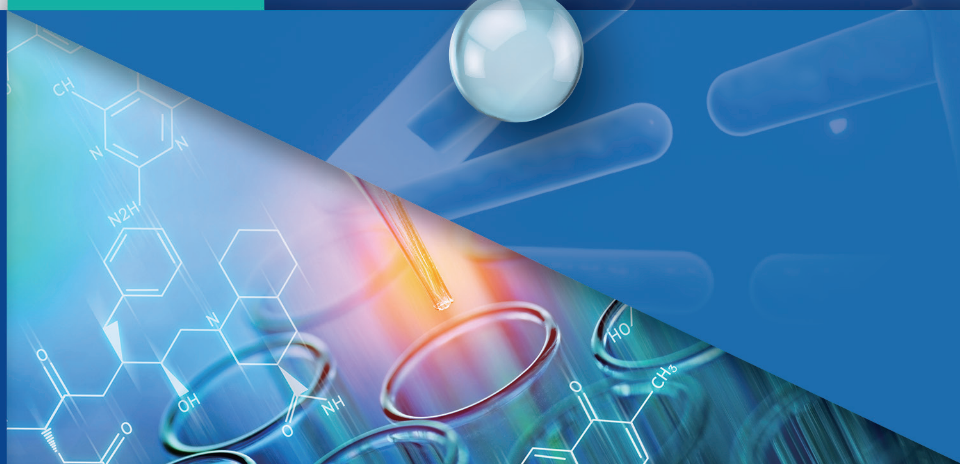
FRONTAGE
YOUR DRUG DEVELOPMENT PARTNER

Frontage Holdings Corporation

方達控股公司 *

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1521



2023
INTERIM REPORT

* For identification purpose only

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Director
Dr. Song Li *(Chairman)*

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

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

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

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

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

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

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

AUDITOR
BDO Limited
Certified Public Accountants

PRINCIPAL BANKER
Wells Fargo Bank, N.A.

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

As to Cayman Islands laws:
Conyers Dill & Pearman

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

HEAD OFFICE
700 Pennsylvania Drive
Exton, PA 19341, USA

PRINCIPAL PLACE OF BUSINESS IN USA
700 Pennsylvania Drive
Exton, PA 19341, USA

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
5/F, Manulife Place
348 Kwun Tong Road
Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

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

STOCK CODE
1521

COMPANY WEBSITE
www.frontagelab.com

FINANCIAL HIGHLIGHTS

	Six months ended June 30,	
	2023	2022
	USD'000	*USD'000*
	(Unaudited)	(Unaudited)
Operating results		
Revenue	**128,356**	118,933
Gross profit	**38,988**	44,200
Profit before tax	**7,407**	17,930
Net profit	**4,558**	13,102
Adjusted net profit(1)	**10,223**	18,768
Profitability		
Gross profit margin (%)	**30.4%**	37.2%
Net profit margin (%)	**3.6%**	11.0%
Adjusted net profit margin (%)(1)	**8.0%**	15.8%

	As at June 30, 2023	As at December 31, 2022
	USD'000	*USD'000*
	(Unaudited)	(Audited)
Financial position		
Total assets	**537,048**	550,594
Total equity	**338,959**	335,848
Total liabilities	**198,089**	214,746
Cash and cash equivalents	**77,526**	87,433

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

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

BUSINESS REVIEW

Overview

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

We seek to leverage our growing portfolio of expertise and capabilities to become a global CRO providing high-quality services to our customers and rewarding career opportunities for our employees. Our client base includes small, mid-sized, and large biopharmaceutical companies, biotechnology companies, CROs, agricultural and industrial chemical companies, life science companies, contract manufacturing companies, and diagnostic and other commercial entities, as well as hospitals, academic institutions, and government agencies. Additionally, our customer base is geographically diverse with well-established relationships in North America, China, Europe, India, Japan, South Korea and Australia. We currently operate in 23 facilities in three countries and have over 1,600 employees worldwide.

