FRONTAGE HOLDINGS CORPORATION

方達控股公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1521)

ANNOUNCEMENT ON INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2023

FINANCIAL HIGHLIGHTS

		Six months ended June 30,		
		2023	2022	Change
		US$ million	US$ million	
Revenue		**128.4**	118.9	8.0%
Gross Profit		**39.0**	44.2	(11.8%)
Gross Profit Margin		**30.4%**	37.2%	
EBITDA		**27.5**	32.5	(15.4%)
EBITDA Margin		**21.4%**	27.3%	
Adjusted EBITDA[(1)]		**29.8**	34.7	(14.1%)
Adjusted EBITDA Margin		**23.2%**	29.2%	
Net Profit		**4.6**	13.1	(64.9%)
Net Profit Margin		**3.6%**	11.0%	
Adjusted Net Profit[(2)]		**10.2**	18.8	(45.7%)
Adjusted Net Profit Margin		**8.0%**	15.8%	
		US$	US$	
Earnings per share	– Basic	**0.0023**	0.0063	(63.5%)
	– Diluted	**0.0022**	0.0061	(63.9%)
Adjusted Earnings per share	– Basic	**0.0050**	0.0091	(45.1%)
	– Diluted	**0.0050**	0.0088	(43.2%)

The Board has resolved not to declare an interim dividend for the six months ended June 30, 2023.

(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 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 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, adjusted EBITDA, adjusted EBITDA 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 and expenses in relation to mergers and acquisitions to better reflect the Company's current business and operations) 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 unaudited condensed consolidated interim results of the Group for the Reporting Period together with comparative figures for the corresponding period in 2022 as set out below:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2023

	NOTES	**Six months ended**	
		6/30/2023	6/30/2022
		US$'000	*US$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**128,356**	118,933
Cost of services		**(89,368)**	(74,733)
Gross profit		**38,988**	44,200
Other income	*5*	**2,038**	1,493
Other gains and losses, net	*6*	**105**	460
Research and development expenses		**(3,137)**	(1,586)
Impairment losses recognized on			
– trade receivables		**(399)**	(245)
– unbilled revenue		**(88)**	(61)
Selling and marketing expenses		**(3,994)**	(3,441)
Administrative expenses		**(22,877)**	(21,628)
Share of (loss)/profit of associates		**(119)**	153
Finance costs	*7*	**(3,110)**	(1,415)
Profit before tax	*8*	**7,407**	17,930
Income tax expense	*9*	**(2,849)**	(4,828)
Profit for the period		**4,558**	13,102
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		**(3,339)**	(4,694)
Total comprehensive income for the period		**1,219**	8,408
Profit/(Loss) for the period attributable to:			
Owners of the Company		**4,592**	12,945
Non-controlling interests		**(34)**	157
		4,558	13,102
Total comprehensive income for the period attributable to:			
Owners of the Company		**1,352**	8,417
Non-controlling interests		**(133)**	(9)
		1,219	8,408
Earnings per share	*10*		
– Basic (US$)		**0.0023**	0.0063
– Diluted (US$)		**0.0022**	0.0061

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2023

	NOTES	**As at 6/30/2023 *US$'000* (Unaudited)**	As at 12/31/2022 *US$'000* (Audited)
Non-current Assets			
Property, plant and equipment		**115,012**	114,988
Right-of-use assets		**59,708**	65,207
Goodwill		**149,012**	149,211
Intangible assets		**29,962**	33,458
Interests in associates		**4,839**	5,140
Deferred tax assets		**7,554**	6,223
Financial assets at fair value through profit or loss ("**FVTPL**")		**3,460**	3,590
Restricted bank deposits	*14*	**300**	300
Other long-term deposits		**636**	636
		370,483	378,753
Current Assets			
Inventories		**3,518**	3,185
Trade and other receivables and prepayment	*12*	**59,560**	57,598
Unbilled revenue	*13*	**18,558**	17,705
Structured deposits		**2,768**	3,087
Tax recoverable		**4,237**	2,437
Restricted bank deposits	*14*	**398**	396
Cash and cash equivalents	*14*	**77,526**	87,433
		166,565	171,841
Current Liabilities			
Trade and other payables	*15*	**26,465**	37,544
Advances from customers	*16*	**31,205**	34,797
Bank borrowings	*17*	**11,527**	13,725
Income tax payable		**435**	678
Amounts due to shareholders		**210**	210
Lease liabilities		**10,407**	10,518
		80,249	97,472
Net Current Assets		**86,316**	74,369
Total Assets less Current Liabilities		**456,799**	453,122

	NOTES	As at 6/30/2023 US$'000 (Unaudited)	As at 12/31/2022 US$'000 (Audited)
Non-current Liabilities			
Bank borrowings	*17*	**39,936**	35,126
Deferred government grant		**2,092**	2,123
Deferred tax liabilities		**10,360**	10,859
Lease liabilities		**53,460**	58,817
Other long-term liabilities		**11,992**	10,349
		117,840	117,274
Net Assets		**338,959**	335,848
Capital and Reserves			
Share capital	*18*	**21**	21
Treasury shares	*19*	**(608)**	(1)
Reserves		**336,910**	333,059
Equity attributable to owners of the Company		**336,323**	333,079
Non-controlling interests		**2,636**	2,769
Total Equity		**338,959**	335,848

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. The immediate holding company of the Company is Hongkong Tigermed Co., Limited, a company incorporated under the laws of Hong Kong with limited liability ("**Hongkong Tigermed**"). 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 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$**"). The functional currency of the PRC operating subsidiaries is Renminbi ("**RMB**"). The functional currency of the operating subsidiary incorporated in Canada is Canadian dollars ("**CAD**"). The reporting currency used for the presentation of the condensed consolidated financial statements is US$, which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation of the financial statements

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("**IAS 34**") issued by the International Accounting Standards Board as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value.

Other than additional accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("**IFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2023 are the same as those presented in the Group's annual financial statements for the year ended December 31, 2022.

(b) Application of amendments to IFRSs – effective for annual period beginning on or after January 1, 2023

In the current interim period, the Group has applied the following new and amendments to IFRSs issued by the International Accounting Standard Board, for the first time, which are mandatory effective for the annual period beginning on or after January 1, 2023 for the preparation of the Group's condensed consolidated financial statements:

IFRS 17	Insurance Contracts
Amendment to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two Model Rules

The application of the new and amendments to IFRS in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

IFRS 17 "Insurance Contracts"

IFRS 17, which replaces IFRS 4, sets out the recognition, measurement, presentation and disclosure requirements applicable to issuers of insurance contracts. The standard does not have a material impact on these financial statements as the Group does not have contracts within the scope of IFRS 17.

Amendment to IAS 1 and IFRS Practice Statement 2 "Disclosure of Accounting Policies"

The amendments seek to promote improved accounting policy disclosures that provide more useful information to investors and other primary users of the financial statements.

Apart from clarifying that entities are required to disclose their "material" rather than "significant" accounting policy, the amendments provide guidance on applying the concept of materiality to accounting policy disclosures.

These amendments had no effect on the interim condensed consolidated financial statements of the Group as they relate to disclosures of accounting policies in complete financial statements rather than interim financial statements. The amendments are expected to be applicable for the accounting policy disclosures in the annual consolidated financial statements of the Group for the year ending 31 December 2023.

