2,820.6**	2,785.4	1.3%
Net profit attributable to the owners of the Company	**2,026.5**	2,016.1	0.5%
Adjusted net profit attributable to the owners of the Company[1]	**1,786.0**	1,665.8	7.2%
Profitability			
Gross Profit Margin	**38.2%**	39.3%	(1.1)%
Margin of net profit attributable to the owners of the Company	**27.4%**	28.5%	(1.1)%
Margin of adjusted net profit attributable to the owners of the Company[1]	**24.2%**	23.5%	0.7%
Earnings per share (RMB)			
– Basic	**2.34**	2.33	0.4%
– Diluted	**2.34**	2.33	0.4%
Adjusted earnings per share (RMB)[1]			
– Basic	**2.06**	1.93	6.7%
– Diluted	**2.06**	1.92	7.3%

	Year ended December 31,		
	2023	2022	Change[(2)]
	RMB million	*RMB million*	
Financial position			
Total assets	**29,680.7**	27,446.5	8.1%
Equity attributable to owners of the Company	**21,069.1**	19,628.4	7.3%
Total liabilities	**5,227.2**	4,765.5	9.7%
Cash and cash equivalents	**7,399.9**	7,782.7	(4.9)%
Gearing ratio	**11.5%**	9.3%	2.2%

Notes:

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

The Board proposed to declare a final dividend of RMB5.68 (inclusive of tax) per 10 Shares for the year ended December 31, 2023.

The Board of Hangzhou Tigermed Consulting Co., Ltd. (杭州泰格醫藥科技股份有限公司) is pleased to announce the audited consolidated annual results of the Group for the year ended December 31, 2023 (the "**Reporting Period**"), together with the comparative figures for the year ended December 31, 2022 (the "**Corresponding Period**").

MANAGEMENT DISCUSSION AND ANALYSIS

In 2023, as we get over from the pandemic and reset back to normal life, we have reasonably optimistic expectations for the "new norm" in the post epidemic era. Looking back, the new norm is accompanied by the tremendous changes in the global politics, macroeconomics and industrial development over the past few years, both structural and cyclical, which have resulted in far-reaching impacts on the growth perspectives of various industries around the world.

These effects are particularly evident in the biopharmaceutical industry. Demand for the biopharmaceutical industry is driven by the national and global desire for a healthy life, people's lifestyles, income levels, payment channels and willingness to pay which can all have an impact on the industry's demand. Innovation in the biopharmaceutical industry comes from scientific and technological breakthroughs, solutions to unmet clinical needs, and improvements to existing treatments, which means that the development of the biopharmaceutical industry will be influenced by a variety of factors. When these factors form a positive resonance, the development of the industry tends to be amplified, and vice versa, the industry tends to be compressed. At the same time, unprofitable biotech companies that rely on external financing have been important contributors to innovation in the biopharmaceutical industry, which means that the macroeconomic cycles that determine the external financing environment also have a significant impact on our industry.

In China, benefiting from the vigorous development of biopharmaceuticals and related industrial chains since 2015 and the favorable policy, regulation and regulatory environment, the biopharmaceutical industry has surged forward over the past few years with the concerted efforts of various parties and made great progress, establishing a complete biopharmaceutical research and development system. Industry participants, including the Company, have been fortunate to witness, participate and contribute to the development of the industry. Nevertheless, China's biopharmaceutical industry still has enough room for progress, the industrial chain still needs to be further improved, and is now in a critical transition period of high-quality development.

Under the overlap of the global cycle of the biopharmaceutical industry and China's specific development cycle, we observed higher volatility in 2023 than in previous years, with changes in the risk appetite of some of our customers, and some of our unprofitable customers relying on external financing facing cash flow pressure. As a result of these factors, the clinical research outsourcing and related industries are facing greater growth challenges and competitive pressures.

On the other hand, the progress of life sciences and launch of new product have not slowed down. Over the past year, several important products across the world have achieved positive clinical results in different therapeutic areas, and several revolutionary therapies based on new technological platforms have made progress in clinical studies or have been approved for marketing. China's local innovative drugs are also gradually transforming and gaining global recognition, with a large number of landmark overseas licensing transactions and biotech companies recognized by global investors. The sales volume of local marketed innovative drugs will continue to rise in 2023, with the penetration rate of innovative drugs continuing to expand and the number of new drug approvals steadily increasing; and more and more Chinese biopharmaceutical companies are focusing on the global market and conducting clinical studies overseas.

In 2023, China's innovative drugs stood out with their product features, including 40 Class I new drugs approved, which have reached a new height; 80 overseas licensing transactions involving Chinese corporations, with a potential total transaction amount of US$41.1 billion and a total initial payment of US$3.2 billion. In 2023, Gracell was acquired by a multinational pharmaceutical company AstraZeneca at a consideration of US$1.2 billion, making it the first Chinese biotech company ever wholly owned by a multinational pharmaceutical company. Junshi Biosciences PD-1 toripalimab became the first and only drug approved for nasopharyngeal carcinoma treatment in the United States, making it the first Chinese biopharmaceutical drug to be approved by the U.S. Food and Drug Administration ("**FDA**"). In terms of drug policy, all 67 The International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use ("**ICH**") technical guidelines have been translated and implemented in China, and the regulations are fully in line with international standards. Meanwhile, the government continues to attach great importance to the innovation and development of biopharmaceuticals, and is expected to continue to support the development of China's innovative drug industry in all aspects, including research and development, supervision, pipeline, payment and funding. We are confident about the future of China's biopharmaceutical industry.

On this basis, the macro environment has also improved since the second half of 2023, and the market has become more positive for the expectations of interest rates and the investment and financing environment. From the end of 2023 to the beginning of 2024, industry has recovered, with China's biopharmaceutical financing amount showing a more pronounced year-on-year rebound; and initial payments or milestone payments for external licensing transactions have also gradually become one of the major sources of R&D funding for enterprises. Looking ahead to the new year, we expect that the industry trend and environment will be further improved.

Looking ahead, Tigermed will continue to embrace regulatory changes, technological innovation and global expansion to improve and build an integrated R&D service platform, enhance its end-to-end one-stop service capabilities and achieved growth in results. At the same time, Tigermed will further increase its global market share and realize long-term growth and development by expanding global multinational pharmaceutical enterprises and large domestic pharmaceutical enterprise customers, establishing business units based on therapeutic areas or drug types, acquisitions and mergers, and upgrading its commercial and operational capabilities in the U.S. and Europe.

During the Reporting Period, the Company overcame multiple headwinds and the impact of the significant YoY decline in COVID-19 vaccine related revenue, and still achieved growth in its principal business, maintaining its leading position in China's clinical CRO industry. In 2023, the Company achieved a revenue of RMB7,384.0 million representing a YoY increase of 4.2%. In terms of business expansion, the Company's net new booking amount in 2023 was RMB7,852.0 million, representing a YoY decrease of 18.8%. The main reasons for the decrease were: 1) some customers cancelled previous orders or changed negatively in execution projects, with the Company in the fourth quarter of 2023; 2) in 2023, the pass-through fees in new bookings decreased significantly YoY. In 2023, despite facing many unfavorable external factors, the Company's management and business development team still managed to work together to obtain many high-quality orders, especially from multi-national pharmaceutical companies and domestic pharmaceutical companies. The vast market in China means enormous opportunities, and multi-national pharmaceutical companies and medical device companies have increased their investments in China. In 2023, the number of the Company's new orders from multi-national pharmaceutical companies continues to grow, especially in real-world studies, on-site management ("**SMO**"), and pharmacovigilance ("**PV**"). Domestic pharmaceutical companies and leading biotechnology companies have also maintained their investment in clinical research and related markets in 2023, and the new generation of biotech start-ups is also gradually becoming larger. In addition to continuing to focus on opportunities in the local market, such companies also actively conduct clinical research overseas, striving to push their products to major global markets. Benefiting from this, the Company has achieved good results in business expansion in overseas markets in 2023. In the North American market, the Company's new orders and business achieved rapid growth in 2023. As of December 31, 2023, the Company's backlog at hand was RMB14,080.0 million, representing a YoY increase of 2.1%.

With the efforts of its team and the support of all its partners, the Company continues to maintain its market-leading position in China's clinical CRO industry. Cumulatively, the Company has provided R&D services for 61% of all Class I new drugs approvals in China during the period from its establishment in 2004 to 2023. In 2023, the Company assisted in the approval for 22 Class I new drugs and 6 innovative medical devices in China. The Company has further consolidated its business cooperation with a high-quality and diversified customer base, with 8 multinational pharmaceutical companies and 11 listed companies among the Company's top 20 customers in 2023. As of December 31, 2023, the Company had 752 ongoing drug clinical research projects, compared to 680 in the Corresponding Period. With the impact of factors such as the increasingly stringent regulatory regime, the rapid spread of new technologies and analytical tools, and the accelerating trend of globalization in clinical research, clients have increased their demand for the Company's emerging services, such as regulatory affairs, early-stage pharmacology, pharmacovigilance and real-world studies and integrated and platform-based services such as Decentralized Clinical Trial ("**DCT**") platform. Therefore, the Company increased its investment in emerging businesses and technologies, as well as ecosystem building in 2023.

As of December 31, 2023, the number of employees was 9,701, covering 28 countries, including 1,632 overseas employees. Among them, there are more than 950 professional Clinical Research Associates ("**CRA**"), more than 2,700 professional Clinical Research Coordinators ("**CRC**"), more than 850 data management and statistical analysis experts, and more than 1,700 laboratory service personnels.

In 2023, the Company continued to deepen its global layout and service capabilities, continued to expand its overseas business as well as accelerated its internationalization process. During the Reporting Period, the Company opened its International Headquarters in Hong Kong, China as the main hub for overseas functional support and business development. The Company's clinical trial service revenue and backlog for our U.S. clinical business grew significantly, with service areas covering oncology, vaccines, ophthalmology, central nervous system, and medical devices; our EMEA (Europe, Middle East and Africa) team completed the integration of the business and system of Marti Farm in Croatia and Opera in Romania, forming an integrated clinical operation and service platform.

The Company's ongoing single-region clinical trials outside of China (primarily in South Korea, Australia and the United States) increased from 188 as of December 31, 2022 to 194 as of December 31, 2023, while the number of ongoing international MRCTs in the North America, Asia-Pacific region, Europe and Africa declined slightly from 62 as of December 31, 2022 to 59 as of December 31, 2023, mainly due to the closing of certain projects during the second half of 2023 in South Korea and Latin America (including certain COVID-19 related projects). The Company added 15 newly signed MRCT projects in 2023, with a cumulative experience of handling over 127 MRCT projects. As of December 31, 2023, the Company's U.S. clinical operations business run on a well-supported integrated platform covering site initiation, project management, clinical operation, regulatory affairs, biometrics and medical monitoring etc., and a growing team with over 110 project managers and CRA teams in 42 cities across North America. As of December 31, 2023, our U.S. team had accumulated know-how from over 100 clinical trials, working with over 500 clinical sites in 45 states. As of December 31, 2023, the Company has established a new medical device team and supported more than 10 medical device trials in EMEA. The South Korea team (DreamCIS) reached 369 personnels, an increase of 28% year-over-year, with more than 100 ongoing clinical trials as of December 31, 2023. The Southeast Asia team exceeded 70 personnels, with 24 ongoing clinical trial projects in Indonesia, Philippines, Singapore, Thailand, Vietnam, Malaysia and Laos. Australia has 20 new clinical trial projects and is collaborating with more local clinical organizations. In the future, the Company will continue to grow our global business

through expansions, mergers and acquisitions. We aim to foster the growth of overseas businesses, create synergy in our clinical operations, establish differentiated advantages in Europe, America 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 become a bridge and link for the internationalisation of innovative products.