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

BUSINESS REVIEW *(Continued)*

Overview *(Continued)*

Overall, during the Reporting Period, revenue of the Group increased by 8.0% from approximately US$118.9 million for the six months ended June 30, 2022 to approximately US$128.4 million for the six months ended June 30, 2023. The Group's contract future revenue, which represents future service revenues from work not yet completed or performed under all signed contracts or customer's purchase orders in effect at that time, achieved approximately US$340.5 million as at June 30, 2023, representing an increase of 8.0% compared to approximately US$315.3 million as at June 30, 2022.

ENHANCED CAPABILITIES AND EXPERTISE

North America

Diagnostic Testing

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

ENHANCED CAPABILITIES AND EXPERTISE *(Continued)*

North America *(Continued)*

Genomics

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

Cell and Gene Therapy

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

ENHANCED CAPABILITIES AND EXPERTISE *(Continued)*

China

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

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

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

ENHANCED CAPABILITIES AND EXPERTISE *(Continued)*

China *(Continued)*

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

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

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

ENHANCED CAPABILITIES AND EXPERTISE *(Continued)*

China *(Continued)*

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

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

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

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

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

ENHANCED CAPABILITIES AND EXPERTISE *(Continued)*

China *(Continued)*

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

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

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

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

ENHANCED CAPABILITIES AND EXPERTISE *(Continued)*

China *(Continued)*

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

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

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

THE GROUP'S FACILITIES

As of June 30, 2023, the Group had twelve (12) facilities in North America, consisting of:

- three (3) facilities in Exton, PA, USA;
- two (2) facilities in Hayward, CA, USA;
- one (1) facility in Secaucus, NJ, USA;
- one (1) facility in Concord, OH, USA;
- one (1) facility in Monmouth Junction, NJ, USA;
- one (1) facility in Deerfield, FL, USA;
- one (1) facility in Palo Alto, CA, USA;
- one (1) facility in Chicago, IL; and
- one (1) facility in Vancouver, Canada.

In addition, as of June 30, 2023, the Group had eleven (11) facilities in China, consisting of:

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

FINANCIAL REVIEW

Revenue

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

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

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

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

FINANCIAL REVIEW *(Continued)*

Revenue *(Continued)*

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

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

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

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

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

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

FINANCIAL REVIEW *(Continued)*

Revenue *(Continued)*

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

Cost of Services

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

The cost of services of the Group consists of direct labor costs, cost of raw materials and overhead. Direct labor costs primarily consist of salaries, bonuses and social security costs for the employees in the Group's business units. Cost of raw materials primarily consists of costs incurred for the purchase of raw materials used in rendering of our services. Overheads primarily consist of depreciation charges of the facilities and equipment used in rendering the Group's services, utilities and maintenance.

Gross Profit and Gross Profit Margin

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

FINANCIAL REVIEW *(Continued)*

Selling and Marketing Expenses

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

Administrative Expenses

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

Research and Development Expenses

Our research and development activities mainly focused on (i) developing technologies and methodologies to continue to enhance our services; and (ii) improving the quality and efficiency of our services.

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

Finance Costs

The Group's finance costs increased by 121.4% from approximately US$1.4 million for the six months ended June 30, 2022 to approximately US$3.1 million for the six months ended June 30, 2023, primarily due to interest expenses on bank borrowings, as a result of increased borrowings to finance our expansion, investments and business operation during the reporting period.

Income Tax Expense

The income tax expense of the Group decreased by 41.7% from approximately US$4.8 million for the six months ended June 30, 2022 to approximately US$2.8 million for the six months ended June 30, 2023, primarily due to a decrease in pretax income.