Amendments to IAS 8 "Definition of Accounting Estimates"

The amendments clarify the distinction between changes in accounting policies and changes in accounting estimates. Among other things, the amendments now define accounting estimates as monetary amounts in financial statements that are subject to measurement uncertainty, and clarify that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates unless they result from the correction of prior period errors.

Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it does not apply to such transactions as leases and decommissioning provisions that, on initial recognition, give rise to equal taxable and deductible temporary differences. Consequently, entities will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on these transactions.

3. 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 absorption, distribution, metabolism and excretion ("**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, the Group offers absolute bioavailability (ABA) and human radiolabel studies in its clinical facility.

– The Chemistry unit at the Group performs custom synthesis of new chemical entities and stable-isotope labeled compounds required by biopharmaceutical companies and Good Manufacturing Practice ("**GMP**") material to support Safety and Toxicology studies.

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

	Six months ended	
	6/30/2023	6/30/2022
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Laboratory testing	**51,909**	45,867
CMC	**10,826**	13,191
Preclinical research	**50,849**	48,878
Early stage clinical/bioequivalence	**9,672**	3,448
Chemistry	**5,100**	7,549
	128,356	118,933

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.

4. 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 six months ended June 30, 2023 (Unaudited)

	North America *US$'000*	**PRC** *US$'000*	**Total** *US$'000*
Revenue			
– Laboratory testing	**38,914**	**12,995**	**51,909**
– CMC	**8,188**	**2,638**	**10,826**
– Preclinical research	**46,974**	**3,875**	**50,849**
– Early stage clinical/bioequivalence	**4,968**	**4,704**	**9,672**
– Chemistry	**939**	**4,161**	**5,100**
	99,983	**28,373**	**128,356**
Cost of services	**(65,185)**	**(24,183)**	**(89,368)**
Other income	**634**	**1,404**	**2,038**
Other gains and losses, net	**(339)**	**444**	**105**
Research and development expenses	**–**	**(3,137)**	**(3,137)**
Impairment losses recognized on trade and other receivables and unbilled revenue	**(312)**	**(175)**	**(487)**
Selling and marketing expenses	**(3,056)**	**(938)**	**(3,994)**
Administrative expenses	**(18,760)**	**(4,117)**	**(22,877)**
Share of profit of associates	**–**	**(119)**	**(119)**
Finance costs	**(2,072)**	**(1,038)**	**(3,110)**
Segment profit/(loss)	**10,893**	**(3,486)**	
Profit before tax			**7,407**

For the six months ended June 30, 2022 (Unaudited)

	North America *US$'000*	PRC *US$'000*	Total *US$'000*
Revenue			
– Laboratory testing	36,541	9,326	45,867
– CMC	9,767	3,424	13,191
– Preclinical research	46,677	2,201	48,878
– Early stage clinical/bioequivalence	–	3,448	3,448
– Chemistry	1,463	6,086	7,549
	94,448	24,485	118,933
Cost of services	(54,988)	(19,745)	(74,733)
Other income	292	1,201	1,493
Other gains and losses, net	243	217	460
Research and development expenses	–	(1,586)	(1,586)
Impairment losses recognized on trade and other receivables and unbilled revenue	(135)	(171)	(306)
Selling and marketing expenses	(2,436)	(1,005)	(3,441)
Administrative expenses	(17,982)	(3,646)	(21,628)
Share of profit of associates	–	153	153
Finance costs	(954)	(461)	(1,415)
Segment profit/(loss)	18,488	(558)	
Profit before tax			17,930

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

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:

	Six months ended	
	6/30/2023 ***US$'000*** **(Unaudited)**	6/30/2022 *US$'000* (Unaudited)
Revenue from external customers		
– USA	**95,030**	89,113
– PRC	**22,479**	20,759
– Rest of the world	**10,847**	9,061
	128,356	118,933

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

	As at 6/30/2023 ***US$'000*** **(Unaudited)**	As at 12/31/2022 *US$'000* (Audited)
Non-current assets excluding financial assets and deferred tax assets		
– North America	**265,806**	271,891
– PRC	**92,727**	96,113
	358,533	368,004

5. OTHER INCOME

	Six months ended	
	6/30/2023 ***US$'000*** **(Unaudited)**	6/30/2022 *US$'000* (Unaudited)
Interest income	**799**	246
Government grants related to income	**310**	377
Income from rendering technical support service	**929**	870
	2,038	1,493

6. OTHER GAINS AND LOSSES, NET

	Six months ended	
	6/30/2023 ***US$'000*** **(Unaudited)**	6/30/2022 *US$'000* (Unaudited)
(Loss)/Gain arising on financial liabilities measured as fair value through profit or loss	**(354)**	245
Loss on disposal of property, plant and equipment	**–**	(25)
Net foreign exchange gain	**667**	238
Others	**(208)**	2
	105	460

7. FINANCE COSTS

	Six months ended	
	6/30/2023	6/30/2022
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Interest expense on lease liabilities	**1,695**	1,361
Interest expense on bank borrowings	**1,415**	54
	3,110	1,415

8. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Six months ended	
	6/30/2023	6/30/2022
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Staff costs (including directors' emoluments):		
– Salaries and other benefits	**53,509**	48,772
– Retirement benefit scheme contributions	**3,972**	2,636
– Share-based payment expense	**1,972**	2,473
	59,453	53,881
Depreciation of property, plant and equipment	**8,390**	5,843
Depreciation of right-of-use assets	**5,127**	3,692
Amortization of intangible assets	**3,450**	3,637

9. INCOME TAX EXPENSE

	Six months ended	
	6/30/2023	6/30/2022
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Current tax:		
– PRC Enterprise Income Tax ("**EIT**")	**478**	145
– U.S. Federal Tax	**2,756**	1,661
– U.S. State Tax	**1,694**	999
(Over)/under-provision of EIT, U.S. Federal Tax and U.S. State Tax in prior year	**(139)**	31
	4,789	2,836
Deferred tax:		
– Current period	**(1,940)**	1,992
Total income tax expense	**2,849**	4,828

The Company and U.S. subsidiaries are subject to U.S. Federal and State Income taxes, with the combined income tax rate being 28.7% for the six months ended June 30, 2023 (the six months ended June 30, 2022: 24.62%).

BRI Biopharmaceutical Research, Inc. ("**BRI**"), a wholly owned subsidiary of the Group and as a non-Canadian-controlled private corporation ("**CCPC**") and engaged in active business in British Columbia, Canada, has been subject 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 2017 and was entitled to a preferential tax rate of 15% for a three-year period commencing from 2017. Frontage Shanghai renewed its status in November 2020 and has thereafter been entitled to a preferential tax rate of 15% for another three-year period commencing from the beginning of 2020. Tax rate of 15% was applied for current interim period as management was confident to renew the "Advanced Technology Enterprise" upon expiry in 2023.

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 was 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 has thereafter been 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. Tax rate of 15% was applied for current interim period as management was confident to renew the "Advanced Technology Enterprise" upon expiry in 2023.

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 six months ended June 30, 2023 and 2022. 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 28 March 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 subsidiary 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.