The Company continues to pursue external partnership and collaboration that we believe are mutually beneficial with various stakeholders in the healthcare industry. As of December 31, 2023, the Company's Clinical Trial Sites of Excellence ("**E-Site**") had 224 core collaborative sites and 74 green channel sites in 19 regions across China. 7 co-sites have been established by the end of 2023, forming a diversified and win-win strategic cooperation model. During the Reporting Period, the Company formally entered into strategic cooperation with 52 E-Sites, including certain clinical sites of the most well-known hospitals in China to jointly explore the establishment of a high-standard clinical research management system to help new drug development and meet clinical needs of patients.

As a global medical R&D empowerment platform, we continued to upgrade our corporate branding which paints a clearer picture of what we stand for as an organization, and what we must do to maintain our reputation. By doing this, we enhanced our vision and culture of putting innovation and people at the center of everything we do, and focusing on Diversity, Equity and Inclusion ("**DEI**") to build a workplace where all people can do their best work. We believe this is essential to sustainable and effective business outcomes and a corporate culture built-to-last. We also further enhanced our Environmental, Social, and Governance ("**ESG**") governance in 2023 with recognition from leading institutions. Since July 2022, the Company has received the highest AAA rating among the Shenzhen Stock Exchange's CNI ESG ratings, and in November 2023, the Company's MSCI ESG rating was upgraded to AA rating.

1. The Management's Discussion and Analysis on Operations of the Group for the Reporting Period

Revenue

During the Reporting Period, our revenue increased by 4.2% YoY from RMB7,085.5 million during the Corresponding Period to RMB7,384.0 million. Revenue generated from Clinical Trial Solutions ("**CTS**") segment was RMB4,168.1 million, as compared to RMB4,125.2 million during the Corresponding Period. Revenue generated from Clinical Related and Laboratory Services ("**CRLS**") segment increased by 8.6% YoY to RMB3,215.9 million from RMB2,960.3 million during the Corresponding Period.

Geographically, our revenue generated in the PRC increased by 17.6% YoY to RMB4,234.5 million during the Reporting Period from RMB3,601.6 million during the Corresponding Period, primarily driven by the increase in revenue generated from clinical trial operations for drug and medical device projects as we continued to benefit from our leadership position in the clinical service market in China. In addition, our site management and patient recruitment business realized rapid growth in 2023. Services including data management and statistical analysis ("**DMSA**"), scientific affairs, medical imaging, real world studies and pharmacovigilance etc. realized steady growth in revenue in 2023.

Our revenue generated from overseas during the Reporting Period decreased by 9.6% YoY to RMB3,149.5 million from RMB3,483.9 million during the Corresponding Period. The decrease was primarily driven by the decrease in revenue generated from COVID-19 vaccine related MRCTs during the Reporting Period.

(1) CTS

During the Reporting Period, our revenue generated from CTS segment increased by 1.0% to RMB4,168.1 million from RMB4,125.2 million during the Corresponding Period. During the Reporting Period, we saw a significant decrease in revenue from COVID-19 vaccine clinical trials compared with the Corresponding Period, which contributed negatively to the growth of revenue of the CTS segment. Excluding the negative impact caused by COVID-19 related revenue, the CTS segment realized stable growth, primarily driven by (i) continuing demands from our customers for clinical trials in China; and (ii) the rapid increase in our overseas clinical trial business, particularly in the United States.

As of December 31, 2023, we had 752 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		
Stage of project	December 31, 2022	June 30, 2023	**December 31, 2023**
Phase I (including PK studies)	285	332	**330**
Phase II	134	146	**136**
Phase III	160	185	**171**
Phase IV	34	35	**31**
Others	67	74	**84**
Total	680	772	**752**

Note: Other projects primarily consist of investigator-initiated studies and real-world studies

As of December 31, 2023, 499 ongoing drug clinical research projects were being conducted in the PRC and 253 were being conducted overseas, of which 194 were single region trials primarily in South Korea, Australia and the U.S.. The 59 ongoing MRCTs projects were being conducted across Asia Pacific, North America, Europe and Africa with various therapeutic areas including oncology, respiratory, cardiovascular, endocrine, autoimmune, infection, rare diseases and vaccines. The slight decline in the number of ongoing overseas projects as of December 31, 2023 was mainly due to the closing of a number of projects (including certain COVID-19 vaccine projects) in South Korea and Latin America in the second half of 2023.

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

	As of year/period end		
Region	December 31, 2022	June 30, 2023	**December 31, 2023**
Single region			
PRC	430	503	**499**
Overseas	188	207	**194**
MRCTs	62	62	**59**
Total	680	772	**752**

During the Reporting Period, our in-house DCT technology has been widely used in various projects including pivotal clinical trials, post-market studies, real-world studies and investigator-initiated studies, covering therapeutic areas including oncology, haematology, central nervous system, respiratory, endocrine and other fields. 13% of our ongoing clinical trials adopted the DCT hybrid model. Tigermed DCT team involved in the Phase III trial of Pfizer's NURTEC® in both China and South Korea to collect primary efficacy data using Electronic Patient Reported Outcome ("**ePRO**") system, leading to its China approval in 2023. The Company has been deeply involved in building China's DCT ecosystem and published the landmark report on the DCT Industry Best Practice (數字化/去中心化臨床研究行業實踐調研), as well as authored Tigermed DCT Global Regulatory Handbook. Our integrated DCT solution is expected to further improve the efficiency of the clinical trial technology business.

As of December 31, 2023, we had 465 ongoing medical device and IVD projects, including medical device and IVD clinical trial operation, medical monitoring, clinical trial design and medical writings, among which, there was significant revenue growth in medical devices and IVD businesses.

During the Reporting Period, our medical device team has offered clinical trial operation services for a number of first-in-class medical device products in China, supported clinical strategies for innovative and pioneering products, and assisted 6 innovative medical device products to receive China launch approvals in 2023. The Company has realized rapid growth of multi-regional device projects in 2023 covering regions including Europe, South Korea, the United States, Southeast Asia and other regions. We also expanded medical device registrational services to the United States, Southeast Asia and Saudi Arabia. In February 2024, the Company announced the acquisition of the China business of North American Science Associates, Inc. ("**NAMSA**"), and entered into an exclusive strategic cooperation agreement with NAMSA in China, which expanded our existing team and the global reach, including general consulting, regulatory affairs, quality consulting and clinical research.

Our medical registration team saw the number of customers increase from 649 as of December 31, 2022 to 720 as of December 31, 2023, and have accumulated a total of 1,009 project experiences. In 2023, we assisted 9 products to receive approvals in China, as well as 40 MRCT Investigational New Drug ("**IND**") applications in multiple countries and regions. During the Reporting Period, we also added 29 new FDA IND projects, of which 16 have been cleared for clinical trial.

During the Reporting Period, we continued to reinforce our PV team, providing global safety monitoring solutions to both pre-New Drug Application (NDA) and post-market projects for drugs, medical devices, vaccines and aesthetics. Upon integration of Marti Farm's PV teams with our existing PV team in China, we have further enhanced our global service capabilities and has established a professional PV team comprising nearly 150 employees worldwide. Our signal management tool is in final phase as of December 31, 2023. Meanwhile, we are already in touch with potential PV customers interested in signal management projects. During the Reporting Period, our PV business added 152 new PV projects, and the number of new PV customers reached 134.

During the Reporting Period, our medical translation business added 86 new customers, including 45 pharmaceutical companies and 41 medical device companies and became the Asia Pacific regional supplier and/or global supplier for multiple global pharmaceutical companies in 2023. As of December 31, 2023, our annual translation volume reached 380 million words relying on our integrated medical translation platform covering business development, systems (TMS/EPS/TEP/TQC), project management, quality control, translation and algorithm optimization etc. In the future, we plan to develop automated models dedicated to life science translations and enhance our intelligent medical translation and document management platform leveraging industry leading large language model. According to CSA Research, our medical translation business ranked 7th globally (1st in Chinese Mainland and 3rd in Asia Pacific) in the 2023 CSA The Top Life Sciences Language Service Providers Ranking.

During the Reporting Period, our real-world study team worked with Sanofi on the submission of the NDA to NMPA of its Isatuximab (accepted by NMPA in December 2023) as one of the first three pilot drugs to conduct real world studies in Hainan Boao Hope City (海南博鰲樂城國際醫療旅遊先行區), marking the first ever NDA application acceptance of a haematological cancer drug using real world data generated in Boao Hope City. During the Reporting Period, our real-world study projects have been further expanded to multiple therapeutic areas such as oncology, rare diseases, orthopedics, diabetes, respiratory, cardiovascular, ophthalmology and aesthetics. In the future, we will further increase the adoption of DCT technology and applications in our real-world studies.

In 2023, we successfully helped the first Chinese vaccine (shingles protein vaccine) to obtain the clearance to initiate and conduct the phase I clinical trial in the United States. We helped initiating and conducting the phase III clinical trial of quadrivalent meningitis conjugate vaccine in Indonesia, with a total enrollment of over 1,400 patients. In 2023, we helped completing two large-scale vaccine clinical studies on phase III protective efficacy, with a total enrollment of over 38,000 patients. We have established strategic cooperation with a number of Centers for Disease Control and Prevention ("**CDC**") in Jiangsu, Hubei, Sichuan, Guizhou, Shandong, Shanxi and Hunan provinces, with which we continue to carry out phase I-IV vaccine clinical trial projects.

We continued to develop and refine our centralized digital clinical trial platform Tailinyan (泰臨研), an all-in-one platform comprising Clinical Trial Management System, Electronic Data Capture, eSource Record, Clinical Trial Remote Monitoring, Electronic Trial Master File, E-Site, and Risk-Based Quality Management ("**RBQM**"). Through actively exploring digital innovation models, we established a digital therapy incubator and a full-process incubation procedure, providing services to customers in need of digital therapeutics. During the Reporting Period, our RBQM has obtained a patent certificate in China. We, as a main author, participated in the preparation of the RBQM Blue Book of DIA Digital Health Community ("**DHC**").

(2) CRLS

Revenue generated from our CRLS segment during the Reporting Period increased by 8.6% YoY to RMB3,215.9 million from RMB2,960.3 million during the Corresponding Period. The increase was primarily due to the increase in revenue from our site management and patient recruitment services, data management and statistical analysis services and laboratory services. Among which, site management and patient recruitment services saw strong growth, data management and statistical analysis services delivered stable growth while laboratory services realized a small increase in revenue during the Reporting Period.

During the Reporting Period, our DMSA team continued to acquire new customers in both China and overseas markets. The number of global customers increased by 31.3% YoY to 340 as of December 31, 2023 from 259 as of December 31, 2022. During the Reporting Period, our DMSA team provided DMSA services to multiple new drugs approvals in China, including Pfizer's NURTEC® for the treatment of migraine, and Cejemly®, the first approved drug in the world for indications of relapsed or refractory extranodal NK/T-cell lymphoma, and oral-dose COVID-19 drug with global independent intellectual property rights. As of December 31, 2023, we had 306 completed projects and 826 ongoing projects, of which 499 projects were implemented by our team in China and 327 projects were performed and implemented by overseas teams. During the Reporting Period, our DMSA team had over 850 professionals based in China, South Korea, the United States and India.

As of December 31, 2023, our on-site management team had completed 273 SMO projects, and the number of ongoing SMO projects increased to 1,952 as of December 31, 2023, up from 1,621 as of December 31, 2022. Our site management team has 25 offices and works with over 1,100 clinical sites in more than 140 cities in China. There were over 2,700 CRCs in our site management team. As of December 31, 2023, we have provided SMO services to support 50 Class I innovative drug approval in China accumulatively.

