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, 2022

FINANCIAL HIGHLIGHTS

		2022 ***US$ million***	2021 *US$ million*	Change
Revenue		**250.4**	184.4	**35.8%**
Gross Profit		**89.2**	66.7	**33.7%**
Gross Profit Margin		**35.6%**	36.2%	
EBITDA		**69.9**	51.6	**35.5%**
EBITDA Margin		**27.9%**	28.0%	
Adjusted EBITDA		**73.2**	60.8	**20.4%**
Adjusted EBITDA Margin		**29.3%**	33.0%	
Net Profit		**25.9**	18.9	**37.0%**
Net Profit Margin		**10.3%**	10.3%	
Adjusted Net Profit		**36.2**	32.2	**12.4%**
Adjusted Net Profit Margin		**14.4%**	17.5%	
		US$	US$	
Earnings per share	– Basic	**0.0126**	0.0090	**40.0%**
	– Diluted	**0.0123**	0.0087	**41.4%**
Adjusted Earnings per share	– Basic	**0.0176**	0.0155	**13.5%**
	– Diluted	**0.0173**	0.0150	**15.3%**

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 liabilities measured as fair value through profit or loss, gain arising from fair value change of previously held interest in an associate 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 liabilities measured as fair value through profit or loss, gain arising from fair value change of previously held interest in an associate 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 liabilities measured as fair value through profit or loss, gain arising from fair value change of previously held interest in an associate 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 2021 as set out below:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2022

	NOTES	**2022** ***US$'000***	2021 *US$'000*
Revenue	*4*	**250,360**	184,441
Cost of services		**(161,166)**	(117,740)
Gross profit		**89,194**	66,701
Other income	*6*	**4,157**	4,561
Other gains and losses, net	*7*	**2,549**	(1,982)
Research and development expenses		**(3,884)**	(2,434)
Impairment losses recognized on			
– trade receivables		**(419)**	(665)
– unbilled revenue		**(181)**	(108)
Selling and marketing expenses		**(7,196)**	(5,719)
Administrative expenses		**(44,433)**	(32,718)
Share of profit of associates		**257**	9
Finance costs	*8*	**(3,948)**	(2,579)
Profit before tax	*9*	**36,096**	25,066
Income tax expense	*10*	**(10,196)**	(6,144)
Profit for the year		**25,900**	18,922
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		**(7,918)**	1,792
Share of other comprehensive income of associates		**(459)**	–
		(8,377)	1,792
Total comprehensive income for the year		**17,523**	20,714
Profit for the year attributable to:			
Owners of the Company		**25,735**	18,428
Non-controlling interests		**165**	494
		25,900	18,922
Total comprehensive income for the year attributable to:			
Owners of the Company		**17,626**	20,166
Non-controlling interests		**(103)**	548
		17,523	20,714
Earnings per share	*11*		
– Basic (US$)		**0.0126**	0.0090
– Diluted (US$)		**0.0123**	0.0087

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2022

	NOTES	2022 US$'000	2021 US$'000
Non-current Assets			
Property, plant and equipment		**114,988**	90,715
Right-of-use assets		**65,207**	55,520
Goodwill		**149,211**	71,453
Intangible assets		**33,458**	31,693
Interests in associates		**5,140**	5,342
Deferred tax assets		**6,223**	7,651
Financial assets at fair value through profit or loss ("FVTPL")		**3,590**	1,568
Restricted bank deposits	*14*	**300**	300
Other long-term deposits		**636**	436
Other non-current assets		**–**	94
		378,753	264,772
Current Assets			
Inventories		**3,185**	946
Trade and other receivables and prepayments	*12*	**57,598**	42,543
Unbilled revenue	*13*	**17,705**	12,299
Structured deposits		**3,087**	4,078
Tax recoverable		**2,437**	5,232
Restricted bank deposits	*14*	**396**	1,343
Cash and cash equivalents	*14*	**87,433**	144,629
		171,841	211,070
Current Liabilities			
Trade and other payables	*15*	**37,544**	37,478
Advances from customers	*16*	**34,797**	23,632
Bank borrowings	*17*	**13,725**	11
Income tax payable		**678**	4,373
Amounts due to shareholders		**210**	210
Lease liabilities		**10,518**	7,289
		97,472	72,993
Net Current Assets		**74,369**	138,077
Total Assets less Current Liabilities		**453,122**	402,849

	NOTES	2022 US$'000	2021 US$'000
Non-current Liabilities			
Bank borrowings	*17*	**35,126**	–
Deferred government grant		**2,123**	–
Deferred tax liabilities		**10,859**	11,197
Lease liabilities		**58,817**	50,550
Other long-term liabilities		**10,349**	18,018
		117,274	79,765
Net Assets		**335,848**	323,084
Capital and Reserves			
Share capital	*18*	**21**	20
Treasury shares	*19*	**(1)**	–
Reserves		**333,059**	319,822
Equity attributable to owners of the Company		**333,079**	319,842
Non-controlling interests		**2,769**	3,242
Total Equity		**335,848**	323,084

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 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong, respectively.

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Adoption of new/revised IFRSs – effective January 1, 2022

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, 2022 for the preparation of the consolidated financial statements:

Amendments to IAS 16	Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IFRS 16	COVID-19-Related Rent Concessions beyond June 30, 2021
Annual Improvements to IFRSs 2018-2020	

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. SIGNIFICANT ACCOUNTING POLICIES

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:

– Laboratory testing services consist of providing method development and validation as well as sample analysis services and central laboratory services.

– Chemistry, Manufacturing and Control ("CMC") services involve assisting the customers with drug product development, analysis, and clinical trial materials' delivery and supply.

– Preclinical research services consist of two business units: Drug Metabolism and Pharmacokinetic ("DMPK") and Safety and Toxicology. DMPK services include in vitro and in vivo pharmacokinetic studies in rodents and non-rodents; IND-enabling ADME studies, preparation of data packages for regulatory filings. Safety and Toxicology services include evaluation of tolerability and safety of new chemical entities in rodents and non-rodents species before these compounds can be advanced to first in human (FIH) clinical studies; IND-enabling toxicology studies, and preparation of data packages as part of regulatory filings; in vitro toxicological evaluations prior to clinical studies; post-IND studies such as carcinogenicity, and developmental and reproductive toxicology studies.

– Early stage clinical/bioequivalence services consist of first in human SAD (single ascending dose) and MAD (multiple ascending dose), drug-drug interaction (DDI), food effect, and bioequivalence studies. Additionally, Frontage offers absolute bioavailability (ABA) and human radiolabel studies in its clinical facility.

– The Chemistry unit at Frontage performs custom synthesis of new chemical entities and stable-isotope labeled compounds required by biopharmaceutical companies and GMP material to support Safety and Toxicology studies.

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

	2022	2021
	US$'000	*US$'000*
Laboratory testing	**93,439**	82,612
CMC	**24,403**	28,052
Preclinical research	**102,331**	47,090
Early stage clinical/bioequivalence	**14,317**	10,737
Chemistry	**15,870**	15,950
	250,360	184,441

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 and Canada (together as "North America") and the PRC and all of the Group's consolidated assets and liabilities are either located in North America 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 segment, including laboratory testing, CMC, preclinical research, early stage clinical/bioequivalence and chemistry services in the USA and Canada;

– PRC segment, including laboratory testing, CMC, preclinical research, early stage clinical/bioequivalence and chemistry services in the PRC.

