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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 100% EQUITY INTEREST IN QUINTARA DISCOVERY, INC.

THE MERGER

The Board is pleased to announce that, on June 26, 2021 (Hong Kong time), Frontage Labs, a wholly-owned subsidiary of the Company, entered into an Agreement and Plan of Merger (the “**Merger Agreement**”) by and among Frontage CA Merger Sub, Inc., wholly-owned subsidiary of Frontage Labs (“**Merger Sub**”), Quintara Discovery, Inc., (“**Target Company**”), the shareholders of Target Company (“**Sellers**”) and the shareholders’ representative (“**Representative**”), under which the parties have agreed, among other things, to effect a reverse triangular merger in accordance with the California Corporation Code (the “**CCC**”). Pursuant to the terms and conditions of the Merger Agreement, upon the Closing, Merger Sub shall be merged with and into Target Company (the “**Merger**” and, collectively with the other transactions contemplated by the Merger Agreement, the “**Transactions**”), whereupon the separate corporate existence of Merger Sub shall cease and Target Company shall be the surviving entity (the “**Surviving Entity**”) in the Merger and continue as a wholly-owned subsidiary of Frontage Labs.

Upon Closing of the Merger, the Surviving Entity will become an indirect wholly-owned subsidiary of the Company and the financial results of the Surviving Entity will be consolidated into the Group’s financial statements.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios for the transaction under the Merger Agreement are more than 5% but all of them are less than 25%, the Merger Agreement and the Transactions constitute a disclosable transaction of the Company pursuant to Chapter 14 of the Listing Rules and are 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.

Shareholders and potential investors of the Company should note that the Closing is subject to the fulfilment (or waiver, if applicable) of the conditions precedent as set out in the section headed "Conditions Precedent" of this announcement, and the Closing may or may not proceed. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the Shares.

THE MERGER AGREEMENT

The Board is pleased to announce that, on June 26, 2021 (Hong Kong time), Frontage Labs, a wholly-owned subsidiary of the Company, entered into the Merger Agreement by and among Merger Sub, Target Company, Sellers, Representative, under which the parties have agreed, among other things, to effect a reverse triangular merger in accordance with the CCC. Pursuant to the terms and conditions of the Merger Agreement, Merger Sub, a wholly-owned subsidiary of Frontage Labs, shall be merged with and into Target Company whereupon the separate corporate existence of Merger Sub shall cease and Target Company shall be the Surviving Entity in the Merger and continue as a wholly-owned subsidiary of Frontage Labs.

The principal terms of the Merger Agreement are set out below:

Date of Agreement: June 25, 2021 (local Eastern Time)

Parties:

- (1) Frontage Labs, as Parent;
- (2) Dr. Wentao Zhang, Dr. Qiulei Ren and Dr. Xiang Wu, as Sellers;
- (3) Quintara Discovery, Inc., as Target Company;
- (4) Frontage CA Merger Sub, Inc., as Merger Sub; and
- (5) Dr. Wentao Zhang, as Representative.

Merger: Subject to the terms and conditions of the Merger Agreement, Merger Sub shall be merged with and into Target Company, whereupon the separate corporate existence of Merger Sub shall cease and Target Company shall be the Surviving Entity in the Merger and continue as a wholly-owned subsidiary of Frontage Labs.

**Consideration and
Payment Terms:**

Up to USD72,000,000 (equivalent to approximately HK\$559,174,000).

The Consideration consists of the following components:

- (1) Closing Base Amount: USD44,100,000 (equivalent to approximately HK\$342,494,000) in cash, which shall be subject to (i) an upward or downward adjustment in respect of Target Company's net working capital as of the Closing, (ii) an upward adjustment in respect of Target Company's cash as of the Closing, and (iii) a downward adjustment in respect of Target Company's indebtedness as of the Closing, which shall be paid on the Closing as follows:
 - a. to an escrow account, in the amount of USD6,300,000 (the "**Escrow Amount**") as security for Sellers' indemnification obligations pursuant to the Merger Agreement;
 - b. to Representative, in the amount of USD50,000 (the "**Representative Expense Amount**");
 - c. to the persons owed costs, fees and expenses incurred by Target Company in connection with the negotiation, execution and delivery of the Merger Agreement and the consummation of the Transactions that are unpaid as of immediately prior to the Closing (the "**Transaction Expenses**");
 - d. to Target Company an amount equal to the initial bonus pool available to the employees of Target Company that have received awards under the employee carveout bonus plan adopted by Target Company prior to the Merger, which payments will be subject to the terms and conditions of the employee carveout bonus plan; and
 - e. the remainder to Sellers pursuant to the payment procedures outlined in the Merger Agreement.

The Closing Base Amount is subject to certain customary post-Closing adjustments in case the actual working capital, cash and cash equivalents, indebtedness and the Transaction Expenses of the Surviving Entity as of the Closing Date are greater than or less than the estimates of these amounts as of the Closing.

- (2) Earnout Consideration: up to USD18,900,000 (equivalent to approximately HK\$146,783,000) in cash, payable (if at all) in three installments to be determined based upon the Surviving Entity's Adjusted EBITDA as of the First Earnout Period, the Second Earnout Period, and the Third Earnout Period, a portion of which will be available to the employees of Target Company that have received awards under the employee carveout bonus plan adopted by Target Company prior to the Merger, which payments will be subject to the terms and conditions of the employee carveout bonus plan, and the remainder of which will be payable to the Sellers.

- (3) If the cumulative Adjusted EBITDA of the Surviving Entity for the Earnout Period exceeds \$30,950,000, the Merger Agreement provides a bonus payment in an amount equal to such excess, not to exceed USD9,000,000 (equivalent to approximately HK\$69,897,000) in cash, as additional compensation to the Key Employees.

Conditions Precedent: The respective obligations of each party to the Merger Agreement to consummate the Transactions will be subject to the fulfillment or waiver, at or prior to the Closing, of certain customary closing conditions (the “**Conditions Precedent**”), including:

- (a) In the case of Target Company:
- i. the fundamental representations made by Parent and Merger Sub shall be true and correct and the other representations and warranties of Parent and Merger Sub contained in the Merger Agreement shall be true and correct (without giving effect to any qualification as to “materiality”) in all material respects;
 - ii. the covenants and agreements contained in the Merger Agreement to be complied with by Parent or Merger Sub on or before the Closing shall have been complied with in all material respects; and
 - iii. no governmental authority shall have enacted, issued, promulgated, enforced or entered any law or governmental order that prohibits or makes the Transactions illegal.
- (b) In the case of Parent and Merger Sub:
- i. the fundamental representations made by Sellers or Target Company shall be true and correct (except for, in certain cases, de minimis inaccuracies in respect thereof) and the other representations and warranties of Sellers or Target Company set forth in the Merger Agreement shall be true and correct except as would not have a Material Adverse Effect;
 - ii. the covenants and agreements contained in the Merger Agreement to be complied with by Representative, Sellers or Target Company on or before the Closing shall have been complied with in all material respects;
 - iii. no Material Adverse Effect shall have occurred since the date of the Merger Agreement and be continuing;
 - iv. Representative shall have provided Parent with evidence that the Cash Balance Plan and the 401(k) Plan has been terminated effective as of no later than the day immediately preceding the Closing;

- v. Target Company shall have delivered, in form and substance reasonably satisfactory to Parent, written resignations of each of the directors of Target Company as stipulated in the Merger Agreement;
- vi. no Key Employees shall have terminated their employment agreements with the Company;
- vii. Target Company shall have delivered to Parent, each in form and substance reasonably satisfactory to Parent in its sole discretion, all third-party consents listed in the Merger Agreement; and
- viii. no governmental authority shall have enacted, issued, promulgated, enforced or entered any law or governmental order that prohibits or makes the Transactions illegal.

In addition, Parent's and Target Company's obligations to consummate the Merger are subject to entry into the escrow agreement by the parties thereto at or prior to the Closing.