In 2023, Frontage completed the acquisition of Nucro-Technics Holdings, Inc. and its subsidiary Nucro-Technics, Inc, which expanded the laboratory space by over 5,574 square meters and enhanced our capabilities in analytical chemistry, microbiology, toxicology, bioanalysis, sample storage and stability testing services in North America. 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. Our Frontage Suzhou Safety Assessment Center obtained the GLP (Good Laboratory Practice) issued by the NMPA. 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 preclinical pharmacology research. As of December 31, 2023, the number of ongoing laboratory service projects were 4,411.

During the Reporting Period, our imaging evaluation team provided independent imaging evaluation services for 6 newly approved drugs in China. We accepted 20 NMPA inspections in 2023 with zero findings. As of December 31, 2023, we have provided imaging services for over 280 clinical trials with 25 products approved. During the Reporting Period, we have established an integrated core business structure covering central imaging, oncology imaging, pathology, electrocardiogram, and imaging consulting etc., and expanded into new therapeutic areas including respiratory system, skin diseases, and orthopaedics in 2023.

Gross Profit

During the Reporting Period, we realized a gross profit of RMB2,820.6 million compared to RMB2,785.4 million during the Corresponding Period, a slight growth. Our gross profit margin decreased from 39.3% during the Corresponding Period to 38.2% during the Reporting Period.

Our cost of services increased from RMB4,300.0 million during the Corresponding Period to RMB4,563.4 million during the Reporting Period.

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

	Year ended December 31,	
	2023	2022
	RMB million	*RMB million*
Direct labour costs	**2,347.8**	2,002.9
% of revenue	*31.8%*	*28.3%*
Direct project-related costs	**1,430.7**	1,607.4
% of revenue	*19.4%*	*22.7%*
Overhead costs	**784.9**	689.7
% of revenue	*10.6%*	*9.7%*
Total cost of services	**4,563.4**	4,300.0
% of revenue	*61.8%*	*60.7%*

(1) CTS

The gross profit of the CTS segment increased by 2.4% YoY from RMB1,536.8 million during the Corresponding Period to RMB1,573.3 million during the Reporting Period. The gross profit margin of the CTS segment increased to 37.7% during the Reporting Period from 37.3% during the Corresponding Period.

The gross profit margin increased during the Reporting 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 had less MRCTs including certain COVID-19 related trials that included a higher portion of pass-through fees than our usual clinical trial projects. These factors contributed positively to the gross profit margin of the CTS segment.

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 and Corresponding 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 realized during the Reporting Period was RMB1,247.3 million as compared to RMB1,248.6 million during the Corresponding Period.

The gross profit margin of the CRLS segment decreased by 3.4 percentage points from 42.2% during the Corresponding Period to 38.8% 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 compared with other CRLS services; and (ii) the lower revenue growth of Frontage Holdings, especially in preclinical research, Chemistry, Manufacturing and Controls (CMC). Meanwhile, with the operations of newly made investments in China, including Suzhou preclinical animal research facility, Shanghai Lin-Gang laboratory, and Wuhan chemistry facilities, the related overhead cost increased and contributed lower profit margin, causing the significant decrease of gross profit margin of our laboratory services during the Reporting Period.

Workforce

The number of our total employees reached 9,701 as of December 31, 2023 from 9,455 as of June 30, 2023, and from 9,233 as of December 31, 2022. Below is a breakdown of our employees by function and by region as of December 31, 2023:

	Number of employees				
Function	**PRC**	**Asia Pacific (excluding PRC)**	**Americas**	**EMEA**	**Total**
Project operation	7,206	534	807	62	8,609
Marketing and business development	418	50	43	8	519
Management and administration	445	34	88	6	573
Total	**8,069**	**618**	**938**	**76**	**9,701**

The number of our employees based overseas increased to 1,632 as of December 31, 2023 from 1,426 as of December 31, 2022. As part of our strategy for business expansion, we will continue to expand our clinical operations and project management teams in key overseas markets such as North America and Europe. Since 2022, we officially released our global talent value statement "Inspire to Excel, Empower to Achieve" (激發無限潛能, 探索生命旅程), and has always adhered to this concept through a systematic talent development management mechanism to identify, cultivate, and develop talents that align with the Company's strategic development, stimulate employee potential, and activate organizational vitality. 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 nurture and retain talents.

Other Income

Our other income during the Reporting Period increased by 9.4% YoY to RMB311.7 million from RMB285.0 million during the Corresponding Period, primarily due to a RMB27.8 million increase in the dividend income from financial assets at Fair Value Through Profit or Loss ("**FVTPL**").

Other Gains and Losses, Net

During the Reporting Period, we recorded other gains and losses, net of RMB552.2 million, representing a 11.0% decrease YoY from RMB620.3 million during the Corresponding Period. The decrease was primarily due to (i) change in fair value of financial assets at FVTPL decreased by 35.8% YoY to RMB352.8 million during the Reporting Period from RMB549.7 million during the Corresponding Period; and (ii) the gain on disposal of associates decreased from RMB54.1 million during the Corresponding Period to RMB1.7 million during the Reporting Period, accounting for 76.9% of the total decline. The increase in the gain on disposal of financial asset at FVTPL partially offset the decline.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 24.9% YoY from RMB149.9 million during the Corresponding Period to RMB187.3 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 awareness. The 24.9% YoY increase of selling and marketing expenses during the Reporting Period also reflected the fact that our sales and marketing activities were adversely affected by the pandemic during the Corresponding Period.

Administrative Expenses

Our administrative expenses increased by 3.0% YoY from RMB643.3 million during the Corresponding Period to RMB662.7 million during the Reporting Period. The increase was primarily due to an increase in staff costs to our administrative and management personnel in China and overseas. The increase was offset by the decrease of share-based payments during the Reporting Period.

R&D Expenses

Our R&D expenses increased by 11.5% YoY from RMB234.6 million during the Corresponding Period to RMB261.6 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 investments made into innovation and technology development by our Group.

Share of profit of associates

Our share of profit of associates increased by 164.3% from RMB39.8 million during the Corresponding Period to RMB105.2 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 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 44.1% from RMB83.2 million during the Corresponding Period to RMB119.9 million during the Reporting Period, primarily due to the increase of interest expense on bank borrowings from RMB57.8 million during the Corresponding Period to RMB92.0 million during the Reporting Period.

Income Tax Expense

Our income tax expense increased by 7.9% from RMB313.7 million during the Corresponding Period to RMB338.6 million during the Reporting Period. Our effective tax rate increased from 12.1% during the Corresponding Period to 13.6% during the Reporting Period, primarily due to the decrease in change in certain other gain items such as changes in fair value of financial assets at FVTPL during the Reporting Period, which were only partially non-taxable.

Profit for the Year

As a result of the foregoing discussions, our profit for the year decreased by 5.7% from RMB2,281.3 million during the Corresponding Period to RMB2,151.6 million during the Reporting Period. The decrease was primarily due to the increase of cost of sales and the increase of selling and marketing expenses, which offset the increase of the revenue and the profit contribution from other gain and loss, net. The profit attributable to owners of the Company increased by 0.5% from RMB2,016.1 million during the Corresponding Period to RMB2,026.5 million during the Reporting Period, and the profit attributable to non-controlling interests decreased by 52.8% from RMB265.2 million during the Corresponding Period to RMB125.1 million during the Reporting Period.

Non-IFRS Measures

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

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

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

Adjusted net profit attributable to owners of the Company

	For the Year ended December 31,	
	2023	2022
	RMB million	*RMB million*
Profit attributable to owners of the Company	**2,026.5**	2,016.1
Adjusted for:		
Share-based compensation expense	**5.7**	37.5
Net foreign exchange loss/(gain)	**0.1**	(17.0)
Amortization of intangible assets arising from acquisitions	**13.8**	15.5
Goodwill impairment	**23.3**	–
Increase in fair value of financial assets at FVTPL	**(283.4)**	(386.3)
Adjusted net profit attributable to owners of the Company	**1,786.0**	1,665.8
Margin of adjusted net profit attributable to the owners of the Company[(1)]	**24.2%**	23.5%
Adjusted earnings per share (RMB)		
– Basic[(2)]	**2.06**	1.93
– Diluted[(3)]	**2.06**	1.92

Notes:

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

(2) The basic adjusted earnings per share is calculated using the adjusted net profit attributable to owners of the Company divided by the weighted average number of ordinary shares for the purpose of calculated basic earnings per share.

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

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

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

During the Reporting Period, our Non-IFRSs adjusted net profit attributable to owners of the Company was RMB1,786.0 million, representing a YoY increase of 7.2% from RMB1,665.8 million during the Corresponding Period. Our margin of adjusted net profit attributable to the owners of the Company increased from 23.5% during the Corresponding Period to 24.2% during the Reporting Period.

Cash Flows

	Year ended December 31,	
	2023	2022
	RMB million	*RMB million*
Net cash generated from operating activities	**931.3**	1,133.6
Net cash used in investing activities	**(1,315.1)**	(2,565.4)
Net cash (used in)/generated from financing activities	**(7.8)**	809.2

During the Reporting Period, our net cash generated from operating activities was RMB931.3 million, representing a 17.8% decrease from RMB1,133.6 million during the Corresponding Period. The decrease was primarily due to (i) an increase by 65.2% in trade, bills and other receivables and prepayments from RMB152.4 million during the Corresponding Period to RMB251.8 million during the Reporting Period; and (ii) the Group got less prepayments received from customers in relation to service agreements or work orders with them.

During the Reporting Period, our net cash used in investing activities was RMB1,315.1 million, representing a 48.7% decrease from RMB2,565.4 million during the Corresponding Period. The decrease was primarily due to the substantial increase in the cash received from the financial instruments, especially the disposal of financial assets at FVTPL and dividends from of financial assets at FVTPL and associates, amounting to RMB810.2 million increase of the investing cash flow.

During the Reporting Period, our net cash used in financing activities was RMB7.8 million compared with RMB809.2 million generated during the Corresponding Period. The Group repaid RMB682.0 million bank borrowings during the Reporting Period more than the amount paid during the Corresponding Period. Meanwhile, the repayment of lease liabilities increased by 30.3% YoY, and the Group paid more dividends during the Reporting Period.

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

Liquidity and Capital Resources

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

As of December 31, 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 20.4% from RMB1,186.3 million as of December 31, 2022 to RMB1,428.2 million as of December 31, 2023, primarily due to (i) an increase in trade receivables from third parties from RMB1,105.3 million during the Corresponding Period to RMB1,379.8 million during the Reporting Period as we continued to grow our business; and (ii) an increase in other receivables from third parties from RMB99.6 million during the Corresponding Period to RMB115.6 million during the Reporting Period primarily from an increase in interest receivables from bank deposits. The increase was partially offset by the decrease of bill receivables by 96.4%, mainly due to the acceptance of most of bank drafts during the Reporting Period.

Trade and Other Payables

Our trade and other payables increased by 17.7% from RMB718.0 million as of December 31, 2022 to RMB845.1 million as of December 31, 2023, primarily due to (i) the increase in trade payables to third parties from RMB125.6 million as of December 31, 2022 to RMB182.7 million as of December 31, 2023 and (ii) the increase of the other payables to related parties to RMB13.0 million as of December 31, 2023 from RMB0.6 million as of December 31, 2022 during the Corresponding Period due to capital commitment to the associates invested. The increase was offset by the settlement of the contingent payables bolt-on acquisitions made by Frontage in previous years.

Contract Assets and Contract Liabilities

Our contract assets increased by 18.4% from RMB1,997.3 million as of December 31, 2022 to RMB2,364.4 million as of December 31, 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.

