Frontage Holdings Corporation

方達控股公司 *

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1521

2024
INTERIM 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
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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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348 Kwun Tong Road
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Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Conyers Trust Company (Cayman) Limited
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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

	Six months ended June 30, 2024 USD'000 (Unaudited)	2023 USD'000 (Unaudited)
Operating results		
Revenue	**128,475**	128,356
Gross profit	**34,842**	38,988
Profit before tax	**397**	7,407
Net (loss)/profit	**(300)**	4,558
Adjusted net profit[(1)]	**6,147**	10,223
Profitability		
Gross profit margin (%)	**27.1%**	30.4%
Net (loss)/profit margin (%)	**(0.2%)**	3.6%
Adjusted net profit margin (%)[(1)]	**4.8%**	8.0%

	As at June 30, 2024 USD'000 (Unaudited)	As at December 31, 2023 USD'000 (Audited)
Financial position		
Total assets	**569,024**	571,869
Total equity	**337,397**	345,147
Total liabilities	**231,627**	226,722
Cash and cash equivalents	**42,998**	53,186

The Board has resolved not to declare an interim dividend for the six months ended June 30, 2024.

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

Non-IFRS Measures

To supplement the Group's consolidated financial statements which are presented in accordance with the IFRSs, the Company has provided adjusted net profit, adjusted net profit margin and adjusted basic and diluted earnings per share (excluding the share-based compensation expenses, amortization of acquired intangible assets from mergers and acquisitions, gain or loss arising from financial liabilities measured as fair value through profit or loss and expenses in relation to mergers and acquisitions to better reflect the Company's current business and operations) as additional financial measures, which are not required by, or presented in accordance with, the IFRSs. The Company believes that the adjusted financial measures are useful for understanding and assessing underlying business performance and operating trends, and that the Company's management and investors may benefit from referring to these adjusted financial measures in assessing the Group's financial performance by eliminating the impact of certain unusual, non-recurring, non-cash and/or non-operating items that the Group does not consider indicative of the performance of the Group's business. However, the presentation of these non-IFRSs financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with the IFRSs. The adjusted results should not be viewed on a stand-alone basis or as a substitute for results under IFRSs.

BUSINESS REVIEW

We are a CRO that specializes in research, analytical, and development services across the entire spectrum of drug discovery and development. With more than two decades of experience, we provide integrated, scientifically-driven support that enables biopharmaceutical and life science companies to achieve their drug development goals.

Frontage underwent an operational reorganization to improve efficiency and alignment of its business units in 2023. 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. The Global Laboratory Services division offers laboratory testing support for clients involved in drug development. The consolidation of our services in this manner is intended to allow the Group to respond to client needs more effectively and provide tailored solutions of exceptional quality. Following the 2023 operational reorganization, Frontage witnessed positive changes and improvements in its operational structure and service offerings in 2024. The Global Drug Discovery & Development Services division, which includes the Drug Discovery Unit, Drug Development Unit, and Pharmaceutical Product Development Unit, streamlined services and enhanced coordination across subunits, enabling more efficient project execution and better integration of expertise. Meanwhile, the Global Laboratory Services division continued to provide robust laboratory testing support, offering clients comprehensive analytical and bioanalytical testing services. This organizational transformation is intended to position Frontage to better meet the evolving demands of the biopharmaceutical industry in 2024, fostering greater innovation and client satisfaction.

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 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.

As a result of our operations in North America (including the U.S. and Canada), Europe (Italy) and China, Frontage is strategically positioned to capitalize on growth opportunities in these key markets. In North America and China, our extensive range of services spans product discovery and preclinical research (including DMPK, safety and toxicology, ADME, compound screening, and lead optimization), laboratory testing (covering bioanalytical, biologics, and central laboratory services), chemistry, and CMC. Additionally, in China, we offer a comprehensive suite of bioequivalence and related services (such as pharmacology, medical writing, and regulatory support) to assist our clients in navigating regulatory requirements for their submissions in the pharmaceutical industry. In Italy, the addition of the Bioanalytical and Drug Metabolism & Pharmacokinetics businesses of Accelera allows Frontage to further its platform in the European market and bolster in-vivo services for emerging therapeutic modalities and cater to a diverse clientele spanning continents.

BUSINESS REVIEW *(Continued)*

According to Global Market Insights, reports show the global CRO market was estimated to be worth anywhere from US$48.19 billion to US$82.55 billion in 2023 and is expected to reach up to US$148.76 billion by 2028. Factors involved in the growth of the CRO market include continuously growing pharmaceutical, biopharmaceutical, and medical device research and development (R&D) pipelines and technological advancements in the clinical trials process.[1] As we enter the post-pandemic era, it has become apparent that the unprecedented acceleration in the life sciences sector driven by the pandemic has slowed down. The CRO market faces several new challenges, including the high cost of clinical trials, increased regulatory complexity and a challenging investment and financing environment.

Despite these challenges, during the Reporting Period, we have made progress by optimizing our cost structures, fostering technological innovation, and diversifying our service offerings to effectively respond to market dynamics.

Overall, the Group's revenue increased by 0.1% from approximately US$128.4 million for the six months ended June 30, 2023 to approximately US$128.5 million for the six months ended June 30, 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$374.0 million as at June 30, 2024, representing an increase of 9.8% compared to approximately US$340.5 million as at June 30, 2023 and an increase of 9.3% compared to approximately US$342.2 million as at December 31, 2023.

1 https://alimentiv.com/ultimate-guide-to-contract-research-organization-market-size/

ENHANCED CAPABILITIES AND EXPERTISE

North America and Europe

In the first half of 2024, the CRO market continues to see a trend in which pharmaceutical companies increasingly outsourced drug discovery and development activities to laboratories worldwide. Sponsors, including major pharmaceutical and biopharmaceutical companies, carefully selected CROs based on their capabilities, expertise, quality, and cost.

We undertook an operational reorganization of our global business organizations to harmonize and enhance efficiencies and align various business units in 2023. This operational reorganization resulted in the formation of two principal business divisions within our Group: the Global Drug Discovery & Development Services and the Global Laboratory Services. The operational reorganization enables us to establish a "one-stop shop" model, which we are implementing during the course of 2024. At the early stages of drug development, we provide strategic advice regarding a lead candidate's scientific and regulatory pathway. Next, we conduct all the studies and processes required for Investigational New Drug ("**IND**") submissions, including Active Pharmaceutical Ingredient ("**API**") syntheses, metabolism & pharmacokinetics, biomarkers, safety & toxicology, formulation development, GLP bioanalyses, and preparation of Phase I study protocols. We then prepare and facilitate the IND submission and provide all necessary support for regulatory interactions and submissions. Furthermore, we also provide Phase I clinical study services in our facility in Secaucus, New Jersey. This one-stop shop model allows us to deliver more streamlined and integrated solutions, positioning us to better meet the comprehensive needs of our clients and enhance our competitive edge in the market.

Our Safety & Toxicology unit in the Chicago site also witnessed exciting growth with the addition of three industry veterans in 2023 – John Kapeghian, Ph.D, DABT (Senior Vice President, Global Safety & Toxicology), John Bernal, DVM (Vice President, Global Animal Welfare & Veterinary Resources), and Stewart Jacobson, DVM, DACVP (Vice President, Global Pathology Services). Frontage launched the establishment of a Pathology Services group under the leadership of Dr. Stewart Jacobson, which resulted in an immediate return, as the majority of previously-outsourced pathology tasks are now being completed in-house. Building on these achievements, 2024 has been a year of continued growth and expansion for Frontage's Safety & Toxicology unit. We have successfully scaled the group to handle an increasing volume of in-house pathology tasks, significantly reducing our reliance on external partners and streamlining our workflows. This expansion has enabled us to provide comprehensive support for our Safety & Toxicology sites across the U.S., China, and Canada, and now Italy, enhancing our ability to deliver high-quality services to our clients.

ENHANCED CAPABILITIES AND EXPERTISE *(Continued)*

North America and Europe *(Continued)*

Following the acquisition of the Bioanalytical and DMPK businesses of Accelera, we are focused on expanding and enhancing our service offerings across Europe. We are looking forward to leveraging this strategic acquisition to bolster our capabilities and introduce new services to better meet the needs of our clients in the region.

Overall, the integration of the Bioanalytical and DMPK businesses of Accelera into our service portfolio underscores our dedication to advancing the quality and breadth of our offerings. By leveraging advanced technologies and introducing new services, we aim to enhance our support for drug development and research services, ultimately driving sustainable growth and delivering value to stakeholders.

ENHANCED CAPABILITIES AND EXPERTISE *(Continued)*

China

In 2024, the capital market activities in the global and Chinese biopharmaceutical sectors continue to experience a cyclic downturn. While there are indications of increased financing among biopharmaceutical companies, overall growth remains at a slow pace. The research and development field of biopharmaceuticals in China, particularly in new drug innovation, is facing short-term challenges amidst industry-wide financial constraints. The outsourcing services for biopharmaceutical research and development have also been significantly impacted.

By closely monitoring industry trends and proactively responding to market dynamics, we are dedicated to maintaining a flexible and sustainable business positioning in the evolving industry landscape. Recently, the Chinese government has published several incentive policies with the intention to reaffirm its commitment to fostering innovation within the pharmaceutical sector. Those policies aim to bolster support across all levels of the industry chain, facilitating accelerated development and breakthroughs in innovative drug therapies. The implementation of the new incentive policies is anticipated to foster a more conducive growth environment for domestic innovative pharmaceutical firms, establishing robust policy frameworks and incentive mechanisms for their research and development endeavors.