Segment revenues and results

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

For the year ended December 31, 2022

	North America *US$'000*	PRC *US$'000*	Total *US$'000*
Revenue			
– Laboratory testing	**71,219**	**22,220**	**93,439**
– CMC	**18,034**	**6,369**	**24,403**
– Preclinical research	**97,551**	**4,780**	**102,331**
– Early stage clinical/bioequivalence	**5,816**	**8,501**	**14,317**
– Chemistry	**3,713**	**12,157**	**15,870**
	196,333	**54,027**	**250,360**
Cost of services	**(119,235)**	**(41,931)**	**(161,166)**
Other income	**494**	**3,663**	**4,157**
Other gains and losses, net	**1,860**	**689**	**2,549**
Research and development expenses	**–**	**(3,884)**	**(3,884)**
Impairment losses recognized on trade receivables and unbilled revenue	**(420)**	**(180)**	**(600)**
Selling and marketing expenses	**(5,186)**	**(2,010)**	**(7,196)**
Administrative expenses	**(36,679)**	**(7,754)**	**(44,433)**
Share of profit of associates	**–**	**257**	**257**
Finance costs	**(2,531)**	**(1,417)**	**(3,948)**
Profit before tax	**34,636**	**1,460**	**36,096**

For the year ended December 31, 2021

	North America *US$'000*	PRC *US$'000*	Total *US$'000*
Revenue			
– Laboratory testing	54,677	27,935	82,612
– CMC	20,995	7,057	28,052
– Preclinical research	46,101	989	47,090
– Early stage clinical/bioequivalence	–	10,737	10,737
– Chemistry	3,547	12,403	15,950
	125,320	59,121	184,441
Cost of services	(80,796)	(36,944)	(117,740)
Other income	1,296	3,265	4,561
Other gains and losses, net	(1,667)	(315)	(1,982)
Research and development expenses	–	(2,434)	(2,434)
Impairment losses recognized on trade receivables and unbilled revenue	(217)	(556)	(773)
Selling and marketing expenses	(4,424)	(1,295)	(5,719)
Administrative expenses	(27,300)	(5,418)	(32,718)
Share of profit of associates	–	9	9
Finance costs	(1,827)	(752)	(2,579)
Profit before tax	10,385	14,681	25,066

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

Other segment information

Amounts included in the measure of segment profit or loss:

For the year ended December 31, 2022

	North America *US$'000*	**PRC** *US$'000*	**Total** *US$'000*
Depreciation of property, plant and equipment	**(8,202)**	**(5,489)**	**(13,691)**
Depreciation of right-of-use assets	**(5,351)**	**(3,540)**	**(8,891)**
Amortization of intangible assets	**(6,605)**	**(680)**	**(7,285)**
Interest income	**123**	**375**	**498**
Loss on disposal of property, plant and equipment	**(26)**	**(23)**	**(49)**
Gain arising from fair value change of previously held interest in an associate	**2,047**	**–**	**2,047**

For the year ended December 31, 2021

	North America *US$'000*	PRC *US$'000*	Total *US$'000*
Depreciation of property, plant and equipment	(8,861)	(4,429)	(13,290)
Depreciation of right-of-use assets	(4,005)	(2,228)	(6,233)
Amortization of intangible assets	(3,734)	(653)	(4,387)
Interest income	1,114	771	1,885
Loss on disposal of property, plant and equipment	–	(2)	(2)

Geographical information

The Group's operations and non-current assets are located in North America 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:

	2022 *US$'000*	2021 *US$'000*
Revenue from external customers		
– USA	**178,641**	115,007
– PRC	**48,189**	51,401
– Rest of the world	**23,530**	18,033
	250,360	184,441

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

	2022	2021
	US$'000	*US$'000*
Non-current assets excluding financial assets and deferred tax assets		
– North America	**271,891**	180,067
– PRC	**96,113**	74,750
	368,004	254,817

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group are as follows:

	2022	2021
	US$'000	*US$'000*
Company A*	**N/A**	26,055

* The customer contributed less than 10% of the Group revenue during the year ended 31 December 2022.

6. OTHER INCOME

	2022	2021
	US$'000	*US$'000*
Interest income	**498**	1,885
Government grants related to income	**1,582**	1,337
Income from rendering service	**2,077**	1,339
	4,157	4,561

7. OTHER GAINS AND LOSSES, NET

	2022	2021
	US$'000	*US$'000*
Net foreign exchange gain/(loss)	**795**	(127)
Fair value change on financial liabilities measured at FVTPL	**(193)**	(1,725)
Loss on disposal of property, plant and equipment	**(49)**	(2)
Gain arising from fair value change of previously held interest in an associate	**2,047**	–
Others	**(51)**	(128)
	2,549	(1,982)

8. FINANCE COSTS

	2022	2021
	US$'000	*US$'000*
Interest expense on lease liabilities	**3,129**	2,579
Interest expense on bank borrowings	**819**	–
	3,948	2,579

9. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	2022	2021
	US$'000	*US$'000*
Staff costs (including directors' emoluments):		
– Salaries and other benefits	**102,933**	73,659
– Share-based payment expense	**4,702**	7,517
– Retirement benefit scheme contributions	**5,251**	2,595
	112,886	83,771
Auditors' remuneration	**320**	279

10. INCOME TAX EXPENSE

	2022	2021
	US$'000	*US$'000*
Current tax:		
– PRC Enterprise Income Tax ("EIT")	**976**	1,882
– US Federal Tax	**7,245**	156
– US State Tax	**2,247**	1,155
Under-provision of EIT, US Federal Tax and US State Tax in prior year	**350**	598
	10,818	3,791
Deferred tax:		
– Current year	**(622)**	2,353
Total income tax expense	**10,196**	6,144

The Group entities incorporated in USA are subject to Federal and State Income taxes, the effective combined income tax rate is 24.95% for the year ended December 31, 2022 (2021: 25.59%). 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 entities are subject to Transition Tax for the years ended December 31, 2022 and December 31, 2021, 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 subjected to a flat tax rate of 27%.

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 therefore is entitled to a preferential tax rate of 15% for a three-year period commencing from the beginning of 2020.

Frontage Laboratories (Suzhou) Co., Ltd. ("Frontage Suzhou"), a 75% owned subsidiary of the Group in the PRC, was accredited as a "High and New Technology Enterprise" in November 2018 and therefore is entitled to a preferential tax rate of 15% for a three-year period commencing from the beginning of 2018. Frontage Suzhou renewed its status in November 2021, and is entitled to a preferential tax rate of 15% for a three-year period commencing from the beginning of 2021.

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 2019 and therefore is entitled to a preferential tax rate of 15% for a three-year period commencing from the beginning of 2019. Acme Shanghai renewed its status in December 2022, and 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 therefore is entitled to a preferential tax rate of 15% for a three-year period commencing from the beginning of 2020.

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, 2022 and 2021. 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.

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:

	2022	2021
	US$'000	*US$'000*
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per share	**25,735**	18,428

Number of Shares:

	2022	2021
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**2,048,288,128**	2,049,299,538
Effect of dilutive potential ordinary shares:		
Share options	**35,075,999**	52,641,824
Share awards	**1,067,862**	13,746,236
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**2,084,431,989**	2,115,687,598

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

	2022	2021
	US$'000	*US$'000*
Trade receivables		
– third parties	**50,081**	37,465
– related parties	**259**	242
Less: loss allowance for trade receivables	**(4,016)**	(3,684)
	46,324	34,023
Other receivables		
– third parties	**2,713**	1,983
– related parties	**109**	590
	2,822	2,573
Note receivables		
– third parties	**428**	105
Prepayments		
– third parties	**5,570**	3,627
Value added tax recoverable	**2,454**	2,215
	57,598	42,543

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:

	2022	2021
	US$'000	*US$'000*
Within 90 days	**34,291**	26,141
91 to 180 days	**7,581**	3,770
181 days to 1 year	**2,771**	2,877
Over 1 year	**1,681**	1,235
	46,324	34,023

13. UNBILLED REVENUE

	2022	2021
	US$'000	*US$'000*
Unbilled revenue		
– third parties	**18,062**	12,651
– related parties	**359**	224
Less: loss allowance for unbilled revenue	**(716)**	(576)
	17,705	12,299

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 4.2% per annum as at December 31, 2022 (2021: from 0.3% to 3.25% 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, 2022, a cash deposit of US$357,000 (2021: US$353,000) 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, 2022, the remaining amount in the collateral account was US$357,000 (2021: US$353,000), which has been included in restricted bank deposits.

As at December 31, 2022, certain bank deposits with balances of approximately RMB218,000 (equivalent to approximately US$31,000) (2021: RMB5,259,000 (equivalent to approximately US$825,000)) were pledged to secure bills payable and bank facilities granted to the Group.

On March 3, 2021, a cash deposit of RMB1,000,000 (equivalent to approximately US$157,000) was required by Shanghai Customs District P.R. China in the PRC for import value-added tax in China, and the amount is restricted. As at December 31, 2022, the remaining amount in the escrow account was RMBnil (2021: RMB1,000,000 (equivalent to approximately US$157,000)), which has been included in restricted bank deposits.