Our contract liabilities decreased by 27.6% from RMB939.8 million as of December 31, 2022 to RMB680.5 million as of December 31, 2023, as less prepayments received from our customers in relation to our service agreements or work orders with them.

Property, Plant and Equipment

Our property, plant and equipment increased by 21.9% from RMB976.7 million as of December 31, 2022 to RMB1,191.0 million as of December 31, 2023, primarily due to our procurement of experiment equipment and expansion in building and leasehold improvements for our offices, laboratory facilities and research capacity. Bolt on acquisition made by Frontage during the Reporting Period also contributed to the increase of our property, plant and equipment.

Intangible Assets

Our intangible assets increased by 12.2% from RMB276.1 million as of December 31, 2022 to RMB309.9 million as of December 31, 2023, which was primarily contributed by (i) a 13.9% YoY increase of the customer relationship to RMB221.9 million as of December 31, 2023, compared to that of RMB194.9 million as of December 31, 2022 and (ii) the non competition clause contributed a rise of 53.0%, which was bolt-on acquisitions made by Frontage during the Reporting Period.

Right-of-use Assets

Our right-of-use assets decreased by 10.6% from RMB622.4 million as of December 31, 2022 to RMB556.6 million as of December 31, 2023, primarily due to several existing lease contracts expired during the Reporting Period.

Interest in Associates

Our interests in associates increased from RMB1,799.8 million as of December 31, 2022 to RMB2,977.0 million as of December 31, 2023 primarily in relation to the capital injection to Hangzhou Taikun which we owned 50.0% interest and to Clinflash Healthcare Technology (Jiaxing) Co., Ltd* (易迪希醫藥科技(嘉興)有限公司) which we owned 19.8% interest as of December 31, 2023. Besides, we have increased capital injection to Jiangsu Lanwan Management technology Ltd., Co* (江蘇瀾灣管理科技有限公司) which we owned 49.0% interest and to Taihe Pharmaceutical (Weihai) Co., Ltd* (泰和藥業(威海)有限公司), which we owned 30.0% interest.

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 3.0% from RMB9,992.7 million as of December 31, 2022 to RMB10,288.3 million as of December 31, 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 December 31, 2023	As of December 31, 2022
	RMB'000	*RMB'000*
Non-current assets		
Financial assets at FVTPL		
– Life insurance policies	**3,443**	2,680
– Listed equity securities	**265,925**	304,175
– Unlisted equity investments	**4,991,648**	4,718,449
– Unlisted fund investments	**4,906,380**	4,918,549
– Unlisted debt instruments	**64,306**	20,000
Total non-current financial assets at FVTPL	**10,231,702**	9,963,853
Financial assets at FVOCI		
– Listed equity investments	**7,754**	–
– Unlisted equity investments	**6,754**	3,864
Total non-current financial assets at FVOCI	**14,508**	3,864
Current assets		
Financial assets at FVTPL		
– Financial products	**10,000**	24,770
– Listed equity securities	**–**	62
– Unlisted equity investments	**1,103**	–
– Unlisted fund investments	**–**	114
– Unlisted debt instruments	**31,035**	–
Total current financial assets at FVTPL	**42,138**	24,946
Total financial assets at FVTPL and FVOCI	**10,288,348**	9,992,663

Investments in companies and investment funds

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

As of December 31, 2023, we were a strategic investor in 170 innovative companies and other related companies in the healthcare industry, as well as a limited partner in 55 professional investment funds.

During the Reporting Period, we realized a gain of RMB546.1 million from exiting our investments in companies and investment funds, as measured by the exit amount against our initial investment cost, up from RMB162.8 million during the Corresponding Period.

Our investments in listed equity securities amounted to RMB273.7 million as of December 31, 2023, representing a 10.0% decrease from RMB304.2 million as of December 31, 2022. The decrease is primarily due to several unlocked stocks sold during the Reporting Period.

Our unlisted equity investments amounted to RMB4,999.5 million as of December 31, 2023, representing a 5.9% 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 change in fair value of the unlisted equity portfolio we held since the Corresponding Period.

Our unlisted fund investments amounted to RMB4,906.4 million as of December 31, 2023, representing a 0.3% decrease from RMB4,918.7 million as of December 31, 2022. The decrease is primarily due to disposal of more investments during the Reporting Period.

Our life insurance policies amounted to RMB3.4 million as of December 31, 2023, representing a 25.9% increase from RMB2.7 million as of December 31, 2022. Bolt-on acquisitions made by DreamCIS during the Reporting Period contributed to the increase.

Our unlisted debt instruments amounted to RMB95.3 million as of December 31, 2023, increased from RMB20.0 million as of 31 December, 2022, because the Group has reached agreements with customers to subscribe convertible bonds, which are classified as debt instrument.

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	513,110	119,374	7,845	1,373	115,899	757,601
(Transfer to listed companies)/transfer from non-listed companies	(296,284)	–	296,284	–	–	–
Fair value change during the Reporting Period	135,989	292,796	(75,889)	(619)	401	352,678
Disposals of shares	(80,903)	(440,287)	(262,011)	–	(41,516)	(824,717)
Exchange realignment	5,280	15,834	3,213	9	557	24,893
Ending Balance	4,999,505	4,906,380	273,679	3,443	95,341	10,278,348

Indebtedness

Borrowings

The Group had RMB2,800.6 million outstanding borrowings as of December 31, 2023, of which RMB2,366.4 million were short-term and RMB434.2 million were long-term. As of December 31, 2023, over 85.6% of our borrowings were denominated in RMB and 14.3% were US$ borrowings. The Group had unutilised banking facilities of RMB4,265.2 million as of December 31, 2023.

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 11.5% as of December 31, 2023.

Lease Liabilities

We had outstanding aggregated lease liabilities (for the remainder of relevant lease terms) of RMB546.0 million as of December 31, 2023, down 10.0% from RMB606.7 million as of December 31, 2022, primarily due to the expiry of some existing lease contracts and fewer new rental contracts entered into in 2023. Of the aggregated lease liabilities as of December 31, 2023, RMB122.9 million were due within one year and RMB423.1 million would be due in more than one year.

Pledges over Assets of the Group

The Group had no pledges over assets of the Group as of December 31, 2023.

Contingent Liabilities

As of December 31, 2023, the Group had no contingent liabilities.

Capital Commitments

As of December 31, 2023, the Group had the total capital commitments entered but outstanding and not provided for in the financial statements amounting to approximately RMB614.3 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 RMB586.7 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 RMB7.5 billion as of December 31, 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.

Significant Investments Held

As of December 31, 2023, saved for the investment as mentioned below, the Group did not hold any significant investments and none of the above-mentioned investments constituted a significant investment to our Group.

On July 12, 2021, Hangzhou Tigermed Equity Investment Partnership (Limited Partnership)* (杭州泰格股權投資合夥企業(有限合夥)) ("**Tigermed Equity**") and Hangzhou Tailong Venture Investment Partnership (Limited Partnership)* (杭州泰瓏創業投資合夥企業(有限合夥)) ("**Tailong Investment**"), the subsidiaries of the Company, entered into the partnership agreement with Hangzhou Industry Investment Co., Ltd.* (杭州產業投資有限公司) ("**HZ Industry Investment**") and HZ Hi-Tech Investment Co., Ltd.* (杭州高新創業投資有限公司) ("**HZ Hi-Tech Investment**") in relation to the formation of a fund, namely Hangzhou Taikun. The registered capital of Hangzhou Taikun shall be RMB20 billion, of which RMB200 million will be subscribed by Tailong Investment as the general partner, RMB9.8 billion will be subscribed by the Tigermed Equity as a limited partner, RMB5 billion will be subscribed by HZ Industry Investment as a limited partner and RMB5 billion will be subscribed by HZ Hi-Tech Investment as a limited partner.

Hangzhou Taikun was established on August 10, 2021 and became an associate of the Group. As of December 31, 2023, our Group has paid up RMB2,500 million of the registered capital of Hangzhou Taikun.

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

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

As of December 31, 2023, the carrying amount of our investment in Hangzhou Taikun was RMB2,615.8 million, accounting for 8.8% of the total assets of the Group.

As of December 31, 2023, Hangzhou Taikun had a net asset of RMB5,231.7 million, and generated a profit of RMB185.3 million during the Reporting Period. The Group received investment income of RMB4.4 million in respect of its investment in Hangzhou Taikun during the Reporting Period.

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

Please refer to the announcements of the Company dated July 12, 2021 and August 23, 2021 and the circular of the Company dated July 23, 2021 for details.

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

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

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

Treasury Policy

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

Competence Analysis

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

1. *Rich experience in project execution*

   As a leading CRO in the industry, we have accumulated rich experience in innovative drug and medical device R&D services over the past 20 years since its establishment, and the number of global customers reached over 2,800, including global multi-national pharmaceutical companies and domestic large pharmaceutical companies, small to medium-sized innovative drug R&D enterprises, etc. Our products cover a wide range of chemical drugs, biologics, vaccines, medical devices, and most of the therapeutic areas, including oncology, respiratory, infectious, endocrine, hematology, neurology, cardiovascular, dermatology, immunology, digestion, metabolism, rare diseases and other disease areas. As of December 31, 2023, our cumulative experience in clinical trial operation exceeds 3,500 projects, including more than 700 clinical trials of Class I drugs in China and more than 120 international MRCTs.

2. *Global synchronized operation and management*

   In recent years, we have set up branch offices and local clinical teams in many countries on all continents, with professionals familiar with pharmaceutical regulations and clinical practices in various countries, and established synchronized operation and collaboration mechanisms, forming strong capabilities of synchronized execution of globalizing projects. Meanwhile, we have also expanded our overseas customer base and operational capacity through the acquisition of overseas CRO companies. As of December 31, 2023, our global workforce has reached 9,701, covering 28 countries globally. In 2023, we set up our International Headquarters in Hong Kong, which has become the main hub for Tigermed's overseas functional support and business development.

3. Covering the whole R&D industry chain

For CRO enterprises, integrated services can increase the depth and breadth of cooperation with customers, reduce communication and interface costs in the R&D process, enhance efficiency and improve the stability of cooperation. Currently, we have established two integrated R&D service platforms for pharmaceuticals and medical devices. Our integrated service platform for drug R&D can provide full-process and end-to-end services including drug discovery, pre-clinical development, IND filing, clinical trial phase I-III, registration, post-market studies and real-world studies. Our integrated service platform for medical device R&D can provide R&D services throughout the entire life cycle of medical device R&D, including product design and R&D, pre-clinical, clinical development and evaluation, registration and application and post-market studies.

4. Excellent quality standards and delivery capabilities

Excellent quality management is a solid foundation for clinical research and one of the core competencies that we are proud of. We have set up a Quality Management Committee as the highest quality governance body to promote the operation and improvement of our quality management system, organize regular quality review activities and comprehensive assessment on our overall quality status, review and assess our quality risks and related corrective measures, etc. The general manager of the Company serves as the first person responsible for quality management. We take the initiative to embrace changes and innovation, actively explore the use of digital, intelligent, remote and forward-looking approaches to incorporate "Quality by Design" into the design, operation and quality management of clinical trials and develop the RBQM system for risk-based quality management. Our DCT solution team has been set up to utilize the latest remote and intelligent hybrid clinical trial methods such as the Risk-Based Quality Monitoring System (RBQM), e-informed, remote follow-up, direct-to-patient drug delivery, and e-payment, to continuously improve the efficiency of clinical operation and quality management capabilities, and to enhance the efficiency of high-quality delivery and delivery capabilities.