FINANCIAL REVIEW *(Continued)*

Net Profit and Net Profit Margin

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

Adjusted Net Profit

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

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

FINANCIAL REVIEW *(Continued)*

Adjusted Net Profit *(Continued)*

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

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

EBITDA

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

Adjusted EBITDA

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

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

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

FINANCIAL REVIEW *(Continued)*

Basic and Diluted Earnings Per Share

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

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

Right-of-Use Assets

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

FINANCIAL REVIEW *(Continued)*

Intangible Assets

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

Trade and Other Receivables and Prepayment

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

Unbilled Revenue

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

Structured Deposits

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

Trade and Other Payables

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

Advances from Customers

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

FINANCIAL REVIEW (Continued)

Liquidity and Capital Resources

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

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

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

Capital Expenditures

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

FINANCIAL REVIEW *(Continued)*

Indebtedness

Borrowings

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

Lease Liabilities

The Group leased some of our equipment and facilities under lease agreements with lease terms of three to twenty-five years and right-of-use assets agreements. The Group recorded approximately US$63.9 million lease liabilities as at June 30, 2023, compared to approximately US$69.3 million as at December 31, 2022 due to the payments for existing leases.

Contingent Liabilities and Guarantees

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

Currency Risk

The functional currency of the Company and the operating subsidiaries incorporated in the USA is US$. The functional currency of the PRC operating subsidiaries is RMB. The functional currency of the operating subsidiary incorporated in Canada is CAD. Particularly, the PRC operating subsidiaries have foreign currency sales and purchases, which expose the Group to foreign currency risk.

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

Gearing Ratio

The gearing ratio is calculated using interest-bearing borrowings less cash and cash equivalents and structured deposits divided by total equity and multiplied by 100%. The gearing ratios were 10.3% and 8.2% as at June 30, 2023 and December 31, 2022, respectively. The increase is primarily due to significant financing activities to support business expansion.

FINANCIAL REVIEW *(Continued)*

Employees and Remuneration Policies

As at June 30, 2023, the Group had a total of 1,613 employees, of whom 704 were located in North America and 909 were located in China; 1,328 were scientific and technical support staff and 285 were sales, general and administrative staff. Approximately 81% of employees hold a bachelor's degree or above, and we have 546 employees that hold an advanced degree (a master's level degree or higher such as Ph.D, M.D. or other doctorate level degrees).

The staff costs, including Directors' emoluments but excluding any contributions to retirement benefit scheme contributions and share-based compensation expenses, were approximately US$53.5 million for the six months ended June 30, 2023, as compared to approximately US$48.8 million for the six months ended June 30, 2022. The remuneration packages of employees generally include salary and bonus elements. In general, the Group determines the remuneration packages based on the qualifications, position and performance of its employees. The Group also makes contributions to pension schemes, social insurance funds, including basic pension insurance, medical insurance, unemployment insurance, childbirth insurance, work-related injury insurance funds, and housing reserve fund as applicable to the countries where the Group operates.

As at the date of this 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.

EVENTS AFTER THE REPORTING PERIOD

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

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

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

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

PROSPECTS

As a full-service CRO operating in the dynamic and constantly evolving life sciences industry, we recognize the critical role that market trends play in shaping our business prospects.

Although both the global and Chinese biopharmaceutical capital markets have experienced a notable downturn in investment activity, leading to a relative lull in R&D vigor, particularly in new drug development, not only within China but also globally, we believe the life sciences industry is an essential component of the global healthcare system, and we are confident that it will continue to experience steady growth in the future. The increasing trend towards outsourcing drug discovery and development services to CROs is driven by the growing complexity of drug R&D, the need for specialized expertise, and the desire to reduce costs and increase efficiency.

Looking forward, we will continue to advance our objective as a value-added partner with a focus on solving our customers' most significant and complex product discovery and development challenges. Our commitment to delivering high-quality services to our clients in the pharmaceutical and biotech industries has led us to make significant strides towards achieving our goals and expanding our offerings. We will continue to optimize our integrated service platform, ensuring that we deliver high-quality services that cover early drug discovery to drug development services. We will also expand our areas of expertise, offering cutting-edge and leading technology platforms to attract new clients and deepen our relationships with existing ones.