10. 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:

	Six months ended	
	6/30/2023	6/30/2022
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per share	**4,592**	12,945

Number of Shares:

	Six months ended	
	6/30/2023	6/30/2022
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**2,040,766,194**	2,055,448,261
Effect of dilutive potential ordinary shares:		
Share options	**29,324,258**	39,199,783
Share awards	**1,739,684**	10,884,092
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**2,071,830,136**	2,105,532,136

Note:

(i) The weighted average number of ordinary shares shown above has been adjusted for issue of new shares and cancellation of shares as set out in Note 18 and treasury shares as set out in Note 19.

11. DIVIDENDS

No dividends were paid, declared or proposed during the current interim period. The directors of the Company have determined that no dividend will be paid in respect of the current interim period (six months ended June 30, 2022: Nil).

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 6/30/2023 ***US$'000*** **(Unaudited)**	As at 12/31/2022 *US$'000* (Audited)
Trade receivables		
– third parties	**53,610**	50,081
– related parties	**–**	259
Less: loss allowance for trade receivables	**(4,259)**	(4,016)
	49,351	46,324
Other receivables		
– third parties	**2,242**	2,713
– related parties	**4**	109
	2,246	2,822
Notes receivables		
– third parties	**86**	428
Prepayments		
– third parties	**5,237**	5,570
Value-added tax recoverable	**2,640**	2,454
	59,560	57,598

The Group allows a credit period ranging from 30 to 90 days to its customers. The following is an age analysis of trade receivables (net of loss allowance), presented based on the invoice dates, at the end of the reporting period:

	As at 6/30/2023 ***US$'000*** **(Unaudited)**	As at 12/31/2022 *US$'000* (Audited)
Within 90 days	**38,419**	34,291
91 to 180 days	**5,765**	7,581
181 days to 1 year	**3,374**	2,771
Over 1 year	**1,793**	1,681
	49,351	46,324

13. UNBILLED REVENUE

	As at 6/30/2023 ***US$'000*** **(Unaudited)**	As at 12/31/2022 *US$'000* (Audited)
Unbilled revenue		
– third parties	**18,907**	18,062
– related parties	**400**	359
Less: loss allowance for unbilled revenue	**(749)**	(716)
	18,558	17,705

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 condensed consolidated statement of financial position as unbilled revenue.

14. RESTRICTED BANK DEPOSITS/CASH AND CASH EQUIVALENTS

At the end of each reporting period, cash and cash equivalents of the Group comprised of bank balances and cash held. Bank balances held in the PRC carried interest at prevailing market interest rates which ranged from 0.02% to 5.4% per annum as at June 30, 2023 (December 31, 2022: from 0.02% to 4.2% per annum).

According to the lease agreement for the property at Secaucus, NJ, a cash deposit of US$300,000 (December 31, 2022: US$300,000) was required as a guarantee over the property until the end of the lease term in 2027.

As at June 30, 2023, a cash deposit of US$362,000 (December 31, 2022: US$357,000) was required by Pennsylvania department of environmental protection, Bureau of radiation protection in the USA for radiology license in the USA, and the amount is restricted. As at June 30, 2023, the remaining amount in the collateral account was US$362,000 (December 31, 2022: US$357,000), which has been included in restricted bank deposits.

As at June 30, 2023, certain bank deposits with balances of approximately RMB200,000 (equivalent to approximately US$28,000) (December 31, 2022: RMB218,000 (equivalent to approximately US$31,000)) was required by Shanghai Customs District for import value-added tax in China.

15. TRADE AND OTHER PAYABLES

	As at 6/30/2023 *US$'000* (Unaudited)	As at 12/31/2022 *US$'000* (Audited)
Trade payables		
– third parties	**11,209**	10,923
– related parties	**141**	77
	11,350	11,000
Other payables		
– third parties	**2,931**	2,691
– related parties	**1**	1
	2,932	2,692
Contingent consideration payables	**6,292**	11,403
Salary and bonus payables	**4,951**	11,687
Other taxes payable	**940**	762
	26,465	37,544

Payment terms with suppliers are mainly on credit ranging from 30 to 90 days from the invoice date. The following is an age analysis of trade payables, presented based on invoice date, at the end of each reporting period:

	As at 6/30/2023 *US$'000* (Unaudited)	As at 12/31/2022 *US$'000* (Audited)
Within 90 days	**9,199**	10,435
91 days to 1 year	**2,039**	549
Over 1 year	**112**	16
	11,350	11,000

16. ADVANCES FROM CUSTOMERS

	As at 6/30/2023 ***US$'000*** **(Unaudited)**	As at 12/31/2022 *US$'000* (Audited)
Advances from customers		
– third parties	**30,689**	34,186
– related parties	**516**	611
	31,205	34,797

Amounts received in accordance with contracted payment schedules but in excess of revenues earned are recognized as contract liabilities and disclosed in the condensed 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.

17. BANK BORROWINGS

Bank Loans

	As at 6/30/2023 ***US$'000*** **(Unaudited)**	As at 12/31/2022 *US$'000* (Audited)
Secured and unguaranteed bank loans	**51,463**	48,851

	As at 6/30/2023 ***US$'000*** **(Unaudited)**	As at 12/31/2022 *US$'000* (Audited)
Within one year	**11,527**	13,725
More than one year, but not exceeding two years	**7,461**	4,132
More than two years, but not exceeding five years	**26,733**	23,738
More than five years	**5,742**	7,256
	51,463	48,851
Less: Amount shown under current liabilities	**(11,527)**	(13,725)
Amount shown under non-current liabilities	**39,936**	35,126

18. SHARE CAPITAL

	Number of shares	**Amount** *US$*
Ordinary shares of US$0.00001 each		
Authorized:		
As at January 1, 2022, December 31, 2022, January 1, 2023 and June 30, 2023	**5,000,000,000**	**50,000**

	Number of shares	Amount *US$*	Show in the financial statements as *US$'000*
Issued and fully paid:			
As at 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	6,227,500	62	–
Cancellation of shares	(24,922,000)	(249)	–
As at December 31, 2022 (Audited) and January 1, 2023 (Unaudited)	2,055,711,410	20,559	21
Exercise of share options	2,868,500	29	–
As at June 30, 2023 (Unaudited)	**2,058,579,910**	**20,588**	**21**

19. TREASURY SHARES

	As at June 30, 2023		As at December 31, 2022	
	Number of shares	**Cost of acquisition**	Number of shares	Cost of acquisition
		US$'000		*US$'000*
	(Unaudited)	**(Unaudited)**	(Audited)	(Audited)
Balance brought forward	**17,588,126**	**1**	–	–
Repurchase of shares *(note)*	**2,000,000**	**607**	24,922,000	8,378
Cancellation of share	**–**	**–**	(24,922,000)	(8,378)
Issue of shares under 2021 Frontage Share Award Scheme	**–**	**–**	22,950,500	1
Vesting of share awards	**(4,695,062)**	**–**	(5,362,374)	–
Balance carried forward	**14,893,064**	**608**	17,588,126	1

Note: The Company acquired its own shares in the open market which are held as treasury shares.