In this broader context, biopharmaceutical companies are increasingly opting for pharmaceutical R&D outsourcing services to access tailored drug development solutions that cater to the specific needs of diverse patient groups. To address this growing trend, we will take decisive steps to position ourselves as a leader in pharmaceutical R&D outsourcing. Our strategy includes investing in cutting-edge technologies and innovative methodologies to enhance our service offerings. We are dedicated to strengthening our research and development team, leveraging advanced technology platforms and service expertise, and consistently improving our laboratory infrastructure and equipment.

At the end of this Reporting Period, our services in China encompass critical areas such as drug discovery, preclinical research, and clinical studies. We have established 11 laboratories and production facilities spanning over 810,000 square feet in Shanghai, Suzhou, Wuhan, and Zhengzhou, forming a robust service platform. Specifically, our offerings include 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. Through these comprehensive services, we cover nearly every aspect of drug discovery and development, delivering integrated solutions to our customers. We are confident that by continually enhancing our service capabilities and technical expertise, we can effectively meet customer needs and significantly contribute to the advancement of the pharmaceutical industry.

ENHANCED CAPABILITIES AND EXPERTISE *(Continued)*

China *(Continued)*

During the Reporting Period, we have continued to expand our medicinal chemistry services at our research and development base in Wuhan as planned. We have established an advanced high-throughput experimental platform that employs parallel processing and automation technologies, enabling efficient analysis of multiple chemical reaction conditions simultaneously. This platform facilitates rapid exploration of chemical space, optimization of reaction parameters, and acceleration of drug discovery and development processes. Since the platform's launch in early 2024, we have successfully completed screening and optimization of nearly a hundred challenging chemical reaction conditions. This has significantly enhanced our R&D efficiency, reduced project delivery timelines, and effectively lowered experimental costs. Additionally, our pharmacology research platform in Wuhan has further expanded its safety panel, adding over 40 new targets. This expansion allows us to comprehensively assess the biological activity and mechanisms of action of drugs, thereby strengthening our capabilities in pharmacological research. It also provides more choices and possibilities for drug development projects for different clients.

During the Reporting Period, our Safety Assessment Center in Suzhou successfully underwent the routine annual inspection of the GLP system by the drug supervision and management department. Concurrently, we also passed multiple on-site audits from domestic and international clients, receiving high praise and recognition. These achievements underscore our unwavering commitment to upholding rigorous standards of quality, reliability, and compliance with industry best practices. Our team specializing in safety and toxicology services has amassed extensive experience in clinical pathology, histopathology, general toxicology, and genotoxicity testing, among others. We have successfully executed numerous related testing projects. Notably, we provided comprehensive preclinical safety assessment services for an innovative drug independently developed by a domestic client – an oral recombinant Helicobacter pylori vaccine. Our services encompassed single-dose and repeat-dose administration in mice, analysis of vaccine and adjuvant formulations, specific antibody analysis, and adjuvant safety pharmacology testing. This innovative drug has received Phase I clinical trial ethics approval from the Australian Human Research Ethics Committee and has been successfully registered for clinical trials with the Australian Therapeutic Goods Administration under the Australian Department of Health.

ENHANCED CAPABILITIES AND EXPERTISE *(Continued)*

China *(Continued)*

During the Reporting Period, our bioequivalence ("**BE**") clinical services encompassed a variety of specialized and challenging drug types and dosage forms, including transdermal patches, inhalable aerosols, enteric-coated formulations, biosimilars, and endogenous substance medications. We ensured efficient execution and high-quality outcomes of studies by offering a comprehensive service process covering protocol design, project management, clinical monitoring, medical oversight, data management, statistical analysis, pharmacokinetic calculations, and project report submissions. To elevate medical standards and the quality of BE clinical research, we established a medical oversight team comprising professionals with extensive clinical backgrounds. This team oversees medical-related standards and supervises BE clinical research to ensure scientific rigor throughout studies. To date, we have successfully provided medical oversight for numerous projects, reinforcing our professional standing in the field. Throughout the Reporting Period, we also established strategic partnerships with several leading hospitals in China, enhancing our access to diverse clinical resources and solutions for BE projects. Additionally, we supported a key clinical center partner in achieving a flawless record during a remote inspection by the U.S. Food and Drug Administration (FDA), showcasing the excellence of our quality assurance system in BE clinical operations. This achievement further solidifies our leadership in the industry.

Since the beginning of 2023, our 89,000 square foot state-of-the-art clinical sample production facility in Suzhou has been fully operational. The facility is equipped with advanced oral solid dose manufacturing suites, sterile injectable manufacturing suites, semi-solid external manufacturing suites, and a sophisticated analytical testing laboratory. The commissioning of this facility, coupled with our experienced pharmaceutical CMC R&D production team and production workshops adhering strictly to GMP standards, enables us to provide comprehensive clinical trial supply chain solutions from drug development to the production of investigational drugs and placebos. Our services encompass not only investigational drug and placebo manufacturing but also extend to comparator drug procurement, innovative packaging solutions and label design, meticulous storage management, precise dispensing services (including cold chain logistics), and the retrieval and destruction of clinical trial drugs. Through meticulously designed processes and a high-standard quality management system, we ensure timely and accurate supply of investigational drugs, effectively facilitating smooth clinical trials and significantly reducing related costs. Additionally, to further enhance our service capabilities and meet broader market demands, we are adding a high-standard Blow-Fill-Seal production line for eye drops in this facility. This production line is expected to be operational by late 2024, allowing us to provide clinical sample preparation services for eye drops compliant with international filing standards, thereby expanding our service offerings and strengthening our competitive edge.

ENHANCED CAPABILITIES AND EXPERTISE *(Continued)*

China *(Continued)*

During the Reporting Period, we made major improvements in our bioanalysis technology. We focused on supporting clients in their new drug development endeavors. We have bolstered our platform for antibody-drug conjugate (ADC) analysis and successfully implemented optimized platforms for detecting small nucleotide and protein drug concentrations. Comprehensive biomarker detection services have also been introduced, underscoring our commitment to advancing biopharmaceutical analysis.

We have made substantial advancements in constructing and enhancing our integrated service platform in China, particularly in the fields of drug discovery and preclinical research services. During the Reporting Period, we have successfully executed multiple comprehensive service project contracts. These encompass a broad spectrum ranging from drug chemistry, API development, pharmacology, drug metabolism and pharmacokinetics, safety and toxicology assessments, to CMC formulation development, and bioanalysis. The execution of these contracts highlights our ability to provide comprehensive solutions and shows the strong trust and recognition our clients have in our services.

With the continuous enhancement and refinement of our service offerings, our business expansion team has effectively leveraged our extensive drug development service platform to cultivate a strong synergistic relationship between the Chinese, North American, and European markets. Throughout the Reporting Period, we have bolstered collaboration between laboratories in China, Italy and North America, further advancing the convergence of technology and business development. Through the implementation of strategic initiatives such as customer referral programs, cross-border project exchanges, and the sharing of technical advancements, we have significantly grown our presence in the market.

In the future, our focus will remain on enhancing service quality and efficiency, expanding our service scope, and increasing our market influence. We are committed to improving our core competitiveness in drug discovery and development through ongoing research, development investment, and technological innovation. We believe that by constantly striving for excellence and innovation, we can achieve higher business goals and deliver greater value to our customers.

THE GROUP'S FACILITIES

As of June 30, 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, USA;
- one (1) facility in Vancouver, Canada;
- one (1) facility in Toronto, Canada; and
- one (1) facility in Milan, Italy.

In addition, as of June 30, 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.

THE GROUP'S FACILITIES *(Continued)*

Prospects

In today's rapidly evolving global life sciences field, as a CRO, we are witnessing significant transformations. Despite recent downturns in global biopharmaceutical capital markets, which have impacted new drug research and development, we remain confident that the life sciences industry will continue to grow and play a crucial role in the global healthcare system. There is currently a significant unmet need for CROs that can offer a combined service of chemistry, DMPK, preclinical safety/toxicology, and Phase I clinical trial services with strategic and regulatory support to effectively advance new lead candidates from the IND stage to clinical trials.

In response to the challenges and market needs, we have implemented a series of strategic measures aimed at enhancing our competitiveness and market position.

- **Integrated Services:** Frontage has Operationally reorganized and aligned its various capabilities, successfully integrating its core legacy services with recently acquired or developed offerings. We are now proud to provide integrated services from lead preclinical candidate to first in human clinical studies in both the United States and China – a truly one stop shop.

- **Customer-Tailored Solutions:** Frontage offers a bespoke, customizable platform for drug development, starting from early-stage strategic advice and IND submissions to Phase I clinical studies, and provide all necessary support for regulatory interactions and submissions.

- **Global Operations:** Drawing on our operational presence in North America, Europe and China, we intend to capitalize on our shared adherence to stringent quality system standards. We conduct studies meeting the same exact standards in both China and United States.

With ongoing global interest in innovative drug development, we anticipate a steady growth in demand for our comprehensive one-stop shop services, providing a strong foundation for sustained company growth. By adopting these strategies, we aim to position ourselves as a leading CRO, ready to navigate the complexities of the global life sciences field and contribute to the continued advancement of the industry.

FINANCIAL REVIEW

Revenue

The revenue of the Group increased by 0.1% from approximately US$128.4 million for the six months ended June 30, 2023 to approximately US$128.5 million for the six months ended June 30, 2024. Revenue from operations in North America and Europe decreased by 0.6% from approximately US$100.0 million for the six months ended June 30, 2023 to approximately US$99.4 million for the six months ended June 30, 2024. Excluding the impact of currency translation, the revenue from operations in China increased by 4.4% from approximately RMB197.8 million (equivalent to approximately US$28.4 million) for the six months ended June 30, 2023 to approximately RMB206.5 million (equivalent to approximately US$29.1 million) for the six months ended June 30, 2024.

The decrease in revenue from operations in North America and Europe 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 strong demand for laboratory testing services.