USE OF PROCEEDS FROM LISTING

The total proceeds from the issue of new Shares by the Company in its Listing (after deducting the underwriting fees and related Listing expenses) amounted to approximately US$193.2 million, and the balance of unutilized net proceeds was approximately US$2.6 million as at June 30, 2023.

The net proceeds from the Listing (adjusted on a pro rata basis based on the actual net proceeds) have been and will be utilized in accordance with the purposes set out in the Prospectus. The table below sets out the planned applications of the net proceeds and actual usage up to June 30, 2023:

Use of proceeds	Adjusted on a pro rata basis based on the actual net proceeds *(US$ million)*	Percentage of total net proceeds	Actual use of proceeds from the date of Listing up to June 30, 2023 *(US$ million)*	Net proceeds brought forward for the Reporting Period *(US$ million)*	Unutilized net proceeds as at June 30, 2023 *(US$ million)*	Expected Timeline of utilizing the utilized proceeds
Expand and enhance existing capacities to meet anticipated increased demand for services	38.6	20%	38.6	–	–	
Expand and broaden range of capabilities and services organically	77.3	40%	74.7	11.6	2.6	On or before December 31, 2023
Expand capacity and/or capabilities through potential acquisitions	58.0	30%	58.0	–	–	
Working capital and general corporate purposes	19.3	10%	19.3	–	–	
Total	193.2	100%	190.6	11.6	2.6	

INTERIM DIVIDEND

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

As at June 30, 2023, there were no significant investments held by the Company, nor were there any material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period.

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

For the six months ended June 30, 2023, the Company repurchased a total of 2,000,000 Shares (the "**Shares Repurchased**") on the Stock Exchange at an aggregate consideration (including transaction cost) of approximately HK$4,745,680. The repurchased Shares shall be subsequently cancelled. The repurchase was effected because the Board considered that a share repurchase in the then conditions demonstrates the Company's confidence in its own business outlook and prospects and would, in the long term, benefit the Company and create value to the Shareholders.

Particulars of the Shares Repurchased for the six months ended June 30, 2023 are as follows:

Month of repurchase	No. of Shares repurchased	Highest price paid per Share *(HK$)*	Lowest price paid per Share *(HK$)*	Aggregate consideration *(HK$)*
March	2,000,000	2.4	2.31	4,745,680
Total	2,000,000	2.4	2.31	4,745,680

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, 2023.

CORPORATE GOVERNANCE CODE

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

Pursuant to code provision C.2.1 of the CG Code, the responsibilities between the chairman and the chief executive officer should be separate and should not be performed by the same individual. Dr. Song Li, the executive Director, performed these two roles in the Company till January 3, 2023. With effect from January 3, 2023, Dr. Song Li resigned from his role of the Chief Executive Officer but continues to serve as an executive Director and the Chairman of the Board (among other roles). Taking into account code provision C.2.1 of the CG Code, Dr. Abdul Mutlib has been promoted to the Chief Executive Officer of the Company as successor to Dr. Song Li with effective from January 3, 2023 and the roles of chairman and the chief executive officer have been performed by different individuals since then.

CHANGES IN INFORMATION OF DIRECTORS

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

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

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

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

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

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 THE AUDIT AND RISK MANAGEMENT COMMITTEE

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

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

As at June 30, 2023, 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(4)
Dr. Song Li(1)	Beneficial owner/Trustee	171,441,320	8.33%
Dr. Zhihe Li(2)	Beneficial owner	21,833,187	1.06%
Dr. Abdul Mutlib(3)	Beneficial owner	9,061,098	0.44%

Notes:

(1) Dr. Song Li was granted 4,700,000 share options pursuant to the 2015 Share Incentive Plan on February 28, 2019, 1,850,000 awarded shares were granted to Dr. Song Li pursuant to the 2021 Share Award Scheme on January 25, 2021, and 1,500,000 share options pursuant to the 2018 Share Incentive Plan on October 7, 2022. As at June 30, 2023, Dr. Song Li is the beneficial owner of 34,633,050 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, 2023, hold 45,600,090 Shares, 45,602,090 Shares and 45,606,090 Shares respectively.