20. CAPITAL COMMITMENTS

The Group has capital commitments under non-cancelable contracts as follows:

	As at 6/30/2023	As at 12/31/2022
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Purchase of property, plant and equipment	**2,495**	3,978

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

We are a CRO engaged in the provision of research, analytical and development services throughout the product discovery and development continuum. We provide integrated, scientifically-driven support that enables biopharmaceutical and life science companies to achieve their product development goals. We have operations in both North America (including the U.S. and Canada) and China, and are well-placed to capture growth opportunities in these markets. In North America and China, the Group provides a comprehensive portfolio of product discovery and development services throughout the discovery and development continuum, which includes discovery and preclinical research (comprised of DMPK, safety and toxicology, ADME, and compound screening and lead optimization), laboratory testing (comprised of bioanalytical and biologics, and central laboratory), chemistry, and CMC. In addition, in China, the Group provides a suite of bioequivalence and related services (such as pharmacology, medical writing and regulatory support) to support our customers with regulatory submissions.

We seek to leverage our growing portfolio of expertise and capabilities to become a global CRO providing high-quality services to our customers and rewarding career opportunities for our employees. Our client base includes 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 in three countries and have over 1,600 employees worldwide.

For the first quarter of 2023, the Group recorded an unaudited net loss of approximately US$0.9 million, on revenue (unaudited) of approximately US$59.0 million. The loss of the Group during the first quarter of 2023 was primarily attributable to (i) significant increase in the number of COVID-19 cases among the Frontage employees in China, which led to temporary delays in the execution of clients' projects; and (ii) expenses in relation to significant investments made in China, including Suzhou preclinical animal research facility, Shanghai Lin-Gang laboratory, and Wuhan chemistry facilities. During the second quarter of 2023, the financial conditions of the Group rebounded as the COVID-19 pandemic restrictions in China started to diminish and business cooperation with clients has been gradually returning to normal, coupled with efficiency in business operations and enhanced capacity utilization.

Overall, during the Reporting Period, revenue of the Group increased by 8.0% from approximately US$118.9 million for the six months ended June 30, 2022 to approximately US$128.4 million for the six months ended June 30, 2023. 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$340.5 million as at June 30, 2023, representing an increase of 8.0% compared to approximately US$315.3 million as at June 30, 2022.

ENHANCED CAPABILITIES AND EXPERTISE

North America

Diagnostic Testing

Our laboratory diagnostic testing services are key elements in the process of medical decision-making and play a pivotal role in guiding physicians to provide better medical care for patients. The Group operates a multitude of advanced laboratories. Among them, the laboratory located at 760 Pennsylvania Dr., Exton, PA, holds a distinguished position with its Clinical Laboratory Improvement Amendments/The College of American Pathologists (CLIA/CAP) Certification. This recognition, fortified by an unwavering adherence to FDA guidelines, underscores our dedication to the highest standards of quality. In this certified environment, we are spearheading a significant post-marketing CLIA-assay project centered on Anti-Drug Antibodies (ADA) and Neutralizing Antibodies (NAb) assays on the patients who receive a FDA-approved drug. Our expertise in executing these drug-specific ADA and NAb assays uniquely positions us within the industry, emphasizing our continual dedication to the advancement of pharmaceutical science and improvement of patient healthcare outcomes. This platform could be expanded to include other assays, including pharmacokinetic (PK) and pharmacodynamic (PD) biomarker assays, to facilitate the precision, advancement, and improvement of personalized medicine.

Genomics

During the Reporting Period, we developed a comprehensive next generation sequencing (NGS) panel that targets the coding regions of 293 oncology-related genes, including the most well-characterized cancer genes. This panel allows for the discovery and monitoring of almost unlimited variants in this large set of cancer-related genes. This oncology platform had been validated under CLIA and is able to detect variants down to an allele frequency of 3% with 100% sensitivity, selectivity, accuracy, and reproducibility. In a collaboration with our sponsor, the 293 gene oncology panel was evaluated for utility in screening of patients for eligibility as donors for manufacturing of Gemogenovatucel-T, a cellular immunotherapy that was found to improve recurrence-free and overall survival in ovarian cancer patients who are wild-type for BReast CAncer gene 1 ("**BRCA1**") and BReast CAncer gene 2 ("**BRCA2**"). The panel was 100% accurate in detection of pathogenic mutations in BRCA1 and BRCA2 from DNA isolated from patient tumor samples. Our Genomics laboratory recently adapted this 293 NGS panel for use in detection and monitoring of somatic mutations in circulating cell-free DNA (cfDNA). This platform will allow us to effectively compete with other CROs running the Illumina TSO 500 platform on the basis of cost, turnaround, and quality of variant calls. Our Genomics laboratory has been working on achieving CAP accreditation. The combination of CAP accreditation and the NGS oncology service offerings will allow us to develop close relationships with sponsors running late-stage clinical trials which will provide opportunities for development of custom companion diagnostics to be used in Phase 3 for patient stratification and post-market approval for physician treatment decision-making.

Cell and Gene Therapy

During the Reporting Period, we began offering new services in cell and gene therapy ("**CGT**"). We offer analytical development and GMP analytical services for large molecule (biologics) and CGT products. Our analytical development services include method development for identity, purity, impurity, content, and potency as well as characterization of large molecule and CGT viral product using biophysical methods, mass spectrometry, chromatography, CE, SPR, AUC and SEC-MALS, empty/full capsid, capsid identity, LC/MS peptide map, and aggregate characterization. Our GMP analytical services for large molecule (biologics) and CGT products include drug substance/drug product release testing, degradation studies, stability studies, cell-based potency assays, and in use studies.

China

Since 2023, both the global and Chinese biopharmaceutical capital markets have experienced a notable downturn in investment activity. This decline has triggered fluctuations in the financing initiatives of biopharmaceutical firms, leading, as a result, to a relative lull in research and development ("**R&D**") vigor, particularly in new drug development, not only within China but also globally. Inevitably, this period of financial retrenchment has left an imprint on the biopharmaceutical R&D outsourcing industry, which has mirrored the overall market in experiencing a reduction in vitality. However, despite these current headwinds, we note with optimism that both the global and Chinese biopharmaceutical markets continue on a steady expansionary path. Moreover, the demand for R&D outsourcing services within the pharmaceutical sector maintains its upward trajectory. While we are currently steering through a phase of market recalibration and recovery, the fundamental market potential within the life sciences and biopharmaceutical sectors remains robust. This strong underpinning bodes well for promising prospects of future growth and development.

With the advancement of science and technology and the development of medical therapeutic technology, the country's policy orientation for drug research and development, innovation has gradually become the core driving force of China's pharmaceutical research and development. An increasing number of biopharmaceutical firms are turning to pharmaceutical R&D outsourcing service providers, seeking personalized drug R&D solutions to cater to the diverse needs of various patient groups. Consequently, the technical prowess, industry experience, and areas of expertise of pharmaceutical R&D outsourcing firms will gain heightened prominence in the competitive landscape. In addition to ensuring service quality aligns with global drug regulatory standards, the effective management of costs will further enhance the market competitiveness of Chinese pharmaceutical R&D outsourcing firms. As such, cost-effectiveness, alongside rigorous adherence to international standards, will increasingly underscore the market position of these outsourcing entities.

