FRONTAGE HOLDINGS CORPORATION

方達控股公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1521)

ANNOUNCEMENT ON ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2024

FINANCIAL HIGHLIGHTS

		2024 ***US$ million***	2023 *US$ million*	Change
Revenue		**254.9**	259.9	**(1.9)%**
Gross Profit		**69.8**	78.4	**(11.0)%**
Gross Profit Margin		**27.4%**	30.2%	
EBITDA		**50.0**	57.2	**(12.6)%**
EBITDA Margin		**19.6%**	22.0%	
Adjusted EBITDA		**54.0**	63.2	**(14.6)%**
Adjusted EBITDA Margin		**21.2%**	24.3%	
Net Profit		**0.6**	10.7	**(94.4)%**
Net Profit Margin		**0.2%**	4.1%	
Adjusted Net Profit		**13.2**	24.0	**(45.0)%**
Adjusted Net Profit Margin		**5.2%**	9.2%	
		US$	US$	
Earnings per share	– Basic	**0.0004**	0.0053	**(92.5)%**
	– Diluted	**0.0004**	0.0052	**(92.3)%**
Adjusted Earnings per share	– Basic	**0.0066**	0.0118	**(44.1)%**
	– Diluted	**0.0066**	0.0116	**(43.1)%**

The Board does not recommend any payment of final dividend for the Reporting Period.

(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 assets/liabilities measured as fair value through profit or loss, goodwill impairment 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 assets/liabilities measured as fair value through profit or loss, goodwill impairment 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 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 assets/liabilities measured as fair value through profit or loss, goodwill impairment and expenses in relation to mergers and acquisitions) 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 consolidated annual results of the Group for the Reporting Period together with comparative figures for the corresponding period in 2023 as set out below:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2024

	NOTES	**2024** ***US$'000***	2023 *US$'000*
Revenue	*4*	**254,907**	259,855
Cost of services		**(185,096)**	(181,461)
Gross profit		**69,811**	78,394
Other income	*6*	**4,300**	4,785
Other gains and losses, net	*7*	**(195)**	(1,062)
Research and development expenses		**(5,592)**	(6,038)
(Impairment losses)/reversal of recognized on			
– trade receivables		**(929)**	58
– unbilled revenue		**(120)**	9
– others		**314**	(37)
– goodwill		**–**	(1,893)
Selling and marketing expenses		**(8,489)**	(8,177)
Administrative expenses		**(47,050)**	(44,552)
Share of profit of associates		**258**	162
Finance costs	*8*	**(9,564)**	(7,072)
Profit before tax	*9*	**2,744**	14,577
Income tax expense	*10*	**(2,125)**	(3,849)
Profit for the year		**619**	10,728
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		**(5,749)**	(47)
Share of other comprehensive income of associates		**(98)**	(92)
		(5,847)	(139)
Total comprehensive income for the year		**(5,228)**	10,589

	NOTES	2024 *US$'000*	2023 *US$'000*
Profit/(loss) for the year attributable to:			
Owners of the Company		**791**	10,808
Non-controlling interests		**(172)**	(80)
		619	10,728
Total comprehensive income for the year attributable to:			
Owners of the Company		**(5,031)**	10,714
Non-controlling interests		**(197)**	(125)
		(5,228)	10,589
		US$	US$
Earnings per share	*11*		
– Basic		**0.0004**	0.0053
– Diluted		**0.0004**	0.0052

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2024

	NOTES	2024 US$'000	2023 US$'000
Non-current Assets			
Property, plant and equipment		**126,423**	124,695
Right-of-use assets		**54,253**	59,091
Goodwill		**187,014**	183,918
Intangible assets		**29,984**	37,155
Interest in an associate		**6,747**	6,587
Deferred tax assets		**7,451**	7,036
Financial assets at fair value through profit or loss ("**FVTPL**")		**2,995**	3,530
Restricted bank deposits	*14*	**300**	300
Other long-term deposits		**693**	636
Prepayment for acquisition of subsidiary		**–**	7,357
		415,860	430,305
Current Assets			
Inventories		**2,876**	2,801
Trade and other receivables and prepayments	*12*	**69,091**	61,328
Unbilled revenue	*13*	**18,889**	18,828
Structured deposits		**–**	1,412
Income tax recoverable		**2,401**	3,603
Restricted bank deposits	*14*	**385**	406
Cash and cash equivalents	*14*	**44,091**	53,186
		137,733	141,564
Current Liabilities			
Trade and other payables	*15*	**19,294**	38,731
Advances from customers	*16*	**30,336**	27,705
Bank borrowings	*17*	**51,228**	20,129
Income tax payable		**573**	1,125
Amounts due to shareholders		**210**	210
Lease liabilities		**9,899**	11,680
		111,540	99,580
Net Current Assets		**26,193**	41,984
Total Assets less Current Liabilities		**442,053**	472,289

	NOTES	2024 US$'000	2023 US$'000
Non-current Liabilities			
Bank borrowings	*17*	**44,442**	61,307
Deferred government grant		**1,998**	2,061
Deferred tax liabilities		**12,548**	11,793
Lease liabilities		**48,796**	51,981
		107,784	127,142
Net Assets		**334,269**	345,147
Capital and Reserves			
Share capital	*18*	**20**	21
Treasury shares	*19*	**(313)**	(4,232)
Reserves		**333,298**	346,714
Equity attributable to owners of the Company		**333,005**	342,503
Non-controlling interests		**1,264**	2,644
Total Equity		**334,269**	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 ("Listing Date"). 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 referred to as the "Group") are to provide laboratory and related services to pharmaceutical and agrochemical companies. 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 Room 1920, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong, respectively.

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

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS ("IFRSs")

Adoption of new and amendments to IFRSs – effective January 1, 2024

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (the "IASB") for the first time, which are mandatorily effective for the annual period beginning on or after January 1, 2024 for the preparation of the consolidated financial statements:

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

The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements. The Group has not early applied any new or amended IFRSs that is not yet effective for the current accounting year.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on historical cost basis except for certain financial instrument that is measured at fair value at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for services.

4. REVENUE

The Group's revenue streams are categorized as follows:

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

– 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;

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

– Laboratory Testing Unit is to 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, CMC Analytical Testing, and Central Laboratory services.

In 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 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. It includes three subunits: (i) the Drug Discovery Unit, (ii) the Drug Development Unit, and (iii) the Pharmaceutical Product Development Unit.

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. By aligning and streamlining operations, the Group can optimize synergies, allocate resources efficiently, and foster innovation and growth across all business units. This strategic realignment sets the foundation for the Group to achieve its goals and sustain growth in the global drug discovery and development services industry.

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

	2024	2023
	US$'000	*US$'000*
– Drug discovery	**31,225**	33,456
– Drug development	**81,868**	95,132
– Pharmaceutical product development	**9,272**	7,615
– Laboratory testing	**132,542**	123,652
	254,907	259,855

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.