(2) Dr. Zhihe Li was granted 4,500,000 share options pursuant to the 2015 Share Incentive Plan on February 28, 2019 and 1,250,000 awarded shares pursuant to the 2021 Share Award Scheme on January 25, 2021.

(3) Dr. Abdul Mutlib was granted 7,000,000 share options pursuant to the pre-IPO 2008 Share Incentive Plan and the pre-IPO 2015 Share Incentive Plan, 1,000,000 share options pursuant to the 2018 Share Incentive Plan and 975,000 awarded shares pursuant to the 2021 Share Award Scheme on January 25, 2021.

(4) The percentage is for illustrative purpose only, subject to rounding error, and is calculated based on the number of 2,058,579,910 Shares in issue as at June 30, 2023.

Save as disclosed above and to the best knowledge of the Directors, as at June 30, 2023, 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, 2023, so far as the Directors are aware, the following persons (other than a Director or chief executive of the Company) and entities had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which recorded in the register required to be kept by the Company under section 336 of the SFO:

Interests and Long Positions in Shares

Name of substantial Shareholder	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding interest[(2)]
Hongkong Tigermed[(1)]	Beneficial owner	1,032,964,090	50.18%
Hangzhou Tigermed[(1)]	Beneficial owner/Interest of controlled corporation	1,071,706,090	52.06%

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 38,742,000 Share held by itself.

(2) The percentage is for illustrative purpose only, subject to rounding error, and is calculated based on the number of 2,058,579,910 Shares in issue as at June 30, 2023.

Save as disclosed above and to the best knowledge of the Directors, as at June 30, 2023, 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 shares.

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

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

SHARE OPTION 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, 2023	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, 2023	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	8,950,000	–	100,000	–	–	8,850,000	exercisable at any time(2)
	February 28, 2019	0.200	29,840,500	–	2,768,500	–	–	27,072,000	exercisable at any time(1)
Total			60,270,500	–	2,868,500	–	–	57,402,000	

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, 2023 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$nil for the six months ended June 30, 2023 (six months ended June 30, 2022: approximately US$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 145,258,591, being 7.1% 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, 2023 were as follows:

Category of participants	Date of grant	Exercise price per Share *(HK$)*	Outstanding as at January 1, 2023	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, 2023	Vesting period[1]
Directors									
Dr. Song Li	October 7, 2022	2.092	1,500,000	–	–	–	–	1,500,000	• 30% on September 1, 2023; • 30% on September 1, 2024; and • 40% on September 1, 2025
Chief Executives									
Dr. Abdul Mutlib	October 7, 2022	2.092	1,000,000	–	–	–	–	1,000,000	• 30% on September 1, 2023; • 30% on September 1, 2024; and • 40% on September 1, 2025
Employees	October 7, 2022	2.092	28,945,000	–	–	1,265,000	–	27,680,000	• 30% on September 1, 2023; • 30% on September 1, 2024; and • 40% on September 1, 2025
Total			31,445,000	–	–	1,265,000	–	30,180,000	

Note:

(1) 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) (both dates inclusive).

SHARE OPTION SCHEME *(Continued)*

2018 Share Incentive Plan *(Continued)*

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, 2023. The number of Awards available for grant under the 2018 Share Incentive Plan at the beginning and the end of the Reporting Period is 145,258,591 and 145,258,591, respectively.

The Group recognized total expenses of approximately US$829,000 for the six months ended June 30, 2023 (six months ended June 30, 2022: approximately US$nil) in relation to share options granted by the Company under 2018 Share Incentive Plan.

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 8.82% of the issued shares as at the date of this interim 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.

