FRONTAGE HOLDINGS CORPORATION

方達控股公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1521)

ANNOUNCEMENT ON INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2024

FINANCIAL HIGHLIGHTS

		Six months ended June 30,		
		2024	2023	Change
		US$ million	US$ million	
Revenue		**128.5**	128.4	0.1%
Gross Profit		**34.8**	39.0	(10.8)%
Gross Profit Margin		**27.1%**	30.4%	
EBITDA		**23.7**	27.5	(13.8)%
EBITDA Margin		**18.4%**	21.4%	
Adjusted EBITDA[(1)]		**25.8**	29.8	(13.4)%
Adjusted EBITDA Margin		**20.1%**	23.2%	
Net (Loss)/Profit		**(0.3)**	4.6	
Net (Loss)/Profit Margin		**(0.2%)**	3.6%	
Adjusted Net Profit[(2)]		**6.1**	10.2	(40.2)%
Adjusted Net Profit Margin		**4.8%**	8.0%	
		US$	US$	
(Loss)/Earnings per share	– Basic	**(0.0001)**	0.0023	
	– Diluted	**(0.0001)**	0.0022	
Adjusted Earnings per share	– Basic	**0.0031**	0.0050	(38.0)%
	– Diluted	**0.0031**	0.0050	(38.0)%

The Board has resolved not to declare an interim dividend for the six months ended June 30, 2024.

(1) Calculation of adjusted EBITDA is modified and calculated as EBITDA for the Reporting Period, excluding the share-based compensation expenses, gain or loss arising from financial liabilities measured as fair value through profit or loss and expenses in relation to mergers and acquisitions to better reflect the Company's current business and operations.

(2) Calculation of adjusted net profit is modified and calculated as net profit for the Reporting Period, excluding the share-based compensation expenses, amortization of acquired intangible assets from mergers and acquisitions, gain or loss arising from financial liabilities measured as fair value through profit or loss and expenses in relation to mergers and acquisitions to better reflect the Company's current business and operations.

Non-IFRS Measures

To supplement the Group's consolidated financial statements which are presented in accordance with the IFRSs, the Company has provided adjusted net profit, adjusted net profit margin, adjusted EBITDA, adjusted EBITDA margin and adjusted basic and diluted earnings per share (excluding the share-based compensation expenses, amortization of acquired intangible assets from mergers and acquisitions, gain or loss arising from financial liabilities measured as fair value through profit or loss and expenses in relation to mergers and acquisitions to better reflect the Company's current business and operations) as additional financial measures, which are not required by, or presented in accordance with, the IFRSs. The Company believes that the adjusted financial measures are useful for understanding and assessing underlying business performance and operating trends, and that the Company's management and investors may benefit from referring to these adjusted financial measures in assessing the Group's financial performance by eliminating the impact of certain unusual, non-recurring, non-cash and/or non-operating items that the Group does not consider indicative of the performance of the Group's business. However, the presentation of these non-IFRSs financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with the IFRSs. The adjusted results should not be viewed on a stand-alone basis or as a substitute for results under IFRSs.

The Board of the Company is pleased to announce the unaudited condensed consolidated interim results of the Group for the Reporting Period together with comparative figures for the corresponding period in 2023 as set out below:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2024

	NOTES	Six months ended 6/30/2024 US$'000 (Unaudited)	6/30/2023 US$'000 (Unaudited)
Revenue	3	**128,475**	128,356
Cost of services		**(93,633)**	(89,368)
Gross profit		**34,842**	38,988
Other income	5	**2,019**	2,038
Other gains and losses, net	6	**202**	105
Research and development expenses		**(2,772)**	(3,137)
Impairment losses recognized on			
– trade receivables		**(426)**	(399)
– unbilled revenue		**(72)**	(88)
Selling and marketing expenses		**(4,661)**	(3,994)
Administrative expenses		**(24,507)**	(22,877)
Share of profit/(loss) of associates		**67**	(119)
Finance costs	7	**(4,295)**	(3,110)
Profit before tax	8	**397**	7,407
Income tax expense	9	**(697)**	(2,849)
(Loss)/profit for the period		**(300)**	4,558
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		**(2,673)**	(3,339)
Total comprehensive income for the period		**(2,973)**	1,219
(Loss)/profit for the period attributable to:			
Owners of the Company		**(117)**	4,592
Non-controlling interests		**(183)**	(34)
		(300)	4,558
Total comprehensive income for the period attributable to:			
Owners of the Company		**(2,774)**	1,352
Non-controlling interests		**(199)**	(133)
		(2,973)	1,219
(Loss)/earnings per share	10		
– Basic (US$)		**(0.0001)**	0.0023
– Diluted (US$)		**(0.0001)**	0.0022

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2024

	NOTES	**As at 6/30/2024 *US$'000* (Unaudited)**	As at 12/31/2023 *US$'000* (Audited)
Non-current Assets			
Property, plant and equipment		**129,837**	124,695
Right-of-use assets		**52,344**	59,091
Goodwill		**188,756**	183,918
Intangible assets		**34,330**	37,155
Interests in associates		**6,614**	6,587
Deferred tax assets		**5,417**	7,036
Financial assets at fair value through profit or loss ("**FVTPL**")		**3,508**	3,530
Restricted bank deposits	*14*	**300**	300
Other long-term deposits		**693**	636
Prepayment for acquisition of subsidiary		**–**	7,357
		421,799	430,305
Current Assets			
Inventories		**3,088**	2,801
Trade and other receivables and prepayment	*12*	**75,021**	61,328
Unbilled revenue	*13*	**22,167**	18,828
Structured deposits		**172**	1,412
Tax recoverable		**3,400**	3,603
Restricted bank deposits	*14*	**379**	406
Cash and cash equivalents	*14*	**42,998**	53,186
		147,225	141,564
Current Liabilities			
Trade and other payables	*15*	**34,072**	38,731
Advances from customers	*16*	**30,967**	27,705
Bank borrowings	*17*	**38,746**	20,129
Income tax payable		**485**	1,125
Amounts due to shareholders		**210**	210
Lease liabilities		**10,868**	11,680
		115,348	99,580
Net Current Assets		**31,877**	41,984
Total Assets less Current Liabilities		**453,676**	472,289

	NOTES	**As at 6/30/2024 *US$'000* (Unaudited)**	As at 12/31/2023 *US$'000* (Audited)
Non-current Liabilities			
Bank borrowings	*17*	**56,802**	61,307
Deferred government grant		**2,029**	2,061
Deferred tax liabilities		**11,606**	11,793
Lease liabilities		**45,842**	51,981
		116,279	127,142
Net Assets		**337,397**	345,147
Capital and Reserves			
Share capital	*18*	**20**	21
Treasury shares	*19*	**(151)**	(4,232)
Reserves		**335,083**	346,714
Equity attributable to owners of the Company		**334,952**	342,503
Non-controlling interests		**2,445**	2,644
Total Equity		**337,397**	345,147

1. GENERAL INFORMATION

Frontage Holdings Corporation (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability on April 16, 2018 under the Company Law of the Cayman Islands, and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since May 30, 2019. The immediate holding company of the Company is Hongkong Tigermed Co., Limited ("**Hongkong Tigermed**"), a company incorporated under the laws of Hong Kong with limited liability. The ultimate holding company of the Company is Hangzhou Tigermed Consulting Co., Ltd. ("**Hangzhou Tigermed**"), a company established in Hangzhou, the PRC and whose shares have been listed on the ChiNext market of the Shenzhen Stock Exchange and the Main Board of The Stock Exchange.

The Company is a holding company. The principal activities of the Company and its subsidiaries (collectively the "**Group**") are to provide laboratory and related services to pharmaceutical and agrochemical companies as well as bioequivalence clinical and chemical services. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands. The principal place of business in the United States of America (the "**USA**") and Hong Kong is 700 Pennsylvania Drive, Exton, PA 19341, USA and 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong, respectively.

The functional currency of the Company and the operating subsidiaries incorporated in the USA is US dollars ("**US$**"). The functional currency of the PRC operating subsidiaries is Renminbi ("**RMB**"). The functional currency of the operating subsidiary incorporated in Canada is Canadian dollars ("**CAD**"). The functional currency of the operating subsidiary incorporated in Europe is Euro ("**EUR**"). The reporting currency used for the presentation of the condensed consolidated financial statements is US$, which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES INFORMATION

(a) Basis of preparation of the financial statements

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("**IAS 34**") issued by the International Accounting Standards Board as well as with the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on The Stock Exchange.

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards ("**IFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2024 are the same as those presented in the Group's annual financial statements for the year ended December 31, 2023.

(b) Application of amendments to IFRSs – effective for annual period beginning on or after January 1, 2024

In the current interim period, the Group has applied the following new and amendments to IFRSs issued by the International Accounting Standard Board, for the first time, which are mandatory effective for the annual period beginning on or after January 1, 2024 for the preparation of the Group's condensed consolidated financial statements:

Amendment to IAS 1	Classification of Liabilities as Current or Non-current
Amendment to IAS 1	Non-current Liabilities with Covenants
Amendment to IFRS 16	Lease Liability in a Sale and Leaseback
Amendment to IAS 7 and IFRS 7	Supplier Finance Arrangement

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

3. REVENUE

In December 2023, the Group underwent a restructuring to improve efficiency and alignment of its business units. This resulted in the creation of two main divisions: Global Laboratory Services and Global Drug Discovery & Development Services. The Group's revenue streams are categorized as follows:

The Global Laboratory Services division offers laboratory testing support for clients involved in drug development.