15. TRADE AND OTHER PAYABLES

	2022	2021
	US$'000	*US$'000*
Trade payables		
– third parties	**10,923**	11,425
– related parties	**77**	38
	11,000	11,463
Bills payable		
– third parties	**–**	3,469
Other payables		
– third parties	**2,691**	1,495
– related parties	**1**	5
	2,692	1,500
Contingent consideration payables	**11,403**	9,618
Consideration payables	**–**	750
Salary and bonus payables	**11,687**	10,228
Other taxes payable	**762**	450
	37,544	37,478

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:

	2022	2021
	US$'000	*US$'000*
Within 90 days	**10,435**	8,002
91 days to 1 year	**549**	3,447
Over 1 year	**16**	14
	11,000	11,463

16. ADVANCES FROM CUSTOMERS

	2022	2021
	US$'000	*US$'000*
Advances from customers		
– third parties	**34,186**	23,247
– related parties	**611**	385
	34,797	23,632

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$15,637,000 was recognized in 2022 (2021: US$11,206,000) that were included in the advances from customers at the beginning of the year.

17. BANK BORROWINGS

Bank Loans

	2022	2021
	US$'000	*US$'000*
Secured and unguaranteed bank loans	**48,851**	11

	2022	2021
	US$'000	*US$'000*
Within one year and shown under current liabilities	**13,725**	11
More than one year, but not exceeding two years	**4,132**	–
More than two years, but not exceeding five years	**23,738**	–
More than five years	**7,256**	–
	48,851	11
Less: Amounts shown under current liabilities	**(13,725)**	(11)
Amounts shown under non-current liabilities	**35,126**	–
Loan interest at rate per annum in the range of	**3.85% – 9.5%**	4.45%

Bank Facilities

The Group has used certain restricted bank deposits to secure banking facilities of RMB360,000,000 (equivalent to US$51,690,000) (2021: RMB120,000,000 (equivalent to approximately US$18,821,000)), of which RMBnil (2021: RMB22,118,000 (equivalent to approximately US$3,469,000)) and RMB149,136,000 (equivalent to approximately US$21,413,000) (2021: RMB70,000 (equivalent to approximately US$11,000)) were utilized as bills payable and borrowings respectively, as at December 31, 2022.

On May 31, 2022, Frontage Laboratories, Inc. ("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$25,000,000 (subject to an uncommitted increase of up to but not exceeding US$45,000,000). As at December 31, 2022, US$3,000,000 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 term loan facility in an aggregate principal amount of US$49,000,000. As at December 31, 2022, US$15,000,000 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.

On September 16, 2022, Quintara Discovery, Inc. ("Quintara"), one of the subsidiaries of the Company, entered into a loan agreement with a bank under which the bank has agreed to provide Quintara with a loan in an aggregate principal amount of up to US$20,000,000 with multiple loan advances. As at December 31, 2022, the loan in the amount US$10,000,000 were utilized as borrowings. Frontage Labs and the Company, as the guarantors, are obligated to guarantee for the full satisfaction of this loan. This loan is also collateralized by Frontage Labs' entire interest in Quintara.

The Group had aggregated banking facilities of RMB210,864,000 (equivalent to approximately US$30,277,000) (2021: RMB97,812,000 (equivalent to approximately US$15,341,000)) and US$66,000,000 (2021: US$nil) which were unutilized as at December 31, 2022.

18. SHARE CAPITAL

	Number of shares	Amount *US$*
Ordinary shares of US$0.00001 each		
Authorized:		
As at January 1, 2021, December 31, 2021, January 1, 2022 and December 31, 2022	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, 2021	2,037,477,910	20,376	20
Exercise of share options *(note (a))*	13,977,500	140	–
As at December 31, 2021 and January 1, 2022	2,051,455,410	20,516	20
Issue of shares under 2021 Frontage Share Award Scheme	22,950,500	230	1
Exercise of share options *(note (a))*	6,227,500	62	–
Cancellation of shares *(note (b))*	(24,922,000)	(249)	–
As at December 31, 2022	2,055,711,410	20,559	21

Notes:

(a) During the year ended December 31, 2022, 6,227,500 (2021: 13,977,500) share options were exercised, with a deduction from equity-settled share based compensation reserve of US$406,000 (2021: US$808,000) and an increase of US$1,594,000 (2021: US$3,060,000) in share premium.

(b) During the year ended December 31, 2022, the Company repurchased and cancelled 24,922,000 shares (2021: nil) with a deduction from the treasury shares of US$8,378,000 (2021: US$nil), including a reduction of US$nil (2021: nil) in share capital, and US$8,378,000 (2021: US$nil) in share premium.

19. TREASURY SHARES

	Number of shares	Cost of acquisition *US$'000*
As at January 1, 2021, December 31, 2021 and January 1, 2022	–	–
Repurchase of shares	24,922,000	8,378
Cancellation of shares	(24,922,000)	(8,378)
Issue of shares under 2021 Frontage Share Award Scheme	22,950,500	1
Vesting of share awards	(5,362,374)	–
As at December 31, 2022	17,588,126	1

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

Frontage is a growing CRO engaged in providing a comprehensive range of research and development services to the biotechnology, pharmaceutical and agrochemical industries. We provide integrated and scientifically-driven support that enables our clients to accelerate and achieve their product discovery and development goals. We operate in both North America (including the U.S. and Canada) and China, positioning us well to capture growth opportunities in these key markets. In North America and China, the Group provides a comprehensive portfolio of product discovery and development services, including preclinical research (comprised of pharmacology screening, drug metabolism & pharmacokinetics, and safety and toxicology), laboratory testing (comprised of bioanalytical and biologics, and central laboratory), chemistry, CMC, and early-stage clinical services. In China, the Group provides a parallel set of research & development services, similar to our service offering in North America, and also includes a suite of bioequivalence and related services (such as medical writing and regulatory support) to support local and external customers seeking regulatory submissions in China.

Our mission is to leverage our expanding portfolio of expertise and capabilities to become a leading global CRO, providing high-quality services to our clients and career growth opportunities for our employees. Our client base includes virtual, small, mid-sized, and large biopharmaceutical companies, biotechnology companies, CROs, agricultural and industrial chemical companies, life science companies, contract manufacturing companies, and diagnostic and other commercial entities, as well as hospitals, academic institutions, and government agencies. Additionally, our customer base is geographically diverse with well-established relationships in North America, China, Europe, India, Japan, South Korea and Australia. We currently operate in 23 facilities across three countries and have approximately 1,700 employees worldwide.

During the Reporting Period, driven by effectiveness of our operational strategies and robust demand for our services by the life science industry that utilizes outsourced product development and commercialization services, we achieved significant development in our operations both in North America and China.

The Group's revenue increased by 35.8% from approximately US$184.4 million for the year ended December 31, 2021 to approximately US$250.4 million for the year ended December 31, 2022. 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$341.8 million as at December 31, 2022, representing an increase of 41.4% compared to approximately US$241.8 million as at December 31, 2021.

We remain committed to providing exceptional customer service, leveraging our expertise to deliver high-quality research and development services and pursuing strategic growth opportunities to deliver long-term value to our shareholders.

COVID-19 PANDEMIC AND EFFECTS ON OUR BUSINESS

Throughout the Reporting Period, our North American operations were not directly affected by the COVID-19 pandemic as our customers generally continued to invest in product development and outsourced significant portions of their drug discovery, development, and manufacturing processes to us for our flexible solutions and comprehensive scientific capabilities. This trend continued to positively impact our revenue, operating income, operating income margins, and cash flows.

However, the ongoing COVID-19 pandemic coupled with the resurgence of COVID-19 cases in many provinces in China had material adverse impacts on our business, results of operations, or financial condition in China during the Reporting Period.

In March 2022, the COVID-19 Omicron variant spread across China, and Shanghai was at the center of the outbreak. In response, authorities implemented rapid lockdowns, mass COVID-19 testing, and prolonged quarantines, which adversely impacted our Laboratory Testing and Chemistry units located in Shanghai. Our facilities were closed between mid-March to the end of April, and we were permitted to resume operations by the end of April 2022, subject to the "closed-loop" containment system required by local authorities. We set up on-site dormitories to accommodate over 80 laboratory scientists and technical personnel to work and live onsite at our facilities.

