FRONTAGE

YOUR DRUG DEVELOPMENT PARTNER

Frontage Holdings Corporation

方達控股公司 *

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1521

2024

ANNUAL REPORT

* For identification purpose only

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Director
Dr. Song Li
(Chairman)

Non-executive Directors
Dr. Zhihe Li
Ms. Zhuan Yin
Mr. Hao Wu

Independent Non-executive Directors
Mr. Yifan Li
Mr. Erh Fei Liu
Dr. Jingsong Wang

MEMBERS OF AUDIT AND RISK MANAGEMENT COMMITTEE
Mr. Yifan Li (*Chairman*)
Mr. Erh Fei Liu
Mr. Hao Wu

MEMBERS OF REMUNERATION COMMITTEE
Dr. Jingsong Wang (*Chairman*)
Mr. Yifan Li
Dr. Song Li

MEMBERS OF NOMINATION COMMITTEE
Dr. Jingsong Wang (*Chairman*)
Mr. Erh Fei Liu
Dr. Song Li

COMPANY SECRETARY
Ms. Karen Ying Lung Chang
(*Hong Kong Solicitor*)

AUTHORISED REPRESENTATIVES
Dr. Song Li
Ms. Karen Ying Lung Chang

AUDITOR
BDO Limited
Certified Public Accountants

PRINCIPAL BANKER
Wells Fargo Bank, N.A.

LEGAL ADVISERS
As to Hong Kong laws:
Morgan, Lewis & Bockius

As to Cayman Islands laws:
Conyers Dill & Pearman

REGISTERED OFFICE
Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEAD OFFICE
700 Pennsylvania Drive
Exton, PA 19341, USA

PRINCIPAL PLACE OF BUSINESS IN USA
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Exton, PA 19341, USA

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
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Causeway Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
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Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

STOCK CODE
1521

COMPANY WEBSITE
www.frontagelab.com

FINANCIAL HIGHLIGHTS

	For the year ended December 31,				
	2020	2021	2022	2023	2024
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Operating results					
Revenue	125,811	184,441	250,360	259,855	**254,907**
Gross profit	41,485	66,701	89,194	78,394	**69,811**
Profit before tax	19,522	25,066	36,096	14,577	**2,744**
Net profit	17,415	18,922	25,900	10,728	**619**
Adjusted net profit[(1) (2)]	20,346	32,238	36,168	23,974	**13,243**
Profitability					
Gross profit margin (%)	33.0%	36.2%	35.6%	30.2%	**27.4%**
Net profit margin (%)	13.8%	10.3%	10.3%	4.1%	**0.2%**
Adjusted net profit margin (%)	16.2%	17.5%	14.4%	9.2%	**5.2%**

	As at December 31,				
	2020	2021	2022	2023	2024
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*
	(Restated)				
Financial position					
Total assets	382,714	475,842	550,594	571,869	**553,593**
Total equity	288,872	323,084	335,848	345,147	**334,269**
Total liabilities	93,842	152,758	214,746	226,722	**219,324**
Cash and cash equivalents	212,087	144,629	87,433	53,186	**44,091**

(1) Calculation of adjusted net profit is modified and calculated as net profit for the Reporting Period, excluding share-based compensation expenses, amortization of acquired intangible assets from mergers and acquisitions, expenses in relation to mergers and acquisitions, gain or loss arising from financial assets/liabilities measured as fair value through profit or loss, goodwill impairment and gain arising from fair value change of previously held interest in an associate to better reflect the Company's current business and operations.

(2) Gain or loss arising from financial liabilities measured as fair value through profit or loss has been included in the reconciliation of adjusted net profit for the year ended December 31, 2021, and the adjusted net profit for the year ended December 31, 2020 was restated to include the same information for comparison purpose.

RECONCILIATION FOR ADJUSTED NET PROFIT

	For the year ended December 31,				
	2020	2021	2022	2023	**2024**
	USD'000	*USD'000*	*USD'000*	*USD'000*	***USD'000***
Adjusted Net Profit Reconciliation					
Net Profit	17,415	18,922	25,900	10,728	**619**
Share-based Compensation	935	7,517	4,702	3,044	**3,144**
Gain arising from fair value change of previously held interest in an associate	–	–	(2,047)	–	**–**
Goodwill impairment	–	–	–	1,893	**–**
Amortization of acquired intangible assets from mergers and acquisitions	2,014	4,074	6,947	7,283	**8,581**
Expenses in relation to mergers and acquisitions	–	–	473	515	**252**
Loss/(gain) arising on financial liabilities measured as fair value through profit or loss[1]	(18)	1,725	193	511	**159**
Loss arising on financial assets measured as fair value through profit or loss	–	–	–	–	**488**
Adjusted Net Profit	20,346	32,238	36,168	23,974	**13,243**

(1) Gain or loss arising from financial liabilities measured as fair value through profit or loss has been included in the reconciliation of adjusted net profit for the year ended December 31, 2021, and the adjusted net profit for the year ended December 31, 2020 was restated to include the same information for comparison purpose.

CHAIRMAN'S STATEMENT

Dear Valued Shareholders,

On behalf of the Board of Directors, I am pleased to present the annual report of the Company and its subsidiaries for the Reporting Period.

In 2024, the global biopharmaceutical industry continued to experience a challenging investment and financing environment, as pharmaceutical and biotechnology companies reprioritized their drug development initiatives and exercised greater caution with their budgetary spending amidst the uncertainty in the broader market and regulatory environments. With increasing pressure on profit margins and greater scrutiny from investors, the focus shifted towards cost-effective solutions, accelerated timelines, and more targeted drug development pipelines. Trade barriers and shifts in international policy complicated the ability of biopharmaceutical companies to operate globally, especially across key markets in the US, China and Europe. While these market dynamics present challenges for companies like Frontage operating within the biopharmaceutical research and development space, we believe the Company continues to navigate these external factors strategically as we aim to position ourselves competitively in response to shifting industry landscapes.

In the face of these challenges, the Group's revenue decreased by 1.9% from approximately US$259.9 million for the year ended December 31, 2023 to approximately US$254.9 million for the year ended December 31, 2024. However, 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$390.6 million as of December 31, 2024, representing an increase of 14.1% compared to approximately US$342.2 million as of December 31, 2023.

In 2024, we continued to strengthen our global capabilities and footprint and grew our client base, including by providing services to several of the Top 20 pharmaceutical companies worldwide. We believe that Frontage will remain competitive through increased flexibility, reliability, cost-effectiveness and quality. We aim to continue to prioritize these values throughout 2025 and beyond.

In addition, I would like to highlight below some notable events for the Company that took place during fiscal year 2024:

- **Executive Team**

  At the beginning of 2024, the Company announced the appointment of Mr. Jun (Henry) Gao ("**Mr. Gao**") as President of Asia Pacific, effective January 2, 2024, and as Chief Financial Officer ("**CFO**"), effective February 1, 2024. Mr. Gao has more than 25 years of extensive experience across a wide range of functions, including finance, audit, investment, project management, compliance, and board office. Since joining Frontage, Mr. Gao has played a key role in managing all financial activities while also overseeing the Company's operations in the Asia-Pacific region, contributing to both its financial strategy and regional growth.

  On January 6, 2025, Dr. Wentao Zhang ("**Dr. Zhang**") and Dr. Zhongping Lin ("**Dr. Lin**") were promoted to Co-CEOs of the Company, marking an important leadership transition. Dr. Zhang has been a Frontage executive for nearly 4 years, following Frontage's acquisition of Quintara Discovery, Inc., which Dr. Zhang founded in 2012. Dr. Lin has been a core member of Frontage's executive team for over 17 years, most recently serving as President of Frontage Labs. Both Dr. Zhang and Dr. Lin have proven track records of delivering impactful results for Frontage. This promotion is intended to aim to strengthen the Company's leadership and drive continued growth and innovation, supporting the Company's long-term success in the increasingly dynamic marketplace.

- **Facility Expansion**

  In 2024, Frontage expanded its headquarter in the United States by adding an additional 46,300 square feet of life sciences space in Exton, PA. This new space will support our CMC-Product Development & Manufacturing service line, including Peripheral Blood Mononuclear Cell (PBMC) processing, DNA extraction from various sample types, and pathology storage for Formalin-fixed Paraffin-embedded (FFPE) tissue blocks and slides. This additional new space brought Frontage's total footprint in Exton, PA to more than 200,000 square feet, which strengthens Frontage's biobanking capabilities and enhances its value proposition in the clinical research and biopharmaceutical markets.

  In addition, the Company's R&D base in Wuhan, China established an industry-leading high-throughput screening experimental platform in 2024, which significantly improved our R&D efficiency, shortened project delivery timelines, and effectively reduced experimental costs through parallel processing and automated reaction systems.

- **Mergers and Acquisitions**

  In January 2024, Frontage Labs, through its wholly-owned subsidiary Frontage Europe S.r.l., completed the acquisition of the Bioanalytical and Drug Metabolism & Pharmacokinetics ("**DMPK**") businesses of Accelera S.r.l. ("**Accelera**"). Accelera is an established CRO based in Nerviano, in the Lombardy region of Italy, part of the renowned NMS Group S.p.A. By integrating Accelera's experienced Bioanalytical and DMPK teams into Frontage's global platform, the Company poised to deliver more robust support to both existing and new clients in Europe.

- **Award & Recognition**

  Frontage Labs has been selected to receive the Top 20 CROs of 2024 by Pharma Tech Outlook. This achievement is a testament to the dedication and expertise of Frontage Labs, and it further solidifies the Group's reputation as a trusted partner in advancing drug discovery and development.

- **Contributions to Community**

  Frontage is dedicated to supporting local communities and fostering positive social impact through a variety of initiatives and programs. In 2024, we organized several American Red Cross blood drives, helping to provide critical resources to those in need. Additionally, we contributed to the Chester County Food Bank, supporting their mission to fight hunger and provide nourishment to families in our local area. These efforts reflect our ongoing commitment to giving back and making a meaningful impact in the communities we serve.

On behalf of the Board of Directors, I wish to express our heartfelt appreciation to all of Frontage's employees and partners for their dedication and hard work throughout 2024. Your contributions have been essential to our success. We also deeply appreciate the continued trust and support from our shareholders and customers. As we look forward to 2025, we are excited about the opportunities ahead and remain confident that, together, we will pave the way for another successful year. Thank you for your ongoing commitment to Frontage.

Dr. Song Li
Chairman

Hong Kong, March 27, 2025

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

Frontage is a science-driven and customer-centric global CRO focused on providing research and development services to the pharmaceutical, biotechnology, agrochemical, animal health and chemical industries. With a commitment to scientific excellence and customer-centric solutions, Frontage offers comprehensive services from drug discovery to clinical trials. Our services are designed to help biopharmaceutical companies accelerate their product development and achieve their goals with efficiency and precision. Additionally, we support academic institutions and start-up companies in discovering and developing new therapeutics for human health.

Following the Group's restructuring and formation of two key business divisions in recent years: Global Drug Discovery & Development Services and Global Laboratory Services, Frontage has refined its operational structure to offer more comprehensive and integrated solutions.

The Global Drug Discovery & Development Services provide a full suite of end-to-end solutions to assist clients with drug discovery, candidate selection, Investigational New Drug (IND) applications, and First-in-Human (FIH) studies. The Global Laboratory Services delivers extensive laboratory testing support to clients worldwide in drug developments. With clearly defined roles, these two divisions, which integrate our resources in North America, Europe (Italy), and China, have improved efficiency and now handle both regulated and non-regulated bioanalysis for small and large molecules, biomarkers, genomics, CMC analytical testing, and central laboratory services for clients across the globe.

In 2024, Frontage continued its strategic growth by expanding its global footprint. We successfully established a presence in Europe with the acquisition of the Bioanalytical and DMPK businesses of Accelera in Italy. Accelera is an established CRO based in the Lombardy region of Italy, part of the renowned NMS Group S.p.A. By integrating Accelera's experienced Bioanalytical and DMPK teams into Frontage's global platform, we are poised to deliver more robust support to both existing and new clients.

BUSINESS REVIEW *(Continued)*

Overview *(Continued)*

In addition to establishing our European presence, Frontage expanded its headquarter in the United States by adding an additional 46,300 square feet of life sciences space in Exton, PA in late 2024. This new space will support our CMC-Product Development & Manufacturing service line, enabling Frontage to meet growing client demand and increase our service capabilities in North America.

In 2024, as we strengthened our global capabilities and footprint, we grew our client base providing services to multinational companies, including several of the Top 20 pharmaceutical companies worldwide. The new global business structure bolstered our market competitiveness through increased flexibility, reliability, and cost-effectiveness. It enables Frontage to adeptly respond to the evolving needs of our clientele and provide tailored solutions that are not only competitive but also of exceptional quality.

In 2024, the global biopharmaceutical industry continued to experience a challenging investment and financing environment, as pharmaceutical and biotechnology companies reprioritized their drug development initiatives and exercised greater caution with their budgetary spending amidst the uncertainty in the broader market and regulatory environments. With increasing pressure on profit margins and greater scrutiny from investors, the focus shifted towards cost-effective solutions, accelerated timelines, and more targeted drug development pipelines. Trade barriers and shifts in international policy complicated the ability of biopharmaceutical companies to operate globally, especially in key markets like China and Europe. While these market dynamics present challenges for companies operating within the biopharmaceutical research and development space, it is crucial for us to navigate these external factors strategically and adaptively. By monitoring industry developments and proactively responding to evolving market conditions, we aim to position ourselves resiliently and sustainably in the face of these shifting industry landscapes.

Overall, the Group's revenue decreased by 1.9% from approximately US$259.9 million for the year ended December 31, 2023 to approximately US$254.9 million for the year ended December 31, 2024. Additionally, the Group's contract future revenue, which represents future service revenues from work not yet completed or performed under all signed contracts or customer's purchase orders in effect at that time, achieved approximately US$390.6 million as at December 31, 2024, representing an increase of 14.1% compared to approximately US$342.2 million as at December 31, 2023.

ENHANCED CAPABILITIES AND EXPERTISE

We firmly believe that aspiring to excel in the CRO industry requires a steadfast commitment to continuously enhancing our service capabilities, regardless of macro-environmental fluctuations. During the Reporting Period, we continued to enhance our capabilities and expertise in each of our service unit through organic growth and strategic acquisitions in order to provide more comprehensive and high-quality services for our customers on a global scale.

North America and Europe

North America continues to remain as the dominant region in the global CRO services market, holding the largest market share of 35% in 2024.[1] Frontage continues to uphold its prominent position in the industry in this largest CRO market, dedicated to offering customers "one-stop shop" services that have been greatly appreciated and well received by the market.

The two key business divisions, Global Drug Discovery & Development Services and Global Laboratory Services, consist of various specialized service units.

During the Reporting Period, our Global Drug Discovery Service unit ("**GDDS Unit**") strengthened its integrated services, including medicinal chemistry, discovery biology, ADME/PK, and in vivo pharmacology. For instance, the GDDS Unit developed a range of assays to assess new chemistry modalities including molecular glues, circular peptides, and various drug conjugates including antibody-drug conjugates (ADC). Our vivarium operations in Vancouver, Canada, a key component of the GDDS Unit, expanded by 50%, effectively addressing and meeting the increasing demand for animal efficacy and PK studies.

Our DMPK unit ("**DMPK Unit**"), which supports projects in both discovery and development stages, continued to strategically expand our portfolio to meet the growing needs of our clients' complex discovery and development projects. We have expanded our discovery PK studies in Exton, PA with new services targeting large or multinational pharmaceutical companies. In 2024, with the support of our clinical facility in New Jersey, the DMPK Unit successfully executed multiple human absorption, metabolism and excretion (hAME) studies with 14C labeled drug substances. This core capability is anticipated to drive more sustainable business growth from biotechnology and pharmaceutical companies. Additionally, we expanded mass balance studies in certain lab animals using Quantitative Whole Body Autoradiography (QWBA). The expertise and services offered by the DMPK unit in both clinical and preclinical radiolabeled studies distinguish Frontage from many other CROs, further solidifying our position as a comprehensive, end-to-end partner for pharmaceutical R&D.

1 https://www.precedenceresearch.com/contract-research-organization-services-market

ENHANCED CAPABILITIES AND EXPERTISE *(Continued)*

North America and Europe *(Continued)*

During the Reporting Period, our Safety & Toxicology unit in the U.S. expanded its capabilities in multiple fronts. At our site in Concord, OH, we established an electrophysiology laboratory for GLP safety testing of the hERG ion channel. At the Chicago site, we established a radioisotope laboratory with an initial focus on radiolabeled mass balance studies. We also expanded our genetic toxicology offerings with enhanced Ames, thyroid hormone and slide-based micronucleus assays. Both of our animal facilities in Chicago and Concord have received successful AAALAC (Association for Assessment and Accreditation of Laboratory Animal Care) re-certification, underscoring our commitment to the highest quality of animal research.

During the Report Period, our Lab Testing Business unit focused on strengthening its operational team and enhancing the capabilities and capacity of its services across Central Lab Services, Genomics Services, Biologics Gene and Cell Therapy, and Biomarker Research/Diagnostic Services. This was achieved by recruiting top technical leaders, introducing cutting-edge instruments, expanding laboratory spaces, and improving operational workflows.

During the Report Period, Frontage expanded its headquarter in the United States by adding an additional 46,300 square feet of life sciences space in Exton, PA. This new space will support our CMC-Product Development & Manufacturing service line. It offers storage at multiple temperature ranges, including ambient temperature, 4°C refrigeration, -70°C to -80°C freezers, and liquid nitrogen, tailored to meet the needs of diverse research and clinical projects. It also supports a broad range of services, including PBMC processing, DNA extraction from various sample types, and pathology storage for FFPE blocks and slides. This additional new space brought Frontage's total footprint in Exton, PA to more than 200,000 square feet. The expansion strengthens Frontage's biobanking capabilities and enhances its value proposition in the clinical research and biopharmaceutical markets.

During the Report Period, Frontage expanded its operations into Europe by acquiring the Bioanalytical and DMPK businesses of Accelera. The integration of Accelera's experienced Bioanalytical and DMPK teams into Frontage's global platform aligns with Frontage's long-standing goal of establishing a presence in the region, allowing the company to better serve its clients and collaborate with European research institutions and biotech hubs.

ENHANCED CAPABILITIES AND EXPERTISE *(Continued)*

North America and Europe *(Continued)*

Looking ahead, we aim to develop and enhance our one-stop-solution services by broadening our offerings in the global market and increasing our capacity. Additionally, we will continue to invest in new technologies and improve our facilities to maintain our position as a premier contract research organization and aid clients in bringing new drugs and medical products to market swiftly and efficiently.

China

In 2024, the research and development field of biopharmaceuticals in China, particularly in new drug innovation, continues to face short-term challenges under industry-wide financial constraints. Additionally, the pharmaceutical R&D outsourcing industry is affected by multiple factors, including geopolitical pressures, the volatile market, centralized procurement of drugs and medical devices, and intensified competition within the industry.

Against this backdrop, the Chinese government has introduced a series of incentive policies to reaffirm its commitment to fostering innovation in the pharmaceutical sector. These policies focus on strengthening support across all levels of the industry chain, accelerating the development and breakthrough of innovative drug therapies, and creating a more favorable growth environment for domestic innovative pharmaceutical companies. For example, the China National Medical Products Administration (NMPA) approved several innovative drugs and medical devices in 2024, including first-in-class bispecific antibody drugs and biodegradable medical devices. These approvals highlight the continuous progress of China's pharmaceutical industry in the field of innovation.

In today's dynamic environment, with the goal of reducing costs, biopharmaceutical companies are increasingly inclined to choose pharmaceutical R&D outsourcing services to obtain more cost-effective and specialized drug development solutions to meet the specific needs of diverse patient groups. Leveraging our extensive knowledge and experience in pharmaceutical R&D outsourcing, we have positioned ourselves as the industry leader. We continue to increase investment in cutting-edge technologies and innovative methodologies to upgrade our services and better meet customers' demands for efficient and high-quality R&D services. At the same time, we are committed to strengthening our R&D team, optimizing laboratory infrastructure and equipment, and continuously enhancing our service capabilities and technical levels to meet the new requirements and challenges of industry development.

ENHANCED CAPABILITIES AND EXPERTISE *(Continued)*

China *(Continued)*

As of the end of this Reporting Period, our teams in China have formed a full-service system covering drug discovery, preclinical research, and clinical studies. With Shanghai as the hub and laboratories and manufacturing facilities in Suzhou, Wuhan, and Zhengzhou as the fulcrums, we operate 11 specialized laboratories and production bases with a total area of over 810,000 square feet. Our service capabilities cover multiple modules, including chemical synthesis and medicinal chemistry, pharmacology, drug metabolism and pharmacokinetics, safety and toxicology, API and drug formulation development, preparation and production of clinical samples, bioanalysis, biologics, central laboratory services, and bioequivalence clinical studies. We can provide one-stop solutions for customers from early target validation to clinical development, fully supporting the development needs of small-molecule drugs, biologics, and novel therapeutic drugs.

In 2024, we continued to upgrade our service platform. The R&D base in Wuhan established an industry-leading high-throughput screening experimental platform, which significantly improved our R&D efficiency, shortened project delivery timelines, and effectively reduced experimental costs through parallel processing and automated reaction systems. The safety assessment panel of the pharmacology platform has further expanded our ability to comprehensively evaluate the biological activity and mechanisms of action of drugs. The Safety Assessment Center in Suzhou successfully passed the annual inspection of the GLP system by the drug supervision and management department and multiple on-site audits by domestic and international clients, receiving high praise and recognition. During the same period, the 89,000-square-foot clinical sample production facility in Suzhou was fully equipped with intelligent production lines for oral solid-dose formulations, sterile injectables, and semi-solid external manufacturing facilities. It has built a closed-loop service system covering the production, cold-chain distribution, and full-life-cycle management of clinical trial drugs. In addition, the high-standard Blow-Fill-Seal production line for eye drops that we added to this facility has also been put into operation, further consolidating our competitive advantage in the development of complex dosage forms.

ENHANCED CAPABILITIES AND EXPERTISE *(Continued)*

China *(Continued)*

During the Reporting Period, we continued to strengthen our services in multiple areas. In the field of innovative drug development, we successfully supported the completion of cross-species pharmacokinetic studies for the world's first PRMT5 inhibitor and efficiently delivered the key data package for simultaneous reporting to the United States and China. For the world's first liposome T-cell engager drug, we established a liposome complex structure analysis system to help it obtain clinical approval. In the development of the world's first aryl hydrocarbon receptor (AhR) modulator drug approved for the treatment of atopic dermatitis in children over 2 years old and adults, we provided formulation development and stability studies, improved the product's irritancy, and passed the NMPA inspection without any deficiencies, setting an industry benchmark for completing formulation development and production transfer within six months. We also integrated the API development, toxicology studies, and formulation development of a USP1 inhibitor project through the "IND package service" model and completed the full-chain delivery of FDA application materials in collaboration with our partners.

In the field of bioanalysis and diagnostic technologies, we focused on supporting our clients' new drug development efforts. We bolstered our ADC analysis platform and successfully implemented optimized platforms for detecting small nucleotide and protein drug concentrations. Additionally, we launched comprehensive biomarker detection services, demonstrating our commitment to advancing the analysis of biologics. In the diagnostic technology field, we validated the first Laboratory Developed Test (LDT) assay for the detection of p-Tau217 in human plasma. The validation results were published in the Journal of Prevention of Alzheimer's Disease. The validated LDT assay is applied to support the Real World Evidence (RWE) studies, sample analysis in support of Alzheimer's drug development, and early-diagnosis of Alzheimer's disease.

In the bioequivalence (BE) study field, our service scope covers complex dosage forms such as transdermal patches, inhalable aerosols, and biosimilars, forming a standardized management system for the entire process from protocol design to report submission. By establishing a medical oversight team composed of professionals with extensive clinical backgrounds, we have established a real-time quality control mechanism and successfully supported several clinical center partners in achieving a flawless record during remote inspections by the U.S. Food and Drug Administration (FDA), demonstrating our excellent quality assurance system in BE clinical operations.

THE GROUP'S FACILITIES

As of December 31, 2024, the Group had thirteen (13) facilities in North America and Europe, 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 Deerfield, FL, USA;
- one (1) facility in Palo Alto, CA, USA;
- one (1) facility in Chicago, IL;
- one (1) facility in Vancouver, Canada;
- one (1) facility in Toronto, Canada; and
- one (1) facility in Milan, Italy.

In addition, as of December 31, 2024, the Group had eleven (11) facilities in China, consisting of:

- four (4) facilities in Shanghai;
- four (4) facilities in Suzhou, Jiangsu Province;
- one (1) facility in Zhengzhou, Henan Province; and
- two (2) facilities in Wuhan, Hubei Province.

QUALITY ASSURANCE

The Group's quality compliance programs are managed by a dedicated group responsible for quality compliance. Our independent quality units have overseen and also implemented the quality management systems, including global computer system validation. Within each regulated business segment, we have established quality assurance units responsible for risk-based internal audit programs to manage regulatory requirements and customer expectations. The quality assurance units operate independently from those individuals that direct and conduct studies, manufacturing or analytical testing. Our quality assurance team works closely with study teams to ensure compliance with protocols, Standard Operating Procedures ("**SOPs**") and regulatory guidelines to ultimately protect research subject safety as well as the integrity and validity of study data. Our quality assurance team also provides services including regulatory training, internal system audits, SOP oversight, hosting of client audits and regulatory inspections, as well as performs third party audits of critical vendors and investigative sites on behalf of our customers.

Virtually all facets of the Group's service offerings are subject to quality programs and procedures, including accuracy and reproducibility of tests, turnaround time, customer service, and data integrity. This includes licensing, credentialing, training and competency of professional and technical staff, and internal auditing. In addition to the Group's internal quality programs, our laboratories, facilities, and processes are subject to on-site regulatory agency inspections and accreditation evaluations, as applicable, by local or national government agencies, and inspections and audits by customers and vendors.

During the Reporting Period, our facilities in the U.S. and Canada were inspected by the FDA, DEA (Drug Enforcement Administration), CNSC (Canadian Nuclear Safety Commission; for radiation safety), PHAC (Public Health Agency of Canada; for biosafety), Clinical Laboratory Improvement Amendments/The College of American Pathologists (CLIA/CAP), DOH (Department of Health), AAALAC and USDA (United States Department of Agriculture), and none of the inspections resulted in any materially adverse issues being identified.

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

Frontage Labs has deployed ZenQMS solution to manage all quality system, SOP, Training, Quality Assurance KPI to ensure all business operations operate under the same quality and compliance standards.

INFORMATION TECHNOLOGY

The Group has implemented a wide area network (SDWAN) to connect all sites in North America and Europe into a unified network. Frontage Lab China established its own separate SDWAN network, distinct from the global Frontage SDWAN in order to comply with data security and privacy regulations in both China and the United States, including GDPR (General Data Protection Regulation). During the Reporting Period, Frontage successfully obtained ISO 27001 certification for data security. Additionally, Frontage has deployed the NetSuite and Salesforce systems for project management, providing comprehensive transparency in financial reporting, cost control, procurement, and risk monitoring.

Animal Welfare

We focus on animal welfare issues in our business operations and are committed to following strict procedures in upholding animal rights. According to the Guide of the Care and Use of Laboratory Animals and all relevant laws and regulations, we implement our SOPs and quality animal care program to treat animals humanely. As responsible researchers, we have established plans and procedures on the living environment, animal facility control, back-up veterinary care plan, transferal, and termination/euthanasia procedures. We regularly monitor animal conditions and assess the adequacy of our existing protocols, as well as keeping abreast of recent scientific developments in this area. Training and education are also provided to the responsible people for carrying out their duties. During the Reporting Period, we did not receive any non-compliance reports from the USDA and FDA.

Business Development

Our global business development team supports global commercial activities by creating relationships with prospective customers and growing relationships with our existing customers. We rely heavily on our past project performance, experienced teams, and new capabilities, in securing and developing new business opportunities. Our business development representatives collaborate closely with our seasoned scientific experts and operational leaders from the beginning of the sales process to ensure proposals meet customers' needs in a strategic and solution-based manner. Our business development personnel work with our clients throughout the life of the project by partnering with project managers and strategic alliance executives to optimize timely completion of the projects and foster long-term relationships with the customers.

INFORMATION TECHNOLOGY *(Continued)*

Business Development *(Continued)*

The specific role of the business development team is to grow the business across all service areas across the entire continuum of drug development. Our global business development team is strategically located across the United States, China, and Canada and is responsible for managing all accounts within their geographical territory. In addition to significant client engagement and key account development experience, many of our project managers possess advanced scientific and technical degrees to support our customers' complex product development endeavors and challenges within various market segments (global biopharmaceutical, small and mid-sized pharmaceutical and biotechnology companies, and academic and government institutions). This enhances our ability to meet client needs by offering customized solutions across our entire portfolio ranging from discovery services to late phase clinical trial management specifically through the application of central laboratory and early phase clinical services.

Marketing

The marketing team is focused on building global brand awareness, trust and driving deeper client engagement through demand generation initiatives. The marketing team leverages several key channels to include digital marketing, conferences and events, and high-profile publications. Potential customers are directed to our website where they can access a wide range of scientific content including whitepapers, video material, webinars, case studies, scientific posters, and other resources.

Our core marketing initiatives focus on driving long-term client engagement and stimulating demand for our entire services portfolio. We believe that our ability to provide comprehensive solutions addressing all aspects of our customers' research and development needs are increasingly attractive. As a result, we continue to market our ability to provide clients with scientific expertise, complex solutions that meet high quality standards.

Group Awards

During the Reporting Period, Frontage Labs has been selected to receive the Top 20 CROs of 2024 by Pharma Tech Outlook.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Acquisitions

On June 16, 2023, Frontage Labs entered into a Going Concern Purchase Agreement (together with all amendments thereto, the "**Agreement**") with Accelera and its parent company, NMS Group S.p.A., pursuant to which Frontage Labs agreed to purchase, through its wholly-owned subsidiary Frontage Europe, the Bioanalytical and DMPK businesses of Accelera for a cash consideration of approximately EUR6,835,000 subject to the terms and conditions of the Agreement.

The acquisition was completed on January 1, 2024. Immediately following the completion of acquisition, the financial results, assets and liabilities of the Bioanalytical and DMPK businesses of Accelera will be consolidated into the consolidated financial statements of the Group.

The acquisition did not constitute a notifiable transaction and was not subject to the reporting, disclosure or shareholder approval requirements under the Listing Rules.

Save as disclosed above, there were no significant investments held, no material acquisitions or disposals of subsidiaries, affiliates and joint ventures of the Company during the year ended December 31, 2024.

Events after the Reporting Period

The Board is not aware of any significant events affecting the Group, which have occurred subsequent to December 31, 2024 and up to the date of this report.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES *(Continued)*

Prospects

The global CRO market can be categorized into preclinical CRO and clinical trial CRO. Preclinical CRO provides one or more of such early-phase research services: drug toxicity testing; drug evaluation, pharmacological and pharmacokinetics testing while clinical trial CROs analyze the continuing progress of their clinical trials across all Phases I to IV, as well as the patient recruitment, site management, and final submissions to various regulatory authorities. The global CRO market size was valued at US$83.49 billion in 2024 and is expected to reach US$192.68 billion by 2032, growing at a compound annual growth rate (CAGR) of 11.1% from 2024 to 2032.[2] This growth reflects the increasing demand for specialized research and development services in the pharmaceutical and biotechnology sectors, driven by the need for more efficient, cost-effective, and timely drug development processes.

Despite recent challenges in the global biopharmaceutical market, including a slowdown in investment and financing activities, we believe that the CRO industry will continue to experience growth in the long run. This is especially true for CROs like Frontage, which offers a "one-stop-shop" service, providing both preclinical services and clinical trial support. This integrated service model is increasingly valued by biopharmaceutical companies seeking to streamline their R&D processes and reduce time to market.

Additionally, the evolving regulatory landscape and the need for compliance with ever-more stringent global regulations will further emphasize the importance of outsourcing to specialized CROs. As drug development becomes more intricate, companies will increasingly turn to external partners who can navigate the regulatory complexities and provide the necessary expertise to meet global standards. The market is also witnessing significant technological advancements, particularly in the application of artificial intelligence (AI) and machine learning. These technologies are transforming various aspects of drug development, from drug discovery to clinical trial monitoring and data analysis.

As a CRO with over 20 years of experience, Frontage is uniquely positioned to leverage its deep industry knowledge and expertise in navigating these complexities. We have a proven track record of helping our clients successfully navigate regulatory landscapes across various markets. Whether it's providing regulatory strategy support, optimizing clinical trials, or utilizing cutting-edge technology for data analysis, Frontage is committed to delivering comprehensive solutions that meet the evolving needs of the biopharmaceutical industry.

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2 https://www.businessresearchinsights.com/market-reports/contract-research-organization-cro-market-117896

FINANCIAL REVIEW

Revenue

The revenue of the Group decreased by 1.9% from approximately US$259.9 million for the year ended December 31, 2023 to approximately US$254.9 million for the year ended December 31, 2024.

Revenue from operations in North America and Europe decreased by 0.5% from approximately US$199.1 million for the year ended December 31, 2023 to approximately US$198.2 million for the year ended December 31, 2024. Excluding the impact of currency translation, the revenue from operations in China decreased by 5.9% from approximately RMB428.9 million (equivalent to approximately US$60.8 million) for the year ended December 31, 2023 to approximately RMB403.5 million (equivalent to approximately US$56.7 million) for the year ended December 31, 2024.

The decrease in revenue was mainly attributable to the decline in revenue generated from drug development and drug discovery businesses. This decline was negatively affected by the weak global investment and financing environment in the biopharmaceutical field. However, it was partially offset by the fairly strong demand for laboratory testing services.