The growth of revenue from operations in China was mainly due to marketing and business development efforts made by the Group, as well as improvements in capacity utilization and the acceleration of client project execution.

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

	For the six months ended	
	6/30/2024	6/30/2023
	US$'000	*US$'000*
		(Re-presented)
Laboratory testing	**66,255**	58,493
Drug development	**42,797**	47,097
Drug discovery	**15,820**	18,524
Pharmaceutical product development	**3,603**	4,242
	128,475	128,356

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 six months ended June 30,			
	2024		2023	
Revenue	***US$'000***	***%***	*US$'000*	*%*
– USA and Canada	**94,830**	**73.8**	95,030	74.0
– China	**22,428**	**17.5**	22,479	17.5
– Rest of the world*(Note)*	**11,217**	**8.7**	10,847	8.5
Total	**128,475**	**100.0**	128,356	100.0

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

Top 5 customers' revenue decreased by 13.2% from approximately US$22.0 million for the six months ended June 30, 2023 to approximately US$19.1 million for the six months ended June 30, 2024, accounting for 14.9% of total revenue for the six months ended June 30, 2024 as compared to 17.1% for the six months ended June 30, 2023.

Top 10 customers' revenue decreased by 11.8% from approximately US$30.6 million for the six months ended June 30, 2023 to approximately US$27.0 million for the six months ended June 30, 2024, accounting for 21.0% of total revenue for the six months ended June 30, 2024, as compared to 23.8% for the six months ended June 30, 2023.

Cost of Services

The cost of services of the Group increased by 4.7% from approximately US$89.4 million for the six months ended June 30, 2023 to approximately US$93.6 million for the six months ended June 30, 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.

FINANCIAL REVIEW *(Continued)*

Cost of Services *(Continued)*

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 10.8% from approximately US$39.0 million for the six months ended June 30, 2023 to approximately US$34.8 million for the six months ended June 30, 2024. The Group's gross profit margin decreased from approximately 30.4% for the six months ended June 30, 2023 to approximately 27.1% for the six months ended June 30, 2024. In particular, gross profit margin in North America and Europe decreased from approximately 34.8% for the six months ended June 30, 2023 to approximately 29.4% for the six months ended June 30, 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 14.8% for the six months ended June 30, 2023 to approximately 19.3% for the six months ended June 30, 2024, mainly due to the increase in revenue and the decrease of cost driven by the improvement in capacity utilization.

Selling and Marketing Expenses

Selling and marketing expenses of the Group increased by 17.5% from approximately US$4.0 million for the six months ended June 30, 2023 to approximately US$4.7 million for the six months ended June 30, 2024, as a result of more marketing and business development efforts made by the Group.

FINANCIAL REVIEW *(Continued)*

Administrative Expenses

The Group's administrative expenses increased by 7.0% from approximately US$22.9 million for the six months ended June 30, 2023 to approximately US$24.5 million for the six months ended June 30, 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 3.4% from approximately US$17.6 million for the six months ended June 30, 2023 to approximately US$18.2 million for the six months ended June 30, 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 9.7% from approximately US$3.1 million for the six months ended June 30, 2023 to approximately US$2.8 million for the six months ended June 30, 2024, primarily due to the implementation of cost reduction and efficiency improvement measures to enhance research and development efficiency and reduce costs.

Finance Costs

The Group's finance costs increased by 38.7% from approximately US$3.1 million for the six months ended June 30, 2023 to approximately US$4.3 million for the six months ended June 30, 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 75.0% from approximately US$2.8 million for the six months ended June 30, 2023 to approximately US$0.7 million for the six months ended June 30, 2024, primarily due to a decrease in pretax income.

FINANCIAL REVIEW *(Continued)*

Net Loss/Profit and Net Loss/Profit Margin

The Group recorded net loss of approximately US$0.3 million for the six months ended June 30, 2024, as compared to net profit of approximately US$4.6 million for the six months ended June 30, 2023. The Group recorded net loss margin of 0.2% for the six months ended June 30, 2024, as compared to net profit margin of 3.6% for the six months ended June 30, 2023. The lower net profit and net profit margin compared to the six months ended June 30, 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.

Adjusted Net Profit

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

	For the six months ended June 30,	
	2024	2023
	US$'000	*US$'000*
Net (Loss)/Profit	(300)	4,558
Add: Share-based compensation expense	1,663	1,972
Amortization of acquired intangible assets from mergers and acquisitions	4,341	3,331
Loss arising from financial liabilities measured as fair value through profit or loss	159	354
Expenses in relation to mergers and acquisitions	284	8
Adjusted Net Profit	6,147	10,223
Adjusted Net Profit Margin	4.8%	8.0%

FINANCIAL REVIEW *(Continued)*

Adjusted Net Profit *(Continued)*

The adjusted net profit of the Group decreased by 40.2% from approximately US$10.2 million for the six months ended June 30, 2023 to approximately US$6.1 million for the six months ended June 30, 2024. The adjusted net profit margin of the Group for the six months ended June 30, 2024 was 4.8%, compared to 8.0% for the six months ended June 30, 2023. The lower adjusted net profit and adjusted net profit margin of the Group for the six months ended June 30, 2024 was primarily due to a lower net profit and net profit margin as discussed above.

EBITDA

The EBITDA[2] of the Group decreased by 13.8% from approximately US$27.5 million for the six months ended June 30, 2023 to approximately US$23.7 million for the six months ended June 30, 2024. The EBITDA margin of the Group for the six months ended June 30, 2024 was 18.4%, compared to 21.4% for the six months ended June 30, 2023. Compared with net profit decrease, EBITDA has a much smaller decrease, primary due to the exclusion of deprecation cost associated with newly established business as well as amortization cost incurred from purchase of Nucro and Frontage Europe.

Adjusted EBITDA

The adjusted EBITDA[3] of the Group decreased by 13.4% from approximately US$29.8 million for the six months ended June 30, 2023 to approximately US$25.8 million for the six months ended June 30, 2024. The adjusted EBITDA margin of the Group decreased from 23.2% for the six months ended June 30, 2023 to 20.1% for the six months ended June 30, 2024. The decrease of adjusted EBITDA is in line with the EBITDA which had been discussed above.

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

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

FINANCIAL REVIEW *(Continued)*

Basic and Diluted Loss/Earnings Per Share

The Group recorded basic loss per share of US$0.0001 for the six months ended June 30, 2024, as compared to basic earnings per share of US$0.0023 for the six months ended June 30, 2023. The Group recorded diluted loss per share of US$0.0001 for the six months ended June 30, 2024, as compared to diluted earnings per share of US$0.0022 for the six months ended June 30, 2023.

The adjusted basic earnings per share for the six months ended June 30, 2024 amounted to US$0.0031, representing a decrease of 38.0% as compared with that of US$0.0050 for the six months ended June 30, 2023. The adjusted diluted earnings per share of the Group for the six months ended June 30, 2024 amounted to US$0.0031 when compared with that of US$0.0050 for the six months ended June 30, 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 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.

FINANCIAL REVIEW *(Continued)*

Right-of-Use Assets

The Group recorded approximately US$52.3 million right-of-use assets as at June 30, 2024, which decreased by 11.5% from approximately US$59.1 million as at December 31, 2023. The decrease was mainly due to the depreciation charges of existing leases.

Intangible Assets

The Group recorded approximately US$34.3 million intangible assets as at June 30, 2024, which decreased by 7.8% 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 22.3% from approximately US$61.3 million as at December 31, 2023 to approximately US$75.0 million as at June 30, 2024, primarily due to the growth of the Group's business.

Unbilled Revenue

The Group has recorded 18.1% increase in unbilled revenue from approximately US$18.8 million as at December 31, 2023 to approximately US$22.2 million as at June 30, 2024, primarily due to the growth of the Group's business.

Structured Deposits

As at June 30, 2024, the Group recorded approximately US$0.2 million structured deposits to improve the return of available cash balance.

Trade and Other Payables

The trade and other payables of the Group decreased by 11.9% from approximately US$38.7 million as at December 31, 2023 to approximately US$34.1 million as at June 30, 2024, primarily due to the payments for bonus and decreased bonus accrual.

Advances from Customers

The Group has recorded an increase of 11.9% in advance from customers, primarily due to the growth of the Group's business.

FINANCIAL REVIEW *(Continued)*

Liquidity and Capital Resources

The Group's bank balances and cash amounted to approximately US$43.0 million in total as at June 30, 2024, as compared to approximately US$53.2 million as at December 31, 2023, as a result of payments for purchase of property, plant and equipment. The cash and cash equivalents held by the Company are composed of RMB, HK$, CAD, EUR and US$. Currently, the Group follows a set of funding and treasury policies to manage its capital resources and prevent risks involved.

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

	For the six months ended June 30,	
	2024	2023
	US$'000	*US$'000*
Net cash generated from operating activities	**4,632**	11,386
Net cash used in investing activities	**(14,855)**	(15,551)
Net cash generated from/(used in) financing activities	**840**	(4,806)
Net decrease in cash and cash equivalents	**(9,383)**	(8,971)
Cash and cash equivalents at the beginning of the period	**53,186**	87,433
Effect of exchange rate changes	**(805)**	(936)
Cash and cash equivalents at the end of the period	**42,998**	77,526

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$16.4 million of capital expenditures were incurred for the six months ended June 30, 2024, which was increased by 42.6% when compared to approximately US$11.5 million for the six months ended June 30, 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$95.5 million as at June 30, 2024 compared to US$81.4 million as at December 31, 2023. On June 30, 2024, the effective interest rate of the Group's bank borrowings ranged from 2.75% to 7.42%. US$ borrowings amounted to US$69.9 million and RMB borrowings amounted to RMB182.4 million (equivalent to US$25.6 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$56.7 million lease liabilities as at June 30, 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 June 30, 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 EUR. Particularly, the PRC operating subsidiaries have foreign currency sales and purchases, which expose the Group to foreign currency risk.