From October to November 2022, Chinese authorities, including the Zhengzhou Municipal Government, implemented strict containment measures in response to the COVID-19 pandemic, leading to disruptions in our bioequivalence projects and biological analysis of clinical samples. Our bioequivalence team and clinical center partners located in Zhengzhou were either in quarantine or lockdown status, adversely affecting our operations.

In December 2022, many regions in China began to lift their COVID-19 containment measures, leading to a surge in COVID-19 cases that peaked by the end of December, followed by a gradual decline in early 2023. While our business operations were not materially disrupted, the surge in COVID-19 cases among the recruited subjects did lead to temporary delays and disruptions in the execution of our bioequivalence projects.

Following the lifting of China's COVID-19 containment measures, and the sharp drop in the number of COVID-19 cases across the country, all of our businesses in China resumed normal operations in early 2023.

ENHANCED CAPABILITIES AND EXPERTISE

During the Reporting Period, we continued to enhance our capabilities and expertise in each of our service areas through organic growth and strategic acquisitions in order to provide more comprehensive services for our customers on a global scale.

North America

In North America, we established a collaborative network of interdisciplinary teams consisting of biologists, chemists, pharmacologists, and DMPK scientists. We now provide fully integrated services in drug discovery, leading to the selection of Investigational New Drug ("**IND**") drug candidates. Our services support target identification and validation using genomic and genetic screening, and mechanism of action studies. For a given target, our scientists develop bioassays to perform high-throughput screening to identify a 'hit' molecule, the starting point of intensive medicinal chemistry efforts. Our experienced chemists, both in the U.S. and China, synthesize and derivatize the hit molecule to improve its potency and drug-like properties. Our biologists and DMPK scientists then profile these molecules in cellular and biochemical assays, including performing a suite of in vitro absorption, distribution, metabolism and excretion ("**ADME**") assays. We further support the lead advancement by optimizing the pharmacokinetic ("**PK**") and pharmacodynamic ("**PD**") relationship through in vivo pharmacology. One of our focus therapeutic areas is oncology, where we have developed several pharmacology models available to test the efficacy of new drug candidates.

During the Reporting Period, our DMPK unit in the U.S. continued to strategically expand its portfolio to meet the growing needs of our clients' complex discovery research projects. Revenue attributable to our DMPK unit increased over 60% compared to the previous year, primarily driven by our enhanced comprehensive scientific expertise in metabolite identification, Quantitative Whole-Body Autoradiography ("**QWBA**"), non-GLP bioanalysis, and IND-enabling studies and our Business Development unit's ability to effectively sell comprehensive set of services to our clients. In Exton, PA, our DMPK unit has fully integrated the operations of RMI Laboratories, LLC into Frontage Labs' DMPK unit and created a center of excellence in metabolite identification/ profiling. We have also strengthened our comprehensive drug transporter research service offerings to support projects from discovery to development including screening, and full characterization of both uptake and efflux transporters.

Our safety and toxicology unit in Concord, Ohio ("**OH**") has continued to grow by increasing headcount and also completing several facility improvement projects during the Reporting Period to enhance our capacity and compliance.

In addition, our safety and toxicology unit at the Chicago, Illinois site continued to focus on developmental reproductive, carcinogenicity, ocular and general toxicity studies during the Reporting Period.

During the Reporting Period, we continuously worked to enhance the service capacity of bioanalytical, biologics bioassay, biomarker analysis in the U.S. and China. We established a global project management team to manage the global clinical trials, provide with the global pharmaceutical companies the logistic support, bioanalytical services, central laboratory services, and support the global regulatory submission. We also improved the services capability of genomic services on targeted nucleic acid analysis, next-generation sequencing (NGS) assays, and bioinformatics.

During the Reporting Period, we completed the construction of the 25,000-square-foot facility in Hayward, CA. This new state-of-the-art facility has been operating since May 2022 and provide our customers with LC-MS bioanalytical, biologics bioassay, and biomarker services for both non-regulated and regulated studies.

During the Reporting Period, our central laboratory unit made notable progress in expanding logistic services to support global clinical trials. This expansion has allowed the Group to better serve our clients by providing reliable and efficient kits and sample management solutions in a growing number of countries.

The freezer farm at our 760 Pennsylvania Drive site has been built with more than forty -20°C and -70°C freezers, as well as two liquid nitrogen tanks. Biorepository work has been ongoing including sample storage, aliquots, cell free DNA preparation, and peripheral blood mononuclear cells (PBMC) isolation. The expansion of our histology pathology testing services and clinical trial safety tests, has enabled Frontage to support a higher volume of clinical trials studies at the Exton site.

During the Reporting Period, our CMC unit in the U.S. doubled our business in biologic drug products testing. Our state-of-the-art microbiology lab supported our internal GMP manufacturing and contributed to attracting new clients. In addition, we have significantly enhanced our service capabilities in the testing of commercial products.

Furthermore, during the Reporting Period we made significant progress on the design for a new manufacturing facility spanning 46,000 square feet, featuring nine manufacturing suites, formulation labs, and analytical testing labs. The construction of this cutting-edge facility is projected to be finalized by the end of the first quarter of 2024. Upon completion, this expansion will elevate our manufacturing capacity tenfold, allowing us to produce batches for late-phase clinical trials. We are confident that this substantial investment will help us to meet the ever-increasing demand for our services, and further solidify our position as a leading provider of biologic drug products testing.

China

During the Reporting Period, we retained our strong commitment to establishing an extensive drug discovery and development service platform in China. Our revenue from projects related to innovative drugs contributed over 70% of our revenue for the year ended December 31, 2022 in China, and contract future revenue from innovative drugs contributed approximately 80% of our total contract future revenue as at December 31, 2022 in China, compared to that of approximately 65% as at December 31, 2021 and approximately 50% as at December 31, 2020.

As of the end of the Reporting Period, we provided a wide range of services in China, including synthesis and medicinal chemistry, pharmacodynamics, drug metabolism and pharmacokinetics, safety and toxicology, CMC formulation development and clinical sample production, bioanalysis and biologics, central laboratory, and BE clinical research.

During the Reporting Period, we inaugurated 11 laboratory and manufacturing facilities in Shanghai, Suzhou, Wuhan, and Zhengzhou, China, with a total area of 810,000 square feet, as several of our facilities in China finalized site construction and became operational. This expansion considerably increased the capabilities of our various service platforms in China.

In January 2022, we commenced operations at our 215,000-square-foot preclinical animal research facility in Suzhou and obtained the License for the Use of Laboratory Animal Facility. During the Reporting Period, we completed the implementation of our quality system and data acquisition management system for toxicology and safety evaluation in this facility. Additionally, we launched the GLP verification test in the second half of 2022. The facility also successfully completed the on-site inspection by **Association for Assessment and Accreditation of Laboratory Animal Care ("AAALAC**") international certification experts at the end of September 2022 and obtained AAALAC certification in March 2023.

In June 2022, our pharmacodynamics unit based in Wuhan, a 34,000-square-foot pharmacodynamic research facility with enhanced enzymatic platform and cell line construction platforms and newly established electrophysiological platform commenced operations. During the Reporting Period, we completed the equipment verification of the electrophysiology platform and conducted hERG evaluation test. We also established an in vivo drug efficacy evaluation service in our preclinical animal research facility in Suzhou, expanding our drug efficacy research services from in vitro drug efficacy evaluation to in vivo drug efficacy evaluation.

In September 2022, our 67,000-square-foot laboratory facility in Lin-Gang, Shanghai became operational. As of the end of the Reporting Period, our Lin-Gang laboratory began to provide DMPK in vitro research and large molecular bioanalysis services, significantly enhancing our original DMPK, bioanalysis, biologics, and biomarker capabilities. In January 2023, our 89,000-square-foot clinical sample production facility in Suzhou completed construction and trial operations began. In addition to the enhanced manufacturing capacities of our CMC formulation R&D analytical services, this facility includes an oral formulation workshop, sterile injection workshop, topical formulation workshop, and analytical testing laboratory. With these expansions, we aim to strengthen our competency in clinical trial sample/material production in various dosage forms, including injections, semi-solid preparations, and eye drops. Our goal is to become a premier contract clinical sample manufacturing organization partner with an international standard quality system that can meet customers' product needs from concept to commercialization.