In China, we have a steadfast commitment to bolstering our technical capabilities. This includes enhancing our R&D teams, laboratory facilities and equipment, technological platforms, and professional competencies in order to establish a comprehensive platform for drug discovery and development. Our goal is to provide our customers with high-quality and comprehensive services. As of the end of the Reporting Period, our services in China span the gamut of drug discovery, preclinical research, and clinical research. This notably encompasses chemical synthesis and medicinal chemistry, pharmacodynamics, drug metabolism and pharmacokinetics, safety and toxicology, CMC formulation development, clinical sample production, biological analysis, biological agents, central laboratory, and bioequivalence ("BE") clinical research. We have established a total of 11 laboratory and manufacturing facilities across Shanghai, Suzhou, Wuhan, and Zhengzhou in China, cumulatively occupying a total area of 810,000 square feet. The operation of these facilities has significantly amplified the capabilities of our various service platforms in China. Concurrently, we are actively working to expand the technical capabilities across each service platform.

In January 2023, our 89,000-square-foot clinical sample manufacturing facility in Suzhou became partially operational. In addition to the enhanced manufacturing capacities of our CMC formulation R&D analytical services, this facility also includes an oral solid dosage form workshop, a sterile parenteral dosage form workshop, a topical semi-solid dosage form workshop, and an analytical testing laboratory. With these enhancements, we are strategically positioned to fortify our proficiency in the production of clinical trial samples/materials across various dosage forms. These include but are not limited to injections, semi-solid preparations, and eye drops. This investment in our capabilities is a testament to our commitment to stay at the forefront of the ever-evolving demands of the pharmaceutical research and development industry.

In May 2023, we successfully launched phase I of our drug development center in Wuhan. The facility hosts 50 medicinal chemistry laboratories, 4 process research and development laboratories, as well as a dedicated analytical and testing service center. The core objective of this initiative is to establish a robust small molecule innovative drug R&D service platform. We are committed to providing our global clients with comprehensive, one-stop pharmaceutical R&D services that span from target screening all the way to preclinical pharmaceutical research. This demonstrates our dedication to being a reliable and efficient partner in the global pharmaceutical research and development ecosystem.

In June 2023, our 215,000-square-foot Suzhou safety assessment center was awarded Good Laboratory Practice (GLP) certification by the National Medical Products Administration ("**NMPA**"). This milestone signifies our capability and qualifications to undertake preclinical toxicology and safety evaluation projects pertinent to Investigational New Drug ("**IND**") applications. This accomplishment notably enhances our competitive edge in the field of preclinical research. Moreover, our facility successfully met the rigorous standards of the Association for Assessment and Accreditation of Laboratory Animal Care (AAALAC) and was duly certified in March 2023. These accreditations serve as an affirmation of our commitment to quality, reliability, and the highest standards of practice in the industry.

During the Reporting Period, we have been proactively enhancing the technical capabilities of our various platforms. This is aimed at boosting service quality and delivery efficiency, and to better align with the evolving research and development needs of our clientele. These improvements encompass, but are not limited to:

1) Our DMPK unit integrated distinctive patented technology and developed a bile salt export pump (BSEP) experimental platform based on human liver cells, allowing for a more precise evaluation of the mechanisms and potential risks associated with liver disease drugs. In addition, we established a high-throughput parallel artificial membrane permeability assay (PAMPA) permeability screening platform, enhancing the efficiency of compound membrane permeability assessments;

2) Our pharmacodynamics services have been enriched with the addition of over 50 new enzymology testing targets, and we've established more than 30 types of cell lines, encompassing G protein-coupled receptors (GPCR), ion channels, transporters, and signaling pathways. Concurrently, we've been actively expanding our capabilities in the field of tumor vaccines within animal models. This effort includes conducting a multitude of studies on the immunogenicity of infectious vaccines, immunization procedures, adjuvant research, and delivery systems;

3) Our safety and toxicology services have successfully conducted a myriad of clinical pathology, histopathology, general toxicology, and genotoxicity tests. Notably, a small molecule anti-tumor drug that we contributed to for a U.S. client has received official IND approval from the FDA. Similarly, a dual target antibody drug that we worked on for a China-based customer has been granted official IND approval by the NMPA;

4) Our bioanalytical services persist in the pursuit of advanced scientific and technological service arenas. We have established testing platforms for antibody-drug conjugates ("**ADC**") drugs, small nucleic acid drugs, biomarkers, and CGT drugs. Especially in ADC projects, we have crafted robust solutions and accumulated considerable experience in addressing issues related to stability and interference during method establishment;

5) Our BE services have successfully conducted a variety of specialized dosage forms, including inhalers, transdermal preparations, composite injections, and complex projects involving endogenous substances and biosimilar drugs. We have also executed multi-center patient BE studies, offering comprehensive services encompassing protocol writing, project management, clinical monitoring, medical monitoring, data management, statistical analysis, pharmacokinetic calculations, and report submission. Further, we successfully assisted three of our clinical center partners in passing FDA clinical inspections.

As our various business units in China continue to evolve, particularly those engaged in preclinical research, our integrated service offerings are beginning to yield notable progress. During the Reporting Period, we have begun to secure projects through the delivery of comprehensive services across our multifaceted business divisions. We have secured numerous orders for integrated service projects, which span across medicinal chemistry, API research and development, pharmacodynamics, drug metabolism and pharmacokinetics, safety and toxicology, CMC formulation development, and bioanalysis. This demonstrates that our unified service platform is garnering increasing recognition and trust from our customers.

During the Reporting Period, our business development team has diligently leveraged our established comprehensive drug R&D service platform to enhance the synergy between our Chinese and North American markets. With the unique advantage of operating in both regions, we have been successful in cross-selling our China-based services, offering cost-effective solutions to an expanding base of international customers.

In 2023, as the COVID-19 pandemic restrictions in China started to diminish, we accelerated the collaboration between our laboratories in China and North America, deepening their technical and business synergies. A series of strategic initiatives, including customer referral programs, cross-border project exchanges, and shared technological advancements, were implemented, significantly enhancing our operational efficiency and reach. To expand our business in China, we recruited business development personnel based in North America. Their main role involves steering our overseas customers towards utilizing our laboratories in China. Simultaneously, we fortified our collaboration with our controlling shareholder, Tigermed Group. We capitalized on Tigermed's extensive customer base, with particular emphasis on preclinical projects with Tigermed's strategic customers. This reinforced cooperation has allowed our new service platforms to quickly gain recognition from both international and domestic customers. As a result, we've seen a continual improvement in our facility capacity utilization and service levels, thereby contributing to our overall business growth and development.

From the second half of 2022 through to the end of this Reporting Period, we have seen a rise in our operational costs and expenses. This escalation is primarily driven by the development and inauguration of our new facilities in China, including the Suzhou preclinical animal research facility, Shanghai Lin-Gang laboratory, Wuhan pharmacodynamics laboratory, Phase I of the Wuhan drug R&D center, and Suzhou clinical sample production facility. In parallel, the introduction of our newly established service platforms such as drug efficacy research, DMPK, safety and toxicology, and central laboratory services also contributed to this increase. Key expense categories include depreciation and amortization related to new facilities and services, as well as labor costs associated with the expansion of business teams. These factors have had an impact on the profitability of our China business.

