[Press Release]

Frontage Holdings Announces 2019 Interim Results

34.0% revenue growth to US$49.7 million
233.1% net profit growth to US$ 9.3 million
138.6% adjusted net profit[1] growth to US$12.1 million
Improvement on both gross profit margin and adjusted net profit[1] margin
Further future contracted revenue growth to US$87.0 million
New lab space of 42,000 sq.ft in Shanghai ready for operation

Hong Kong, August 20, 2019 - Frontage Holdings Corporation ("Frontage" , "Frontage Holdings" or "the Group", stock code: 1521.HK), a Contract Research Organization ("CRO") providing integrated, scientifically-driven research, analytical and development services with presence in both the United States and China, today announces its unaudited interim results for the six months ended June 30, 2019.

First-Half 2019 Highlights

- Solid revenue growth of 34.0% year-on-year to US$49.7 million
- Revenue from US operations grew 37.8% year-on-year to US$34.6 million, while revenue from China operations grew 33.8% to RMB102.6 million on an exchange rate adjusted basis (25.9% growth to US$15.1 million in reporting numbers)
- Gross profit margin improved to 38.7%, compared to 37.3% in first-half 2018
- Net profit reached US$9.3 million, representing a 233.1% growth year-on-year. Adjusted net profit[1] grew 138.6% to US$12.1 million. Net profit and adjusted net profit margins improved to 18.7% (vs. 7.5% in 1H2018, and 13.5% in full year 2018) and 24.3% (vs. 13.6% in 1H2018, and 20.0% in full year 2018) respectively
- Recorded US$87.0 million future contracted revenue as of June 30, 2019, compared to US$73.7 million as of December 31, 2018
- New lab space of 42,000 sq.ft in Shanghai is ready for operation, providing further lab service capacity. The planned expansion of additional 10,000 sq.ft lab space in US is on track

~ More ~

[1] Excludes the share-based compensation expenses, listing expenses and gain on disposal of associates or subsidiary, and bargain purchase gain

Management Comments

"We delivered a strong performance for the first half of 2019, with revenues across each of our business segments increasing significantly." Said **Dr. Song Li**, Founder and Honorary Chairman of Frontage Holdings. "With US$87.0 million of future contracted revenue, the momentum of our business is also strong."

"In the first half of 2019, with continuous increase of R&D expenditure of pharmaceutical companies as well as the rate of penetration of the total R&D expenditure by outsourcing services, the size of the global pharmaceutical CRO market continued to grow." said **Dr. Zhihe Li**, Chairman and CEO of Frontage Holdings. "As a fast-growing CRO operating in both the United States and China - the two largest markets for CRO services in the world, providing integrated, scientifically-driven research, analytical and development services throughout the drug discovery and development process, our established scientific knowledge base, technical expertise and reputation for high quality services, as well as our "Two Countries, One System" approach which assures our customers the same quality standards in both China and the United States, have driven our business volume and enhanced the efficiency of the business operation, which became evident in the financial results for the first half of 2019. Our revenue and adjusted net profit grew 34.0% and 138.6% respectively."

"We are expanding capacities as scheduled to meet increased demand for our services. Our new lab space of approximately 42,000 square feet in Shanghai Zhangjiang Hi-Tech Park is ready for operation. We are also expanding approximately 10,000 square feet of laboratory space in Exton, PA, United States, which is expected to be operational in the first quarter of 2020. Meanwhile, we are expanding our pool of talent, particularly our research scientist staff, which allow us to maintain our high service standards, industry leading expertise and reputation for quality and innovation. We grew our employee headcount from 578 at the end of 2018 to 644 as of June 30, 2019."

"In the first half of 2019, we have once again been named as a CRO Leadership Awards recipient by Life Science Leader magazine. We have won awards with Life Science Leader since 2014, which is another evidence of our leading position in terms of quality standards, scientific expertise, regulatory compliance, and client satisfaction. In addition, we have a strong track record of successful regulatory inspections by the US FDA and other authorities on numerous occasions. Our facilities were also successfully inspected by the U.S. Department of Agriculture (USDA), U.S. Environmental Protection Agency (EPA), and the National Medical Products Administration (NMPA) in the first half of 2019, demonstrating that we met or exceeded the high standards placed on our industry."

"Leveraging the breadth and depth of our service offerings, along with our focus on technical excellence as well as our increasingly solid track record, we are well positioned to capitalise on the strong growth drivers in the markets. In addition, our "Two Countries, One system" approach enables us to be a partner of choice for pharmaceutical companies with multinational requirements, which we believe could uniquely position us for the outsourcing demands from foreign companies entering China as well as Chinese pharmaceutical companies expanding into the United States." Dr. Zhihe Li added.