Effective Date and Closing:

On the third business day following the satisfaction or, as permitted hereunder, waiver of the Conditions Precedent (or such other date as Parent and Target Company may mutually agree upon in writing), Parent, Merger Sub and Target Company shall cause the Merger to be consummated by causing an agreement of merger and officers' certificate or other appropriate documents (in any such case, the "**Merger Certificate**") to be filed with the Secretary of State of the State of California, in such form as is required by, and executed in accordance with, the relevant provisions of the CCC. The Merger shall become effective upon the filing of the Merger Certificate and (if required by the Secretary of State of the State of California) an officers' certificate with the Secretary of State of the State of California or at such subsequent time or date as Merger Sub and Target Company shall agree and specify in the Merger Certificate. The time at which the Merger becomes effective is referred to as the "**Effective Time**". Immediately prior to such filing of the Merger Certificate, a closing (the "**Closing**") shall be held at the offices of Parent, or such other place as Parent and Target Company shall agree (including by remote exchange of electronic signature and documents), for the purpose of confirming the satisfaction or waiver, as the case may be, of the Conditions Precedent (other than those conditions which, by their terms, cannot be satisfied until the Closing, but subject to the satisfaction or waiver of such conditions). The parties have agreed that the Closing will not occur prior to July 1, 2021. The Company anticipates that the Closing will take place in the third quarter of 2021. Each of Parent and Target Company will have the right to terminate the Merger Agreement in the event the Closing has not occurred on or prior to September 1, 2021.

Effect of Merger:

At the Effective Time, the Merger shall have the effects set forth in the Merger Agreement and in the CCC. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time, all the property, rights, privileges, powers and franchises of Target Company and Merger Sub shall vest in the Surviving Entity, and all debts, liabilities, obligations, restrictions, disabilities and duties of Target Company and Merger Sub shall become the debts, liabilities, obligations, restrictions, disabilities and duties of the Surviving Entity.

Consideration

The Consideration is USD72,000,000 (equivalent to approximately HK\$559,174,000) and consists of the following components:

- (1) Closing Base Amount: USD44,100,000 (equivalent to approximately HK\$342,494,000) in cash, subject to (i) an upward or downward adjustment in respect of Target Company's net working capital as of the Closing, (ii) an upward adjustment in respect of Target Company's cash as of the Closing, and (iii) a downward adjustment in respect of Target Company's indebtedness as of the Closing which shall be paid on the Closing as follows: (A) to an escrow account, the Escrow Amount; (B) to Representative, the Representative Expense Amount; (C) to the persons owed the Transaction Expenses; (D) to Target Company an amount equal to the initial bonus pool available to the employees of Target Company that have received awards under the employee carveout bonus plan adopted by Target Company prior to the Merger; and (E) the remainder to Sellers. The Closing Base Amount is subject to certain customary post-Closing adjustments in case the actual working capital, cash and cash equivalents, indebtedness, the Transaction Expenses of the Surviving Entity as of the Closing Date are greater than or less than the estimates of these amounts as of the Closing;
- (2) Earnout Consideration: up to USD18,900,000 (equivalent to approximately HK\$146,783,000) in cash, payable (if at all) in three installments to be determined based upon the Surviving Entity's Adjusted EBITDA as of the First Earnout Period, the Second Earnout Period, and the Third Earnout Period, a portion of which will be available to the employees of Target Company that have received awards under the employee carveout bonus plan adopted by Target Company prior to the Merger, which payments will be subject to the terms and conditions of the employee carveout bonus plan, and the remainder of which will be payable to Sellers; and
- (3) If the cumulative Adjusted EBITDA of the Surviving Entity for the Earnout Period exceeds \$30,950,000, the Merger Agreement provides a bonus payment in an amount equal to such excess, not to exceed USD9,000,000 (equivalent to approximately HK\$69,897,000) in cash, as additional compensation to the Key Employees.