5. Leading industry position and influence

Since our establishment in 2004, we have witnessed and involved in the whole process of China's pharmaceutical industry from me-too drugs to fast-follow drugs and then to innovative drugs. After nearly 20 years of development, we have grown from a local CRO to expansion into Asia-Pacific, and then expansion from the Asia-Pacific region to Europe and the United States. We have become China's leading CRO and one of the few international CROs that can cover all 5 continents with global synchronization of R&D service capabilities. During the period from our establishment in 2004 to 2023, we have provided services for 61% of the marketed Class I new drugs in China. According to Frost & Sullivan's report, we have the largest market share in China's clinical outsourcing market for many consecutive years, and is the only China-based clinical services provider ranked among global top 10.

6. Extensive network of collaborations with Chinese and global research institutions

In China, we have a network of more than 150 offices and operations covering almost all of the country's medium and large-sized cities, and we partner with more than 1,380 Chinese clinical trial institutions. In the U.S., we partner with more than 500 clinical study sites in 45 states. We have also launched the E-site Program to continue to strengthen cooperation with top clinical trial institutions, jointly develop professional clinical trial teams and build clinical sites, improve management and efficiency, and create a win-win and sustainable clinical study network. As of December 31, 2023, we have formed strategic alliance with 52 E-Sites and have 224 core collaborative sites nationwide.

7. Provision of full life-cycle services for enterprise

In order to better drive biopharmaceutical innovation, we make minority investments in innovative biopharmaceutical and medical device startups. Our industry reputation, experience and expertise enable us to identify early-stage investment opportunities and develop a diversified portfolio. Through our investments, we are able to build long-term relationships with such companies and promote continued innovation in the biopharmaceutical industry in China and globally. In addition to providing financial support to start-ups, we also focus on the early transformation of scientific research results, integrate pharmaceutical innovation and entrepreneurship resources from government, industry, universities, research institutes, hospitals, investment institutions and other parties, focus on building a platform empowered by transformation of scientific and technological achievements throughout the whole life cycle, actively participate in investing in and incubating more innovative enterprises, and provide one-stop R&D solutions and full life-cycle services for business operations, so as to continuously empower the growth of innovative enterprises.

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.

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 Outlook

The global pharmaceutical market has maintained steady growth driven by factors including the accelerating trend of the aging population, the increasing prevalence of chronic non-communicable diseases, and the accelerated development of breakthrough therapies. According to Frost & Sullivan, the global pharmaceutical market size will be about $1.6 trillion in 2023 and is expected to grow to $1.9 trillion in 2027. Due to the continuous growth of market demand for innovative therapies and in response to unmet clinical needs, pharmaceutical companies have become market-oriented with concentrated resource advantages, and they have optimized R&D costs under appropriate R&D models, controlled R&D risks, improved R&D efficiency and continued to increase investment in important pipelines in the clinical stage. The development of clinical research has also advocated an increase in R&D CRO demand. According to Frost & Sullivan, from 2018 to 2022, the global CRO market size has increased from $53.91 billion to $77.57 billion, and the market size is expected to reach $102.65 billion by 2025 as the global demand for drug R&D grows year by year. The global clinical CRO market size grew from $37.94 billion in 2018 to $54.66 billion in 2022 and is expected to grow to $69.97 billion by 2025.

Due to factors such as economic development, medical system reform, and demographic changes, the scale of China's pharmaceutical market continues to grow. At the same time, the government has vigorously promoted the reform of the regulatory review system, successively introduced a large number of policies to encourage the development of innovative drugs to advocate the rapid and high-quality development of the industry, and promoted the listings of unprofitable biopharmaceutical companies. The reform has enabled China's innovative drug industry to achieve tremendous development and driven the increase in demand for R&D outsourcing and hence making the market size of CRO continues to grow. According to Frost & Sullivan, from 2018 to 2022, the market size of China's CRO grew from RMB38.80 billion to RMB80.21 billion and is expected to reach RMB140.59 billion by 2025. The size of China's clinical CRO market grew from RMB21.05 billion in 2018 to RMB41.11 billion in 2022 and is expected to grow to RMB72.55 billion in 2025.

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 clinical trials in China increased from 3,316 in 2022 to 4,205 in 2023, a YoY increase of 26.81%. According to CDE statistics, 40 Class I new drugs were approved in China in 2023, which is a record high. In addition, some innovative drugs in the fields of anti-tumor, autoimmunity, ADC technology and other therapeutic areas have entered the commercialization stage one after another in recent years. Relevant pharmaceutical companies are expected to recover the R&D funds they have invested to support the development of subsequent research pipelines.

Affected by the tightening monetary policies in major economies and other factors, the funding activities of domestic innovative drugs have declined in recent years and the innovative drug industry has entered a period of phased adjustment. Under such circumstances, pharmaceutical companies are promoted to gradually optimize costs, focus on differentiated innovative projects based on clinical value, accelerate the development of best-in-class and first-in-class products with clinical advantages, and accelerate the process of commercialization and overseas expansions to further enhance their R&D and innovation capabilities and promote high-quality development of the industry. According to incomplete statistics, in 2023, the number and value of overseas licence-out transactions for innovative medicines in China reached a record high of 80 and a total transaction amount potentially more than US$41.1 billion, of which 10 of them may have a total amount of more than US$1 billion each. Moreover, several innovative drugs and biosimilars are currently under review by the FDA and EU. Chinese pharmaceutical companies are also actively deploying in developing markets such as Southeast Asia and Latin America. The continuous achievements of Chinese innovative drugs going overseas show that China's innovative drug R&D capabilities have been internationally recognized. This helps enterprises to commercialize faster when facing the fluctuating external funding environment, meet the demand for R&D funds needed and increase R&D investment, further enhancing innovation and R&D capabilities and achieving a virtuous circle.

A number of multinational pharmaceutical companies have achieved sales growth in China, which led to the boosting of their R&D investment in China. The demand for simultaneous clinical trials of foreign innovative drugs in China is also growing steadily and the clinical trials carried out by foreign-funded pharmaceutical companies in China are increasing year by year, with a YoY increase of 18.5% in 2023. Taking advantage of the development opportunities of China's pharmaceutical market, more and more foreign-funded pharmaceutical companies are choosing China as one of the first places for their new drugs to commercialize, which will further drive China's CRO demand.

Under the wave of innovation and domestic product substitution, China's medical device industry has shown a good development trend. Benefiting from factors such as new infrastructure, increases in overseas revenue, domestic product substitution policies and alignment towards global medical device regulatory standards, medical device companies' R&D investment in China has been expanding, high-end Chinese medical device products are emerging, and domestic medical devices substituting imported medical devices has accelerated. China's innovative vaccines are also in a period of rapid development, among which, there are a number of phased breakthroughs of new varieties such as the zoster vaccine, RSV vaccine, Staphylococcus aureus vaccine, and norovirus vaccine. Many blockbuster vaccine products have also entered the harvest period and new technologies such as mRNA have also driven the vaccine market to further expand.

The increasing difficulties and complexities in the R&D of new drugs, the tightening of regulatory authorities' supervision on drug registration and marketing, and the growing demand for overseas expansion have driven 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. 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.

Potential Risks

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

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

We have formulated a business continuity management plan to facilitate the recovery of key operations, functions and technologies before, during and after emergencies or destructive events in a timely and organized way, so as to enable our Group to develop its business on a feasible and stable basis. However, if our business continuity management plan fails to cope with the impact of relevant emergencies and force majeure, it may materially adversely affect the Company's business, finance, operating results and future prospects.

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

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

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

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

4. *Risk of increasing competition*

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

5. Risk of failure in business expansion and strategy implementation

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

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

Government agencies and industry regulatory bodies around the world impose strict regulations or industry standards on how customers develop, test, study and manufacture drugs, medical devices, and biologics and how CROs and other third parties acting on customers' behalf perform such regulated services. Given the wide range of services the Company performs for its customers and its diverse geographic coverage, the Company is subject to various applicable legal and regulatory requirements around the world. In addition, the Company has attached great importance to comply with laws, regulations and industry standards during its operations and will continue to invest in the enhancement of our quality management system and compliance procedures. If the Company fails to comply with any laws, regulations or industry standards in the future in geographies where it operates, its business, financial condition and results of operations will be materially and adversely affected. Further, regulatory authorities may from time to time change their legal and regulatory requirements. Therefore, if the Company's existing quality management system and compliance procedures fail to adequately meet new legal and regulatory requirements, the Company may need to incur additional compliance costs and become exposed to negative findings of relevant governmental authorities, which may cause material and adverse impact to its business, financial condition and results of operations. In addition, if there are any action taken against the Company by governmental regulators for violating the relevant laws, regulations or industry standards, even if successfully defended or settled in the end, could cause the Company to incur relevant legal expenses, divert management's attention from the operation of the Company's business and adversely affect its reputation, business, financial condition and results of operations.

7. Risk of failure in obtaining or renewing certain regulatory approvals, licenses, permits and certificates required for the business

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

8. Risk of failure in meeting customers' expectations

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

9. Risk of losing key customers and contracts

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

10. Risks 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 failure to attract, train, motivate and retain talent

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

12. Risk of talent loss

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

13. Risks related to 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 RMB549.7 million and RMB352.8 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 RMB3.5 million and RMB232.0 million, respectively. There is also no guarantee that we will continue to make gains on disposal of financial assets at FVTPL in the future, and our financial results may be materially affected.

14. Foreign exchange risk

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

15. Risk 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.

Employees

The number of our employees increased to 9,701 as of December 31, 2023 from 9,233 as of December 31, 2022. During the Reporting Period, we continued to expand our clinical operation and project management teams in key overseas markets including the U.S. and Europe as part of our growth strategies. As of December 31, 2023, our overseas employees were based out of 28 countries and regions.

We enter into individual employment contracts with our employees covering matters such as wages, bonuses, employee benefits, workplace safety, confidentiality obligations, non-competition and grounds for termination. These employment contracts typically have terms of three years. We also provide competitive salaries, bonus 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.

COMPLIANCE WITH THE CG CODE

The Company has adopted the principles and code provisions as set out in the CG Code contained in Appendix C1 to the Listing Rules and has complied with the code provisions in the CG Code during the Reporting Period.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

On January 29, 2024 and February 1, 2024 (which was within the period of 60 days immediately preceding the publication date of this announcement), Ms. Cao Xiaochun, an executive Director and the general manager of the Company, pledged a total of 5,000,000 listed A Shares (the "**Pledges**") as additional collaterals in favour of Essence Securities Asset Management Co., Ltd. (安信證券資產管理有限公司) ("**Essence Securities**") for a loan provided by Essence Securities to her to facilitate her personal financial arrangements as demanded by Essence Securities as a result of a significant drop of share price of the Company at the relevant times. Ms. Cao Xiaochun was in a passive position in relation to the Pledges. The Directors (except Ms. Cao Xiaochun who is affected by the Pledges) were satisfied that the Pledges occurred under exceptional circumstances within the meaning of Rule C.14 of the Model Code and should be allowed.

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

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.

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. The Proposed Change in Use of Proceeds would enable the Company to better allocate its financial resources to opportunities that could drive sustainable growth for the Group and deliver returns to Shareholders in the near future. The Board considers that the changes would help the Company better seize domestic market opportunities, which is in line with the future growth strategies of the Company. The Proposed Change in Use of Proceeds was approved at the 2021 AGM held on May 20, 2022. Please refer to the announcements of the Company dated March 28, 2022 and May 20, 2022 and the circular of the Company dated April 28, 2022 for details. For the unutilized net proceeds of approximately HK$5,142.4 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 of the end of the Reporting Period, the Group has used the net proceeds as follows:

	Revised use of proceeds as stated in the announcement of the Company dated March 28, 2022 and the circular of the Company dated April 28, 2022 *(HK$ million)*	**Net proceeds unutilized as at the beginning of the Reporting Period** *(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	864.4	1,269.3	325.1	36 to 48 months from the Listing
approximately 40% to fund potential acquisitions of attractive domestic and overseas clinical CROs that are complementary to our existing businesses as part of our global expansion plan to 1) further strengthen and diversify our service offerings and 2) expand globally and increase capabilities in key markets	4,727.0	4,384.0	-	343.0	4,384.0	36 to 60 months from the Listing

	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 at the beginning of the Reporting Period** *(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 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	74.1	296.7	-	-
approximately 10% to repay certain of our outstanding borrowings as of May 31, 2020	1,181.7	-	-	1,181.7	-	-

	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 at the beginning of the Reporting Period *(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	36 to 48 months from the Listing
Total	**9,572.4**	**6,102.2**	**959.8**	**4,430.0**	**5,142.4**	

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).