During the Reporting Period, our medicinal chemistry unit completed construction of a 7,000-square-foot Good Manufacturing Practices ("**GMP**") kilogram laboratory in Shanghai, which became fully operational. This new GMP kilo-scale laboratory has enabled us to offer non-GLP/GLP/GMP batch production to our customers, enhancing our chemical expertise from discovery to development, from milligrams to kilograms, and from medicinal chemistry to active pharmaceutical ingredient ("**API**") synthesis. Additionally, we are expecting our synthetic and medicinal chemistry facility in Wuhan, covering an area of 200,000 square feet, to become partially operational by the first half of 2023. Chenghong Pharma, an associate of the Group, successfully completed phase I construction of its API manufacturing facility situated on a 11-acre land in Weihai, China. This initial phase I construction includes a total of 120,000-square-foot facility, equipped with a total of 50,000-liter of reactor volume with high pressure, low temperature, and hydrogenation chemical process capabilities. Phase II construction of the facility is scheduled to take place in 2023. Upon completion, we will have 300,000-square-foot manufacturing facility with more than 400,000 liters of reactor volume and Chenghong Pharma will manufacture cGMP API products and intermediates.

During the Reporting Period, we continued to strengthen our positions in bioanalytical and biologicals, specifically in the fields of antibody drug conjugates, liposome compounds, and endogenous compound analysis in China. Additionally, we focused on building new platforms in oligonucleotides, cell and gene therapy, protein/peptide, and insulin bioanalysis. We enhanced our capabilities in preclinical toxicology and safety pharmacology in Suzhou, and a GLP bioanalytical laboratory was set up within our preclinical business unit to support TK sample analysis.

Our Central Laboratory unit provided sample collection consumables, delivery, and management services, as well as clinical tests including clinical biochemistry, clinical immunity, blood routine and coagulation function, immunoglobulin E (IgE) and allergens, pathological hematoxylin and eosin ("**H&E**") and immunohistochemistry ("**IHC**") testing sample testing service. The laboratory in Shanghai completed the installation, configuration, and computerized system validation of the LIS system, offering electronic sample management services to our clients. For laboratory testing, we have begun to offer and perform histology, H&E staining and IHC staining services, as well as safety tests such as Complete Blood Count (CBC) with differential, coagulation tests, and HbA1C etc. The construction of 2,000-meter-square in Lin-Gang facilities has been completed. Pathology, clinical safety tests, immunology, chemistry, and PCR laboratories will be included in the facility.

During the Reporting Period, we refined our competencies in BE clinical research, leveraging our differentiated capabilities in this field to boost our competitive advantage. Specifically, our complex BE project execution capabilities for clinical research in patient populations (including but not limited to patients with cancer and schizophrenia), BE project capabilities for special dosage forms including inhalants, transdermal preparations, complex injections, and the ability to study drug-drug interaction (DDI) required in the generic drug approval process, etc. We have also expanded our scope of service provision to include writing and submission of regulatory documents for registration. During the Reporting Period, our clinical centers partners, as well as our bioanalytical laboratories located in Shanghai and Suzhou, passed FDA clinical and bioanalysis inspections with no materially adverse issues being identified. We have consistently adhered to a high-standard quality system to provide protection for customers to submit drug registration declarations to overseas regulatory agencies. Although in the fourth quarter of 2022, our BE clinical research operations were adversely impacted by the COVID-19 pandemic, our BE clinical projects have resumed to normal operations in early 2023.

During the Reporting Period, as our new facilities became operational and our capabilities for each service platform grew, we further expanded our headcount in China to support business operations. Our headcount in China increased from 755 at the end of 2021 to 966 at the end of 2022.

During the Reporting Period, with the construction of our new facilities in China (including our Suzhou preclinical animal research facility, our Shanghai Lin-Gang laboratory and our Wuhan pharmacodynamics laboratory) entering into early phase of completion and initiation of our newly established service platforms (such as drug efficacy research, DMPK, safety and toxicology, central laboratory and other services), we experienced increases in cost and expenses. The increase was primarily due to the depreciation and amortization expenses associated with the new facilities, new service provisions, and the labor costs of new business teams and it has affected the profitability of our China business. However, after the development phase during the Reporting Period, we have essentially completed the establishment of the site facilities, equipment and instruments, talent teams, business qualifications and quality systems required for our new business and these platforms began generating income during the Reporting Period.

During the Reporting Period, the revenue from the referenced new facilities and new service platforms has reached approximately 14% of our revenue in China. Our business development team, relying on our established integrated drug R&D service platform, will continue to strengthen the interaction between the Chinese and North American markets, leverage our unique advantages of operating business in both China and the North America, cross sell our service platform in China so that we can provide more overseas and international customers with highly cost-effective services. We will further collaborate with our holding company, Tigermed Group, so that our new service platform can gain wide recognition from international and domestic customers more quickly, so as to continuously improve the capacity utilization rate of our facilities and service levels.

We believe that with the operation of advanced facilities and high-standard service platforms, and the continuous improvement of capacity utilization, we will be able to generate revenue from these facilities and service platforms to cover the costs and expenses invested in the development phase and enhance the profitability of business in China.

THE GROUP'S FACILITIES

As of December 31, 2022, the Group had twelve (12) facilities in North America, 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 Monmouth Junction, NJ, USA;
- one (1) facility in Deerfield, FL, USA;
- one (1) facility in Palo Alto, CA, USA;
- one (1) facility in Chicago, IL; and
- one (1) facility in Vancouver, Canada.

In addition, as of December 31, 2022, 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, 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). In connection with the inspection by the DEA, it was alleged that Frontage Labs did not comply with certain legal requirements regarding record keeping and storage of controlled substances. Frontage Labs has promptly rectified the relevant issues and settled the allegations with the DEA by agreeing to a payment of US$125,000 to the DEA and undertaking additional responsibilities regarding handling of controlled substance. There has been no determination of liability. Save as disclosed above, no other material issues were identified in the aforementioned inspections.

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

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 United States Department of Agriculture and FDA.

BUSINESS DEVELOPMENT & MARKETING

Business Development

Our Group's 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

Our Group's 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.

During the Reporting Period, the continuing COVID-19 pandemic in China challenged us to modify the channels and platforms used to meet our objectives. Several in – person conferences and face-to-face activities have either been cancelled or moved to virtual platforms. We have increased our use of digital marketing, such as webinars, podcasts, virtual tours, and targeted email campaigns to reach our customers and meet business needs.

Group Awards

During the Reporting Period, Frontage Labs has been selected as a winner of a 2022 CRO Leadership Award in multiple categories (Capabilities, Compatibility, Expertise, Reliability and Quality) issued by the magazines Life Science Leader and Clinical Leader.

Frontage Labs was also awarded by Life Sciences Review as the Top 10 Bioanalytical Services Companies in APAC.

Furthermore, Frontage Shanghai was named as a Top 20 Chinese R&D CRO Enterprise in the 2022 Conference on High Quality Development of Healthcare Industry. Frontage Shanghai also won the title of Top 100 Chinese Life Science Service Enterprise Brands.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Acquisitions

Acquisition of 100% of the membership interests in Experimur LLC, Experimur Intermediate LLC & Experimur Properties LLC ("**Experimur Acquisition**")

During the Reporting Period, we continued to expand our portfolio of services through the Experimur Acquisition, which was closed on January 10, 2022. For details, please refer to the Company's announcements dated December 30, 2021 and January 11, 2022.

Experimur, a CRO located in Chicago, Illinois, U.S. provides full service, GLP-compliant toxicology and related non-clinical development services supporting the pharmaceutical and biotechnology industries. In addition to IND – and New Drug Application (NDA) -enabling toxicology studies, Experimur's experience spans extensive developmental, reproductive, and juvenile toxicology, as well as safety pharmacology, transgenic & routine carcinogenicity and general toxicology in all major laboratory species. Its complimentary in-house support services include histology, diagnostic pathology, clinical pathology, and analytical chemistry. The expertise Experimur brings, along with its state-of-the-art 40-room facility and technologically-advanced equipment, significantly expands the Group's capabilities in pharmacological safety assessment, toxicology services, and other ancillary drug discovery and development services, providing us with the competencies to support our customers' drug-development programs beyond IND and into developmental and reproductive toxicology (DART)) and carcinogenicity studies.

Frontage Clinical Services, Inc. Acquisition (the "**Frontage Clinical Acquisition**")

During the Reporting Period, we continued to expand our portfolio of services through the Frontage Clinical Acquisition, which was closed on July 28, 2022. For details, please refer to the Company's announcements dated July 28, 2022 and August 2, 2022.