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

	For the year ended December 31,	
	2024	2023
	US$'000	*US$'000*
Drug discovery	**31,225**	33,456
Drug development	**81,868**	95,132
Pharmaceutical product development	**9,272**	7,615
Laboratory testing	**132,542**	123,652
	254,907	259,855

FINANCIAL REVIEW *(Continued)*

Revenue *(Continued)*

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 year ended December 31,			
	2024		2023	
	US$'000	*%*	*US$'000*	*%*
Revenue				
– USA and Canada	188,187	73.9	183,788	70.8
– China	45,197	17.7	49,451	19.0
– Rest of the world*(Note)*	21,523	8.4	26,616	10.2
Total	254,907	100.0	259,855	100.0

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

Top 5 customers' revenue decreased by 13.5% from approximately US$43.0 million for the year ended December 31, 2023 to approximately US$37.2 million for the year ended December 31, 2024, accounting for 14.6% of total revenue for the year ended December 31, 2024 as compared to 16.5% for the year ended December 31, 2023.

Top 10 customers' revenue decreased by 12.4% from approximately US$59.9 million for the year ended December 31, 2023 to approximately US$52.5 million for the year ended December 31, 2024, accounting for 20.6% of total revenue for the year ended December 31, 2024, as compared to 23.0% for the year ended December 31, 2023.

FINANCIAL REVIEW *(Continued)*

Cost of Services

The cost of services of the Group increased by 2.0% from approximately US$181.5 million for the year ended December 31, 2023 to approximately US$185.1 million for the year ended December 31, 2024. The increase in the cost of services was mainly due to the additional costs of Nucro and Frontage Europe, which were consolidated into the consolidated financial statements of the Group in August 2023 and January 2024 respectively. Excluding the impact of Nucro and Frontage Europe, the cost of services were reduced in both North America and China in line with cost savings and improved capacity utilization.

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 11.0% from approximately US$78.4 million for the year ended December 31, 2023 to approximately US$69.8 million for the year ended December 31, 2024. The Group's gross profit margin decreased from approximately 30.2% for the year ended December 31, 2023 to approximately 27.4% for the year ended December 31, 2024. In particular, gross profit margin in North America and Europe decreased from approximately 33.2% for the year ended December 31, 2023 to approximately 29.3% for the year ended December 31, 2024, which was primarily due to the decline in revenue generated from drug development and drug discovery businesses, as well as the increase of cost generated from the new facility in Europe which aim to establish a base of operations in continental Europe. Gross profit margin in China increased from approximately 20.4% for the year ended December 31, 2023 to approximately 20.7% for the year ended December 31, 2024, mainly due to the decrease of cost driven by the improvement in capacity utilization.

Other Income

The Group's other income decreased by 10.4% from approximately US$4.8 million for the year ended December 31, 2023 to approximately US$4.3 million for the year ended December 31, 2024, primarily due to a decreased interest income.

FINANCIAL REVIEW *(Continued)*

Other Gains and Losses, Net

The Group's net other gains and losses changed from approximately US$1.1 million of loss for the year ended December 31, 2023 to approximately US$0.2 million of loss for the year ended December 31, 2024, primarily due to the gain from foreign exchange.

Selling and Marketing Expenses

Selling and marketing expenses of the Group increased by 3.7% from approximately US$8.2 million for the year ended December 31, 2023 to approximately US$8.5 million for the year ended December 31, 2024, as a result of more marketing and business development efforts made by the Group.

Administrative Expenses

The Group's administrative expenses increased by 5.6% from approximately US$44.6 million for the year ended December 31, 2023 to approximately US$47.1 million for the year ended December 31, 2024. 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 4.2% from approximately US$33.7 million for the year ended December 31, 2023 to approximately US$35.1 million for the year ended December 31, 2024, primarily due to the administrative expenses of Nucro and Frontage Europe, which were consolidated into the consolidated financial statements of the Group in August 2023 and January 2024 respectively.

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 decreased by 6.7% from approximately US$6.0 million for the year ended December 31, 2023 to approximately US$5.6 million for the year ended December 31, 2024, primarily due to the implementation of cost reduction and efficiency improvement measures to enhance research and development efficiency and reduce costs.

FINANCIAL REVIEW *(Continued)*

Finance Costs

The Group's finance costs increased by 35.2% from approximately US$7.1 million for the year ended December 31, 2023 to approximately US$9.6 million for the year ended December 31, 2024, 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 44.7% from approximately US$3.8 million for the year ended December 31, 2023 to approximately US$2.1 million for the year ended December 31, 2024, primarily due to a decrease in pretax income.

Net Profit and Net Profit Margin

The Group recorded net profit of approximately US$0.6 million for the year ended December 31, 2024, as compared to net profit of approximately US$10.7 million for the year ended December 31, 2023. The Group recorded net profit margin of 0.2% for the year ended December 31, 2024, as compared to net profit margin of 4.1% for the year ended December 31, 2023. The lower net profit and net profit margin compared to the year ended December 31, 2023 was mainly attributable to the decrease of revenue generated from drug development and drug discovery business which was negatively affected by the weak global investment and financing environment in the biopharmaceutical field, and the increase of operating expenses and depreciation and other overhead associated with newly established and acquired business.

FINANCIAL REVIEW *(Continued)*

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 year ended ended December 31,	
	2024	2023
	US$'000	*US$'000*
Net Profit	619	10,728
Add: Share-based compensation expense	3,144	3,044
Amortization of acquired intangible assets from mergers and acquisitions	8,581	7,283
Loss arising from financial liabilities measured as fair value through profit or loss	159	511
Loss arising on financial assets measured as fair value through profit or loss	488	–
Goodwill impairment	–	1,893
Expenses in relation to mergers and acquisitions	252	515
Adjusted Net Profit	13,243	23,974
Adjusted Net Profit Margin	5.2%	9.2%

The adjusted net profit of the Group decreased by 45.0% from approximately US$24.0 million for the year ended December 31, 2023 to approximately US$13.2 million for the year ended December 31, 2024. The adjusted net profit margin of the Group for the year ended December 31, 2024 was 5.2%, compared to 9.2% for the year ended December 31, 2023. The lower adjusted net profit and adjusted net profit margin of the Group for the year ended December 31, 2024 was primarily due to a lower net profit and net profit margin as discussed above.

FINANCIAL REVIEW *(Continued)*

EBITDA

The EBITDA[3] of the Group decreased by 12.6% from approximately US$57.2 million for the year ended December 31, 2023 to approximately US$50.0 million for the year ended December 31, 2024. The EBITDA margin of the Group for the year ended December 31, 2024 was 19.6%, compared to 22.0% for the year ended December 31, 2023. Compared with net profit decrease, EBITDA has a much smaller decrease, primary due to the exclusion of depreciation cost associated with newly established business as well as amortization cost incurred from purchase of Nucro and Frontage Europe.

Adjusted EBITDA

The adjusted EBITDA[4] of the Group decreased by 14.6% from approximately US$63.2 million for the year ended December 31, 2023 to approximately US$54.0 million for the year ended December 31, 2024. The adjusted EBITDA margin of the Group decreased from 24.3% for the year ended December 31, 2023 to 21.2% for the year ended December 31, 2024. 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 from US$0.0053 for the year ended December 31, 2023 to US$0.0004 for the year ended December 31, 2024. The diluted earnings per share of the Group decreased from US$0.0052 for the year ended December 31, 2023 to US$0.0004 for the year ended December 31, 2024. The decrease in the basic and diluted earnings per share was primarily due to the decrease in the net profit as discussed above.

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

4 Calculation of adjusted EBITDA is modified and calculated as EBITDA for the Reporting Period, excluding the share-based compensation expenses, gain or loss arising from financial liabilities measured as fair value through profit or loss, gain or loss arising from financial assets measured as fair value through profit or loss, goodwill impairment and expenses in relation to mergers and acquisitions to better reflect the Company's current business and operations.

FINANCIAL REVIEW *(Continued)*

Basic and Diluted Earnings Per Share *(Continued)*

The adjusted basic earnings per share for the year ended December 31, 2024 amounted to US$0.0066, representing a decrease of 44.1% as compared with that of US$0.0118 for the year ended December 31, 2023. The adjusted diluted earnings per share of the Group for the year ended December 31, 2024 amounted to US$0.0066 when compared with that of US$0.0116 for the year ended December 31, 2023. 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.

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, gain or loss arising from financial assets measured as fair value through profit or loss, goodwill impairment 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$54.3 million right-of-use assets as at December 31, 2024, which decreased by 8.1% from approximately US$59.1 million as at December 31, 2023. The decrease was mainly due to the depreciation charges of existing leases.

FINANCIAL REVIEW *(Continued)*

Intangible Assets

The Group recorded approximately US$30.0 million intangible assets as at December 31, 2024, which decreased by 19.4% from approximately US$37.2 million as at December 31, 2023. 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 12.7% from approximately US$61.3 million as at December 31, 2023 to approximately US$69.1 million as at December 31, 2024. Such change is within the normal fluctuation range of the group's business development.

Trade and Other Payables

The trade and other payables of the Group decreased by 50.1% from approximately US$38.7 million as at December 31, 2023 to approximately US$19.3 million as at December 31, 2024, primarily due to the payments for contingent consideration payables related to acquisition of Quintara and decreased bonus accrual.

Advances from Customers

The Group has recorded an increase of 9.4% in advance from customers, primarily due to the increase of cash received in advance of performance and not recognized as revenue during the year.

Liquidity and Capital Resources

The Group's bank balances and cash amounted to approximately US$44.1 million in total as at December 31, 2024, as compared to approximately US$53.2 million as at December 31, 2023, as a result of payments for purchase of property, plant and equipment and payments related to acquisition of subsidiaries, plus cash inflow from operating activities. The cash and cash equivalents held by the Company are composed of RMB, HK$, CAD, Euro and US$. Currently, the Group follows a set of funding and treasury policies to manage its capital resources and prevent risks involved.

FINANCIAL REVIEW *(Continued)*

Liquidity and Capital Resources *(Continued)*

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 year ended December 31,	
	2024	2023
	US$'000	*US$'000*
Net cash generated from operating activities	**40,638**	39,740
Net cash used in investing activities	**(41,482)**	(87,626)
Net cash (used in)/generated from financing activities	**(10,217)**	12,910
Net decrease in cash and cash equivalents	**(11,061)**	(34,976)
Cash and cash equivalents at the beginning of the period	**53,186**	87,433
Effect of exchange rate changes	**1,966**	729
Cash and cash equivalents at the end of the period	**44,091**	53,186

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$25.9 million of capital expenditures were incurred for the year ended December 31, 2024, which was increased by 22.2% when compared to approximately US$21.2 million for the year December 31, 2023, primarily due to the increased expenditures for enhancement of facilities in North America.

FINANCIAL REVIEW *(Continued)*

Indebtedness

Borrowings

The Group had total bank borrowings of US$95.7 million as at December 31, 2024 compared to US$81.4 million as at December 31, 2023. On December 31, 2024, the effective interest rate of the Group's bank borrowings ranged from 2.75% to 6.73%. US$ borrowings amounted to US$71.0 million and RMB borrowings amounted to RMB177.3 million (equivalent to US$24.7 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$58.7 million lease liabilities as at December 31, 2024, compared to approximately US$63.7 million as at December 31, 2023 due to the payments for existing leases.

Contingent Liabilities and Guarantees

As at December 31, 2024, 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. The functional currency of the operating subsidiary incorporated in Europe is Euro. 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.

FINANCIAL REVIEW *(Continued)*

Indebtedness *(Continued)*

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 33.0% and 26.2% as at December 31, 2024 and December 31, 2023, respectively. The increase is primarily due to significant financing activities to support business expansion.

EMPLOYEES AND REMUNERATION POLICY

As at December 31, 2024, the Group had a total of 1,560 employees, of whom 839 were located in North America and 721 were located in China; 1,291 were scientific and technical support staff and 269 were sales, general & administrative staff. Approximately 84% of employees hold a bachelor's degree or above, and we have 562 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$114.6 million for the year ended December 31, 2024, as compared to approximately US$112.2 million for the year ended December 31, 2023. 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.

EMPLOYEES AND REMUNERATION POLICY *(Continued)*

As at the date of this report, the Group has adopted the Pre-IPO Share Incentive Plans, the 2018 Share Incentive Plan and the 2021 Share Award Scheme to provide incentives or rewards to eligible participants for their contribution or potential contribution to the Group.

In addition, the Group has training systems, including orientation and on-the-job training for all staff, to accelerate the learning progress and improve the knowledge and skill levels of its workforce. The Group also has a training program for senior management that focuses on management skills, conflict resolution and effective communication skills and sessions on how to recruit and retain talent. The orientation process covers corporate culture and policies, work ethics, introduction to the drugs development process, quality management and occupational safety. The periodic on-the-job training covers certain technical aspects of the Group's services, environmental, health and safety management systems and mandatory training required by applicable laws and regulations.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out as follows:

DIRECTORS

Executive Director

Dr. Song Li ("**Dr. Song Li**"), aged 67, was appointed as a Director and designated as an executive Director and Chairman on February 10, 2021. He is also a member of the Remuneration Committee and Nomination Committee. Dr. Li ceased to be the Chief Executive Officer of the Company on January 3, 2023.

In 2001, he founded Frontage Labs and has been the chief executive officer of Frontage Labs ever since and remains a driving force behind the Group's strategic, technical and commercial success. His visionary leadership of Frontage Labs has earned him widespread respect in the industry and within the Group. Prior to joining the Group, Dr. Song Li held management positions at Great Valley Pharmaceuticals and Wyeth. During that period of time, he led numerous projects related to the development of pharmaceutical products. Dr. Song Li was formerly a director in the second session and the third session of the board of directors of Hangzhou Tigermed, a company listed on the Shenzhen Stock Exchange under stock code 300347 and on the Stock Exchange under stock code 3347, from August 2014 to April 2018. Dr. Song Li has authored more than 15 scientific publications spanning a wide range of topics, including chiral separations, drug-protein interactions, pharmacokinetics, and analytical chemistry. Dr. Song Li has been the recipient of numerous awards, most recently the Healthcare CEO award from Philadelphia Alliance for Capital and Technologies, the Ernst & Young Entrepreneur of the Year Award, the "Realizing the American Dream" award from the Pennsylvania Welcoming Society, and the Outstanding 50 Asian Americans in Business Award from the Asian American Business Development Center. Dr. Song Li received his PhD degree in analytical chemistry from McGill University, Canada in 1992 and a Bachelor of Science in chemistry from Zhengzhou University, China.

DIRECTORS *(Continued)*

Non-executive Director

Dr. Zhihe Li ("**Dr. Li**"), aged 70, was appointed as a Director on April 16, 2018 and designated as an executive Director on June 20, 2018. Dr. Li resigned as the chairman and Chief Executive Officer of the Company and ceased to be a member of the Remuneration Committee and Nomination Committee with effect from February 10, 2021. Dr. Li was redesignated as a non-executive Director on July 1, 2022.

Dr. Li served as the Chief Executive Officer of the Company from April 17, 2018 to February 10, 2021. He served as the senior vice president of Frontage Labs from April 2007 to July 2022. Before joining Frontage Labs, he worked at Scios Inc. (subsequently acquired by Johnson & Johnson in 2003) as a group leader. Prior to that, he worked at Megabios Corporation (Valentis, Inc.) as a scientist. Dr. Li also possesses extensive academic experience. He was a scientist at the National Institutes of Health, United States. Dr. Li received his M.D. degree majoring in medicine from Norman Bethune University of Medical Sciences, China in August 1978 and his PhD degree from McGill University, Canada in May 1993. He received the Merit Award for Outstanding Research from the National Institutes of Health, United States, in September 1995. He is an owner of two medical patents and has contributed to many scientific publications.

Ms. Zhuan Yin ("Ms. Yin"), aged 59, was appointed as a non-executive Director on June 1, 2022.

She was an executive director and deputy general manager of Hangzhou Tigermed Consulting Co., Ltd. ("**Hangzhou Tigermed**", a company listed on the Hong Kong Stock Exchange with stock code 3347 and the Shenzhen Stock Exchange with stock code 300347), a controlling shareholder of the Company. Ms. Yin ceased to be an executive director of Hangzhou Tigermed on May 23, 2023. Ms. Yin has over 29 years of experience in the field of biostatistics and has extensive management experience. She also has considerable experience regarding the review of new drugs, particularly cancer-related drugs. Prior to joining Hangzhou Tigermed, Ms. Yin served at AstraZeneca LP as a biostatistician, senior biostatistician and associate director of biostatistician from 1995 to 2003. Ms. Yin founded and served as the chairman or executive director of MacroStat from October 2005 to November 2009. Ms. Yin received her bachelor's degree in law from Fudan University (復旦大學) in July 1988 and obtained her master's degree of science from the University of Massachusetts in September 1993.

DIRECTORS *(Continued)*

Non-executive Director *(Continued)*

Mr. Hao Wu ("**Mr. Wu**"), aged 57, was appointed as a non-executive director and a member of Audit and Risk Management Committee.

Since January 2020, he has been an executive director and the co-president of Hangzhou Tigermed. Mr. Wu has over 17 years of experience in the pharmaceutical industry and has extensive marketing and managerial experience. Prior to joining Hangzhou Tigermed in January 2020, Mr. Wu served successively as sales manager and a product/project manager of Schering Plough Pharmaceutical Co., Ltd.* (先靈葆雅製藥有限公司) from August 1994 to October 1999, product manager of Shanghai Roche Pharmaceutical Co., Ltd.* (上海羅氏製藥有限公司) from October 1999 to December 2002, marketing director of Eisai China Inc.* (衛材(中國)製藥有限公司) from January 2003 to July 2007, director of marketing and business development department of SciClone International Pharmaceutical Co., Ltd.* (賽生國際製藥有限公司) from August 2007 to January 2009 and the general manager of Meixin Insurance Broker (Shanghai) Co., Ltd. (美信保險經紀(上海)有限公司) from March 2010 to January 2020. Mr. Wu obtained his bachelor's degree in clinical medicine from Shanghai Jiao Tong University School of Medicine (formerly known as Shanghai Second Medical University) in 1992 and an EMBA degree from China Europe International Business School in 2009.

* *For identification purpose only*

Independent Non-executive Directors

Mr. Yifan Li ("**Mr. Li**"), aged 57, was appointed as an independent non-executive Director on April 17, 2018. He is the chairman of the Audit and Risk Management Committee and a member of the Remuneration Committee.

Mr. Li has extensive experience in corporate financial management. His experience spans across various industries such as automotive, insurance, port operations, environmental services, online financing and real estate development and management in both the United States and China.

DIRECTORS *(Continued)*

Independent Non-executive Directors *(Continued)*

Mr. Li was the chief financial officer of Human Horizons Group Inc. ("**Human Horizons**") from April 2021 to March 2022. He then served as the chief financial and investment advisor of Human Horizons until December 2023. Mr. Li had held the role of the vice president of Zhejiang Geely Holding Group ("**Geely**"), responsible for the strategic investments and new business from October 2013 to April 2021. Prior to joining Geely, he had held the role of chief financial officer in China Zenix Auto International Limited (stock code: ZXAIY) from December 2010 to February 2014, which is a company listed on the New York Stock Exchange. Mr. Li was also a director of Zhejiang Qianjiang Motorcycle Co., Ltd. (stock code: 000913) from November 2016 to April 2018 and an independent non-executive Director of Zhejiang Tiantie Industry Co., Ltd. (stock code: 300587) from December 2017 to April 2021, both listed on the Shenzhen Stock Exchange, an independent director of Heilongjiang Interchina Water Treatment Co., Ltd. (stock code: 600187) from May 2015 to April 2021 and Shanghai International Port Group Co., Ltd. (stock code: 600018) from September 2015 to September 2021, both listed on the Shanghai Stock Exchange and an independent non-executive director of ZhongAn Online P & C Insurance Co., Ltd. (stock code: 6060) from December 2016 to July 2021, a company listed on the Hong Kong Stock Exchange. Mr. Li received his MBA from the University of Chicago Booth School of Business, United States, in June 2000, his Master of Science in Accounting from University of Texas at Dallas, United States, in May 1994, and his Bachelor of Economics in World Economy from Fudan University, China, in July 1989.

Mr. Li has been an independent non-executive director of Everest Medicines Limited (stock code: 1952) since September 2020 and Xinyuan Property Management Service (Cayman) Ltd. (stock code: 1895) since September 2019 (which are companies listed on the Hong Kong Stock Exchange), Shanghai Jinqiao Export Processing Zone Development Co., Ltd. (stock codes: 600639 (A shares), 900911 (B shares)) since June 2019 (which is a company listed on the Shanghai Stock Exchange), 36Kr Holdings Inc. (stock code: KRKR) since November 2019 (which is a company listed on NASDAQ), Sunlands Technology Group (stock code: STG) since July 2019 until May 2024, Qudian Inc. (stock code: QD) since October 2017 and Xinyuan Real Estate Co., Ltd. (stock code: XIN) since February 2017, which are companies listed on the New York Stock Exchange. Notwithstanding Mr. Li's directorship in seven other listed companies, all such directorships are non-executive in nature. Mr. Li has maintained his professionalism in various directorships of listed companies he has served and has actively participated in Board meetings and Audit and Risk Management Committee meetings during the Reporting Period. Accordingly, the Board is of the view that he is able to devote sufficient time and attention to perform his duties as an independent non-executive Director.

DIRECTORS *(Continued)*

Independent Non-executive Directors *(Continued)*

Mr. Erh Fei Liu ("**Mr. Liu**"), aged 66, was appointed as an independent non-executive Director on April 17, 2018. He is a member of each of the Audit and Risk Management Committee and Nomination Committee.

Mr. Liu is currently a founding partner and chief executive officer of Asian Investment Capital. He was a co-founder of Cindat Capital Management Limited ("**Cindat**"), a global real estate investment platform. Prior to founding Cindat, he was an investment banker. From December 1999 to July 2012, he was the Managing Director of Merrill Lynch, based in Hong Kong. He was awarded the Asian Banker Skills-based Achievements Award in investment banking in 2006 by The Asian Banker.

From 1992 to 1994, he worked at Goldman Sachs Group, Inc. as the head of investment banking for China. From May 1987 to March 1990, he worked as an associate at Goldman Sachs Group, Inc's New York and Tokyo offices.

Mr. Liu graduated from Harvard Business School, United States, in June 1987 with a master's degree in business administration, from Brandeis University, United States, in May 1984 with a Bachelor of Arts degree in economics and from the Beijing Foreign Studies University, China, in 1981 with a Bachelor of Arts degree in economics.

Mr. Liu has been an independent non-executive director of J&T Global Express, Limited since October 2023 (which is listed on the Hong Kong Stock Exchange with stock code 1519). Mr. Liu was an independent non-executive director of Qingling Motors Company Limited from May 2015 to June 2024 (which is listed on the Hong Kong Stock Exchange with stock code 1122), 21Vianet Group, Inc. from May 2015 to July 2024 (which is listed on NASDAQ with stock code VNET), Fortunet e-Commerce Group Limited (now known as Changyou Alliance Group Limited) from March 2015 to April 2017 (which is listed on the Hong Kong Stock Exchange with stock code 1039 and Jiangxi Copper Company Limited from July 2016 to October 2022 (which is listed on the Hong Kong Stock Exchange with stock code 0358 and listed on the Shanghai Stock Exchange with Stock code 600362).

DIRECTORS *(Continued)*

Independent Non-executive Directors *(Continued)*

Dr. Jingsong Wang ("**Dr. Wang**"), aged 60, was appointed as an independent non-executive Director on April 17, 2018. He is the chairman of each of the Remuneration Committee and Nomination Committee. Dr. Wang is the chief executive officer of Harbour BioMed Shanghai Co., Ltd. since December 2016, a global biotech company specializing in developing biological therapeutics in the areas of immunology and inflammatory diseases with operations in Boston, Rotterdam and Shanghai. From November 2011 to December 2015, he was the Head of China R&D of Sanofi (China) Investment Co., Ltd. Dr. Wang has been an executive director, the chief executive officer and chairman of the board of HBM Holdings Limited since July 2016 (which is a company listed on the Hong Kong Stock Exchange with stock code 2142). Since September 2021, Dr. Wang has been serving as an independent director of the board of Xinjiang Bai Hua Cun Pharma Tech Co., Ltd. (which is a company listed on the Shanghai Stock Exchange with stock code 600721).

Dr. Wang received his PhD degree from China Pharmaceutical University in June 2011, majoring in microbiology and biochemical pharmacy. Dr. Wang was a medical physician and surgeon in Pennsylvania, United States.

Dr. Wang has published in numerous leading scientific journals related to inflammation, autoimmune diseases and translational medicine.

Dr. Wang currently serves on the board of directors of Silicon Therapeutics LLC, a Boston based biotech company focusing on the design of novel small molecule therapeutics in highly unmet disease areas since August 2016.

SENIOR MANAGEMENT

Dr. Wentao Zhang ("Dr. Zhang"), aged 56, was appointed as the Co-Chief Executive Officer of the Company on January 6, 2025. He has been serving as the chief strategy officer of Frontage Labs since August 2024. He was an executive vice president of Frontage Labs between July 2021 and August 2024, responsible for global drug discovery services.

Prior to joining Frontage Labs, Dr. Zhang was the founder and chief executive officer of Quintara Discovery, Inc. ("**Quintara Discovery**"), a discovery & development specialist based in the San Francisco Bay Area providing high-quality in vitro ADME profiling, GLP and non-GLP bioanalysis services. In July 2021, Quintara Discovery was acquired by Frontage Labs and became a wholly-owned subsidiary of Frontage Labs.

Before founding Quintara Discovery, Dr. Zhang served as the senior director at Exelixis, Inc., a biotechnology company focused on small molecule therapies for cancer and other serious diseases. Earlier in his career, Dr. Zhang worked at Genelabs Technologies, Inc. as a staff scientist from 1999 to 2001. Between 1997 and 1999, Dr. Zhang completed a postdoctoral fellowship at the University of California, Berkeley, United States.

Dr. Zhang received his bachelor's degree majoring in chemistry from Peking University, in July 1991, his master's degree majoring in bioanalytical chemistry from Emory University, United States in May 1993, and his PhD degree majoring in biophysical chemistry from University of Wisconsin-Madison, United States in December 1996.

SENIOR MANAGEMENT *(Continued)*

Dr. Zhongping Lin ("Dr. Lin"), aged 61, was appointed as the Co-Chief Executive Officer of the Company on January 6, 2025. He has been serving as the president of Frontage Labs since January 2023. He was an executive vice president of the Company and Frontage Labs between 2017 and 2023, responsible for bioanalytical and biologics services. From 2007 to 2017, he was a senior vice president of Frontage Labs, responsible for bioanalytical and biologics services. Before joining Frontage Labs, he worked at AstraZeneca Pharmaceuticals LP as a scientist and later on was the business lead of the global DMPK department. Prior to this, he worked at Avantix Laboratories, Inc. as a senior research scientist and a lab manager and director of bioanalytical chemistry from 2000 to 2005.

Dr. Lin also has extensive research and academic experience. He was a research associate at the College of Pharmacy, Comprehensive Cancer Center (CCC), James Cancer Hospital, Ohio State University, United States. From 1998 to 1999, he was a postdoctoral fellow at the Institute of Ocean Sciences, the Department of Fisheries and Oceans, Canada. Previously, he was a research and teaching assistant at Dalhousie University, United States. From 1987 to 1993, he was an analytical chemist and director at the Modern Instrumental Analysis Laboratory, Yunnan University.

Dr. Lin received his bachelor's degree majoring in chemistry from Fuzhou Normal College of East China University of Technology (formerly known as, Fuzhou Teacher's College), China in August 1982, his master's degree majoring in analytical chemistry from Yunnan University, China, in October 1987, and his PhD degree majoring in chemistry from Dalhousie University, Canada, in May 1998. He has also completed post-doctoral research in pharmacokinetics and metabolism at the College of Pharmacy and the Comprehensive Cancer Center (CCC) of Ohio State University. He is a member of the American Chemical Society in 2005 and a member of the American Association of Pharmaceutical Scientists. In addition, he is an author of numerous scientific publications.

SENIOR MANAGEMENT *(Continued)*

Mr. Jun (Henry) Gao ("**Mr. Gao**"), aged 49, has been appointed as the Chief Financial Officer of the Company and Frontage Labs since February 2024, responsible for the management of all aspects of the Group's finance and treasury matters. Mr. Gao has more than 25 years of experience in leading various functions including finance, audit, investment, project management, compliance and board office. He also has extensive experience in leading IPO and M&A projects. Mr. Gao was a member of the board of directors of Frontage from 2018 to 2022 and was appointed as the President of Asia Pacific on January 2, 2024. Prior to rejoining Frontage, Mr. Gao served as CFO and in various other executive roles and senior finance positions with Shanghai Duoning Biotechnology Co., Ltd., Hangzhou Tigermed Consulting Co., Ltd. and other highly regarded organizations.

Mr. Gao received his bachelor's degree from Shanghai University of Finance & Economics, China, majoring in international accounting. He is a Certified Public Accountant in China, an internationally accredited Certified Internal Auditor, an Associate of the Chartered Institute of Management Accountants (UK), a member of the Association of International Certified Professional Accountants (US & UK) and a Fellow of the Association of Chartered Certified Accountants (UK).

Mr. Richard Fischetti ("**Mr. Fischetti**"), aged 42, was appointed as the vice president and general counsel of Frontage Labs in March 2020 and is responsible for all of the Group's legal matters. Mr. Fischetti brings to the Group extensive legal experience, having led numerous strategic transactions for both public and private companies – including mergers & acquisitions, and joint ventures, as well as advising on matters related to corporate governance and shareholder activism. Prior to joining Frontage Labs, Mr. Fischetti was a partner in the Mergers & Acquisitions Group of Shearman & Sterling LLP, a multinational law firm headquartered in New York City, where he practiced for over a decade.

Mr. Fischetti earned his Bachelor of Art and Juris Doctor (JD) from Rutgers University.

SENIOR MANAGEMENT *(Continued)*

Dr. Abdul Ezaz Mutlib ("Dr. Mutlib"), aged 64, was appointed as the Chief Executive Officer of the Company on January 3, 2023 and an executive vice president of the Company and Frontage Labs in June 2017, being responsible for our DMPK services. He resigned from his position as the Chief Executive Officer of the Company with effect from January 6, 2025 and assumed an advisory role as the chief scientific and strategy officer of Frontage Labs to ensure an effective transition and business continuity, while advising and supporting the Co-Chief Executive Officers and participating in the Company's growth plans and business development. From February 2010 to December 2017, he was the vice president of Frontage Labs. Before joining the Group, he was a director of Wyeth Pharmaceuticals, Inc/Pfizer Inc. Prior to that, he was an associate director of Pfizer Global Research and Development Ann Arbor Laboratories, United States, a senior research associate of DuPont Pharmaceuticals and a research associate of Hoechst-Roussell Pharmaceuticals Company.

Dr. Mutlib received his bachelor's degree in pharmacy and his PhD degree in pharmaceutical chemistry from the University of Sydney, Australia in 1983 and 1987, respectively. He has also completed post-doctoral fellowships at the University of Washington and the University of British Columbia, Canada.

Dr. Mutlib has been a member of the American Society for Mass Spectrometry since 1990. He has also received numerous awards, including the DuPont Merck Summit Award in 1997, and the Wyeth Team of the Year Award (Quantitative NMR Leader) in 2009. He is also an author of numerous scientific articles and an owner of four patents.

COMPANY SECRETARY

Ms. Karen Ying Lung Chang ("**Ms. Chang**"), aged 61, was appointed as the Company Secretary of the Company on June 20, 2018. She has been an associate solicitor at Chiu & Partners since April 2000, a law firm specializing in listings in Hong Kong and other general commercial transactions.

Ms. Chang received her Bachelor of Arts degree from Tamkang University, Taiwan, in June 1988. She then received her Hong Kong Common Professional Examination Certificate in Laws and Post-graduate Certificate in Laws from the University of Hong Kong, Hong Kong, in June 1996 and June 1997, respectively.

The Directors are pleased to present to the shareholders their report and the audited consolidated financial statements of the Group for the year ended December 31, 2024 (the "**Consolidated Financial Statements**").

PRINCIPAL ACTIVITIES

The principal activities of the Group are to provide a comprehensive portfolio of services, including drug discovery, drug development, pharmaceutical product development, and laboratory testing services to pharmaceutical, biotechnology companies and agrochemical companies. During the Reporting Period, there were no significant changes in the nature of the Group's principal activities.

The particulars of the Company's principal subsidiaries are set out in Note 42 to the Consolidated Financial Statements.

BUSINESS REVIEW

A review of the business of the Group including a discussion and analysis of the Group's performance during the Reporting Period and the material factors underlying its financial performance and financial position, events after the Reporting Period as well as an indication of likely future development in the Group's business as required by section 388(2) and Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) are included in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report, respectively. The future development of the Group's business is discussed in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report. In addition, further details regarding the Group's principal risks and uncertainties are included in the section of this annual report. The sections headed "Chairman's Statement" and "Management Discussion and Analysis" form part of this Directors' Report.

RESULTS

The results of the Group for the Reporting Period and the Group's financial position as at December 31, 2024 are set out in the Consolidated Financial Statements and their accompanying notes on pages 119 to 241 of this annual report.

DIVIDEND POLICY

The Company has adopted a dividend policy, which sets out the approach in recommending dividends, to allow the Shareholders to participate in the Company's profits and enable the Company to retain adequate reserves for future growth. Before declaring or recommending dividends, the Board shall take into account, among other things, the financial results, the earnings, losses and distributable reserves, the operations and liquidity requirements, the debt ratio and possible effects on the credit lines, and the current and future development plans of the Company. The form, frequency and amount of dividend payment by the Company are subject to any restrictions under the memorandum and articles of association of the Company, the applicable laws and regulations of Hong Kong and the Cayman Islands and any other laws and regulations applicable to the Company.

The Board has resolved not to recommend payment of any final dividend for the Reporting Period.

ANNUAL GENERAL MEETING

The annual general meeting ("**AGM**") of the Company is scheduled to be held on Wednesday, May 28, 2025. A notice convening the AGM will be published at the websites of the Company (www.frontagelab.com) and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (www.hkexnews.hk) and dispatched to the Shareholders in due course upon request of the Shareholders.

CLOSURE OF REGISTER MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, May 23, 2025 to Wednesday, May 28, 2025, both dates inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, all share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Thursday, May 22, 2025.