The Consideration, Earnout Consideration, contingent bonus payment, and adjustment mechanism are detailed below:

- (i) If the Adjusted EBITDA of the Surviving Entity for the First Earnout Period is equal to or greater than \$9,350,000, then an amount equal to \$6,300,000 in the aggregate (the "**Year-One Earnout Consideration**") shall be payable to Sellers and employees of the Surviving Entity that have received awards subject to the employee carveout bonus plan; provided that if the Adjusted EBITDA of the Surviving Entity for First Earnout Period is less than \$9,350,000, then the Year-One Earnout Consideration shall be reduced dollar-for-dollar by an amount equal to such difference, it being understood that if the Adjusted EBITDA of the Surviving Entity for the First Earnout Period is less than \$9,000,000, then no Year-One Earnout Consideration shall be payable.

- (ii) If the Adjusted EBITDA of the Surviving Entity for the Second Earnout Period is equal to or greater than \$10,285,000, then an amount equal to \$6,300,000 in the aggregate (the **“Year-Two Earnout Consideration”**) shall be payable to Sellers and employees of the Surviving Entity that have received awards subject to the employee carveout bonus plan; provided that if the Adjusted EBITDA of the Surviving Entity for the Second Earnout Period is less than \$10,285,000, then the Year-Two Earnout Consideration shall be reduced dollar-for-dollar by an amount equal to such difference, it being understood that if the Adjusted EBITDA of the Surviving Entity for the Second Earnout Period is less than \$9,818,000, then no Year-Two Earnout Consideration shall be payable.
- (iii) If the Adjusted EBITDA of the Surviving Entity for the Third Earnout Period is equal to or greater than \$11,315,000, then an amount equal to \$6,300,000 in the aggregate (the **“Year-Three Earnout Consideration”**) shall be payable to Sellers and employees of the Surviving Entity that have received awards subject to the employee carveout bonus plan; provided that if the Adjusted EBITDA of the Surviving Entity for the Third Earnout Period is less than \$11,315,000, then the Year-Three Earnout Consideration shall be reduced dollar-for-dollar by an amount equal to such difference, it being understood that if the Adjusted EBITDA of the Surviving Entity for the Third Earnout Period is less than \$10,800,000, then no Year-Three Earnout Consideration shall be payable.
- (iv) In the event that any of the available Earnout Consideration is not earned during the First Earnout Period, the Second Earnout Period or the Third Earnout Period (such amount, the **“Total Shortfall”**), and if cumulative Adjusted EBITDA of the Surviving Entity for the First Earnout Period, the Second Earnout Period and the Third Earnout Period exceeds \$30,950,000, then the full amount of such Total Shortfall shall be payable to Sellers and employees of the Surviving Entity that have received awards subject to the employee carveout bonus plan; provided that if cumulative Adjusted EBITDA of the Surviving Entity for the First Earnout Period, the Second Earnout Period and the Third Earnout Period is less than \$30,950,000, then the Total Shortfall shall be reduced dollar-for-dollar by an amount equal to such difference, it being understood that if cumulative Adjusted EBITDA of the Surviving Entity for the First Earnout Period, the Second Earnout Period and the Third Earnout Period is less than \$29,618,000, then no Total Shortfall shall be payable.
- (v) If the cumulative Adjusted EBITDA of the Surviving Entity for the First Earnout Period, the Second Earnout Period and the Third Earnout Period exceeds \$30,950,000, then each Key Employee shall be entitled to receive a pro rata portion of the amount of such excess Adjusted EBITDA up to a cap in the aggregate of \$9,000,000 (the **“Earnout Bonus Payment”**) in addition to any amounts of Earnout Consideration payable to Sellers, subject to certain conditions as detailed in the Merger Agreement.
- (vi) Within 90 days after the expiration of each of the First Earnout Period, the Second Earnout Period and the Third Earnout Period, Frontage Labs shall provide Representative with written notice (the **“Earnout Notice”**) of Frontage Lab’s reasonably detailed computation of the Adjusted EBITDA of the Surviving Entity during such Earnout Period and the Earnout Consideration (and if applicable, the Earnout Bonus Payment) calculated therefrom. Upon written request, Frontage Labs shall provide Representative and its representatives and accountants copies of and access to reasonable supporting information.