FINAL DIVIDEND

The Board proposed to declare a final dividend of RMB5.68 (inclusive of tax) per 10 Shares (representing an aggregate amount of RMB491.3 million (inclusive of tax) based on the total issued Shares of the Company as at the date of this announcement) for the year ended December 31, 2023.

The aforesaid proposed is subject to the consideration and approval at the forthcoming annual general meeting of the Company ("**AGM**"). If the distribution proposal is approved at the AGM, it is expected that the final dividend for the year ended December 31, 2023 will be paid in 60 days after the AGM to the Shareholders (i.e. on or before July 31, 2024). Details regarding the closure of the register of members of the Company and declaration and payment of dividends will be announced in due course.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to December 31, 2023, the following significant events took place:

1. On February 6, 2024, the Company convened the fourth meeting of the fifth session of the Board to consider and approve the Resolution on the Share Repurchase Plan of the Company (《關於回購公司股份方案的議案》), pursuant to which, the Company intended to repurchase part of A shares of the Company by self-owned funds or self-raised funds through centralized price bidding (the "**Share Repurchase**"), which will be subsequently used to implement the A share equity incentive scheme or A share employee stock ownership plan. The total amount of funds for Share Repurchase shall not be less than RMB500,000,000 and not more than RMB1,000,000,000, and the price for share repurchase shall not more than RMB60.00 per share (inclusive). The term of the share repurchase within 12 months from the date on which the general meeting of the Company considers and approves the Share Repurchase plan. For details, please refer to the announcement of the Company on February 6, 2024.

2. In February 2024, Dr. Yang Bo tendered her resignation as an independent non-executive Director of the fifth session of the Board due to personal work reasons. At the same time, Dr. Yang Bo has resigned from her positions as the convenor (chairperson) and member of the nomination committee, member of the audit committee and member of the strategy development committee of the fifth session of the Board.

   On February 27, 2024, the Company convened the fifth meeting of the fifth session of the Board to consider and approve the nomination of Ms. Liu Yuwen (劉毓文) ("**Ms. Liu**") for proposed appointment as an independent non-executive Director.

   The appointment of Ms. Liu was approved by the Shareholders at the extraordinary general meeting of the Company held on March 21, 2024, and has taken effect on the even date until the conclusion of the fifth session of the Board. She also serves as the convener (chairperson) and a member of the nomination committee, a member of the audit committee and a member of the strategy development committee of the fifth session of the Board after the appointment. For details, please refer to the announcements dated February 27, 2024 and March 21, 2024 and the circular dated March 1, 2024 of the Company.

3. On March 28, 2024, the Company convened the sixth meeting of the fifth session of the Board and the fourth meeting of the fifth session of supervisory committee of the Company, the Board resolved and approved, among others: (i) considered and approved the Resolution on Terminating the implementation of the 2022 Restricted A Share Incentive Scheme (the "**Proposed Terminating the implementation of the 2022 Restricted A Share Incentive Scheme**"); (ii) lapse of all restricted shares that have been granted but not yet vested (the "**Proposed Cancellation of Repurchased Shares**"); (iii) proposed change of the registered capital of the Company as a results of the Proposed Cancellation of Repurchased Shares (the "**Proposed Change of Registered Capital**"); and (iv) proposed amendments to the articles of association of the Company as a results of the Proposed Change of Registered Capital (the "**Proposed Amendments to the Articles**"). The Proposed Terminating the implementation of the 2022 Restricted A Share Incentive Scheme, Proposed Cancellation of Repurchased Shares, the Proposed Change of Registered Capital and the Proposed Amendments to the Articles are subject to the approval of the special resolutions by the Shareholders at the 2024 second extraordinary general meeting of the Company, the 2024 first A share class meeting and the 2024 first H share class meeting of the Company. For details, please refer to the announcement of the Company dated March 28, 2024.

4. On March 28, 2024, the Company convened the sixth meeting of the fifth session of the Board, the Board resolved and approved, amongst others, the proposed amendments to the articles of association of the Company and the rules of procedure for meetings of shareholders and the rules of procedures for the Board (the "**Proposed Amendments to the Articles and Related Rules of Procedures**") to reflect the relevant laws, administrative regulations and regulatory documents, and taking into account the needs of the Company's business development. The Proposed Amendments to the Articles and Related Rules of Procedures are subject to the approval of the special resolutions by the Shareholders at the AGM, the 2024 second A share class meeting and the 2024 second H share class meeting of the Company. For details, please refer to the announcement of the Company dated March 28, 2024.

5. On March 28, 2024, the Company convened the sixth meeting of the fifth session of the Board, the Board resolved and approved, amongst others, (i) the change of the Company's overseas financial statements preparation standards from International Financial Reporting Standards to China Accounting Standards for Business Enterprises, subject to the approval of the relevant articles in the Proposed Amendments to the Articles and Related Rules of Procedures as mentioned in item 4 above; and (ii) proposed the non-renewal of BDO Limited as the overseas financial reporting audit firm of the Company (the "**Proposed Non-renewal of Overseas Financial Reporting Audit Firm**"). The Proposed Non-renewal of Overseas Financial Reporting Audit Firm is subject to the approval of the ordinary resolution by the Shareholders at the forthcoming annual general meeting of the Company. For details, please refer to the announcement of the Company dated March 28, 2024.

AGM AND PERIOD OF CLOSURE OF REGISTER OF MEMBERS

The Company will arrange the time of convening the forthcoming AGM as soon as practicable, and the notice of the AGM will be published and despatched to the Shareholders in a timely manner in accordance with the requirements of the Listing Rules and the Articles of Association. Once the date of the AGM is finalized, the Company will publish the period of closure of register of members of H Shares of the Company in the notice of the AGM.

REVIEW OF ANNUAL RESULTS

The Audit Committee comprises three independent non-executive Directors, namely Mr. Liu Kai Yu Kenneth, Mr. Yuan Huagang and Ms. Liu Yuwen. 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 audited consolidated financial information of the Group for the year ended December 31, 2023 with the management and the auditors of the Company.

The Audit Committee considered that the annual results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof. The independent auditors of the Company, namely BDO Limited, has agreed that the figures in respect of the Group's annual results for the year ended December 31, 2023 contained in this announcement are consistent with the amounts set out in the Group's audited consolidated financial statements for the year.

The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2023

	Notes	**2023** ***RMB'000***	2022 *RMB'000*
Revenue	*5*	**7,384,039**	7,085,471
Cost of services		**(4,563,378)**	(4,300,027)
Gross profit		**2,820,661**	2,785,444
Other income	*6*	**311,707**	284,961
Other gains and losses, net	*7*	**552,201**	620,322
Provision of impairment losses, net	*8*	**(68,098)**	(24,575)
Selling and marketing expenses		**(187,315)**	(149,890)
Administrative expenses		**(662,696)**	(643,315)
Research and development expenses		**(261,555)**	(234,619)
Share of profits of associates		**105,183**	39,763
Finance costs	*9*	**(119,897)**	(83,179)
Profit before tax	*10*	**2,490,191**	2,594,912
Income tax expense	*11*	**(338,606)**	(313,652)
Profit for the year		**2,151,585**	2,281,260
Other comprehensive income for the year			
Items that will not be reclassified subsequently to profit or loss:			
Change in fair value of financial assets at fair value through other comprehensive income ("FVOCI"), net of tax		**(74)**	14,624
Remeasurement of net defined benefit obligations		**(145)**	(112)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		**60,962**	288,788
Total comprehensive income for the year		**2,212,328**	2,584,560
Profit for the year attributable to:			
Owners of the Company		**2,026,507**	2,016,086
Non-controlling interests		**125,078**	265,174
		2,151,585	2,281,260
Total comprehensive income for the year attributable to:			
Owners of the Company		**2,064,491**	2,237,630
Non-controlling interests		**147,837**	346,930
		2,212,328	2,584,560
Earnings per share	*12*		
– Basic (RMB)		**2.34**	2.33
– Diluted (RMB)		**2.34**	2.33

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,190,992**	976,679
Intangible assets		**309,852**	276,147
Goodwill		**2,764,189**	2,485,018
Right-of-use assets		**556,645**	622,354
Interests in associates		**2,977,028**	1,799,825
Deferred tax assets		**134,791**	121,353
Financial assets at fair value through profit or loss ("FVTPL")	*14*	**10,231,702**	9,963,853
Financial assets at FVOCI	*14*	**14,508**	3,864
Other financial assets at amortised cost		**–**	27,607
Restricted bank deposits	*17*	**2,137**	2,089
Other non-current assets		**156,896**	62,564
		18,338,740	16,341,353
CURRENT ASSETS			
Inventories		**23,398**	22,204
Trade, bills and other receivables and prepayments	*15*	**1,428,206**	1,186,273
Contract assets	*16*	**2,364,435**	1,997,311
Other financial assets at amortised cost		**40,995**	–
Financial assets at FVTPL	*14*	**42,138**	24,946
Prepaid income tax		**24,977**	15,136
Restricted bank deposits	*17*	**6,885**	19,115
Time deposits with original maturity over three months	*17*	**11,028**	54,194
Cash and cash equivalents	*17*	**7,399,941**	7,782,741
		11,342,003	11,101,920
Assets classified as held for sale		**–**	3,237
		11,342,003	11,105,157
CURRENT LIABILITIES			
Trade and other payables	*18*	**845,110**	717,950
Contract liabilities		**680,489**	939,765
Borrowings	*19*	**2,366,380**	1,868,215
Income tax payables		**123,877**	85,875
Lease liabilities		**122,881**	117,764
		4,138,737	3,729,569
NET CURRENT ASSETS		**7,203,266**	7,375,588
TOTAL ASSETS LESS CURRENT LIABILITIES		**25,542,006**	23,716,941

	Notes	**2023** ***RMB'000***	2022 *RMB'000*
NON-CURRENT LIABILITIES			
Borrowings	*19*	**434,223**	244,641
Deferred government grant		**14,594**	14,786
Pension obligations		**719**	425
Lease liabilities		**423,109**	488,976
Other long-term liabilities		**1,820**	72,692
Deferred tax liabilities		**213,979**	214,393
		1,088,444	1,035,913
NET ASSETS		**24,453,562**	22,681,028
CAPITAL AND RESERVES			
Share capital	*20*	**872,419**	872,419
Treasury shares	*21*	**(869,340)**	(869,340)
Reserves		**21,066,063**	19,625,366
Equity attributable to owners of the Company		**21,069,142**	19,628,445
Non-controlling interests		**3,384,420**	3,052,583
TOTAL EQUITY		**24,453,562**	22,681,028

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

The Group is principally engaged in the 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 RMB, which is the same as the presentation currency of the consolidated financial statements.

