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## **FRONTAGE HOLDINGS CORPORATION**

**方達控股公司\***

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

**(Stock Code: 1521)**

### **(1) GRANT OF AWARDED SHARES PURSUANT TO THE 2021 SHARE AWARD SCHEME; AND (2) CONNECTED TRANSACTION INVOLVING GRANT OF AWARDED SHARES TO CONNECTED PERSONS UNDER THE 2021 SHARE AWARD SCHEME**

On January 25, 2021 (New York time), the Company granted a total of 22,950,500 Awarded Shares to 184 Award Participants pursuant to the terms of the 2021 Share Award Scheme, in order to recognize the contributions of the Award Participants and retain them for the continual operation and development of the Group. Pursuant to the 2021 Share Award Scheme, such grants have been approved by the Board, but the grants of the Connected Awarded Shares remain subject to the Independent Shareholders' Approval as detailed below.

Of the 22,950,500 Awarded Shares, (i) 19,850,500 Awarded Shares are granted to 182 Non-connected Award Participants, all being employees of the Group who are not connected persons of the Company; and (ii) 3,100,000 Awarded Shares are granted to two Connected Award Participants, one being an executive Director and another being the chief executive officer of Frontage Labs, and they are therefore connected persons of the Company.

#### **ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee comprising all the independent non-executive Directors has been established to provide recommendations to the Independent Shareholders in connection with the grant of Connected Awarded Shares described herein. The Company will appoint an independent financial adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in connection with the grant of Connected Awarded Shares described herein.

## **LISTING RULES IMPLICATIONS**

As the Connected Award Participants consist of an executive Director and the chief executive officer of a subsidiary of the Company, the Connected Award Participants are connected persons of the Company. Therefore, the grant, allotment and issue of Connected Awarded Shares to the Connected Award Participants under the 2021 Share Award Scheme shall constitute a connected transaction for the Company under Chapter 14A of the Listing Rules and shall be subject to, among others, the approval by the Independent Shareholders at a general meeting of the Company.

The Company will put forward, among other things, ordinary resolutions to approve the grant, allotment and issue of the Connected Awarded Shares to the Connected Award Participants, the Specific Mandate and the transactions contemplated therein at a general meeting to be convened by the Company for the Independent Shareholders' consideration and approval.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the grant, allotment and issue of the Connected Awarded Shares to the Connected Award Participants.

A circular containing, among others, further details of the grant, allotment and issue of the Connected Awarded Shares and the Specific Mandate, a letter of advice from the Independent Board Committee to the Independent Shareholders, a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the grant, allotment and issue of the Connected Awarded Shares to the Connected Award Participants, and the notice convening a general meeting will be dispatched to the Shareholders in accordance with the requirements of the Listing Rules. As additional time is required by the Company for the preparation of certain information for inclusion in the circular and to obtain the letter of advice from the independent financial adviser, the circular is expected to be dispatched by the Company to the Shareholders on or before April 22, 2021.

## **GRANT OF AWARDED SHARES PURSUANT TO THE 2021 SHARE AWARD SCHEME AND CONNECTED TRANSACTION INVOLVING GRANT OF AWARDED SHARES TO CONNECTED PERSONS UNDER THE 2021 SHARE AWARD SCHEME**

Reference is made to the announcement of the Company dated January 22, 2021 in relation to the adoption of the 2021 Share Award Scheme. The 2021 Share Award Scheme does not constitute a share option scheme within the meaning of Chapter 17 of the Listing Rules, and is a discretionary scheme of the Company.

On January 25, 2021 (New York time), the Company granted a total of 22,950,500 Awarded Shares to 184 Award Participants pursuant to the terms of the 2021 Share Award Scheme, in order to recognize the contributions of the Award Participants and retain them for the continual operation and development of the Group. Pursuant to the 2021 Share Award Scheme, such grants have been approved by the Board, but the grants of the Connected Awarded Shares remain subject to the Independent Shareholders' Approval as detailed below.