The PRC operating subsidiaries are mainly exposed to foreign currencies of US$ and Euro. The Group does not use any derivative contracts to hedge against its exposure to currency risk. The Group seeks to limit its exposure to foreign currency risk by closely monitoring and minimizing its net foreign currency position.

Gearing Ratio

The gearing ratio is calculated using interest-bearing borrowings less cash and cash equivalents and structured deposits divided by total equity and multiplied by 100%. The gearing ratios were 32.3% and 26.2% as at June 30, 2024 and December 31, 2023, respectively. The increase is primarily due to significant financing activities to support business expansion.

FINANCIAL REVIEW *(Continued)*

Employees and Remuneration Policies

As at June 30, 2024, the Group had a total of 1,657 employees, of whom 893 were located in North America and Europe and 764 were located in China; 1,341 were scientific and technical support staff and 316 were sales, general and administrative staff. Approximately 83% of employees hold a bachelor's degree or above, and we have 604 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$58.5 million for the six months ended June 30, 2024, as compared to approximately US$53.5 million for the six months ended June 30, 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.

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.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended June 30, 2024 (six months ended June 30, 2023: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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 S.r.l., the Bioanalytical and Drug Metabolism & Pharmacokinetics 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 Drug Metabolism & Pharmacokinetics 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 six months ended June 30, 2024.

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

For the six months ended June 30, 2024, the Company repurchased a total of 48,410,000 Shares (the "**Shares Repurchased**") on the Stock Exchange at an aggregate consideration (including transaction cost) of approximately HK$85,849,860. The repurchased Shares in total of 47,252,000 Shares have been cancelled on April 15, 2024 and the remaining repurchased Shares has 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 THE COMPANY'S LISTED SECURITIES *(Continued)*

Particulars of the Shares Repurchased for the six months ended June 30, 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
Total	48,410,000			85,849,860

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 six months ended June 30, 2024 (including sale of treasury shares (as defined under the Listing Rules)). As at June 30, 2024, the Company did not hold any treasury shares (as defined under the Listing Rules).

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. Having made specific enquiries with all the Directors, all the Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code during the six months ended June 30, 2024.

CORPORATE GOVERNANCE CODE

During the six months ended June 30, 2024, the Company has followed the principles and complied with all the code provisions set out in the CG Code.

CHANGES IN DIRECTORS' AND CHIEF EXECUTIVES' BIOGRAPHICAL DETAILS

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

- The remuneration of Dr. Song Li, executive director, has been adjusted to US$368,000 per annum with effect from September 1, 2024.
- The remuneration of Dr. Abdul Mutlib, chief executive officer, has been adjusted to US$625,000 per annum with effect from September 1, 2024.
- Ms. Zhuan Yin has ceased to be the executive director of Hangzhou Tigermed Consulting Co., Ltd., 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.
- Mr. Erh Fei Liu has ceased to be the independent non-executive director of 21Vianet Group, Inc., a company listed on the NASDAQ with stock code VNET.
- Mr. Erh Fei Liu has ceased to be the independent non-executive director of Qingling Motors Co. Ltd., a company listed on the Hong Kong Stock Exchange with stock code 01122.
- Mr. Yifan Li has ceased to be the independent non-executive director and a member of the Audit Committee of Sunlands Technology Group, a company listed on the New York Stock Exchange with stock code STG.
- Mr. Yifan Li has ceased to be the vice president of Zhejiang Geely Holding Group Co., Ltd.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee has adopted written terms in order to comply with Rule 3.21 of the Listing Rules. The primary duties of the Audit and Risk Management Committee are to review and supervise the Company's financial reporting process, internal controls and risk management. The Audit and Risk Management Committee comprises Mr. Yifan Li, Mr. Erh Fei Liu, both independent non-executive Directors, and Mr. Hao Wu, a non-executive Director. Mr. Yifan Li is the chairman of the Audit and Risk Management Committee.

REVIEW BY AUDIT AND RISK MANAGEMENT COMMITTEE

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at June 30, 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:

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS *(Continued)*

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[(2)]
Dr. Song Li[(1)]	Beneficial owner/Trustee	173,041,320	8.50%
Dr. Zhihe Li	Beneficial owner	17,451,632	0.86%
Dr. Abdul Mutlib	Beneficial owner	5,852,520	0.29%

Notes:

(1) As at June 30, 2024, Dr. Song Li is the beneficial owner of 36,233,050 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 June 30, 2024, hold 45,600,090 Shares, 45,602,090 Shares and 45,606,090 Shares respectively.

(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 June 30, 2024.

Save as disclosed above and to the best knowledge of the Directors, as at June 30, 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 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 June 30, 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[3]
Hongkong Tigermed[1]	Beneficial owner	1,032,964,090	50.74%
Hangzhou Tigermed[1]	Interest of controlled corporation	1,258,984,090	61.84%

Notes:

(1) Hangzhou Tigermed is deemed to be interested in the 1,032,964,090 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 June 30, 2024.

Save as disclosed above and to the best knowledge of the Directors, as at June 30, 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 SCHEME

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 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 share options.

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 SCHEME *(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 June 30, 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	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	

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.

SHARE OPTION SCHEME *(Continued)*

Pre-IPO Share Incentive Plans *(Continued)*

The exercise price of options outstanding ranges from US$0.016 to US$0.200.

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 for the six months ended June 30, 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 SCHEME *(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$nil for the six months ended June 30, 2024 (six months ended June 30, 2023: approximately US$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.

SHARE OPTION SCHEME *(Continued)*

2018 Share Incentive Plan *(Continued)*

(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**").

(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 interim 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 118,973,591, being 5.8% of the issued shares as at the date of this interim 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.

SHARE OPTION SCHEME *(Continued)*

2018 Share Incentive Plan *(Continued)*

(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.

(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.

SHARE OPTION SCHEME *(Continued)*

2018 Share Incentive Plan *(Continued)*

(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.

SHARE OPTION SCHEME *(Continued)*

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 for the six months ended June 30, 2024 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[3]	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at June 30, 2024	Vesting period[4]
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
Chief Executives									
Dr. Abdul Mutlib	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
Employees	October 7, 2022[1]	2.092	25,600,000	–	69,000	1,070,000	–	24,461,000	• 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	–	–	2,053,000	–	21,097,000	• 30% on December 20, 2024; • 30% on December 20, 2025; and • 40% on December 20, 2026
Total			54,250,000	–	69,000	3,123,000	–	51,058,000	

SHARE OPTION SCHEME *(Continued)*

2018 Share Incentive Plan *(Continued)*

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

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 weighted average closing price of the shares immediately before the dates on which the options were exercised during the Reporting Period was HK$2.21.

(4) 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 and 20 December 2028 respectively) (both dates inclusive).

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 six months ended June 30, 2024. The number of Awards available for grant under the 2018 Share Incentive Plan at the beginning and the end of the Reporting Period is 118,973,591 and 118,973,591, respectively.

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

SHARE OPTION SCHEME *(Continued)*

2018 Share Incentive Plan *(Continued)*

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

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	–

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$1,182,000 for the six months ended June 30, 2024 (six months ended June 30, 2023: approximately US$829,000) in relation to share options granted by the Company under 2018 Frontage Share Incentive Scheme.

SHARE OPTION SCHEME *(Continued)*

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.

(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 this 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 report.

SHARE OPTION SCHEME *(Continued)*

2021 Share Award Scheme *(Continued)*

(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).

(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.

SHARE OPTION SCHEME *(Continued)*

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	As at January 1, 2024	Granted during the Reporting Period	Vested during the Reporting Period [1]	Lapsed during the Reporting Period	Cancelled during the Reporting Period	As at June 30, 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	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

SHARE OPTION SCHEME *(Continued)*

2021 Share Award Scheme *(Continued)*

			Number of awarded shares						
Category of Participants	Date of Grant	Purchase Price	As at January 1, 2024	Granted during the Reporting Period	Vested during the Reporting Period [1]	Lapsed during the Reporting Period	Cancelled during the Reporting Period	As at June 30, 2024	Vesting Period
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	–	92,500	2,252,564	25% on January 24, 2022, 25% on January 24, 2023, 25% on January 24, 2024, and 25% on January 24, 2025
			8,590,126	–	4,345,062	–	92,500	4,152,564	

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$2.07.