2. BASIS OF PREPARATION

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

3. ADOPTION OF IFRSS

(a) Adoption of new/revised IFRSs – effective January 1, 2023

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (the "**IASB**") for the first time, which are mandatorily effective for the annual period beginning on or after January 1, 2023 for the preparation of the consolidated financial statements:

IFRS 17 Insurance Contracts	*Insurance Contracts*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosures 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*
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules

4. SEGMENT INFORMATION

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

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

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

– Clinical trial solutions

– Clinical-related and laboratory services

Segment revenues and results

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

For the year ended December 31, 2023

	Clinical trial solutions *RMB'000*	**Clinical-related and laboratory services** *RMB'000*	**Total** *RMB'000*
Revenue	**4,168,128**	**3,215,911**	**7,384,039**
Gross profit	**1,573,319**	**1,247,342**	**2,820,661**
Unallocated amounts:			
Other income			**311,707**
Other gains and losses, net			**552,201**
Provision of impairment losses, net			**(68,098)**
Selling and marketing expenses			**(187,315)**
Administrative expenses			**(662,696)**
Research and development expenses			**(261,555)**
Share of profits of associates			**105,183**
Finance costs			**(119,897)**
Profit before tax			**2,490,191**

For the year ended December 31, 2022

	Clinical trial solutions *RMB'000*	Clinical-related and laboratory services *RMB'000*	Total *RMB'000*
Revenue	4,125,199	2,960,272	7,085,471
Gross profit	1,536,811	1,248,633	2,785,444
Unallocated amounts:			
Other income			284,961
Other gains and losses, net			620,322
Provision of impairment losses, net			(24,575)
Selling and marketing expenses			(149,890)
Administrative expenses			(643,315)
Research and development expenses			(234,619)
Share of profits of associates			39,763
Finance costs			(83,179)
Profit before tax			2,594,912

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about performance assessment and resources allocation. No analysis of segment assets and liabilities is presented as management does not regularly review such information for the purposes of performance assessment and resource allocation. Therefore, only segment revenue and gross profit are presented.

Geographical information

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

	2023	2022
	RMB'000	*RMB'000*
Revenue from external customers		
– PRC	**4,234,516**	3,601,587
– Other overseas countries and regions	**3,149,523**	3,483,884
	7,384,039	7,085,471

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

	2023	2022
	RMB'000	*RMB'000*
Non-current assets excluding financial assets and deferred tax assets		
– PRC	**1,742,956**	3,695,750
– Other overseas countries and regions	**6,140,831**	2,522,755
	7,883,787	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 year, no major customer information is presented in accordance with IFRS 8 "Operating Segments".

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 consulting), laboratory services (e.g., drug metabolism and pharmacokinetics, safety and toxicology, bioanalytical, and chemistry, manufacturing and controls services), as well as chemistry services.

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

	2023	2022
	RMB'000	*RMB'000*
Overtime		
Clinical trial solutions	**4,168,128**	4,125,199
Clinical-related and laboratory services	**3,215,911**	2,960,272
	7,384,039	7,085,471

Transaction price allocated to future performance obligations

The aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) was RMB14,079,987,000 (2022: RMB13,785,925,000) as at December 31, 2023. Management of the Group expects the majority of the transaction price allocated to the unsatisfied contracts as of the end of each reporting period will be recognised within 3 years from the end of each reporting period.

The following table provides information about trade and bills receivables, contract assets and contract liabilities from contracts with customers.

	2023	2022
	RMB'000	*RMB'000*
Trade and bills receivables *(Note 15)*	**1,260,915**	1,033,820
Contract assets *(Note 16)*	**2,364,435**	1,997,311
Contract liabilities	**(680,489)**	(939,765)

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed because the rights are conditioned on the Group's future performance in archiving specified milestones of the contract at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group provides the invoice to the customers.

The contract liabilities mainly relate to the advance consideration received from customers.

6. OTHER INCOME

	2023	2022
	RMB'000	*RMB'000*
Interest income from bank deposits	**229,849**	227,338
Interest income from financial products	**633**	1,090
Interest income from unlisted debt instruments	**342**	–
Government grants	**44,652**	50,181
Dividend income from financial assets at FVTPL	**33,063**	5,263
Others	**3,168**	1,089
	311,707	284,961

7. OTHER GAINS AND LOSSES, NET

	2023	2022
	RMB'000	*RMB'000*
Net foreign exchange gain	**2,610**	20,132
Loss on disposal/written off of property, plant and equipment and intangible assets	**(188)**	(87)
Change in fair value of financial assets at FVTPL	**352,771**	549,690
Fair value change of contingent consideration payables	**(3,603)**	(1,304)
Gain on disposal of associates	**1,657**	54,135
Gain/(loss) on disposal of financial assets at FVTPL	**198,954**	(1,799)
Loss on property, plant and equipment upon reclassification to assets classified as held for sale	**–**	(445)
	552,201	620,322

8. IMPAIRMENT LOSSES

	2023	2022
	RMB'000	*RMB'000*
Impairment losses under ECL model, net of reversal		
Trade receivables	**39,288**	21,891
Contract assets	**(2,604)**	1,971
Other receivables	**(915)**	713
	35,769	24,575
Inventories	**3,172**	–
Goodwill	**29,157**	–
Provision of impairment losses, net	**68,098**	24,575

9. FINANCE COSTS

	2023	2022
	RMB'000	*RMB'000*
Interest expense on bank borrowings	**91,976**	57,846
Interest on lease liabilities	**27,921**	25,333
	119,897	83,179

10. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging/(crediting):

	2023	2022
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**144,019**	113,932
Amortisation of intangible assets	**73,251**	64,314
Depreciation of right-of-use assets	**121,754**	106,598
Staff costs (including directors' emoluments):		
– Salaries and other benefits	**2,606,237**	2,296,879
– Retirement benefits scheme contributions	**200,291**	276,638
– Share-based payment expenses	**16,310**	54,513
	2,822,838	2,628,030
Auditors' remuneration	**4,340**	4,340
Short-term leases with application of recognition exemption	**2,637**	21,527
Leases of low-value assets with application of recognition exemption	**8,450**	8,220

11. INCOME TAX EXPENSE

	2023	2022
	RMB'000	*RMB'000*
Current tax:		
– PRC Enterprise Income Tax ("**EIT**")	**288,249**	252,007
– U.S. income tax	**57,600**	66,033
– Korean income tax	**3,604**	3,185
– Others	**14,402**	14,840
Under/(over) provision of current tax in prior year	**30,192**	(4,347)
	394,047	331,718
Deferred tax:		
– Current year	**(55,441)**	(18,066)
Total income tax expense	**338,606**	313,652

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the standard EIT rate of the PRC subsidiaries is 25%. For the PRC subsidiaries approved as High and New Technology Enterprise or Advance Technology Enterprise by the relevant government authorities, they are subject to a preferential rate of 15%. Funds established as partnerships in the PRC are not taxable entities and EIT will apply at the partner's level. For non-resident enterprises without any establishment in the PRC, they are subject to withholding income tax rate of 10% for their income from the PRC.

The group entities incorporated in USA are subject to Federal Corporate Tax and State Income Tax. The tax rate for Federal Income Tax is 21% for both years. The income subject to tax in a specific state (i.e. state taxable income) is calculated based on the federal taxable income with state tax adjustments, which is then allocated or apportioned to the respective states (i.e. percentage of taxable income that should be apportioned or specially allocated to the respective states in which the Group operates).

The group entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% on the estimated assessable profits for both years. On March 21, 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on March 28, 2018 and was gazette on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The two-tiered profits tax rates regime is applicable to the Group's Hong Kong subsidiaries with estimated assessable profits for its annual reporting periods ending on or after April 1, 2018.

The group entities incorporated in the Cayman Islands are not subject to income or capital gains tax under the law of the Cayman Islands.

The group entities established in the British Virgin Islands ("**BVI**") are not subject to income tax or capital gains tax under the law of the BVI.

Taxation arising from other jurisdictions is calculated at the rate prevailing in the relevant jurisdictions.

The income tax expense for the year can be reconciled to the profit before tax in the consolidated statement of profit or loss and other comprehensive income as follows:

	2023	2022
	RMB'000	*RMB'000*
Profit before tax	**2,490,191**	2,594,912
Tax at the applicable tax rate of 25%	**622,548**	648,728
Tax effect of share of profits of associates	**(26,296)**	(9,941)
Tax effect of income not taxable for tax purpose	**(80,774)**	(142,742)
Tax effect of expenses not deductible for tax purpose	**25,455**	15,403
Under/(over) provision of current tax in prior year	**30,192**	(4,347)
Effect of research and development expenses that are additionally deducted	**(56,150)**	(49,000)
Utilisation of deductible temporary differences and tax losses not recognised	**(1,644)**	(6,532)
Tax at concessionary rate	**(171,982)**	(134,522)
Effect on deferred tax assets or liabilities resulting from change in applicable tax rate	**(3,971)**	1,544
Effect of different tax rate of subsidiaries operating in other jurisdictions	**1,228**	(4,939)
Income tax expense	**338,606**	313,652

12. EARNINGS PER SHARE

(a) Basic earnings per share

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

	2023	2022
	RMB'000	*RMB'000*
Earnings for the purpose of calculating basic earnings per share	**2,026,507**	2,016,086

Number of shares:

	2023	2022
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**864,948,570**	864,681,059

(b) Diluted earnings per share

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

	2023	2022
	RMB'000	*RMB'000*
Profit for the year attributed to owners of the Company	**2,026,507**	2,016,086
Effect of share options issued by subsidiaries *(note (ii))*	**(871)**	(1,569)
Earnings for the purpose of calculating diluted earnings per share	**2,025,636**	2,014,517

Number of shares:

	2023	2022
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**864,948,570**	864,681,059
Effect of dilutive potential ordinary shares in respect of outstanding restricted share under restricted share scheme *(note (i))*	**419,517**	806,269
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**865,368,087**	865,487,328

Notes:

(i) The effect of dilutive potential ordinary shares is related to the restricted share scheme launched by the Company.

(ii) During the year ended December 31, 2023 and 2022, the effect of share options issued by subsidiary is related to the share option and share awards issued by Frontage Holdings Corporation ("Frontage Holdings"), share options issued by DreamCIS Inc. ("DreamCIS") and Meditip Co., Ltd ("Meditip"), subsidiaries of the Company.

(iii) The weighted average number of ordinary shares shown above has been adjusted for the issue of treasury shares as set out in Note 21.

13. DIVIDENDS

During the year ended December 31, 2023, the Company proposed cash dividends to its shareholders as follows:

	2023	2022
	RMB'000	*RMB'000*
Final dividend proposed after the end of the reporting period of RMB0.568 and RMB0.55 in respect of the years ended December 31, 2023 and 2022, respectively	**491,291**	475,722

The final dividend proposed after the end of the year has not been recognised as a liability at the end of the year.

14. FINANCIAL ASSETS AT FAIR VALUE/FINANCIAL PRODUCTS

	2023	2022
	RMB'000	*RMB'000*
Financial assets		
Non-current assets		
Financial assets at FVTPL		
– Life insurance policies *(note (a))*	**3,443**	2,680
– Listed equity securities	**265,925**	304,175
– Unlisted debt instruments	**64,306**	20,000
– Unlisted equity investments	**4,991,648**	4,718,449
– Unlisted fund investments	**4,906,380**	4,918,549
	10,231,702	9,963,853
Financial assets at FVOCI		
– Unlisted equity investments	**6,754**	3,864
– Listed equity investments	**7,754**	–
	14,508	3,864
Current assets		
Financial assets at FVTPL		
– Financial products *(note (b))*	**10,000**	24,770
– Listed equity securities	**–**	62
– Unlisted fund investments	**–**	114
– Unlisted equity investments	**1,103**	–
– Unlisted debt instruments	**31,035**	–
	42,138	24,946

Notes:

(a) Before Meditip Co., Ltd. ("Meditip") was acquired by DreamCIS and became a subsidiary of the Company, Meditip, entered into certain insurance policies with insurance companies to insure the directors of Meditip in prior years.