FINANCIAL SUMMARY

A summary of the published results and the assets and liabilities of the Group in the form of a comparative table for the last five financial years is set out in the section headed "Financial Highlights" of this annual report. This summary does not form part of the Consolidated Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the Reporting Period are set out in Note 16 to the Consolidated Financial Statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in Note 32 to the Consolidated Financial Statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the Reporting Period are set out in the section headed "Consolidated Statement of Changes in Equity" in the Consolidated Financial Statements.

DISTRIBUTABLE RESERVES

As at December 31, 2024, the aggregate amount of reserves available for distribution to the Shareholders, as calculated under the Companies Law of the Cayman Islands, was approximately US$107.3 million.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Shares.

BANK BORROWINGS

Particulars of the bank borrowings of the Group as at December 31, 2024 are set out in Note 29 to the Consolidated Financial Statements.

CHARITABLE CONTRIBUTIONS

During the Reporting Period, the Group made charitable contributions totalling approximately US$0.01 million (2023: nil).

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 14.6% of the total revenue of the Group for the Reporting Period whilst sales to the largest customer accounted for approximately 5.0% of the total revenue of the Group for the Reporting Period.

Purchases from the Group's five largest suppliers accounted for approximately 17.2% of the Group's total purchases during the Reporting Period whilst purchases from the largest supplier accounted for approximately 4.8% of the total purchases of the Group for the Reporting Period.

None of the Directors or any of their close associates (as defined in the Listing Rules) or any Shareholder (whom, to the best knowledge of the Directors, own more than 5% of Company issued share capital) had an interest in any of the five largest customers and suppliers of the Group for the Reporting Period.

DIRECTORS

The Directors during the Reporting Period and up to the date of this annual report were:

Executive Director
Dr. Song Li *(Chairman)*

Non-executive Directors
Dr. Zhihe Li
Ms. Zhuan Yin
Mr. Hao Wu

Independent Non-executive Directors
Mr. Yifan Li
Mr. Erh Fei Liu
Dr. Jingsong Wang

DIRECTORS *(Continued)*

Pursuant to Article 84(1) of the Articles of Association, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Pursuant to Article 84(2) of the Articles of Association, a retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires and any Director appointed by the Board pursuant to Article 83(3) shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

Accordingly, pursuant to Article 84 of the Articles of Association, Dr. Zhihe Li, Ms. Zhuan Yin, and Mr. Hao Wu will retire from office at the forthcoming AGM. Each of Ms. Zhuan Yin and Mr. Hao Wu, being eligible, offer themselves for re-election at the AGM and Dr. Zhihe Li will not offer himself for re-election.

DIRECTORS’ AND SENIOR MANAGEMENT’S BIOGRAPHIES

The biographical details of the Directors and senior management of the Group are set out in the section headed “Biographical Details of Directors and Senior Management” of this annual report.

CHANGES IN DIRECTORS’ BIOGRAPHICAL DETAILS

Save as disclosed in the section headed “Biographical Details of Directors and Senior Management” in this report, no change in information of Directors and chief executive is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent.

DIRECTORS' SERVICE AGREEMENT

Each Director is appointed under a letter of appointment for a term of three years from his respective date of appointment which is terminable by either party by giving three months' written notice to the other party.

None of the Directors proposed for re-election at the AGM has an unexpired letter of appointment which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' fees and other emoluments are supervised by the Remuneration Committee and determined by the Board with reference to the Directors' duties, responsibilities and performance and the results of the Company as well as the prevailing market conditions. Details of the Directors' remuneration are set out in Note 12 to the Consolidated Financial Statements.

The Company was not aware of any arrangement under which a Director has waived or agreed to waive any emoluments. Details of the remuneration of the Directors and the Group's five highest-paid individuals are set out in Note 12 and Note 13 to the Consolidated Financial Statements of this annual report, respectively.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in Note 40 to the Consolidated Financial Statements and in the section headed "Connected Transactions" below, no Director nor an entity connected with a Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company's holding company, or any of its subsidiaries or fellow subsidiaries was a party during or at the end of the Reporting Period.

MANAGEMENT CONTRACTS

During the Reporting Period, the Company has not entered into any contract with any individuals, firm or body corporate to manage or administer the whole or any substantial part of any business of the Group.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance has been entered into among the Company or any of its subsidiaries and the Controlling Shareholders during the Reporting Period.

PERMITTED INDEMNITY PROVISION AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Articles of Association provide that the Directors or other officers of the Company are entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices.

The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the Reporting Period.

DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Reporting Period was the Company or any of its subsidiaries, the holding company, a party to any arrangement to enable a Director to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Reporting Period, none of the Directors is considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES

As at December 31, 2024, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long Positions in the Shares and underlying Shares

Name of director/ chief executive	Capacity/ Nature of Interest	Number of Shares and underlying shares	Approximate percentage of shareholding interest[3]
Dr. Song Li[1]	Beneficial owner/ Trustee	177,541,320	8.72%
Dr. Zhihe Li	Beneficial owner	17,451,632	0.86%
Dr. Abdul Ezaz Mutlib[2]	Beneficial owner	10,352,520	0.51%

Notes:

1. As at December 31, 2024, Dr. Song Li is the beneficial owner of 40,733,050 Shares and is the founder and a trustee of each of The Linna Li GST Exempt Trust, The Wendy Li GST Exempt Trust and The Yue Monica Li GST Exempt Trust, which, as at December 31, 2024, hold 45,600,090 Shares, 45,602,090 Shares and 45,606,090 Shares respectively.

2. Dr. Abdul Ezaz Mutlib resigned as the Chief Executive Officer on January 6, 2025.

3. The percentage is for illustrative purpose only, subject to rounding error, and is calculated based on the number of 2,035,724,910 Shares in issue as at December 31, 2024.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES *(Continued)*

Save as disclosed above and to the best knowledge of the Directors, as at 31 December 2024, none of the Directors or the chief executives of the Company had any interests and/or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at December 31, 2024, so far as the Directors are aware, the following persons (other than a Director or chief executive of the Company) and entities had interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which recorded in the register required to be kept by the Company under section 336 of the SFO:

Interests and Long Positions in Shares

Name of substantial Shareholder	Capacity/ Nature of Interest	Number of Shares	Approximate percentage of shareholding interest[2]
Hongkong Tigermed	Beneficial owner	1,079,664,090	53.04%
Hangzhou Tigermed[1]	Interest of controlled corporation	1,305,684,090	64.14%

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY *(Continued)*

Notes:

1. Hangzhou Tigermed is deemed to be interested in the 1,079,664,090 Shares which Hongkong Tigermed, its wholly-owned subsidiary, is interested in as beneficial owner of Hongkong Tigermed, and the 226,020,000 Shares held by itself.

2. The percentage is for illustrative purpose only, subject to rounding error, and is calculated based on the number of 2,035,724,910 Shares in issue as at December 31, 2024.

Save as disclosed above and to the best knowledge of the Directors, as at December 31, 2024, no other persons (other than a Director or chief executive of the Company) or entities had any interests or short positions in the Shares or underlying shares of the Company, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEMES

Details of the Company's Share Option Schemes are set out in Note 34 to the Consolidated Financial Statement.

From January 1, 2024, the Company has relied on the transitional arrangements provided for the existing share schemes and complies with the new Chapter 17 accordingly (effective from January 1, 2023).

SHARE OPTION SCHEMES *(Continued)*

Pre-IPO Share Incentive Plans

Frontage Labs has adopted the Pre-IPO Share Incentive Plans for the primary purpose of attracting, retaining and motivating the directors of Frontage Labs and employees of the Group. Under such plans, the directors of Frontage Labs may grant up to 9,434,434 share options under the 2008 Share Incentive Plan and 12,000,000 share options under the 2015 Share Incentive Plan to eligible employees, including the directors of Frontage Labs and employees of the Group, to subscribe for shares in Frontage Labs. Each option granted has a contractual term of 5 to 10 years and vests on one calendar year after the grant date.

On April 17, 2018, Frontage Labs assigned and the Company assumed and adopted the rights and obligations of Frontage Labs under the Pre-IPO Share Incentive Plans. The total outstanding share options under Pre-IPO Share Incentive Plans as at December 31, 2018 were 4,035,000 shares.

On February 28, 2019, the Company granted a total of 7,990,000 share options under the 2015 Share Incentive Plan to the eligible employees at an exercise price of US$2.00.

On May 11, 2019, upon the completion of the Capitalization Issue, the number of options granted to an eligible employee under the Pre-IPO Share Incentive Plans were adjusted to ten times of the original number of options held by that grantee. Accordingly, the exercise price was adjusted to 10% of the original exercise price.

SHARE OPTION SCHEMES *(Continued)*

Pre-IPO Share Incentive Plans *(Continued)*

Set out below are details of the movements of the outstanding options granted during the Reporting Period:

Category of participants	Date of grant	Exercise price per Share (US$)	Outstanding as at January 1, 2024	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at December 31, 2024	Vesting period
Directors									
Dr. Song Li	February 28, 2019	0.200	4,700,000	–	4,700,000	–	–	–	exercisable at any time[1]
Dr. Zhihe Li	February 28, 2019	0.200	4,500,000	–	4,500,000	–	–	–	exercisable at any time[1]
Chief Executives									
Dr. Abdul Mutlib[3]	June 16, 2016	0.049	1,500,000	–	–	–	–	1,500,000	exercisable at any time[2]
	September 14, 2017	0.057	1,000,000	–	–	–	–	1,000,000	exercisable at any time[2]
	February 28, 2019	0.200	4,500,000	–	4,500,000	–	–	–	exercisable at any time[1]
Senior management and other employees	January 21, 2014	0.016	130,000	–	130,000	–	–	–	exercisable at any time[2]
	June 16, 2016	0.049	5,150,000	–	–	–	–	5,150,000	exercisable at any time[2]
	September 14, 2017	0.057	8,850,000	–	–	–	–	8,850,000	exercisable at any time[2]
	February 28, 2019	0.200	23,030,000	–	22,280,000	750,000	–	–	exercisable at any time[1]
Total			53,360,000	–	36,110,000	750,000	–	16,500,000	

SHARE OPTION SCHEMES *(Continued)*

Pre-IPO Share Incentive Plans *(Continued)*

Notes:

(1) The option exercise period is five years from the date of grant.

(2) The option exercise period is ten years from the date of grant.

(3) Dr. Abdul Mutlib resigned as the Chief Executive Officer on January 6, 2025.

The exercise price of options outstanding ranges from US$0.049 to US$0.057.

The estimated fair value of the share options granted under the 2015 Share Incentive Plan in 2021 was approximately US$5,001,000. The fair value was calculated using the Black-Scholes model. There were no share options issued during the year ended December 31, 2024 and no more options may be granted under the Pre-IPO Share Incentive Plans upon the Listing of the Company.

The major inputs into the model are as follows:

Grant date	**As at February 28, 2019**
Share price (US$)	0.22
Exercise price (US$)	0.20
Expected volatility	30.0%
Expected life (years)	5
Risk-free interest rate	2.5%
Expected dividend yield	–

SHARE OPTION SCHEMES *(Continued)*

Pre-IPO Share Incentive Plans *(Continued)*

Share price is determined as the total fair value of the Company's equity divided by the total number of shares. To determine the fair value of the Company's equity value as of grant date, the Group used primarily the discounted cash flow method under the income approach, using cash flow projections based on financial forecasts approved by management covering a five-year period as appropriate and a discount rate of 18% for the options granted on February 28, 2019. Management's assessment is that the Group will arrive at a stable growth stage after a five-year period. Cash flow beyond that five-year period has been extrapolated using a steady 3% growth rate. This growth rate does not exceed the long-term average growth rate for the market in which the Group operates. The result from the income approach was cross checked with the market approach, which incorporates certain assumptions, including the market performance of comparable listed companies, as well as the financial results and growth trends of the Group, to derive the total equity of the Group.

The risk-free interest rate was based on the market yield rate of U.S. government bonds with the term corresponding to the contractual life of the options. Expected volatility was determined by using the historical volatility of the comparable companies.

Changes in variables and assumptions may result in changes in the fair values of the share options.

The Group recognized total expenses of approximately US$nil for the Reporting Period (2023: nil) in relation to share options granted by the Company.

2018 SHARE INCENTIVE PLAN

The Company conditionally adopted the 2018 Share Incentive Plan by a written resolution of the Shareholders on May 11, 2019, which became unconditional upon the Listing Date. Summary of the principal terms of the 2018 Share Incentive Plan is as follows:

(i) Purpose of the 2018 Share Incentive Plan

The purpose of the 2018 Share Incentive Plan is to advance the interests of the Company's shareholders by enhancing the Company's ability to attract, retain and motivate skilled and experienced personnel who are expected to make important contributions to the Group. In particular, the 2018 Share Incentive Plan aims to motivate personnel to strive for the future development and expansion of the Group by providing them with the opportunity to acquire equity interests in the Company.

(ii) Participants

Those eligible to participate in the 2018 Share Incentive Plan include the Directors (including executive Directors, non-executive Directors and independent non-executive Directors), the directors of the Company's subsidiaries and the employees, consultants and advisors of the Group or any other person as determined by the Board who the Board considers, in its absolute discretion, have contributed or will contribute to the Group ("**Participants**"). Participants may receive, at the absolute discretion of the Board, options ("**Options**"), restricted share units (a contingent right to receive Shares) ("**RSUs**") and any other type of share incentive award (each, an "**Award**") under the 2018 Share Incentive Plan. Each person who receives an Award under the 2018 Share Incentive Plan is a grantee (the "**Grantee**").

2018 SHARE INCENTIVE PLAN *(Continued)*

(iii) The total number of shares available for issue under the 2018 Share Incentive Plan and the percentage of the issued shares that it represents as at the date of the annual report

The maximum number of shares in respect of which awards may be granted pursuant to the 2018 Share Incentive Plan and any other equity-based incentive schemes of the Company is 200,764,091, being 10% of the shares in issue on the listing date.

The total number of shares available for issue under the 2018 Share Incentive Plan is 85,823,591, being 4.2% of the issued shares as at the date of this annual report.

(iv) Maximum entitlement of each participant

The maximum number of shares issued and to be issued and/or transferred and to be transferred upon the vesting or exercise of the awards granted to each grantee (including all vested, exercised and outstanding awards) in any 12-month period shall not (when aggregated with any shares underlying the awards granted during such period pursuant to any other share award schemes of the Company) exceed 1% of the shares in issue of the Company. Any further grant of awards in excess of this limit is subject to shareholders' approval in general meeting of the Company.

(v) Time of exercise of option

An option may be exercised in accordance with the terms of the 2018 Share Incentive Plan at any time during a period to be determined by the Board and notified to the Grantee in the notice of grant, or, where applicable, any period for the exercise of an option as determined by the Board, which shall expire no later than 10 years from the date on which an offer is made to a participant.

(vi) Vesting period of Awards

Subject to and in accordance with the terms of the 2018 Share Incentive Plan and the specific terms applicable to each Award, an Award shall vest on the date specified in the notice of grant. If the vesting of an Award is subject to the satisfaction of performance or other conditions and such conditions are not satisfied, the Award shall lapse automatically in respect of such proportion of underlying Shares as have not vested.

2018 SHARE INCENTIVE PLAN *(Continued)*

(vii) Payment on acceptance of Award

The Company may require the Grantee to pay a remittance of the sum of US$1.00 or such other amount in any other currency as may be determined by the Board as consideration for the grant of the Award. Such remittance is not refundable in any circumstances.

(viii) Basis of determining the exercise price

The Exercise Price shall be determined by the Board in its absolute discretion but in any event shall not be less than the higher of:

a) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the offer date, which must be a Business Day;

b) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five Business Days immediately preceding the offer date; and

c) the nominal value of the Shares,

provided that for the purpose of determining the exercise price where the Shares have been listed on the Stock Exchange for less than five Business Days, the issue price of the Shares in the Global Offering shall be used as the closing price of the Shares for any Business Day falling within the period before the listing of the Shares on the Stock Exchange.

2018 SHARE INCENTIVE PLAN *(Continued)*

(ix) The remaining life of the 2018 Share Incentive Plan

The 2018 Share Incentive Plan shall be valid and effective for a period of 10 years commencing from May 30, 2019, after which no further Awards may be offered or granted but Awards granted during that 10-year term shall continue to be valid in accordance with their terms of grant.

The movements of share options during the Reporting Period were as follows:

Category of participants	Date of grant	Exercise price per Share (HK$)	Outstanding as at January 1, 2024	Granted during the Reporting Period	Exercised during the Reporting Period[4]	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at December 31, 2024	Vesting period[5]
Directors									
Dr. Song Li	October 7, 2022[1]	2.092	1,500,000	–	–	–	–	1,500,000	30% on September 1, 2023; 30% on September 1, 2024; and 40% on September 1, 2025
	December 20, 2023[2]	2.130	1,600,000	–	–	–	–	1,600,000	30% on December 20, 2024; 30% on December 20, 2025; and 40% on December 20, 2026
	October 30, 2024[3]	0.820	–	4,500,000	–	–	–	4,500,000	30% on October 30, 2025; 30% on October 30, 2026; and 40% on October 30, 2027
Chief Executive									
Dr. Abdul Mutlib[6]	October 7, 2022[1]	2.092	1,000,000	–	–	–	–	1,000,000	30% on September 1, 2023; 30% on September 1, 2024; and 40% on September 1, 2025
	December 20, 2023[2]	2.130	1,400,000	–	–	–	–	1,400,000	30% on December 20, 2024; 30% on December 20, 2025; and 40% on December 20, 2026
	October 30, 2024[3]	0.820	–	4,500,000	–	–	–	4,500,000	30% on October 30, 2025; 30% on October 30, 2026; and 40% on October 30, 2027

2018 SHARE INCENTIVE PLAN *(Continued)*

(ix) The remaining life of the 2018 Share Incentive Plan *(Continued)*

Category of participants	Date of grant	Exercise price per Share (HK$)	Outstanding as at January 1, 2024	Granted during the Reporting Period	Exercised during the Reporting Period[4]	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at December 31, 2024	Vesting period[5]
Employees	October 7, 2022[1]	2.092	25,600,000	–	69,000	3,081,000	–	22,450,000	30% on September 1, 2023; 30% on September 1, 2024; and 40% on September 1, 2025
	December 20, 2023[2]	2.130	23,150,000	–	–	3,372,000	–	19,778,000	30% on December 20, 2024; 30% on December 20, 2025; and 40% on December 20, 2026
	October 30, 2024[3]	0.820	–	24,150,000	–	–	–	24,150,000	30% on October 30, 2025; 30% on October 30, 2026; and 40% on October 30, 2027
Total			54,250,000	33,150,000	69,000	6,453,000	–	80,878,000	

Note:

(1) The closing price of the shares immediately before the date on which the options were granted was HK$2.06.

(2) The closing price of the shares immediately before the date on which the options were granted was HK$2.16.

(3) The closing price of the shares immediately before the date on which the options were granted was HK$0.73.

(4) The weighted average closing price of the shares immediately before the dates on which the options were exercised during the Reporting Period was HK$2.18.

(5) The option exercise period commences from the respective vesting date of the relevant tranche of share options and ends on the date before the 5th anniversary of the date of grant (i.e. 6 October 2027, 20 December 2028 and October 30, 2029 respectively) (both dates inclusive).

(6) Dr. Abdul Mutlib resigned as the Chief Executive Officer on January 6, 2025.

2018 SHARE INCENTIVE PLAN *(Continued)*

Except for the share options granted shown as above, no RSU or any other type of share incentive award was granted under the 2018 Share Incentive Plan for the year ended 31 December 2024. The number of Awards available for grant under the 2018 Share Incentive Plan at the beginning and the end of the financial year is 118,973,591 and 85,823,591, respectively.

The fair value of the share options granted under the 2018 Share Incentive Plan as at October 7, 2022, as at December 20, 2023 and October 30, 2024 were approximately US$3,255,000, US$2,988,000 and US$1,839,000 respectively, which were calculated in accordance with IFRSs. The fair value were calculated using the Black-Scholes-Merton model.

The significant assumptions and inputs used in the Black-Scholes-Merton model are as follows:

Grant date	**As at October 7, 2022**
Share price (US$)	0.25
Exercise price (US$)	0.27
Expected volatility	52.0%
Expected life (years)	5
Risk-free interest rate	3.7%
Expected dividend yield	–

Grant date	**As at December 20, 2023**
Share price (US$)	0.27
Exercise price (US$)	0.27
Expected volatility	51.0%
Expected life (years)	5
Risk-free interest rate	3.0%
Expected dividend yield	–

2018 SHARE INCENTIVE PLAN *(Continued)*

Grant date	**As at October 30, 2024**
Share price (US$)	0.11
Exercise price (US$)	0.11
Expected volatility	64.0%
Expected life (years)	5
Risk-free interest rate	3.0%
Expected dividend yield	–

Share price is determined by reference to the closing share price of the Company at the date of grant.

The risk-free interest rate was based on market yield on Hong Kong Treasury securities with the maturity corresponding to the contractual life of the options. Expected volatility was determined by the average of the longest period historical volatility of the Company, and the 5 years historical volatility of the comparable companies.

Changes in variables and assumptions may result in changes in the fair values of the share options.

The Group recognised total expenses of approximately US$1,937,000 (2023: US$1,368,000) for the year ended December 31, 2024 in relation to share options granted by the Company under 2018 Frontage Share Incentive Scheme.

2021 SHARE AWARD SCHEME

The Company adopted the 2021 Share Award Scheme on January 22, 2021. Summary of the principal terms of the 2021 Share Award Scheme is as follows:

(i) Purpose of the 2021 Share Award Scheme

The purposes of the 2021 Share Award Scheme are to recognize the contributions by certain employees, to give incentives thereto in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

2021 SHARE AWARD SCHEME *(Continued)*

(ii) Participants

Under the rules of the 2021 Share Award Scheme, the individuals eligible to be granted award(s) thereunder include any director, senior management, employee, or consultant of the Company or its subsidiaries, but at the discretion of the Board, excluding the following persons: (i) any seconded employee or part-time employee or non-full time employee of the Group; and (ii) any employee of the Group who at the relevant time has given or been given notice terminating his office or directorship as the case may be. Employees who are resident in a place where the award of the awarded shares and/or the vesting and transfer of the awarded shares pursuant to the terms of the 2021 Share Award Scheme is not permitted under the laws or regulations of such place or where in the view of the Board or the Trustee (as the case may be), compliance with applicable laws or regulations in such place makes it necessary or expedient to exclude such Employee, are excluded from the 2021 Share Award Scheme.

(iii) The total number of shares available for issue under the 2021 Share Award Scheme and the percentage of the issued shares that it represents as at the date of the annual report

The maximum number of shares in respect of which awards may be granted pursuant to the 2021 Share Award Scheme is 204,605,091, being 10% of the issued share capital of the Company on the adoption date of the 2021 Share Award Scheme.

The total number of shares available for issue under the 2021 Share Award Scheme is 181,654,591, being 8.9% of the issued shares as at the date of this annual report.

(iv) Maximum entitlement of each participant

The maximum number of awarded shares which may be awarded to a selected employee shall not in aggregate exceed one percent (1%) of the issued share capital of the Company as at the adoption date of the 2021 Share Award Scheme (i.e. January 22, 2021).

2021 SHARE AWARD SCHEME *(Continued)*

(v) Vesting period of awarded shares

The respective awarded shares held by the trustee on behalf of selected employee(s) as specified in the 2021 Share Award Scheme and the grant notice shall vest in such selected employee(s) in accordance with the vesting schedule (if any) as set out in the grant notice.

(vi) Payment on acceptance of award

None.

(vii) Basis of determining the purchase price

None.

(viii) The remaining life of the 2021 Share Award Scheme

The 2021 Share Award Scheme will remain in force for a period of 10 years commencing on its adoption date (i.e. January 22, 2021) unless otherwise terminated by the Board at an earlier date or expired upon the end of the transitional arrangements provided for the existing share schemes under the new Chapter 17 accordingly (effective from January 1, 2023).

On January 25, 2021, the Board resolved to grant a total of 22,950,500 Awarded Shares to 184 Award Participants pursuant to the terms of the 2021 Share Award Scheme. Of the 22,950,500 Awarded Shares, (i) 19,850,500 awarded shares were granted to 182 Non-connected Award Participants, all being employees of the Group who are not connected persons of the Company; and (ii) 3,100,000 awarded shares were granted to two Connected Award Participants, namely Dr. Zhihe Li and Dr. Song Li and were approved by the independent Shareholders at the annual general meeting of the Company held on May 27, 2021.

The estimated fair value was approximately US$16,120,000 for the awarded shares. The fair value was calculated by reference to the closing share price of the Company at the date of grant, which was HK$6.02 (equivalent to US$0.78) per share.

2021 SHARE AWARD SCHEME *(Continued)*

The table below shows the details of movements of the awarded shares granted under the 2021 Share Award Scheme during the Reporting Period:

			Number of awarded shares						
Category of Participants	Date of grant	Purchase price	Outstanding as at January 1, 2024	Granted during the Reporting Period	Vested during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at December 31, 2024	Vesting period
Directors									
Dr. Song Li	January 25, 2021	–	925,000	–	462,500	–	–	462,500	25% on January 24, 2022; 25% on January 24, 2023; 25% on January 24, 2024; and 25% on January 24, 2025
Dr. Zhihe Li	January 25, 2021	–	625,000	–	312,500	–	–	312,500	25% on January 24, 2022; 25% on January 24, 2023; 25% on January 24, 2024; and 25% on January 24, 2025
Chief Executives									
Dr. Abdul Mutlib[2]	January 25, 2021	–	650,000	–	325,000	–	–	325,000	25% on January 24, 2022; 25% on January 24, 2023; 25% on January 24, 2024; and 25% on January 24, 2025
Other grantees									
Five highest paid individual other than directors	January 25, 2021	–	1,600,000	–	800,000	–	–	800,000	25% on January 24, 2022; 25% on January 24, 2023; 25% on January 24, 2024; and 25% on January 24, 2025
178 employees	January 25, 2021	–	4,790,126	–	2,445,062	155,000	–	2,190,064	25% on January 24, 2022; 25% on January 24, 2023; 25% on January 24, 2024; and 25% on January 24, 2025
Total			8,590,126	–	4,345,062	155,000	–	4,090,064	

2021 SHARE AWARD SCHEME *(Continued)*

Notes:

(1) The weighted average closing price of the shares immediately before the dates on which the awards were vested during the Reporting Period was HK$2.05.

(2) Dr. Abdul Mutlib resigned as the Chief Executive Officer on January 6, 2025.

The number of awarded shares available for grant under the 2021 Share Award Scheme at the beginning and the end of the financial year is 181,654,591 and 181,654,591, respectively.

The number of shares that may be issued in respect of options and awards granted under all schemes of the Company during the financial year divided by the weighted average number of shares in issue for the year is 1.6%.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Schemes, no equity-linked agreements were entered into by the Company during the Reporting Period

FINAL DIVIDEND

The Board does not recommend the distribution of a final dividend for the Reporting Period.

PRINCIPLE RISKS AND UNCERTAINTIES

The principal risks and uncertainties that may cause the Group's financial conditions or results to be materially different from the expected or historical results are described below:

(i) Operational Risks

The Group's operation is subject to its customers' demand for its outsourcing services which is subject to, among other things, their own financial performance, their decisions to acquire or develop in-house research and development capacity, their spending priorities, their budgetary policies and practices, the regulatory environment, and their desire to develop new products. In addition, changes in government policy may affect our customers' research and development spending, which in turn could have an impact on their demand for CRO services. Any reduction in research and development spending, or any substantial shift in our customers' research and development spending to projects which we are not competitive for, may adversely impact the demand for our services.

PRINCIPLE RISKS AND UNCERTAINTIES *(Continued)*

(ii) Business and Economic Risks

- The potential loss, delay or non-renewal of our contracts, or the non-payment by our customers for services that we have performed, could adversely affect our results.

- Our backlog may not convert to net revenue at our historical conversion rates.

- Our operating margins could decrease due to increased pricing pressure or other pressures, if we are unable to either achieve efficiencies in our operating expenses or grow revenues at a rate faster than expenses.

- We bear financial risk if we underprice our fixed-fee contracts or overrun cost estimates, and our financial results can also be adversely affected by failure to receive approval for change orders or delays in documenting change orders.

- If we are unable to successfully execute our growth strategies or manage our growth effectively, our results of operations or financial condition could be adversely affected.

- Our success substantially depends on the collective performance, contributions, and expertise of our senior management team and other key personnel including qualified management, professional, scientific, and technical operating staff, and business development personnel. The departure of any key personnel or our inability to continue to identify, attract and retain qualified personnel or replace any departed personnel in a timely fashion, might impact our ability to grow our business and compete effectively in our industry and might negatively affect our business, financial condition, results of operations, cash flows, or reputation.

- Our acquisition strategy may present additional risks, including the risk that we may be unable to fully realize the competitive and operating synergies projected to be achieved through any specific acquisition. Acquisitions involve numerous risks, including the following: ability to identify suitable acquisition opportunities or obtain any necessary financing on commercially acceptable terms; increased risk to our financial position and liquidity through changes to our capital structure and assumption of acquired liabilities, including any indebtedness incurred to finance the acquisitions and related interest expense; assumption of liabilities and exposure to unforeseen liabilities of acquired companies; inability to achieve identified operating and financial synergies and other benefits anticipated to result from an acquisition; and difficulties retaining and integrating acquired personnel and distinct cultures into our business.

PRINCIPLE RISKS AND UNCERTAINTIES *(Continued)*

(ii) Business and Economic Risks *(Continued)*

- The failure of third parties to provide us critical support services could materially adversely affect our business, financial condition, results of operations, cash flows or reputation.

(iii) Indebtedness Risks

Risks Relating to Our Indebtedness

Restrictions imposed in the secured credit facilities (as defined below) and other outstanding indebtedness, may limit our ability to operate our business and to finance our future operations or capital needs or to engage in other business activities.

The terms of the secured credit facilities restrict Frontage Labs and its restricted subsidiaries from engaging in specified types of transactions. These covenants restrict the ability of Frontage Labs and its restricted subsidiaries, among other things, to:

- incur liens;
- make investments and loans;
- incur indebtedness or guarantees;
- issue preferred stock of a restricted subsidiary;
- engage in mergers, acquisitions and asset sales;
- declare dividends;
- alter the business Frontage Labs and its restricted subsidiaries conduct;
- make restricted payments;
- prepay, redeem or purchase certain indebtedness; and
- engage in certain transactions with affiliates.

PRINCIPLE RISKS AND UNCERTAINTIES *(Continued)*

(iii) Indebtedness Risks *(Continued)*

Risks Relating to Our Indebtedness (Continued)

Frontage Labs' ability to comply with these financial covenants can be affected by events beyond our control, and we may not be able to satisfy them.

The credit facilities contain provisions that may trigger a default if we fail to comply with certain obligations. In such event, lenders could declare payment of all outstanding amounts, including interest and fees. Collateral pledged under the facilities could be used to repay any outstanding debt. Any acceleration of amounts due or exercise of remedies under the security documents would likely have a material adverse impact on us.

Furthermore, a breach of covenants or restrictions under other indebtedness could also result in a default under that debt, which could lead to the acceleration of related debt and affect future financing. Our credit ratings, financial performance, and substantial indebtedness could also negatively affect the availability and terms of future financing.

(iv) International Risks

The Group's international operations are subject to international economic, political and other risks that could negatively affect our results of operations and financial condition.

The Group may be exposed to liabilities from failure to comply with foreign laws and regulations that differ from those under which the Group operates in North America and China, and any allegation or determination that we violated these laws could have a material adverse effect on our business.

Our Group may be adversely affected by other risks of expanded operations in foreign countries, including, but not limited to, including:

- the U.S. or other countries could enact legislation or impose regulations or other restrictions, including unfavourable labor regulations, tax policies, data protection regulations or economic sanctions, which could have an adverse effect on our ability to conduct business in or expatriate profits from the countries in which we operate;

- changes in reimbursement by foreign governments for services provided by the Group;

PRINCIPLE RISKS AND UNCERTAINTIES *(Continued)*

(iv) International Risks *(Continued)*

- compliance with export controls and trade regulations;
- changes in tax policies or other foreign laws; compliance with foreign labor and employee relations laws and regulations;
- restrictions on currency repatriation;
- judicial systems that less strictly enforce contractual rights; countries that do not have clear or well-established laws and regulations concerning issues relating to drug development services; countries that provide less protection for intellectual property rights;
- procedures and actions affecting approval, production, pricing, reimbursement and marketing of products and services. Further, international operations could subject the Group to additional expenses that the Group may not fully anticipate, including those related to enhanced time and resources necessary to comply with foreign laws and regulations, difficulty in collecting accounts receivable and longer collection periods, and difficulties and costs of staffing and managing foreign operations;
- the regulatory or judicial authorities of foreign countries might not enforce legal rights and recognize business procedures in a manner in which we are accustomed or would reasonably expect;
- changes in political and economic conditions, including the UK's withdrawal from the European Union and the policies of the current U.S. presidential administration, may lead to changes in the business environment in which we operate, as well as changes in inflation and foreign currency exchange rates;
- natural disasters, pandemics, or international conflict, including terrorist acts, could interrupt our services, endanger our personnel, or cause project delays or loss of clinical trial materials or results;
- political unrest, such as the current situation with Ukraine and Russia, could delay or disrupt our customer's ability to conduct clinical trials or other business, and if such political unrest escalates or spills over to or otherwise impacts additional regions it could heighten many of the other risk factors included in this section.

PRINCIPLE RISKS AND UNCERTAINTIES *(Continued)*

(iv) International Risks *(Continued)*

These risks and uncertainties could negatively impact our ability to, among other things, perform large, global projects for our customers. Furthermore, our ability to deal with these issues could be affected by applicable U.S. laws. Any such risks could have an adverse impact on our business, financial condition, results of operations, cash flows, or reputation.