Transaction Price Allocated to Future Performance Obligations

IFRS 15 requires that the Group to disclose the aggregate amount of transaction price that is allocated to each performance obligation that has not yet been satisfied as at year-end. The guidance provides certain practical expedients that limit this requirement and, therefore, for the vast majority of contracts, the Group does not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which revenue is recognized at the amount to which the Group has the right to invoice for services performed.

For the service contracts for which the Group does not recognize revenue at the amount to which the Group has the right to invoice for services performed, management has assessed whether there are any contracts with an original expected length greater than one year. While contracts do occasionally extend beyond one year, the timing of the services performed is contingent upon when the customer provides items for testing, and is not subject to a contractual term. Accordingly, for these contracts management is unable to determine whether the original contract term will exceed one year and has not disclosed the related unsatisfied performance obligations.

5. 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.

Segment revenues and results

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

For the year ended December 31, 2024

	North America and Europe *US$'000*	PRC *US$'000*	Total *US$'000*
Revenue			
– Drug discovery	**18,581**	**12,644**	**31,225**
– Drug development	**66,680**	**15,188**	**81,868**
– Pharmaceutical product development	**6,168**	**3,104**	**9,272**
– Laboratory testing	**106,782**	**25,760**	**132,542**
	198,211	**56,696**	**254,907**
Cost of services	**(140,155)**	**(44,941)**	**(185,096)**
Other income	**1,187**	**3,113**	**4,300**
Other gains and losses, net	**749**	**(944)**	**(195)**
Research and development expenses	**–**	**(5,592)**	**(5,592)**
Impairment losses recognized on trade receivables, unbilled revenue and others	**(690)**	**(45)**	**(735)**
Selling and marketing expenses	**(6,494)**	**(1,995)**	**(8,489)**
Administrative expenses	**(38,251)**	**(8,799)**	**(47,050)**
Share of profit of associates	**–**	**258**	**258**
Finance costs	**(7,743)**	**(1,821)**	**(9,564)**
Profit before tax	**6,814**	**(4,070)**	**2,744**

For the year ended December 31, 2023

	North America and Europe *US$'000*	PRC *US$'000*	Total *US$'000*
Revenue			
– Drug discovery	22,348	11,108	33,456
– Drug development	77,507	17,625	95,132
– Pharmaceutical product development	3,145	4,470	7,615
– Laboratory testing	96,065	27,587	123,652
	199,065	60,790	259,855
Cost of services	(133,060)	(48,401)	(181,461)
Other income	1,406	3,379	4,785
Other gains and losses, net	(72)	(990)	(1,062)
Research and development expenses	–	(6,038)	(6,038)
(Impairment losses)/reversal of recognized on			
– trade receivables, unbilled revenue and others	130	(100)	30
– goodwill	(879)	(1,014)	(1,893)
Selling and marketing expenses	(6,326)	(1,851)	(8,177)
Administrative expenses	(36,872)	(7,680)	(44,552)
Share of profit of associates	–	162	162
Finance costs	(5,096)	(1,976)	(7,072)
Profit before tax	18,296	(3,719)	14,577

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

Other segment information

Amounts included in the measure of segment profit or loss:

For the year ended December 31, 2024

	North America and Europe ***US$'000***	**PRC** ***US$'000***	**Total** ***US$'000***
Depreciation of property, plant and equipment	**(10,247)**	**(8,421)**	**(18,668)**
Depreciation of right-of-use assets	**(6,418)**	**(3,764)**	**(10,182)**
Amortization of intangible assets	**(8,443)**	**(379)**	**(8,822)**
Interest income	**340**	**472**	**812**
Gain on disposal of property, plant and equipment	**2**	**130**	**132**
Income tax (expense)/credit	**(3,652)**	**1,527**	**(2,125)**

For the year ended December 31, 2023

	North America and Europe *US$'000*	PRC *US$'000*	Total *US$'000*
Depreciation of property, plant and equipment	(9,743)	(7,879)	(17,622)
Depreciation of right-of-use assets	(6,343)	(4,062)	(10,405)
Amortization of intangible assets	(7,165)	(382)	(7,547)
Interest income	1,242	513	1,755
Loss on disposal of property, plant and equipment	(17)	(1)	(18)
Income tax (expense)/credit	(4,661)	812	(3,849)

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:

	2024 ***US$'000***	2023 *US$'000*
Revenue from external customers		
– USA and Canada	**188,187**	183,788
– PRC	**45,197**	49,451
– Rest of the world	**21,523**	26,616
	254,907	259,855

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

	2024 ***US$'000***	2023 *US$'000*
Non-current assets excluding financial assets and deferred tax assets		
– North America and Europe	**322,395**	325,017
– PRC	**82,026**	93,786
	404,421	418,803

Information about major customers

No customers contributed more than 10% of the Group revenue during the year ended December 31, 2024 and 2023.

6. OTHER INCOME

	2024	2023
	US$'000	*US$'000*
Interest income	**812**	1,755
Government grants related to income	**658**	820
Income from rendering service	**2,830**	2,210
	4,300	4,785

7. OTHER GAINS AND LOSSES, NET

	2024	2023
	US$'000	*US$'000*
Net foreign exchange gain/(loss)	**1,270**	(173)
Fair value change on financial liabilities measured at FVTPL	**(159)**	(511)
Fair value change on financial assets measured at FVTPL	**(488)**	–
Gain/(loss) on disposal of property, plant and equipment	**132**	(18)
Others	**(950)**	(360)
	(195)	(1,062)

8. FINANCE COSTS

	2024	2023
	US$'000	*US$'000*
Interest expense on lease liabilities	**3,119**	3,270
Interest expense on bank borrowings	**6,445**	3,802
	9,564	7,072

9. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	2024	2023
	US$'000	*US$'000*
Staff costs (including directors' emoluments):		
– Salaries and other benefits	**114,566**	112,179
– Share-based payment expense	**3,144**	3,044
– Retirement benefit scheme contributions	**7,817**	7,748
	125,527	122,971
Auditors' remuneration	**281**	284

10. INCOME TAX EXPENSE

	2024	2023
	US$'000	*US$'000*
Current tax:		
– PRC Enterprise Income Tax ("EIT")	**811**	1,298
– US Federal Tax	**2,359**	5,440
– US State Tax	**531**	1,404
– Canada Corporate Tax	**288**	182
Under-provision of EIT, US Federal Tax and US State Tax in prior year	**129**	697
	4,118	9,021
Deferred tax:		
– Current year	**(1,993)**	(5,172)
Total income tax expense	**2,125**	3,849

The group entities incorporated in the USA are subject to Federal and State Income taxes, and the effective weighted average income tax rate is 24.66% for the year ended December 31, 2024 (2023: 25.77%). The Tax Cuts and Jobs Act (the "2017 Tax Act") was signed into law on December 22, 2017. The 2017 Tax Act includes a tax on the mandatory deemed repatriation of accumulated previously untaxed foreign earnings (the "Transition Tax"). The USA group entities are subject to Transition Tax for the years ended December 31, 2024 and December 31, 2023, which is included in the Federal tax expense above.