However, as of the end of this Reporting Period, we have successfully established the requisite infrastructure, equipment, personnel, and quality systems for our new business ventures. These platforms have already started to generate income within the Reporting Period.

Moving forward, we anticipate that with continued operation and improving capacity utilization of these advanced facilities and high-standard service platforms, we will generate sufficient revenue to offset development-phase costs and expenses. This will, in turn, enhance the profitability of our operations in China.

THE GROUP'S FACILITIES

As of June 30, 2023, 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 June 30, 2023, 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.

FINANCIAL REVIEW

Revenue

The revenue of the Group increased by 8.0% from approximately US$118.9 million for the six months ended June 30, 2022 to approximately US$128.4 million for the six months ended June 30, 2023. Revenue from operations in North America increased by 5.9% from approximately US$94.4 million for the six months ended June 30, 2022 to approximately US$100.0 million for the six months ended June 30, 2023. Excluding the impact of currency translation, the revenue from operations in China increased by 24.2% from approximately RMB159.3 million (equivalent to approximately US$24.5 million) for the six months ended June 30, 2022 to approximately RMB197.8 million (equivalent to approximately US$28.4 million) for the six months ended June 30, 2023.

For the first quarter of 2023, the Group recorded approximately US$59.0 million, during the second quarter of 2023, the financial conditions of the Group rebounded and recorded approximately US$69.4 million.

Specifically, revenue from operations in North America was approximately US$52.8 million for the second quarter of 2023, increased by 11.9% compared to approximately US$47.2 million for the first quarter of 2023. The growth of revenue from operations in North America in the second quarter was mainly attributable to marketing efforts made by the Group, resulting in resilient marketing performance in North America, partially offset by the decrease of revenue generated from early drug discovery business which was negatively affected by the weak global investment and financing environment in the biopharmaceutical field.

Excluding the impact of currency translation, revenue from operations in China was approximately RMB116.7 million (equivalent to approximately US$16.6 million) for the second quarter of 2023, increased by 43.9% compared to approximately RMB81.1 million (equivalent to approximately US$11.8 million) for the first quarter of 2023. The growth of revenue from operations in China in the second quarter was mainly attributable to improvement of capacity utilization and acceleration of execution of clients' projects after recovery from COVID-19 and positive impact of investments in the preclinical and GLP bioanalytical from Suzhou facility.

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

	For the six months ended June 30,	
	2023	2022
	US$'000	*US$'000*
Laboratory testing	**51,909**	45,867
CMC	**10,826**	13,191
Preclinical research	**50,849**	48,878
Early stage clinical/bioequivalence	**9,672**	3,448
Chemistry	**5,100**	7,549
	128,356	118,933

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

	For the six months ended June 30,			
	2023		2022	
Revenue	***US$'000***	***%***	*US$'000*	*%*
– USA	**95,030**	**74.0**	89,113	74.9
– China	**22,479**	**17.5**	20,759	17.5
– Rest of the world*(Note)*	**10,847**	**8.5**	9,061	7.6
Total	**128,356**	**100.0**	118,933	100.0

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

Top 5 customers' revenue increased by 0.5% from approximately US$21.9 million for the six months ended June 30, 2022 to approximately US$22.0 million for the six months ended June 30, 2023, accounting for 17.1% of total revenue for the six months ended June 30, 2023 as compared to 18.4% for the six months ended June 30, 2022.

Top 10 customers' revenue increased by 2.3% from approximately US$29.9 million for the six months ended June 30, 2022 to approximately US$30.6 million for the six months ended June 30, 2023, accounting for 23.8% of total revenue for the six months ended June 30, 2023, as compared to 25.1% for the six months ended June 30, 2022.

Cost of Services

The cost of services of the Group increased by 19.7% from approximately US$74.7 million for the six months ended June 30, 2022 to approximately US$89.4 million for the six months ended June 30, 2023. The increase of the cost of services was mainly attributed to the expansion of our service capability and capacity in both North America and China which led to an increase in depreciation and other overhead cost, as well as employee compensation as more scientists were hired in the second half of 2022.

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 of our services. Overheads primarily consist 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 decreased by 11.8% from approximately US$44.2 million for the six months ended June 30, 2022 to approximately US$39.0 million for the six months ended June 30, 2023. The Group's gross profit margin decreased from approximately 37.2% for the six months ended June 30, 2022 to approximately 30.4% for the six months ended June 30, 2023. In particular, gross profit margin in North America decreased from approximately 41.8% for the six months ended June 30, 2022 to approximately 34.8% for the six months ended June 30, 2023, which was driven by the decrease of revenue generated from early drug discovery chemistry business and CMC business which was negatively affected by the weak global investment and financing environment in the biopharmaceutical field. Gross profit margin in China decreased from approximately 19.4% for the six months ended June 30, 2022 to approximately 14.8% for the six months ended June 30, 2023, primary due to (a) relatively lower gross profit margin contributed by newly established pre-clinical business (b) increasing overhead cost associated with facilities that recently started operation (c) proactive marketing and pricing strategies were adopted while facing the severe market competition in China due to the weak investment and financing environment in the biopharmaceutical field.

Selling and Marketing Expenses

Selling and marketing expenses of the Group increased by 17.6% from approximately US$3.4 million for the six months ended June 30, 2022 to approximately US$4.0 million for the six months ended June 30, 2023, as a result of more sales and marketing activities after COVID-19.

Administrative Expenses

The Group's administrative expenses increased by 6% from approximately US$21.6 million for the six months ended June 30, 2022 to approximately US$22.9 million for the six months ended June 30, 2023. Excluding share-based compensation expense and amortization of intangible assets acquired from mergers and acquisitions and expenses in relation to mergers and acquisitions, the Group's administrative expenses increased by 12.1% from approximately US$15.7 million for the six months ended June 30, 2022 to approximately US$17.6 million for the six months ended June 30, 2023, primarily due to (i) workforce expansion to facilitate the smooth operation and support the Group's growing business and its long-term development; and (ii) an increase in office administration costs and other operational costs, which are in line with the Group's business growth.

Research and Development Expenses

Our research and development 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 research and development expenses increased by 93.8% from approximately US$1.6 million for the six months ended June 30, 2022 to approximately US$3.1 million for the six months ended June 30, 2023, primarily due to our efforts in enhancing investment in new technologies and platforms.

Finance Costs

The Group's finance costs increased by 121.4% from approximately US$1.4 million for the six months ended June 30, 2022 to approximately US$3.1 million for the six months ended June 30, 2023, 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 decreased by 41.7% from approximately US$4.8 million for the six months ended June 30, 2022 to approximately US$2.8 million for the six months ended June 30, 2023, primarily due to a decrease in pretax income.

Net Profit and Net Profit Margin

The net profit of the Group decreased by 64.9% from approximately US$13.1 million for the six months ended June 30, 2022 to approximately US$4.6 million for the six months ended June 30, 2023. The net profit margin of the Group for the six months ended June 30, 2023 was 3.6%, compared to 11.0% for the six months ended June 30, 2022. Particularly, the net profit of the second quarter 2023 of approximately US$5.5 million, has significantly improved from net loss of approximate US$0.9 million of the first quarter 2023 as a result of fully recovery of the business from COVID-19 impact. The lower net profit and net profit margin compared to the six months ended June 30, 2022 was primarily effected by (i) revenue decrease of drug discovery chemistry business and CMC service due to the weak global investment and financing environment; and (ii) the increase of depreciation and other overhead associated with newly established preclinical business as well as facilities that recently started operation in China.