(v) Currency Risks

The Group principally operates in the U.S. with most of its transactions being settled in US$, which is the functional currency of most of the Group's entities. The Group also has certain entities that have RMB and EUR sales and purchases, expenses, assets and liabilities and net investments, which expose the Group to foreign currency risks. The Group seeks to limit its exposure to foreign currency risks by closely monitoring and minimizing its net foreign currency position. During the Reporting Period, the Group had not used any derivative contracts to hedge against its exposure to currency risks.

(vi) Cybersecurity Risks

Our business depends on the continued effectiveness and availability of our information systems, including the information systems we use to provide our services to our customers and failures of these systems may materially limit our operations.

If the security of confidential information used in connection with our services is breached or otherwise subject to unauthorized access, our reputation and business may be materially harmed.

We operate large and complex computer systems that contain significant amounts of the data of our Group, our employee, and customer. As a routine element of our business, we collect, process, analyze, and retain substantial amounts of data pertaining to the studies we conduct for our customers. Security breaches and unauthorized access to the Group's or its customers' data could harm our reputation and adversely affect our business. During the Reporting Period, we continued to make investments in state-of-the art technology to proactively identify and protect against potential information system disruptions and breaches; to monitor, test and secure key networks and services; and to facilitate prompt resumption of operations if a breach or interruption should occur. Additional resources will continue to be dedicated to expanding the Group's ability to investigate and remediate any cybersecurity vulnerabilities in the context of the ever-evolving cyber liability landscape.

PRINCIPLE RISKS AND UNCERTAINTIES *(Continued)*

(vi) Cybersecurity Risks *(Continued)*

We believe that we have taken appropriate measures to protect them from intrusion, and we will continue to improve and enhance our systems in this regard, but in the event that our efforts are unsuccessful, we could suffer significant harm. In addition, as cyber threats continue to evolve, the Group may be required to expend additional resources to continue to enhance the Group's information security measures or to investigate and remediate any information security vulnerabilities. Our remediation efforts may not be successful and could result in interruptions, delays or cessation of service. This could also impact the cost and availability of cyber liability insurance to the Group. Breaches of our security measures and the unauthorized dissemination of personal, proprietary or confidential information about the Group or its customers or other third parties could expose customers' confidential and proprietary information. Such breaches could expose customers to the risk of financial or medical identity theft or expose the Group or other third parties to a risk of loss or misuse of this information, result in litigation and potential liability for the Group, damage the Group's brand and reputation or otherwise harm the Group's business. Any of these disruptions or breaches of security could have a material adverse effect on the Group's business, regulatory compliance, financial condition and results of operations.

(vii) Data Privacy and Protection Risks

The legislative and regulatory landscape for privacy and data protection is complex and continually evolving. Data protection regulations have been enacted or updated in regions (i.e. North America, Asia, and Europe) where the Company has operations in or does business in. We are required to comply with the data privacy and security laws in these jurisdictions. Laws and regulations regarding the protection of personal data could result in increased risks of liability or increased cost to us or could limit our service offerings. Failure to comply with these regulations may result in, among other things, civil, criminal and contractual liability, fines, regulatory sanctions and damage to the Company's reputation and may have a significant adverse effect on our business and operations. We have made changes to our business practices and will continue to invest in additional resources to attain compliance with these evolving and complex regulations.

PRINCIPLE RISKS AND UNCERTAINTIES *(Continued)*

(viii) Natural Disasters, Public Health Crises, and Political Crises Risks

We conduct our activities in our facilities located in Exton, Pennsylvania, North Wales, Pennsylvania, Concord, Ohio, USA; Vancouver, Canada; Shanghai, Zhengzhou, Henan, and Suzhou, Jiangsu, China. We depend on these facilities for continued business operations.

Our facilities could be damaged or disrupted by natural disasters, such as earthquakes, tsunamis, power shortages or outages, floods or monsoons, public health crises, such as pandemics and epidemics, political crises, such as terrorism, war, political instability or other conflict, or other events outside of our control. The occurrence of any of these disruptions or other events outside of our control (particularly involving locations in which the Company has operations) could cause significant delays in shipments of our deliverables, reduce our capacity to provide services, eradicate unique manufacturing capabilities and, ultimately, result in material adverse effect on our financial position, results of operations, and cash flows.

CONNECTED TRANSACTIONS

Details on related party transactions for the year ended December 31, 2024 are set out in Note 40 to the Consolidated Financial Statements. Details of related party transactions which also constitute connected transactions or continuing connected transactions not fully exempted under Rule 14A.73 of the Listing Rules are disclosed below.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

The Company entered into a services framework agreement (the "**Service Framework Agreement**") with Hangzhou Tigermed on May 11, 2019 to govern the existing and future provision of the relevant services between the Group and the Tigermed Group. Upon the expiry of its initial term, the Service Framework Agreement was renewed for a period of three years from January 1, 2022 to December 31, 2024 (the "**Renewed Services Framework Agreement**"). On August 25, 2023, the Board resolved to revise the annual caps in relation to the relevant services to be provided under the Renewed Services Framework Agreement for each of the two years ending December 31, 2024. The transactions under the Renewed Services Framework Agreement constitute continuing connected transaction and related party transactions of the Company, which are disclosed in Note 40 to the Consolidated Financial Statements in this annual report.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION *(Continued)*

The table below sets out the annual caps and the actual transaction amount of such continuing connected transactions for the year ended December 31, 2024:

Continuing Connected Transactions	Connected Person	Description	Pricing Policy	Annual cap for the year ended December 31, 2024 *(USD'000)*	Actual transaction for the year ended December 31, 2024 *(USD'000)*
Service Framework Agreement	Hangzhou Tigermed, one of the controlling shareholders	Revenue received from providing laboratory and bioequivalence studies services to the Tigermed Group	Service fee determined through arm's length negotiation	2,500	1,910
		Fees paid for biometrics services, electronic data capture software services and clinical site management organization services provided by the Tigermed Group	Service fee determined through arm's length negotiation	1,010	455

NON-EXEMPT CONTINUING CONNECTED TRANSACTION *(Continued)*

The pricing basis for the relevant services provided and received by the Group under the Services Framework Agreement is as follows:

The fees for the laboratory and bioequivalence studies services provided by the Group to the Tigermed Group are agreed and set out in the relevant service agreements which will be determined based on arm's length negotiations after taking into account various factors including (1) the actual cost and expenses incurred in providing such services, (2) the types and nature of the services provided, (3) the expected technical complexity of the required services and duration of the project involved, (4) the market rates for providing the relevant services of similar types and nature and (5) the expected commitment of resources required for providing the relevant services.

The fees for the biometrics services, electronic data capture software services and clinical site management organization services provided by the Tigermed Group to the Group are agreed and set out in the relevant service agreements which will be determined based on arm's length negotiations after taking into account various factors including (1) the requirements of the ultimate client, (2) the types and nature of the services provided, (3) the expected technical complexity of the required services and duration of the project involved, (4) the market rates for providing the relevant services of similar types and nature and (5) the expected commitment of resources required for providing the relevant services.

For detailed terms of the non-exempt continuing connected transactions mentioned above, please refer to the announcement of the Company dated August 25, 2023.

The independent non-executive Directors have reviewed each of the above-mentioned continuing connected transactions and confirmed that the transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or better; and

(3) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION *(Continued)*

The auditor of the Company was engaged to report on the Group's above-mentioned continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the conclusions in respect of the above-mentioned continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules.

In respect of the above-mentioned non-exempt connected transactions, the Directors also confirmed that the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

During the Reporting Period, there was no connected transaction of the Group which has to be disclosed in accordance with the Listing Rules, save for the foregoing.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

For the year ended December 31, 2024, the Company repurchased a total of 50,788,000 Shares (the "**Shares Repurchased**") on the Stock Exchange at an aggregate consideration (including transaction cost) of approximately HK$87,109,210. The repurchased Shares in total 47,252,000 Shares have been cancelled on April 15, 2024 and the remaining repurchased Shares have not been 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.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES *(Continued)*

Particulars of the Shares Repurchased in 2024 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$)*
January	22,050,000	2.24	1.57	39,866,860
February	25,202,000	1.86	1.55	44,807,000
June	1,158,000	1.03	0.99	1,176,000
September	2,378,000	0.56	0.485	1,259,350
Total	50,788,000	–	–	87,109,210

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (whether on the Stock Exchange or otherwise) for the year ended December 31, 2024 (including sale of treasury shares (as defined under the Listing Rules)). As at December 31, 2024, the Company did not hold any treasury shares (as defined under the Listing Rules).

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group has compliance policies and procedures in place to ensure adherence to applicable laws, rules and regulations, in particular those have a significant impact on the Group. The Group would seek professional legal advice from its legal advisers to ensure transactions and business to be performed by the Group are in compliance with the applicable laws and regulations. During the Reporting Period, the Group was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Acting in an environmentally responsible manner, the Group endeavours to comply with laws and regulations regarding environmental protection and to adopt effective measures to achieve efficient use of resources, energy saving and waste reduction and to minimise the operational impact on the environment and natural resources.

The Group will review its environmental practices from time to time and will implement further eco-friendly measures and practices closely to enhance environmental sustainability.

The Group will release the environmental, social and governance ("**ESG**") report as required by the Listing Rules regarding the same day of the publication date of annual report. The ESG report will detail the environmental and social performance of the Group during the Reporting Period.

CORPORATE GOVERNANCE

The Company is committed to fulfilling its responsibilities to its Shareholders and protecting and enhancing Shareholders' value through good corporate governance. The Directors recognize that good corporate governance is essential for the Company to achieve its objectives and drive improvement, as well as maintain legal and ethical standing in the eyes of the Shareholders, regulators and the general public. The Company is committed to the view that the Board should include a balanced composition of the executive Director and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

To the best knowledge of the Board, during the Reporting Period, the Company has complied with all the code provisions of the CG Code. For details, please refer to the section headed "Corporate Governance Report" of this annual report.

RELATIONSHIPS WITH THE GROUP'S EMPLOYEES

The Group believes that employees are important and valuable assets. The Group will provide trainings for employees to enhance their knowledge in corporate values and culture and to implement them thoroughly. Meanwhile, the Group accelerates development of young leaders and nurtures them in establishing study-oriented teams and keeps them abreast of updated knowledge and timely development.

The Group also aims to provide competitive and attractive remuneration packages to retain the employees. The management reviews annually the remuneration package offered to employees of the Group. Meanwhile, for the purpose of providing incentives and rewards to eligible participants who contributed to the success of the Group's operations, the Group adopted the Pre-IPO Share Incentive Plans and 2021 Share Awards Scheme. Information about these plans is set out in the paragraph headed "Share Option Schemes" in the Directors' Report.

RELATIONSHIPS WITH THE GROUP'S CUSTOMERS AND SUPPLIERS

The Group values long standing relationships with its suppliers and customers. The Group aims at delivering high quality services to its customers and developing mutual trust and enhancing communication and commitment between the Group and its suppliers, especially the commercial banks and financial institutions as the Group's businesses are capital intensive which require on-going funding to maintain sustainable growth.

Relationship with our customers

It is our key focus to ensure our services and deliverables are safe, effective and of high quality to our customers. The Group has specifically put in place an in-house quality management system in this respect. For details, please refer to paragraph headed "Quality Management" in the Management Discussion and Analysis.

Multiple communication channels have been established with the view to providing quality services to our customers, acquiring their feedback and solving their inquiries in a more transparent and effective manner. To take our customer relationships to the next level, we maintain a strong track record of regulatory inspections, achieving efficient, flexible and integrated delivery when required by our customers. Coupled with our high-performance management team, we have proven success in growing our customer base and enhancing customer retentions.

RELATIONSHIPS WITH THE GROUP'S CUSTOMERS AND SUPPLIERS *(Continued)*

Relationship with our suppliers

Given our broad range of services, we procure a wide variety of consumables and equipment, such as test tubes and mass spectrometers. A transparent, responsibility-based procurement policy is put in place to ensure compliance, improve competitiveness of supply chain and hence, promote a sustainable development of supply chain. We have a designated team to oversee supply matters and monitor our suppliers for any incidents or regulatory warnings.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the Reporting Period nor were the Directors aware of any material litigation or claims that were pending or threatened against the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules throughout the Reporting Period and as at the date of this annual report.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant events affecting the Group, which have occurred subsequent to December 31, 2024 and as at the date of this annual report.

REVIEW OF THE ANNUAL RESULTS BY AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee currently consists of the non-executive Director, namely Mr. Hao Wu, and two independent non-executive Directors, namely Mr. Yifan Li (Chairman) and Mr. Erh Fei Liu.

The Audit and Risk Management Committee, together with the management of the Company, has reviewed this annual report (including the Consolidated Financial Statements) and the annual results announcement of the Company for the Reporting Period and had submitted the same to the Board for approval. The Audit and Risk Management Committee was of the opinion that the Consolidated Financial Statements, the results announcement and this annual report had been prepared in compliance with the applicable accounting standards, requirements and the Listing Rules, and that adequate disclosure had been made.

INDEPENDENT AUDITOR

The Consolidated Financial Statements were audited by BDO Limited ("**BDO**"), who will retire and, being eligible, offer itself for re-appointment at the forthcoming AGM. Having been approved by the Board upon the Audit and Risk Management Committee's recommendation, a resolution for the re-appointment of BDO as the independent auditor of the Company for the ensuing year will be put to the forthcoming AGM for Shareholder's approval.

On behalf of the Board

Dr. Song Li
Executive Director, and Chairman

Hong Kong, March 27, 2025

The Board is pleased to present the corporate governance report of the Company for the Reporting Period.

CORPORATE GOVERNANCE CULTURE

The Company acts as an investment holding company and the principal activities of the Group include the provision of a comprehensive range of research and development services to the biotechnology, pharmaceutical and agrochemical industries. As a group with diversified businesses, by recognising the importance of stakeholders at the Board level and throughout the Group, we strive to provide high quality and reliable products and services, and to create values to the stakeholders through sustainable growth and continuous development.

The Board has set out the following values to provide guidance on employees' conduct and behaviours as well as the business activities, and to ensure they are embedded throughout the Company's vision, mission, policies and business strategies:

(a) Integrity – we strive to do what is right;

(b) Excellence – we aim to deliver excellence;

(c) Collaboration – we are always better together; and

(d) Accountability – we are accountable for delivering on our commitments;

The Group will continuously review and adjust, if necessary, its business strategies and keep track of the changing market conditions to ensure prompt and proactive measures will be taken to respond to the changes and meet the market needs to foster the sustainability of the Group.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standard of corporate governance practices. The Board believes that good corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

During the Reporting Period, the Company has followed the principles and complied with all code provisions set out in the CG Code contained in Appendix C1 of the Listing Rules on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), except for the deviation from code provision C.2.1 of the CG Code, details of which are explained in the relevant paragraphs of this report.

CORPORATE GOVERNANCE PRACTICES *(Continued)*

The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision-making processes are regulated in a proper and prudent manner.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. Employees of the Group (the "**Relevant Employees**") who, because of their office or employment, are likely to possess inside information in relation to the Company or its securities are also subject to compliance with the Model Code. Having made specific enquiries with all Directors, the Company confirms that, during the year ended 31 December 2024, all Directors complied with the required standards set out in the Model Code, except for the below.

Dr. Zhihe Li disposed of 4,381,555 shares of the Company (the "**Disposal**") on January 26, 2024 in conjunction with his exercise of share options through the Company's online share option management system without giving written notification to the chairman of the Board as required under Rule B.8 of the Model Code.

Dr. Zhihe Li was reminded of his obligations under Rule B.8 of the Model Code. The Company's legal team has been assigned the responsibility of maintaining a written record of all notifications given by Directors in respect of dealings in the Company's securities, along with corresponding dated written acknowledgements.

To further enhance compliance, the Company arranged training for all Directors on March 20, 2025 to ensure they fully understand their obligations under the Model Code. Additionally, the Company will regularly remind the Directors of the notification and acknowledgement requirements under Rule B.8 of the Model Code.

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and regularly reviews the contribution required from a Director to perform his responsibilities to the Company and whether the Director is spending sufficient time performing them that are commensurate with their role and the Board responsibilities. The Board includes a balanced composition of Executive Directors and Non-executive Directors (including Independent Non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

The Board of the Company currently comprises seven Directors as follows:

Executive Director
Dr. Song Li *(Chairman)*

Non-executive Directors
Dr. Zhihe Li
Ms. Zhuan Yin
Mr. Hao Wu

Independent Non-executive Directors
Mr. Yifan Li
Mr. Erh Fei Liu
Dr. Jingsong Wang

The biographical information of the Directors is set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

BOARD OF DIRECTORS *(Continued)*

Chairman and Chief Executive Officer

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. Each of the chairman of the Board and the chief executive officer of the Company was served by Dr. Song Li and Dr. Abdul Mutlib, respectively during the Reporting Period.

On January 6, 2025, the Company announced that Dr. Abdul Mutlib has decided to step aside from his current role as the Chief Executive Officer of the Company ("**CEO**") and Dr. Wentao Zhang and Dr. Zhongping Lin have been promoted to Co-CEOs.

The biographical information of the Directors is set out in the section headed "Biographical Details of Directors and Senior Management" of this Annual Report. The relationships between the Directors are disclosed in the respective Director's biography under the section "Biographical Details of Directors and Senior Management" of this Annual Report. Save as disclosed above, there is no relationships (including financial, business, family or other material/relevant relationship(s)) between the Board members.

Independent non-executive directors

During the Reporting Period, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines as set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent.

BOARD OF DIRECTORS *(Continued)*

Board Independence Evaluation

The Company has established a Board Independence Evaluation Mechanism which sets out the processes and procedures to ensure a strong independent element on the Board, which allows the Board effectively exercises independent judgment to better safeguard Shareholders' interests.

The objectives of the evaluation are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Board Independence Evaluation Mechanism, the Board will conduct annual review on its independence. The Board Independence Evaluation Report will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate.

Appointment and Re-election of Directors

According to code provision B.2.2 of the CG Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The executive Director was appointed under a letter of appointment for a term of three years from his date of appointment, subject to renewal, which is terminable by either party by giving three months' written notice to the other party. Each of the non-executive Directors and the independent non-executive Directors was appointed under a letter of appointment for a term of three years from his date of appointment, subject to renewal, which is terminable by either party giving three months' written notice to the other party.

In accordance with article 83(3) of the Articles of Association, any Director appointed by the Board shall hold office until the first general meeting of the Company after his appointment and be subject to re-election at such meeting, and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. For Directors not appointed by the Board, at each annual general meeting, one-third shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Such retiring Director shall be eligible for re-election.

BOARD OF DIRECTORS *(Continued)*

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including the non-executive Director and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company. The Company has received confirmations from the Directors that they have provided sufficient time and attention to the affairs of the Group.

The Directors shall disclose to the Company their interests as director and other office in other public companies and organizations held by them in a timely manner and have updated the Company on any subsequent changes.

The Board reserves, for its decision, all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and key management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

BOARD OF DIRECTORS *(Continued)*

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors are arranged and reading materials on relevant topics will be circulated to the Directors where appropriate so as to ensure that the Directors understand the condition of the Company and the latest policies from regulatory bodies in a timely manner. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the Reporting Period, the Company organized training sessions conducted by the qualified professionals for all Directors. The training sessions covered a wide range of relevant topics including directors' duties and responsibilities, corporate governance and regulatory updates. In addition, relevant reading materials including compliance manual, legal and regulatory updates and seminar handouts have been provided to the Directors to refresh their knowledge and skills on the roles, functions and duties of a director of listed company.

BOARD OF DIRECTORS *(Continued)*

Continuous Professional Development of Directors *(Continued)*

The Directors are required to provide the Company with details of the continuous professional development trainings undertaken by them from time to time. Based on the details so provided, the training records of the Directors for the Reporting Period are summarized as follows:

	Areas		
	Legal, regulatory and corporate governance	**Businesses of the Group**	**Directors' roles, functions and duties**
Executive Director			
Dr. Song Li	✓	✓	✓
Non-executive Directors			
Dr. Zhihe Li	✓	✓	✓
Ms. Zhuan Yin	✓	✓	✓
Mr. Hao Wu	✓	✓	✓
Independent Non-executive Directors			
Mr. Yifan Li	✓	✓	✓
Mr. Erh Fei Liu	✓	✓	✓
Dr. Jingsong Wang	✓	✓	✓

BOARD OF DIRECTORS *(Continued)*

Board Meetings

The Directors are continually updated with the regulatory requirements, business activities and development of the Company to facilitate the discharge of their responsibilities. Through regular Board meetings, all Directors are kept abreast of the conduct, business activities and development of the Company.

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance.

Regular Board meetings should be held at least four times a year at approximately quarterly intervals involving active participation, either in person or through electronic means of communication, of the Directors. Notice of regular Board meetings is served to all Directors at least 14 days before the meeting. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least three days before each Board meeting or committee meeting to keep Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management where necessary.

Minutes of the Board and committee meetings are prepared and kept by the company secretary of the Group, and are open for inspection by Directors upon request. All Directors have access to the advice and services of the company secretary, and are allowed to seek external professional advice if needed.

Where necessary, the senior management shall attend regular Board meetings and other Board and committee meetings, to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

BOARD OF DIRECTORS *(Continued)*

Directors' Attendance Records

During the Reporting Period, five Board meetings, three Audit and Risk Management Committee meetings, one Nomination Committee meeting, two Remuneration Committee meeting and one general meeting were held. The attendance of each Director is set out in the table below:

	Attendance/Number of meetings				
Director	**Board**	**Audit and Risk Management Committee**	**Nomination Committee**	**Remuneration Committee**	**General meeting**
Executive Director					
Dr. Song Li	4/5	N/A	1/1	2/3	0/1
Non-executive Directors					
Dr. Zhihe Li	2/5	N/A	N/A	N/A	0/1
Ms. Zhuan Yin	4/5	N/A	N/A	N/A	1/1
Mr. Hao Wu	5/5	3/3	N/A	N/A	1/1
Independent Non-executive Directors					
Mr. Yifan Li	5/5	3/3	N/A	2/3	1/1
Mr. Erh Fei Liu	4/5	3/3	1/1	N/A	0/1
Dr. Jingsong Wang	5/5	N/A	1/1	3/3	1/1

Apart from regular Board meetings, a meeting between the chairman of the Board and independent non-executive Directors without the presence of other Director was held during the Reporting Period in order to comply with the code provision C.2.7 of the CG Code.

BOARD COMMITTEES

The Board has established three Board committees, namely, the Audit and Risk Management Committee, the Nomination Committee and the Remuneration Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board committees are published on the Company's website and the Stock Exchange's website and are available to shareholders upon request. The Board committees are provided with sufficient resources to discharge their duties.

Audit and Risk Management Committee

The Audit and Risk Management Committee consists of the non-executive Director and two independent non-executive Directors. The members of the Audit and Risk Management Committee are:

Mr. Yifan Li *(Chairman)*
Mr. Erh Fei Liu
Mr. Hao Wu

Mr. Yifan Li possesses appropriate professional qualifications and accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. None of the members of the Audit and Risk Management Committee is a former partner of the existing external auditor of the Company.

The primary duties of the Audit and Risk Management Committee include overseeing the financial reporting system, risk management and internal control systems of the Group and effectiveness of the internal audit function, reviewing and monitoring the integrity of the financial information of the Company and considering issues relating to the external auditor and its appointment.

BOARD COMMITTEES *(Continued)*

Audit and Risk Management Committee *(Continued)*

The following is a summary of the work performed by the Audit and Risk Management Committee during the Reporting Period:

- reviewed and discussed the annual financial statements, results announcements and reports, the related accounting principles and practices adopted by the Group and the relevant audit findings;
- reviewed and reported on continuing connected transactions carried out during the year ended December 31, 2024;
- reviewed and discussed the effectiveness of financial reporting, risk management and internal control systems of the Group; and
- discussed and recommended the change of auditor and re-appointment of external auditor.

Nomination Committee

The Nomination Committee consists of one executive Director and two independent non-executive Directors. The members of the Nomination Committee are:

Dr. Jingsong Wang *(Chairman)*
Mr. Erh Fei Liu
Dr. Song Li

The primary duties of the Nomination Committee include reviewing the structure, size and composition of the Board, developing and formulating relevant procedures for the nomination and appointment of Directors, assessing the independence of the independent non-executive Directors, making recommendations to the Board on the appointment and succession planning of Directors.

BOARD COMMITTEES *(Continued)*

Nomination Committee *(Continued)*

The following is a summary of the work performed by the Nomination Committee during the Reporting Period:

- reviewed the structure, size and composition of the Board and make recommendations to the Board regarding any proposed changes;
- assessed the independence of the independent non-executive Directors; and
- made recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

Board Diversity Policy

The Company has adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of the Board in order to enhance the effectiveness of the Board. Pursuant to the board diversity policy, the Board considers a number of factors when deciding on appointments to the Board and the continuation of those appointments, including but not limited to professional experience, skills, relevant knowledge, gender, age, cultural and education background, ethnicity and length of service. The Nomination Committee will review the board diversity policy from time to time to ensure its continued effectiveness.

BOARD COMMITTEES *(Continued)*

Board Diversity Policy *(Continued)*

The Board consists of six male and one female members, aging from 57 to 70 years old. Based on the membership and composition of the Board, the Nomination Committee considers that the Board has a balanced mix of experiences, including management and strategic development, finance and accounting experiences in addition to the chemistry, CMC, preclinical research (DMPK, safety and toxicology), laboratory testing (bioanalytical and biologics, and central laboratory businesses. Furthermore, the Board has a good mix of new and experienced Directors, who have valuable knowledge and insights of the Group's business over the years, while the new Directors are expected to bring in fresh ideas and new perspective to the Group.

With regards to gender diversity on the Board, the Company recognizes the particular importance of gender diversity and will continue to promote gender diversity of the Board. To ensure gender diversity of the Board in the long run, the Company will identify and select several female individuals with a diverse range of skills, experience and knowledge in different fields from time to time, and maintain a list of such female individuals, which will be reviewed by the Nomination Committee periodically. The Company also intends to promote gender diversity when recruiting staff at the mid to senior level so that the Company will have a pipeline of female senior management and potential successors to the Board. The gender ratio in the workforce (including senior management) for the year ended 31 December 2024 is Male: Female = 41%:59%. The Board considers that the current overall workforce is sufficiently diverse and is of the view that the current gender diversity has achieved the objective set by the Company. Going forward, the Board will continue its efforts in ensuring that appropriate balance of gender diversity is achieved with reference to stakeholders' expectation and recommended best practices. For further details regarding the gender diversity of our workforce, please refer to the sections headed "Employment and Labor Practices" and "ESG Databook" in the ESG Report. The Group plans to offer all-rounded trainings to female employees whom we consider to have the suitable experience, skills and knowledge of our operation and business, including but not limited to, business operation, management, accounting and finance, legal and compliance and research and development. The Group is of the view that such strategy will offer chances for the Board to identify capable female employees to be nominated as a member of the Board in future. The Company has already appointed Ms. Zhuan Yin as the non-executive Director with effect from June 1, 2022.

The Nomination Committee and the Board are of the view that the current composition of the Board has achieved the objectives set in the Board Diversity Policy.

BOARD COMMITTEES *(Continued)*

Director Nomination Policy

The Company has a director nomination policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Company considered that, in assessing the suitability of a proposed candidate, the Nomination Committee may make reference to certain criteria, including but not limited to, the experience in the Company principal business and/or the industry in which the Company operates, balance of skills, knowledge and experience on the Board, and various aspects set out in the board diversity policy.

The Nomination Committee had reviewed the director nomination policy to ensure its effectiveness and considered that the Board has a balance of expertise, skills and experience required for the business of the Company for the Reporting Period.

Remuneration Committee

The Remuneration Committee consists of one executive Director and two independent non-executive Directors. The members of the remuneration committee are:

Dr. Jingsong Wang *(Chairman)*
Mr. Yifan Li
Dr. Song Li

The primary functions of the Remuneration Committee include determining, reviewing and making recommendations to the Board on the remuneration packages of individual Directors, the remuneration policy and structure for all Directors; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his associates will participate in deciding his/her own remuneration.

BOARD COMMITTEES *(Continued)*

Remuneration Committee *(Continued)*

The following is a summary of the work performed by the Remuneration Committee during the Reporting Period:

- assessed the performance of the Directors and the senior management;
- reviewed on the remuneration packages for individual Directors and senior management and made recommendations to the Board;
- reviewed the policy and structure for the remuneration for individual Directors and senior management;
- reviewed the terms of reference and concluded change to the terms of reference was not required; and
- reviewed any remuneration matters relating to share schemes involving new or existing shares of the Company or its subsidiaries, and any other matters relating to share schemes under Chapter 17 of the Listing Rules.

Pursuant to code provision E.1.5 of the CG Code, the annual remuneration (excluding any contributions to retirement benefit scheme contributions and share-based compensation expenses) of the members of the senior management (other than Directors) by bands for the Reporting Period is set out below:

Band of remuneration *(US$)*	**No. of individuals**
Less than 500,000	1
500,000 to 600,000	1
More than 600,000	3

Further details of the remuneration of the Directors and the 5 highest paid employees is set out in Note 12 and Note 13 to the Consolidated Financial Statements.

BOARD COMMITTEES *(Continued)*

Remuneration Committee *(Continued)*

The Company's remuneration policy is to ensure that the remuneration offered to employees, including Directors and senior management, is based on skill, knowledge, responsibilities and involvement in the Company's affairs. The remuneration package of executive Director is also determined with reference to the Company's performance and profitability, the prevailing market conditions and the performance or contribution of each executive Director. The remuneration for the executive Director comprises basic salary and discretionary bonus. Executive Director shall receive options and awards to be granted under the Company's share option scheme and share award scheme. The remuneration policy for non-executive Directors and independent non-executive Directors is to ensure that non-executive Directors and independent non-executive Directors are adequately compensated for their efforts and time dedicated to the Company's affairs, including their participation in Board committees. The remuneration for the non-executive Directors and independent non-executive Directors mainly comprises Director's fee which is determined with reference to their duties and responsibilities by the Board. Independent non-executive Directors shall not receive options and awards to be granted under the Company's share option scheme and share award scheme. Individual Directors and senior management have not been involved in deciding their own remuneration.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL REPORT

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the Reporting Period.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about its reporting responsibilities on the financial statements is set out in the Independent Auditor's Report of this annual report.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

During the Reporting Period, the total fees paid/payable to the external auditor of the Company, BDO, in respect of audit and non-audit services are set out below:

Service Category	**Fees Paid/Payable** *(US$)*
Audit Services	281,000
Non-audit Services – Taxation and review on interim results	371,000
Total	652,000

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for evaluating and determining the nature and extent of the risks (including ESG risks) it is willing to take in achieving the Group's strategic objectives, and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems, including material risks relating to ESG. The Board oversees management in the design, implementation and monitoring of the risk management and internal control systems, and management periodically confirms to the Board on the effectiveness of these systems.

The Board oversees the Group's risk management and internal control systems, including material risks relating to ESG, on an ongoing basis, ensuring that a review of the effectiveness of the Group's risk management, internal control and ESG risks systems has been conducted at least annually. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The review covers all material controls, including financial, operational and compliance controls.

The Audit and Risk Management Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management, internal control, and ESG risks systems and they have conducted their annual review on the effectiveness of the Group's risk management, internal control, and ESG risks systems in respect of the Reporting Period.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including project management, sales and leasing, financial reporting, human resources and information technology, financial, operational and compliance controls. The Board is satisfied that the Group's risk management, internal control and ESG risks systems including financial, operational and compliance controls and risk management functions as appropriate to the Group have been put in place and considers the risk management, internal control, and ESG risks systems effective and adequate.

RISK MANAGEMENT AND INTERNAL CONTROLS *(Continued)*

The Company's risk management and internal control systems have been developed with the following principles, features and processes:

All divisions/departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each division/department.

The management, in coordination with division/department heads, assessed the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress, and reported to the Audit and Risk Management Committee and the Board on all findings and the effectiveness of the systems.

The management has confirmed to the Board and the Audit and Risk Management Committee on the effectiveness of the risk management and internal control systems for the year ended December 31, 2024.

RISK MANAGEMENT AND INTERNAL CONTROLS *(Continued)*

The Company engaged an external independent professional firm as our internal audit advisor to assist the Company's CFO in carrying out the internal audit function in the Group and to supervise the implementation of our risk management policy at the corporate level. These entities assess the Company's accounting practices and material controls, providing their findings and recommendations for improvement to both the Audit and Risk Management Committee and management.

The Board, supported by the Audit and Risk Management Committee, management report, and internal audit findings, conducts regular reviews of the risk management and internal control systems, including financial, operational, and compliance controls. These reviews may take place annually, half-yearly, or quarterly as needed, and cover aspects such as financial reporting, internal audit function, staff qualifications, experiences, and relevant resources. For the year ended December 31, 2024, the Board considered these systems to be effective and adequate.

The Company has in place the Whistleblowing Policy for employees of the Company and those who deal with the Company to raise concerns, in confidence and anonymity, with the Audit and Risk Management Committee about possible improprieties in any matters related to the Company.

The Company has also in place the Anti-Corruption Policy to safeguard against corruption and bribery within the Company. The Company has an internal reporting channel that is open and available for employees of the Company to report any suspected corruption and bribery. Employees can also make anonymous reports to The Head of Division/Department, Chief Executive Officer, Chairman of the Board or Audit and Risk Management Committee, where appropriate, which are responsible for investigating the reported incidents and taking appropriate measures. The Company continues to carry out anti-corruption and anti-bribery activities to cultivate a culture of integrity, and actively organizes anti-corruption training and inspections to ensure the effectiveness of anti-corruption and anti-bribery.

RISK MANAGEMENT AND INTERNAL CONTROLS *(Continued)*

Risk Management

The Company recognizes that risk management is critical to the success of our business. We believe that key operational risks faced by us include changes in the general market conditions and the regulatory environment of the global CRO market and our ability to offer quality drug development services, to manage our anticipated growth and execute on our growth strategies and to compete with other CROs and comply with regulations and industry standards. Please refer to "Principal Risks and Uncertainties" under the section headed "Directors' Report" of this annual report for a discussion of various risks and uncertainties we face. We also face various market risks. In particular, we are exposed to credit, liquidity, interest rate and currency risks that arise in the normal course of our business.