The number of awarded shares available for grant under the 2021 Share Award Scheme at the beginning of January 1, 2024 and 30 June 2024 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 nil.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements set out on page 48 to page 93 which comprise the condensed consolidated statement of financial position of Frontage Holdings Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group") as of June 30, 2024 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months then ended, and notes to the interim financial information, including material accounting policy information (the "condensed consolidated financial statements"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). The directors of the Company are responsible for the preparation and presentation of the condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on the condensed consolidated financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of 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.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("HKSRE 2410") issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

BDO Limited
Certified Public Accountants
Alfred Lee
Practising Certificate Number P04960

Hong Kong, August 28, 2024

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2024

	NOTES	Six months ended 6/30/2024 US$'000 (Unaudited)	6/30/2023 US$'000 (Unaudited)
Revenue	*3*	**128,475**	128,356
Cost of services		**(93,633)**	(89,368)
Gross profit		**34,842**	38,988
Other income	*5*	**2,019**	2,038
Other gains and losses, net	*6*	**202**	105
Research and development expenses		**(2,772)**	(3,137)
Impairment losses recognized on			
– trade receivables		**(426)**	(399)
– unbilled revenue		**(72)**	(88)
Selling and marketing expenses		**(4,661)**	(3,994)
Administrative expenses		**(24,507)**	(22,877)
Share of profit/(loss) of associates		**67**	(119)
Finance costs	*7*	**(4,295)**	(3,110)
Profit before tax	*8*	**397**	7,407
Income tax expense	*9*	**(697)**	(2,849)
(Loss)/profit for the period		**(300)**	4,558
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		**(2,673)**	(3,339)
Total comprehensive income for the period		**(2,973)**	1,219
(Loss)/profit for the period attributable to:			
Owners of the Company		**(117)**	4,592
Non-controlling interests		**(183)**	(34)
		(300)	4,558
Total comprehensive income for the period attributable to:			
Owners of the Company		**(2,774)**	1,352
Non-controlling interests		**(199)**	(133)
		(2,973)	1,219
(Loss)/earnings per share	*10*		
– Basic (US$)		**(0.0001)**	0.0023
– Diluted (US$)		**(0.0001)**	0.0022

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2024

	NOTES	As at 6/30/2024 US$'000 (Unaudited)	As at 12/31/2023 US$'000 (Audited)
Non-current Assets			
Property, plant and equipment	*12*	**129,837**	124,695
Right-of-use assets	*12*	**52,344**	59,091
Goodwill	*13*	**188,756**	183,918
Intangible assets		**34,330**	37,155
Interests in associates		**6,614**	6,587
Deferred tax assets		**5,417**	7,036
Financial assets at fair value through profit or loss ("FVTPL")	*22*	**3,508**	3,530
Restricted bank deposits	*16*	**300**	300
Other long-term deposits		**693**	636
Prepayment for acquisition of subsidiary		**–**	7,357
		421,799	430,305
Current Assets			
Inventories		**3,088**	2,801
Trade and other receivables and prepayment	*14*	**75,021**	61,328
Unbilled revenue	*15*	**22,167**	18,828
Structured deposits	*22*	**172**	1,412
Tax recoverable		**3,400**	3,603
Restricted bank deposits	*16*	**379**	406
Cash and cash equivalents	*16*	**42,998**	53,186
		147,225	141,564
Current Liabilities			
Trade and other payables	*17*	**34,072**	38,731
Advances from customers	*18*	**30,967**	27,705
Bank borrowings	*19*	**38,746**	20,129
Income tax payable		**485**	1,125
Amounts due to shareholders		**210**	210
Lease liabilities		**10,868**	11,680
		115,348	99,580
Net Current Assets		**31,877**	41,984
Total Assets less Current Liabilities		**453,676**	472,289

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at June 30, 2024

	NOTES	As at 6/30/2024 US$'000 (Unaudited)	As at 12/31/2023 US$'000 (Audited)
Non-current Liabilities			
Bank borrowings	*19*	56,802	61,307
Deferred government grant		2,029	2,061
Deferred tax liabilities		11,606	11,793
Lease liabilities		45,842	51,981
		116,279	127,142
Net Assets		337,397	345,147
Capital and Reserves			
Share capital	*20*	20	21
Treasury shares	*21*	(151)	(4,232)
Reserves		335,083	346,714
Equity attributable to owners of the Company		334,952	342,503
Non-controlling interests		2,445	2,644
Total Equity		337,397	345,147

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 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$'000	Subtotal reserves US$'000	Non-controlling interests US$'000	Total US$'000
As at January 1, 2024 (unaudited)	21	(4,232)	229,922	2,572	(4,034)	16,656	(9,531)	3,050	108,079	346,714	2,644	345,147
Loss for the period	–	–	–	–	–	–	–	–	(117)	(117)	(183)	(300)
Other comprehensive expense for the period	–	–	–	–	(2,657)	–	–	–	–	(2,657)	(16)	(2,673)
Total comprehensive income for the period	–	–	–	–	(2,657)	–	–	–	(117)	(2,774)	(199)	(2,973)
Repurchase of shares	–	(11,041)	–	–	–	–	–	–	–	–	–	(11,041)
Cancellation of shares	(1)	15,122	(15,121)	–	–	–	–	–	–	(15,121)	–	–
Exercise of share options	–	–	9,507	–	–	(2,016)	–	–	–	7,491	–	7,491
Vesting of share awards	–	–	3,318	–	–	(3,318)	–	–	–	–	–	–
Deferred tax assets related to equity-settled share-based compensation	–	–	(852)	–	–	(2,038)	–	–	–	(2,890)	–	(2,890)
Recognition of equity-settled share-based compensation	–	–	–	–	–	1,663	–	–	–	1,663	–	1,663
As at June 30, 2024 (Unaudited)	**20**	**(151)**	**226,774**	**2,572**	**(6,691)**	**10,947**	**(9,531)**	**3,050**	**107,962**	**335,083**	**2,445**	**337,397**

For the six months ended June 30, 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$'000	Subtotal reserves US$'000	Non-controlling interests US$'000	Total US$'000
As at January 1, 2023 (unaudited)	21	(1)	224,510	2,572	(3,940)	19,127	(9,531)	3,050	97,271	333,059	2,769	335,848
Profit/(Loss) for the period	–	–	–	–	–	–	–	–	4,592	4,592	(34)	4,558
Other comprehensive expense for the period	–	–	–	–	(3,240)	–	–	–	–	(3,240)	(99)	(3,339)
Total comprehensive income for the period	–	–	–	–	(3,240)	–	–	–	4,592	1,352	(133)	1,219
Repurchase of shares	–	(607)	–	–	–	–	–	–	–	–	–	(607)
Exercise of share options	–	–	708	–	–	(181)	–	–	–	527	–	527
Vesting of share awards	–	–	3,627	–	–	(3,627)	–	–	–	–	–	–
Recognition of equity-settled share-based compensation	–	–	–	–	–	1,972	–	–	–	1,972	–	1,972
As at June 30, 2023 (Unaudited)	21	(608)	228,845	2,572	(7,180)	17,291	(9,531)	3,050	101,863	336,910	2,636	338,959

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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2024

	Six months ended	
	6/30/2024	6/30/2023
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
NET CASH FROM OPERATING ACTIVITIES	**4,632**	11,386
NET CASH USED IN INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(16,183)**	(11,470)
Proceeds from disposal of property, plant and equipment	**–**	232
Interest received	**498**	799
Placement of structured deposits	**–**	(7,748)
Withdrawal of structured deposits	**1,240**	7,963
Payment for prior year acquisition of subsidiaries	**(225)**	(5,322)
Placement of restricted bank deposits	**(3)**	(3)
Purchase of intangible assets	**(182)**	(2)
	(14,855)	(15,551)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES		
Repayment of bank borrowings	**(4,403)**	(6,991)
Proceeds from bank borrowings	**18,672**	10,539
Interest paid on bank borrowings	**(2,755)**	(1,415)
Repayment of lease liabilities	**(5,584)**	(5,164)
Interest paid on lease liabilities	**(1,540)**	(1,695)
Repurchase of shares	**(11,041)**	(607)
Proceeds from exercise of share options	**7,491**	527
	840	(4,806)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(9,383)**	(8,971)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**53,186**	87,433
Effects of exchange rate changes	**(805)**	(936)
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY BANK BALANCES AND CASH	**42,998**	77,526

1. GENERAL INFORMATION

Frontage Holdings Corporation (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability on April 16, 2018 under the Company Law of the Cayman Islands, and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since May 30, 2019. The immediate holding company of the Company is Hongkong Tigermed Co., Limited ("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 the "Group") are to provide laboratory and related services to pharmaceutical and agrochemical companies as well as bioequivalence clinical and chemical services. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands. The principal place of business in the United States of America (the "USA") and Hong Kong is 700 Pennsylvania Drive, Exton, PA 19341, USA and 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong, respectively.

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

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES INFORMATION

(a) Basis of preparation of the financial statements

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board as well as with the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on The Stock Exchange.

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

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2024 are the same as those presented in the Group's annual financial statements for the year ended December 31, 2023.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES INFORMATION *(Continued)*

(b) Application of amendments to IFRSs – effective for annual period beginning on or after January 1, 2024

In the current interim period, the Group has applied the following new and amendments to IFRSs issued by the International Accounting Standard Board, for the first time, which are mandatory effective for the annual period beginning on or after January 1, 2024 for the preparation of the Group's condensed consolidated financial statements:

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

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

3. REVENUE

In December 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 Laboratory Services and Global Drug Discovery & Development Services. The Group's revenue streams are categorized as follows:

The Global Laboratory Services division offers laboratory testing support for clients involved in drug development.

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 Development Unit, (ii) the Drug Discovery Unit, and (iii) the Pharmaceutical Product Development Unit.

– Global Laboratory Services 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, manufacturing and controls analytical testing, and central laboratory services;

– 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;

3. REVENUE *(Continued)*

- Drug Discovery Unit, consisting of medicinal chemistry, pharmacology, and efficacy & absorption, distribution, metabolism, and excretion ("ADME") screening;
- Pharmaceutical Product Development Unit, encompassing intermediate and active pharmaceutical ingredient ("API") synthesis, process and formulation development, and clinical trial material manufacturing.

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

	Six months ended	
	6/30/2024	6/30/2023
	US$'000	*US$'000*
	(Unaudited)	(Unaudited and re-presented)
Laboratory testing	**66,255**	58,493
Drug development	**42,797**	47,097
Drug discovery	**15,820**	18,524
Pharmaceutical product development	**3,603**	4,242
	128,475	128,356

All revenue of the Group listed above are recognized over time as the Group's performance does not create an asset with an alternative future use since the Group cannot redirect the asset for use on another customer, and the contract terms specify the Group has an enforceable right to payment for performance completed to date.

4. SEGMENT INFORMATION

Operating segments are determined based on the Group's internal reports which are submitted to chief executive officer, being the chief operating decision maker ("CODM") of the Group, for the purpose of performance assessment and resources allocation. This is also the basis upon which the Group is organized and managed.