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.

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, 2023	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, 2023	Vesting Period
Directors									
Dr. Song Li	January 25, 2021	–	1,387,500	–	462,500	–	–	925,000	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	–	937,500	–	312,500	–	–	625,000	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	–	975,000	–	325,000	–	–	650,000	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, 2023	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, 2023	Vesting Period
Other grantees									
Five highest paid individual other than directors and chief executives	January 25, 2021		2,400,000	–	800,000	–	–	1,600,000	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		8,710,501	–	2,795,062	–	574,063	5,341,376	25% on January 24, 2022, 25% on January 24, 2023, 25% on January 24, 2024, and 25% on January 24, 2025
			14,410,501	–	4,695,062	–	574,063	9,141,376	

Note:

(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$2.98.

The number of awarded shares available for grant under the 2021 Share Award Scheme as at January 1, 2023 and 30 June 2023 was 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 period divided by the weighted average number of shares in issue for the Reporting Period 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 47 to page 90 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, 2023 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 a summary of significant accounting policies and other explanatory notes (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 25, 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2023

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2023

	NOTES	As at 6/30/2023 US$'000 (Unaudited)	As at 12/31/2022 US$'000 (Audited)
Non-current Assets			
Property, plant and equipment	*12*	115,012	114,988
Right-of-use assets	*12*	59,708	65,207
Goodwill	*13*	149,012	149,211
Intangible assets		29,962	33,458
Interests in associates		4,839	5,140
Deferred tax assets		7,554	6,223
Financial assets at fair value through profit or loss ("FVTPL")		3,460	3,590
Restricted bank deposits	*16*	300	300
Other long-term deposits		636	636
		370,483	378,753
Current Assets			
Inventories		3,518	3,185
Trade and other receivables and prepayment	*14*	59,560	57,598
Unbilled revenue	*15*	18,558	17,705
Structured deposits		2,768	3,087
Tax recoverable		4,237	2,437
Restricted bank deposits	*16*	398	396
Cash and cash equivalents	*16*	77,526	87,433
		166,565	171,841
Current Liabilities			
Trade and other payables	*17*	26,465	37,544
Advances from customers	*18*	31,205	34,797
Bank borrowings	*19*	11,527	13,725
Income tax payable		435	678
Amounts due to shareholders		210	210
Lease liabilities		10,407	10,518
		80,249	97,472
Net Current Assets		86,316	74,369
Total Assets less Current Liabilities		456,799	453,122

As at June 30, 2023

	NOTES	As at 6/30/2023 US$'000 (Unaudited)	As at 12/31/2022 US$'000 (Audited)
Non-current Liabilities			
Bank borrowings	19	39,936	35,126
Deferred government grant		2,092	2,123
Deferred tax liabilities		10,360	10,859
Lease liabilities		53,460	58,817
Other long-term liabilities	20	11,992	10,349
		117,840	117,274
Net Assets		338,959	335,848
Capital and Reserves			
Share capital	21	21	21
Treasury shares	22	(608)	(1)
Reserves		336,910	333,059
Equity attributable to owners of the Company		336,323	333,079
Non-controlling interests		2,636	2,769
Total Equity		338,959	335,848

