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## **FRONTAGE HOLDINGS CORPORATION**

**方達控股公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1521)**

### **DISCLOSEABLE TRANSACTION ACQUISITION OF 25.96% EQUITY INTERESTS IN FRONTAGE LABORATORIES (SUZHOU) CO., LTD.**

The Board is pleased to announce that, on October 25, 2019 (after trading hours), Frontage Shanghai, an indirectly wholly-owned subsidiary of the Company, entered into the Stock Transfer Agreement with Mr. Jianguo Zhu, pursuant to which Frontage Shanghai agreed to acquire and Mr. Jianguo Zhu agreed to sell the Equity Interests for a cash consideration of RMB14,433,800 (equivalent to approximately HK\$15,998,448 or USD2,040,055) in accordance with the terms and conditions of the Stock Transfer Agreement.

#### **LISTING RULES IMPLICATION**

As one or more of the applicable percentage ratios for the transaction under the Stock Transfer Agreement are more than 5% but all of them are less than 25%, the Stock Transfer Agreement and the transactions contemplated thereunder constitute a discloseable transaction of the Company pursuant to Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements but exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

## THE STOCK TRANSFER AGREEMENT

The Board is pleased to announce that, on October 25, 2019 (after trading hours), Frontage Shanghai, an indirectly wholly-owned subsidiary of the Company, entered into the Stock Transfer Agreement with Mr. Jianguo Zhu, pursuant to which Frontage Shanghai agreed to acquire and Mr. Jianguo Zhu agreed to sell the Equity Interests for a cash consideration of RMB14,433,800 (equivalent to approximately HK\$15,998,448 or USD2,040,055) in accordance with the terms and conditions of the Stock Transfer Agreement. The principal terms of the Stock Transfer Agreement are set out below:

Date of the Stock Transfer Agreement	October 25, 2019
Parties:	Mr. Jianguo Zhu as the Seller Frontage Shanghai as the Buyer Frontage Suzhou as the Target
Consideration	RMB14,433,800 (equivalent to approximately HK\$15,998,448 or USD2,040,055)

The Target carries out CMC operations in the PRC. The Target's service offering is similar to the Group's CMC services in the U.S., which include in vitro release and product testing, stability testing, analytical testing, CTM and GMP manufacturing and stability testing and storage.

### Consideration

The Consideration is RMB14,433,800 (equivalent to approximately HK\$15,998,448 or USD2,040,055). The Consideration was arrived at after arm's length negotiations between the Buyer and the Seller, having considered the net assets value, the profit and business prospects of the Target. The Consideration will be satisfied by the Buyer in cash within ten (10) Business Days after the date on which the AIC Registration is completed.

Having considered the factors taken into account by the parties in arriving at the Consideration, the Directors are of the view that the Consideration is fair and reasonable.

### Acquisition of the Equity Interests

Prior to the Acquisition, the shareholders and their corresponding ownership in the Target are as follows:

SHAREHOLDERS	OWNERSHIP PERCENTAGE
1. Frontage Shanghai	49.04%
2. Mr. Jianguo Zhu	25.96%
3. Zhejiang Jiuzhou	25.00%

Pursuant to the Stock Transfer Agreement, the Buyer agreed to purchase the Equity Interests, representing 25.96% of the equity interests in the Target as at the date of this announcement.

Upon the completion of the Acquisition, the shareholders and their corresponding ownership in the Target will be as follows:

<b>SHAREHOLDERS</b>	<b>OWNERSHIP PERCENTAGE</b>
1. Frontage Shanghai	75.00%
2. Zhejiang Jiuzhou	25.00%

The Target will become an indirectly 75%-owned subsidiary of the Company and the financial results, assets and liabilities of the Target will be consolidated into the financial statements of the Company.

### **Completion**

The Buyer and the Seller shall procure the Target to arrange for the AIC Registration after the execution of the Stock Transfer Agreement. Completion of the Acquisition is conditional upon each party having obtained the necessary consent and approval in respect of the Acquisition, the continued valid existence of the Target, completion of the AIC Registration, there being nothing which has or may reasonably be expected to have material adverse effect on the operation, financial condition or asset of the Target, and other customary conditions. The Acquisition will be completed upon satisfaction of the following conditions: (i) the Stock Transfer Agreement having been signed; and (ii) the AIC Registration having been completed.

### **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Group is principally engaged in 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 Group provides services including DMPK, safety and toxicology, CMC, and bioanalytical in the United States, and currently provides bioanalytical and bioequivalence services in China.

It has been one of the Company's strategies to expand the Group's CMC services. Although the Group had a passive investment in Frontage Suzhou, given the Company's previously understanding that the other two shareholders in Frontage Suzhou intended to maintain their majority control in Frontage Suzhou, the Company had not intended to implement the Group's expansion through Frontage Suzhou. In September 2019, the Seller proposed to dispose of his 25.96% equity interest in Frontage Suzhou to the Group. Having considered the Seller's proposal, the Company considered that it represented a good opportunity to enable the Group to expand its CMC services in a timely manner. Upon completion of the Acquisition, the Group will own the majority of the equity interest in Frontage Suzhou and intends to exercise management and control over Frontage Suzhou.

The Board is of the view that by entering into the Stock Transfer Agreement, the Acquisition will expand the Group's CMC capabilities and business in China. The Board considers there is a good business outlook and prospects in the PRC which can also potentially increase the Group's revenue base and strengthen the Group's position to provide more comprehensive and high-quality services in the CRO industry in China to cater for future business growth.