~ More ~

1H 2019 Interim Results

Revenue increased by 34.0% year-on-year to US$49.7 million in the first half of 2019. Revenue from US operations increased by 37.8% year-on-year to US$34.6 million in the first half of 2019, while revenue from China operations increased by 25.9% year-on-year to US$15.1 million in the first half of 2019. Due to the appreciation of the US dollar against the Renminbi during the first half of 2019, with neutralization of the impact of currency translation, revenue from operations in China increased by 33.8% from RMB76.7 million in the first half of 2018 to RMB102.6 million in the first half of 2019. The growth of revenue was mainly attributable to (i) marketing efforts made by the Group, resulting in robust market performance in the United States and China; and (ii) a gradual increase in the toxicology lab services.

Gross profit increased by 39.3% year-on-year to US$19.2 million while gross profit margin was 38.7%, compared to 37.3% for the first half of 2018. Gross profit margin in the United States and China were 33.0% and 51.8%, compared to 30.7% and 50.9% in the first half of 2018, respectively. The increase in the gross profit and gross profit margin were mainly attributable to (i) the growth of the Group's business, and (ii) the improvement in the performance of the toxicology and safety services businesses conducted by the Company's indirectly wholly-owned subsidiary, Croley Martell Holdings, Inc. and its subsidiaries,, acquired by the Group in April 2018. Such business has started to contribute to the Group's gross profit in the first half year of 2019.

Net profit increased significantly by 233.1% year-on-year to US$9.3 million in the first half of 2019. Net profit margin was 18.7%, compared to 7.5% and 13.5% for the first six months and full year of 2018 respectively. The increase in the net profit and net profit margin was primarily due to (i) significant growth in revenue driven by an increased demand for our services and implementation of the Group's "Two Countries, One System" Strategy; (ii) a higher gross margin; (iii) efficiency enhancement of the Group's business operation; and (iv) lower listing expenses.

Adjusted net profit, which excludes the share-based compensation expenses, listing expenses, gain on disposal of associates or subsidiary and bargain purchase gain increased by 138.6% year-on-year to US$12.1 million in the first half of 2019. Adjusted net profit margin was 24.3%, compared to 13.6% and 20.0% for the first six months and full year of 2018 respectively. The higher adjusted net profit margin was primarily due to (i) significant growth in revenue driven by an increased demand for our services and implementation of the Group's "Two Countries, One System" Strategy; (ii) a higher gross margin; and (iii) efficiency enhancement of the Group's business operation.

Basic and diluted EPS in the first half of 2019 amounted to US$0.006, which increased significantly from US$0.002 as that for the first half of 2018.

Adjusted diluted EPS in the first half of 2019 amounted to US$0.007, which increased significantly from US$0.003 as that for the first half of 2018.

~ More ~

Key Financial Ratio

Key Financial Ratio	1H 2019	1H 2018	2018
Revenue	49.7	37.1	83.1
Gross profit	19.2	13.8	33.9
Gross profit margin (%)	38.7%	37.3%	40.8%
Net profit	9.3	2.8	11.2
Net profit margin (%)	18.7%	7.5%	13.5%
Adjusted net profit	12.1	5.1	16.6
Adjusted net profit margin (%)	24.3%	13.6%	20.0%
Adjusted diluted EPS	0.007	0.003	0.010

Consolidated Statement of Profit & Loss

(US$ million)	**1H 2019**	**1H 2018**	**change**
Revenue	**49.7**	**37.1**	**34.0%**
Cost of services	(30.4)	(23.3)	
Gross profit	**19.2**	**13.8**	**39.3%**
Other income	1.3	0.2	
Other gains and losses, net	0.05	0.05	
Research and development expenses	(0.6)	(1.1)	
Impairment losses recognized on trade receivables	(0.1)	(0.8)	
Impairment losses recognized on unbilled revenue	(0.08)	(0.1)	
Selling and marketing expenses	(1.7)	(1.2)	
Listing expenses	(1.5)	(3.4)	
Gain on disposal of an associate	0.1	0.4	
Gain on disposal of subsidiaries	0.0	0.1	
Bargain purchase gain	0.0	0.8	
Administrative expenses	(6.2)	(4.8)	
Share of profit (loss) of associates	0.4	(0.4)	
Finance cost	(0.6)	(0.2)	
Profit before tax	**10.0**	**3.4**	**197.3%**
Income tax expense	(0.7)	(0.6)	
Profit for the period attributable to the owners of the Company	**9.3**	**2.8**	**233.1%**
Earnings per share – Basic (US$)	0.006	0.002	
Earnings per share – Diluted (US$)	0.006	0.002	