- (vii) Upon the receipt by Representative of an Earnout Notice, Representative shall have a period of 30 days to review the Earnout Notice (the “**Review Period**”). During the Review Period, Representative and its accountants and representatives shall have the right to inspect the electronic copies of the Surviving Entity’s books and records during normal business hours, upon reasonable written notice and solely for purposes reasonably related to the determinations of the Adjusted EBITDA of the Surviving Entity for the applicable Earnout Period and the Earnout Consideration (and if applicable, the Earnout Bonus Payment) and calculations related thereto. If Representative shall have any objections to the calculation of Adjusted EBITDA set forth in the Earnout Notice, Representative shall deliver to Frontage Labs, within 30 days from their receipt of the Earnout Notice (the “**Earnout Objection Period**”), a written statement (the “**Earnout Objection Notice**”) setting forth the component or components of the Earnout Notice that are in dispute, the basis of such dispute and, if known, the amount proposed as an adjustment. The failure of Representative to deliver an Earnout Objection Notice within the Earnout Objection Period shall constitute the acceptance by Representative (on behalf of the Sellers) of the Adjusted EBITDA calculation and the amount of Earnout Consideration (and if applicable, the Earnout Bonus Payment) set forth in the Earnout Notice whereupon such amounts shall be final, binding and conclusive for all purposes hereunder.
- (viii) Frontage Labs and Representative will cooperate in good faith for the 30-day period following receipt by Frontage Labs of the Earnout Objection Notice to attempt to resolve any objections raised in the Earnout Objection Notice. If any objections raised by Representative in its Earnout Objection Notice are not resolved within the 30-day period following the receipt by Frontage Labs of the Earnout Objection Notice, then Frontage Labs and Representative shall submit the objections that are then unresolved to a nationally recognized accounting firm with expertise in accounting matters reasonably acceptable to Frontage Labs and Representative (the “**Neutral Accountant**”). The Neutral Accountant shall act as an expert, not as an arbitrator, in resolving such disputed items.
- (ix) Frontage Labs shall, not later than five business days after the earliest of (i) the end of the Earnout Objection Period, if Representative has not delivered an Earnout Objection Notice by the end of the Earnout Objection Period; (ii) any date within the Earnout Objection Period when Representative delivers written notice to Frontage Labs stating that Representative does not have any objections to the Earnout Notice; and (iii) that Neutral Accountant has provided its determination to Representative and Frontage Labs, make any required payments, in respect of any Earnout Consideration and/or Earnout Bonus Payment.

It is intended that the Consideration will be funded by internal resources of the Company.

Basis of Consideration

In determining the Consideration for the Merger, the management of the Group considered a number of factors including, among others, (i) the business model of Target Company, (ii) Target Company's capabilities, (iii) the Adjusted EBITDA targets and other performance targets that Target Company needs to achieve in order to be entitled to the Earnout Consideration, (iv) future prospects of Target Company, and (v) certain relevant past sale and purchase transactions of companies of a similar business nature to Target Company. The Company believes that in the CRO industry, the net asset value of a company is not indicative of its market value, as the assets held by a CRO such as Target Company primarily consist of laboratory equipment, which does not include the value of the know-how and goodwill possessed by a CRO company. The Company believes as a service business, the know-how and goodwill possessed by a CRO company is a significant component of its value. Based on the above mentioned factors, through arm's length negotiations, the parties agreed that the maximum amount of the Consideration is USD72,000,000 (equivalent to approximately HK\$559,174,000), which is approximately 7.5 times the Adjusted EBITDA of Target Company for the year ended December 31, 2020. The adjusted EBITDA is derived from the unaudited IFRS EBITDA of Target Company by applying adjustments made solely for the purpose of assisting the Company in determining the Consideration, which reflects the post-Merger compensation of the management of Target Company and termination of a certain pension plan as agreed between the parties. Reconciliation of the IFRS EBITDA to the Adjusted EBITDA is provided as follow:

		For the Year ended December 31,	
		2019	2020
		(USD'000)	(USD'000)
IFRS EBITDA, unaudited		5,456	1,235
Add: Actual executive compensation	(Note 1)	4,323	8,809
Pension Plan	(Note 2)	400	400
Less: Normalized executive compensation	(Note 1)	(860)	(860)
Adjusted EBITDA		9,319	9,584

Notes:

- During the years ended December 31, 2019 and 2020, Target Company paid approximately USD4.3 million and USD8.8 million, respectively, to three of its executives, who were also the shareholders of Target Company during that time. After negotiation, the parties have agreed that the post-Merger, the executive compensation will be adjusted to USD800,000, plus an estimated payroll tax of USD60,000.
- Target Company has provided to its employees a Cash Balance Plan under the Internal Revenue Code Section 401(a) and 501(a). After negotiation, the parties have agreed that such plan would be terminated after the Merger.

After deduction of the depreciation & amortization, interest expenses and income tax from the Year 2020 adjusted EBITDA, the adjusted net profit of Target Company would be approximately USD6,800,000. Applying USD72,000,000, as the maximum consideration, the price-to-earnings ("P/E") ratio would be approximately 10.6 times. Compared to the Company's P/E ratio of approximately 122.0 times based on its market capitalization of approximately USD2,125,323,000 as of June 25, 2021, the implied P/E ratios of comparable transactions of approximately 10.6 times is relatively low.

Finally, the payment schedule of the Consideration also provides down-side protection to the Company. At the Closing, 61.25% of the Consideration will be paid immediately, while 26.25% of the Consideration will only be paid if the Surviving Entity achieves specified Adjusted EBITDA targets. The remaining 12.5% of the Consideration will only be paid, after the Third Earnout Period, on a dollar-for-dollar basis should Target Company's cumulative Adjusted EBITDA exceed a specified Adjusted EBITDA target, up to a cap in the aggregate of \$9,000,000. Should the Surviving Entity fail to achieve the Adjusted EBITDA targets set for each Earnout Period, and if the cumulative Adjusted EBITDA for all three Earnout Periods is lower than USD29,618,000, then no additional consideration payment will be paid other than the initial USD44,100,000.

Having considered the factors taken into account by the parties in arriving at the Consideration, the Board is of the view that the Consideration is fair and reasonable. The Consideration will be funded by the Group's internal resources.

INFORMATION ON THE GROUP

The Group is principally engaged in the provision of integrated, scientifically-driven research, analytical and development services throughout the product discovery and development process to enable biopharmaceutical and life science companies to achieve their product development goals. The Group's chemistry, DMPK, bioanalytical and biologics, and Chemistry, Manufacturing and Controls services are offered throughout the drug discovery and development process both in North America and in China. The Group also provides safety and toxicology services in North America and bioequivalence and related services in China.

REASONS FOR AND BENEFITS OF THE MERGER

It has been one of the Company's strategies to extend the range of its services to offer its customers more integrated solutions through organic growth and potential acquisitions.

The Board is of the view that by entering into the Merger Agreement, the Merger will expand the Group's capabilities in providing discovery and distribution, metabolism, and excretion (ADME) profiling services and will enable the Group to capture growth opportunities in the West Coast of the U.S., where the Company currently has limited market coverage. The Board believes that the business outlook and prospects in the U.S. are positive and that the transaction will also potentially accelerate the Group's market penetration in the West Coast of the U.S., potentially resulting in a strong presence of the Group in that region.

The Board has considered that the Merger Agreement was negotiated on an arm's length basis, and on normal commercial terms, which are fair and reasonable, and in the best interests of the Company and its shareholders as a whole.

INFORMATION ON TARGET COMPANY

Target Company is a corporation incorporated under the laws of California, U.S. on May 17, 2013. It provides contract research organization services, including *in vitro* absorption, distribution, metabolism and excretion profiling, bioanalysis services, and assay development and compound screening services, to the pharmaceutical, biotechnology, medical device or diagnostic industries.