The Global Drug Discovery & Development Services division aims to provide comprehensive services in the drug discovery and development process. It includes three subunits: (i) the Drug Development Unit, (ii) the Drug Discovery Unit, and (iii) the Pharmaceutical Product Development Unit.

– Global Laboratory Services offer extensive laboratory testing support to clients worldwide involved in drug development. Their services encompass regulated and non-regulated bioanalysis (both small and large molecules), biomarkers, genomics, manufacturing and controls analytical testing, and central laboratory services;

– Drug Development Unit, comprising drug metabolism and pharmacokinetics ("**DMPK**"), Safety and Toxicology, early phase clinical services, as well as a suite of bioequivalence and related services such as pharmacology, medical writing and regulatory support;

– Drug Discovery Unit, consisting of medicinal chemistry, pharmacology, and efficacy & absorption, distribution, metabolism, and excretion ("**ADME**") screening;

– Pharmaceutical Product Development Unit, encompassing intermediate and active pharmaceutical ingredient ("**API**") synthesis, process and formulation development, and clinical trial material manufacturing.

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

	Six months ended	
	6/30/2024	6/30/2023
	US$'000	*US$'000*
	(Unaudited)	(Unaudited and re-presented)
Laboratory testing	**66,255**	58,493
Drug development	**42,797**	47,097
Drug discovery	**15,820**	18,524
Pharmaceutical product development	**3,603**	4,242
	128,475	128,356

All revenue of the Group listed above are recognized over time as the Group's performance does not create an asset with an alternative future use since the Group cannot redirect the asset for use on another customer, and the contract terms specify the Group has an enforceable right to payment for performance completed to date.

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 organized and managed.

The Group's consolidated revenue and results are primarily attributable to the markets in the USA, Canada and Europe (together as "**North America and Europe**") and the PRC and all of the Group's consolidated assets and liabilities are either located in North America and Europe or the PRC.

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":

– North America and Europe segment, including drug discovery, drug development, pharmaceutical product development and laboratory testing in the USA, Canada and Europe;

– PRC segment, including drug discovery, drug development, pharmaceutical product development and laboratory testing in the PRC.

The change in operating business units is consistent with the way in which segment information is presented in the internal reports provided to CODM. The comparative amounts have been re-presented to conform with the current period's presentation.

Segment revenues and results

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

For the six months ended June 30, 2024 (Unaudited)

	North America and Europe *US$'000*	**PRC** *US$'000*	**Total** *US$'000*
Revenue			
– Laboratory testing	**53,185**	**13,070**	**66,255**
– Drug development	**34,282**	**8,515**	**42,797**
– Drug discovery	**9,664**	**6,156**	**15,820**
– Pharmaceutical product development	**2,283**	**1,320**	**3,603**
	99,414	**29,061**	**128,475**
Cost of services	**(70,182)**	**(23,451)**	**(93,633)**
Other income	**436**	**1,583**	**2,019**
Other gains and losses, net	**143**	**59**	**202**
Research and development expenses	**–**	**(2,772)**	**(2,772)**
Impairment losses recognized on trade and other receivables and unbilled revenue	**(168)**	**(330)**	**(498)**
Selling and marketing expenses	**(3,540)**	**(1,121)**	**(4,661)**
Administrative expenses	**(20,086)**	**(4,421)**	**(24,507)**
Share of profit of associates	**–**	**67**	**67**
Finance costs	**(3,306)**	**(989)**	**(4,295)**
Segment profit/(loss)	**2,711**	**(2,314)**	
Profit before tax			**397**

For the six months ended June 30, 2023 (Unaudited and re-presented)

	North America and Europe *US$'000*	PRC *US$'000*	Total *US$'000*
Revenue			
– Laboratory testing	45,500	12,993	58,493
– Drug development	38,970	8,127	47,097
– Drug discovery	13,911	4,613	18,524
– Pharmaceutical product development	1,602	2,640	4,242
	99,983	28,373	128,356
Cost of services	(65,185)	(24,183)	(89,368)
Other income	634	1,404	2,038
Other gains and losses, net	(339)	444	105
Research and development expenses	–	(3,137)	(3,137)
Impairment losses recognized on trade and other receivables and unbilled revenue	(312)	(175)	(487)
Selling and marketing expenses	(3,056)	(938)	(3,994)
Administrative expenses	(18,760)	(4,117)	(22,877)
Share of profit of associates	–	(119)	(119)
Finance costs	(2,072)	(1,038)	(3,110)
Segment profit/(loss)	10,893	(3,486)	
Profit before tax			7,407

The accounting policies of reportable segments are the same as the Group's accounting policies.

Geographical information

The Group's operations and non-current assets are located in North America and Europe and the PRC.

An analysis of the Group's revenue from external customers, analyzed by the customer's respective country/region of operation, is presented below:

	Six months ended	
	6/30/2024 ***US$'000*** **(Unaudited)**	6/30/2023 *US$'000* (Unaudited)
Revenue from external customers		
– USA and Canada	**94,830**	95,030
– PRC	**22,428**	22,479
– Rest of the world	**11,217**	10,847
	128,475	128,356

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

	6/30/2024	12/31/2023
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Non-current assets excluding financial assets and deferred tax assets		
– North America and Europe	**324,621**	325,017
– PRC	**87,260**	93,786
	411,881	418,803

5. OTHER INCOME

	Six months ended	
	6/30/2024	6/30/2023
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Interest income	**498**	799
Government grants related to income	**360**	310
Income from rendering technical support service	**1,161**	929
	2,019	2,038

6. OTHER GAINS AND LOSSES, NET

	Six months ended	
	6/30/2024	6/30/2023
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Loss arising on financial liabilities measured at fair value through profit or loss	**(159)**	(354)
Gain on disposal of property, plant and equipment	**179**	–
Net foreign exchange gain	**502**	667
Others	**(320)**	(208)
	202	105

7. FINANCE COSTS

	Six months ended	
	6/30/2024	6/30/2023
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Interest expense on lease liabilities	**1,540**	1,695
Interest expense on bank borrowings	**2,755**	1,415
	4,295	3,110

8. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Six months ended	
	6/30/2024	6/30/2023
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Staff costs (including directors' emoluments):		
– Salaries and other benefits	**58,503**	53,509
– Retirement benefit scheme contributions	**4,470**	3,972
– Share-based payment expense	**1,663**	1,972
	64,636	59,453
Depreciation of property, plant and equipment	**9,354**	8,390
Depreciation of right-of-use assets	**5,154**	5,127
Amortization of intangible assets	**4,460**	3,450

9. INCOME TAX EXPENSE

	Six months ended	
	6/30/2024	6/30/2023
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Current tax:		
– PRC Enterprise Income Tax ("**EIT**")	**403**	478
– U. S. Federal Tax	**1,618**	2,756
– U. S. State Tax	**262**	1,694
– Canada Corporate Tax	**224**	–
Over-provision of EIT, U.S. Federal Tax and U.S. State Tax in prior year	**–**	(139)
	2,507	4,789
Deferred tax:		
– Current period	**(1,810)**	(1,940)
Total income tax expense	**697**	2,849

The Company and U.S. subsidiaries are subject to U.S. Federal and State Income taxes, with the combined income tax rate being 26.7% for the six months ended June 30, 2024 (the six months ended June 30, 2023: 28.7%).

BRI Biopharmaceutical Research, Inc. ("**BRI**"), a wholly owned subsidiary of the Group and as a non-Canadian-controlled private corporation ("**CCPC**") and engaged in active business in British Columbia, Canada, has been subject a flat tax rate of 27%.

Nucro-Technics, Inc. ("**Nucro**"), a wholly owned subsidiary of the Group, as a non-CCPC and engaged in active business in Ontario, Canada, has been subject an effective corporate tax rate of 26.5%.

Frontage Europe S.r.l. ("**Frontage Europe**"), a wholly owned subsidiary of the Group, engaged in active business in Milan, Italy, has been subject an effective corporate tax rate of 24.0%.

Under the law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the EIT rate of the PRC subsidiaries is 25% unless subject to tax exemption set out below.

Frontage Laboratories (Shanghai) Co., Ltd. ("**Frontage Shanghai**"), a wholly owned subsidiary of the Group in the PRC, was accredited as a "High and New Technology Enterprise" in November 2023 and therefore is entitled to a preferential tax rate of 15% for a three-year period commencing from the beginning of 2023.

Frontage Laboratories (Suzhou) Co., Ltd. ("**Frontage Suzhou**"), a 75% owned subsidiary of the Group in the PRC, was accredited as a "High and New Technology Enterprise" in November 2021 and therefore is entitled to a preferential tax rate of 15% for a three-year period commencing from the beginning of 2021.

Acme Biopharma Co. (Shanghai) Ltd. ("**Acme Shanghai**"), a wholly owned subsidiary of the Group in the PRC, was accredited as an "Advanced Technology Enterprise" in December 2022 and therefore is entitled to a preferential tax rate of 15% for a three-year period commencing from the beginning of 2022.

Wuhan Heyan Biomedical Technology Co., Ltd. ("**Heyan Biotech**"), a 70% owned subsidiary of the Group in the PRC, was accredited as a "High and New Technology Enterprise" in October 2023 and therefore is entitled to a preferential tax rate of 15% for a three-year period commencing from the beginning of 2023.

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 the six months ended June 30, 2024 and 2023. 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 28 March 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.

10. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share attribute to owners of the Company is based on the following data:

	Six months ended	
	6/30/2024	6/30/2023
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
(Loss)/earnings:		
(Loss)/earnings for the purpose of calculating basic and diluted earnings per share	**(117)**	4,592

Number of Shares:

	Six months ended	
	6/30/2024	6/30/2023
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**2,028,389,387**	2,040,766,194
Effect of dilutive potential ordinary shares:		
Share options *(note ii)*	**–**	29,324,258
Share awards *(note ii)*	**–**	1,739,684
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**2,028,389,387**	2,071,830,136

Note:

(i) The weighted average number of ordinary shares shown above has been adjusted for issue of new shares as set out in Note 18 and treasury shares as set out in Note 19.

(ii) The computation of diluted loss per share for the six months period ended June 30, 2024 did not assume the conversion of the Company's outstanding share options and share awards since their assumed exercise would result in a decrease in loss per share for the period.

11. DIVIDENDS

No dividends were paid, declared or proposed during the current interim period. The directors of the Company have determined that no dividend will be paid in respect of the current interim period (six months ended June 30, 2023: Nil).

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 6/30/2024 ***US$'000*** **(Unaudited)**	As at 12/31/2023 *US$'000* (Audited)
Trade receivables		
– third parties	**67,877**	54,854
– related parties	**322**	244
Less: loss allowance for trade receivables	**(4,010)**	(3,761)
	64,189	51,337
Other receivables		
– third parties	**3,507**	3,088
– related parties	**53**	53
Less: loss allowance for other receivables	**(37)**	(37)
	3,523	3,104
Notes receivables		
– third parties	**326**	30
Prepayments		
– third parties	**4,559**	4,619
Value-added tax recoverable	**2,424**	2,238
	75,021	61,328

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

	As at 6/30/2024 ***US$'000*** **(Unaudited)**	As at 12/31/2023 *US$'000* (Audited)
Within 90 days	**55,551**	43,296
91 to 180 days	**4,503**	4,469
181 days to 1 year	**2,529**	2,007
Over 1 year	**1,606**	1,565
	64,189	51,337

13. UNBILLED REVENUE

	As at 6/30/2024 ***US$'000*** **(Unaudited)**	As at 12/31/2023 *US$'000* (Audited)
Unbilled revenue		
– third parties	**22,181**	19,145
– related parties	**750**	380
Less: loss allowance for unbilled revenue	**(764)**	(697)
	22,167	18,828

Generally, significant payment terms are disclosed within the contents of a given contract and are in the form of either milestone payment terms representing a percentage of the total budgeted contract price or corresponding directly with the value to the customer of the Group's performance. Revenues recognized in excess of billings are recognized as contract assets and disclosed in the condensed consolidated statement of financial position as unbilled revenue.

14. RESTRICTED BANK DEPOSITS/CASH AND CASH EQUIVALENTS

At the end of each Reporting Period, cash and cash equivalents of the Group comprised of bank balances and cash held. Bank balances held in the PRC carried interest at prevailing market interest rates which ranged from 0.1% to 5.3% per annum as at June 30, 2024 (December 31, 2023: from 0.02% to 4.2% per annum).

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.

As at June 30, 2024, a cash deposit of US$376,000 (December 31,2023: US$369,000) was required by Pennsylvania department of environmental protection, Bureau of radiation protection in the USA for radiology license in the USA, and the amount is restricted. As at June 30, 2024, the remaining amount in the collateral account was US$376,000 (December 31 2023: US$369,000), which has been included in restricted bank deposits.

As at June 30, 2024, certain bank deposits with balances of approximately RMB23,000 (equivalent to approximately US$3,000) (December 31, 2023: RMB208,000 (equivalent to approximately US$29,000)) were pledged to secure bills payable and bank facilities granted to the Group.

15. TRADE AND OTHER PAYABLES

	As at 6/30/2024 ***US$'000*** **(Unaudited)**	As at 12/31/2023 *US$'000* (Audited)
Trade payables		
– third parties	**10,702**	12,475
– related parties	**119**	139
	10,821	12,614
Notes payables		
– third parties	**477**	–
Other payables		
– third parties	**3,412**	3,069
– related parties	**13**	2
	3,425	3,071
Contingent consideration payables	**6,300**	6,141
Salary and bonus payables	**12,486**	16,114
Other taxes payable	**563**	791
	34,072	38,731

Payment terms with suppliers are mainly on credit ranging from 30 to 90 days from the invoice date. The following is an age analysis of trade payables, presented based on invoice date, at the end of each Reporting Period:

	As at 6/30/2024 ***US$'000*** **(Unaudited)**	As at 12/31/2023 *US$'000* (Audited)
Within 90 days	**8,943**	11,804
91 days to 1 year	**1,801**	797
Over 1 year	**77**	13
	10,821	12,614

16. ADVANCES FROM CUSTOMERS

	As at 6/30/2024 ***US$'000*** **(Unaudited)**	As at 12/31/2023 *US$'000* (Audited)
Advances from customers		
– third parties	**30,513**	27,008
– related parties	**454**	697
	30,967	27,705

Amounts received in accordance with contracted payment schedules but in excess of revenues earned are recognized as contract liabilities and disclosed in the condensed consolidated statement of financial position as advances from customers. Changes in advances from customers primarily relate to the Group's performance of services under the related contracts.

17. BANK BORROWINGS

Bank Loans

	As at 6/30/2024 ***US$'000*** **(Unaudited)**	As at 12/31/2023 *US$'000* (Audited)
Secured and unguaranteed bank loans	**95,548**	81,436

	As at 6/30/2024 ***US$'000*** **(Unaudited)**	As at 12/31/2023 *US$'000* (Audited)
Within one year	**38,746**	20,129
More than one year, but not exceeding two years	**14,633**	11,611
More than two years, but not exceeding five years	**42,169**	49,696
	95,548	81,436
Less: Amount shown under current liabilities	**(38,746)**	(20,129)
Amount shown under non-current liabilities	**56,802**	61,307
Loan interest of rate per annum in the range of	**2.75%-7.42%**	3.35%-7.6%

18. SHARE CAPITAL

	Number of shares	Amount *US$*
Ordinary shares of US$0.00001 each		
Authorized:		
As at January 1, 2023, December 31, 2023, January 1, 2024 and June 30, 2024	5,000,000,000	50,000

	Number of shares	Amount *US$*	Show in the financial statements as *US$'000*
Issued and fully paid:			
As at January 1, 2023	2,055,711,410	20,559	21
Exercise of share options	6,934,500	69	–
As at December 31, 2023 (Audited) and January 1, 2024 (Unaudited)	2,062,645,910	20,628	21
Exercise of share options	36,179,000	362	–
Cancellation of shares	(63,100,000)	(631)	(1)
As at June 30, 2024 (Unaudited)	**2,035,724,910**	**20,359**	**20**

19. TREASURY SHARES

	As at June 30, 2024		As at December 31, 2023	
	Number of shares	**Cost of acquisition *US$'000***	Number of shares	Cost of acquisition *US$'000*
	(Unaudited)	**(Unaudited)**	(Audited)	(Audited)
Balance brought forward	**28,741,064**	**4,232**	17,588,126	1
Repurchase of shares *(note)*	**48,410,000**	**11,041**	15,848,000	4,231
Cancellation of shares	**(63,100,000)**	**(15,122)**	–	–
Vesting of share awards	**(4,345,062)**	**–**	(4,695,062)	–
Balance carried forward	**9,706,002**	**151**	28,741,064	4,232

Note: The Company acquired its own shares in the open market which are held as treasury shares.

20. CAPITAL COMMITMENTS

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

	As at 6/30/2024 *US$'000*	As at 12/31/2023 *US$'000*
	(Unaudited)	(Audited)
Purchase of property, plant and equipment	**1,827**	1,701

21. ACQUISITION OF BUSINESSES

Acquisition of the Bioanalytical and Drug Metabolism & Pharmacokinetics businesses of Accelera S.r.l ("Accelera") in 2024

On June 16, 2023 (New York time), Frontage Labs entered into a Going Concern Purchase Agreement with Accelera and its parent company, NMS Group S.p.A., pursuant to which Frontage Labs agreed to purchase, through its wholly-owned subsidiary Frontage Europe, the Bioanalytical and Drug Metabolism & Pharmacokinetics businesses of Accelera for a cash consideration of Euro 6,835,000 subject to the terms and conditions of the Agreement. The acquisition was completed on January 1, 2024 (New York time).

The Bioanalytical and Drug Metabolism & Pharmacokinetics businesses of Accelera is principally engaged in providing bioanalytical and DMPK services. The Group will expand the Group's capabilities in such services through additional scientists, equipment and facilities. This acquisition has been accounted for using the acquisition method.

The purchase price has been preliminarily allocated based on the estimated fair value of net assets acquired and liabilities assumed at the date of the acquisition. The preliminary purchase price allocation is subject to further refinement and may require adjustments to arrive at the final purchase price allocation. These adjustments will primarily relate to intangible assets and income tax-related items. Management expects the purchase price allocation to be completed in the fourth quarter of 2024.

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

	Fair value *US$'000*
Property, plant and equipment	204
Intangible assets	1,928
Trade and other payables	(590)
Deferred tax liabilities	(460)
Net assets acquired	1,082

	US$'000
Cash consideration paid	7,357
Total transferred consideration	7,357
Less: Fair value of net assets acquired	(1,082)
Goodwill	6,275
Net cash outflow arising on acquisition of a subsidiary:	
Cash consideration paid	7,357

Acquisition-related costs amounting to US$284,000 have been excluded from the consideration transferred and have been recognized directly as an expense in the current interim period within the administrative expenses in the condensed consolidated statement of profit or loss and other comprehensive income.