In order to meet these challenges, the Audit and Risk Management Committee, which is chaired by Mr. Yifan Li, has responsibility for overseeing and managing the overall risks associated with our business operations from time to time. The Audit and Risk Management Committee (i) reviews and approves our risk management policy to ensure that it is consistent with our corporate objectives; (ii) reviews and approves our corporate risk tolerance; (iii) monitors the most significant risks associated with our business operation and our management's handling of such risks; (iv) reviews our corporate risk in the light of our corporate risk tolerance; and (v) monitors and ensures the appropriate application of our risk management framework across the Group.

RISK MANAGEMENT AND INTERNAL CONTROLS *(Continued)*

Internal Controls

In addition to the arrangements we have put in place pursuant to our risk management framework, we have adopted a series of internal control policies, measures and procedures designed to provide reasonable assurance for achieving objectives, including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Below is a summary of the internal control policies, measures and procedures we have implemented and/or plan to implement:

- The Board and senior management oversee and manage the overall risks associated with our business operations;

- We engaged an external independent professional firm as our internal audit advisor to assist the Company's chief financial officer in carrying out the internal audit function in the Group and to supervise the implementation of our risk management policy at the corporate level;

- We have put a policy in place pursuant to which a working group (consisting of representatives from each of our business units) is responsible for identifying the possibility of competition between us and our controlling shareholders based on publicly available information relating to the businesses of our controlling shareholders. Any relevant information is brought to the attention of the Audit and Risk Management Committee who may then decide to escalate it to the Company's Board;

- With this policy in place, we expect to be able to monitor the possibility of competition with our controlling shareholders and make announcements as required in accordance with the Listing Rules and other applicable laws;

RISK MANAGEMENT AND INTERNAL CONTROLS *(Continued)*

Internal Controls *(Continued)*

- We have an in-house legal team comprising qualified lawyers in the PRC and the US dedicated to advising the Company on laws and regulations of the relevant jurisdictions, and we also engage external counsels from time to time when we require additional support; and

- We arranged various trainings to be provided by external legal advisors from time to time when necessary and/or any appropriate accredited institution to update the Directors, senior management, and relevant employees on the latest laws and regulations in Hong Kong and other relevant jurisdictions.

The Board has reviewed the effectiveness of the risk management and the internal control systems of the Group, including the adequacy of resources, qualifications and experience of staff in the aforementioned systems and of the Company's accounting, internal audit, financial reporting functions and the adequacy of their training programs and budget, as well as those relating to the Company's ESG performance and reporting.

During the Reporting Period, the Board, through a review covering all material controls, including financial, operational and compliance controls, considered that the risk management and internal control systems of the Group were effective and adequate. The Board will conduct annual review on the risk management and internal control systems of the Group.

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Company has put in place a policy on handling and dissemination of inside information which sets out the procedures and internal controls for handling and dissemination of inside information in a timely manner in such a way to avoid placing any person in a privileged dealing position. The inside information policy also provides guidelines to employees of the Group to ensure proper safeguards exist to prevent the Company from breaching the statutory and listing rule disclosure requirements. The Company has appropriate internal control and reporting systems to identify and assess potential inside information. Dissemination of inside information of the Company shall be conducted by publishing the relevant information on the websites of the Stock Exchange and the Company, according to the requirements of the Listing Rules.

COMPANY SECRETARY

Ms. Karen Ying Lung Chang is the company secretary of the Company. She reports directly to the Board and is responsible for, among others, providing updated and timely information to all Directors from time to time. Ms. Chang is nominated by an external service provider to assist in company secretarial affairs of the Company.

All Directors have access to the advice and services of the company secretary on corporate governance and board practices and matters. Mr. Richard Fischetti has been designated as the primary contact at the Company which would work and communicate with Ms. Chang on the Company's corporate governance and secretarial and administrative matters.

During the Reporting Period, Ms. Chang has confirmed that she has taken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules. Her biographical details are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, a separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. Except where the Chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands, all resolutions put forward at general meetings shall be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange after each general meeting.

SHAREHOLDERS' RIGHTS (Continued)

Convening an Extraordinary General Meeting by Shareholders

Pursuant to article 58 of the Articles of Association, an extraordinary general meeting may be convened by the Board upon requisition of one or more Members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company. Such Members shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition at the Company's Hong Kong office at Room 1920, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Proposals at General Meetings

There are no provisions allowing Shareholders to put forward new resolutions at the general meetings under the Cayman Islands Companies Law (2023 Revision) or the Articles of Association. However, Shareholders who wish to put forward proposal at general meetings may convene an extraordinary general meeting following the procedures set out above.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Building 2, No. 1227 Zhangheng Road, Pudong, Shanghai, China
Tel: +86 021 50796268 ext. 826
Email: ir@frontagelab.com.cn

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, apart from the registered office of the Company, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business, performance and strategies. The Company endeavors to maintain an on-going dialogue with shareholders and has adopted a Shareholders' communication policy to ensure that Shareholders' views and concerns are appropriately addressed. Such policy aims at providing the Shareholders and potential investors with ready and timely access to balanced and understandable information of the Company.

The annual general meeting provides an opportunity for shareholders to communicate directly with the Directors. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries. In respect of each matter to be considered at the annual general meeting and other general meetings, including the re-election of Directors, a separate resolution will be proposed by the chairman of the Board. The chairman of the Board and the chairmen of the Board Committees and, in their absence, other members of the respective committees, will be available at the annual general meeting and the other general meetings to meet with the Shareholders and answer their enquiries. The Company will also invite representatives of the auditor of the Company to attend the annual general meeting of the Company to answer Shareholders' questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor's independence.

On top of annual general meetings, the Company has taken a multichannel approach to ensure that shareholders and investors have timely access to the Group's key business development. These communication tools include announcements, press releases, interim and annual reports. To promote effective communication, the Company has also participated in several investment forums and road shows to maintain ongoing communication with investors and shareholders globally. The Company maintains a website at www.frontagelab.com, where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS *(Continued)*

The Company has also established a section within the Company's website for investors to make inquiries, and endeavors to ensure timely reply, thus further facilitating a high degree of transparency. The Company considers the various channels for shareholders and investors to access the company's latest business development and information have been well recognized by the capital market, and will enable shareholders and investors to make informed investment decisions.

The Board reviewed the implementation and effectiveness of the above multichannel approach and the results were satisfactory.

CONSTITUTIONAL DOCUMENTS

During the Reporting Period, there had been no significant changes in the constitutional documents of the Company.

On behalf of the Board

Dr. Song Li
Executive Director and Chairman

Hong Kong, March 27, 2025

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To the Shareholders of Frontage Holdings Corporation
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Frontage Holdings Corporation (the "Company") and its subsidiaries (together the "Group") set out on pages 119 to 241, which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institutes of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

We identified revenue recognition of contracts with customers as a key audit matter due to its significance to the consolidated financial statements and the key judgments exercised by the directors in determining whether the performance obligations have been satisfied and the relevant amounts of revenue to be recognized accordingly.

As disclosed in Note 4 to the consolidated financial statements, recognition of service revenue requires key judgments in determining the performance obligations and timing of satisfaction of such performance obligations.

The Group earns services revenues over time by providing bioanalytical services, chemistry, manufacturing and control services, drug metabolism and pharmacokinetic services, safety and toxicology services, bioequivalence services and chemistry services. Also, the selection of the method to measure progress towards completion requires judgment and is based on the nature of the products or services to be provided. Depending on which better depicts the transfer of value to the customers, the Group generally measures its progress using either cost-to-cost (input method) or units produced/services transferred to the customers to date (output method). During the year ended December 31, 2024, service revenue recognized over time by the Group is approximately US$254,907,000.

Our response:

Our procedures in relation to the revenue recognition included:

- Understanding the policies, procedures, methods and related controls for the determination of budgeted revenue and budgeted costs;
- Inquiring of management of the Group and inspecting terms of contract research organization services contracts to evaluate whether accounting policy of the Group complies with IFRS 15 "*Revenue from Contracts with Customers*"; and
- Checking the accuracy and appropriateness of revenue recorded, on a sample basis, by tracing to the services contracts for the key terms of the contracts and obtaining the supporting evidence that prove the performance obligations are satisfied.

KEY AUDIT MATTERS *(Continued)*

Impairment assessment of goodwill

We identified impairment assessment of goodwill as a key audit matter due to the involvement of significant management judgment and assumptions in this assessment.

As disclosed in Note 18 to the consolidated financial statements, the carrying amount of goodwill amounted to approximately US$187,014,000 as at December 31, 2024.

Based on the management's assessment, there is no impairment of goodwill allocated to any of the cash-generating units based on the calculations of value in use ("VIU") and fair value less costs of disposal ("FVLCD").

Our response:

Our procedures in relation to the impairment assessment of goodwill included:

- Evaluating the reasonableness of the management's allocation of goodwill to different cash generating units for impairment assessment purpose;
- Evaluating the reasonableness of the management's estimate of growth rates and discount rates in determining the VIU with reference to the historical performance and the latest budgets of the Group and market data;
- Assessing the appropriateness of valuation methodology used in the determination of FVLCD and challenging the key inputs and assumptions adopted in the FVLCD calculation.
- Evaluating the independent valuer's competence, capabilities and objectivity;
- Engaging in-house valuation specialist to assist us in evaluating and assessing the appropriateness of the key inputs and assumptions used in VIU and FVLCD calculation; and
- Checking the mathematical accuracy of the management's estimates of the recoverable amount.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The audit and risk management committee of the Company assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit and risk management committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit and risk management committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Lee, Alfred
Practising Certificate no. P04960

Hong Kong, March 27, 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2024

	NOTES	2024 US$'000	2023 US$'000
Revenue	5	254,907	259,855
Cost of services		(185,096)	(181,461)
Gross profit		69,811	78,394
Other income	7	4,300	4,785
Other gains and losses, net	8	(195)	(1,062)
Research and development expenses		(5,592)	(6,038)
(Impairment losses)/reversal of recognized on			
– trade receivables		(929)	58
– unbilled revenue		(120)	9
– others		314	(37)
– goodwill		–	(1,893)
Selling and marketing expenses		(8,489)	(8,177)
Administrative expenses		(47,050)	(44,552)
Share of profit of an associate	20	258	162
Finance costs	9	(9,564)	(7,072)
Profit before tax	10	2,744	14,577
Income tax expense	11	(2,125)	(3,849)
Profit for the year		619	10,728
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		(5,749)	(47)
Share of other comprehensive income of associates	20	(98)	(92)
		(5,847)	(139)
Total comprehensive income for the year		(5,228)	10,589

For the year ended December 31, 2024

	NOTES	2024 US$'000	2023 US$'000
Profit/(loss) for the year attributable to:			
Owners of the Company		791	10,808
Non-controlling interests		(172)	(80)
		619	10,728
Total comprehensive income for the year attributable to:			
Owners of the Company		(5,031)	10,714
Non-controlling interests		(197)	(125)
		(5,228)	10,589
Earnings per share	14	US$	US$
– Basic		0.0004	0.0053
– Diluted		0.0004	0.0052

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2024

	NOTES	2024 US$'000	2023 US$'000
Non-current Assets			
Property, plant and equipment	16	126,423	124,695
Right-of-use assets	17	54,253	59,091
Goodwill	18	187,014	183,918
Intangible assets	19	29,984	37,155
Interest in an associate	20	6,747	6,587
Deferred tax assets	21	7,451	7,036
Financial assets at fair value through profit or loss ("FVTPL")	22	2,995	3,530
Restricted bank deposits	26	300	300
Other long-term deposits		693	636
Prepayment for acquisition of subsidiary	41	–	7,357
		415,860	430,305
Current Assets			
Inventories		2,876	2,801
Trade and other receivables and prepayments	23	69,091	61,328
Unbilled revenue	24	18,889	18,828
Structured deposits	25	–	1,412
Income tax recoverable		2,401	3,603
Restricted bank deposits	26	385	406
Cash and cash equivalents	26	44,091	53,186
		137,733	141,564
Current Liabilities			
Trade and other payables	27	19,294	38,731
Advances from customers	28	30,336	27,705
Bank borrowings	29	51,228	20,129
Income tax payable		573	1,125
Amounts due to shareholders	30	210	210
Lease liabilities	31	9,899	11,680
		111,540	99,580
Net Current Assets		26,193	41,984
Total Assets less Current Liabilities		442,053	472,289

As at December 31, 2024

	NOTES	2024 US$'000	2023 US$'000
Non-current Liabilities			
Bank borrowings	*29*	44,442	61,307
Deferred government grant		1,998	2,061
Deferred tax liabilities	*21*	12,548	11,793
Lease liabilities	*31*	48,796	51,981
		107,784	127,142
Net Assets		334,269	345,147
Capital and Reserves			
Share capital	*32*	20	21
Treasury shares	*33*	(313)	(4,232)
Reserves		333,298	346,714
Equity attributable to owners of the Company		333,005	342,503
Non-controlling interests		1,264	2,644
Total Equity		334,269	345,147

The consolidated financial statements on pages 119 to 241 were approved and authorized for issue by the board of directors on March 27, 2025 and are signed on its behalf by:

Dr. Song Li, DIRECTOR **Dr. Zhihe Li, DIRECTOR**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2024

			Reserves									
	Share capital US$'000	Treasury shares US$'000	Share premium US$'000	Statutory reserve US$'000 (Note)	Foreign currency translation reserve US$'000	Equity-settled share-based compensation reserve US$'000	Reorganization reserve US$'000	Capital reserve US$'000	Accumulated profit US$'000	Total reserves US$'000	Non-controlling interests US$'000	Total US$'000
As at 1 January,2024	21	(4,232)	229,922	2,572	(4,034)	16,656	(9,531)	3,050	108,079	346,714	2,644	345,147
Profit for the year	–	–	–	–	–	–	–	–	791	791	(172)	619
Exchange differences arising from translation of foreign operations	–	–	–	–	(5,724)	–	–	–	–	(5,724)	(25)	(5,749)
Share of other comprehensive income of associates	–	–	–	–	(98)	–	–	–	–	(98)	–	(98)
Total comprehensive income for the year	–	–	–	–	(5,822)	–	–	–	791	(5,031)	(197)	(5,228)
Repurchase of shares *(Note 33)*	–	(11,203)	–	–	–	–	–	–	–	–	–	(11,203)
Cancellation of shares *(Note 32)*	(1)	15,122	(15,121)	–	–	–	–	–	–	(15,121)	–	–
Change in equity interests in a subsidiary without change of control	–	–	–	–	–	–	–	–	(1,572)	(1,572)	(1,183)	(2,755)
Exercise of share options *(Note 32)*	–	–	9,530	–	–	(2,312)	–	–	–	7,218	–	7,218
Vesting of share awards *(Note 34)*	–	–	3,318	–	–	(3,318)	–	–	–	–	–	–
Reversal of deferred tax assets related to equity-settled share-based compensation *(Note 21)*	–	–	–	–	–	(2,054)	–	–	–	(2,054)	–	(2,054)
Recognition of equity-settled share-based compensation *(Note 34)*	–	–	–	–	–	3,144	–	–	–	3,144	–	3,144
As at December 31, 2024	20	(313)	227,649	2,572	(9,856)	12,116	(9,531)	3,050	107,298	333,298	1,264	334,269

For the year ended December 31, 2024

	Share capital	Treasury shares	Share premium	Statutory reserve	Foreign currency translation reserve	Equity-settled share-based compensation reserve	Reorganization reserve	Capital reserve	Accumulated profit	Total reserves	Non-controlling interests	Total
			Reserves									
	US$'000	*US$'000*	*US$'000*	*US$'000* (Note)	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
As at January 1, 2023	21	(1)	224,510	2,572	(3,940)	19,127	(9,531)	3,050	97,271	333,059	2,769	335,848
Profit for the year	–	–	–	–	–	–	–	–	10,808	10,808	(80)	10,728
Exchange differences arising from translation of foreign operations	–	–	–	–	(2)	–	–	–	–	(2)	(45)	(47)
Share of other comprehensive income of associates	–	–	–	–	(92)	–	–	–	–	(92)	–	(92)
Total comprehensive income for the year	–	–	–	–	(94)	–	–	–	10,808	10,714	(125)	10,589
Repurchase of shares *(Note 33)*	–	(4,231)	–	–	–	–	–	–	–	–	–	(4,231)
Exercise of share options *(Note 34)*	–	–	1,785	–	–	(444)	–	–	–	1,341	–	1,341
Vesting of share awards *(Note 34)*	–	–	3,627	–	–	(3,627)	–	–	–	–	–	–
Reversal of deferred tax assets related to equity-settled share-based compensation *(Note 21)*	–	–	–	–	–	(1,444)	–	–	–	(1,444)	–	(1,444)
Recognition of equity-settled share-based compensation *(Note 34)*	–	–	–	–	–	3,044	–	–	–	3,044	–	3,044
As at December 31, 2023	21	(4,232)	229,922	2,572	(4,034)	16,656	(9,531)	3,050	108,079	346,714	2,644	345,147

Note: In accordance with the Articles of Association of all subsidiaries established in the People's Republic of China (the "PRC"), those subsidiaries are required to transfer 10% of the profit after taxation to the statutory reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve must be made before distributing dividends to equity holders. The statutory reserve can be used to make up for previous years' losses, expand the existing operations or convert into additional capital of the subsidiaries.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2024

	2024 US$'000	2023 US$'000
OPERATING ACTIVITIES		
Profit before tax	2,744	14,577
Adjustments for:		
Depreciation of property, plant and equipment	18,668	17,622
Depreciation of right-of-use assets	10,182	10,405
Amortization of intangible assets	8,822	7,547
Impairment losses/(reversal of) recognized on		
– trade receivables	929	(58)
– unbilled revenue	120	(9)
– others	(314)	37
– goodwill	–	1,893
Share of profit of associates	(258)	(162)
Fair value change on financial liabilities measured at FVTPL	159	511
Fair value change on financial assets measured at FVTPL	488	–
Interest income	(812)	(1,755)
Finance costs	9,564	7,072
Net foreign exchange (gain)/loss	(1,270)	173
Share-based payment expense	3,144	3,044
(Gain)/loss on disposal of property, plant and equipment	(132)	18
Operating cash flows before movements in working capital	52,034	60,915
Decrease in inventories	208	1,041
Increase in trade and other receivables and prepayments and unbilled revenue	(9,532)	(3,641)
Increase/(decrease) in trade and other payables and advances from customers	1,463	(6,536)
Decrease in deferred government grant	(63)	(62)
Cash generated from operations	44,110	51,717
Income tax paid	(3,472)	(11,977)
NET CASH GENERATED FROM OPERATING ACTIVITIES	40,638	39,740

CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

For the year ended December 31, 2024

	2024 *US$'000*	2023 *US$'000*
INVESTING ACTIVITIES		
Payment for prior year acquisition of subsidiaries	**(15,300)**	(11,622)
Purchase of property, plant and equipment	**(25,599)**	(21,137)
Proceeds from disposal of property plant and equipment	**218**	300
Purchase of intangible assets	**(289)**	(17)
Interest received	**812**	1,755
Acquisition of subsidiaries, net of cash acquired	**–**	(49,791)
Acquisition of non-controlling interests of a subsidiary	**(2,755)**	–
Capital injection in an associate	**–**	(1,377)
Placement of structured deposits	**–**	(12,614)
Withdrawal of structured deposits	**1,406**	14,244
Prepayment for acquisition of subsidiary	**–**	(7,357)
Placement of restricted bank deposits	**–**	(10)
Withdrawal of restricted bank deposits	**25**	–
NET CASH USED IN INVESTING ACTIVITIES	**(41,482)**	(87,626)
FINANCING ACTIVITIES		
Proceeds from bank borrowings	**39,313**	56,991
Repayment of bank borrowings	**(24,711)**	(24,036)
Interest paid on bank borrowings	**(6,445)**	(3,802)
Repayment of lease liabilities	**(11,270)**	(10,083)
Interest paid on lease liabilities	**(3,119)**	(3,270)
Repurchase of shares	**(11,203)**	(4,231)
Proceeds from exercise of share options	**7,218**	1,341
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	**(10,217)**	12,910
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(11,061)**	(34,976)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**53,186**	87,433
EFFECT OF EXCHANGE RATE CHANGES	**1,966**	729
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR REPRESENTED BY BANK BALANCES AND CASH	**44,091**	53,186

1. GENERAL INFORMATION

Frontage Holdings Corporation (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability on April 16, 2018 under the Company Law of the Cayman Islands, and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since May 30, 2019 ("Listing Date"). The immediate holding company of the Company is Hongkong Tigermed Co., Limited ("Hongkong Tigermed"), a company incorporated under the laws of Hong Kong with limited liability. The ultimate holding company of the Company is Hangzhou Tigermed Consulting Co., Ltd. ("Hangzhou Tigermed"), a company established in Hangzhou, the PRC and whose shares have been listed on the ChiNext market of the Shenzhen Stock Exchange and the Main Board of The Stock Exchange.

The Company is a holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are to provide laboratory and related services to pharmaceutical and agrochemical companies. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands. The principal place of business in the United States of America (the "USA") and Hong Kong is 700 Pennsylvania Drive, Exton, PA 19341, USA and Room 1920, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong, respectively.

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

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS ("IFRSs")

(a) Adoption of new and amendments to IFRSs – effective January 1, 2024

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (the "IASB") for the first time, which are mandatorily effective for the annual period beginning on or after January 1, 2024 for the preparation of the consolidated financial statements:

Amendments to IAS 1	*Classification of Liabilities as Current or Non-current, Non-current Liabilities with Covenants*
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangement*

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS ("IFRSs") *(Continued)*

(a) Adoption of new and amendments to IFRSs – effective January 1, 2024 *(Continued)*

Amendments To IAS 1 "Classification of Liabilities As Current Or Non-Current, Non-Current Liabilities With Covenants And Related Amendments to Hong Kong Interpretation 5 (Revised)"

Amendments made to IAS 1 Presentation of Financial Statements in 2020 and 2022 clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period.

Classification is unaffected by the entity's expectations or events after the reporting date (for example, the receipt of a waiver or a breach of covenant that an entity is required to comply with only after the reporting period).

Covenants of loan arrangements will not affect classification of a liability as current or non-current at the reporting date if the entity must only comply with the covenants after the reporting date. However, if the entity must comply with a covenant either on or before the reporting date, this needs to be considered in the classification as current or non-current even if the covenant is only tested for compliance after the reporting date.

The amendments require disclosures if an entity classifies a liability as non-current and that liability is subject to covenants with which the entity must comply within 12 months of the reporting date. The disclosures include:

- the carrying amount of the liability;
- information about the covenants (including the nature of the covenants and when the entity is required to comply with them); and
- facts and circumstances, if any, that indicate that the entity might have difficulty complying with the covenants.

The amendments must be applied retrospectively in accordance with the requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Special transitional rules apply if an entity had early adopted the 2020 amendments regarding the classification of liabilities as current or non-current.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS ("IFRSs") *(Continued)*

(a) Adoption of new and amendments to IFRSs – effective January 1, 2024 *(Continued)*

Amendments To IFRS 16 "Lease Liability in a Sale and Leaseback"

The IASB finalized narrow-scope amendments to the requirements for sale and leaseback transactions in HKFRS 16 Leases which explain how an entity accounts for a sale and leaseback after the date of the transaction.

The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognizing any amount of the gain or loss that relates to the right of use that it retains. This could particularly impact sale and leaseback transactions where the lease payments include variable payments that do not depend on an index or a rate.

Amendments To IAS 7 and IFRS 7 "Supplier Finance Arrangement"

The IASB issued amendments to IAS 7 and IFRS 7 to require specific disclosures about supplier finance arrangements (SFAs). The amendments respond to the investors' need for more information about SFAs to be able to assess how these arrangements affect an entity's liabilities, cash flows and liquidity risk.

The new disclosures will provide information about:

(1) The terms and conditions of SFAs.

(2) The carrying amount of financial liabilities that are part of SFAs, and the line items in which those liabilities are presented.

(3) The carrying amount of the financial liabilities in (2), for which the suppliers have already received payment from the finance providers.

(4) The range of payment due dates for both the financial liabilities that are part of SFAs, and comparable trade payables that are not part of such arrangements.

(5) Non-cash changes in the carrying amounts of financial liabilities in (2).

(6) Access to SFA facilities and concentration of liquidity risk with the finance providers.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS ("IFRSs") *(Continued)*

(a) Adoption of new and amendments to IFRSs – effective January 1, 2024 *(Continued)*

Amendments To IAS 7 and IFRS 7 "Supplier Finance Arrangement" (Continued)

Entities will be required to aggregate the information that they provide about SFAs. However, entities should disaggregate information about terms and conditions that are dissimilar, disclose explanatory information where the range of payment due dates is wide, and disclose the type and effect of non-cash changes that are needed for comparability between periods.

The IABS has provided transitional relief by not requiring comparative information in the first year, and also not requiring disclosure of specified opening balances. Further, the required disclosures are only applicable for annual periods during the first year of application. Therefore, the earliest that the new disclosures will have to be provided is in annual financial reports for December 2024 year-ends, unless an entity has a financial year of less than 12 months.

(b) New and amendments to IFRSs that have been issued but are not yet effective

The following new or amended IFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to IAS 21 and IFRS 1	Lack of Exchangeability[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments[3]
IFRS 18	Presentation and Disclosure in Financial Statements[4]
IFRS 19	Subsidiaries without Public Accountability: Disclosure[4]

1 Effective for annual periods beginning on or after 1 January 2025

2 Effective for annual periods beginning on or after a date to be determined.

3 Effective for annual periods beginning on or after 1 January 2026

4 Effective for annual periods beginning on or after 1 January 2027

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS ("IFRSs") *(Continued)*

(b) New and amendments to IFRSs that have been issued but are not yet effective *(Continued)*

Amendments to IAS 21 "Lack of Exchangeability"

The amendments add requirements to help entities to determine whether a currency is exchangeable into another currency, and the spot exchange rate to use when it is not.

The directors are currently assessing the impact that the application of the amendments will have on the Group's consideration financial statements.

Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognized in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognized in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transaction arise.

Amendments to IFRS 9 and IFRS 7 "Amendments to the Classification and Measurement of Financial Instruments"

The IASB issued targeted amendments to IFRS 9 and IFRS 7 to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments:

- clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;

- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI);

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS ("IFRSs") *(Continued)*

(b) New and amendments to IFRSs that have been issued but are not yet effective *(Continued)*

Amendments to IFRS 9 and IFRS 7 "Amendments to the Classification and Measurement of Financial Instruments" (Continued)

- add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and

- update the disclosures for equity instruments designated at fair value through other comprehensive income.

The directors are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

IFRS 18 "Presentation and Disclosure in Financial Statements"

IFRS 18 will replace IAS 1 Presentation of financial statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though IFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the financial statements.

The directors are currently assessing the detailed implications of applying the new standard on the group's consolidated financial statements. From the high-level preliminary assessment performed, the following potential impacts have been identified:

- Although the adoption of IFRS 18 will have no impact on the Group's net profit, the Group expects that grouping items of income and expenses in the statement of profit or loss into the new categories will impact how operating profit is calculated and reported.

- The line items presented on the primary financial statements might change as a result of the application of the concept of 'useful structured summary' and the enhanced principles on aggregation and disaggregation.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS ("IFRSs") *(Continued)*

(b) New and amendments to IFRSs that have been issued but are not yet effective *(Continued)*

IFRS 18 "Presentation and Disclosure in Financial Statements" (Continued)

- The Group does not expect there to be a significant change in the information that is currently disclosed in the notes because the requirement to disclose material information remains unchanged; however, the way in which the information is grouped might change as a result of the aggregation/disaggregation principles. In addition, there will be significant new disclosures required for:

  - management-defined performance measures;

  - a break-down of the nature of expenses for line items presented by function in the operating category of the statement of profit or loss – this break-down is only required for certain nature expenses; and

  - for the first annual period of application of IFRS 18, a reconciliation for each line item in the statement of profit or loss between the restated amounts presented by applying IFRS 18 and the amounts previously presented applying IAS 1.

The Group will apply the new standard from its mandatory effective date of 1 January 2027. Retrospective application is required, and so the comparative information for the financial year ending 31 December 2026 will be restated in accordance with IFRS 18.

IFRS 19 "Subsidiaries without Public Accountability: Disclosures"

IFRS 19 allows for certain eligible subsidiaries of parent entities that report under IFRS Accounting Standards to apply reduced disclosure requirements. The directors do not expect this standard to have an impact on its operations or the Group's consolidated financial statements.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on historical cost basis except for certain financial instrument that is measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 "*Share-based Payment*", leasing transactions that are accounted for in accordance with IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 "*Inventories*" or value in use in IAS 36 "*Impairment of Assets*".

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The material accounting policy information is set out below.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

(b) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(b) Business combinations *(Continued)*

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 "*Income Taxes*" and IAS 19 "*Employee Benefits*", respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 "*Share-based Payment*" at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "*Non-current Assets Held for Sale and Discontinued Operations*" are measured in accordance with that standard;

- lease liabilities are recognized and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognized and measured at the same amount as the relevant lease liabilities, adjusted to reflect favorable or unfavorable terms of the lease when compared with market terms; and

- Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(b) Business combinations *(Continued)*

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognized in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

(c) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see Note 3(b)) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") (or group of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs).

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(c) Goodwill *(Continued)*

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal (or any of the CGU within group of CGUs in which the Group monitors goodwill). When the Group disposes of an operation within the CGUs (or group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the CGUs disposed of and the portion of the CGUs (or group of CGUs) retained.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

(d) Revenue from contracts with customers

Revenue is recognized to depict the transfer of promised services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Revenue is recognized when, or as, obligations under the terms of a contract are satisfied, which occurs when control of the promised products or services is transferred to customers. Revenue is measured as the amount of consideration the Group expects to receive in exchange for transferring products or services to a customer ("transaction price").

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(d) Revenue from contracts with customers *(Continued)*

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

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 unbilled revenue and disclosed in the consolidated statement of financial position as unbilled revenue. Amounts billed in accordance with contracted payment schedules but in excess of revenues earned are recognized as contract liabilities and disclosed in the consolidated statement of financial position as advances from customers.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(d) Revenue from contracts with customers *(Continued)*

Contracts are terminable by the customers either immediately or upon proper notice specified within the contracts, generally 30 days. A termination fee is generally assessed in addition to the Group being entitled to compensation equivalent to the efforts and costs incurred to satisfy any performance obligations.

To the extent the transaction price includes variable consideration, the Group estimates the amount of variable consideration that should be included in the transaction price utilizing the most likely amount to which the Group expects to be entitled. Variable consideration is included in the transaction price if, in the Group's judgment, it is probable that a significant future reversal of cumulative revenue under the contract will not occur. Estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of the Group's anticipated performance and all information (historical, current and forecasted) that is reasonably available. Sales, value added, and other taxes collected on behalf of third parties are excluded from revenue.

The transaction price also includes reimbursable expenses (i.e. out-of-pocket expenses, outside consultants and other reimbursable expenses). Reimbursable expenses which do not represent a transfer of goods or services to the customer are not distinct. Such reimbursable expenses are included in total transaction price for the contract and allocated to individual performance obligations which are satisfied over time.

Contracts with customers may contain multiple performance obligations. For such arrangements, the transaction price is allocated to each performance obligation based on the estimated relative standalone selling prices of the promised products or services underlying each performance obligation, inclusive of reimbursable expenses.

When the sum of the stand-alone transaction prices of those products or services exceeds the promised consideration in a contract, the Group recognizes a discount on that particular contract. If the entity does not have observable evidence that the entire discount relates to one or more, but not all performance obligations under the specific contract, the discount is proportionately applied to all performance obligations under a contract.

Contracts are often modified to account for changes in contract specifications and requirements. Contract modifications exist when the modification either creates new, or changes existing, enforceable rights and obligations. Generally, the modification is considered to be a separate contract and revenue is recognized prospectively.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(d) Revenue from contracts with customers *(Continued)*

For the services delivered to the customer based on the extent of progress towards completion of the performance obligation, the Group's performance does not create an asset with an alternative future use and the contract terms specify the Group has an enforceable right to payment for performance completed to date, revenue generated from such performance is recognized over time.

The selection of the method to measure progress towards completion requires judgment and is based on the nature of the products or services to be provided. Depending on which better depicts the transfer of value to the customer, the Group generally measures its progress using either cost-to-cost (input method) or units produced/services transferred to the customer to date (output method). The Group uses the known cost measure of progress when it best depicts the transfer of value to the customer which occurs as the Group incurs costs on its contract, generally related to fixed fee service contracts. Under the cost-to-cost measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenue is recorded proportionally as costs are incurred. The units produced/services transferred to the customer to date measure of progress is generally related to rate per unit contracts or contracts for the delivery of services, as the extent of progress towards completion is measured based on discrete service or time-based increments, such as samples tested or services transferred.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued for each period, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(e) Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(e) Leases *(Continued)*

Definition of a lease (Continued)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

The Group as a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of buildings and machinery and equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(e) Leases *(Continued)*

The Group as a lessee (Continued)

Right-of-use assets *(Continued)*

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(e) Leases *(Continued)*

The Group as a lessee (Continued)

Lease liabilities *(Continued)*

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group re-measures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(e) Leases *(Continued)*

The Group as a lessee (Continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group re-measures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(f) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(f) Foreign currencies *(Continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. US$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used.

Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

(g) Borrowing costs

All borrowing costs are recognized in profit or loss in the period in which they are incurred. There were no borrowing costs eligible to be capitalized into property, plant and equipment for both years.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(h) Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

The Group participates in two defined contribution schemes:

a) A state-managed retirement benefit scheme in the PRC pursuant to which the Group pays a fixed percentage of its qualifying staff's wages as contributions to the scheme.

b) A defined contribution plan in the USA pursuant to which the Group matches 50 cents for every dollar contributed by each qualifying member of staff up to 6% of their salary. The maximum match is 2% of the qualifying member of staff's gross pay.

c) A retirement benefit scheme in Canada pursuant to which the Group funds a fixed percentage of the employee's income as contributions to the pension scheme.