It has been one of the Group's strategies to extend the range of its services to offer its customers more integrated solutions through organic growth and potential acquisitions. The Frontage Clinical Acquisition will expand the Group's capabilities in clinical research services for Phase I clinical trials, tobacco studies, and human Absorption, Metabolism, and Excretion studies and will increase the Group's capacity to provide such services through additional scientists, personnel equipment and facilities.

Frontage Clinical was incorporated in Delaware, USA. It is principally engaged in provision of CRO services relating to early phase clinical research studies. Frontage Clinical's service offerings include study design, protocol and ICF development, IRB submission, subject recruitment, study execution, data management, pharmacokinetic/pharmacodynamic analysis, statistical programming, biostatistics, and medical writing.

Our clinical site is located in Secaucus, NJ. During the Reporting Period, the site conducted Phase 1 First-in-Human (FIH), bioavailability/bioequivalence (BA/BE) and drug–drug interaction (DDI) clinical studies in healthy volunteers and Phase 2a (Proof of Concept) clinical studies in select patient populations. Furthermore, in 2022 the site conducted its first Absolute Bioavailability ("**ABA**") study (using stable isotope labeled study drug) as well as the first radiolabeled human Absorption, Metabolism and Excretion (hAME) study in healthy subjects. The ability to conduct these ABA and hAME studies positions Frontage as one of the very few CROs that can provide these services, in a cost-effective manner, to clients worldwide. Furthermore, Frontage is well-equipped to provide radiosynthesis, GLP bioanalyses, preclinical mass balance and metabolite identification/profiling, dosimetry (from QWBA studies), along with ABA and hAME studies, making it attractive to clients seeking a one stop shop for all its preclinical and clinical needs.

In addition to these services, Frontage offers clinical pharmacology expertise to assist with study designs, and PK/PD analyses using WinNonlin. Furthermore, we offer data management services that utilizes various EDC platforms, including the e-source/eCRF ClinSpark system. Biostatistical programming is conducted utilizing Clinical Data Interchange Standards Consortium (CDISC)-compliant datasets, with accompanying e-submission documents (aCRFs, Define.xml and Reviewers Guides), power calculations, and randomization schedules. Medical writing includes generation of ICHE3-formatted Protocols and Clinical Study Reports, as well as Informed Consent Forms.

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant events affecting the Group, which have occurred subsequent to 31 December 2022 and up to the date of this announcement.

PROSPECTS

As a full-service CRO operating in the dynamic and constantly evolving life sciences industry, we recognize the critical role that market trends play in shaping our business prospects. The life sciences industry is an essential component of the global healthcare system, and we are confident that it will continue to experience steady growth in the future. The increasing trend towards outsourcing drug discovery and development services to CROs is expected to persist in 2023, driven by the growing complexity of drug R&D, the need for specialized expertise, and the desire to reduce costs and increase efficiency.

We anticipate that spending on pharmaceuticals in emerging markets will expand more rapidly, demonstrating the strategic importance of these markets to global life sciences organizations. The emergence of local and regional companies with similar operational and informational needs will create opportunities for us to expand our client base. We expect that all organizations operating in these markets will apply a high degree of sophistication to their commercial operations, particularly as some begin to emerge as sources of original innovative products. For instance, in China, biopharmaceutical companies have increased their investment in innovation with guidance from the authorities, resulting in a significant increase in the number of domestic IND applications and clinical trials. As a partner in the drug R&D process for biopharmaceutical companies, we firmly believe that the global and Chinese CRO market will experience sustained long-term and rapid growth.

Our commitment to delivering high-quality services to our clients in the pharmaceutical and biotech industries has led us to make significant strides towards achieving our goals and expanding our offerings. We will continue to optimize our integrated service platform, ensuring that we deliver high-quality services that cover early drug discovery to drug development services. We will also expand our areas of expertise, offering cutting-edge and leading technology platforms to attract new clients and deepen our relationships with existing ones.

We are dedicated to improving our unique internationalization strategy, which involves adhering to the same quality system standards between China and the United States. Leveraging our business layouts in both North America and China, we will share cutting-edge technology, project experience, quality systems, and other positive resources while operating independently in both areas. This approach will enable us to provide high-quality services to customers worldwide and position ourselves as the preferred partner for biopharmaceutical companies worldwide.

FINANCIAL REVIEW

Revenue

The revenue of the Group increased by 35.8% from approximately US$184.4 million for the year ended December 31, 2021 to approximately US$250.4 million for the year ended December 31, 2022.

Revenue from operations in North America increased by 56.7% from approximately US$125.3 million for the year ended December 31, 2021 to approximately US$196.3 million for the year ended December 31 2022. Excluding the impact of currency translation, the revenue from operations in China decreased by 4.3% from approximately RMB381.5 million (equivalent to approximately US$59.1 million) for the year ended December 31, 2021 to approximately RMB365.1 million (equivalent to approximately US$54.0 million) for the year ended December 31, 2022. The growth of revenue from operations in North America was mainly attributable to (i) marketing efforts made by the Group, resulting in robust marketing performance in North America; (ii) positive synergistic effect in the preclinical segment through the acquisition of Quintara and Experimur. The revenue decrease in the operations in China was mainly due to material adverse effects by COVID-19 in many provinces in China, especially in Shanghai and Zhengzhou, partially offset by the increased revenue from the new facilities and new service platforms.

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

	For the year ended December 31,	
	2022	2021
	US$'000	*US$'000*
Laboratory testing	**93,439**	82,612
CMC	**24,403**	28,052
Preclinical research	**102,331**	47,090
Early stage clinical/bioequivalence	**14,317**	10,737
Chemistry	**15,870**	15,950
	250,360	184,441

An analysis of the Group's revenue from external customers, analyzed by the customers' respective countries/regions of operation, is presented below:

	For the year ended December 31,			
	2022		2021	
	US$'000	***%***	*US$'000*	*%*
Revenue				
– USA	**178,641**	**71.4%**	115,007	62.3%
– China	**48,189**	**19.2%**	51,401	27.9%
– Rest of the world *(Note)*	**23,530**	**9.4%**	18,033	9.8%
Total	**250,360**	**100%**	184,441	100%

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

Top 5 customers' revenue increased by 21.0% from approximately US$40.5 million for the year ended December 31, 2021 to approximately US$49.0 million for the year ended December 31, 2022, accounting for 19.6% of total revenue for the year ended December 31, 2022 as compared to 22.0% for the year ended December 31, 2021.

Top 10 customers' revenue increased by 27.6% from approximately US$49.6 million for the year ended December 31, 2021 to approximately US$63.3 million for the year ended December 31, 2022, accounting for 25.3% of total revenue for the year ended December 31, 2022, as compared to 26.9% for the year ended December 31, 2021.

Cost of Services

Associated with the revenue growth, the cost of services of the Group increased by 37.0% from approximately US$117.7 million for the year ended December 31, 2021 to approximately US$161.2 million for the year ended December 31, 2022. The increase of the cost of services was mainly attributed to the mergers and acquisitions and the expansion of our capacity in North America and China which led to an increase in cost of raw materials and employee compensation as more scientists were hired due to our enlarged operations.

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 the Group's services. Overhead primarily consists 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 increased by 33.7% from approximately US$66.7 million for the year ended December 31, 2021 to approximately US$89.2 million for the year ended December 31, 2022. The Group's gross profit margin decreased from approximately 36.2% for the year ended December 31, 2021 to approximately 35.6% for the year ended December 31, 2022. In particular, gross profit margin in North America increased from approximately 35.5% for the year ended December 31, 2021 to approximately 39.3% for the year ended December 31, 2022, which is primarily due to the successful implementation of the Company's strategies to extend the range of its services to offer its customers more integrated solutions through organic growth and potential acquisition. Whereas gross profit margin in China decreased from approximately 37.5% for the year ended December 31, 2021 to approximately 22.4% for the year ended December 31, 2022, effected by (i) material adverse effects by COVID-19 in many provinces in China; and (ii) a relatively lower gross profit margin contributed by newly established service in new facilities opened in 2022.