Under these policies, the policy holder and beneficiary is Meditip. The Group is required to pay an upfront payment for each policy. The Group can terminate the policy at any time and can receive cash back at the date of termination based on the account value of the policies, which is determined by the gross premium paid plus accumulated guaranteed interest earned and minus any charges made in accordance with the terms and conditions of the policies. If termination is made between the first policy year to the end of surrender period stated in the policies, there is a specified amount of surrender charge deducted from account value. The insurance companies will pay the Group guaranteed interest plus a premium determined by the insurance companies during the tenures of these policies.

(b) The Group entered into series of financial products contracts with banks and other financial institutions in the PRC. The investments are yield enhancement deposits with expected but not guaranteed rates of return. The expected rates of return was 3.00% (2022: 3.25%) per annum for the year ended December 31, 2023, which were determined by reference to the returns of the underlying investments. The directors considered the financial products shall be classified as financial assets at FVTPL and the amount paid for the financial products approximates its fair value at the end of each reporting period.

15. TRADE, BILLS AND OTHER RECEIVABLES AND PREPAYMENTS

	2023	2022
	RMB'000	*RMB'000*
Trade receivables		
– Third parties	**1,379,757**	1,105,316
– Related parties	**77**	–
Less: loss allowance for trade receivables	**(119,134)**	(77,527)
	1,260,700	1,027,789
Bills receivable		
– Third parties	**215**	6,031
Other receivables		
– Third parties	**115,589**	99,619
– Related parties	**1,553**	1,010
Less: loss allowance for other receivables	**(6,397)**	(7,302)
	110,745	93,327
Prepayments		
– Third parties	**55,557**	59,103
– Related parties	**989**	23
	56,546	59,126
	1,428,206	1,186,273

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:

	2023	2022
	RMB'000	*RMB'000*
Within 90 days	**963,830**	854,554
91 to 180 days	**153,731**	107,104
181 days to 1 year	**114,369**	41,734
Over 1 year	**28,770**	24,397
	1,260,700	1,027,789

16. CONTRACT ASSETS

	2023	2022
	RMB'000	*RMB'000*
Contract assets		
– Third parties	**2,405,891**	2,043,093
– Related parties	**3,317**	1,550
Less: loss allowance for contract assets	**(44,773)**	(47,332)
	2,364,435	1,997,311

Changes in contract assets primarily relate to timing invoicing.

17. CASH AND CASH EQUIVALENTS/TIME DEPOSITS WITH ORIGINAL MATURITY OVER THREE MONTHS/RESTRICTED BANK DEPOSITS

	2023	2022
	RMB'000	*RMB'000*
Cash and cash equivalents *(note (a))*	**7,399,941**	7,782,741
Time deposits with original maturity over three months *(note (d))*	**11,028**	54,194
Restricted bank deposits		
Portion classified as current assets *(notes (b) and (e))*	**6,885**	19,115
Non-current portion *(note (c))*	**2,137**	2,089
	9,022	21,204

Notes:

(a) At the end of each reporting period, cash and cash equivalents of the Group comprised of bank balances and cash held. Bank balances carried interest at prevailing market interest rates which ranged from 0.02% to 4.2% (2022: 0.02% to 4.20%) per annum as at December 31, 2023.

(b) As at December 31, 2023, a cash deposit of US$369,000 (equivalent to approximately RMB2,614,000) (2022: US$357,000 (equivalent to approximately RMB2,486,000)) was required by Pennsylvania Department of Environmental Protection, Bureau of Radiation Protection in the USA for radiology license in USA, and the amount is restricted. As at December 31, 2023, the remaining amount in the collateral account was US$369,000 (equivalent to approximately RMB2,614,000) (2022: US$357,000 (equivalent to approximately RMB2,486,000)), which has been included in restricted bank deposits.

(c) According to the lease agreement for the property at Secaucus, NJ, a cash deposit of US$300,000 was required as a guarantee over the property until the end of the lease term in 2027.

(d) Time deposits with original maturity over three months represent fixed deposits with maturity more than three months from the date of acquisition which carried interest at prevailing market rates ranging from 2.90% to 3.45% (2022: 2.35% to 5.20%) per annum as at December 31, 2023.

(e) As at December 31, 2023, certain bank deposits with balance of RMB208,000 was required by Shanghai Customs District for import value-added tax in China.

18. TRADE AND OTHER PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Trade payables		
– Third parties	**182,712**	125,563
– Related parties	**66,596**	32,395
	249,308	157,958
Other payables		
– Third parties	**62,178**	70,678
– Related parties	**13,026**	597
– Consideration payables	**–**	2,298
– Contingent consideration payables	**44,028**	79,421
– Dividend payable	**3,470**	2,266
– Salary and bonus payables	**357,979**	292,868
– Other taxes payable	**115,121**	111,864
	595,802	559,992
	845,110	717,950

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

	2023	2022
	RMB'000	*RMB'000*
Within 90 days	**228,964**	138,716
91 days to 1 year	**9,355**	16,284
Over 1 year	**10,989**	2,958
	249,308	157,958

19. BORROWINGS

	2023 *RMB'000*	2022 *RMB'000*
Secured and unguaranteed bank loans *(note (a))*	**571,792**	340,232
Unsecured and guaranteed bank loans *(note (b))*	**4,411**	2,706
Unsecured and unguaranteed bank loans *(note (c))*	**2,224,400**	1,769,918
	2,800,603	2,112,856
Loan interest at rate per annum in the range of	**3.55%-7.50%**	1.50%-9.50%

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

	2023 *RMB'000*	2022 *RMB'000*
On demand or within one year	**2,366,380**	1,868,215
More than one year, but not exceeding two years	**82,235**	28,778
More than two years, but not exceeding five years	**351,988**	165,329
Over five years	**–**	50,534
	2,800,603	2,112,856

The carrying amounts of the Group's interest-bearing bank borrowing approximate to their fair values.

Notes:

(a) The Group has used certain restricted bank deposits in Note 17, to aggregate banking facilities of RMB512,000,000 (2022: RMB360,000,000) of which RMB176,220,000 (2022: RMB149,136,000) were utilised as borrowing as at December 31, 2023.

On May 31, 2022, Frontage Laboratories, Inc. ("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$45,000,000. As at December 31, 2023, US$9,000,000 (equivalent to RMB63,744,000) (2022: US$3,000,000 (equivalent to RMB20,894,000)) of the facility were utilised. Frontage Labs is obligated to grant to the bank security interest in and to the collateral of some of its designated subsidiaries in the USA.

On July 22, 2022, Frontage Labs entered into a credit agreement with a bank under which the bank has agreed to provide Frontage Labs a term loan facility in an aggregate principal amount of US$49,000,000. As at December 31, 2023, US$47,400,000 (equivalent to RMB335,720,000) (2022: US$15,000,000 (equivalent to RMB104,469,000) of the facility were utilized. Frontage Holdings Corporation, as the guarantor, is obligated to guarantee for the liabilities, obligations and the full satisfaction of Frontage Labs under this facility. This facility is collateralized by Frontage Labs' assets in some of its designated subsidiaries in the U.S.

On September 16, 2022, Quintara Discovery, Inc. ("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$20,000,000 with multiple loan advances. As at December 31, 2023, the loan in the amount US$ nil (equivalent to RMB nil) (2022: US$10,000,000 (equivalent to RMB69,646,000)) were utilized. Frontage Labs and the Company, as the guarantors, are obligated to guarantee for the full satisfaction of this loan. This loan is also collateralized by Frontage Labs' entire interest in Quintara.

(b) As at December 31, 2023, bank borrowings amounting to RMB4,441,000 (2022: RMB2,706,000) were guaranteed by personal guarantees provided by one of the director of a subsidiary.

(c) At December 31, 2023, the Group had banking facilities to the extent of RMB5,887,500,000 (2022: RMB8,950,000,000). The aforesaid bank loans outstanding as at December 31, 2023 were RMB2,224,400,000 (2022: RMB1,769,918,000).

(d) The Group had aggregated banking facilities of RMB4,265,190,000 (2022: RMB7,855,027,000) which were unutilised as at December 31, 2023.

20. SHARE CAPITAL

	Number of ordinary shares	**Authorised shares** *RMB'000*	**Issued and paid shares** *RMB'000*
As at January 1, 2022	872,438,364	872,439	872,439
Cancellation of shares *(note (a))*	(20,144)	(20)	(20)
As at December 31, 2022 and January 1, 2023 and December 31, 2023	**872,418,220**	**872,419**	**872,419**

Note:

(a) During the year ended December 31, 2022, some of the Company's original incentive recipients resigned and lost their right to receive incentive. Therefore, the Company repurchased and cancelled 20,144 restricted shares previously held by these 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.

21. TREASURY SHARES

	As at December 31,			
	2023		2022	
	Number of ordinary shares	**Cost of acquisition** ***RMB'000***	Number of ordinary shares	Cost of acquisition *RMB'000*
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	**–**	**–**	(20,144)	(644)
Vesting of restricted share units under restricted share scheme	**–**	**–**	(2,457,127)	(78,593)
Balance carried forward	**7,469,650**	**869,340**	7,469,650	869,340

Notes:

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

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the website of the Stock Exchange at http://www.hkexnews.hk and on the website of the Company at www.tigermedgrp.com. The 2023 annual report of the Company containing all the information required by the Listing Rules will be by end of April 2024 published on the websites of the Company and the Stock Exchange.

APPRECIATION

The Group would like to express its heartfelt appreciation to all our employees for their outstanding contribution towards the Group's development. The Board wishes to sincerely thank the management for their dedication and diligence, which are instrumental for the Group to continue its success in future. The Board also wishes to extend its gratitude for the continuing support from our shareholders, customers, and business partners. The Group will endeavour to deliver sustainable business development in the future, so as to create more values for all our Shareholders.

DEFINITIONS

"A Share(s)"	ordinary shares issued by the Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in Renminbi and are listed for trading on the Shenzhen Stock Exchange
"Articles of Association"	the articles of association of the Company, as amended from time to time
"Audit Committee"	the audit committee of the Board
"Board"	our board of Directors
"CG Code"	the "Corporate Governance Code" as contained in Appendix C1 to the Listing Rules
"China" or "PRC"	the People's Republic of China, which for the purpose of this annual results announcement 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
"CRO"	Contract Research Organization
"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
"Frontage" or "Frontage Holdings"	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
"FVOCI"	fair value through other comprehensive income
"FVTPL"	Fair Value Through Profit or Loss
"Group", "Tigermed" 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
"Listing" or "IPO"	the listing of the H Shares on the Main Board of the Stock Exchange on August 7, 2020
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix C3 to the Listing Rules
"MRCTs"	Multi-regional Clinical Trials
"NMPA"	China National Medical Products Administration
"RMB"	Renminbi, the lawful currency of the PRC
"R&D"	research and development
"Reporting Period"	the year ended December 31, 2023
"Share(s)"	comprising A Shares and H Shares

"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor"	the supervisor(s) of the Company or any one of them
"Supervisory Committee"	our board of Supervisors
"U.S."	the United States
"US$"	United States dollars, the lawful currency of the United States
"YoY"	year-over-year
"%"	percentage

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

Hong Kong, March 28, 2024

As at the date of this announcement, the executive Directors are Dr. Ye Xiaoping, Ms. Cao Xiaochun, Mr. Wu Hao and Mr. Wen Zengyu; the independent non-executive Directors are Mr. Liu Kai Yu Kenneth, Mr. Yuan Huagang and Ms. Liu Yuwen.

* *For identification purpose only*

This announcement was originally prepared in English. In the event of discrepancies between the Chinese and English version, the English version shall prevail.