Goodwill arose in the acquisition because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for the identifiable intangible assets.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

Included in the loss for the six months ended June 30, 2024 is loss of US$1,898,000 attributable to the additional business generated by Accelera. Revenue for the six months ended June 30, 2024 includes US$183,000 generated from Accelera.

Had the acquisition been completed on January 1, 2024, revenue of the Group for the six months ended June 30, 2024 would have been US$128,475,000 and loss of the Group for the six months ended June 30, 2024 would have been US$300,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2024, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Frontage Europe been acquired at the beginning of the six months ended June 30, 2024, the directors calculated amortization of intangible assets acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognized in the pre-acquisition financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We are a CRO that specializes in research, analytical, and development services across the entire spectrum of drug discovery and development. With more than two decades of experience, we provide integrated, scientifically-driven support that enables biopharmaceutical and life science companies to achieve their drug development goals.

Frontage underwent a restructuring to improve efficiency and alignment of its business units in 2023. This resulted in the creation of two main divisions: Global Drug Discovery & Development Services and Global Laboratory Services. The Global Drug Discovery & Development Services division aims to provide comprehensive services in the drug discovery and development process. The Global Laboratory Services division offers laboratory testing support for clients involved in drug development. The consolidation of services allows the Group to respond to client needs more effectively and provide tailored solutions of exceptional quality. Following the 2023 restructuring, Frontage witnessed positive changes and improvements in its operational structure and service offerings in 2024. The Global Drug Discovery & Development Services division, which includes the Drug Discovery Unit, Drug Development Unit, and Pharmaceutical Product Development Unit, streamlined services and enhanced coordination across subunits, enabling more efficient project execution and better integration of expertise. Meanwhile, the Global Laboratory Services division continued to provide robust laboratory testing support, offering clients comprehensive analytical and bioanalytical testing services. This organizational transformation positioned Frontage to better meet the evolving demands of the biopharmaceutical industry in 2024, fostering greater innovation and client satisfaction.

In January 2024, Frontage Labs, through its wholly-owned subsidiary Frontage Europe S.r.l., completed the acquisition of the Bioanalytical and Drug Metabolism & Pharmacokinetics businesses of Accelera S.r.l. ("**Accelera**"). Accelera is an established CRO based in Nerviano, in the Lombardy region of Italy, part of the renowned NMS Group S.p.A.

Now with operations in North America (including the U.S. and Canada), Europe (Italy) and China, Frontage is strategically positioned to capitalize on growth opportunities in these key markets. In North America and China, our extensive range of services spans product discovery and preclinical research (including DMPK, safety and toxicology, ADME, compound screening, and lead optimization), laboratory testing (covering bioanalytical, biologics, and central laboratory services), chemistry, and CMC. Additionally, in China, we offer a comprehensive suite of bioequivalence and related services (such as pharmacology, medical writing, and regulatory support) to assist our clients in navigating regulatory requirements for their submissions in the pharmaceutical industry. In Italy, Accelera has built a strong reputation for delivering high-quality research and development ("**R&D**") services through all phases of drug research and development with extensive experience in oncology. The addition of the Bioanalytical and Drug Metabolism & Pharmacokinetics businesses of Accelera allows Frontage to further its platform in the European market and bolster in-vivo services for emerging therapeutic modalities and cater to a diverse clientele spanning continents.

According to Global Market Insights, reports show the global CRO market was estimated to be worth anywhere from US$48.19 billion to US$82.55 billion in 2023 and is expected to reach anywhere up to US$148.76 billion by 2028. Factors involved in the growth of the CRO market include continuously growing pharmaceutical, biopharmaceutical, and medical device R&D pipelines and technological advancements in the clinical trials process.[1] As we enter the post-pandemic era, it has become apparent that the unprecedented acceleration in the life sciences sector driven by the pandemic has slowed down. The CRO market faces several new challenges, including the high cost of clinical trials, increased regulatory complexity and a challenging investment and financing environment.

Despite these challenges, during the Reporting Period, we have made progress by optimizing our cost structures, fostering technological innovation, and diversifying our service offerings to effectively respond to market dynamics.

Overall, the Group's revenue increased by 0.1% from approximately US$128.4 million for the six months ended June 30, 2023 to approximately US$128.5 million for the six months ended June 30, 2024. Additionally, the Group's contract future revenue, which represents future service revenues from work not yet completed or performed under all signed contracts or customer's purchase orders in effect at that time, achieved approximately US$374.0 million as at June 30, 2024, representing an increase of 9.8% compared to approximately US$340.5 million as at June 30, 2023 and an increase of 9.3% compared to approximately US$342.2 million as at December 31, 2023.

ENHANCED CAPABILITIES AND EXPERTISE

North America and Europe

In the first half of 2024, the CRO market continues to see a trend in which pharmaceutical companies increasingly outsourced drug discovery and development activities to laboratories worldwide. Sponsors, including major pharmaceutical and biopharmaceutical companies, carefully selected CROs based on their capabilities, expertise, quality, and cost.

We undertook a restructuring of our global business organizations to harmonize and enhance efficiencies and alignment of various business units in 2023. This restructuring resulted in the formation of two principal business divisions within our Group: the Global Drug Discovery & Development Services and the Global Laboratory Services. The restructuring enables us to establish our one-stop shop model, which we successfully implemented in 2024. At the early stages of drug development, we provide strategic advice regarding a lead candidate's scientific and regulatory pathway. Next, we conduct all the studies and processes required for Investigational New Drug ("**IND**") submissions, including Active Pharmaceutical Ingredient ("**API**") syntheses, metabolism & pharmacokinetics, biomarkers, safety & toxicology, formulation development, GLP bioanalyses, and preparation of Phase I study protocols. We then prepare and facilitate the IND submission and provide all necessary support for regulatory interactions and submissions. Furthermore, we also provide Phase I clinical study services in our facility in Secaucus, New Jersey. This one-stop shop model allows us to deliver more streamlined and integrated solutions, positioning us to better meet the comprehensive needs of our clients and enhance our competitive edge in the market.

---

[1] https://alimentiv.com/ultimate-guide-to-contract-research-organization-market-size/

Our Safety & Toxicology unit in the Chicago site also witnessed exciting growth with the addition of three industry veterans in 2023 – John Kapeghian, Ph.D, DABT (Senior Vice President, Global Safety & Toxicology), John Bernal, DVM (Vice President, Global Animal Welfare & Veterinary Resources), and Stewart Jacobson, DVM, DACVP (Vice President, Global Pathology Services). Frontage launched the establishment of a Pathology Services group under the leadership of Dr. Stewart Jacobson, which resulted in an immediate return, as the majority of previously-outsourced pathology tasks are now being completed in-house. Building on these achievements, 2024 has been a year of continued growth and expansion for Frontage's Safety & Toxicology unit. We have successfully scaled the group to handle an increasing volume of in-house pathology tasks, significantly reducing our reliance on external partners and streamlining our workflows. This expansion has enabled us to provide comprehensive support for our Safety & Toxicology sites across the U.S., China, and Canada, and now Italy, enhancing our ability to deliver high-quality services to our clients.

During the Reporting Period, we took a significant step forward by launching commercial diagnostic services for Alzheimer's disease. Recognizing the growing need for early and accurate diagnosis of neurodegenerative conditions, we focused our efforts on developing advanced diagnostic assays. Our team successfully validated the plasma p-Tau217 laboratory-developed test assay, a highly sensitive and specific biomarker test for Alzheimer's disease. This assay represents a cutting-edge diagnostic tool that offers clinicians a valuable resource for detecting early-stage Alzheimer's disease, allowing for timely intervention and better patient management. The assay is now available at our Clinical Laboratory Improvement Amendments and the College of American Pathologists certified laboratory at our site in Exton, PA, which is equipped with state-of-the-art technology and staffed by a team of highly skilled professionals.

Following the acquisition of the Bioanalytical and DMPK businesses of Accelera, we have made substantial strides in expanding and enhancing our service offerings across Europe. This strategic acquisition has allowed us to bolster our capabilities and introduce new services to better meet the needs of our clients in the region. A key development has been the establishment of our state-of-the-art biomarker services lab, which is equipped with advanced analytical platforms such as Meso Scale Discovery and Quanterix Sioma. These cutting-edge technologies significantly enhance our ability to perform accurate and reliable biomarker analyses, thereby advancing the quality and scope of our bioanalytical services.

The new biomarker services lab not only strengthens our existing bioanalytical offerings but also introduces expanded services, including biologics bioassays. We are now equipped to handle pharmacokinetics and anti-drug antibody assays, among other biologics bioassay testings. In addition to enhancing our bioanalytical services, we are also establishing central lab services in Europe. This initiative is designed to provide centralized support for a wide range of laboratory testing needs, streamlining processes for preclinical trials and research studies across the region.

Overall, the integration of the Bioanalytical and DMPK businesses of Accelera into our service portfolio underscores our dedication to advancing the quality and breadth of our offerings. By leveraging advanced technologies and introducing new services, we aim to enhance our support for drug development and research services, ultimately driving sustainable growth and delivering value to stakeholders.

China

In 2024, the capital market activities in the global and Chinese biopharmaceutical sectors continue to experience a cyclic downturn. While there are indications of increased financing among biopharmaceutical companies, overall growth remains at a slow pace. The research and development field of biopharmaceuticals in China, particularly in new drug innovation, is facing short-term challenges amidst industry-wide financial constraints. The outsourcing services for biopharmaceutical research and development have also been significantly impacted.