The Group's consolidated revenue and results are primarily attributable to the markets in the USA, 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. The comparative amounts have been re-presented to conform with the current period's presentation.

4. SEGMENT INFORMATION *(Continued)*

Segment revenues and results

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

For the six months ended June 30, 2024 (Unaudited)

	North America and Europe US$'000	PRC US$'000	Total US$'000
Revenue			
– Laboratory testing	53,185	13,070	66,255
– Drug development	34,282	8,515	42,797
– Drug discovery	9,664	6,156	15,820
– Pharmaceutical product development	2,283	1,320	3,603
	99,414	29,061	128,475
Cost of services	(70,182)	(23,451)	(93,633)
Other income	436	1,583	2,019
Other gains and losses, net	143	59	202
Research and development expenses	–	(2,772)	(2,772)
Impairment losses recognized on trade and other receivables and unbilled revenue	(168)	(330)	(498)
Selling and marketing expenses	(3,540)	(1,121)	(4,661)
Administrative expenses	(20,086)	(4,421)	(24,507)
Share of profit of associates	–	67	67
Finance costs	(3,306)	(989)	(4,295)
Segment profit/(loss)	2,711	(2,314)	
Profit before tax			397

4. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

For the six months ended June 30, 2023 (Unaudited and re-presented)

	North America and Europe *US$'000*	PRC *US$'000*	Total *US$'000*
Revenue			
– Laboratory testing	45,500	12,993	58,493
– Drug development	38,970	8,127	47,097
– Drug discovery	13,911	4,613	18,524
– Pharmaceutical product development	1,602	2,640	4,242
	99,983	28,373	128,356
Cost of services	(65,185)	(24,183)	(89,368)
Other income	634	1,404	2,038
Other gains and losses, net	(339)	444	105
Research and development expenses	–	(3,137)	(3,137)
Impairment losses recognized on trade and other receivables and unbilled revenue	(312)	(175)	(487)
Selling and marketing expenses	(3,056)	(938)	(3,994)
Administrative expenses	(18,760)	(4,117)	(22,877)
Share of profit of associates	–	(119)	(119)
Finance costs	(2,072)	(1,038)	(3,110)
Segment profit/(loss)	10,893	(3,486)	
Profit before tax			7,407

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

4. 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:

	Six months ended	
	6/30/2024	6/30/2023
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Revenue from external customers		
– USA and Canada	**94,830**	95,030
– PRC	**22,428**	22,479
– Rest of the world	**11,217**	10,847
	128,475	128,356

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

	6/30/2024	12/31/2023
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Non-current assets excluding financial assets and deferred tax assets		
– North America and Europe	**324,621**	325,017
– PRC	**87,260**	93,786
	411,881	418,803

5. OTHER INCOME

	Six months ended 6/30/2024 US$'000 (Unaudited)	6/30/2023 US$'000 (Unaudited)
Interest income	498	799
Government grants related to income	360	310
Income from rendering technical support service	1,161	929
	2,019	2,038

6. OTHER GAINS AND LOSSES, NET

	Six months ended 6/30/2024 US$'000 (Unaudited)	6/30/2023 US$'000 (Unaudited)
Loss arising on financial liabilities measured at fair value through profit or loss	(159)	(354)
Gain on disposal of property, plant and equipment	179	–
Net foreign exchange gain	502	667
Others	(320)	(208)
	202	105

7. FINANCE COSTS

	Six months ended 6/30/2024 US$'000 (Unaudited)	6/30/2023 US$'000 (Unaudited)
Interest expense on lease liabilities	1,540	1,695
Interest expense on bank borrowings	2,755	1,415
	4,295	3,110

8. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Six months ended 6/30/2024 US$'000 (Unaudited)	6/30/2023 US$'000 (Unaudited)
Staff costs (including directors' emoluments):		
– Salaries and other benefits	58,503	53,509
– Retirement benefit scheme contributions	4,470	3,972
– Share-based payment expense	1,663	1,972
	64,636	59,453
Depreciation of property, plant and equipment	9,354	8,390
Depreciation of right-of-use assets	5,154	5,127
Amortization of intangible assets	4,460	3,450

9. INCOME TAX EXPENSE

	Six months ended 6/30/2024 US$'000 (Unaudited)	6/30/2023 US$'000 (Unaudited)
Current tax:		
– PRC Enterprise Income Tax ("EIT")	403	478
– U.S. Federal Tax	1,618	2,756
– U.S. State Tax	262	1,694
– Canada Corporate Tax	224	–
Over-provision of EIT, U.S. Federal Tax and U.S. State Tax in prior year	–	(139)
	2,507	4,789
Deferred tax:		
– Current period	(1,810)	(1,940)
Total income tax expense	697	2,849

9. INCOME TAX EXPENSE *(Continued)*

The Company and U.S. subsidiaries are subject to U.S. Federal and State Income taxes, with the combined income tax rate being 26.7% for the six months ended June 30, 2024 (the six months ended June 30, 2023: 28.7%).

BRI Biopharmaceutical Research, Inc. ("BRI"), a wholly owned subsidiary of the Group and as a non-Canadian-controlled private corporation ("CCPC") and engaged in active business in British Columbia, Canada, has been subject a flat tax rate of 27%.

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%.

Frontage Europe S.r.l. ("Frontage Europe"), a wholly owned subsidiary of the Group, engaged in active business in Milan, Italy, has been subject an effective corporate tax rate of 24.0%.

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 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 75% 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.

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 October 2023 and therefore is entitled to a preferential tax rate of 15% for a three-year period commencing from the beginning of 2023.

9. 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 six months ended June 30, 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 28 March 2018 and was gazette on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The two-tiered profits tax rates regime is applicable to the Group's Hong Kong 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.

10. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share attribute to owners of the Company is based on the following data:

	Six months ended	
	6/30/2024	6/30/2023
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
(Loss)/earnings:		
(Loss)/earnings for the purpose of calculating basic and diluted earnings per share	**(117)**	4,592

10. (LOSS)/EARNINGS PER SHARE *(Continued)*

Number of Shares:

	Six months ended	
	6/30/2024	6/30/2023
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**2,028,389,387**	2,040,766,194
Effect of dilutive potential ordinary shares:		
Share options *(note ii)*	**–**	29,324,258
Share awards *(note ii)*	**–**	1,739,684
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**2,028,389,387**	2,071,830,136

Notes:

(i) The weighted average number of ordinary shares shown above has been adjusted for issue of new shares as set out in Note 20 and treasury shares as set out in Note 21.

(ii) The computation of diluted loss per share for the six months period ended June 30, 2024 did not assume the conversion of the Company's outstanding share options and share awards since their assumed exercise would result in a decrease in loss per share for the period.

11. DIVIDENDS

No dividends were paid, declared or proposed during the current interim period. The directors of the Company have determined that no dividend will be paid in respect of the current interim period (six months ended June 30, 2023: nil).

12. PROPERTY, PLANT AND EQUIPMENT, AND RIGHT-OF-USE ASSETS

During the current interim period, the Group acquired approximately US$2,724,000 (six months ended June 30, 2023: US$4,013,000) for furniture, fixtures and equipment, US$11,449,000 (six months ended June 30, 2023: US$6,494,000) for constructions in progress, and US$343,000 (six months ended June 30, 2023: US$205,000) for leasehold improvements.

During the current interim period, the Group recognized additional right-of-use assets and lease liabilities amounting to US$78,000 (six months ended June 30, 2023: US$529,000) upon the commencement of the leases.

13. GOODWILL

	US$'000
Cost	
At January 1, 2023	149,211
Arising on acquisition of subsidiaries	36,376
Exchange adjustments	220
At December 31, 2023 (Audited) and January 1, 2024 (Unaudited)	185,807
Arising on acquisition of a subsidiary	6,275
Exchange adjustments	(1,443)
At June 30, 2024 (Unaudited)	**190,639**
Accumulated impairment	
At January 1, 2023	–
Impairment	1,893
Exchange adjustments	(4)
At December 31, 2023 (Audited) and January 1, 2024 (Unaudited)	1,889
Exchange adjustments	(6)
At June 30, 2024 (Unaudited)	**1,883**
Net carrying amount	
At June 30, 2024 (Unaudited)	**188,756**
At December 31, 2023 (Audited)	183,918

14. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	6/30/2024 US$'000 (Unaudited)	12/31/2023 US$'000 (Audited)
Trade receivables		
– third parties	67,877	54,854
– related parties	322	244
Less: loss allowance for trade receivables	(4,010)	(3,761)
	64,189	51,337
Other receivables		
– third parties	3,507	3,088
– related parties	53	53
Less: loss allowance for other receivables	(37)	(37)
	3,523	3,104
Notes receivables		
– third parties	326	30
Prepayments		
– third parties	4,559	4,619
Value-added tax recoverable	2,424	2,238
	75,021	61,328

Details of the trade and other receivables due from related parties are set out in Note 25.

14. 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 age analysis of trade receivables (net of loss allowance), presented based on the invoice dates, at the end of the reporting period:

	6/30/2024 *US$'000* (Unaudited)	12/31/2023 *US$'000* (Audited)
Within 90 days	55,551	43,296
91 to 180 days	4,503	4,469
181 days to 1 year	2,529	2,007
Over 1 year	1,606	1,565
	64,189	51,337

15. UNBILLED REVENUE

	6/30/2024 *US$'000* (Unaudited)	12/31/2023 *US$'000* (Audited)
Unbilled revenue		
– third parties	22,181	19,145
– related parties	750	380
Less: loss allowance for unbilled revenue	(764)	(697)
	22,167	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 condensed consolidated statement of financial position as unbilled revenue.