Set out below is a summary of the unaudited financial information of Target Company for the two financial years ended December 31, 2019 and December 31, 2020, respectively:

	For the year ended December 31,	
	2019	2020
	<i>(USD'000)</i>	<i>(USD'000)</i>
Revenue	14,564	14,804
Net profit before tax	4,655	2,441
Net profit after tax	3,605	1,732

Pursuant to the unaudited financial statements of Target Company, the net assets of Target Company as at December 31, 2020 was USD7,302,000.

INFORMATION ON SELLERS

Sellers are individual residents in the U.S. To the best of the Board's knowledge, information and belief after having made all reasonable enquiries, Sellers are Independent Third Parties and have 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 Merger Agreement exceed 5% but all of them are less than 25%, the Merger Agreement and the Transactions constitute a disclosable transaction of the Company pursuant to Chapter 14 of the Listing Rules and are 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:

Term	Definition
"401(k) Plan"	Target Company's 401(k) plan, which is a defined contribution plan in which an employee can make contributions from his or her compensation either before or after-tax, depending on the options offered in the plan

“Adjusted EBITDA”	with respect to a given period of time, the EBITDA of the Surviving Entity adjusted to reflect the impact of (a) the costs and operating expenses incurred by the Surviving Entity associated with Parent’s global business strategy; (b) a new customer referral allocation with respect to contracts referred by either Parent or the Surviving Entity to each other; and (c) the accrual of any agreed bonus/incentive that may be paid to the Key Employees in excess of an agreed upon cap of USD800,000 per year and payments to recipients of awards under the employee carveout bonus plan
“Board”	the board of directors of the Company from time to time
“Cash Balance Plan”	Target Company’s pension plan
“Closing Date”	the date on which the Closing occur
“Company”	Frontage Holdings Corporation (方達控股公司*), a company incorporated under the laws of the Cayman Islands with limited liability on April 16, 2018, 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 up to USD72,000,000 (equivalent to approximately HK\$559,174,000) to be paid by the Buyer to Sellers in exchange for the Equity Interest pursuant to the Merger Agreement
“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

“Earnout Period”	each of the following one-year periods: <ul style="list-style-type: none"> (i) the Closing Date through the date immediately prior to the first anniversary of the Closing Date (such period, the “First Earnout Period”); (ii) the first anniversary of the Closing Date through the date immediately prior to the second anniversary of the Closing Date (such period, the “Second Earnout Period”); and (iii) the second anniversary of the Closing Date through the date immediately prior to the third anniversary of the Closing Date (such period, the “Third Earnout Period”).
“EBITDA”	with respect to a given period of time, the earnings before interest, taxes, depreciation, and amortization
“Equity Interest”	100% of the equity interest in Target Company
“Frontage Labs” or “Parent”	Frontage Laboratories, Inc., a company incorporated under the laws of Pennsylvania, United States on April 21, 2004 and a wholly-owned subsidiary of the Company
“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 People’s Republic of China
“IFRS”	International Financial Reporting Standards
“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
“Internal Revenue Code”	the tax law used at the federal level by the United States government
“Key Employees” or “Sellers”	Dr. Wentao Zhang, Dr. Qiulei Ren, and Dr. Xiang Wu
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Material Adverse Effect”	any event, circumstance, change or effect that (subject to certain exceptions), individually or in the aggregate with all other events, circumstances, changes or effects, is or would reasonably likely be materially adverse to (a) the business, condition (financial or otherwise), assets, liabilities, employees, customers or results of operations of Target Company, taken as a whole; or (b) the ability of Target Company or any of the Sellers to consummate the Transactions

“Shareholder(s)”	shareholder(s) of the Company
“Merger Agreement”	the Merger agreement dated June 25, 2021 entered into by and among Frontage Labs, Merger Sub, Target Company, Sellers, and Representative
“Target Company”	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 Closing
“U.S.” or “United States”	United States of America
“USD” or “\$”	U.S. Dollars, the lawful currency of the United States
“%”	per cent

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

Hong Kong, June 28, 2021

As at the date of this announcement, the Board comprises Dr. Song Li and Dr. Zhihe Li as executive directors; 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*