The Awarded Shares will be granted to the Award Participants with details as follows:

<b>Name of Award Participants</b>	<b>Number of Awarded Shares</b>
<b>Non-connected Award Participants</b>	
182 Award Participants who are not connected with the Company or connected persons of the Company	19,850,500
<b>Connected Award Participants</b>	
Dr. Zhihe Li	1,250,000
<i>Chief executive officer of a subsidiary of the Company</i>	
Dr. Song Li	<u>1,850,000</u>
<b>Total Connected Awarded Shares</b>	<u>3,100,000</u>
<b>Total Awarded Shares</b>	<u><u>22,950,500</u></u>

Pursuant to the 2021 Share Award Scheme, the Awarded Shares shall be granted to the Award Participants for nil consideration. The Awarded Shares shall be allotted and issued to the Trustee at nominal value of US\$0.00001 each. Based on the closing price of HK\$6.01 per Share as quoted on the Stock Exchange as at the date of this announcement, the market value of the 19,850,500 Awarded Shares granted to the Non-connected Award Participants, and the 3,100,000 Awarded Shares granted to the Connected Award Participants are HK\$119,301,505 and HK\$18,631,000, respectively. The aggregate nominal value of the new Awarded Shares is approximately US\$229.51. The average closing price of the Shares for the five consecutive trading days immediately preceding the date of this announcement as quoted on the Stock Exchange is approximately HK\$5.48 per Share. Based on the average closing price of the Shares for the five consecutive trading days immediately preceding the date of this announcement as quoted on the Stock Exchange, the market value of the 19,850,500 Awarded Shares granted to the Non-connected Award Participants, and the 3,100,000 Awarded Shares granted to the Connected Award Participants are HK\$108,860,142 and HK\$17,000,400, respectively.

### **Vesting dates**

The new Awarded Shares shall be vested in four tranches in accordance with the following dates: (i) one-fourth shall be vested on January 24, 2022; (ii) one-fourth shall be vested on January 24, 2023; (iii) one-fourth shall be vested on January 24, 2024; and (iv) the remaining one-fourth shall be vested on January 24, 2025, or an earlier date as approved by the Board. The vesting of the Awarded Shares is subject to the conditions as set out in the 2021 Share Award Scheme and the fulfillment of such conditions as specified by the Board.

### **Ranking of the Awarded Shares**

The new Awarded Shares, when issued and fully paid, shall rank *pari passu* among themselves and with those Shares in issue, with the right to receive all dividends and other distributions declared, made or paid on or after the allotment date.

## **Conditions precedent**

The allotment and issue of 19,850,500 new Awarded Shares to the Non-connected Award Participants shall be subject to the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in such Awarded Shares.

The allotment and issue of the 3,100,000 Connected Awarded Shares to the Connected Award Participants shall be subject to (i) the approval by the Independent Shareholders at the relevant general meeting to be convened by the Company in respect of the grant, allotment and issue of the Connected Awarded Shares, the Specific Mandate and the transactions contemplated therein; and (ii) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in the Connected Awarded Shares.

## **General Mandate**

Pursuant to the General Mandate, the Company is authorised to allot and issue up to 403,989,182 Shares, representing 20% of the total number of the issued Shares as at the date of the annual general meeting held on May 28, 2020. As at the date of this announcement, none of the General Mandate has been utilized.

## **Application for listing**

Application will be made by the Company to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the aggregate of 22,950,500 new Awarded Shares.

## **EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS**

The Company has not conducted any equity fund raising activities in the past 12 months immediately preceding the date of this announcement.

## **REASONS FOR THE AWARD OF THE AWARDED SHARES**

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 North America (including the United States and Canada), and currently provides CMC, bioanalytical and bioequivalence services in China.

The Board considers that the award of the Awarded Shares to the Award Participants recognizes and motivates the contributions by the Award Participants and to give incentives thereto in order to retain them for the continual operation and development of the Group. Furthermore, there will not be any cash outflow and cash can be preserved by the Group under the award of the Awarded Shares to provide incentives to the Award Participants. In this regard, the Directors consider that the terms and conditions of the grant, allotment and issue of new Awarded Shares are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Upon the allotment and issue of the new Awarded Shares, the Trustee will hold the new Shares on trust for the Award Participants and such new Awarded Shares shall be transferred to the Award Participants at no consideration on the vesting dates. As such, no funds will be raised by the Company as a result of the allotment and issue of the Awarded Shares.

## **LISTING RULES IMPLICATIONS**

As the Connected Award Participants consist of a Director and chief executive officer of a subsidiary of the Company, respectively, the Connected Award Participants are connected persons of the Company. Therefore, the grant, allotment and issue of Connected Awarded Shares to the Connected Award Participants under the 2021 Share Award Scheme shall constitute a connected transaction for the Company under Chapter 14A of the Listing Rules and shall be subject to, among others, the approval by the Independent Shareholders at a general meeting of the Company.