~ More ~

Consolidated Statement of Balance Sheet

US$ million	As of June 30, 2019	As of December 31, 2018
Current Assets		
Inventories	0.1	0.1
Trade and other receivables and prepayment	26.9	19.5
Unbilled revenue	8.4	7.1
Tax recoverable	0.7	1.2
Assets classified as held for sale	0.7	-
Bank balances and cash	212.6	16.3
	249.4	**44.2**
Non-Current Assets		
Property, plant and equipment	19.8	22.9
Right-of-use assets	17.7	-
Intangible assets	0.7	0.0
Investments in associates	2.4	9.9
Deferred tax assets	0.1	0.1
Restricted bank deposits	0.3	0.3
Other long-term deposits	0.1	0.1
	41.1	**33.3**
Total Assets	**290.5**	**77.5**
Current Liabilities		
Trade and other payables	11.8	11.1
Advances from customers	10.7	11.3
Bank borrowings	2.2	2.7
Loans from related parties	-	1.5
Income tax payable	0.6	1.1
Amounts due to shareholders	0.2	0.2
Lease liabilities/obligations under finance leases	4.1	1.9
	29.6	**29.8**
Non-Current Liabilities		
Bank borrowings	0.2	0.5
Deferred tax liabilities	0.3	0.8
Lease liabilities/obligations under finance leases	13.1	2.3
Other long-term liabilities	-	0.5
	13.6	**4.1**
Total Liabilities	**43.2**	**33.9**
Capital and Reserves		
Share Capital	0.020	0.002
Reserves	247.3	43.6
Total equity	**247.3**	**43.6**

Reconciliation for Adjusted Net Profit

US$ million	1H 2019	1H 2018
Adjusted Net Profit Reconciliation		
Net Profit	9.3	2.8
Share-based Compensation	1.3	0.2
Listing Expenses	1.5	3.4
Gain on disposal of an associate	(0.0)	(0.4)
Gain on disposal of a subsidiary	-	(0.1)
Bargain purchase gain	-	(0.8)
Adjusted Net Profit	12.1	5.1

~ End ~

About Frontage Holdings Corporation

Frontage Holdings Corporation is a fast-growing CRO providing integrated, scientifically-driven research, analytical and development services throughout the drug discovery and development process to enable pharmaceutical companies to achieve their drug development goals. The Company benefits greatly from having operations in both the United States and China - the two largest markets for CRO services in the world and is well placed to capture growth opportunities in both markets.

Forward-Looking Statements

This presentation may contain certain "forward-looking statements” which are not historical facts, but instead are predictions about future events based on our beliefs as well as assumptions made by and information currently available to our management. Although we believe that our predictions are reasonable, future events are inherently uncertain and our forward-looking statements may turn out to be incorrect. Our forward-looking statements are subject to risks relating to, among other things, the ability of our service offerings to compete effectively and our ability to meet timelines for the expansion of our service offerings. Our forward-looking statements in this presentation speak only as of the date on which they are made, and we assume no obligation to update any forward-looking statements except as required by applicable law or listing rules. Accordingly, you are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. All forward-looking statements contained herein are qualified by reference to the cautionary statements set forth in this section.

Use of Adjusted Financial Measures

We have provided adjusted net profit, adjusted net profit margin, and adjusted diluted earnings per share (excluding the share-based compensation expenses, Listing expenses and gain on disposal of associates or subsidiary, and bargain purchase gain) as additional financial measures, which are not required by , or presented in accordance with, the IFRS. We believe that the adjusted financial measures used in this presentation are useful for understanding and assessing underlying business performance and operating trends, and we believe that management and investors may benefit from referring to these adjusted financial measures in assessing our financial performance by eliminating the impact of certain unusual and non-recurring items that we do not consider indicative of the performance of our 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. You should not view adjusted results on a stand-alone basis or as a substitute for results under IFRS, or as being comparable to results reported or forecasted by other companies.

Statement Regarding Unaudited Financial Information

The financial information in this press release is unaudited and subject to adjustments. Adjustments to the financial statements may be identified when our annual financial statements are prepared and audit work is performed for the year-end audit, which could result in significant differences from this unaudited financial information.

For Enquires:

Mr. Yifeng Gao
Chief Financial Officer
Frontage Holdings Corporation
Email: ir@frontagelab.com.cn

Mr. Le Min
IR Director
Frontage Holdings Corporation
Email: ir@frontagelab.com.cn