Other Income

The Group's other income decreased by 8.7% from approximately US$4.6 million for the year ended December 31, 2021 to approximately US$4.2 million for the year ended December 31, 2022, primarily due to a decreased interest income as a result of the Group's active utilization of proceeds from the Global Offering and internal resources to finance our expansion, investment and business operation.

Other Gains and Losses

The Group's net other gains and losses increased from approximately US$2.0 million of loss for the year ended December 31, 2021 to approximately US$2.5 million of gain for the year ended December 31, 2022, primarily due to gain arising from fair value change of previously held interest in an associate during the Reporting Period.

Selling and Marketing Expenses

Selling and marketing expenses of the Group increased by 26.3% from approximately US$5.7 million for the year ended December 31, 2021 to approximately US$7.2 million for the year ended December 31, 2022, which demonstrated our continuous efforts in the capability enhancement in business development to capture the growing demand in the CRO industry.

Administrative Expenses

The Group's administrative expenses increased by 35.8% from approximately US$32.7 million for the year ended December 31, 2021 to approximately US$44.4 million for the year ended December 31, 2022. Excluding share-based compensation expenses, amortization of intangible assets acquired from mergers and acquisitions and expenses in relation to mergers and acquisitions, the Group's administrative expenses increased by 53.1% from approximately US$21.1 million for the year ended December 31, 2021 to approximately US$32.3 million for the year ended December 31, 2022, primarily due to an increase in depreciation and employee compensation support the Group's growing business and its long-term development.

Research and Development Expenses

Our R&D 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 R&D expenses increased by 62.5% from approximately US$2.4 million for the year ended December 31, 2021 to approximately US$3.9 million for the year ended December 31, 2022, primarily due to our efforts in enhancing investment in new technologies and platforms.

Finance Costs

The Group's finance costs increased by 50.0% from approximately US$2.6 million for the year ended December 31, 2021 to approximately US$3.9 million for the year ended December 31, 2022, 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 increased by 67.2% from approximately US$6.1 million for the year ended December 31, 2021 to approximately US$10.2 million for the year ended December 31, 2022, primarily due to a combined increase in pretax income and effective tax rate. The Company's effective income tax rate was 28.2% and 24.5% for the year ended December 31, 2022 and 2021, respectively.

Net Profit and Net Profit Margin

The net profit of the Group increased by 37.0% from approximately US$18.9 million for the year ended December 31, 2021 to approximately US$25.9 million for the year ended December 31, 2022. The net profit margin of the Group for the year ended December 31, 2022 and December 31, 2021 were 10.3%. The higher net profit compared to the year ended December 31, 2021 was primarily due to the solid revenue growth as a result of the Group's continuing position as a leader in the CRO industry and competitive execution track record, coupled with efficiency in business operations and enhanced capacity utilization in North America, partially offset by a lower net profit margin in China caused by the adverse effects of COVID-19 and also a relatively lower margin contributed by newly established service in new facilities opened in 2022.

Adjusted Net Profit

The following table presents a reconciliation of adjusted net profit to the net profit for the years, the most directly comparable IFRS measure, for each of the years indicated:

	For the year ended December 31,	
	2022	2021
	US$'000	*US$'000*
Net Profit	**25,900**	18,922
Add: Share-based compensation expense	**4,702**	7,517
Loss arising on financial liabilities measured as fair value through profit or loss	**193**	1,725
Amortization of acquired intangible assets from mergers and acquisitions	**6,947**	4,074
Gain arising from fair value change of previously held interest in an associate	**(2,047)**	–
Expenses in relation to mergers and acquisitions	**473**	–
Adjusted Net Profit	**36,168**	32,238
Adjusted Net Profit Margin	**14.4%**	17.5%

The adjusted net profit of the Group increased by 12.4% from approximately US$32.2 million for the year ended December 31, 2021 to approximately US$36.2 million for the year ended December 31, 2022. The adjusted net profit margin of the Group for the year ended December 31, 2022 was 14.4%, compared to 17.5% for the year ended December 31, 2021. The lower adjusted net profit margin of the Group for the year ended December 31, 2022 was primarily due to a lower net profit margin in China caused by the adverse effects of COVID-19 and also a relatively lower margin contributed by newly established service in new facilities opened in 2022.

EBITDA

The EBITDA[1] of the Group increased by 35.5% from approximately US$51.6 million for the year ended December 31, 2021 to approximately US$69.9 million for the year ended December 31, 2022. The EBITDA margin of the Group for the year ended December 31, 2022 was 27.9%, compared to 28.0% for the year ended December 31, 2021.

Adjusted EBITDA

The adjusted EBITDA[2] of the Group increased by 20.4% from approximately US$60.8 million for the year ended December 31, 2021 to approximately US$73.2 million for the year ended December 31, 2022. The adjusted EBITDA margin of the Group decreased from 33.0% for the year ended December 31, 2021 to 29.3% for the year ended December 31, 2022. The decrease of the adjusted EBITDA margin mainly due to a lower adjusted net profit margin as discussed above.

Basic and Diluted Earnings Per Share

The basic earnings per share of the Group increased by 40.0% from US$0.0090 for the year ended December 31, 2021 to US$0.0126 for the year ended December 31, 2022. The diluted earnings per share of the Group increased by 41.4% from US$0.0087 for the year ended December 31, 2021 to US$0.0123 for the year ended December 31, 2022. The increase in the basic and diluted earnings per share was primarily due to the increase in the net profit as discussed above.

The adjusted basic earnings per share for the year ended December 31, 2022 amounted to US$0.0176, representing an increase of 13.5% as compared with that of US$0.0155 for the year ended December 31, 2021. The adjusted diluted earnings per share for the year ended December 31, 2022 amounted to US$0.0173, representing an increase of 15.3% as compared with that of US$0.0150 for the year ended December 31, 2021. The increase in both the adjusted basic and the adjusted diluted earnings per share was primarily due to the increase in the adjusted net profit as discussed above.

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

2 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 arising from fair value change of previously held interest in an associate 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 liabilities measured as fair value through profit or loss, gain or loss arising from fair value change of previously held interest in an associate 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.

Property, Plant and Equipment

The property, plant and equipment of the Group increased by 26.8% from approximately US$90.7 million as at December 31, 2021 to approximately US$115.0 million as at December 31, 2022, primarily as a result of the expansion of research, development and manufacturing capacities.

Right-of-Use Assets

The Group recorded approximately US$65.2 million right-of-use assets as at December 31, 2022, which increased by 17.5% from approximately US$55.5 million as at December 31, 2021. The increase was mainly due to the entering into of new leases in order to support business growth.

Goodwill

The goodwill of the Group increased by 108.7% from approximately US$71.5 million as at December 31, 2021 to approximately US$149.2 million as at December 31, 2022, which was primarily due to the goodwill arising from the acquisitions of Experimur and Clinical. No impairment of goodwill was recorded upon the management's assessment.

Intangible Assets

The Group recorded approximately US$33.5 million intangible assets by the year ended December 31, 2022, compared to US$31.7 million by the end of December 31, 2021, primarily consisting of customer relationship acquired through business combinations.

Trade and Other Receivables and Prepayments

Trade and other receivables and prepayments of the Group increased by 35.5% from approximately US$42.5 million as at December 31, 2021 to approximately US$57.6 million as at December 31, 2022, primarily due to the growth of the Group's business.

Unbilled Revenue

The Group recorded 43.9% increase in unbilled revenue from approximately US$12.3 million as at December 31, 2021 to approximately US$17.7 million as at December 31, 2022, primarily due to the growth of the Group's business.

Structured Deposits

As at December 31, 2022, the Group recorded approximately US$3.1 million structured deposits to improve the return of available cash balance.

Advances from Customers

The Group has recorded 47.5% increase in advance from customers along with its business.

Liquidity and Capital Resources

The Group's bank balances and cash amounted to approximately US$87.4 million in total as at December 31, 2022, as compared to approximately US$144.6 million as at December 31, 2021, as a result of payments for purchase of property, plant and equipment and payments related to acquisition of subsidiaries, plus cash inflow from operating activities. The cash and cash equivalents held by the Company are composed of RMB, HK$, EUR, CAD and US$. Currently, the Group follows a set of funding and treasury policies to manage its capital resources and prevent risks involved.

The Group had aggregated banking facilities of RMB210.9 million (equivalent to approximately US$30.3 million) (2021: RMB97.8 million (equivalent to approximately US$15.3 million)) and US$66.0 million (2021: US$nil) which were unutilized as at December 31, 2022.