Payments to such retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

(i) Short-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(j) Share-based payment transactions

Equity-settled share-based payments to employees (including directors) are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based transaction (without taking into consideration all non-market vesting condition) is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (equity-settled share-based compensation reserve). At the end of each reporting period, the Group revises its estimates of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimates, with a corresponding adjustment to the equity-settled share-based compensation reserve.

When the share options are exercised, the amount previously recognized in the equity-settled share-based compensation reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in the equity-settled share-based compensation reserve will be transferred to accumulated profit.

(k) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(k) Taxation *(Continued)*

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries or associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(k) Taxation *(Continued)*

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 "*Income Taxes*" requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognized at initial recognition and over the lease terms due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognized on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(l) Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and accumulated impairment losses, if any.

Freehold lands are not depreciated and are measured at cost less accumulated impairment losses.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(l) Property, plant and equipment *(Continued)*

Property, plant and equipment other than the construction in progress and the land are depreciated on a straight-line basis after taking into account of the residual value as follows:

Furniture, fixtures and equipment (including experiment equipment)	14% – 33% per annum
Transportation equipment	20% per annum
Leasehold improvement	Over the shorter of the lease term or ten years
Buildings	7% per annum

Depreciation is recognized so as to write off the cost of assets other than freehold land and properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Construction in progress includes property, plant and equipment in the course of construction for production, supply or administrative purposes and are carried at cost, less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

(m) Research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred. There were no costs incurred in relation to projects in the development phase, as defined by IAS 38 "*Intangible assets*", during both years.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(n) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and any accumulated impairment losses, being their fair value at the date of the revaluation less subsequent accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortization and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

The intangible assets recognized by the Group and their useful economic life are as follows:

Intangible assets	**Useful economic life**
Trade name	1-3 years
Customer relationship	4-10 years
Software	5-10 years
Customer backlog	1-3 years
Non-competition clause	3-5 years

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(o) Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual CGUs, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows of the tangible asset (or the CGU) are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or the CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or a group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(p) Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets and financial liabilities are initially measured at fair value except for receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 "*Revenue from contracts with customers*". Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at FVTPL are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(p) Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model, whereby changes in fair value, interest income calculated using the effective interest rate method and foreign exchange gains and losses are recognized in profit or loss. Notwithstanding the criteria for debt instruments to be classified at amortized cost, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(p) Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade, note and other receivables, restricted bank deposits and cash and cash equivalents) and other items (unbilled revenue) which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade receivables and unbilled revenue. The ECL on these assets are assessed collectively using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(p) Financial instruments *(Continued)*

Financial assets (Continued)

Significant increase in credit risk *(Continued)*

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, for example, a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(p) Financial instruments *(Continued)*

Financial assets (Continued)

Definition of default

For internal credit risk management, the Group considers an event of default to have occurred when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of accounts receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries made are recognized in profit or loss.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(p) Financial instruments *(Continued)*

Financial assets (Continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis to cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade receivables, other receivables are each assessed as a separate group. Long-term note receivable is assessed for ECL on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount through a loss allowance account.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(p) Financial instruments *(Continued)*

Financial assets (Continued)

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is contingent consideration of an acquirer in a business combination to which IFRS 3 applies.

Financial liabilities subsequently measured at amortized cost

Financial liabilities, including trade and other payables, bank borrowings, amounts due to shareholders and lease liabilities, are subsequently measured at amortized cost, using the effective interest method.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

(p) Financial instruments *(Continued)*

Financial liabilities and equity instruments (Continued)

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

(q) Treasury shares

Own equity instruments which held by the Company or the Group (treasury shares) are recognized directly in equity at cost. No gain or loss is recognized in the consolidated statement of profit or loss and other comprehensive income on purchase, sale, issue or cancelation of the Group's own equity instruments.

(r) Provisions and contingent liabilities

Provisions are recognized for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and further periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

(a) Judgments in determining the performance obligations and timing of satisfaction of performance obligations for revenue recognition

(i) Performance obligation determination:

In making their judgments, the directors consider the detailed criteria for recognition of revenue set out in IFRS 15. In determining performance obligations, the directors consider whether the customer benefits from each service on its own and whether it is distinct in the context of the contract. Specifically, when concluding a contract has multiple performance obligations, the directors consider that the individual performance obligation is regularly sold separately and the service is separately identifiable from other promises within the contract.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Critical judgments in applying accounting policies *(Continued)*

(a) Judgments in determining the performance obligations and timing of satisfaction of performance obligations for revenue recognition *(Continued)*

(ii) Timing of satisfaction of performance obligations:

Significant judgment is required by the directors in determining the timing of satisfaction of performance obligations. In making their judgment, the directors have considered the detailed criteria for recognition of revenue set out in IFRS 15 and in particular, whether the Group has satisfied the performance obligation over time or at a point in time with reference to the detailed terms of transaction as stipulated in the contracts entered into with its customers. The Group has also considered the relevant local laws that apply to those relevant contracts. Based on the assessment of the directors, the terms of the relevant sales contracts create an enforceable right to payment for the Group. Accordingly, the services provided by the Group with no alternative use are considered to be performance obligation satisfied over time.

For the performance obligations that are satisfied over time and the Group uses the output method to determine revenue recognition, the key judgment is that the units produced or services transferred to date relative to the remaining units or services promised under the contract best depict the Group's performance in transferring control of goods or services.

For the performance obligations that are satisfied over time and the Group uses the input method to determine revenue recognition, management has a judgment that the use of known cost measure of progress best depicts the transfer of value of goods or services to the customer. This key judgment involves calculation of performance to date. On partially completed contracts, the Group recognizes revenue based on stage of completion of the project which is estimated by comparing the costs incurred on the project with the total costs expected to complete the project.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

(a) Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGU (or group of CGUs) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the CGU (or a group of CGUs) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, a material impairment loss/further impairment loss may arise.

(b) Estimated loss allowance of trade receivables and unbilled revenue

Upon the application of IFRS 9, management estimates the amount of loss allowance for ECL on trade receivables and unbilled revenue based on the credit risk of trade receivables and unbilled revenue. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows after taking into consideration of expected future credit loss of the trade receivables and unbilled revenue. The assessment of the credit risk of the trade receivables and unbilled revenue involves high degree of estimation and uncertainty. When the actual future cash flows are different from expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(c) *Estimated impairment of property, plant and equipment, right-of-use assets and intangible assets*

Property, plant and equipment, right-of-use assets and intangible assets are stated at cost less accumulated depreciation/amortization and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the CGU to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

5. REVENUE

The Group's revenue streams are categorized as follows:

– Drug Discovery Unit, consisting of medicinal chemistry, pharmacology, and efficacy & absorption, distribution, metabolism, and excretion ("ADME") screening;

– Drug Development Unit, comprising drug metabolism and pharmacokinetics ("DMPK"), Safety and Toxicology, early phase clinical services, as well as a suite of bioequivalence and related services such as pharmacology, medical writing and regulatory support;

– Pharmaceutical Product Development Unit, encompassing intermediate and active pharmaceutical ingredient ("API") synthesis, process and formulation development, and clinical trial material manufacturing;

– Laboratory Testing Unit is to offer extensive laboratory testing support to clients worldwide involved in drug development. Their services encompass regulated and non-regulated bioanalysis (both small and large molecules), biomarkers, genomics, CMC Analytical Testing, and Central Laboratory services.

5. REVENUE *(Continued)*

In 2023, the Group underwent a restructuring to improve efficiency and alignment of its business units. This resulted in the creation of two main divisions: Global Drug Discovery & Development Services and Global Laboratory Services.

The Global Drug Discovery & Development Services division aims to provide comprehensive services in the drug discovery and development process. It includes three subunits: (i) the Drug Discovery Unit, (ii) the Drug Development Unit, and (iii) the Pharmaceutical Product Development Unit.

The Global Laboratory Services division offers laboratory testing support for clients involved in drug development.

The consolidation of services allows the Group to respond to client needs more effectively and provide tailored solutions of exceptional quality. By aligning and streamlining operations, the Group can optimize synergies, allocate resources efficiently, and foster innovation and growth across all business units. This strategic realignment sets the foundation for the Group to achieve its goals and sustain growth in the global drug discovery and development services industry.

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

	2024 *US$'000*	2023 *US$'000*
– Drug discovery	31,225	33,456
– Drug development	81,868	95,132
– Pharmaceutical product development	9,272	7,615
– Laboratory testing	132,542	123,652
	254,907	259,855

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.

5. REVENUE *(Continued)*

Transaction Price Allocated to Future Performance Obligations

IFRS 15 requires that the Group to disclose the aggregate amount of transaction price that is allocated to each performance obligation that has not yet been satisfied as at year-end. The guidance provides certain practical expedients that limit this requirement and, therefore, for the vast majority of contracts, the Group does not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which revenue is recognized at the amount to which the Group has the right to invoice for services performed.

For the service contracts for which the Group does not recognize revenue at the amount to which the Group has the right to invoice for services performed, management has assessed whether there are any contracts with an original expected length greater than one year. While contracts do occasionally extend beyond one year, the timing of the services performed is contingent upon when the customer provides items for testing, and is not subject to a contractual term. Accordingly, for these contracts management is unable to determine whether the original contract term will exceed one year and has not disclosed the related unsatisfied performance obligations.

6. 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, Canada and Europe (together as "North America and Europe") and the PRC and all of the Group's consolidated assets and liabilities are either located in North America and Europe 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 and Europe segment, including drug discovery, drug development, pharmaceutical product development and laboratory testing in the USA, Canada and Europe;

– PRC segment, including drug discovery, drug development, pharmaceutical product development and laboratory testing in the PRC.

The change in operating business units is consistent with the way in which segment information is presented in the internal reports provided to CODM.

6. SEGMENT INFORMATION *(Continued)*

Segment revenues and results

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

For the year ended December 31, 2024

	North America and Europe *US$'000*	PRC *US$'000*	Total *US$'000*
Revenue			
– Drug discovery	18,581	12,644	31,225
– Drug development	66,680	15,188	81,868
– Pharmaceutical product development	6,168	3,104	9,272
– Laboratory testing	106,782	25,760	132,542
	198,211	56,696	254,907
Cost of services	(140,155)	(44,941)	(185,096)
Other income	1,187	3,113	4,300
Other gains and losses, net	749	(944)	(195)
Research and development expenses	–	(5,592)	(5,592)
Impairment losses recognized on trade receivables, unbilled revenue and others	(690)	(45)	(735)
Selling and marketing expenses	(6,494)	(1,995)	(8,489)
Administrative expenses	(38,251)	(8,799)	(47,050)
Share of profit of associates	–	258	258
Finance costs	(7,743)	(1,821)	(9,564)
Segment profit/(loss)	6,814	(4,070)	
Profit before tax			2,744

6. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

For the year ended December 31, 2023

	North America and Europe *US$'000*	PRC *US$'000*	Total *US$'000*
Revenue			
– Drug discovery	22,348	11,108	33,456
– Drug development	77,507	17,625	95,132
– Pharmaceutical product development	3,145	4,470	7,615
– Laboratory testing	96,065	27,587	123,652
	199,065	60,790	259,855
Cost of services	(133,060)	(48,401)	(181,461)
Other income	1,406	3,379	4,785
Other gains and losses, net	(72)	(990)	(1,062)
Research and development expenses	–	(6,038)	(6,038)
(Impairment losses)/reversal of recognized on			
– trade receivables, unbilled revenue and others	130	(100)	30
– goodwill	(879)	(1,014)	(1,893)
Selling and marketing expenses	(6,326)	(1,851)	(8,177)
Administrative expenses	(36,872)	(7,680)	(44,552)
Share of profit of associates	–	162	162
Finance costs	(5,096)	(1,976)	(7,072)
Segment profit/(loss)	18,296	(3,719)	
Profit before tax			14,577

The material accounting policies of reportable segments are the same as the Group's material accounting policies described in Note 3.

6. SEGMENT INFORMATION *(Continued)*

Other segment information

Amounts included in the measure of segment profit or loss:

For the year ended December 31, 2024

	North America and Europe *US$'000*	PRC *US$'000*	Total *US$'000*
Depreciation of property, plant and equipment	**(10,247)**	**(8,421)**	**(18,668)**
Depreciation of right-of-use assets	**(6,418)**	**(3,764)**	**(10,182)**
Amortization of intangible assets	**(8,443)**	**(379)**	**(8,822)**
Interest income	**340**	**472**	**812**
Gain on disposal of property, plant and equipment	**2**	**130**	**132**
Income tax (expense)/credit	**(3,652)**	**1,527**	**(2,125)**

For the year ended December 31, 2023

	North America and Europe *US$'000*	PRC *US$'000*	Total *US$'000*
Depreciation of property, plant and equipment	(9,743)	(7,879)	(17,622)
Depreciation of right-of-use assets	(6,343)	(4,062)	(10,405)
Amortization of intangible assets	(7,165)	(382)	(7,547)
Interest income	1,242	513	1,755
Loss on disposal of property, plant and equipment	(17)	(1)	(18)
Income tax (expense)/credit	(4,661)	812	(3,849)

6. SEGMENT INFORMATION *(Continued)*

Geographical information

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

	2024 *US$'000*	2023 *US$'000*
Revenue from external customers		
– USA and Canada	188,187	183,788
– PRC	45,197	49,451
– Rest of the world	21,523	26,616
	254,907	259,855

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

	2024 *US$'000*	2023 *US$'000*
Non-current assets excluding financial assets and deferred tax assets		
– North America and Europe	322,395	325,017
– PRC	82,026	93,786
	404,421	418,803

Information about major customers

No customers contributed more than 10% of the Group revenue during the year ended December 31, 2024 and 2023.

7. OTHER INCOME

	2024 *US$'000*	2023 *US$'000*
Interest income	812	1,755
Government grants related to income	658	820
Income from rendering service	2,830	2,210
	4,300	4,785

8. OTHER GAINS AND LOSSES, NET

	2024 *US$'000*	2023 *US$'000*
Net foreign exchange gain/(loss)	1,270	(173)
Fair value change on financial liabilities measured at FVTPL *(Note 36)*	(159)	(511)
Fair value change on financial assets measured at FVTPL *(Note 36)*	(488)	–
Gain/(loss) on disposal of property, plant and equipment	132	(18)
Others	(950)	(360)
	(195)	(1,062)

9. FINANCE COSTS

	2024 *US$'000*	2023 *US$'000*
Interest expense on lease liabilities	3,119	3,270
Interest expense on bank borrowings	6,445	3,802
	9,564	7,072

10. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	2024 US$'000	2023 US$'000
Staff costs (including directors' emoluments):		
– Salaries and other benefits	114,566	112,179
– Share-based payment expense	3,144	3,044
– Retirement benefit scheme contributions	7,817	7,748
	125,527	122,971
Auditors' remuneration	281	284

11. INCOME TAX EXPENSE

	2024 US$'000	2023 US$'000
Current tax:		
– PRC Enterprise Income Tax ("EIT")	811	1,298
– US Federal Tax	2,359	5,440
– US State Tax	531	1,404
– Canada Corporate Tax	288	182
Under-provision of EIT, US Federal Tax and US State Tax in prior year	129	697
	4,118	9,021
Deferred tax:		
– Current year *(Note 21)*	(1,993)	(5,172)
Total income tax expense	2,125	3,849

11. INCOME TAX EXPENSE *(Continued)*

The group entities incorporated in the USA are subject to Federal and State Income taxes, and the effective weighted average income tax rate is 24.66% for the year ended December 31, 2024 (2023: 25.77%). The Tax Cuts and Jobs Act (the "2017 Tax Act") was signed into law on December 22, 2017. The 2017 Tax Act includes a tax on the mandatory deemed repatriation of accumulated previously untaxed foreign earnings (the "Transition Tax"). The USA group entities are subject to Transition Tax for the years ended December 31, 2024 and December 31, 2023, which is included in the Federal tax expense above.

BRI Biopharmaceutical Research, Inc. ("BRI"), a wholly owned subsidiary of the Group, as a non-Canadian-controlled private corporation ("CCPC") and engaged in active business in British Columbia, Canada, has been subject a flat tax rate of 27%.

Nucro-Technics, Inc. ("Nucro"), a wholly owned subsidiary of the Group, as a non-CCPC and engaged in active business in Ontario, Canada, has been subject an effective corporate tax rate of 26.5%.

Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the EIT rate of the PRC subsidiaries is 25% unless subject to tax exemption set out below.

Frontage Laboratories (Shanghai) Co., Ltd. ("Frontage Shanghai"), a wholly owned subsidiary of the Group in the PRC, was accredited as a "High and New Technology Enterprise" in November 2020 and renewed its status in November 2023, and therefore is entitled to a preferential tax rate of 15% for a three-year period commencing from the beginning of 2023.

Frontage Laboratories (Suzhou) Co., Ltd. ("Frontage Suzhou"), a wholly owned subsidiary of the Group in the PRC, was accredited as a "High and New Technology Enterprise" in November 2021 and therefore is entitled to a preferential tax rate of 15% for a three-year period commencing from the beginning of 2021 to the end of 2023.

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 2022 and therefore 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 renewed its status in October 2023, and therefore is entitled to a preferential tax rate of 15% for a three-year period commencing from the beginning of 2023.

11. INCOME TAX EXPENSE *(Continued)*

The group entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% on the estimated assessable profits for the years ended December 31, 2024 and 2023. On March 21, 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on March 28, 2018 and was gazette on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The two-tiered profits tax rates regime is applicable to the Group's Hong Kong subsidiaries with estimated assessable profits for its annual reporting periods ending on or after April 1, 2018.

The group entities incorporated in the Cayman Islands are not subject to income or capital gains tax under the law of the Cayman Islands.

No provision for Italy income tax has been made as the Group did not generate any assessable profits in Italy during the years ended December 31, 2024 and 2023.

The income tax expense for the year can be reconciled to profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2024 US$'000	2023 US$'000
Profit before tax	2,744	14,577
Tax charge at income tax rate applicable under USA tax law of 24.66% (2023: 25.77%)	677	3,756
Tax effect of share of profit of associates	(63)	(42)
Tax effect of expenses not deductible for tax purposes	1,259	1,452
Utilization of tax losses and deductible temporary differences previously not recognized	(386)	(106)
Under provision in respect of prior year	129	697
Effect of research and development expenses that are additionally deducted	(577)	(828)
Tax at concessionary rate	(561)	(664)
Effect on deferred tax assets or liabilities resulting from change in applicable tax rate	892	(563)
Effect of different tax rate of subsidiaries operating in other jurisdictions	755	147
Income tax expense	2,125	3,849

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Details of the emoluments paid or payable to the directors and the chief executive officer of the Company (including emoluments for their services as managerial level employees of group entities prior to becoming the directors) for the services provided to the Group during the year are as follows:

	2024 *US$'000*	2023 *US$'000*
Executive Director:		
Dr. Song Li *(note (b))*		
– director's fee	–	–
– salaries and other benefits	596	735
– performance-based bonus	–	37
– retirement benefits scheme contributions	36	–
– share-based compensation	282	342
	914	1,114
Non-executive Directors:		
Dr. Zhihe Li *(note (c))*		
– director's fee	–	–
– salaries and other benefits	–	–
– performance-based bonus	–	–
– retirement benefits scheme contributions	–	–
– share-based compensation	73	168
	73	168
Ms. Zhuan Yin		
– director's fee	14	14
– salaries and other benefits	–	–
– performance-based bonus	–	–
– retirement benefits scheme contribution	–	–
– share-based compensation	–	–
	14	14

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

	2024 US$'000	2023 US$'000
Mr. Hao Wu		
– director's fee	14	14
– salaries and other benefits	–	–
– performance-based bonus	–	–
– retirement benefits scheme contribution	–	–
– share-based compensation	–	–
	14	14
Chief Executive Officer:		
Dr. Abdul Mutlib *(notes (a) and (b))*		
– salaries and other benefits	647	689
– performance bonus	5	141
– retirement benefits scheme contributions	39	–
– share-based compensation	214	215
	905	1,045
Independent Non-executive Directors:		
Mr. Yifan Li		
– director's fee	44	44
– salaries and other benefits	–	–
– performance-based bonus	–	–
– retirement benefits scheme contributions	–	–
– share-based compensation	–	–
	44	44

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

	2024 *US$'000*	2023 *US$'000*
Mr. Erh Fei Liu		
– director's fee	44	44
– salaries and other benefits	–	–
– performance-based bonus	–	–
– retirement benefits scheme contributions	–	–
– share-based compensation	–	–
	44	44
Dr. Jingsong Wang		
– director's fee	44	44
– salaries and other benefits	–	–
– performance-based bonus	–	–
– retirement benefits scheme contributions	–	–
– share-based compensation	–	–
	44	44

Notes:

(a) Dr. Abdul Mutlib resigned from chief executive officer, and Dr. Wentao Zhang and Dr. Zhongping Lin have been promoted to Co-Chief Executive Officers, on January 6, 2025.

(b) Dr. Song Li was appointed as executive director and chief executive officer on February 10, 2021. Dr. Abdul Mutlib was appointed as chief executive officer, and Dr. Song Li resigned from such position but continues to serve as an executive director, on January 3, 2023.

(c) Dr. Zhihe Li resigned from chief executive office but continued to serve as an executive director on February 10, 2021. He was redesignated from an executive director to a non-executive director on July 1, 2022.

The performance-based bonus is discretionary based on the performance of the individual and the Group.

The executive director's emoluments shown above were for his service in connection with the management of the affairs of the Company and the Group.

The non-executive director's emoluments shown above were for his services as director of the Company.

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

The independent non-executive directors' emoluments shown above were for their services as directors.

During the year, certain directors were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in Note 34 to the Group's consolidated financial statements.

During the years ended December 31, 2024 and 2023, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors have waived any emoluments.

13. FIVE HIGHEST PAID INDIVIDUALS

The five individuals with the highest emoluments in the Group during the year included 1 director (2023: 1) of the Company, details of whose remuneration are set out in Note 12 above. The emoluments of the remaining four (2023: four) highest paid individuals during the year were as follows:

	2024 *US$'000*	2023 *US$'000*
Salaries and other benefits	2,144	2,080
Performance-based bonus	84	329
Retirement benefits scheme contributions	128	16
Share-based compensation	596	742
	2,952	3,167

The emoluments of the five highest paid individuals who are not director of the Company were within the following bands:

	Number of Individuals	
	2024	2023
HK$4,000,001 to HK$4,500,000	1	1
HK$4,500,001 to HK$5,000,000	1	–
HK$5,000,001 to HK$5,500,000	–	1
HK$6,500,001 to HK$7,000,000	1	–
HK$7,000,001 to HK$7,500,000	1	1
HK$8,000,001 to HK$8,500,000	–	1
	4	4

14. 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:

	2024 *US$'000*	2023 *US$'000*
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per share	791	10,808

Number of Shares:

	2024	2023
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	2,026,464,720	2,039,736,531
Effect of dilutive potential ordinary shares:		
Share options	794,758	26,917,067
Share awards	4,151,393	3,056,710
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	2,031,410,871	2,069,710,308

Note:

(i) The weighted average number of ordinary shares shown above has been adjusted for issue of new shares as set out in Note 32 and treasury shares as set out in Note 33.

15. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended December 31, 2024, nor has any dividend been proposed since the end of the reporting period (2023: nil).

16. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and equipment	Transportation equipment	Leasehold improvement	Buildings	Land	Construction in progress	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
COST							
As at January 1, 2023	90,527	205	56,740	6,790	1,970	19,416	175,648
Additions	6,417	–	344	–	–	15,136	21,897
Acquisition of subsidiaries *(Note 41)*	3,475	–	3,041	–	–	–	6,516
Transferred from right-of-use assets upon exercise of purchase option *(Note 17)*	290	–	–	–	–	–	290
Disposals	(972)	–	–	–	–	–	(972)
Transfer from construction in progress	6,525	–	7,510	–	–	(14,035)	–
Exchange adjustments	(456)	(3)	(484)	–	–	(234)	(1,177)
As at December 31, 2023 and January 1, 2024	105,806	202	67,151	6,790	1,970	20,283	202,202
Additions	4,195	–	553	–	–	16,885	21,633
Acquisition of a subsidiary *(Note 41)*	204	–	–	–	–	–	204
Transferred from right-of-use assets upon exercise of purchase option *(Note 17)*	1,589	–	–	–	–	–	1,589
Disposals	(684)	(30)	(321)	–	–	–	(1,035)
Transferred from construction in progress	1,334	–	2,137	–	–	(3,471)	–
Transferred to intangible assets	–	–	–	–	–	(333)	(333)
Exchange adjustments	(444)	2	(742)	–	–	(178)	(1,362)
As at December 31, 2024	112,000	174	68,778	6,790	1,970	33,186	222,898

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Furniture, fixtures and equipment	Transportation equipment	Leasehold improvement	Buildings	Land	Construction in progress	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
DEPRECIATION AND IMPAIRMENT							
As at January 1, 2023	49,991	125	9,336	1,208	–	–	60,660
Provided for the year	10,868	24	6,359	371	–	–	17,622
Transferred from right-of-use assets upon exercise of purchase option *(Note 17)*	121	–	–	–	–	–	121
Eliminated on disposals	(654)	–	–	–	–	–	(654)
Exchange adjustments	(195)	(2)	(45)	–	–	–	(242)
As at December 31, 2023 and January 1, 2024	60,131	147	15,650	1,579	–	–	77,507
Provided for the year	10,920	13	7,483	252	–	–	18,668
Transferred from right-of-use assets upon exercise of purchase option *(Note 17)*	1,186	–	–	–	–	–	1,186
Eliminated on disposals	(620)	(29)	(300)	–	–	–	(949)
Exchange adjustments	186	3	(128)	2	–	–	63
As at December 31, 2024	71,803	134	22,705	1,833	–	–	96,475
NET CARRYING AMOUNT							
As at December 31, 2024	40,197	40	46,073	4,957	1,970	33,186	126,423
As at December 31, 2023	45,675	55	51,501	5,211	1,970	20,283	124,695

17. RIGHT-OF-USE ASSETS

The Group as lessee

Right-of-use assets

	Leased properties US$'000	Experiment equipment US$'000	Office equipment US$'000	Total US$'000
COST				
As at January 1, 2023	63,229	21,990	253	85,472
Additions	1,725	–	–	1,725
Transfer to property, plant and equipment *(Note 16)*	–	(290)	–	(290)
Acquisition of subsidiaries *(Note 41)*	3,058	–	–	3,058
Eliminated on disposals	(594)	(38)	(94)	(726)
Exchange adjustments	(468)	–	(1)	(469)
As at December 31, 2023 and January 1, 2024	66,950	21,662	158	88,770
Additions	7,438	–	–	7,438
Transfer to property, plant and equipment *(Note 16)*	–	(1,589)	–	(1,589)
Termination of leases	(2,607)	–	–	(2,607)
Exchange adjustments	(706)	–	–	(706)
As at December 31, 2024	71,075	20,073	158	91,306
DEPRECIATION				
As at January 1, 2023	14,364	5,711	190	20,265
Provided for the year	7,272	3,100	33	10,405
Transfer to property, plant and equipment *(Note 16)*	–	(121)	–	(121)
Termination of leases	(594)	(38)	(94)	(726)
Exchange adjustments	(139)	–	(5)	(144)
As at December 31, 2023 and January 1, 2024	20,903	8,652	124	29,679
Provided for the year	7,335	2,825	22	10,182
Transfer to property, plant and equipment *(Note 16)*	–	(1,186)	–	(1,186)
Termination of leases	(1,418)	–	–	(1,418)
Exchange adjustments	(203)	–	(1)	(204)
As at December 31, 2024	26,617	10,291	145	37,053
NET CARRYING AMOUNT				
As at December 31, 2024	44,458	9,782	13	54,253
As at December 31, 2023	46,047	13,010	34	59,091

17. RIGHT-OF-USE ASSETS *(Continued)*

The Group as lessee *(Continued)*

Right-of-use assets (Continued)

	2024 *US$'000*	2023 *US$'000*
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of IFRS 16	**395**	120
Total cash outflow for leases	**14,784**	13,473
Additions to right-of-use assets	**7,438**	1,725
Transferred to property, plant and equipment upon exercise of purchase option *(Note 16)*	**(403)**	(169)

For both years, the Group leases various offices equipment, and machineries for its operations. Lease contracts are entered into for fixed term of 3 years to 25 years (2023: 3 years to 25 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly enters into short-term leases for office equipment. As at December 31, 2024 and 2023, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

Restrictions or covenants on lease

In addition, lease liabilities of US$58,695,000 (2023: US$63,661,000) are recognized with related right-of-use assets of US$54,253,000 (2023: US$59,091,000) as at December 31, 2024. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

18. GOODWILL

	US$'000
COST	
At January 1, 2023	149,211
Arising on acquisition of subsidiaries *(Note 41)*	36,376
Exchange adjustments	220
At December 31, 2023 and January 1, 2024	185,807
Arising on acquisition of subsidiaries *(Note 41)*	6,275
Exchange adjustments	(3,207)
At December 31, 2024	188,875
Accumulated amortization and impairment	
At January 1, 2023	–
Impairment	1,893
Exchange adjustments	(4)
At December 31, 2023 and January 1, 2024	1,889
Exchange adjustments	(28)
At December 31, 2024	1,861
Net carrying amount	
At December 31, 2024	187,014
At December 31, 2023	183,918

Goodwill acquired through business combinations is allocated to the following CGUs for impairment testing:

- Experimur LLC ("Experimur") CGU;
- Quintara Discovery, Inc. ("Quintara") CGU;
- Nucro CGU;

18. GOODWILL *(Continued)*

- Acme Bioscience, Inc. ("Acme") CGU;
- Frontage Clinical Services, Inc. ("Frontage Clinical") CGU;
- Frontage Suzhou CGU;
- Frontage Labs CGU;
- Heyan Biotech CGU;
- BRI CGU; and
- Frontage Europe S.r.l. ("Frontage Europe") CGU.

The carrying amount of goodwill allocated to each of the CGUs are as follows:

	2024 *US$'000*	2023 *US$'000*
Frontage Labs CGU *(notes (a) and (b))*	125,212	3,532
Experimur CGU *(note (a))*	–	64,733
Quintara CGU *(note (a))*	–	43,287
Nucro CGU	33,997	36,674
Acme CGU	15,953	15,953
Frontage Clinical CGU *(note (a))*	–	13,659
Frontage Suzhou CGU	3,846	3,903
Heyan Biotech CGU	1,168	1,185
BRI CGU	919	992
Frontage Europe CGU	5,919	N/A
	187,014	183,918

Notes:

(a) During the year ended December 31, 2024, there has been a change in the identified CGUs resulting from the integration of Experimur, Quintara and Frontage Clinical to Frontage Labs's business in order to improve operation efficiency. Management expected that the benefit of expected synergies of Experimur, Quintara and Frontage Clinical shall be achieved from integrating into the Group's existing business under Frontage Labs. Such integration resulted in the reallocation of goodwill to the new CGU named Frontage Labs CGU as there has been a change to the way in which goodwill is monitored internally.

(b) During the year ended December 31, 2023, there has been a change in the identified CGUs resulting from the integration of Biotranex, LLC ("Biotranex") to Frontage Labs's business in order to improve operation efficiency. Management expected that the benefit of expected synergies of Biotranex shall be achieved from integrating into the Group's existing business under Frontage Labs. Such integration resulted in the reallocation of goodwill to the new CGU named Frontage Labs CGU as there has been a change to the way in which goodwill is monitored internally.

18. GOODWILL *(Continued)*

For the purpose of impairment testing, goodwill is allocated to the CGUs which represents the lowest level within the Group at which goodwill is monitored for internal management purpose.

Except for Acme CGU and Frontage Europe CGU as at December 31, 2024 (2023: Acme CGU and Heyan Biotech CGU), the recoverable amounts of the CGUs as at December 31, 2024 and 2023 have been determined based on value-in-use calculations using pretax cash flow projections, which is based on financial budgets approved by management.

Assumptions were used in the value-in-use calculations of CGUs as at December 31, 2024 and 2023. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

The discount rates and revenue growth rates applied to the cash flow projections are as follows:

	2024			2023		
	Revenue growth rate		**Discount rate**	Revenue growth rate		Discount rate
	Within 5 years	**Beyond 5 years**		Within 5 years	Beyond 5 years	
Experimur CGU	**N/A**	**N/A**	**N/A**	10-15%	3%	20%
Quintara CGU	**N/A**	**N/A**	**N/A**	5-10%	3%	20%
Nucro CGU	**5-15%**	**3%**	**20%**	5-15%	3%	20%
Acme CGU	**N/A**	**N/A**	**N/A**	N/A	N/A	N/A
Frontage Clinical CGU	**N/A**	**N/A**	**N/A**	5-15%	3%	20%
Frontage Suzhou CGU	**5-20%**	**3%**	**20%**	5-10%	3%	20%
Frontage Labs CGU	**5-15%**	**3%**	**20%**	5-10%	3%	20%
Heyan Biotech CGU	**5-20%**	**3%**	**20%**	N/A	N/A	N/A
BRI CGU	**5-11%**	**3%**	**20%**	10-15%	3%	20%
Frontage Europe CGU	**N/A**	**N/A**	**N/A**	N/A	N/A	N/A

The discount rates used are pretax and reflect specific risk relating to the relevant units.

The discount rate is the expected return of the Group's assets that reflects current market assessments of the time value of money and the specific risk associated with the CGU, after taking into account the weighted average cost of equity and debt.

This revenue growth rate beyond 5 years is based on the relevant industry growth forecasts and does not exceed the long-term average growth rate for the relevant industry.

Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the CGU's past performance and management's expectations for the market development.

18. GOODWILL *(Continued)*

As at December 31, 2024

Acme CGU and Frontage Europe CGU:

For the year ended December 31, 2024, management identified impairment indicator of Acme CGU and Frontage Europe CGU due to their unfavourable performance resulting from the deteriorated economic environment.