By closely monitoring industry trends and proactively responding to market dynamics, we are dedicated to maintaining a flexible and sustainable business positioning in the evolving industry landscape. Recently, the Chinese government has published several incentive policies with the intention to reaffirm its commitment to fostering innovation within the pharmaceutical sector. Those policies aim to bolster support across all levels of the industry chain, facilitating accelerated development and breakthroughs in innovative drug therapies. The implementation of the new incentive policies is anticipated to foster a more conducive growth environment for domestic innovative pharmaceutical firms, establishing robust policy frameworks and incentive mechanisms for their research and development endeavors.

In this broader context, biopharmaceutical companies are increasingly opting for pharmaceutical R&D outsourcing services to access tailored drug development solutions that cater to the specific needs of diverse patient groups. To address this growing trend, we will take decisive steps to position ourselves as a leader in pharmaceutical R&D outsourcing. Our strategy includes investing in cutting-edge technologies and innovative methodologies to enhance our service offerings. We are dedicated to strengthening our research and development team, leveraging advanced technology platforms and service expertise, and consistently improving our laboratory infrastructure and equipment.

At the end of this Reporting Period, our services in China encompass critical areas such as drug discovery, preclinical research, and clinical studies. We have established 11 laboratories and production facilities spanning over 810,000 square feet in Shanghai, Suzhou, Wuhan, and Zhengzhou, forming a robust service platform. Specifically, our offerings include chemical synthesis and medicinal chemistry, pharmacology, drug metabolism and pharmacokinetics, safety and toxicology, API and drug formulation development, preparation and production of clinical samples, bioanalysis, biologics, central laboratory services, and bioequivalence clinical studies. Through these comprehensive services, we cover nearly every aspect of drug discovery and development, delivering integrated solutions to our customers. We are confident that by continually enhancing our service capabilities and technical expertise, we can effectively meet customer needs and significantly contribute to the advancement of the pharmaceutical industry.

During the Reporting Period, we have continued to expand our medicinal chemistry services at our research and development base in Wuhan as planned. We have established an advanced high-throughput experimental platform that employs parallel processing and automation technologies, enabling efficient analysis of multiple chemical reaction conditions simultaneously. This platform facilitates rapid exploration of chemical space, optimization of reaction parameters, and acceleration of drug discovery and development processes. Since the platform's launch in early 2024, we have successfully completed screening and optimization of nearly a hundred challenging chemical reaction conditions. This has significantly enhanced our R&D efficiency, reduced project delivery timelines, and effectively lowered experimental costs. Additionally, our pharmacology research platform in Wuhan has further expanded its safety panel, adding over 40 new targets. This expansion allows us to comprehensively assess the biological activity and mechanisms of action of drugs, thereby strengthening our capabilities in pharmacological research. It also provides more choices and possibilities for drug development projects for different clients.

During the Reporting Period, our Safety Assessment Center in Suzhou successfully underwent the routine annual inspection of the GLP system by the drug supervision and management department. Concurrently, we also passed multiple on-site audits from domestic and international clients, receiving high praise and recognition. These achievements underscore our unwavering commitment to upholding rigorous standards of quality, reliability, and compliance with industry best practices. Our team specializing in safety and toxicology services has amassed extensive experience in clinical pathology, histopathology, general toxicology, and genotoxicity testing, among others. We have successfully executed numerous related testing projects. Notably, we provided comprehensive preclinical safety assessment services for an innovative drug independently developed by a domestic client – an oral recombinant Helicobacter pylori vaccine. Our services encompassed single-dose and repeat-dose administration in mice, analysis of vaccine and adjuvant formulations, specific antibody analysis, and adjuvant safety pharmacology testing. This innovative drug has received Phase I clinical trial ethics approval from the Australian Human Research Ethics Committee and has been successfully registered for clinical trials with the Australian Therapeutic Goods Administration under the Australian Department of Health.

During the Reporting Period, our bioequivalence ("**BE**") clinical services encompassed a variety of specialized and challenging drug types and dosage forms, including transdermal patches, inhalable aerosols, enteric-coated formulations, biosimilars, and endogenous substance medications. We ensured efficient execution and high-quality outcomes of studies by offering a comprehensive service process covering protocol design, project management, clinical monitoring, medical oversight, data management, statistical analysis, pharmacokinetic calculations, and project report submissions. To elevate medical standards and the quality of BE clinical research, we established a medical oversight team comprising professionals with extensive clinical backgrounds. This team oversees medical-related standards and supervises BE clinical research to ensure scientific rigor throughout studies. To date, we have successfully provided medical oversight for numerous projects, reinforcing our professional standing in the field. Throughout the Reporting Period, we also established strategic partnerships with several leading hospitals in China, enhancing our access to diverse clinical resources and solutions for BE projects. Additionally, we supported a key clinical center partner in achieving a flawless record during a remote inspection by the U.S. Food and Drug Administration (FDA), showcasing the excellence of our quality assurance system in BE clinical operations. This achievement further solidifies our leadership in the industry.

Since the beginning of 2023, our 89,000 square foot state-of-the-art clinical sample production facility in Suzhou has been fully operational. The facility is equipped with advanced oral solid dose manufacturing suites, sterile injectable manufacturing suites, semi-solid external manufacturing suites, and a sophisticated analytical testing laboratory. The commissioning of this facility, coupled with our experienced pharmaceutical CMC R&D production team and production workshops adhering strictly to GMP standards, enables us to provide comprehensive clinical trial supply chain solutions from drug development to the production of investigational drugs and placebos. Our services encompass not only investigational drug and placebo manufacturing but also extend to comparator drug procurement, innovative packaging solutions and label design, meticulous storage management, precise dispensing services (including cold chain logistics), and the retrieval and destruction of clinical trial drugs. Through meticulously designed processes and a high-standard quality management system, we ensure timely and accurate supply of investigational drugs, effectively facilitating smooth clinical trials and significantly reducing related costs. Additionally, to further enhance our service capabilities and meet broader market demands, we are adding a high-standard Blow-Fill-Seal production line for eye drops in this facility. This production line is expected to be operational by late 2024, allowing us to provide clinical sample preparation services for eye drops compliant with international filing standards, thereby expanding our service offerings and strengthening our competitive edge.

During the Reporting Period, we made major improvements in our bioanalysis technology. We focused on supporting clients in their new drug development endeavors. We have bolstered our platform for antibody-drug conjugate (ADC) analysis and successfully implemented optimized platforms for detecting small nucleotide and protein drug concentrations. Comprehensive biomarker detection services have also been introduced, underscoring our commitment to advancing biopharmaceutical analysis.

We have made substantial advancements in constructing and enhancing our integrated service platform in China, particularly in the fields of drug discovery and preclinical research services. During the Reporting Period, we have successfully executed multiple comprehensive service project contracts. These encompass a broad spectrum ranging from drug chemistry, API development, pharmacology, drug metabolism and pharmacokinetics, safety and toxicology assessments, to CMC formulation development, and bioanalysis. The execution of these contracts highlights our ability to provide comprehensive solutions and shows the strong trust and recognition our clients have in our services.

With the continuous enhancement and refinement of our service offerings, our business expansion team has effectively leveraged our extensive drug development service platform to cultivate a strong synergistic relationship between the Chinese, North American, and European markets. Throughout the Reporting Period, we have bolstered collaboration between laboratories in China, Italy and North America, further advancing the convergence of technology and business development. Through the implementation of strategic initiatives such as customer referral programs, cross-border project exchanges, and the sharing of technical advancements, we have significantly grown our presence in the market.

In the future, our focus will remain on enhancing service quality and efficiency, expanding our service scope, and increasing our market influence. We are committed to improving our core competitiveness in drug discovery and development through ongoing research, development investment, and technological innovation. We believe that by constantly striving for excellence and innovation, we can achieve higher business goals and deliver greater value to our customers.

THE GROUP'S FACILITIES

As of June 30, 2024, the Group had thirteen (13) facilities in North America and Europe, consisting of:

- three (3) facilities in Exton, PA, USA;
- two (2) facilities in Hayward, CA, USA;
- one (1) facility in Secaucus, NJ, USA;
- one (1) facility in Concord, OH, USA;
- one (1) facility in Deerfield, FL, USA;
- one (1) facility in Palo Alto, CA, USA;
- one (1) facility in Chicago, IL, USA;
- one (1) facility in Vancouver, Canada;
- one (1) facility in Toronto, Canada; and
- one (1) facility in Milan, Italy.

In addition, as of June 30, 2024, the Group had eleven (11) facilities in China, consisting of:

- four (4) facilities in Shanghai;
- four (4) facilities in Suzhou, Jiangsu Province;
- one (1) facility in Zhengzhou, Henan Province; and
- two (2) facilities in Wuhan, Hubei Province.

FINANCIAL REVIEW

Revenue

The revenue of the Group increased by 0.1% from approximately US$128.4 million for the six months ended June 30, 2023 to approximately US$128.5 million for the six months ended June 30, 2024. Revenue from operations in North America and Europe decreased by 0.6% from approximately US$100.0 million for the six months ended June 30, 2023 to approximately US$99.4 million for the six months ended June 30, 2024. Excluding the impact of currency translation, the revenue from operations in China increased by 4.4% from approximately RMB197.8 million (equivalent to approximately US$28.4 million) for the six months ended June 30, 2023 to approximately RMB206.5 million (equivalent to approximately US$29.1 million) for the six months ended June 30, 2024.