BRI Biopharmaceutical Research, Inc. ("BRI"), a wholly owned subsidiary of the Group, 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%.

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 2020 and renewed its status 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 wholly 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 to the end of 2023.

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 December 2020 and renewed its status 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 years ended December 31, 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 March 28, 2018 and was gazette on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The two-tiered profits tax rates regime is applicable to the Group's Hong Kong subsidiaries with estimated assessable profits for its annual reporting periods ending on or after April 1, 2018.

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

No provision for Italy income tax has been made as the Group did not generate any assessable profit during the years ended December 31, 2024 and December 31, 2023.

11. EARNINGS PER SHARE

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

	2024	2023
	US$'000	*US$'000*
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per share	**791**	10,808

Number of Shares:

	2024	2023
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**2,026,464,720**	2,039,736,531
Effect of dilutive potential ordinary shares:		
Share options	**794,758**	26,917,067
Share awards	**4,151,393**	3,056,710
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**2,031,410,871**	2,069,710,308

Note:

(i) The weighted average number of ordinary shares shown above has been adjusted for issue of new shares and treasury shares.

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2024	2023
	US$'000	*US$'000*
Trade receivables		
– third parties	**63,448**	54,854
– related parties	**425**	244
Less: loss allowance for trade receivables	**(4,045)**	(3,761)
	59,828	51,337
Other receivables		
– third parties	**2,570**	3,088
– related parties	**–**	53
Less: loss allowance for other receivables	**(37)**	(37)
	2,533	3,104
Notes receivable		
– third parties	**88**	30
Prepayments		
– third parties	**3,755**	4,619
– related parties	**39**	–
	3,794	4,619
Value added tax recoverable	**2,848**	2,238
	69,091	61,328

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

	2024	2023
	US$'000	*US$'000*
Within 90 days	**44,885**	43,296
91 to 180 days	**8,132**	4,469
181 days to 1 year	**4,270**	2,007
Over 1 year	**2,541**	1,565
	59,828	51,337

13. UNBILLED REVENUE

	2024	2023
	US$'000	*US$'000*
Unbilled revenue		
– third parties	**18,604**	19,145
– related parties	**1,072**	380
Less: loss allowance for unbilled revenue	**(787)**	(697)
	18,889	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 consolidated statement of financial position as unbilled revenue.

14. CASH AND CASH EQUIVALENTS/RESTRICTED BANK DEPOSITS

Cash and cash equivalents comprise of cash held by the Group and short-term bank deposits with an original maturity of three months or less. The bank deposits carry interest at market rates which ranged from 0.02% to 4.33% per annum as at December 31, 2024 (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 December 31, 2024, a cash deposit of US$382,000 (2023: US$369,000) was required by Pennsylvania dept of environmental protection, Bureau of radiation protection in the USA for radiology license in the USA, and the amount is restricted. As at December 31, 2024, the remaining amount in the collateral account was US$382,000 (2023: US$369,000), which has been included in restricted bank deposits.

As at December 31, 2024, certain bank deposits with balances of approximately RMB26,000 (equivalent to approximately US$4,000) (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

	2024	2023
	US$'000	*US$'000*
Trade payables		
– third parties	**8,360**	12,475
– related parties	**299**	139
	8,659	12,614
Other payables		
– third parties	**3,344**	3,069
– related parties	**11**	2
	3,355	3,071
Contingent consideration payables	**–**	6,141
Salary and bonus payables	**6,418**	16,114
Other taxes payable	**862**	791
	19,294	38,731

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

	2024	2023
	US$'000	*US$'000*
Within 90 days	**7,878**	11,804
91 days to 1 year	**28**	797
Over 1 year	**753**	13
	8,659	12,614

16. ADVANCES FROM CUSTOMERS

	2024	2023
	US$'000	*US$'000*
Advances from customers		
– third parties	**29,439**	27,008
– related parties	**897**	697
	30,336	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 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.

Revenue of US$20,295,000 was recognized in 2024 (2023: US$25,807,000) that were included in the advances from customers at the beginning of the year.

17. BANK BORROWINGS

Bank Loans

	2024	2023
	US$'000	*US$'000*
Secured and unguaranteed bank loans	**95,670**	81,436

	2024	2023
	US$'000	*US$'000*
Within one year and shown under current liabilities	**51,228**	20,129
More than one year, but not exceeding two years	**14,192**	11,611
More than two years, but not exceeding five years	**30,250**	49,696
	95,670	81,436
Less: Amounts shown under current liabilities	**(51,228)**	(20,129)
Amounts shown under non-current liabilities	**44,442**	61,307
Loan interest at rate per annum in the range of	**2.75% – 6.73%**	3.35% – 7.6%

Bank Facilities

The Group has used certain restricted bank deposits to secure banking facilities of RMB510,000,000 (equivalent to US$70,948,000) (2023: RMB517,000,000 (equivalent to approximately US$72,995,000)), of which RMB177,344,000 (equivalent to approximately US$24,670,000) (2023: RMB177,327,000 (equivalent to approximately US$25,036,000)) was utilized as borrowings as at December 31, 2024.

On May 31, 2022, Frontage Labs, one of the subsidiaries of the Company, entered into a three-year committed senior secured revolving credit agreement with a bank under which the bank has agreed to extend to Frontage Labs a revolving line of credit in the maximum principal amount of US$54,000,000. As at December 31, 2024, US$35,000,000 (2023: US$9,000,000) of the facility were utilized as borrowings. Frontage Labs is obligated to grant to the bank security interest in and to the collateral of some of its designated subsidiaries in the U.S.

On July 22, 2022, Frontage Labs entered into a credit agreement with a bank under which the bank has agreed to provide Frontage Labs a non revolving term loan facility in an aggregate principal amount of US$49,000,000. As at December 31, 2024, US$36,000,000 (2023: US$47,400,000) of the facility were utilized as borrowings. The Company, as the guarantor, is obligated to guarantee for the liabilities, obligations and the full satisfaction of Frontage Labs under this facility. This facility is collateralized by Frontage Labs' assets in some of its designated subsidiaries in the U.S.

The Group had aggregated banking facilities of RMB304,436,000 (equivalent to approximately US$42,351,000) (2023: RMB335,780,000 (equivalent to approximately US$47,408,000)) and US$19,000,000 (2023: US$36,000,000) which were unutilized as at December 31, 2024.

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 December 31, 2024	5,000,000,000	50,000

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

Notes:

(a) During the year ended December 31, 2024, 36,179,000 (2023: 6,934,500) share options were exercised, with a deduction from equity-settled share based compensation reserve of US$2,312,000 (2023: US$444,000) and an increase of US$9,530,000 (2023: US$1,785,000) in share premium.

(b) During the year ended December 31, 2024, the Company cancelled 63,100,000 shares with a deduction from the treasury shares of US$15,122,000, including a reduction of US$1,000 in share capital, and US$15,121,000 in share premium.