The recoverable amount of Acme CGU was determined based on its fair value less costs of disposal as at December 31, 2024. Fair value was derived from market approach reflecting the market expectations over corresponding industry. The fair value less costs of disposal was determined by reference to valuation carried out by an external independent valuer. The key parameters used for Acme CGU's fair value less costs of disposal as at December 31, 2024 including average MVIC/Sales of the comparable companies of 3, the lack of marketability discount ("LoMD") of 10%, the control premium of 20% and costs of disposal of 5%. The fair value less costs of disposal of Acme CGU is classified as a level 3 measurement.

The recoverable amount of Frontage Europe CGU was determined based on its fair value less costs of disposal as at December 31, 2024. Fair value was determined using the market approach, which reflects market expectations over corresponding industry. The fair value less costs of disposal was determined by reference to valuation carried out by an external independent valuer. The key parameters used for Frontage Europe CGU's fair value less costs of disposal as at December 31, 2024 including average MVIC/Sales of the comparable companies of 2.7, the LoMD of 10%, the control premium of 20% and costs of disposal of 5%. The fair value less costs of disposal of the Frontage Europe CGU is classified as a level 3 measurement.

Based on the above assessment, the recoverable amounts of Acme CGU and Frontage Europe CGU were approximately US$36,926,000 and US$11,113,000 which are US$13,098,000 and US$3,063,000 more than their carrying amounts as at December 31, 2024 respectively.

18. GOODWILL *(Continued)*

As at December 31, 2023

Acme CGU and Heyan Biotech CGU:

For the year ended December 31, 2023, management identified impairment indicator of Acme CGU and Heyan Biotech CGU due to their unfavourable performance resulting from the deteriorated economic environment.

The recoverable amount of Acme CGU was determined based on its fair value less costs of disposal as at December 31, 2023. Fair value was derived from market approach reflecting the market expectations over corresponding industry. The fair value less costs of disposal was determined by reference to valuation carried out by an external independent valuer. The key parameters used for Acme CGU's fair value less costs of disposal as at December 31, 2023 including average MVIC/Sales of the comparable companies of 3.6, the LoMD of 22.2%, the control premium of 20% and costs of disposal of 5%. The fair value less costs of disposal of Acme CGU is classified as a level 3 measurement.

The recoverable amount of Heyan Biotech CGU was determined based on its respective fair value less costs of disposal as at December 31, 2023. Fair value was determined using the market approach, which reflects market expectations over corresponding industry. The fair value less costs of disposal was determined by reference to valuation carried out by an external independent valuer. The key parameters used for Heyan Biotech CGU's fair value less costs of disposal as at December 31, 2023 including average MVIC/Sales of the comparable companies of 2.5, the LoMD of 22.2%, the control premium of 20% and costs of disposal of 5%. The fair value less costs of disposal of Heyan Biotech CGU is classified as a level 3 measurement.

Based on the above assessment, the recoverable amounts of Acme CGU and Heyan Biotech CGU were approximately US$33,941,000 and RMB22,650,000 (equivalent to US$3,198,000) which are US$879,000 and RMB7,155,000 (equivalent to US$1,014,000) less than their carrying amounts as at December 31, 2023 respectively. An aggregate impairment loss of US$1,893,000 on goodwill was charged to profit or loss under "Impairment losses recognized on goodwill" during the year ended 31 December 2023.

18. GOODWILL *(Continued)*

According to the results of the impairment testing on the above CGUs, the estimated recoverable amounts of the CGUs exceed their carrying amount (i.e. the headroom (note (a)) as below:

	2024		2023	
	Recoverable amount	**Headroom**	Recoverable amount	Headroom
	US$'000	***US$'000***	*US$'000*	*US$'000*
Experimur CGU	**N/A**	**N/A**	79,716	5,719
Quintara CGU	**N/A**	**N/A**	67,932	11,449
Nucro CGU	**51,090**	**3,060**	55,930	2,413
Acme CGU	**36,926**	**13,098**	33,941	N/A
Frontage Clinical CGU	**N/A**	**N/A**	19,347	2,927
Frontage Suzhou CGU	**7,739**	**512**	8,676	633
Frontage Labs CGU	**303,241**	**100,177**	139,365	60,197
Heyan Biotech CGU	**3,711**	**1,090**	3,198	N/A
BRI CGU	**3,279**	**839**	4,651	1,636
Frontage Europe CGU *(note (b))*	**11,113**	**3,063**	N/A	N/A

Notes:

(a) The headroom of each CGU is calculated based on its recoverable amount in excess of its carrying amount of goodwill allocated.

(b) Frontage Europe, the Company's wholly-owned subsidiary, acquired the Bioanalytical and Drug Metabolism & Pharmacokinetics Businesses of Accelera (as defined in Note 41(a)) in January, 2024 (Note 41(a)), and therefore there was no goodwill recognized as at December 31, 2023.

19. INTANGIBLE ASSETS

	Trade name US$'000	Customer relationship US$'000	Software US$'000	Customer backlog US$'000	Non-competition clause US$'000	Total US$'000
COST						
As at January 1, 2023	700	31,700	3,031	4,089	8,237	47,757
Additions	–	–	17	–	–	17
Acquisition of subsidiaries *(Note 41)*	–	8,294	–	227	2,643	11,164
Exchange adjustments	–	44	(32)	(9)	21	24
As at December 31, 2023 and January 1, 2024	700	40,038	3,016	4,307	10,901	58,962
Additions	–	–	289	–	–	289
Transfer from construction in progress	–	–	333	–	–	333
Acquisition of a subsidiary *(Note 41)*	–	–	12	–	1,916	1,928
Exchange adjustments	–	(630)	(3)	(27)	(304)	(964)
As at December 31, 2024	700	39,408	3,647	4,280	12,513	60,548
AMORTIZATION AND IMPAIRMENT						
As at January 1, 2023	295	6,775	1,342	2,401	3,486	14,299
Provided for the year	200	4,377	359	906	1,705	7,547
Exchange adjustments	–	(31)	(13)	2	3	(39)
As at December 31, 2023 and January 1, 2024	495	11,121	1,688	3,309	5,194	21,807
Provided for the year	200	4,924	351	971	2,376	8,822
Exchange adjustments	–	(13)	(2)	(23)	(27)	(65)
As at December 31, 2024	695	16,032	2,037	4,257	7,543	30,564
NET CARRYING AMOUNT						
As at December 31, 2024	5	23,376	1,610	23	4,970	29,984
As at December 31, 2023	205	28,917	1,328	998	5,707	37,155

20. INTEREST IN AN ASSOCIATE

	2024 US$'000	2023 US$'000
Cost of unlisted investment in an associate	6,710	6,710
Accumulated share of post-acquisition profit and other comprehensive income	37	(123)
	6,747	6,587

The Group had interests in the following associate at the end of reporting period:

Name of associates	Place of incorporation/ establishment	Registered capital	Proportion of ownership interest/voting rights held by the Group as at December 31, 2024	2023	Principal Activities
Chenghong Pharmaceutical (Weihai) Co., Ltd. 誠弘製藥（威海）有限責任公司 ("Chenghong Pharmaceutical") *(notes (a), (b))*	PRC	2024: RMB30,639,731 (2023: RMB30,639,731)	43.71%	43.71%	Chemistry services

Notes:

(a) The Group owned 43.71% equity interests in Chenghong Pharmaceutical as at December 31, 2024 and 2023. The directors considered that the Group has significant influence over this entity based on the following factors: (1) the Group has appointed 1 director to the board of directors (total 5 directors), with the other 4 directors appointed by the other shareholders; and (2) the appointed director actively participates in the policy-making process of the entity and the decision making of relevant activities are based on simple majority voting.

(b) The English name of the associate registered in the PRC represents the best efforts made by management of the Company to translate its Chinese name as it does not have official English name.

The associate is accounted for using the equity method in these consolidated financial statements.

20. INTEREST IN AN ASSOCIATE (Continued)

Aggregate information of an associate that is not individually material

	2024 US$'000	2023 US$'000
Aggregate carrying amount of the Group's associate in the consolidated financial statements	6,747	6,587
Share of profit of an associate	258	162
Share of other comprehensive income of an associate	(98)	(92)
Share of profits and other comprehensive income of an associate	160	70

21. DEFERRED TAXATION

The following is a summary of the deferred tax balances for financial reporting purposes:

	2024 US$'000	2023 US$'000
Deferred tax assets	7,451	7,036
Deferred tax liabilities	(12,548)	(11,793)
	(5,097)	(4,757)

21. DEFERRED TAXATION (Continued)

	Impairment allowance US$'000	Stock compensation US$'000	Accelerated tax depreciation US$'000	Advances from customers US$'000	Intangible assets US$'000	Others US$'000	Total US$'000
As at January 1, 2023	1,146	5,589	(12,244)	1,799	(6,990)	6,064	(4,636)
Credited/(charged) to profit or loss	94	(77)	2,639	(173)	132	2,557	5,172
Charged to reserves	–	(1,444)	–	–	–	–	(1,444)
Acquisition of subsidiaries *(Note 41)*	–	–	(956)	–	(2,818)	–	(3,774)
Exchange adjustments	(6)	–	2	–	(25)	(46)	(75)
As at December 31, 2023 and January 1, 2024	1,234	4,068	(10,559)	1,626	(9,701)	8,575	(4,757)
Credited/(charged) to profit or loss	(269)	(964)	1,261	(507)	703	1,769	1,993
Credited to reserves	–	(2,054)	–	–	–	–	(2,054)
Acquisition of subsidiaries *(Note 41)*	–	–	–	–	(460)	–	(460)
Exchange adjustments	(3)	–	(151)	–	557	(222)	181
As at December 31, 2024	962	1,050	(9,449)	1,119	(8,901)	10,122	(5,097)

As at December 31, 2024, the Group had unused tax losses of US$1,429,000 (2023: US$1,537,000) available to offset against future profits. As at December 31, 2024, unused tax losses of US$1,429,000 (2023: US$1,537,000) had been recognized in deferred tax assets.

Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to US$43,277,000 as at December 31, 2024 (2023: US$57,318,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024 US$'000	2023 US$'000
Non-current assets		
Financial assets at FVTPL		
– Unlisted equity investments	2,995	3,530

23. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2024 US$'000	2023 US$'000
Trade receivables		
– third parties	63,448	54,854
– related parties	425	244
Less: loss allowance for trade receivables	(4,045)	(3,761)
	59,828	51,337
Other receivables		
– third parties	2,570	3,088
– related parties	–	53
Less: loss allowance for other receivables	(37)	(37)
	2,533	3,104
Notes receivable		
– third parties	88	30
Prepayments		
– third parties	3,755	4,619
– related parties	39	–
	3,794	4,619
Value added tax recoverable	2,848	2,238
	69,091	61,328

Details of the trade and other receivables due from related parties are set out in Note 40.

23. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

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

	2024 US$'000	2023 US$'000
Within 90 days	44,885	43,296
91 to 180 days	8,132	4,469
181 days to 1 year	4,270	2,007
Over 1 year	2,541	1,565
	59,828	51,337

As at December 31, 2024, included in the Group's trade receivables balance are debtors with aggregate gross carrying amount of US$44,081,000 (2023: US$34,744,000) which are past due at the reporting date. Out of the past due balances, US$11,719,000 (2023: US$7,380,000) has been past due 90 days or more and is considered as recoverable based on historical receivable experience on the past due status of these customers and no evidence indicating that these customers were in a significant financial difficulty.

Movements in lifetime ECL that has been recognized for trade receivables in accordance with the simplified approach set out in IFRS 9 for the year are set out below:

	US$'000
As at January 1, 2023	(4,016)
ECL reversal	58
Write off	178
Exchange adjustments	19
As at December 31, 2023 and January 1, 2024	(3,761)
ECL provided	(929)
Write off	829
Exchange adjustments	(184)
As at December 31, 2024	(4,045)

Details of impairment assessment of trade and other receivables are set out in Note 36.

23. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

Trade and other receivables that are denominated in currencies other than the functional currencies of the respective group entities are set out below:

	2024 *US$'000*	2023 *US$'000*
US$	46	234

24. UNBILLED REVENUE

	2024 *US$'000*	2023 *US$'000*
Unbilled revenue		
– third parties	18,604	19,145
– related parties	1,072	380
Less: loss allowance for unbilled revenue	(787)	(697)
	18,889	18,828

Generally, significant payment terms are disclosed within the contents of a given contract and are in the form of either milestone payment terms representing a percentage of the total budgeted contract price or corresponding directly with the value to the customer of the Group's performance. Revenues recognized in excess of billings are recognized as contract assets and disclosed in the consolidated statement of financial position as unbilled revenue.

Details of the unbilled revenue due from related parties are set out in Note 40.

24. UNBILLED REVENUE *(Continued)*

Movements in lifetime ECL that has been recognized for unbilled revenue in accordance with the simplified approach set out in IFRS 9 for the year are set out below:

	US$'000
As at January 1, 2023	(716)
ECL reversal	9
Exchange adjustments	10
As at December 31, 2023 and January 1, 2024	**(697)**
Provided	**(120)**
Exchange adjustments	**30**
As at December 31, 2024	**(787)**

Details of the impairments assessment are set out in Note 36.

Unbilled revenue that are denominated in currencies other than the functional currencies of the respective group entities are set out below:

	2024 ***US$'000***	2023 *US$'000*
US$	**2,182**	2,413
EUR	**–**	695

25. STRUCTURED DEPOSITS

The Group entered into series of structured contracts with banks and other financial institutions in the PRC. The investments are yield enhancement deposits with expected but not guaranteed rates of return. The expected rates of return is 3.00% per annum for the year ended December 31, 2023, which were determined by reference to the returns of the underlying investments. The directors considered the structured deposits shall be classified as financial assets at FVTPL and the amount paid for the structured deposits approximates its fair value at the end of each reporting period. As at December 31, 2024, the Group did not hold any structured deposit.

26. CASH AND CASH EQUIVALENTS/RESTRICTED BANK DEPOSITS

Cash and cash equivalents comprise of cash held by the Group and short-term bank deposits with an original maturity of three months or less. The bank deposits carry interest at market rates which ranged from 0.02% to 4.33% per annum as at December 31, 2024 (2023: 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 was required as a guarantee over the property until the end of the lease term in 2027.

As at December 31, 2024, a cash deposit of US$382,000 (2023: US$369,000) was required by Pennsylvania dept of environmental protection, Bureau of radiation protection in the USA for radiology license in the USA, and the amount is restricted. As at December 31, 2024, the remaining amount in the collateral account was US$382,000 (2023: US$369,000), which has been included in restricted bank deposits.

As at December 31, 2024, certain bank deposits with balances of approximately RMB26,000 (equivalent to approximately US$4,000) (2023: RMB208,000 (equivalent to approximately US$29,000)), were pledged to secure bills payable and bank facilities granted to the Group.

Cash and cash equivalents that are denominated in currencies other than the functional currencies of the respective group entities are set out below:

	2024 US$'000	2023 US$'000
US$	6,353	10,282
HK$	9	1
EUR	7	8

27. TRADE AND OTHER PAYABLES

	2024 US$'000	2023 US$'000
Trade payables		
– third parties	8,360	12,475
– related parties *(note (a))*	299	139
	8,659	12,614
Other payables		
– third parties	3,344	3,069
– related parties *(note (a))*	11	2
	3,355	3,071
Contingent consideration payables	–	6,141
Salary and bonus payables	6,418	16,114
Other taxes payable	862	791
	19,294	38,731

Notes:

(a) Details of the trade and other payables due to related parties are set out in Note 40.

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

	2024 US$'000	2023 US$'000
Within 90 days	7,878	11,804
91 days to 1 year	28	797
Over 1 year	753	13
	8,659	12,614

27. TRADE AND OTHER PAYABLES *(Continued)*

Trade and other payables that are denominated in currencies other than the functional currencies of the respective group entities are set out below:

	2024 *US$'000*	2023 *US$'000*
US$	**32**	5

28. ADVANCES FROM CUSTOMERS

	2024 *US$'000*	2023 *US$'000*
Advances from customers		
– third parties	**29,439**	27,008
– related parties	**897**	697
	30,336	27,705

	Advances from customers 2024 *US$'000*	 2023 *US$'000*
At 1 January	**27,705**	34,797
Amounts included in advances from customers that was recognized as revenue during the year	**(20,295)**	(25,807)
Cash received in advance of performance and not recognized as revenue during the year	**23,008**	18,813
Exchange adjustment	**(82)**	(98)
At 31 December	**30,336**	27,705

28. ADVANCES FROM CUSTOMERS *(Continued)*

Advances from customers that are denominated in currencies other than the functional currencies of the respective group entities are set out below:

	2024	2023
	US$'000	*US$'000*
US$	1,230	2,397
EUR	12	–

Amounts received in accordance with contracted payment schedules but in excess of revenues earned are recognized as contract liabilities and disclosed in the consolidated statement of financial position as advances from customers. Changes in advances from customers primarily relate to the Group's performance of services under the related contracts.

Details of the advances from customers which are related parties are set out in Note 40.

Revenue of US$20,295,000 was recognized in 2024 (2023: US$25,807,000) that were included in the advances from customers at the beginning of the year.

29. BANK BORROWINGS

Bank Loans

	2024 US$'000	2023 US$'000
Secured and unguaranteed bank loans	95,670	81,436

	2024 US$'000	2023 US$'000
Within one year and shown under current liabilities	51,228	20,129
More than one year, but not exceeding two years	14,192	11,611
More than two years, but not exceeding five years	30,250	49,696
	95,670	81,436
Less: Amounts shown under current liabilities	(51,228)	(20,129)
Amounts shown under non-current liabilities	44,442	61,307
Loan interest at rate per annum in the range of	2.75% – 6.73%	3.35% – 7.6%

Bank Facilities

The Group has used certain restricted bank deposits to secure banking facilities of RMB510,000,000 (equivalent to US$70,948,000) (2023: RMB517,000,000 (equivalent to approximately US$72,995,000)), of which RMB177,344,000 (equivalent to approximately US$24,670,000) (2023: RMB177,327,000 (equivalent to approximately US$25,036,000)) was utilized as borrowings as at December 31, 2024.

On May 31, 2022, Frontage Labs, one of the subsidiaries of the Company, entered into a three-year committed senior secured revolving credit agreement with a bank under which the bank has agreed to extend to Frontage Labs a revolving line of credit in the maximum principal amount of US$54,000,000. As at December 31, 2024, US$35,000,000 (2023: US$9,000,000) of the facility were utilized as borrowings. Frontage Labs is obligated to grant to the bank security interest in and to the collateral of some of its designated subsidiaries in the U.S.

29. BANK BORROWINGS *(Continued)*

Bank Facilities *(Continued)*

On July 22, 2022, Frontage Labs entered into a credit agreement with a bank under which the bank has agreed to provide Frontage Labs a non-revolving term loan facility in an aggregate principal amount of US$49,000,000. As at December 31, 2024, US$36,000,000 (2023: US$47,400,000) of the facility were utilized as borrowings. The Company, as the guarantor, is obligated to guarantee for the liabilities, obligations and the full satisfaction of Frontage Labs under this facility. This facility is collateralized by Frontage Labs' assets in some of its designated subsidiaries in the U.S.

The Group had aggregated banking facilities of RMB304,436,000 (equivalent to approximately US$42,351,000) (2023: RMB335,780,000 (equivalent to approximately US$47,408,000)) and US$19,000,000 (2023: US$36,000,000) which were unutilized as at December 31, 2024.

Effect of covenants

As at 31 December 2024, included in the Group's non-current loans and borrowings of US$44,442,000, there was a secured borrowing from a bank amounted to US$28,650,000 which will be fully repaid in 2027. The contract includes five covenants as follows:

i. the consolidated revenue of the borrower and its consolidated subsidiaries for the preceding four consecutive fiscal quarters ending on such testing date shall represent 60% or more of the consolidated revenue of the Group for such period.

ii. the consolidated EBITDA (note) of the borrower and its consolidated subsidiaries for the preceding four consecutive fiscal quarters ending on such testing date shall represent 60% or more of the consolidated EBITDA of the Group for such period.

iii. the ratio of the consolidated net Indebtedness of the borrower and its consolidated subsidiaries on the consolidated balance sheet of the borrower and its consolidated subsidiaries as of such testing date to the consolidated EBITDA of the borrower and its consolidated subsidiaries for the preceding four consecutive fiscal quarters ending on such testing date shall not exceed 1.75 to 1.00.

iv. the ratio of consolidated EBITDA of the Group for the preceding four consecutive fiscal quarters ending on such testing date to consolidated interest expense of the Group for such shall not be less than 5.00 to 1.00.

29. BANK BORROWINGS *(Continued)*

Effect of covenants *(Continued)*

v. the ratio of the consolidated net financial indebtedness of the Group on the consolidated balance sheet of the Group as of such testing date to the consolidated EBITDA of the Group for the preceding four consecutive fiscal quarters ending on such testing date shall not exceed 1.75 to 1.00.

The loan would become repayable on demand if any one of the covenants above is not met. The Group met the covenant requirements as at December 31, 2024 and the borrowing was classified as a non-current liability.

Note: Consolidated EBITDA is represented by the net income after excluding interest expense, income tax provision, depreciation expense, amortisation expense, unusual or non-recurring expenses and losses, other non-cash charges, expenses or loss, non-cash expenses related to share based arrangement, non-cash impairment of long-term asset and gain or loss arising from financial liabilities.

30. AMOUNTS DUE TO SHAREHOLDERS

The amounts due to shareholders as at December 31, 2024 and 2023 represent dividend payable that the then shareholders declared prior to the year 2021.

31. LEASE LIABILITIES

	2024 US$'000	2023 US$'000
Within one year	9,899	11,680
Within a period of more than one year but not exceed two years	8,085	10,440
Within a period of more than two years but not exceed five years	15,362	19,548
More than five years	25,349	21,993
	58,695	63,661
Less: Amounts due for settlement with 12 months shown under current liabilities	(9,899)	(11,680)
Amounts due for settlement after 12 months shown under non-current liabilities	48,796	51,981

32. SHARE CAPITAL

	Number of shares	Amount US$
Ordinary shares of US$0.00001 each		
Authorized:		
As at January 1, 2023, December 31, 2023, January 1, 2024 and December 31, 2024	5,000,000,000	50,000

	Number of shares	Amount US$	Shown in the consolidated financial statements as US$'000
Issued and Fully Paid:			
As at January 1, 2023	2,055,711,410	20,559	21
Exercise of share options *(note (a))*	6,934,500	69	–
As at December 31, 2023 and January 1, 2024	**2,062,645,910**	**20,628**	**21**
Exercise of share options *(note (a))*	**36,179,000**	**362**	**–**
Cancellation of shares *(note (b))*	**(63,100,000)**	**(631)**	**(1)**
As at December 31, 2024	**2,035,724,910**	**20,359**	**20**

Notes:

(a) During the year ended December 31, 2024, 36,179,000 (2023: 6,934,500) share options were exercised, with a deduction from equity-settled share based compensation reserve of US$2,312,000 (2023: US$444,000) and an increase of US$9,530,000 (2023: US$1,785,000) in share premium. Please refer to Note 34 for details.

(b) During the year ended December 31, 2024, the Company cancelled 63,100,000 shares with a deduction from the treasury shares of US$15,122,000, including a reduction of US$1,000 in share capital, and US$15,121,000 in share premium.

33. TREASURY SHARES

	2024		2023	
	Number of shares	Cost of acquisition *US$'000*	Number of shares	Cost of acquisition *US$'000*
At beginning of year	28,741,064	4,232	17,588,126	1
Repurchase of shares *(note)*	50,788,000	11,203	15,848,000	4,231
Cancellation of shares *(Note 32(b))*	(63,100,000)	(15,122)	–	–
Vesting of share awards *(Note 34)*	(4,345,062)	–	(4,695,062)	–
At end of year	12,084,002	313	28,741,064	4,232

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

34. SHARED-BASED PAYMENTS

2021 Frontage Share Award Scheme

On January 22, 2021, the board of directors approved the adoption of the share award scheme ("2021 Frontage Share Award Scheme") to recognize the contributions by certain employees of the Group, to give incentives thereto in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. Under the 2021 Frontage Share Award Scheme, the directors may grant up to 1% of the issued share capital of the Company on the adoption date of the 2021 Frontage Share Award Scheme. Each award granted has a contractual terms of 10 years and vesting on the one anniversary year after grant date. Under 2021 Frontage Share Award Scheme, a trust has been set up for the scheme and a third party trustee was engaged by the Company to administrate the scheme. The trustee will hold the award shares in trust for the awardees until such shares are rested with the awardees. The trustee shall not exercise the voting rights in respect of any share held under the trust.

On January 25, 2021, the board of directors has resolved to grant a total of 22,950,500 awarded shares.

34. SHARED-BASED PAYMENTS *(Continued)*

2021 Frontage Share Award Scheme *(Continued)*

Set out below are details of the movements of the outstanding awarded shares granted under the 2021 Frontage Share Award Scheme during the years ended December 31, 2024 and 2023:

	2024 Number	2023 Number
Outstanding at beginning of year	8,590,126	14,410,501
Vested during the year	(4,345,062)	(4,695,062)
Forfeited during the year	(155,000)	(1,125,313)
Outstanding at end of year	4,090,064	8,590,126

Each award share granted generally vested over a four-year period with an agreed award vesting on the first anniversary of the grant date.

The estimated fair value was approximately US$16,120,000 for the awarded shares. The fair value was calculated by reference to the closing share price of the Company at the date of grant, which was HK$6.02 (equivalent to US$0.78) per share.

Changes in variables and assumptions may result in changes in the fair values of the share awards.

On January 25, 2021, 22,950,500 shares of the Company was issued for the 2021 Frontage Share Award Scheme. As at December 31, 2024, there are 8,548,002 shares (2023: 12,893,064 shares) held for such scheme with carrying amount of US$nil (2023: US$1,000) accumulated in equity under the heading of "Treasury Shares".

The weighted average closing price of the shares immediately before the dates on which the awards were vested during the year ended December 31, 2024 was HK$2.05 (equivalent to US$0.26) (2023: HK$2.98 (equivalent to US$0.38)).

The Group recognized total expense of approximately US$1,207,000 (2023: US$1,676,000) for the year ended December 31, 2024 in relation to share award granted by the Company under the 2021 Frontage Share Award Scheme.

34. SHARED-BASED PAYMENTS *(Continued)*

Pre-IPO share incentive plans

Frontage Labs, a wholly-owned subsidiary of the Group, adopted 2 Pre-IPO share incentive plans respectively in 2008 and 2015 (collectively referred as "Pre-IPO share incentive plans") for the primary purpose of attracting, retaining and motivating the directors of Frontage Labs and employees of the Group. Under such plans, the directors of Frontage Labs may grant up to 9,434,434 share options under the 2008 share incentive plan and 12,000,000 share options under the 2015 share incentive plan to eligible employees, including the directors of Frontage Labs and employees of the Group, to subscribe for shares in Frontage Labs. Each option granted has a contractual terms of 5 to 10 years and vesting on the one anniversary year after grant date.

On April 17, 2018, the Company, Frontage Labs and corresponding employees entered into an agreement pursuant to which Frontage Labs has assigned, and the Company has assumed, the rights and obligations of Frontage Labs under the Pre-IPO share incentive plans.

On February 28, 2019, the Company granted a total 7,990,000 share options under the 2015 share incentive plan to the eligible employees at an exercise price of US$2.00.

On May 11, 2019, upon the completion of the capitalization issue, the number of options granted to an eligible employee under the Pre-IPO share incentive plans was adjusted to ten times of the original number of options held by that grantee. Accordingly, the exercise price was adjusted to 10% of the original exercise price.

Set out below are details of the movements of the outstanding options granted during the years ended December 31, 2024 and 2023 by taking into account of the capitalization issue:

	2024		2023	
	Weighted average exercise price *(US$)*	Number	Weighted average exercise price *(US$)*	Number
Outstanding as at beginning of year	0.15	53,360,000	0.16	60,270,500
Forfeited during the year	0.20	(750,000)	–	–
Exercised during the year	0.20	(36,110,000)	0.20	(6,910,500)
Outstanding as at end of year	0.05	16,500,000	0.15	53,360,000
Options exercisable		16,500,000		53,360,000
Weighted average contractual life (years)		2.2		0.49

34. SHARED-BASED PAYMENTS *(Continued)*

Pre-IPO share incentive plans *(Continued)*

The exercise price of options outstanding ranges from US$0.049 to US$0.057.

The weighted average closing price of the shares of the Company immediately before the dates on which the option were exercised was HK$1.79 (equivalent to US$0.23) (2023: HK$2.21 (equivalent to US$0.28)).

Each option granted generally vests over a three-year period with an agreed award vesting on the first anniversary of the grant date.

The Group recognized total expenses of approximately US$nil for the year ended December 31, 2024 (2023: US$nil) in relation to share options granted by the Company under Pre-IPO share incentive plans.

2018 Frontage Share Incentive Scheme

On May 11, 2019, the board of directors approved an incentive plan to grant share options, restricted share units and any other types of award to eligible employees, including the directors and employees of the Group ("2018 Frontage Share Incentive Scheme"). The total number of shares in respect of which the awards may be granted pursuant to the 2018 share incentive plan and any other equity-based incentive plans of the Company, being 10% of the shares of the Company.

On October 7, 2022, the Group granted a total 32,555,000 share options under 2018 Frontage Share Incentive Scheme.

On December 20, 2023, the Group granted a total 26,285,000 share options under 2018 Frontage Share Incentive Scheme.

On October 30, 2024, the Group granted a total 33,150,000 share options under 2018 Frontage Share Incentive Scheme.

34. SHARED-BASED PAYMENTS *(Continued)*

2018 Frontage Share Incentive Scheme *(Continued)*

Set out below are details of the movements of the outstanding options granted during the years ended December 31, 2024 and 2023:

	2024		2023	
	Weighted Average exercise price *(US$)*	Number	Weighted Average exercise price *(US$)*	Number
Outstanding as at beginning of the year	0.27	54,250,000	0.27	31,445,000
Granted during the year	0.11	33,150,000	0.27	26,285,000
Forfeited during the year	0.27	(6,453,000)	0.27	(3,456,000)
Exercised during the year	0.27	(69,000)	0.27	(24,000)
Outstanding as at end of the year	0.20	80,878,000	0.27	54,250,000
Options exercisable		22,026,400		8,610,000
Weighted average contractual life (years)		4.0		4.4

The exercise price of options outstanding ranges from HK$0.82 to HK$2.13 (equivalent to US$0.11 to US$0.27).

The weighted average closing price of the shares of the Company immediately before the dates on which the option were exercised was HK$2.18 (equivalent to US$0.28).

Each option granted generally vests over a three-year period with an agreed award vesting on the anniversary one year after grant date.

The estimated fair values of the share options granted under the 2018 Frontage Share Incentive Scheme in 2024, 2023 and 2022 is approximately US$1,839,000, US$2,988,000 and US$3,255,000, respectively. The fair value is calculated using the Black-Scholes-Merton model. The major inputs into the model are as follows:

Grant date	October 30, 2024	December 20, 2023	October 7, 2022
Share price (HK$)	0.82	2.12	1.94
Exercise price (HK$)	0.82	2.13	2.09
Expected volatility	64%	51.0%	52.0%
Expected life (years)	5	5	5
Risk-free interest rate	3.0%	3.0%	3.7%
Expected dividend yield	–	–	–

Share price is determined by reference to the closing share price of the Company at the date of grant.

34. SHARED-BASED PAYMENTS *(Continued)*

2018 Frontage Share Incentive Scheme *(Continued)*

The risk-free interest rate was based on market yield on Hong Kong Treasury securities with the maturity corresponding to the contractual life of the options. Expected volatility was determined by the average of the longest period historical volatility of the Company, and the 5 years historical volatility of the comparable companies.

Changes in variables and assumptions may result in changes in the fair values of the share options.

The Group recognized total expenses of approximately US$1,937,000 (2023: US$1,368,000) for the year ended December 31, 2024 in relation to share options granted by the Company under 2018 Frontage Share Incentive Scheme.

35. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities comprising the Group will be able to continue as going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of loans from a related party, consideration payable on acquisition of subsidiaries, bank borrowings (net of cash and cash equivalents), lease liabilities and equity attributable to owners of the Company (comprising capital and reserves).

The directors review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital.

The Group monitors the following key covenant ratios which were applied to the credit facilities in use during the relevant periods, to ensure compliance with the agreed target ratios as required by the underlying agreements.

The Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debts.

36. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2024 US$'000	2023 US$'000
Financial assets		
Financial assets at amortized cost	107,918	108,999
Financial assets at FVTPL	2,995	4,942
Financial liabilities		
Financial liabilities at amortized cost	166,589	160,992
Financial liabilities at FVTPL	–	6,141

Financial risk management objectives and policies

The Group's major financial assets and liabilities include trade, notes and other receivables, restricted bank deposits, structure deposits, cash and cash equivalents, other long-term deposits, financial assets at FVTPL, trade and other payables, bank borrowings, other long-term liabilities, amounts due to shareholders and lease liabilities. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose it primarily to currency risk, interest rate risk and price risk. There had been no change in the Group's exposure to these risks or the manner in which it managed and measured the risks during each of the reporting period.

Currency risk

As disclosed in Note 1, the functional currency of the PRC operating subsidiaries is RMB. The PRC operating subsidiaries have foreign currency sales and purchases, which expose the Group to foreign currency risk. The carrying amounts of relevant group entities' assets and liabilities other than their functional currency are disclosed in the respective notes.

The PRC operating subsidiaries are mainly exposed to foreign currency of US$ and EUR. The Group does not use any derivative contracts to hedge against its exposure to currency risk.

36. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Currency risk (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets (trade receivables, cash and cash equivalents and unbilled revenue) and liabilities (trade payables and advances from customers) at the end of each reporting period are as follows:

	2024 US$'000	2023 US$'000
Assets		
US$	8,581	12,929
EUR	7	703
HK$	9	1
Liabilities		
US$	1,262	2,402
EUR	12	–

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against US$, the foreign currency with which the Group may have a material exposure. No sensitivity analysis has been disclosed for the EUR denominated assets/liabilities as the impact on profit is immaterial. 5% represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis uses outstanding foreign currency denominated monetary items as a base and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rate. A positive (negative) number below indicates an increase (a decrease) in profit where RMB strengthens 5% against US$. For a 5% weakening of RMB against US$, there would be an equal and opposite impact on profit.