The Directors consider that the Stock Transfer Agreement was negotiated on an arm's length basis, and are on normal commercial terms, which are fair and reasonable, and in the interests of the Company and its shareholders as a whole.

## INFORMATION ON THE TARGET

The Target is a company established in the PRC on January 7, 2014, and as at the date of this announcement, the Target is held as an associate of the Company. It offers CMC services in China from its facility in Suzhou, Jiangsu province.

Set out below is a summary of the audited financial information of the Target, prepared in accordance with the generally accepted accounting principles in the PRC, for the two financial years ended 31 December 2017 and 31 December 2018, respectively:

	<b>For the year ended 31 December 2018</b> <i>(RMB)</i>	<b>For the year ended 31 December 2017</b> <i>(RMB)</i>
Net profit before tax	7,127,000 (equivalent to approximately USD1,074,000)	4,783,000 (equivalent to approximately USD709,000)
Net profit after tax	6,058,000 (equivalent to approximately USD913,000)	4,520,000 (equivalent to approximately USD670,000)

Pursuant to the audited financial statements of the Target, the net asset of the Target as at 31 December 2018 was RMB17,268,000 (equivalent to approximately USD2,516,000).

## INFORMATION ON THE SELLER

The Seller is an individual resident in the PRC. Save for his equity interest in the Target prior to completion of the Stock Transfer Agreement, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Seller is an Independent Third Party and has no other relationships with the Group and its connected persons.

## LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) for the transaction under the Stock Transfer Agreement exceed 5% but all of them are less than 25%, the Stock Transfer Agreement and the transactions contemplated thereunder constitute a discloseable transaction of the Company pursuant to Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements but not subject to the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

## DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms shall have the following meanings:

<b>Term</b>	<b>Definition</b>
“Acquisition”	the acquisition of the Equity Interests by the Buyer from the Seller pursuant to the terms and conditions of the Stock Transfer Agreement
“AIC Registration”	the registration of the change in shareholding of the Target with the relevant administration of industry and commerce in relation to the Acquisition
“associate”	has the meaning ascribed to it in the Listing Rules
“bioanalytical”	the analytical and quantitative chemistry of certain compounds in biological systems; covering biotics (macromolecules, proteins, DNA, large molecule drugs and metabolites) and xenobiotics
“bioequivalence”	studies to assess the expected in vivo equivalence of two preparations of a drug. If two products are said to be bioequivalent, it means that there is an absence of a significant difference in the rate and extent to which the active ingredient or active moiety in products becomes available at the site of drug action when administered at the same molar dose under similar conditions in an appropriately designed study
“Board”	the board of directors of the Company from time to time
“Business Day”	a day (other than a Saturday, Sunday and public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Buyer” or “Frontage Shanghai”	Frontage Laboratories (Shanghai) Co., Ltd. (方達醫藥技術(上海)有限公司), a company established in the PRC on August 2, 2005 and an indirect wholly-owned subsidiary of the Company
“China” or “PRC”	the People’s Republic of China, and for the purpose of this announcement only, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“CMC”	Chemistry, Manufacturing and Controls, an important and detailed section detailing the characteristics of a therapeutic and its manufacturing and quality testing process in a dossier used to support clinical studies and marketing applications

“Company”	Frontage Holdings Corporation (方達控股公司*), a company incorporated in Cayman Islands with limited liability, whose shares are listed on The Stock Exchange of Hong Kong Limited
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Consideration”	the consideration of RMB14,433,800 (equivalent to approximately HK\$15,998,448 or USD2,040,055) to be paid by the Buyer to the Seller for the transfer of the Equity Interests pursuant to the Stock Transfer Agreement
“CRO”	contract research organization
“CTM”	Clinical Trial Material, the drug product to be tested in clinical trials
“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
“Equity Interests”	25.96% of the equity interests in the Target
“GMP”	Good Manufacturing Practice, a quality system imposed on pharmaceutical firms to ensure that products produced meet specific requirements for identity, strength, quality and purity, and enforced by public agencies, for example the Food and Drugs Administration of the U.S. (US FDA)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	party(ies) who, together with its ultimate beneficial owner(s), is/are person(s) independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“RMB”	Renminbi, the lawful currency of the PRC

“Seller” or “Mr. Jianguo Zhu”	Mr. Jianguo Zhu, an individual and an Independent Third Party
“Stock Transfer Agreement”	the stock purchase agreement dated October 25, 2019 entered into between Frontage Shanghai and Mr. Jianguo Zhu
“Target” or “Frontage Suzhou”	Frontage Laboratories (Suzhou) Co, Ltd., a company established in the PRC on January 7, 2014, of which 49.04%, 25.96%, and 25.00% of its equity interests are owned by Frontage Shanghai, Mr. Jianguo Zhu, and Zhejiang Jiuzhou respectively immediately prior to the completion of the Acquisition
“U.S.” or “United States”	United States of America
“USD”	U.S. Dollars, the lawful currency of the United States of America
“Zhejiang Jiuzhou”	Zhejiang Jiuzhou Pharmaceutical Co., Ltd., a company established in the PRC and an Independent Third Party
“%”	per cent.

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

Hong Kong, October 25, 2019

*As at the date of this announcement, the Board comprises Dr. Zhihe Li as executive director; Mr. Jun Gao as non-executive director; and Mr. Yifan Li, Mr. Erh Fei Liu and Dr. Jingsong Wang as independent non-executive directors.*

\* *For identification purpose only*