The decrease in revenue from operations in North America and Europe was mainly attributable to the decline in revenue generated from drug development and drug discovery businesses. This decline was negatively affected by the weak global investment and financing environment in the biopharmaceutical field. However, it was partially offset by the strong demand for laboratory testing services.

The growth of revenue from operations in China was mainly due to marketing and business development efforts made by the Group, as well as improvements in capacity utilization and the acceleration of client project execution.

The following table sets forth a breakdown of our revenue by type of service during the Reporting Period:

	For the six months ended	
	6/30/2024	6/30/2023
	US$'000	*US$'000*
		(Re-presented)
Laboratory testing	**66,255**	58,493
Drug development	**42,797**	47,097
Drug discovery	**15,820**	18,524
Pharmaceutical product development	**3,603**	4,242
	128,475	128,356

An analysis of the Group's revenue from external customers, analyzed by the customer's respective country/region of operation, is presented below:

	For the six months ended June 30,			
	2024		2023	
Revenue	***US$'000***	***%***	*US$'000*	*%*
– USA and Canada	**94,830**	**73.8**	95,030	74.0
– China	**22,428**	**17.5**	22,479	17.5
– Rest of the world*(Note)*	**11,217**	**8.7**	10,847	8.5
Total	**128,475**	**100.0**	128,356	100.0

Note: Rest of the world primarily includes Europe, India, Japan, South Korea and Australia.

Top 5 customers' revenue decreased by 13.2% from approximately US$22.0 million for the six months ended June 30, 2023 to approximately US$19.1 million for the six months ended June 30, 2024, accounting for 14.9% of total revenue for the six months ended June 30, 2024 as compared to 17.1% for the six months ended June 30, 2023.

Top 10 customers' revenue decreased by 11.8% from approximately US$30.6 million for the six months ended June 30, 2023 to approximately US$27.0 million for the six months ended June 30, 2024, accounting for 21.0% of total revenue for the six months ended June 30, 2024, as compared to 23.8% for the six months ended June 30, 2023.

Cost of Services

The cost of services of the Group increased by 4.7% from approximately US$89.4 million for the six months ended June 30, 2023 to approximately US$93.6 million for the six months ended June 30, 2024. The increase in the cost of services was mainly due to the additional costs of Nucro and Frontage Europe, which were consolidated into the consolidated financial statements of the Group in August 2023 and January 2024 respectively. Excluding the impact of Nucro and Frontage Europe, the cost of services were reduced in both North America and China in line with cost savings and improved capacity utilization.

The cost of services of the Group consists of direct labor costs, cost of raw materials and overhead. Direct labor costs primarily consist of salaries, bonuses and social security costs for the employees in the Group's business units. Cost of raw materials primarily consists of costs incurred for the purchase of raw materials used in rendering of our services. Overheads primarily consist of depreciation charges of the facilities and equipment used in rendering the Group's services, utilities and maintenance.

Gross Profit and Gross Profit Margin

The gross profit of the Group decreased by 10.8% from approximately US$39.0 million for the six months ended June 30, 2023 to approximately US$34.8 million for the six months ended June 30, 2024. The Group's gross profit margin decreased from approximately 30.4% for the six months ended June 30, 2023 to approximately 27.1% for the six months ended June 30, 2024. In particular, gross profit margin in North America and Europe decreased from approximately 34.8% for the six months ended June 30, 2023 to approximately 29.4% for the six months ended June 30, 2024, which was primarily due to the decline in revenue generated from drug development and drug discovery businesses, as well as the increase of cost generated from the new facility in Europe which aim to establish a base of operations in continental Europe. Gross profit margin in China increased from approximately 14.8% for the six months ended June 30, 2023 to approximately 19.3% for the six months ended June 30, 2024, mainly due to the increase in revenue and the decrease of cost driven by the improvement in capacity utilization.

Selling and Marketing Expenses

Selling and marketing expenses of the Group increased by 17.5% from approximately US$4.0 million for the six months ended June 30, 2023 to approximately US$4.7 million for the six months ended June 30, 2024, as a result of more marketing and business development efforts made by the Group.

Administrative Expenses

The Group's administrative expenses increased by 7.0% from approximately US$22.9 million for the six months ended June 30, 2023 to approximately US$24.5 million for the six months ended June 30, 2024. Excluding share-based compensation expense and amortization of intangible assets acquired from mergers and acquisitions and expenses in relation to mergers and acquisitions, the Group's administrative expenses increased by 3.4% from approximately US$17.6 million for the six months ended June 30, 2023 to approximately US$18.2 million for the six months ended June 30, 2024, primarily due to the administrative expenses of Nucro and Frontage Europe, which were consolidated into the consolidated financial statements of the Group in August 2023 and January 2024 respectively.

Research and Development Expenses

Our research and development activities mainly focused on (i) developing technologies and methodologies to continue to enhance our services; and (ii) improving the quality and efficiency of our services.

The Group's research and development expenses decreased by 9.7% from approximately US$3.1 million for the six months ended June 30, 2023 to approximately US$2.8 million for the six months ended June 30, 2024, primarily due to the implementation of cost reduction and efficiency improvement measures to enhance research and development efficiency and reduce costs.

Finance Costs

The Group's finance costs increased by 38.7% from approximately US$3.1 million for the six months ended June 30, 2023 to approximately US$4.3 million for the six months ended June 30, 2024, primarily due to interest expenses on bank borrowings, as a result of increased borrowings to finance our expansion, investments and business operation during the Reporting Period.

Income Tax Expense

The income tax expense of the Group decreased by 75.0% from approximately US$2.8 million for the six months ended June 30, 2023 to approximately US$0.7 million for the six months ended June 30, 2024, primarily due to a decrease in pretax income.

Net Loss/Profit and Net Loss/Profit Margin

The Group recorded net loss of approximately US$0.3 million for the six months ended June 30, 2024, as compared to net profit of approximately US$4.6 million for the six months ended June 30, 2023. The Group recorded net loss margin of 0.2% for the six months ended June 30, 2024, as compared to net profit margin of 3.6% for the six months ended June 30, 2023. The lower net profit and net profit margin compared to the six months ended June 30, 2023 was mainly attributable to the decrease of revenue generated from drug development and drug discovery business which was negatively affected by the weak global investment and financing environment in the biopharmaceutical field, and the increase of operating expenses and depreciation and other overhead associated with newly established and acquired business.

Adjusted Net Profit

The following table presents a reconciliation of adjusted net profit to the net profit for the periods, the most directly comparable IFRS measure, for each of the periods indicated:

	For the six months ended June 30,	
	2024	2023
	US$'000	*US$'000*
Net (Loss)/Profit	**(300)**	4,558
Add: Share – based compensation expense	**1,663**	1,972
Amortization of acquired intangible assets from mergers and acquisitions	**4,341**	3,331
Loss arising from financial liabilities measured as fair value through profit or loss	**159**	354
Expenses in relation to mergers and acquisitions	**284**	8
Adjusted Net Profit	**6,147**	10,223
Adjusted Net Profit Margin	**4.8%**	8.0%

The adjusted net profit of the Group decreased by 40.2% from approximately US$10.2 million for the six months ended June 30, 2023 to approximately US$6.1 million for the six months ended June 30, 2024. The adjusted net profit margin of the Group for the six months ended June 30, 2024 was 4.8%, compared to 8.0% for the six months ended June 30, 2023. The lower adjusted net profit and adjusted net profit margin of the Group for the six months ended June 30, 2024 was primarily due to a lower net profit and net profit margin as discussed above.

EBITDA

The EBITDA[2] of the Group decreased by 13.8% from approximately US$27.5 million for the six months ended June 30, 2023 to approximately US$23.7 million for the six months ended June 30, 2024. The EBITDA margin of the Group for the six months ended June 30, 2024 was 18.4%, compared to 21.4% for the six months ended June 30, 2023. Compared with net profit decrease, EBITDA has a much smaller decrease, primary due to the exclusion of deprecation cost associated with newly established business as well as amortization cost incurred from purchase of Nucro and Frontage Europe.

[2] EBITDA represents net profit before (i) interest expenses; (ii) income tax expenses; and (iii) amortization and depreciation.

Adjusted EBITDA

The adjusted EBITDA[3] of the Group decreased by 13.4% from approximately US$29.8 million for the six months ended June 30, 2023 to approximately US$25.8 million for the six months ended June 30, 2024. The adjusted EBITDA margin of the Group decreased from 23.2% for the six months ended June 30, 2023 to 20.1% for the six months ended June 30, 2024. The decrease of adjusted EBITDA is in line with the EBITDA which had been discussed above.

Basic and Diluted Loss/Earnings Per Share

The Group recorded basic loss per share of US$0.0001 for the six months ended June 30, 2024, as compared to basic earnings per share of US$0.0023 for the six months ended June 30, 2023. The Group recorded diluted loss per share of US$0.0001 for the six months ended June 30, 2024, as compared to diluted earnings per share of US$0.0022 for the six months ended June 30, 2023.

The adjusted basic earnings per share for the six months ended June 30, 2024 amounted to US$0.0031, representing a decrease of 38.0% as compared with that of US$0.0050 for the six months ended June 30, 2023. The adjusted diluted earnings per share of the Group for the six months ended June 30, 2024 amounted to US$0.0031 when compared with that of US$0.0050 for the six months ended June 30, 2023. The decrease in both the adjusted basic and the adjusted diluted earnings per share was primarily due to the decrease in the adjusted net profit as discussed in the above.