Details of the unbilled revenue due from related parties are set out in Note 25.

16. RESTRICTED BANK DEPOSITS/CASH AND CASH EQUIVALENTS

At the end of each reporting period, cash and cash equivalents of the Group comprised of bank balances and cash held. Bank balances held in the PRC carried interest at prevailing market interest rates which ranged from 0.1% to 5.3% per annum as at June 30, 2024 (December 31, 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 June 30, 2024, a cash deposit of US$376,000 (December 31, 2023: US$369,000) was required by Pennsylvania department of environmental protection, Bureau of radiation protection in the USA for radiology license in the USA, and the amount is restricted. As at June 30, 2024, the remaining amount in the collateral account was US$376,000 (December 31 2023: US$369,000), which has been included in restricted bank deposits.

As at June 30, 2024, certain bank deposits with balances of approximately RMB23,000 (equivalent to approximately US$3,000) (December 31, 2023: RMB208,000 (equivalent to approximately US$29,000)) were pledged to secure bills payable and bank facilities granted to the Group.

17. TRADE AND OTHER PAYABLES

	6/30/2024 *US$'000* (Unaudited)	12/31/2023 *US$'000* (Audited)
Trade payables		
– third parties	10,702	12,475
– related parties	119	139
	10,821	12,614
Notes payables		
– third parties	477	–
Other payables		
– third parties	3,412	3,069
– related parties	13	2
	3,425	3,071
Contingent consideration payables	6,300	6,141
Salary and bonus payables	12,486	16,114
Other taxes payable	563	791
	34,072	38,731

Details of the trade and other payable due to related parties are set out in Note 25.

17. TRADE AND OTHER PAYABLES *(Continued)*

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

	6/30/2024 *US$'000* (Unaudited)	12/31/2023 *US$'000* (Audited)
Within 90 days	8,943	11,804
91 days to 1 year	1,801	797
Over 1 year	77	13
	10,821	12,614

18. ADVANCES FROM CUSTOMERS

	6/30/2024 *US$'000* (Unaudited)	12/31/2023 *US$'000* (Audited)
Advances from customers		
– third parties	30,513	27,008
– related parties	454	697
	30,967	27,705

Amounts received in accordance with contracted payment schedules but in excess of revenues earned are recognized as contract liabilities and disclosed in the condensed consolidated statement of financial position as advances from customers. Changes in advances from customers primarily relate to the Group's performance of services under the related contracts.

Details of the advances from customers which are related parties are set out in Note 25.

19. BANK BORROWINGS

Bank Loans

	6/30/2024 US$'000 (Unaudited)	12/31/2023 US$'000 (Audited)
Secured and unguaranteed bank loans	95,548	81,436

	6/30/2024 US$'000 (Unaudited)	12/31/2023 US$'000 (Audited)
Within one year	38,746	20,129
More than one year, but not exceeding two years	14,633	11,611
More than two years, but not exceeding five years	42,169	49,696
	95,548	81,436
Less: Amount shown under current liabilities	(38,746)	(20,129)
Amount shown under non-current liabilities	56,802	61,307
Loan interest of rate per annum in the range of	2.75%-7.42%	3.35%-7.6%

Bank Facilities

The Group has used certain restricted bank deposits, to secure banking facilities of RMB425,000,000 (equivalent to approximately US$59,634,000) (December 31, 2023: RMB517,000,000 (equivalent to approximately US$72,995,000)), of which RMB182,435,000 (equivalent to approximately US$25,598,000) (December 31, 2023: RMB177,327,000 (equivalent to approximately US$25,036,000)) were utilized as borrowings, respectively, as at June 30, 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 June 30, 2024, US$25,000,000 (December 31, 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.

19. 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 term loan facility in an aggregate principal amount of US$49,000,000. As at June 30, 2024, US$44,950,000 (December 31, 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 RMB237,780,000 (equivalent to approximately US$33,364,000) (December 31, 2023: RMB335,780,000 (equivalent to approximately US$47,408,000)) and US$29,000,000 (December 31, 2023: US$36,000,000) which were unutilized as at June 30, 2024.

20. 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 June 30, 2024	5,000,000,000	50,000

	Number of shares	Amount *US$*	Show in the financial statements as *US$'000*
Issued and fully paid:			
As at January 1, 2023	2,055,711,410	20,559	21
Exercise of share options	6,934,500	69	–
As at December 31, 2023 (Audited) and January 1, 2024 (Unaudited)	**2,062,645,910**	**20,628**	**21**
Exercise of share options	**36,179,000**	**362**	**–**
Cancellation of shares	**(63,100,000)**	**(631)**	**(1)**
As at June 30, 2024 (Unaudited)	**2,035,724,910**	**20,359**	**20**

21. TREASURY SHARES

	As at June 30, 2024		As at December 31, 2023	
	Number of shares	Cost of acquisition *US$'000*	Number of shares	Cost of acquisition *US$'000*
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Balance brought forward	28,741,064	4,232	17,588,126	1
Repurchase of shares *(note)*	48,410,000	11,041	15,848,000	4,231
Cancellation of shares	(63,100,000)	(15,122)	–	–
Vesting of share awards	(4,345,062)	–	(4,695,062)	–
Balance carried forward	9,706,002	151	28,741,064	4,232

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

22. 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.

Fair value of the Group's financial assets and 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 of each reporting period.

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis *(Continued)*

Financial assets at fair value

Financial assets	Fair Value at June 30, 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	3,508	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
Structured deposits	172	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

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 RMB75,000 (equivalent to approximately US$10,500)) (December 31, 2023: RMB75,000 (equivalent to approximately US$11,000)) as at June 30, 2024.

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis *(Continued)*

Financial liability at fair value

The financial liability subsequently measured at fair value represents contingent consideration relating to the acquisition of subsidiaries.

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.

Notes:

(i) 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 June 30, 2024 (December 31, 2023: US$31,000/US$31,000) in the Group.

(ii) 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 US$nil/US$nil as at June 30, 2024 (December 31, 2023: US$nil/US$nil) in the Group.

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the Group's financial assets and 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 financial liabilities at FVTPL measured at Level 3 fair value measurement are set out below:

	Unlisted equity investment *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 (Audited) and January 1, 2024 (Unaudited)	3,530	6,141
Changes in fair value	–	159
Exchange adjustment	(22)	–
As at June 30, 2024 (Unaudited)	3,508	6,300

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 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 condensed consolidated financial statements approximate their fair values.

23. SHARE-BASED PAYMENTS

2021 Frontage Share Award Scheme

On January 22, 2021 (the "Adoption Date"), 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 calendar year after grant date. Under 2021 Frontage Share Award Scheme, a trust has 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.

Set out below are details of the movements of the outstanding awarded shares granted under the 2021 Frontage Share Awards Scheme during the current period:

	Six months ended	
	6/30/2024 Number (Unaudited)	6/30/2023 Number (Unaudited)
Outstanding at beginning of period	8,590,126	14,410,501
Vested during the period	(4,345,062)	(4,695,062)
Cancelled during the period	(92,500)	(574,063)
Outstanding at end of period	4,152,564	9,141,376

Each award share granted generally vested over a four-year period with an agreed award vesting on the anniversary one year after 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 options.

23. SHARE-BASED PAYMENTS *(Continued)*

2021 Frontage Share Award Scheme *(Continued)*

On January 25, 2021, 22,950,500 shares of the Company was issued for the 2021 Frontage Share Award Scheme. As at June 30, 2024, there are 8,548,002 shares (six months ended June 30, 2023: 12,893,064 shares) held for such scheme with carrying amount of US$nil (six months ended June 30, 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 six months ended June 30, 2024 was HK$2.07 (six months ended June 30, 2023: HK$2.98).

The Group recognized total expense of approximately US$481,000 for the six months ended June 30, 2024 (six months ended June 30, 2023: US$1,143,000) in relation to share award granted under the 2021 Frontage Share Award Scheme.

Pre-IPO share incentive plans

Frontage Laboratories, Inc. ("Frontage Labs") a wholly-owned subsidiary of the Group, adopted 2 Pre-IPO share incentive plans respectively in 2008 and 2015 (together 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 calendar one year after grant date.

On April 17, 2018, the Company, Frontage Labs and corresponding employees have 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 plans 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.

23. SHARE-BASED PAYMENTS *(Continued)*

Pre-IPO share incentive plans *(Continued)*

Set out below are details of the movements of the outstanding options granted during the current and prior interim period:

	Six months ended			
	6/30/2024		6/30/2023	
	Weighted average exercise price *(US$)* (Unaudited)	Number (Unaudited)	Weighted average exercise price *(US$)* (Unaudited)	Number (Unaudited)
Outstanding as at beginning of period	0.15	53,360,000	0.16	60,270,500
Forfeited during the period	0.20	(750,000)	–	–
Exercised during the period	0.20	(36,110,000)	0.20	(2,868,500)
Outstanding as at end of period	0.05	16,500,000	0.16	57,402,000
Options exercisable		16,500,000		57,402,000
Weighted average contractual life (years)		2.7		1.0

The exercise price of options outstanding ranges from US$0.016 to US$0.200.

The weighted average closing price of the share of the Company immediately before the dates on which the option were exercised was HK$1.79 (equivalent to US$0.23) (six months ended June 30, 2023: HK$2.29, equivalent to US$0.29).

The Group recognized total expenses of approximately nil (six months ended June 30, 2023: US$ nil) in relation to share options granted by the Company.

23. SHARE-BASED PAYMENTS *(Continued)*

2018 Frontage share incentive plan

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 has 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.