19. TREASURY SHARES

	2024		2023	
	Number of shares	**Cost of acquisition *US$'000***	Number of shares	Cost of acquisition *US$'000*
At beginning of year	**28,741,064**	**4,232**	17,588,126	1
Repurchase of shares	**50,788,000**	**11,203**	15,848,000	4,231
Cancellation of shares	**(63,100,000)**	**(15,122)**	–	–
Vesting of share awards	**(4,345,062)**	**–**	(4,695,062)	–
At end of year	**12,084,002**	**313**	28,741,064	4,232

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

Frontage is a science-driven and customer-centric global CRO focused on providing research and development services to the pharmaceutical, biotechnology, agrochemical, animal health and chemical industries. With a commitment to scientific excellence and customer-centric solutions, Frontage offers comprehensive services from drug discovery to clinical trials. Our services are designed to help biopharmaceutical companies accelerate their product development and achieve their goals with efficiency and precision. Additionally, we support academic institutions and start-up companies in discovering and developing new therapeutics for human health.

Following the Group's restructuring and formation of two key business divisions in recent years: Global Drug Discovery & Development Services and Global Laboratory Services, Frontage has refined its operational structure to offer more comprehensive and integrated solutions.

The Global Drug Discovery & Development Services provide a full suite of end-to-end solutions to assist clients with drug discovery, candidate selection, Investigational New Drug (IND) applications, and First-in-Human (FIH) studies. The Global Laboratory Services delivers extensive laboratory testing support to clients worldwide in drug developments. With clearly defined roles, these two divisions, which integrate our resources in North America, Europe (Italy), and China, have improved efficiency and now handle both regulated and non-regulated bioanalysis for small and large molecules, biomarkers, genomics, CMC analytical testing, and central laboratory services for clients across the globe.

In 2024, Frontage continued its strategic growth by expanding its global footprint. We successfully established a presence in Europe with the acquisition of the Bioanalytical and Drug Metabolism & Pharmacokinetics (DMPK) businesses of Accelera S.r.l. ("**Accelera**") in Italy. Accelera is an established CRO based in the Lombardy region of Italy, part of the renowned NMS Group S.p.A. By integrating Accelera's experienced Bioanalytical and DMPK teams into Frontage's global platform, we are poised to deliver more robust support to both existing and new clients.

In addition to establishing our European presence, Frontage expanded its headquarter in the United States by adding an additional 46,300 square feet of life sciences space in Exton, PA in late 2024. This new space will support our CMC-Product Development & Manufacturing service line, enabling Frontage to meet growing client demand and increase our service capabilities in North America.

In 2024, as we strengthened our global capabilities and footprint, we grew our client base providing services to multinational companies, including several of the Top 20 pharmaceutical companies worldwide. The new global business structure bolstered our market competitiveness through increased flexibility, reliability, and cost-effectiveness. It enables Frontage to adeptly respond to the evolving needs of our clientele and provide tailored solutions that are not only competitive but also of exceptional quality.

In 2024, the global biopharmaceutical industry continued to experience a challenging investment and financing environment, as pharmaceutical and biotechnology companies reprioritized their drug development initiatives and exercised greater caution with their budgetary spending amidst the uncertainty in the broader market and regulatory environments. With increasing pressure on profit margins and greater scrutiny from investors, the focus shifted towards cost-effective solutions, accelerated timelines, and more targeted drug development pipelines. Trade barriers and shifts in international policy complicated the ability of biopharmaceutical companies to operate globally, especially in key markets like China and Europe. While these market dynamics present challenges for companies operating within the biopharmaceutical research and development space, it is crucial for us to navigate these external factors strategically and adaptively. By monitoring industry developments and proactively responding to evolving market conditions, we aim to position ourselves resiliently and sustainably in the face of these shifting industry landscapes.

Overall, the Group's revenue decreased by 1.9% from approximately US$259.9 million for the year ended December 31, 2023 to approximately US$254.9 million for the year ended December 31, 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$390.6 million as at December 31, 2024, representing an increase of 14.1% compared to approximately US$342.2 million as at December 31, 2023.

ENHANCED CAPABILITIES AND EXPERTISE

We firmly believe that aspiring to excel in the CRO industry requires a steadfast commitment to continuously enhancing our service capabilities, regardless of macro-environmental fluctuations. During the Reporting Period, we continued to enhance our capabilities and expertise in each of our service unit through organic growth and strategic acquisitions in order to provide more comprehensive and high-quality services for our customers on a global scale.

North America and Europe

North America continues to remain as the dominant region in the global CRO services market, holding the largest market share of 35% in 2024.[1] Frontage continues to uphold its prominent position in the industry in this largest CRO market, dedicated to offering customers "one-stop shop" services that have been greatly appreciated and well received by the market.

The two key business divisions, Global Drug Discovery & Development Services and Global Laboratory Services, consist of various specialized service units.

During the Reporting Period, our Global Drug Discovery Service unit ("**GDDS Unit**") strengthened its integrated services, including medicinal chemistry, discovery biology, ADME/PK, and in vivo pharmacology. For instance, the GDDS Unit developed a range of assays to assess new chemistry modalities including molecular glues, circular peptides, and various drug conjugates including antibody-drug conjugates (ADC). Our vivarium operations in Vancouver, Canada, a key component of the GDDS Unit, expanded by 50%, effectively addressing and meeting the increasing demand for animal efficacy and PK studies.

[1] https://www.precedenceresearch.com/contract-research-organization-services-market

Our DMPK unit ("**DMPK Unit**"), which supports projects in both discovery and development stages, continued to strategically expand our portfolio to meet the growing needs of our clients' complex discovery and development projects. We have expanded our discovery PK studies in Exton, PA with new services targeting large or multinational pharmaceutical companies. In 2024, with the support of our clinical facility in New Jersey, the DMPK Unit successfully executed multiple human absorption, metabolism and excretion (hAME) studies with 14C labeled drug substances. This core capability is anticipated to drive more sustainable business growth from biotechnology and pharmaceutical companies. Additionally, we expanded mass balance studies in certain lab animals using Quantitative Whole Body Autoradiography (QWBA). The expertise and services offered by the DMPK unit in both clinical and preclinical radiolabeled studies distinguish Frontage from many other CROs, further solidifying our position as a comprehensive, end-to-end partner for pharmaceutical R&D.

During the Reporting Period, our Safety & Toxicology unit in the U.S. expanded its capabilities in multiple fronts. At our site in Concord, OH, we established an electrophysiology laboratory for GLP safety testing of the hERG ion channel. At the Chicago site, we established a radioisotope laboratory with an initial focus on radiolabeled mass balance studies. We also expanded our genetic toxicology offerings with enhanced Ames, thyroid hormone and slide-based micronucleus assays. Both of our animal facilities in Chicago and Concord have received successful AAALAC (Association for Assessment and Accreditation of Laboratory Animal Care) re-certification, underscoring our commitment to the highest quality of animal research.