The following table sets forth a condensed summary of the Group's consolidated statements of cash flows for the years indicated and analysis of balances of cash and cash equivalents for the years indicated:

	For the year ended December 31,	
	2022	2021
	US$'000	*US$'000*
Net cash generated from operating activities	**62,442**	44,549
Net cash used in investing activities	**(147,910)**	(107,443)
Net cash generated from/(used in) financing activities	**30,659**	(5,544)
Net decrease in cash and cash equivalents	**(54,809)**	(68,438)
Cash and cash equivalents at the beginning of the year	**144,629**	212,087
Effect of exchange rate changes	**(2,387)**	980
Cash and cash equivalents at the end of the year	**87,433**	144,629

Capital Expenditures

Our principal capital expenditures relate primarily to purchases of property, plant and equipment, and intangible assets in relation to the expansion and enhancement of our facilities and purchases of equipment and intangible assets used in providing our services. US$48.0 million capital expenditures were incurred for the year ended December 31, 2022, which decreased by 5.1% when compared to US$50.6 million for the year ended December 31, 2021.

Indebtedness

Borrowings

The Group had total bank borrowings of US$48.9 million as at December 31, 2022 compared to US$0.01 million as at December 31, 2021. US$ borrowings amounted to US$27.6 million and RMB borrowings amounted to RMB148.1 million (equivalent to US$21.3 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$69.3 million lease liabilities as at December 31, 2022, compared to approximately US$57.8 million as at December 31, 2021 due to entering into new leases in order to support business growth.

Contingent Liabilities and Guarantees

As at December 31, 2022, the Group did not have material contingent liabilities nor 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. 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

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 8.2% and -28.1% as at December 31, 2022 and 2021, respectively, The increase is primarily due to significant financing activities to support business expansion.

EMPLOYEES AND REMUNERATION POLICY

As at December 31, 2022, the Group had a total of 1,698 employees, of whom 732 were located in North America and 966 were located in China; 1,414 were scientific and technical support staff and 284 were sales, general & administrative staff. Approximately 80% of employees hold a bachelor's degree or above, and we have 556 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$102.9 million for the year ended December 31, 2022, as compared to approximately US$73.7 million for the year ended December 31, 2021. 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 report, 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.

USE OF PROCEEDS FROM LISTING

The total proceeds from the issue of new Shares by the Company in its Listing (after deducting the underwriting fees and related Listing expenses) amounted to approximately US$193.2 million, and the balance of unutilized net proceeds was approximately US$11.6 million as at December 31, 2022.

The net proceeds from the Listing (adjusted on a pro rata basis based on the actual net proceeds) have been and will be utilized in accordance with the purposes set out in the Prospectus. The table below sets out the planned applications of the net proceeds and actual usage up to December 31, 2022:

Use of proceeds	Adjusted on a pro rata basis based on the actual net proceeds *(US$ million)*	Percentage of total net proceeds	Actual use of proceeds from the date of Listing up to December 31, 2022 *(US$ million)*	Net proceeds brought forward for the Reporting Period *(US$ million)*	Unutilized net proceeds as at December 31, 2022 *(US$ million)*	Expected timeline of utilizing the utilized proceeds
Expand and enhance existing capacities to meet anticipated increased demand for services	38.6	20%	38.6	6.5	–	
Expand and broaden range of capabilities and services organically	77.3	40%	65.7	42.3	11.6	On or before December 31, 2023
Expand capacity and/or capabilities through potential acquisitions	58.0	30%	58.0	–	–	
Working capital and general corporate purposes	19.3	10%	19.3	6.9	–	
Total	193.2	100%	181.6	55.7	11.6	

FINAL DIVIDEND

The Board does not recommend any payment of a final dividend for the Reporting Period (2021: Nil).

ANNUAL GENERAL MEETING

The Annual General Meeting ("**AGM**") of the Company will be held on Thursday, May 25, 2023 and the notice of the AGM will be published and dispatched to the Shareholders in accordance with the Company's articles of association and the Listing Rules in due course.

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 Monday, May 22, 2023 to Thursday, May 25, 2023, 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 Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m.on Friday, May 19, 2023.

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

For the year ended December 31, 2022, the Company repurchased a total of 24,922,000 Shares (the "**Shares Repurchased**") on the Stock Exchange at an aggregate consideration (including transaction cost) of approximately HK$65,435,820. The repurchased Shares were subsequently 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 2022 are as follows:

Month of repurchase	**No. of Shares repurchased**	**Highest price paid per Share**	**Lowest price paid per Share**	**Aggregate consideration**
		(HK$)	*(HK$)*	*(HK$)*
June	11,688,000	3.27	2.72	35,243,240
August	1,000,000	2.6	2.48	2,558,520
September	10,734,000	2.68	2.02	24,483,140
October	1,500,000	2.15	2.04	3,150,920
Total	24,922,000	–	–	65,435,820

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, 2022.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. Having made specific enquiries with all the Directors, all the Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code during the Reporting Period.

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, except for the deviation from code provision C.2.1 in Part 2 of the CG Code.

Pursuant to code provision C.2.1 in Part 2 of the CG Code, the responsibilities between the chairman and the chief executive officer should be separate and should not be performed by the same individual. However, Dr. Song Li, an executive Director, performed these two roles in the Company. The Board believes that vesting the roles of the chairman and chief executive officer of the Company in the same person can help to improve the efficiency of the decision-making and execution process of the Company. The Company has put in place an appropriate check-and-balance mechanism through the Board and the independent non-executive Directors. Considering the above, the Board considers that the deviation from code provision C.2.1 in Part 2 of the CG Code is appropriate in the circumstances of the Company during the Reporting Period.

In order to better achieve the spirit of the principles of good corporate governance, on January 3, 2023, Dr. Abdul Mutlib has been promoted to the Chief Executive Officer of the Company as successor to Dr. Song Li, who resigned from his role of the Chief Executive Officer but continues to serve as an executive Director, the Chairman of the Board and a member of the remuneration committee of the Board and a member of the nomination committee of the Board. The promotion of Dr. Abdul Mutlib is intended to reflect the corporate governance principles set forth in code provision C.2.1 in Part 2 of the CG code, as the roles of the Chairman and Chief Executive Officer will no longer be performed by the same individual.

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 2022 ANNUAL RESULTS ANNOUNCEMENT AND 2022 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 in due course.

"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
"ACME"	Acme Biosciences, Inc., a corporation incorporated under the laws of Delaware, U.S. on January 16, 2001, and a subsidiary of Frontage Labs
"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
"Biotranex"	Biotranex, LLC, a company established under the laws of New Jersey, USA on February 19, 2009, and a subsidiary of Frontage Labs
"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
"Business Day"	any day on which the Stock Exchange is open for the business of dealing in securities
"Capitalization Issue"	the issue of 1,355,157,819 Shares to the Shareholders to be made upon capitalisation of certain sums standing to the credit of the share premium account of the Company
"CAD"	Canadian Dollars, the lawful currency of Canada
"CG Code"	the Corporate Governance Code set out in Appendix 14 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
"Connected Award Participants"	the Award Participants who are connected with the Company or connected persons of the Company
"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

"Earnout Consideration"	cash payable in three years installments to be determined based upon the Surviving Entity's Adjusted EBITDA (as defined in the Company's announcement dated June 28, 2021)
"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 an associate of the Company
"Global Offering"	the Hong Kong Public Offering (as defined in the Prospectus) and the International Offering (as defined in the Prospectus)
"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
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issues contained in Appendix 10 to the Listing Rules
"Nomination Committee"	the nomination committee of the Board
"Non-connected Award Participants"	the Award Participants who are not connected with the Company or connected persons of the Company
"PRC" or "China"	the People's Republic of China, but for the purposes of this report 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
"Prospectus"	the prospectus of the Company dated May 17, 2019
"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
"R&D"	research and development
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the year ended December 31, 2022
"RMB"	Renminbi, the lawful currency of the PRC
"RMI"	RMI Laboratories, LLC, a limited liability company established under the laws of Pennsylvania, United States on September 22, 2008, and a subsidiary of the Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"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
"Tigermed-BDM" or "BDM"	Tigermed-BDM, Inc., a company incorporated under the laws of New Jersey, United States, and was a former associate of the Company

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 28, 2023

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*