Non-IFRS Measures

To supplement the Group's consolidated financial statements which are presented in accordance with the IFRS, the Company has provided adjusted net profit, adjusted net profit margin, and adjusted basic and diluted earnings per share (excluding the share-based compensation expenses, amortization of acquired intangible assets from mergers and acquisitions, gain or loss arising from financial liabilities measured as fair value through profit or loss and expenses in relation to mergers and acquisitions) as additional financial measures, which are not required by, or presented in accordance with, the IFRS. The Company believes that the adjusted financial measures are useful for understanding and assessing underlying business performance and operating trends, and that the Company's management and investors may benefit from referring to these adjusted financial measures in assessing the Group's financial performance by eliminating the impact of certain unusual, non-recurring, non-cash and/or non-operating items that the Group does not consider indicative of the performance of the Group's business. However, the presentation of these non-IFRS financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with the IFRS. The adjusted results should not be viewed on a stand-alone basis or as a substitute for results under IFRS.

---

[3] Calculation of adjusted EBITDA is modified and calculated as EBITDA for the Reporting Period, excluding the share-based compensation expenses, and gain or loss arising from financial liabilities measured as fair value through profit or loss and expenses in relation to mergers and acquisitions to better reflect the Company's current business and operations.

Right-of-Use Assets

The Group recorded approximately US$52.3 million right-of-use assets as at June 30, 2024, which decreased by 11.5% from approximately US$59.1 million as at December 31, 2023. The decrease was mainly due to the depreciation charges of existing leases.

Intangible Assets

The Group recorded approximately US$34.3 million intangible assets as at June 30, 2024, which decreased by 7.8% from approximately US$37.2 million as at December 31, 2023. The decrease was mainly due to the amortization.

Trade and Other Receivables and Prepayment

The trade and other receivables and prepayment of the Group increased by 22.3% from approximately US$61.3 million as at December 31, 2023 to approximately US$75.0 million as at June 30, 2024, primarily due to the growth of the Group's business.

Unbilled Revenue

The Group has recorded 18.1% increase in unbilled revenue from to approximately US$18.8 million as at December 31, 2023 to approximately US$22.2 million as at June 30, 2024, primarily due to the growth of the Group's business.

Structured Deposits

As at June 30, 2024, the Group recorded approximately US$0.2 million structured deposits to improve the return of available cash balance.

Trade and Other Payables

The trade and other payables of the Group decreased by 11.9% from approximately US$38.7 million as at December 31, 2023 to approximately US$34.1 million as at June 30, 2024, primarily due to the payments for bonus and decreased bonus accrual.

Advances from Customers

The Group has recorded an increase of 11.9% in advance from customers, primarily due to the growth of the Group's business.

Liquidity and Capital Resources

The Group's bank balances and cash amounted to approximately US$43.0 million in total as at June 30, 2024, as compared to approximately US$53.2 million as at December 31, 2023, as a result of payments for purchase of property, plant and equipment. The cash and cash equivalents held by the Company are composed of RMB, HK$, CAD, EUR and US$. Currently, the Group follows a set of funding and treasury policies to manage its capital resources and prevent risks involved.

The following table sets forth a condensed summary of the Group's consolidated statements of cash flows for the periods indicated and analysis of balances of cash and cash equivalents for the periods indicated:

	For the six months ended June 30,	
	2024	2023
	US$'000	*US$'000*
Net cash generated from operating activities	**4,632**	11,386
Net cash used in investing activities	**(14,855)**	(15,551)
Net cash generated from/(used in) financing activities	**840**	(4,806)
Net decrease in cash and cash equivalents	**(9,383)**	(8,971)
Cash and cash equivalents at the beginning of the period	**53,186**	87,433
Effect of exchange rate changes	**(805)**	(936)
Cash and cash equivalents at the end of the period	**42,998**	77,526

Capital Expenditures

Our principal capital expenditures relate primarily to purchases of property, plant and equipment, and intangible assets relation to the expansion and enhancement of our facilities and purchases of equipment and intangible assets used in providing our services. Approximately US$16.4 million of capital expenditures were incurred for the six months ended June 30, 2024, which was increased by 42.6% when compared to approximately US$11.5 million for the six months ended June 30, 2023, primarily due to the increased expenditures for enhancement of facilities in North America.

Indebtedness

Borrowings

The Group had total bank borrowings of US$95.5 million as at June 30, 2024 compared to US$81.4 million as at December 31, 2023. On June 30, 2024, the effective interest rate of the Group's bank borrowings ranged from 2.75% to 7.42%. US$ borrowings amounted to US$69.9 million and RMB borrowings amounted to RMB182.4 million (equivalent to US$25.6 million).

Lease Liabilities

The Group leased some of our equipment and facilities under lease agreements with lease terms of three to twenty-five years and right-of-use assets agreements. The Group recorded approximately US$56.7 million lease liabilities as at June 30, 2024, compared to approximately US$63.7 million as at December 31, 2023 due to the payments for existing leases.

Contingent Liabilities and Guarantees

As at June 30, 2024, the Group did not have any material contingent liabilities or guarantees.

Currency Risk

The functional currency of the Company and the operating subsidiaries incorporated in the USA is US$. The functional currency of the PRC operating subsidiaries is RMB. The functional currency of the operating subsidiary incorporated in Canada is CAD. The functional currency of the operating subsidiary incorporated in Europe is EUR. Particularly, the PRC operating subsidiaries have foreign currency sales and purchases, which expose the Group to foreign currency risk.

The PRC operating subsidiaries are mainly exposed to foreign currencies of US$ and Euro. The Group does not use any derivative contracts to hedge against its exposure to currency risk. The Group seeks to limit its exposure to foreign currency risk by closely monitoring and minimizing its net foreign currency position.

Gearing Ratio

The gearing ratio is calculated using interest-bearing borrowings less cash and cash equivalents and structured deposits divided by total equity and multiplied by 100%. The gearing ratios were 32.3% and 26.2% as at June 30, 2024 and December 31, 2023, respectively. The increase is primarily due to significant financing activities to support business expansion.

Employees and Remuneration Policies

As at June 30, 2024, the Group had a total of 1,657 employees, of whom 893 were located in North America and Europe and 764 were located in China; 1,341 were scientific and technical support staff and 316 were sales, general and administrative staff. Approximately 83% of employees hold a bachelor's degree or above, and we have 604 employees that hold an advanced degree (a master's level degree or higher such as Ph.D, M.D. or other doctorate level degrees).

The staff costs, including Directors' emoluments but excluding any contributions to retirement benefit scheme contributions and share-based compensation expenses, were approximately US$58.5 million for the six months ended June 30, 2024, as compared to approximately US$53.5 million for the six months ended June 30, 2023. The remuneration packages of employees generally include salary and bonus elements. In general, the Group determines the remuneration packages based on the qualifications, position and performance of its employees. The Group also makes contributions to pension schemes, social insurance funds, including basic pension insurance, medical insurance, unemployment insurance, childbirth insurance, work-related injury insurance funds, and housing reserve fund as applicable to the countries where the Group operates.

As at the date of this announcement, the Group has adopted the Pre-IPO Share Incentive Plans, the 2018 Share Incentive Plan and the 2021 Share Award Scheme to provide incentives or rewards to eligible participants for their contribution or potential contribution to the Group.

In addition, the Group has training systems, including orientation and on-the-job training for all staff, to accelerate the learning progress and improve the knowledge and skill levels of its workforce. The Group also has a training program for senior management that focuses on management skills, conflict resolution and effective communication skills and sessions on how to recruit and retain talent. The orientation process covers corporate culture and policies, work ethics, introduction to the drugs development process, quality management and occupational safety. The periodic on-the-job training covers certain technical aspects of the Group's services, environmental, health and safety management systems and mandatory training required by applicable laws and regulations.

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant events affecting the Group, which have occurred subsequent to 30 June 2024 and up to the date of this announcement.

PROSPECTS

In today's rapidly evolving global life sciences field, as a CRO, we are witnessing significant transformations. Despite recent downturns in global biopharmaceutical capital markets, which have impacted new drug research and development, we remain confident that the life sciences industry will continue to grow and play a crucial role in the global healthcare system. There is currently a significant unmet need for CROs that can offer a combined service of chemistry, DMPK, preclinical safety/toxicology, and Phase I clinical trial services with strategic and regulatory support to effectively advance new lead candidates from the IND stage to clinical trials.

In response to the challenges and market needs, we have implemented a series of strategic measures aimed at enhancing our competitiveness and market position.

- **Integrated Services:** Frontage has restructured and aligned its various capabilities, successfully integrating its core legacy services with recently acquired or developed offerings. We are now proud to provide integrated services from lead preclinical candidate to first in human clinical studies in both the United States and China – a truly one stop shop.

- **Customer-Tailored Solutions:** Frontage offers a bespoke, customizable platform for drug development, starting from early-stage strategic advice and IND submissions to Phase I clinical studies, and provide all necessary support for regulatory interactions and submissions.

- **Global Operations:** Drawing on our operational presence in North America, Europe and China, we intend to capitalize on our shared adherence to stringent quality system standards. We conduct studies meeting the same exact standards in both China and United States.

With ongoing global interest in innovative drug development, we anticipate a steady growth in demand for our comprehensive one-stop shop services, providing a strong foundation for sustained company growth. By adopting these strategies, we aim to position ourselves as a leading CRO, ready to navigate the complexities of the global life sciences field and contribute to the continued advancement of the industry.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On June 16, 2023, Frontage Labs entered into a Going Concern Purchase Agreement (together with all amendments thereto, the "**Agreement**") with Accelera and its parent company, NMS Group S.p.A., pursuant to which Frontage Labs agreed to purchase, through its wholly-owned subsidiary Frontage Europe S.r.l., the Bioanalytical and Drug Metabolism & Pharmacokinetics businesses of Accelera for a cash consideration of approximately EUR6,835,000 subject to the terms and conditions of the Agreement.