Set out below are details of the movements of the outstanding options granted during the current and prior interim period:

	Six months ended			
	6/30/2024		6/30/2023	
	Weighted average exercise price *(US$)* (Unaudited)	Number (Unaudited)	Weighted average exercise price *(US$)* (Unaudited)	Number (Unaudited)
Outstanding as at beginning of period	0.27	54,250,000	0.27	31,445,000
Exercised during the period	0.27	(69,000)	–	–
Forfeited during the period	0.27	(3,123,000)	0.27	(1,265,000)
Outstanding as at end of period	0.27	51,058,000		30,180,000
Options exercisable		9,306,000		30,180,000
Weighted average contractual life (years)		3.8		4.3

23. SHARE-BASED PAYMENTS *(Continued)*

2018 Frontage share incentive plan *(Continued)*

The exercise price of options outstanding ranges from HK$2.09 to HK$2.13 (equivalent to US$0.27 to US$0.27). The weighted average closing price of the shares of the company immediately before the dates on which the options were exercised was HK$2.21 (equivalent to US$0.28).

The Group recognised total expenses of approximately US$1,182,000 or the six months ended June 30, 2024 (six months ended June 30, 2023: US$829,000) in relation to share options granted by the Company under 2018 Frontage Share Incentive Scheme.

24. CAPITAL COMMITMENTS

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

	6/30/2024 ***US$'000*** **(Unaudited)**	12/31/2023 *US$'000* (Audited)
Purchase of property, plant and equipment	**1,827**	1,701

25. RELATED PARTY TRANSACTIONS AND BALANCES

The Group had the following significant transactions and balances with related parties during the interim periods:

(1) Related party transactions:

(a) Laboratory and Bioequivalence service income from related parties

	Relationship	Six months ended 6/30/2024 US$'000 (Unaudited)	6/30/2023 US$'000 (Unaudited)
Hangzhou Tigermed	Ultimate holding company	695	294
Mosim Co., Ltd.	Fellow subsidiary	8	–
Beijing Canny Consulting, Inc.	Fellow subsidiary	5	1
		708	295

(b) Fees paid to related parties for Laboratory service, Biometrics service, Electronic Data Capture Software service and Clinical Site Management Organization service

	Relationship	Six months ended 6/30/2024 US$'000 (Unaudited)	6/30/2023 US$'000 (Unaudited)
Jiaxing Tigermed Data Management Co., Ltd.	Fellow subsidiary	–	121
Beijing Yaxincheng Medical InfoTech Co., Ltd.	Fellow subsidiary	3	2
Luohe Tigermed Pharmaceutical Technology Co., Ltd.	Fellow subsidiary	164	70
Hangzhou Tigermed-InfelliPV Co., Ltd.	Fellow subsidiary	–	17
Hangzhou Tigermed	Ultimate holding company	5	–
		172	210

25. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(1) Related party transactions: *(Continued)*

(c) Administrative services provided to related parties

	Relationship	Six months ended 6/30/2024 US$'000 (Unaudited)	6/30/2023 US$'000 (Unaudited)
Hangzhou Tigermed	Ultimate holding company	35	1
		35	1

(d) Selling services provided by related parties

	Relationship	Six months ended 6/30/2024 US$'000 (Unaudited)	6/30/2023 US$'000 (Unaudited)
Tigermed Swiss AG	Fellow subsidiary	–	5
Hangzhou Tigermed	Ultimate holding company	26	11
		26	16

25. 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	6/30/2024 US$'000 (Unaudited)	12/31/2023 US$'000 (Audited)
Trade receivables			
Hangzhou Tigermed	Ultimate holding company	221	156
Mosim Co., Ltd.	Fellow subsidiary	8	–
Beijing Canny Consulting, Inc.	Fellow subsidiary	6	–
Hongkong Tigermed	Immediate holding company	87	88
		322	244
Other receivables			
Hangzhou Tigermed	Ultimate holding company	53	53
		53	53

25. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(2) Related party balances: *(Continued)*

	Relationship	6/30/2024 US$'000 (Unaudited)	12/31/2023 US$'000 (Audited)
Unbilled revenue			
Hangzhou Tigermed	Ultimate holding company	750	380
		750	380
Trade payables			
Luohe Tigermed Pharmaceutical Technology Co., Ltd.	Fellow subsidiary	50	66
Hangzhou Tigermed	Ultimate holding company	40	45
Beijing Yaxincheng Medical InfoTech Co., Ltd.	Fellow subsidiary	1	–
Hangzhou Tigermed InfelliPV Co., Ltd.	Fellow subsidiary	28	28
		119	139

25. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(2) Related party balances: *(Continued)*

	Relationship	6/30/2024 *US$'000* (Unaudited)	12/31/2023 *US$'000* (Audited)
Other payables			
Hangzhou Tigermed	Ultimate holding company	13	2
Advances from customers			
Hangzhou Tigermed	Ultimate holding company	449	691
Hainan Boao Lecheng Tigermed Consulting Co, Ltd.	Fellow subsidiary	5	6
		454	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 unsecured, interest fee and repayable on demand.

25. 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 of the Company and other members of key management of the Group during the current interim period were as follows:

	Six months ended	
	6/30/2024	6/30/2023
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Salaries and other benefits	**1,432**	1,627
Share-based compensation	**422**	754
Performance-based bonus	**85**	362
Retirement benefits scheme contributions	**86**	8
	2,025	2,751

The remuneration of key management is determined with reference to the performance of the individuals and market trends.

26. 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.

26. ACQUISITION OF BUSINESSES *(Continued)*

(a) Acquisition of the Bioanalytical and Drug Metabolism & Pharmacokinetics Businesses of Accelera S.r.l. ("Accelera") in 2024 *(Continued)*

The purchase price has been preliminarily allocated based on the estimated fair value of net assets acquired and liabilities assumed at the date of the acquisition. The preliminary purchase price allocation is subject to further refinement and may require adjustments to arrive at the final purchase price allocation. These adjustments will primarily relate to intangible assets and income tax-related items. Management expects the purchase price allocation to be completed in the fourth quarter of 2024.

Details of the preliminary 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

26. 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$284,000 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 loss for the six months ended June 30, 2024 is loss of US$1,898,000 attributable to the additional business generated by Accelera. Revenue for the six months ended June 30, 2024 includes US$183,000 generated from Accelera.

Had the acquisition been completed on January 1, 2024, revenue of the Group for the six months ended June 30, 2024 would have been US$128,475,000, and loss of the Group for the six months ended June 30, 2024 would have been US$300,000. 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 six months ended June, 30, 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.

26. ACQUISITION OF BUSINESSES *(Continued)*

(b) Acquisition of Nucro Group in 2023

On August 15, 2023, Frontage Labs entered into a share purchase agreement with (i) shareholders of Nucro-Technics Inc. ("Nucro-Technics") and NucroTechnics 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.

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

26. ACQUISITION OF BUSINESSES *(Continued)*

(b) Acquisition of Nucro Group in 2023 *(Continued)*

	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

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.

26. ACQUISITION OF BUSINESSES *(Continued)*

(b) Acquisition of Nucro Group in 2023 *(Continued)*

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.

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.

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, which 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
"Audit and Risk Management Committee"	the audit and risk management committee of the Board
"Award Participants"	the selected participants who were awarded the Awarded Shares under the 2021 Share Award Scheme
"Awarded Shares"	the 22,950,500 Shares granted by the Company to the Award Participants pursuant to the terms of the 2021 Share Award Scheme

"Board of Directors" or "Board"	the board of directors of the Company from time to time
"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 capitalization of certain sums standing to the credit of the share premium account of the Company
"CG Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"CMC"	stands for Chemistry, Manufacturing and Controls. The Group's portfolio of CMC services spans from drug discovery to the post-approval phase, including lead compound quantification and analytical testing for the discovery phase, formulation development, Good Laboratory Practice toxicology batch studies, release and product testing, stability testing, Clinical Trial Materials and Good Manufacturing Practice manufacturing, extractability and leachability studies and commercial product release following approval of an application
"CODM"	the chief operating decision maker of the Group
"Company"	Frontage Holdings Corporation, a company incorporated under the laws of the Cayman Islands with limited liability on April 16, 2018
"Connected Award Participants"	the Award Participants who are connected with the Company or connected persons of the Company
"Controlling Shareholder(s)"	has the meaning given to it under the Listing Rules and unless the context requires otherwise, refers to Hangzhou Tigermed and Hongkong Tigermed
"CRO"	Contract research organization

"Director(s)"	the director(s) of the Company from time to time
"DMPK"	Drug Metabolism and Pharmacokinetics, refers to studies designed to determine the absorption and distribution of an administered drug, the rate at which a drug takes effect, the duration a drug maintains its effects and what happens to the drug after being metabolized by the body
"EIT"	PRC Enterprise Income Tax
"EIT Law"	Enterprise Income Tax Law of the PRC
"EUR"	Euro, the lawful currency of the lawful currency of the member states of the European Union that adopted the single currency in accordance with the Treaty establishing the European Community (signed in Rome on March 25, 1957), as amended by the Treaty on European Union (signed in Maastricht on February 7, 1992)
"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)

"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
"Independent Shareholders"	independent Shareholders other than the Connected Award Participants and their respective associates
"IPO"	initial public offering
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	May 30, 2019, being the date of Listing
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules

"Non-connected Award Participants"	the Award Participants who are not connected with the Company or connected persons of the Company
"PRC" or "China"	the People's Republic of China, but for the purposes of this 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
"Reporting Period"	the six months ended June 30, 2024
"RMB"	Renminbi, the lawful currency of the PRC
"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 share(s) with nominal value USD0.00001 each in the issued share capital of the Company
"Shareholder(s)"	holder(s) of Share(s)
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US$" or "USD"	United States Dollars, the lawful currency of the U.S.
"USA", the "United States" or the "U.S."	the United States of America
"%"	per cent

In this report, the terms "associate", "connected person", "controlling shareholder" and "subsidiary" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.