	2024 US$'000	2023 US$'000
Impact on profit or loss		
US$	(366)	(526)

36. FINANCIAL INSTRUMENTS *(Continued)*

Sensitivity analysis *(Continued)*

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to restricted bank deposits, long-term notes receivable, lease liabilities, loans from a related party and consideration payables on acquisition of subsidies. Borrowing agreements include a mix of fixed and variable rate loans, the exposure in relation to fixed rate agreements is considered to be minimal.

The Group is also exposed to cash flow interest rate risk in relation to variable rate bank borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the Prime Rate and LIBOR benchmark rates. For the variable rate bank borrowings, the Group currently does not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group analyzes the interest rate exposure on a yearly basis. A sensitivity analysis is performed by applying a simulation technique to the liabilities that represent major interest-bearing positions. Various scenarios are run taking into consideration refinancing, renewal of the existing positions, alternative financing and hedging. Based on the simulations performed, the impact on profit or loss and net assets of a 100 basis-point shift (being the maximum reasonable expectation of changes in interest rates basis point: 1/100th of a percentage point) would be an increase of US$957,000 (2023: US$814,000) or a decrease of US$957,000 (2023: US$814,000). The gain or loss potential is then compared to the limits determined by management.

Price risk

The Group is exposed to equity price risk through its investment in equity securities measured at FVTPL (see Note 22).

The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

The directors considered that such exposure is insignificant and no sensitivity analysis is presented.

36. FINANCIAL INSTRUMENTS *(Continued)*

Sensitivity analysis *(Continued)*

Credit risk and impairment assessment

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. At the end of each reporting period, the Group's maximum exposure to credit risk which cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statement of financial position.

In order to minimize credit risk, the Group has tasked its finance team to develop and maintain the Group's credit risk grading to categorize exposures according to their degree of risk of default.

Management uses publicly available financial information and the Group's own historical repayment records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate exposure is spread amongst approved counterparties.

For trade receivables and unbilled revenue, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a provision matrix within lifetime ECL (not credit impaired) estimated based on the financial quality of debtors and historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. The Group's current credit risk grading framework comprises the following categories:

Category	Description
Current	The counterparty has an invoice that is current at reporting date
Within 90 days	The counterparty has an invoice that is past due within 90 days of the reporting date
91 to 180 days	The counterparty has an invoice that is past due within 91 to 180 days of the reporting date
181 days to 1 year	The counterparty has an invoice that is past due within 181 days to 1 year at reporting date
Over 1 year	The counterparty has an invoice that is past due over 1 year at reporting date

36. FINANCIAL INSTRUMENTS *(Continued)*

Sensitivity analysis *(Continued)*

Credit risk and impairment assessment (Continued)

The following table details the risk profile of trade receivables and unbilled revenue:

As at December 31, 2024

	Not credit impaired		Credit impaired			
North America operation	**Current**	**Within 90 days**	**91 to 180 days**	**181 days to 1 year**	**Over 1 year**	**Total**
ECL rate	2.01%	2.00%	8.59%	11.61%	39.51%	5.07%
Gross carrying amount (US$'000)	26,104	17,144	3,665	3,220	2,855	52,988
Lifetime ECL (US$'000)	(524)	(343)	(315)	(374)	(1,128)	(2,684)
	25,580	16,801	3,350	2,846	1,727	50,304

	Not credit impaired		Credit impaired			
PRC operation	**Current**	**Within 90 days**	**91 to 180 days**	**181 days to 1 year**	**Over 1 year**	**Total**
ECL rate	4.95%	6.18%	9.91%	20.73%	50.00%	7.03%
Gross carrying amount (US$'000)	13,274	15,218	646	767	656	30,561
Lifetime ECL (US$'000)	(657)	(940)	(64)	(159)	(328)	(2,148)
	12,617	14,278	582	608	328	28,413

36. FINANCIAL INSTRUMENTS *(Continued)*

Sensitivity analysis *(Continued)*

Credit risk and impairment assessment (Continued)

As at December 31, 2023

	Not credit impaired				Credit impaired	
		Within	91 to	181 days	Over	
North America operation	**Current**	**90 days**	**180 days**	**to 1 year**	**1 year**	**Total**
ECL rate	1.05%	2.07%	5.84%	17.14%	64.04%	5.72%
Gross carrying amount (US$'000)	26,276	15,657	4,296	2,013	2,681	50,923
Lifetime ECL (US$'000)	(275)	(324)	(251)	(345)	(1,717)	(2,912)
	26,001	15,333	4,045	1,668	964	48,011

	Not credit impaired				Credit impaired	
		Within	91 to	181 days	Over	
PRC operation	**Current**	**90 days**	**180 days**	**to 1 year**	**1 year**	**Total**
ECL rate	4.59%	6.79%	8.71%	20.83%	83.46%	6.52%
Gross carrying amount (US$'000)	13,603	9,090	597	144	266	23,700
Lifetime ECL (US$'000)	(625)	(617)	(52)	(30)	(222)	(1,546)
	12,978	8,473	545	114	44	22,154

36. FINANCIAL INSTRUMENTS *(Continued)*

Sensitivity analysis *(Continued)*

Credit risk and impairment assessment (Continued)

For the purposes of impairment assessment, other receivables and other financial assets that are subject to impairment are considered to have low credit risk as the counterparties to these items have a high credit rating. Accordingly, for the purpose of impairment assessment for these assets, the loss allowance is measured at an amount equal to 12m ECL. In determining the ECL for other receivables and other financial assets that are subject to impairment, the directors have taken into account the historical default experience and the future prospects of the industries and/or considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of the other receivables and other financial assets that are subject to impairment occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. The directors considered that the ECL allowance is insignificant as at December 31, 2024 and 2023.

In order to minimize the credit risk, management has designated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the directors review the recoverability of each significant trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk with respect to trade receivables as 28.2% of the total trade receivables was due from the Group's top five customers as at December 31, 2024 (2023: 20.5%).

The Group has concentration of credit risk on liquid funds which are deposited with several banks. However, the credit risk on bank balances is limited because majority of the counterparties are banks with good reputation or banks with good credit rating.

36. FINANCIAL INSTRUMENTS *(Continued)*

Sensitivity analysis *(Continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents and unused banking facilities deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average interest rate	On demand or less than one year	One to five years	Over five years	Total undiscounted cash flows	Carrying amount
	%	US$'000	US$'000	US$'000	US$'000	US$'000
As at December 31, 2024						
Trade and other payables	N/A	12,014	–	–	12,014	12,014
Bank borrowings	5.80%	53,927	49,761	–	103,688	95,670
Lease liabilities	5.00%	11,597	35,996	32,609	80,202	58,695
Amounts due to shareholders	N/A	210	–	–	210	210
Total		77,748	85,757	32,609	196,114	166,589
As at December 31, 2023						
Trade and other payables	N/A	21,826	–	–	21,826	21,826
Bank borrowings	6.62%	22,424	83,326	–	105,750	81,436
Lease liabilities	5.31%	12,300	31,581	23,161	67,042	63,661
Amounts due to shareholders	N/A	210	–	–	210	210
Total		56,760	114,907	23,161	194,828	167,133

Fair value measurements of financial instruments

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation.

36. FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end each reporting period.

Financial assets at fair value

Financial assets	Fair value at December 31, 2024 US$'000	Fair value at December 31, 2023 US$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Unlisted equity investments at fair value	2,995	3,530	Level 3	Discounted cash flows – Future cash flows are estimated based on expected return, discounted at a rate that reflects risk of underlying assets	Expected growth rate	The higher the expected growth rate, the higher the valuation
					Discount rate	The higher the discount rate, the lower the valuation
				Market multiples with an adjustment of discount of lack of marketability	Discount for lack of marketability	The higher the discount rate, the lower the valuation
Structured deposits	–	1,412	Level 2	Discounted cash flows – Future cash flows are estimated based on expected return, discounted at a rate that reflects risk of underlying assets	N/A	N/A

36. FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Financial assets at fair value (Continued)

The following is the sensitivity analysis of level 3 fair value measurement to change in key unobservable inputs:

(a) Discount rate

A 5% increase/decrease in the discount rate while holding all other variables constant would decrease/increase the fair value of the unlisted equities approximately RMB506,000 (equivalent to approximately US$70,000)) (2023: RMB1,389,000 (equivalent to approximately US$204,000)) as at December 31, 2024.

Financial liability at fair value

The financial liability subsequently measured at fair value on Level 3 fair value measurement represents contingent consideration relating to the acquisition of Quintara, Acme, Biotranex, BRI and RMI (see Notes 27).

The fair value of contingent consideration for business combination is determined using Level 3 inputs.

Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration, based on an appropriate discount rate. The significant unobservable inputs are discount rate and probability-adjusted revenues and profits.

36. FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Financial liability at fair value (Continued)

Detail of reconciliation of financial assets and liabilities at FVTPL measured at Level 3 fair value measurement are set out below:

	Unlisted equity investments US$'000	Contingent consideration for business combinations US$'000
As at January 1, 2023	3,590	17,252
Changes in fair value	–	511
Payment of contingent consideration	–	(11,622)
Exchange adjustments	(60)	–
As at December 31, 2023 and January 1, 2024	3,530	6,141
Changes in fair value	(488)	159
Payment of contingent consideration	–	(6,300)
Exchange adjustments	(47)	–
As at December 31, 2024	2,995	–

Notes:

(a) Discount rate

A 1% increase/decrease in the discount rate while holding all other variables constant would decrease/increase the fair value of the contingent consideration for business combination by US$nil/US$nil as at December 31, 2024 (2023: US$31,000/US$31,000) in the Group.

(b) Probability-adjusted revenues

A 5% increase/decrease in the probability-adjusted revenues while holding all other variables constant would increase/decrease the fair value of the contingent consideration for business combination by nil as at December 31, 2024 (2023: nil/nil) in the Group.

36. FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Financial instruments not measured at fair value on a recurring basis

Financial instruments not measured at fair value on a recurring basis includes cash and cash equivalents, trade and other receivables, restricted bank deposits, trade and other payables, lease liabilities, bank borrowings, and amounts due to shareholders.

The fair value of these financial assets and financial liabilities measured at amortized cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values.

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings *(Note 29)* *US$'000*	Lease liabilities *(Note 31)* *US$'000*	Total *US$'000*
As at January 1, 2023	48,851	69,335	118,186
Financing cash flows			
– Proceeds from bank borrowings	56,991	–	56,991
– Repayment of bank borrowings	(24,036)	–	(24,036)
– Interest paid on bank borrowings	(3,802)	–	(3,802)
– Repayment of lease liabilities	–	(10,083)	(10,083)
– Interest paid on lease liabilities	–	(3,270)	(3,270)
Non-cash changes			
– Acquisition of subsidiaries	–	3,058	3,058
– Interest expenses	3,802	3,270	7,072
– New leases	–	1,725	1,725
– Exchange adjustments	(370)	(374)	(744)

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES *(Continued)*

	Bank borrowings *(Note 29)* *US$'000*	Lease liabilities *(Note 31)* *US$'000*	Total *US$'000*
As at December 31, 2023 and January 1, 2024	81,436	63,661	145,097
Financing cash flows			
– Proceeds from bank borrowings	39,313	–	39,313
– Repayment of bank borrowings	(24,711)	–	(24,711)
– Interest paid on bank borrowings	(6,445)	–	(6,445)
– Repayment of lease liabilities	–	(11,270)	(11,270)
– Interest paid on lease liabilities	–	(3,119)	(3,119)
Non-cash changes			
– Interest expenses	6,445	3,119	9,564
– New leases	–	7,438	7,438
– Lease modification	–	(1,189)	(1,189)
– Exchange adjustments	(368)	55	(313)
As at December 31, 2024	95,670	58,695	154,365

38. CAPITAL COMMITMENTS

The Group had capital commitments under non-cancellable contracts at the end of each reporting period as follows:

	2024 *US$'000*	2023 *US$'000*
Acquisition of property, plant and equipment	369	1,701
	369	1,701

39. RETIREMENT BENEFIT PLANS

The employees of the Group's subsidiaries in the PRC are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of payroll costs to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

A defined contribution plan in the USA pursuant to which the Group matches 100 cents for every dollar contributed by each qualifying member of staff up to 6% (2023: 6%) of their salary. The maximum match is 6% of the qualifying member of staff's gross pay.

The employees of the subsidiaries in Canada are under the government retirement benefit program pursuant to which the Group funds a fixed percentage of the employee's income as contributions to the pension scheme.

The total cost charged to profit or loss in respect of the above-mentioned schemes amounted to approximately US$7,817,000 for the year ended December 31, 2024 (2023: US$7,748,000).

40. RELATED PARTY TRANSACTIONS AND BALANCES

Other than as disclosed elsewhere in these consolidated financial statements, the Group has following transactions and balances with related parties:

(1) Related party transactions:

(a) Laboratory and Bioequivalence service income from related parties

	Relationship	2024 US$'000	2023 US$'000
Hangzhou Tigermed	Ultimate holding company	1,898	898
Hongkong Tigermed	Immediate holding company	–	388
Beijing Canny Consulting, Inc.	Fellow subsidiary	5	–
Mosim Co., Ltd.	Fellow subsidiary	7	–
		1,910	1,286

40. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(1) Related party transactions: *(Continued)*

(b) Fees paid to related parties for Laboratory service, Biometrics service, Electronic Data Capture Software service and Clinical Site Management Organization service

	Relationship	2024 US$'000	2023 US$'000
Luohe Tigermed Pharmaceutical Technology Co., Ltd.	Fellow subsidiary	315	259
Hangzhou Tigermed	Ultimate holding company	122	–
Beijing Canny Consulting, Inc.	Fellow subsidiary	12	–
Beijing Taya Ltd	Fellow subsidiary	6	8
Jiaxing Tigermed Data Management Co., Ltd.	Fellow subsidiary	–	120
Hangzhou Tigermed InfelliPV Co., Ltd.	Fellow subsidiary	–	16
		455	403

(c) Administrative services provided by related parties

	Relationship	2024 US$'000	2023 US$'000
Hangzhou Tigermed	Ultimate holding company	2	1
MacroStat (China) Clinical Research Co., Ltd	Fellow subsidiary	119	–
		121	1

(d) Selling services provided by related parties

	Relationship	2024 US$'000	2023 US$'000
Tigermed Swiss AG	Fellow subsidiary	–	5
Hangzhou Tigermed	Ultimate holding company	43	19
		43	24

40. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(2) Related party balances:

As at the end of each reporting period, the Group had balances with related parties as follows:

	Relationship	2024 *US$'000*	2023 *US$'000*
Trade receivables			
Mosim Co., Ltd	Fellow subsidiary	7	–
Hangzhou Tigermed	Ultimate holding company	337	156
Hongkong Tigermed	Immediate holding company	81	88
		425	244
Other receivables and prepayments			
Beijing Canny Consulting, Inc.	Fellow subsidiary	39	–
Hangzhou Tigermed	Ultimate holding company	–	53
		39	53
Unbilled revenue			
Hangzhou Tigermed	Ultimate holding company	1,072	380
		1,072	380

40. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(2) Related party balances: *(Continued)*

	Relationship	2024 US$'000	2023 US$'000
Trade payables			
Luohe Tigermed Pharmaceutical Technology Co., Ltd.	Fellow subsidiary	47	66
Beijing Taya Ltd	Fellow subsidiary	1	–
Hangzhou Tigermed InfelliPV Co., Ltd.	Fellow subsidiary	28	28
Hangzhou Tigermed	Ultimate holding company	98	45
MacroStat (China) Clinical Research Co., Ltd.	Fellow subsidiary	125	–
		299	139
Other payables			
Hangzhou Tigermed	Ultimate holding company	11	2
		11	2
Advances from customers			
Hangzhou Tigermed	Ultimate holding company	892	691
Hainan Boao Lecheng Tigermed Consulting Co., Ltd.	Fellow subsidiary	5	6
		897	697

Notes:

(i) The English names of the entities registered in the PRC represent the best efforts made by management of the Company to translate their Chinese names as they do not have official English names.

(ii) All the above balances with related parties are repayable on demand, unsecured and interest free.

40. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(3) Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group.

The remuneration of the directors and other members of key management of the Group during the years are as follows:

	2024 *US$'000*	2023 *US$'000*
Salaries and other benefits	3,119	2,751
Share-based compensation	1,030	323
Performance-based bonus	93	–
Retirement benefits scheme contributions	187	960
	4,429	4,034

The remuneration of key management is determined with reference to the performance of the individuals and market trends.

41. ACQUISITION OF BUSINESSES

(a) Acquisition of the Bioanalytical and Drug Metabolism & Pharmacokinetics Businesses of Accelera S.r.l. ("Accelera") in 2024

On June 16, 2023 (New York time), Frontage Labs entered into a Going Concern Purchase Agreement with Accelera and its parent company, NMS Group S.p.A., pursuant to which Frontage Labs agreed to purchase, through its wholly-owned subsidiary Frontage Europe, the Bioanalytical and Drug Metabolism & Pharmacokinetics businesses of Accelera for a cash consideration of Euro 6,835,000 subject to the terms and conditions of the Agreement. The acquisition was completed on January 1, 2024 (New York time).

The Bioanalytical and Drug Metabolism & Pharmacokinetics businesses of Accelera is principally engaged in providing bioanalytical and DMPK services. The Group will expand the Group's capabilities in such services through additional scientists, equipment and facilities. This acquisition has been accounted for using the acquisition method.

Details of the fair value of identifiable assets and liabilities, purchase consideration and goodwill recognized are as follows:

	Fair value
	US$'000
Property, plant and equipment	204
Intangible assets	1,928
Trade and other payables	(590)
Deferred tax liabilities	(460)
Net assets acquired	1,082

	US$'000
Cash consideration paid	7,357
Total transferred consideration	7,357
Less: Fair value of net assets acquired	(1,082)
Goodwill	6,275
Net cash outflow arising on acquisition of a subsidiary:	
Cash consideration paid	7,357

41. ACQUISITION OF BUSINESSES *(Continued)*

(a) Acquisition of the Bioanalytical and Drug Metabolism & Pharmacokinetics Businesses of Accelera S.r.l. ("Accelera") in 2024 *(Continued)*

Acquisition-related costs amounting to US$252,000 have been excluded from the consideration transferred and have been recognized directly as an expense in the current interim period within the administrative expenses in the condensed consolidated statement of profit or loss and other comprehensive income.

Goodwill arose in the acquisition because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for the identifiable intangible assets.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

Included in the profit for the year ended December 31, 2024 is loss of US$4,614,000 attributable to the additional business generated by Frontage Europe. Revenue for the year ended December 31, 2024 includes US$452,000 generated from Frontage Europe.

Had the acquisition been completed on January 1, 2024, revenue of the Group for the year ended December 31, 2024 would have been US$254,907,000, and profit of the Group for the year ended December 31, 2024 would have been US$619,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2024, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Frontage Europe been acquired at the beginning of the year ended December 31, 2024, the directors calculated amortization of intangible assets acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognized in the pre-acquisition financial statements.

41. ACQUISITION OF BUSINESSES *(Continued)*

(b) Acquisition of Nucro Group in 2023

On August 15, 2023, Frontage Labs entered into a share purchase agreement (the "Agreement") with (i) shareholders of Nucro-Technics Inc. ("Nucro-Technics") and Nucro-Technics Holdings, Inc. ("Nucro Holdings") (collectively as the "Nucro Sellers"), (ii) Nucro Sellers' Representative, (iii) Nucro-Technics and Nucro Holdings (collectively as the "Nucro Group"), pursuant to which the Nucro Sellers agreed to sell and Frontage Labs agreed to purchase 100% of the equity interests of the Nucro Group for a cash consideration of CAD$70,000,000 (equivalent to US$49,969,000) payable and subject to an upward or downward adjustments in respect of the Nucro Group's net working capital as of the closing date in accordance with the terms and conditions of the Agreement (the "Nucro Acquisition"). The Nucro Acquisition was completed on August 15, 2023.

The Nucro Group are principally engaged in providing bioanalytical and DMPK services. In completing the Nucro Acquisition, the Group will expand the Group's capabilities in bioanalytical services, toxicology services, and other ancillary drug discovery and development services and will increase the Group's capacity to provide such services through additional scientists, equipment and facilities. The acquisition has been accounted for as acquisition of business using the acquisition method.

41. ACQUISITION OF BUSINESSES *(Continued)*

(b) Acquisition of Nucro Group in 2023 *(Continued)*

Details of the fair value of identifiable assets and liabilities, purchase consideration and goodwill recognized are as follows:

	Fair value
	US$'000
Property, plant and equipment	6,516
Intangible assets	11,164
Right-of-use assets	3,058
Trade and other receivables	2,862
Inventories	698
Cash and cash equivalents	178
Lease liabilities	(3,058)
Trade and other payables	(4,051)
Deferred tax liabilities	(3,774)
Net assets acquired	13,593

	US$'000
Cash consideration paid	49,969
Total transferred consideration	49,969
Less: Fair value of net assets acquired	(13,593)
Goodwill	36,376
Net cash outflow arising on acquisition of subsidiaries:	
Cash consideration paid	49,969
Less: Cash and cash equivalents acquired	(178)
	49,791

41. ACQUISITION OF BUSINESSES *(Continued)*

(b) Acquisition of Nucro Group in 2023 *(Continued)*

Acquisition-related costs amounting to US$386,000 are excluded from the consideration transferred and have been recognized as an expense in 2023, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

The fair value of trade and other receivables at the date of acquisition amounted to US$2,862,000. The gross contractual amounts of those trade and other receivables acquired amounted to US$2,862,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected was nil.

Goodwill arose in the acquisition of the Nucro Group because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for the identifiable intangible assets.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

Included in the profit for the year ended December 31, 2023 is US$243,000 attributable to the additional business generated by the Nucro Group. Revenue for the year ended December 31, 2023 includes US$6,125,000 generated from the Nucro Group.

41. ACQUISITION OF BUSINESSES *(Continued)*

(b) Acquisition of Nucro Group in 2023 *(Continued)*

Had the acquisition been completed on January 1, 2023, revenue of the Group for the year ended December 31, 2023 would have been US$271,051,000, and profit of the Group for the year ended December 31, 2023 would have been US$11,050,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2023, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had the Nucro Group been acquired at the beginning of the year ended December 31, 2023, the directors calculated amortization of intangible assets acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognized in the pre-acquisition financial statements.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

General information of subsidiaries

	As at December 31,	
	2024	2023
	US$'000	*US$'000*
Unlisted shares, at cost	**28,421**	28,421

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

General information of subsidiaries *(Continued)*

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below:

Name of subsidiaries	Place of incorporation/ establishment and business and nature of legal entity	Authorized share capital/ registered capital	Paid-up capital	Equity interest attributable to the Group as at December 31, 2024 %	2023 %	Principal activities
Directly held:						
Frontage Labs	USA, limited company	US$20,000	US$16,215	100	100	Bioanalytical, CMC and DMPK services
Frontage International Limited	Hong Kong, limited company	HK$10,000	HK$10,000	100	100	Investing holding
Indirectly held:						
Frontage Shanghai	PRC, limited liability company	US$4,355,050	US$4,355,050	100	100	Bioanalytical and bioequivalence services
Croley Martell Holdings, Inc.	USA, limited company	US$2,000	US$1,000	100	100	Investing holding
Concord Holdings, LLC	USA, limited liability company	–	–	100	100	Investing holding
Concord Biosciences, LLC	USA, limited liability company	–	–	100	100	Safety and Toxicology services
Frontage Suzhou	PRC, limited liability company	RMB10,000,000	RMB10,000,000	100	75	CMC
RMI	USA, limited liability company	–	US$100	100	100	DMPK
11736655 Canada Ltd.	Canada, limited company	Unlimited	CAD5,000,000	100	100	Investing holding
BRI	Canada, limited company	–	CAD$700	100	100	DMPK

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

General information of subsidiaries *(Continued)*

Name of subsidiaries	Place of incorporation/ establishment and business and nature of legal entity	Authorized share capital/ registered capital	Paid-up capital	Equity interest attributable to the Group as at December 31, 2024 %	2023 %	Principal activities
Biotranex	USA, limited liability company	–	US$712,531	100	100	DMPK
Suzhou Frontage New Drug Development Co., Ltd	PRC, limited liability company	US$60,000,000	US$38,500,000	100	100	DMPK
Acme	USA, limited company	US$10,000	US$10,000	100	100	Chemistry services
Acme Shanghai	PRC, limited liability company	US$2,000,000	US$750,000	100	100	Chemistry services
Hoya Global Limited	Hong Kong, limited company	US$500,000	US$500,000	100	100	Investing holding
Quintara	USA, limited company	US$10,000	US$10,000	100	100	Preclinical research
Heyan Biotech	PRC, limited liability company	RMB1,955,557	RMB1,955,557	70	70	Preclinical research
Wuhan Yanyou Pharmaceutical Co., Ltd.	PRC, limited liability company	RMB500,000	RMB500,000	70	70	Preclinical research
Frontage Pharma (Suzhou) Co., Ltd.	PRC, limited liability company	RMB50,000,000	RMB40,000,000	100	100	CMC
Frontage Lingang Laboratories (Shanghai) Co., Ltd.	PRC, limited liability company	RMB50,000,000	RMB50,000,000	100	100	Laboratories testing
Experimur	USA, limited company	US$16,000	US$16,504	100	100	Preclinical research
PropertyCo	USA, limited company	US$16,000	US$16,304	100	100	Investing holding

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

General information of subsidiaries *(Continued)*

Name of subsidiaries	Place of incorporation/ establishment and business and nature of legal entity	Authorized share capital/ registered capital	Paid-up capital	Equity interest attributable to the Group as at December 31, 2024 %	2023 %	Principal activities
Experimur Intermediate	USA, limited liability company	US$16,000	US$16,504	100	100	Investing holding
Frontage Clinical	USA, limited company	US$1,500	US$5,300	100	100	Early stage clinical
Acme Biopharma (Wuhan) Co., Ltd.	PRC, limited liability company	US$5,000,000	US$5,000,000	100	100	Chemistry services
Frontage Europe S.r.l. *(note (i))*	Italy, limited company	EUR10,000	EUR10,000	100	N/A	Bioanalytical and DMPK services
Nucro-Technics *(note (ii))*	Canada, limited company	unlimited	CAD4,000,000	100	N/A	Bioanalytical and DMPK services

Notes:

(i) The Group set up Frontage Europe S.r.l. in 2023.

(ii) On August 15, 2023, the Group acquired 100% of the equity interests of the Nucro Group, details of which are set out in Note 41(b).

43. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	As at December 31,	
	2024	2023
	US$'000	*US$'000*
Non-current Assets		
Unlisted investments in subsidiaries	**28,421**	28,421
Deferred tax assets	**270**	2,785
	28,691	31,206
Current Assets		
Bank balances and cash	**2,393**	4,456
Trade and other receivables and prepayments	**–**	285
Amounts due from subsidiaries	**181,196**	182,850
Income tax receivable	**1,320**	759
	184,909	188,350
Current Liabilities		
Trade and other payables	**248**	170
	248	170
Net Current Assets	**184,661**	188,180
Total Assets less Current Liabilities	**213,352**	219,386
Capital and Reserves		
Share capital	**20**	21
Treasury shares	**(313)**	(4,232)
Reserves	**213,645**	223,597
Total Equity	**213,352**	219,386

On behalf of the directors

Dr. Song Li, DIRECTOR

Dr. Zhihe Li, DIRECTOR

43. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(Continued)*

Reserves movement of the Company	Share premium *US$'000*	Accumulated losses *US$'000*	Equity-settled share-based compensation reserve *US$'000*	Total *US$'000*
At January 1, 2023	225,986	(16,782)	13,771	222,975
Loss and total comprehensive expense for the year	–	(2,617)	–	(2,617)
Exercise of share options *(Note 32)*	1,785	–	(444)	1,341
Vesting of share awards *(Note 34)*	3,627	–	(3,627)	–
Reversal of deferred tax assets related to equity-settled share-based compensation	–	–	(1,146)	(1,146)
Recognition of equity-settled share-based compensation *(Note 34)*	–	–	3,044	3,044
As at December 31, 2023 and January 1, 2024	**231,398**	**(19,399)**	**11,598**	**223,597**
Loss and total comprehensive expense for the year	**–**	**(3,631)**	**–**	**(3,631)**
Cancellation of shares *(Note 32)*	**(15,121)**	**–**	**–**	**(15,121)**
Exercise of share options *(Note 32)*	**9,530**	**–**	**(2,312)**	**7,218**
Vesting of share awards *(Note 34)*	**3,318**	**–**	**(3,318)**	**–**
Reversal of deferred tax assets related to equity-settled share-based compensation	**–**	**–**	**(1,562)**	**(1,562)**
Recognition of equity-settled share-based compensation *(Note 34)*	**–**	**–**	**3,144**	**3,144**
As at December 31, 2024	**229,125**	**(23,030)**	**7,550**	**213,645**

DEFINITIONS

"2008 Share Incentive Plan"	the pre-IPO share incentive plan approved by Frontage Labs in 2008 and assumed by the Company on April 17, 2018
"2015 Share Incentive Plan"	the pre-IPO share incentive plan approved by Frontage Labs in 2015 and assumed by the Company on April 17, 2018
"2017 Tax Act" or "Transition Tax"	The Tax Cuts and Jobs Act was signed into law on December 22, 2017, has resulted in significant changes to the U.S. corporate income tax system. These changes reduce tax rates and modify policies, credits and deductions for businesses. The 2017 Tax Act also transitions the U.S. international taxation from a worldwide system to a modified territorial system and includes base erosion prevention measures on non-U.S. earnings, which could result in subjecting certain earnings of Frontage Shanghai to U.S. taxation. These changes are effective beginning in 2018. The 2017 Tax Act also includes a tax on the mandatory deemed repatriation of accumulated previously untaxed foreign earnings of Frontage Shanghai (the "**Transition Tax**")
"2018 Share Incentive Plan"	the post-IPO share incentive plan adopted by the Company on May 11, 2019
"2021 Share Award Scheme"	the "2021 Share Award Scheme" constituted by the rules adopted on January 22, 2021, in its present form or as amended from time to time in accordance with the provisions therein
"ACME"	Acme Biosciences, Inc., a corporation incorporated under the laws of Delaware, U.S. on January 16, 2001, and a subsidiary of Frontage Labs
"Articles of Association"	the articles of association of the Company, as amended from time to time

"Audit and Risk Management Committee"	the audit and risk management committee of the Board
"Award Participants"	the selected participants who were awarded the Awarded Shares under the 2021 Share Award Scheme
"Awarded Shares"	the 22,950,500 Shares granted by the Company to the Award Participants pursuant to the terms of the 2021 Share Award Scheme
"Biotranex"	Biotranex, LLC, a company established under the laws of New Jersey, USA on February 19, 2009, and a subsidiary of Frontage Labs
"Board of Directors" or "Board"	the board of directors of the Company from time to time
"BRI"	BRI Biopharmaceutical Research Inc., a company incorporated under the laws of Canada on February 18, 2003, and a subsidiary of the Company
"Capitalization Issue"	the issue of 1,355,157,819 Shares to the Shareholders to be made upon capitalisation of certain sums standing to the credit of the share premium account of the Company
"CAD"	Canadian Dollars, the lawful currency of Canada
"CG Code"	the Corporate Governance Code as set out in 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
"Global Offering"	the Hong Kong Public Offering (as defined in the Prospectus) and the International Offering (as defined in the Prospectus)
"GLP"	Good Laboratory Practice, a quality system of management controls for research laboratories and organizations to try to ensure the uniformity, consistency, reliability, reproducibility, quality and integrity of chemical and pharmaceuticals non-clinical safety tests
"Group", "We", "Our" or "Us"	the Company and its subsidiaries
"Hangzhou Tigermed"	Hangzhou Tigermed Consulting Co., Ltd., a company established in the PRC on December 15, 2004 with its shares being listed on ChiNext market of the Shenzhen Stock Exchange with stock code 300347 and on the Main Board of the Hong Kong Stock Exchange with stock code 3347, which is one of the controlling shareholders of the Company

"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hongkong Tigermed"	Hongkong Tigermed Co., Limited, a company incorporated under the laws of Hong Kong with limited liability on September 14, 2011 and which is a wholly-owned subsidiary of Hangzhou Tigermed and one of the controlling shareholders of the Company
"IFRSs"	International Financial Reporting Standards
"IPO"	initial public offering
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	May 30, 2019, being on the date the Shares were listed on the Main Board
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issues contained in Appendix 10 to the Listing Rules
"Nomination Committee"	the nomination committee of the Board
"Non-connected Award Participants"	the Award Participants who are not connected with the Company or connected persons of the Company
"PRC" or "China"	the People's Republic of China, but for the purposes of this report only, except where the context requires, references to the PRC or China exclude Hong Kong, Macau and Taiwan

"Pre-IPO Share Incentive Plans"	the 2008 Share Incentive Plan and the 2015 Share Incentive Plan
"Prospectus"	the prospectus of the Company dated May 17, 2019
"Quintara"	Quintara Discovery, Inc., a corporation incorporated under the laws of California, U.S. on May 17, 2013, of which 42%, 26%, and 32% of its Equity Interests are owned by Dr. Wentao Zhang, Dr. Qiulei Ren and Dr. Xiang Wu respectively immediately prior to the acquisition by Frontage Labs
"R&D"	research and development
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the year ended December 31, 2024
"RMB"	Renminbi, the lawful currency of the PRC
"RMI"	RMI Laboratories, LLC, a limited liability company established under the laws of Pennsylvania, United States on September 22, 2008, and a subsidiary of the Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Share(s)"	ordinary shares(s) with nominal value USD0.00001 each in the issued share capital of the Company
"Shareholder(s)"	holder(s) of Shares

"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"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.