During the Report Period, our Lab Testing Business unit focused on strengthening its operational team and enhancing the capabilities and capacity of its services across Central Lab Services, Genomics Services, Biologics Gene and Cell Therapy, and Biomarker Research/Diagnostic Services. This was achieved by recruiting top technical leaders, introducing cutting-edge instruments, expanding laboratory spaces, and improving operational workflows.

During the Report Period, Frontage expanded its headquarter in the United States by adding an additional 46,300 square feet of life sciences space in Exton, PA. This new space will support our CMC-Product Development & Manufacturing service line. It offers storage at multiple temperature ranges, including ambient temperature, 4°C refrigeration, -70°C to -80°C freezers, and liquid nitrogen, tailored to meet the needs of diverse research and clinical projects. It also supports a broad range of services, including PBMC processing, DNA extraction from various sample types, and pathology storage for FFPE blocks and slides. This additional new space brought Frontage's total footprint in Exton, PA to more than 200,000 square feet. The expansion strengthens Frontage's biobanking capabilities and enhances its value proposition in the clinical research and biopharmaceutical markets.

During the Report Period, Frontage expanded its operations into Europe by acquiring the Bioanalytical and DMPK businesses of Accelera. The integration of Accelera's experienced Bioanalytical and DMPK teams into Frontage's global platform aligns with Frontage's long-standing goal of establishing a presence in the region, allowing the company to better serve its clients and collaborate with European research institutions and biotech hubs.

Looking ahead, we aim to develop and enhance our one-stop-solution services by broadening our offerings in the global market and increasing our capacity. Additionally, we will continue to invest in new technologies and improve our facilities to maintain our position as a premier contract research organization and aid clients in bringing new drugs and medical products to market swiftly and efficiently.

China

In 2024, the research and development field of biopharmaceuticals in China, particularly in new drug innovation, continues to face short-term challenges under industry-wide financial constraints. Additionally, the pharmaceutical R&D outsourcing industry is affected by multiple factors, including geopolitical pressures, the volatile market, centralized procurement of drugs and medical devices, and intensified competition within the industry.

Against this backdrop, the Chinese government has introduced a series of incentive policies to reaffirm its commitment to fostering innovation in the pharmaceutical sector. These policies focus on strengthening support across all levels of the industry chain, accelerating the development and breakthrough of innovative drug therapies, and creating a more favorable growth environment for domestic innovative pharmaceutical companies. For example, the China National Medical Products Administration (NMPA) approved several innovative drugs and medical devices in 2024, including first-in-class bispecific antibody drugs and biodegradable medical devices. These approvals highlight the continuous progress of China's pharmaceutical industry in the field of innovation.

In today's dynamic environment, with the goal of reducing costs, biopharmaceutical companies are increasingly inclined to choose pharmaceutical R&D outsourcing services to obtain more cost-effective and specialized drug development solutions to meet the specific needs of diverse patient groups. Leveraging our extensive knowledge and experience in pharmaceutical R&D outsourcing, we have positioned ourselves as the industry leader. We continue to increase investment in cutting-edge technologies and innovative methodologies to upgrade our services and better meet customers' demands for efficient and high-quality R&D services. At the same time, we are committed to strengthening our R&D team, optimizing laboratory infrastructure and equipment, and continuously enhancing our service capabilities and technical levels to meet the new requirements and challenges of industry development.

As of the end of this Reporting Period, our teams in China have formed a full-service system covering drug discovery, preclinical research, and clinical studies. With Shanghai as the hub and laboratories and manufacturing facilities in Suzhou, Wuhan, and Zhengzhou as the fulcrums, we operate 11 specialized laboratories and production bases with a total area of over 810,000 square feet. Our service capabilities cover multiple modules, including 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. We can provide one-stop solutions for customers from early target validation to clinical development, fully supporting the development needs of small-molecule drugs, biologics, and novel therapeutic drugs.

In 2024, we continued to upgrade our service platform. The R&D base in Wuhan established an industry-leading high-throughput screening experimental platform, which significantly improved our R&D efficiency, shortened project delivery timelines, and effectively reduced experimental costs through parallel processing and automated reaction systems. The safety assessment panel of the pharmacology platform has further expanded our ability to comprehensively evaluate the biological activity and mechanisms of action of drugs. The Safety Assessment Center in Suzhou successfully passed the annual inspection of the GLP system by the drug supervision and management department and multiple on-site audits by domestic and international clients, receiving high praise and recognition. During the same period, the 89,000-square-foot clinical sample production facility in Suzhou was fully equipped with intelligent production lines for oral solid-dose formulations, sterile injectables, and semi-solid external manufacturing facilities. It has built a closed-loop service system covering the production, cold-chain distribution, and full-life-cycle management of clinical trial drugs. In addition, the high-standard Blow-Fill-Seal production line for eye drops that we added to this facility has also been put into operation, further consolidating our competitive advantage in the development of complex dosage forms.

During the Reporting Period, we continued to strengthen our services in multiple areas. In the field of innovative drug development, we successfully supported the completion of cross-species pharmacokinetic studies for the world's first PRMT5 inhibitor and efficiently delivered the key data package for simultaneous reporting to the United States and China. For the world's first liposome T-cell engager drug, we established a liposome complex structure analysis system to help it obtain clinical approval. In the development of the world's first aryl hydrocarbon receptor (AhR) modulator drug approved for the treatment of atopic dermatitis in children over 2 years old and adults, we provided formulation development and stability studies, improved the product's irritancy, and passed the NMPA inspection without any deficiencies, setting an industry benchmark for completing formulation development and production transfer within six months. We also integrated the API development, toxicology studies, and formulation development of a USP1 inhibitor project through the "IND package service" model and completed the full-chain delivery of FDA application materials in collaboration with our partners.

In the field of bioanalysis and diagnostic technologies, we focused on supporting our clients' new drug development efforts. We bolstered our ADC analysis platform and successfully implemented optimized platforms for detecting small nucleotide and protein drug concentrations. Additionally, we launched comprehensive biomarker detection services, demonstrating our commitment to advancing the analysis of biologics. In the diagnostic technology field, we validated the first Laboratory Developed Test (LDT) assay for the detection of p-Tau217 in human plasma. The validation results were published in the Journal of Prevention of Alzheimer's Disease. The validated LDT assay is applied to support the Real World Evidence (RWE) studies, sample analysis in support of Alzheimer's drug development, and early-diagnosis of Alzheimer's disease.

In the bioequivalence (BE) study field, our service scope covers complex dosage forms such as transdermal patches, inhalable aerosols, and biosimilars, forming a standardized management system for the entire process from protocol design to report submission. By establishing a medical oversight team composed of professionals with extensive clinical backgrounds, we have established a real-time quality control mechanism and successfully supported several clinical center partners in achieving a flawless record during remote inspections by the U.S. Food and Drug Administration (FDA), demonstrating our excellent quality assurance system in BE clinical operations.

THE GROUP'S FACILITIES

As of December 31, 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;
- one (1) facility in Vancouver, Canada;
- one (1) facility in Toronto, Canada; and
- one (1) facility in Milan, Italy.