Adjusted Net Profit

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

	For the six months ended June 30,	
	2023	2022
	US$'000	*US$'000*
Net Profit	**4,558**	13,102
Add: Share – based compensation expense	**1,972**	2,473
Amortization of acquired intangible assets from mergers and acquisitions	**3,331**	3,438
Loss/(gain) arising from financial liabilities measured as fair value through profit or loss	**354**	(245)
Expenses in relation to mergers and acquisitions	**8**	–
Adjusted Net Profit	**10,223**	18,768
Adjusted Net Profit Margin	**8.0%**	15.8%

The adjusted net profit of the Group decreased by 45.7% from approximately US$18.8 million for the six months ended June 30, 2022 to approximately US$10.2 million for the six months ended June 30, 2023. The adjusted net profit margin of the Group for the six months ended June 30, 2023 was 8.0%, compared to 15.8% for the six months ended June 30, 2022. The lower adjusted net profit margin of the Group for the six months ended June 30, 2023 was primarily due to a lower net profit margin as discussed above.

Particularly, the adjusted net profit was approximately US$8.3 million for the second quarter of 2023, with significant improvement compared to approximately US$1.9 million for the first quarter of 2023, which in line with a higher net profit in the second quarter as discussed above.

EBITDA

The EBITDA[1] of the Group decreased by 15.4% from approximately US$32.5 million for the six months ended June 30, 2022 to approximately US$27.5 million for the six months ended June 30, 2023. The EBITDA margin of the Group for the six months ended June 30, 2023 was 21.4%, compared to 27.3% for the six months ended June 30, 2022. Compared with 64.9% net profit decrease, EBITDA has a much smaller decrease, primary due to the exclusion of deprecation cost associated with newly established preclinical business as well as facilities that recently started operation in China.

Adjusted EBITDA

The adjusted EBITDA[2] of the Group decreased by 14.1% from approximately US$34.7 million for the six months ended June 30, 2022 to approximately US$29.8 million for the six months ended June 30, 2023. The adjusted EBITDA margin of the Group decreased from 29.2% for the six months ended June 30, 2022 to 23.2% for the six months ended June 30, 2023. The decrease of adjusted EBITDA is in line with the EBITDA which had been discussed above.

Basic and Diluted Earnings Per Share

The basic earnings per share of the Group decreased by 63.5% from US$0.0063 for the six months ended June 30, 2022 to US$0.0023 for the six months ended June 30, 2023. The diluted earnings per share of the Group decreased by 63.9% from US$0.0061 for the six months ended June 30, 2022 to US$0.0022 for the six months ended June 30, 2023. The decrease in the basic and diluted earnings per share was primarily due to the decrease in the net profit as discussed above.

The adjusted basic earnings per share for the six months ended June 30, 2023 amounted to US$0.0050, representing an decrease of 45.1% as compared with that of US$0.0091 for the six months ended June 30, 2022. The adjusted diluted earnings per share of the Group for the six months ended June 30, 2023 amounted to US$0.0050 when compared with that of US$0.0088 for the six months ended June 30, 2022. The decrease in both the adjusted basic and the adjusted diluted earnings per share was primarily due to the decrease in the adjusted net profit as discussed in the above.

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[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, and gain or loss arising from financial liabilities measured as fair value through profit or loss 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 IFRS, 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 and expenses in relation to mergers and acquisitions) as additional financial measures, which are not required by, or presented in accordance with, the IFRS. 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-IFRS financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with the IFRS. The adjusted results should not be viewed on a stand-alone basis or as a substitute for results under IFRS.

Right-of-Use Assets

The Group recorded approximately US$59.7 million right-of-use assets as at June 30, 2023, which decreased by 8.4% from approximately US$65.2 million as at December 31, 2022. The decrease was mainly due to the depreciation charges of existing leases.

Intangible Assets

The Group recorded approximately US$30.0 million intangible assets as at June 30, 2023, which decreased by 10.4% from approximately US$33.5 million as at December 31, 2022. The decrease was mainly due to the amortization.

Trade and Other Receivables and Prepayment

The trade and other receivables and prepayment of the Group increased by 3.5% from approximately US$57.6 million as at December 31, 2022 to approximately US$59.6 million as at June 30, 2023, primarily due to the growth of the Group's business.

Unbilled Revenue

The Group has recorded 5.1% increase in unbilled revenue from approximately US$17.7 million as at December 31, 2022 to approximately US$18.6 million as at June 30, 2023, primarily due to the growth of the Group's business.

Structured Deposits

As at June 30, 2023, the Group recorded approximately US$2.8 million structured deposits to improve the return of available cash balance.

Trade and Other Payables

The trade and other payables of the Group decreased by 29.3% from approximately US$37.5 million as at December 31, 2022 to approximately US$26.5 million as at June 30, 2023, primarily due to the payments for contingent consideration payables and decreased bonus accrual.

Advances from Customers

The Group has recorded a decrease of 10.3% in advance from customers which converted to revenue during reporting period.

Liquidity and Capital Resources

The Group's bank balances and cash amounted to approximately US$77.5 million in total as at June 30, 2023, as compared to approximately US$87.4 million as at December 31, 2022, as a result of payments for purchase of property, plant and equipment. The cash and cash equivalents held by the Company are composed of RMB, HK$, CAD and US$. Currently, the Group follows a set of funding and treasury policies to manage its capital resources and prevent risks involved.

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

	For the six months ended June 30,	
	2023	2022
	US$'000	*US$'000*
Net cash generated from operating activities	**11,386**	24,511
Net cash used in investing activities	**(15,551)**	(102,457)
Net cash (used in)/generated from financing activities	**(4,806)**	2,280
Net decrease in cash and cash equivalents	**(8,971)**	(75,666)
Cash and cash equivalents at the beginning of the period	**87,433**	144,629
Effect of exchange rate changes	**(936)**	(1,129)
Cash and cash equivalents at the end of the period	**77,526**	67,834

Capital Expenditures

Our principal capital expenditures relate primarily to purchases of property, plant and equipment, and intangible assets relation to the expansion and enhancement of our facilities and purchases of equipment and intangible assets used in providing our services. Approximately US$11.5 million of capital expenditures were incurred for the six months ended June 30, 2023, which was decreased by 44.7% when compared to approximately US$20.8 million for the six months ended June 30, 2022, primarily due to the decreased expenditures for enhancement of facilities in North America and China.

Indebtedness

Borrowings

The Group had total bank borrowings of US$51.5 million as at June 30, 2023 compared to US$48.9 million as at December 31, 2022. On June 30, 2023, the effective interest rate of the Group's bank borrowings ranged from 3.75% to 8%. US$ borrowings amounted to US$26.4 million and RMB borrowings amounted to RMB181.1 million (equivalent to US$25.1 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$63.9 million lease liabilities as at June 30, 2023, compared to approximately US$69.3 million as at December 31, 2022 due to the payments for existing leases.