The acquisition was completed on January 1, 2024. Immediately following the completion of acquisition, the financial results, assets and liabilities of the Bioanalytical and Drug Metabolism & Pharmacokinetics businesses of Accelera will be consolidated into the consolidated financial statements of the Group.

The acquisition did not constitute a notifiable transaction and was not subject to the reporting, disclosure or shareholder approval requirements under the Listing Rules.

Save as disclosed above, there were no significant investments held, no material acquisitions or disposals of subsidiaries, affiliates and joint ventures of the Company during the six months ended June 30, 2024.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended June 30, 2024 (six months ended June 30, 2023: Nil).

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

For the six months ended June 30, 2024, the Company repurchased a total of 48,410,000 Shares (the "**Shares Repurchased**") on the Stock Exchange at an aggregate consideration (including transaction cost) of approximately HK$85,849,860. The repurchased Shares in total of 47,252,000 Shares have been cancelled on April 15, 2024 and the remaining repurchased Shares has not been cancelled. The repurchase was effected because the Board considered that a share repurchase in the then conditions demonstrates the Company's confidence in its own business outlook and prospects and would, in the long term, benefit the Company and create value to the Shareholders.

Particulars of the Shares Repurchased for the six months ended June 30, 2024 are as follows:

Month of repurchase	**No. of Shares repurchased**	**Highest price paid per Share** *(HK$)*	**Lowest price paid per Share** *(HK$)*	**Aggregate consideration** *(HK$)*
January	22,050,000	2.24	1.57	39,866,860
February	25,202,000	1.86	1.55	44,807,000
June	1,158,000	1.03	0.99	1,176,000
Total	48,410,000			85,849,860

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (whether on the Stock Exchange or otherwise) for the six months ended June 30, 2024 (including sale of treasury shares (as defined under the Listing Rules)). As at June 30, 2024, the Company did not hold any treasury shares (as defined under the Listing Rules).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. Having made specific enquiries with all the Directors, all the Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code during the six months ended June 30, 2024.

CORPORATE GOVERNANCE CODE

During the six months ended June 30, 2024, the Company has followed the principles and complied with the code provisions set out in the CG Code.

REVIEW OF INTERIM RESULTS BY THE AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee has reviewed together with the Company's management and BDO Limited, the Company's external auditor, the accounting principles and policies, internal controls, risk management and financial reporting adopted by the Group, the unaudited condensed consolidated financial statements, interim results announcement and interim report of the Group for the Reporting Period. The Audit and Risk Management Committee is satisfied that the unaudited condensed consolidated financial statements, interim results announcement and interim report of the Group for the Reporting Period were prepared in accordance with the applicable accounting standards and fairly present the Group's financial position and results for the Reporting Period and that adequate disclosures had been made in accordance with the requirements of the Listing Rules.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Reporting Period as set out in the preliminary announcement have been compared by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the Reporting Period and the amounts were found to be in agreement. The work performed by BDO Limited in this respect did not constitute an audit, review or other 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 this announcement.

PUBLICATION OF THE 2024 INTERIM RESULTS ANNOUNCEMENT AND 2024 INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.frontagelab.com). The interim report of the Company for the Reporting Period containing all the information required under the Listing Rules will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to the Shareholders upon request of the Shareholders.

"2008 Share Incentive Plan"	the pre-IPO share incentive plan approved by Frontage Labs in 2008 and assumed by the Company on April 17, 2018
"2015 Share Incentive Plan"	the pre-IPO share incentive plan approved by Frontage Labs in 2015 and assumed by the Company on April 17, 2018
"2017 Tax Act" or "Transition Tax"	The Tax Cuts and Jobs Act was signed into law on December 22, 2017, has resulted in significant changes to the U.S. corporate income tax system. These changes reduce tax rates and modify policies, credits and deductions for businesses. The 2017 Tax Act also transitions the U.S. international taxation from a worldwide system to a modified territorial system and includes base erosion prevention measures on non-U.S. earnings, which could result in subjecting certain earnings of Frontage Shanghai to U.S. taxation. These changes are effective beginning in 2018. The 2017 Tax Act also includes a tax on the mandatory deemed repatriation of accumulated previously untaxed foreign earnings of Frontage Shanghai (the "**Transition Tax**")
"2018 Share Incentive Plan"	the post-IPO share incentive plan adopted by the Company on May 11, 2019
"2021 Share Award Scheme"	the "2021 Share Award Scheme" constituted by the rules adopted on January 22, 2021, in its present form or as amended from time to time in accordance with the provisions therein
"Audit and Risk Management Committee"	the audit and risk management committee of the Board
"Award Participants"	the selected participants who were awarded the Awarded Shares under the 2021 Share Award Scheme
"Awarded Shares"	the 22,950,500 Shares granted by the Company to the Award Participants pursuant to the terms of the 2021 Share Award Scheme

"Board of Directors" or "Board"	the board of directors of the Company from time to time
"CAD"	Canadian Dollars, the lawful currency of Canada
"CG Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules, as amended, supplemented or otherwise modified from time to time
"CMC"	stands for Chemistry, Manufacturing and Controls. The Group's portfolio of CMC services spans from drug discovery to the post-approval phase, including lead compound quantification and analytical testing for the discovery phase, formulation development, Good Laboratory Practice toxicology batch studies, release and product testing, stability testing, Clinical Trial Materials and Good Manufacturing Practice manufacturing, extractability and leachability studies and commercial product release following approval of an application
"CODM"	the chief operating decision maker of the Group
"Company"	Frontage Holdings Corporation, a company incorporated under the laws of the Cayman Islands with limited liability on April 16, 2018
"Connected Award Participants"	the Award Participants who are connected with the Company or connected persons of the Company
"Controlling Shareholder(s)"	has the meaning given to it under the Listing Rules and unless the context requires otherwise, refers to Hangzhou Tigermed and Hongkong Tigermed
"CRO"	Contract research organization

"Director(s)"	the director(s) of the Company from time to time
"DMPK"	Drug Metabolism and Pharmacokinetics, refers to studies designed to determine the absorption and distribution of an administered drug, the rate at which a drug takes effect, the duration a drug maintains its effects and what happens to the drug after being metabolized by the body
"EIT"	PRC Enterprise Income Tax
"EIT Law"	Enterprise Income Tax Law of the PRC
"FDA"	the U.S. Food and Drug Administration
"Frontage Labs"	Frontage Laboratories, Inc., a company incorporated under the laws of Pennsylvania, United States on April 21, 2004 and the wholly-owned subsidiary of the Company
"Frontage Shanghai"	Frontage Laboratories (Shanghai) Co., Ltd., a company established in the PRC on August 2, 2005 and a subsidiary of the Company
"Frontage Suzhou"	Frontage Laboratories (Suzhou) Co, Ltd., a company established in the PRC on January 7, 2014, and a subsidiary of the Company
"GLP"	Good Laboratory Practice, a quality system of management controls for research laboratories and organizations to try to ensure the uniformity, consistency, reliability, reproducibility, quality and integrity of chemical and pharmaceuticals non-clinical safety tests
"Group", "We", "Our" or "Us"	the Company and its subsidiaries
"Hangzhou Tigermed"	Hangzhou Tigermed Consulting Co., Ltd., a company established in the PRC on December 15, 2004 with its shares being listed on ChiNext market of the Shenzhen Stock Exchange with stock code 300347 and on the Main Board of the Hong Kong Stock Exchange with stock code 3347, which is one of the controlling shareholders of the Company

"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hongkong Tigermed"	Hongkong Tigermed Co., Limited, a company incorporated under the laws of Hong Kong with limited liability on September 14, 2011 and which is a wholly-owned subsidiary of Hangzhou Tigermed and one of the controlling shareholders of the Company
"IFRSs"	International Financial Reporting Standards
"IPO"	initial public offering
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	May 30, 2019, being on the date the Shares were listed on the Main Board
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issues contained in Appendix C3 to the Listing Rules
"Non-connected Award Participants"	the Award Participants who are not connected with the Company or connected persons of the Company
"PRC" or "China"	the People's Republic of China, but for the purposes of this announcement only, except where the context requires, references to the PRC or China exclude Hong Kong, Macau and Taiwan
"Pre-IPO Share Incentive Plans"	the 2008 Share Incentive Plan and the 2015 Share Incentive Plan
"Prospectus"	the prospectus of the Company dated May 17, 2019
"Reporting Period"	the six months ended June 30, 2024
"RMB"	Renminbi, the lawful currency of the PRC

"Share(s)"	ordinary shares(s) with nominal value USD0.00001 each in the issued share capital of the Company
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited

In this announcement, the terms "associate", "connected person", "controlling shareholder" and "subsidiary" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

By Order of the Board
Frontage Holdings Corporation
Dr. Song Li
Chairman

Hong Kong, August 28, 2024

As at the date of this announcement, the Board comprises Dr. Song Li as executive Director; Dr. Zhihe Li, Ms. Zhuan Yin and Mr. Hao Wu as non-executive Directors; and Mr. Yifan Li, Mr. Erh Fei Liu and Dr. Jingsong Wang as independent non-executive Directors.

* *For identification purpose only*