In addition, as of December 31, 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.

QUALITY ASSURANCE

The Group's quality compliance programs are managed by a dedicated group responsible for quality compliance. Our independent quality units have overseen and also implemented the quality management systems, including global computer system validation. Within each regulated business segment, we have established quality assurance units responsible for risk-based internal audit programs to manage regulatory requirements and customer expectations. The quality assurance units operate independently from those individuals that direct and conduct studies, manufacturing or analytical testing. Our quality assurance team works closely with study teams to ensure compliance with protocols, Standard Operating Procedures ("**SOPs**") and regulatory guidelines to ultimately protect research subject safety as well as the integrity and validity of study data. Our quality assurance team also provides services including regulatory training, internal system audits, SOP oversight, hosting of client audits and regulatory inspections, as well as performs third party audits of critical vendors and investigative sites on behalf of our customers.

Virtually all facets of the Group's service offerings are subject to quality programs and procedures, including accuracy and reproducibility of tests, turnaround time, customer service, and data integrity. This includes licensing, credentialing, training and competency of professional and technical staff, and internal auditing. In addition to the Group's internal quality programs, our laboratories, facilities, and processes are subject to on-site regulatory agency inspections and accreditation evaluations, as applicable, by local or national government agencies, and inspections and audits by customers and vendors.

During the Reporting Period, our facilities in the U.S. and Canada were inspected by the FDA, DEA (Drug Enforcement Administration), CNSC (Canadian Nuclear Safety Commission; for radiation safety), PHAC (Public Health Agency of Canada; for biosafety), Clinical Laboratory Improvement Amendments/The College of American Pathologists (CLIA/CAP), DOH (Department of Health), AAALAC and USDA (United States Department of Agriculture), and none of the inspections resulted in any materially adverse issues being identified.

Our facilities in China were also inspected by the NMPA and none of the inspections resulted in any materially adverse issues being identified.

Frontage Labs has deployed ZenQMS solution to manage all quality system, SOP, Training, Quality Assurance KPI to ensure all business operations operate under the same quality and compliance standards.

INFORMATION TECHNOLOGY

The Group has implemented a wide area network (SDWAN) to connect all sites in North America and Europe into a unified network. Frontage Lab China established its own separate SDWAN network, distinct from the global Frontage SDWAN in order to comply with data security and privacy regulations in both China and the United States, including GDPR (General Data Protection Regulation). During the Reporting Period, Frontage successfully obtained ISO 27001 certification for data security. Additionally, Frontage has deployed the NetSuite and Salesforce systems for project management, providing comprehensive transparency in financial reporting, cost control, procurement, and risk monitoring.

Animal Welfare

We focus on animal welfare issues in our business operations and are committed to following strict procedures in upholding animal rights. According to the Guide of the Care and Use of Laboratory Animals and all relevant laws and regulations, we implement our SOPs and quality animal care program to treat animals humanely. As responsible researchers, we have established plans and procedures on the living environment, animal facility control, back-up veterinary care plan, transferal, and termination/euthanasia procedures. We regularly monitor animal conditions and assess the adequacy of our existing protocols, as well as keeping abreast of recent scientific developments in this area. Training and education are also provided to the responsible people for carrying out their duties. During the Reporting Period, we did not receive any non-compliance reports from the USDA and FDA.

Business Development

Our global business development team supports global commercial activities by creating relationships with prospective customers and growing relationships with our existing customers. We rely heavily on our past project performance, experienced teams, and new capabilities, in securing and developing new business opportunities. Our business development representatives collaborate closely with our seasoned scientific experts and operational leaders from the beginning of the sales process to ensure proposals meet customers' needs in a strategic and solution-based manner. Our business development personnel work with our clients throughout the life of the project by partnering with project managers and strategic alliance executives to optimize timely completion of the projects and foster long-term relationships with the customers.

The specific role of the business development team is to grow the business across all service areas across the entire continuum of drug development. Our global business development team is strategically located across the United States, China, and Canada and is responsible for managing all accounts within their geographical territory. In addition to significant client engagement and key account development experience, many of our project managers possess advanced scientific and technical degrees to support our customers' complex product development endeavors and challenges within various market segments (global biopharmaceutical, small and mid-sized pharmaceutical and biotechnology companies, and academic and government institutions). This enhances our ability to meet client needs by offering customized solutions across our entire portfolio ranging from discovery services to late phase clinical trial management specifically through the application of central laboratory and early phase clinical services.

Marketing

The marketing team is focused on building global brand awareness, trust and driving deeper client engagement through demand generation initiatives. The marketing team leverages several key channels to include digital marketing, conferences and events, and high-profile publications. Potential customers are directed to our website where they can access a wide range of scientific content including whitepapers, video material, webinars, case studies, scientific posters, and other resources.

Our core marketing initiatives focus on driving long-term client engagement and stimulating demand for our entire services portfolio. We believe that our ability to provide comprehensive solutions addressing all aspects of our customers' research and development needs are increasingly attractive. As a result, we continue to market our ability to provide clients with scientific expertise, complex solutions that meet high quality standards.

Group Awards

During the Reporting Period, Frontage Labs has been selected to receive the Top 20 CROs of 2024 by Pharma Tech Outlook.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Acquisitions

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. ("**Frontage Europe**"), 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 year ended December 31, 2024.

Events after the Reporting Period

The Board is not aware of any significant events affecting the Group, which have occurred subsequent to December 31, 2024 and up to the date of this announcement.

Prospects

The global CRO market can be categorized into preclinical CRO and clinical trial CRO. Preclinical CRO provides one or more of such early-phase research services: drug toxicity testing; drug evaluation, pharmacological and pharmacokinetics testing while clinical trial CROs analyze the continuing progress of their clinical trials across all Phases I to IV, as well as the patient recruitment, site management, and final submissions to various regulatory authorities. The global CRO market size was valued at US$83.49 billion in 2024 and is expected to reach US$192.68 billion by 2032, growing at a compound annual growth rate (CAGR) of 11.1% from 2024 to 2032.[2] This growth reflects the increasing demand for specialized research and development services in the pharmaceutical and biotechnology sectors, driven by the need for more efficient, cost-effective, and timely drug development processes.

Despite recent challenges in the global biopharmaceutical market, including a slowdown in investment and financing activities, we believe that the CRO industry will continue to experience growth in the long run. This is especially true for CROs like Frontage, which offers a "one-stop-shop" service, providing both preclinical services and clinical trial support. This integrated service model is increasingly valued by biopharmaceutical companies seeking to streamline their R&D processes and reduce time to market.

[2] https://www.businessresearchinsights.com/market-reports/contract-research-organization-cro-market-117896

Additionally, the evolving regulatory landscape and the need for compliance with ever-more stringent global regulations will further emphasize the importance of outsourcing to specialized CROs. As drug development becomes more intricate, companies will increasingly turn to external partners who can navigate the regulatory complexities and provide the necessary expertise to meet global standards. The market is also witnessing significant technological advancements, particularly in the application of artificial intelligence (AI) and machine learning. These technologies are transforming various aspects of drug development, from drug discovery to clinical trial monitoring and data analysis.