Contingent Liabilities and Guarantees

As at June 30, 2023, the Group did not have any material contingent liabilities or 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

The 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 10.3% and 8.2% as at June 30, 2023 and December 31, 2022, respectively. The increase is primarily due to significant financing activities to support business expansion.

Employees and Remuneration Policies

As at June 30, 2023, the Group had a total of 1,613 employees, of whom 704 were located in North America and 909 were located in China; 1,328 were scientific and technical support staff and 285 were sales, general and administrative staff. Approximately 81% of employees hold a bachelor's degree or above, and we have 546 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$53.5 million for the six months ended June 30, 2023, as compared to approximately US$48.8 million for the six months ended June 30, 2022. 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 announcement, 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.

EVENTS AFTER THE REPORTING PERIOD

On August 15, 2023 (New York time), Frontage Labs (as the "**Guarantor**") and its wholly owned subsidiary, Frontage Canada Inc. (as the "**Purchaser**"), entered into the Share Purchase Agreement ("**Share Purchase Agreement**") with Nucro-Technics Inc. ("**Nucro**") and Nucro-Technics Holdings, Inc. ("**Nucro Holdings**" and, together with Nucro, "**Targets**"), shareholders of the Targets ("**Sellers**"), and representative of the Sellers, pursuant to which Sellers agreed to sell and Purchaser agreed to purchase 100% of the equity interest in Targets ("**Acquired Shares**") for a cash consideration of approximately CAD70,000,000 (equivalent to approximately HKD410,431,000) in accordance with the terms and conditions of the Share Purchase Agreement. The total consideration ("**Consideration**") for the Acquired Shares generally represents the value of the Sellers' pro rata share of equity in Target by reference to the Base Purchase Price (i.e. CAD70,000,000), subject to adjustment based on net working capital adjustment, transaction expenses, and indebtedness and closing balance of cash and cash equivalents of Targets as at the closing.

Nucro-Technics, Inc. is a corporation formed under the laws of Canada with its 60,000 square foot state-of-the-art facility located in Ontario, Canada. It provides comprehensive services in DMPK, formulation development, analytical testing, bioanalysis, preclinical safety and toxicology and early phase clinical studies.

Nucro Holdings is a corporation formed under the laws of Canada. Save for holding shares in Nucro, Nucro Holdings has no business operations since its formation.

For further details, please refer to the Company's announcement dated August 15, 2023.

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.

Although both the global and Chinese biopharmaceutical capital markets have experienced a notable downturn in investment activity, leading to a relative lull in R&D vigor, particularly in new drug development, not only within China but also globally, we believe 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 driven by the growing complexity of drug R&D, the need for specialized expertise, and the desire to reduce costs and increase efficiency.

Looking forward, we will continue to advance our objective as a value-added partner with a focus on solving our customers' most significant and complex product discovery and development challenges. 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.

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$2.6 million as at June 30, 2023.

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 June 30, 2023:

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 June 30, 2023 *(US$ million)*	Net proceeds brought forward for the Reporting Period *(US$ million)*	Unutilized net proceeds as at June 30, 2023 *(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	–	–	
Expand and broaden range of capabilities and services organically	77.3	40%	74.7	11.6	2.6	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	–	–	
Total	193.2	100%	190.6	11.6	2.6	

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended June 30, 2023 (six months ended June 30, 2022: nil).

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

For the six months ended June 30, 2023, the Company repurchased a total of 2,000,000 Shares (the "**Shares Repurchased**") on the Stock Exchange at an aggregate consideration (including transaction cost) of approximately HK$4,745,680. The repurchased Shares shall be 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 for the six months ended June 30, 2023 are as follows:

Month of repurchase	**No. of Shares repurchased**	**Highest price paid per Share** *(HK$)*	**Lowest price paid per Share** *(HK$)*	**Aggregate consideration** *(HK$'000)*
March	2,000,000	2.4	2.31	4,746
Total	2,000,000	2.4	2.31	4,746

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 six months ended June 30, 2023.

CG CODE

During the six months ended June 30, 2023, the Company has followed the principles and complied with the code provisions set out in the CG Code, except for the deviation from code provision C.2.1 of the CG Code.

Pursuant to code provision C.2.1 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. Dr. Song Li, the executive Director, performed these two roles in the Company till January 3, 2023. With effect from January 3, 2023, Dr. Song Li resigned from his role of the Chief Executive Officer but continues to serve as an executive Director and the Chairman of the Board (among other roles). Taking into account code provision C.2.1 of the CG Code, Dr. Abdul Mutlib has been promoted to the Chief Executive Officer of the Company as successor to Dr. Song Li with effective from January 3, 2023 and the roles of chairman and the chief executive officer have been performed by different individuals since then.

CHANGES IN INFORMATION OF DIRECTORS

Changes in the information of Directors since the publication of the annual report of the Company for the year ended December 31, 2022 and up to June 30, 2023, which are required to be disclosed under Rule 13.51B(1) of the Listing Rules are set out below:–

- Dr. Song Li has resigned as the Chief Executive Officer of the Company with effect from January 3, 2023.

- Dr. Song Li has also resigned as the Chief Executive Officer of Frontage Laboratories, Inc. with effect from January 3, 2023.

- Dr. Abdul Mutlib has been appointed as the Chief Executive Officer of the Company and Frontage Laboratories, Inc. with effect from January 3, 2023.

- Ms. Zhuan Yin ceased to be the Executive Director and Deputy General Manager of Hangzhou Tigermed Consulting Co., Ltd, a company listed on the Hong Kong Stock Exchange (stock code: 3347) and listed on the Shenzhen Stock Exchange (stock code: 300347) with effect from May 23, 2023.

REVIEW OF INTERIM RESULTS BY THE AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee has reviewed together with the Company's management and BDO Limited, the Company's external auditor, the accounting principles and policies, internal controls, risk management and financial reporting adopted by the Group, the unaudited condensed consolidated financial statements, interim results announcement and interim report of the Group for the Reporting Period. The Audit and Risk Management Committee is satisfied that the unaudited condensed consolidated financial statements, interim results announcement and interim report 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 and that adequate disclosures had been made in accordance with the requirements of the Listing Rules.

PUBLICATION OF THE 2023 INTERIM RESULTS ANNOUNCEMENT AND 2023 INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.frontagelab.com). The interim 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
"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
"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
"Board of Directors" or "Board"	the board of directors of the Company from time to time
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"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
"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
"EIT"	PRC Enterprise Income Tax
"EIT Law"	Enterprise Income Tax Law of the PRC
"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
"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
"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
"Independent Shareholders"	independent Shareholders other than the Connected Award Participants and their respective associates
"IPO"	initial public offering
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	May 30, 2019, being the date of Listing
"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 Issuers contained in Appendix 10 to the Listing Rules
"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 announcement 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
"Relevant Employees"	the employees of the Group who, because of their office or employment, are likely to possess inside information in relation to the Company or its securities
"Reporting Period"	the six months ended June 30, 2023
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	ordinary share(s) with nominal value USD0.00001 each in the issued share capital of the Company

"Shareholder(s)"	holder(s) of Share(s)
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US$" or "USD"	United States Dollars, the lawful currency of the U.S.
"USA", the "United States" or the "U.S."	the United States of America
%	per cent

In this report, 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, August 25, 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*