The Company will put forward, among other things, ordinary resolution(s) to approve the grant, allotment and issue of the Connected Awarded Shares to the Connected Award Participants, the Specific Mandate and the transactions contemplated therein at the a general meeting to be convened by the Company for the Independent Shareholders' consideration and approval.

To the best of the knowledge, information and belief of the Directors, save for the Connected Award Participants and their respective associates who are in aggregate holding 214,614,507 Shares as at the date of this announcement, no other Shareholder is required to abstain from voting on the resolution(s) to approve the grant, allotment and issue of Connected Awarded Shares to the Connected Award Participants and the transactions contemplated thereunder at the general meeting to be convened by the Company.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the grant, allotment and issue of the Connected Awarded Shares to the Connected Award Participants.

A circular containing, among others, further details of the grant, allotment and issue of the Connected Awarded Shares and the Specific Mandate, a letter of advice from the Independent Board Committee to the Independent Shareholders, a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the grant, allotment and issue of the Connected Awarded Shares to the Connected Award Participants, and the notice convening a general meeting will be despatched to the Shareholders in accordance with the requirements of the Listing Rules. As additional time is required by the Company for the preparation of certain information for inclusion in the circular and to obtain the letter of advice from the independent financial adviser, the circular is expected to be despatched by the Company to the Shareholders on or before April 22, 2021.

Dr. Zhihe Li has abstained from approving the relevant Board resolution on the grant, allotment and issue of the Connected Awarded Shares to him under the 2021 Share Award Scheme.

## **ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee comprising all the independent non-executive Directors has been established to provide recommendations to the Independent Shareholders in connection with the grant, allotment and issue of Connected Awarded Shares described herein. The Company will appoint an independent financial adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in connection with the grant, allotment and issue of Connected Awarded Shares described herein.

## DEFINITIONS

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

“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
“Award(s)”	an award of the Awarded Shares by the Board pursuant to the 2021 Share Award Scheme to a Selected Employee
“Award Participants”	the selected participants awarded the Awarded Shares under the 2021 Share Award Scheme
“Awarded Share(s)”	the 22,950,500 Shares granted by the Company to the Award Participants pursuant to the terms of the 2021 Share Award Scheme on the date of this announcement
“Board”	the board of directors of the Company from time to time
“China”	the People’s Republic of China, but for the purposes of this announcement only, except where the context requires, references to China exclude Hong Kong, Macau and Taiwan
“CMC”	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
“Company”	Frontage Holdings Corporation, a company incorporated under the laws of the Cayman Islands with limited liability on April 16, 2018
“Connected Awarded Shares”	3,100,000 Awarded Shares granted by the Company to the Connected Award Participants
“Connected Award Participants”	the Award Participants who are connected with the Company or connected persons of the Company
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules



“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
“Employee(s)”	any director, senior management or employee or consultants of the Company or its subsidiaries, but at the discretion of the Board, excluding the following persons: (i) any seconded employee or part-time employee or non-full time employee of the Group; and (ii) any employee of the Group who at the relevant time has given or been given notice terminating his office or directorship as the case may be
“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
“General Mandate”	general mandate granted or to be granted by the Shareholders at general meetings from time to time authorizing the Board to, among other things, allot and issue Shares of up to a specific amount during a period of time
“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 China
“Independent Board Committee”	an independent board committee of the Board comprising all the independent non-executive Directors established for the purpose of advising the Independent Shareholders on the grant, allotment and issue of the Connected Awarded Shares to the Connected Award Participants, the Specific Mandate and transactions contemplated thereunder
“Independent Shareholders”	independent Shareholders other than the Connected Award Participants and their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Non-connected Award Participants”	the Award Participants who are not connected with the Company or connected persons of the Company

“Selected Employee(s)”	employee(s) selected by the Board pursuant to the 2021 Share Award Scheme for participation in the 2021 Share Award Scheme
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Shareholder(s)”	holder(s) of Shares
“Share(s)”	ordinary shares(s) with nominal value USD0.00001 each in the issued share capital of the Company
“Specific Mandate”	specific mandate granted or to be granted by the Shareholders at any general meeting authorizing a specific issuance of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trust Deed”	a trust deed to be entered into between the Company and the Trustee (as restated, supplemented and amended from time to time)
“Trustee”	Computershare Hong Kong Trustees Limited, and any additional or replacement trustees, being the trustee or trustees for the time being of the trusts declared in the Trust Deed
“US\$” or “US dollars”	Dollars, the lawful currency of the U.S.
“United States” or the “U.S.”	the United States of America

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

Hong Kong, January 26, 2021

*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*