As a CRO with over 20 years of experience, Frontage is uniquely positioned to leverage its deep industry knowledge and expertise in navigating these complexities. We have a proven track record of helping our clients successfully navigate regulatory landscapes across various markets. Whether it's providing regulatory strategy support, optimizing clinical trials, or utilizing cutting-edge technology for data analysis, Frontage is committed to delivering comprehensive solutions that meet the evolving needs of the biopharmaceutical industry.

FINANCIAL REVIEW

Revenue

The revenue of the Group decreased by 1.9% from approximately US$259.9 million for the year ended December 31, 2023 to approximately US$254.9 million for the year ended December 31, 2024.

Revenue from operations in North America and Europe decreased by 0.5% from approximately US$199.1 million for the year ended December 31, 2023 to approximately US$198.2 million for the year ended December 31, 2024. Excluding the impact of currency translation, the revenue from operations in China decreased by 5.9% from approximately RMB428.9 million (equivalent to approximately US$60.8 million) for the year ended December 31, 2023 to approximately RMB403.5 million (equivalent to approximately US$56.7 million) for the year ended December 31, 2024.

The decrease in revenue 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 fairly strong demand for laboratory testing services.

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

	For the year ended December 31,	
	2024	2023
	US$'000	*US$'000*
Drug discovery	**31,225**	33,456
Drug development	**81,868**	95,132
Pharmaceutical product development	**9,272**	7,615
Laboratory testing	**132,542**	123,652
	254,907	259,855

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 year ended December 31,			
	2024		2023	
	US$'000	***%***	*US$'000*	*%*
Revenue				
– USA and Canada	**188,187**	**73.9**	183,788	70.8
– China	**45,197**	**17.7**	49,451	19.0
– Rest of the world*(Note)*	**21,523**	**8.4**	26,616	10.2
Total	**254,907**	**100.0**	259,855	100.0

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

Top 5 customers' revenue decreased by 13.5% from approximately US$43.0 million for the year ended December 31, 2023 to approximately US$37.2 million for the year ended December 31, 2024, accounting for 14.6% of total revenue for the year ended December 31, 2024 as compared to 16.5% for the year ended December 31, 2023.

Top 10 customers' revenue decreased by 12.4% from approximately US$59.9 million for the year ended December 31, 2023 to approximately US$52.5 million for the year ended December 31, 2024, accounting for 20.6% of total revenue for the year ended December 31, 2024, as compared to 23.0% for the year ended December 31, 2023.

Cost of Services

The cost of services of the Group increased by 2.0% from approximately US$181.5 million for the year ended December 31, 2023 to approximately US$185.1 million for the year ended December 31, 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 11.0% from approximately US$78.4 million for the year ended December 31, 2023 to approximately US$69.8 million for the year ended December 31, 2024. The Group's gross profit margin decreased from approximately 30.2% for the year ended December 31, 2023 to approximately 27.4% for the year ended December 31, 2024. In particular, gross profit margin in North America and Europe decreased from approximately 33.2% for the year ended December 31, 2023 to approximately 29.3% for the year ended December 31, 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 20.4% for the year ended December 31, 2023 to approximately 20.7% for the year ended December 31, 2024, mainly due to the decrease of cost driven by the improvement in capacity utilization.

Other Income

The Group's other income decreased by 10.4% from approximately US$4.8 million for the year ended December 31, 2023 to approximately US$4.3 million for the year ended December 31, 2024, primarily due to a decreased interest income.

Other Gains and Losses, Net

The Group's net other gains and losses changed from approximately US$1.1 million of loss for the year ended December 31, 2023 to approximately US$0.2 million of loss for the year ended December 31, 2024, primarily due to the gain from foreign exchange.

Selling and Marketing Expenses

Selling and marketing expenses of the Group increased by 3.7% from approximately US$8.2 million for the year ended December 31, 2023 to approximately US$8.5 million for the year ended December 31, 2024, as a result of more marketing and business development efforts made by the Group.

Administrative Expenses

The Group's administrative expenses increased by 5.6% from approximately US$44.6 million for the year ended December 31, 2023 to approximately US$47.1 million for the year ended December 31, 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 4.2% from approximately US$33.7 million for the year ended December 31, 2023 to approximately US$35.1 million for the year ended December 31, 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 6.7% from approximately US$6.0 million for the year ended December 31, 2023 to approximately US$5.6 million for the year ended December 31, 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 35.2% from approximately US$7.1 million for the year ended December 31, 2023 to approximately US$9.6 million for the year ended December 31, 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 44.7% from approximately US$3.8 million for the year ended December 31, 2023 to approximately US$2.1 million for the year ended December 31, 2024, primarily due to a decrease in pretax income.

Net Profit and Net Profit Margin

The Group recorded net profit of approximately US$0.6 million for the year ended December 31, 2024, as compared to net profit of approximately US$10.7 million for the year ended December 31, 2023. The Group recorded net profit margin of 0.2% for the year ended December 31, 2024, as compared to net profit margin of 4.1% for the year ended December 31, 2023. The lower net profit and net profit margin compared to the year ended December 31, 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 year ended ended December 31,	
	2024	2023
	US$'000	*US$'000*
Net Profit	**619**	10,728
Add: Share-based compensation expense	**3,144**	3,044
Amortization of acquired intangible assets from mergers and acquisitions	**8,581**	7,283
Loss arising from financial liabilities measured as fair value through profit or loss	**159**	511
Loss arising on financial assets measured as fair value through profit or loss	**488**	–
Goodwill impairment	**–**	1,893
Expenses in relation to mergers and acquisitions	**252**	515
Adjusted Net Profit	**13,243**	23,974
Adjusted Net Profit Margin	**5.2%**	9.2%

The adjusted net profit of the Group decreased by 45.0% from approximately US$24.0 million for the year ended December 31, 2023 to approximately US$13.2 million for the year ended December 31, 2024. The adjusted net profit margin of the Group for the year ended December 31, 2024 was 5.2%, compared to 9.2% for the year ended December 31, 2023. The lower adjusted net profit and adjusted net profit margin of the Group for the year ended December 31, 2024 was primarily due to a lower net profit and net profit margin as discussed above.

EBITDA

The EBITDA[3] of the Group decreased by 12.6% from approximately US$57.2 million for the year ended December 31, 2023 to approximately US$50.0 million for the year ended December 31, 2024. The EBITDA margin of the Group for the year ended December 31, 2024 was 19.6%, compared to 22.0% for the year ended December 31, 2023. Compared with net profit decrease, EBITDA has a much smaller decrease, primary due to the exclusion of depreciation cost associated with newly established business as well as amortization cost incurred from purchase of Nucro and Frontage Europe.

Adjusted EBITDA

The adjusted EBITDA[4] of the Group decreased by 14.6% from approximately US$63.2 million for the year ended December 31, 2023 to approximately US$54.0 million for the year ended December 31, 2024. The adjusted EBITDA margin of the Group decreased from 24.3% for the year ended December 31, 2023 to 21.2% for the year ended December 31, 2024. The decrease of adjusted EBITDA is in line with the EBITDA which had been discussed above.

Basic and Diluted Earnings Per Share

The basic earnings per share of the Group decreased from US$0.0053 for the year ended December 31, 2023 to US$0.0004 for the year ended December 31, 2024. The diluted earnings per share of the Group decreased from US$0.0052 for the year ended December 31, 2023 to US$0.0004 for the year ended December 31, 2024. The decrease in the basic and diluted earnings per share was primarily due to the decrease in the net profit as discussed above.

The adjusted basic earnings per share for the year ended December 31, 2024 amounted to US$0.0066, representing a decrease of 44.1% as compared with that of US$0.0118 for the year ended December 31, 2023. The adjusted diluted earnings per share of the Group for the year ended December 31, 2024 amounted to US$0.0066 when compared with that of US$0.0116 for the year ended December 31, 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.

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

[4] 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, gain or loss arising from financial assets measured as fair value through profit or loss, goodwill impairment 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 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, gain or loss arising from financial assets measured as fair value through profit or loss, goodwill impairment 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.

Right-of-Use Assets

The Group recorded approximately US$54.3 million right-of-use assets as at December 31, 2024, which decreased by 8.1% 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$30.0 million intangible assets as at December 31, 2024, which decreased by 19.4% 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 12.7% from approximately US$61.3 million as at December 31, 2023 to approximately US$69.1 million as at December 31, 2024. Such change is within the normal fluctuation range of the group's business development.

Trade and Other Payables

The trade and other payables of the Group decreased by 50.1% from approximately US$38.7 million as at December 31, 2023 to approximately US$19.3 million as at December 31, 2024, primarily due to the payments for contingent consideration payables related to acquisition of Quintara and decreased bonus accrual.

Advances from Customers

The Group has recorded an increase of 9.4% in advance from customers, primarily due to the increase of cash received in advance of performance and not recognized as revenue during the year.

Liquidity and Capital Resources

The Group's bank balances and cash amounted to approximately US$44.1 million in total as at December 31, 2024, as compared to approximately US$53.2 million as at December 31, 2023, as a result of payments for purchase of property, plant and equipment and payments related to acquisition of subsidiaries, plus cash inflow from operating activities. The cash and cash equivalents held by the Company are composed of RMB, HK$, CAD, Euro 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 year ended December 31,	
	2024	2023
	US$'000	*US$'000*
Net cash generated from operating activities	**40,638**	39,740
Net cash used in investing activities	**(41,482)**	(87,626)
Net cash (used in)/generated from financing activities	**(10,217)**	12,910
Net decrease in cash and cash equivalents	**(11,061)**	(34,976)
Cash and cash equivalents at the beginning of the period	**53,186**	87,433
Effect of exchange rate changes	**1,966**	729
Cash and cash equivalents at the end of the period	**44,091**	53,186

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$25.9 million of capital expenditures were incurred for the year ended December 31, 2024, which was increased by 22.2% when compared to approximately US$21.2 million for the year December 31, 2023, primarily due to the increased expenditures for enhancement of facilities in North America.

Indebtedness

Borrowings

The Group had total bank borrowings of US$95.7 million as at December 31, 2024 compared to US$81.4 million as at December 31, 2023. On December 31, 2024, the effective interest rate of the Group's bank borrowings ranged from 2.75% to 6.73%. US$ borrowings amounted to US$71.0 million and RMB borrowings amounted to RMB177.3 million (equivalent to US$24.7 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$58.7 million lease liabilities as at December 31, 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 December 31, 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 Euro. 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 33.0% and 26.2% as at December 31, 2024 and December 31, 2023, respectively. The increase is primarily due to significant financing activities to support business expansion.

EMPLOYEES AND REMUNERATION POLICY

As at December 31, 2024, the Group had a total of 1,560 employees, of whom 839 were located in North America and 721 were located in China; 1,291 were scientific and technical support staff and 269 were sales, general & administrative staff. Approximately 84% of employees hold a bachelor's degree or above, and we have 562 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$114.6 million for the year ended December 31, 2024, as compared to approximately US$112.2 million for the year ended December 31, 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.

FINAL DIVIDEND

The Board does not recommend any payment of a final dividend for the Reporting Period (2023: Nil).

ANNUAL GENERAL MEETING

The Annual General Meeting ("**AGM**") of the Company will be held on Wednesday, May 28, 2025 and the notice of the AGM will be published in accordance with the Articles of Association and the Listing Rules and dispatched to the Shareholders in due course upon request of the Shareholders.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, May 23, 2025 to Wednesday, May 28, 2025, both dates inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, all share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Thursday, May 22, 2025.

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

For the year ended December 31, 2024, the Company repurchased a total of 50,788,000 Shares (the "**Shares Repurchased**") on the Stock Exchange at an aggregate consideration (including transaction cost) of, approximately HK$87,109,210. The repurchased Shares in total of 47,252,000 Shares have been cancelled on April 15, 2024 and the remaining repurchased Shares have 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 in 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
September	2,378,000	0.56	0.485	1,259,350
Total	**50,788,000**	–	–	**87,109,210**

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 year ended December 31, 2024 (including sale of treasury shares (as defined under the Listing Rules). As at December 31, 2024, the Company did not hold any treasury shares (as defined under the Listing Rules).

CORPORATE GOVERNANCE CODE

During the Reporting Period, the Company has followed the principles and complied with the code provisions set out in the Part 2 of the CG Code which are applicable to the Company.

REVIEW OF ANNUAL RESULTS BY THE AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee has reviewed, together with the Company's management, the accounting principles and policies, internal controls, risk management and financial reporting adopted by the Group, and the audited consolidated financial statements of the Group for the Reporting Period. The Audit and Risk Management Committee is satisfied that the audited consolidated financial statements 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.

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 ANNUAL RESULTS ANNOUNCEMENT AND 2024 ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.frontagelab.com). The annual 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
"Articles of Association"	the articles of association of the Company, as amended from time to time
"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
"BRI"	BRI Biopharmaceutical Research, Inc., a company incorporated under the laws of Canada on February 18, 2003, and a subsidiary of the Company
"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
"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
"COVID-19"	the novel coronavirus (COVID-19), a coronavirus identified as the cause of an outbreak of respiratory illness
"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
"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

"Quintara"	Quintara Discovery, Inc., a corporation incorporated under the laws of California, U.S. on May 17, 2013, of which 42%, 26%, and 32% of its Equity Interests are owned by Dr. Wentao Zhang, Dr. Qiulei Ren and Dr. Xiang Wu respectively immediately prior to the acquisition by Frontage Labs
"Reporting Period"	the year ended December 31, 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, March 27, 2025

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*