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2023

			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**

	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
			Reserves									
As at January 1, 2022 (unaudited)	20	–	227,152	2,572	4,169	20,874	(9,531)	3,050	71,536	319,822	3,242	323,084
Profit for the period	–	–	–	–	–	–	–	–	12,945	12,945	157	13,102
Other comprehensive expense for the period	–	–	–	–	(4,528)	–	–	–	–	(4,528)	(166)	(4,694)
Total comprehensive income for the period	–	–	–	–	(4,528)	–	–	–	12,945	8,417	(9)	8,408
Issue of shares under 2021 Frontage Share Awards Scheme	1	(1)	–	–	–	–	–	–	–	–	–	–
Repurchase of shares	–	(4,509)	–	–	–	–	–	–	–	–	–	(4,509)
Exercise of share options	–	–	169	–	–	(59)	–	–	–	110	–	110
Vesting of share awards	–	–	4,142	–	–	(4,142)	–	–	–	–	–	–
Recognition of deferred tax assets related to equity-settled share-based compensation	–	–	–	–	–	(1,575)	–	–	–	(1,575)	–	(1,575)
Recognition of equity-settled share-based compensation	–	–	–	–	–	2,473	–	–	–	2,473	–	2,473
As at June 30, 2022 (Unaudited)	21	(4,510)	231,463	2,572	(359)	17,571	(9,531)	3,050	84,481	329,247	3,233	327,991

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, 2023

	Six months ended 6/30/2023 US$'000 (Unaudited)	6/30/2022 US$'000 (Unaudited)
NET CASH FROM OPERATING ACTIVITIES	11,386	24,511
NET CASH USED IN INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(11,470)	(20,767)
Proceeds from disposal of property, plant and equipment	232	31
Interest received	799	246
Purchase of financial assets at FVTPL	–	(2,306)
Placement of structured deposits	(7,748)	(520)
Withdrawal of structured deposits	7,963	–
Acquisition of a subsidiary, net of cash acquired	–	(74,911)
Payment for prior year acquisition of subsidiaries	(5,322)	(4,264)
Proceed of restricted bank deposits	3	101
Placement of restricted bank deposits	(6)	–
Purchase of intangible assets	(2)	(67)
	(15,551)	(102,457)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES		
Repayment of bank borrowings	(6,991)	(77)
Proceeds from bank borrowings	10,539	11,743
Interest paid on bank borrowings	(1,415)	(54)
Repayment of lease liabilities	(5,164)	(3,572)
Interest paid on lease liabilities	(1,695)	(1,361)
Repurchase of shares	(607)	(4,509)
Proceeds from exercise of share options	527	110
	(4,806)	2,280
NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,971)	(75,666)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	87,433	144,629
Effects of exchange rate changes	(936)	(1,129)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	77,526	67,834

1. GENERAL INFORMATION

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

The Company is a holding company. The principal activities of the Company and its subsidiaries (collectively the "Group") are to provide laboratory and related services to pharmaceutical and agrochemical companies. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands. The principal place of business in the United States of America (the "USA") and Hong Kong is 700 Pennsylvania Drive, Exton, PA 19341, USA and 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong, respectively.

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation of the financial statements

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

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

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

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

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

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

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

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

IFRS 17 "Insurance Contracts"

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

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

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

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

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

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

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

Amendments to IAS 8 "Definition of Accounting Estimates"

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

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

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

3. REVENUE

The Group's revenue streams are categorized as follows:

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

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

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

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

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

3. REVENUE *(Continued)*

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

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

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

4. SEGMENT INFORMATION

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

The Group's consolidated revenue and results are primarily attributable to the markets in the USA and Canada (together as "North America") and the PRC and all of the Group's consolidated assets and liabilities are either located in North America or the PRC.

No segment assets and liabilities are presented as they were not regularly provided to the CODM for the purpose of performance assessment and resources allocation.

The following are the Group's reportable segments under IFRS 8 "Operating Segments":

- North America segment, including laboratory testing, CMC, preclinical research, early stage clinical/bioequivalence and chemistry services in the USA and Canada;
- PRC segment, including laboratory testing, CMC, preclinical research, early stage clinical/bioequivalence and chemistry services in the PRC.

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, 2023 (Unaudited)

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

4. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

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

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

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

4. SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's operations and non-current assets are located in North America and the PRC.

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

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

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

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

5. OTHER INCOME

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

Note:

(i) Approximately US$187,000 represented specific grants provided by the government for the foreign company that is participating in the drug development industry in China, as part of its efforts to promote innovation and investment in the healthcare sector. These grants aim to encourage research and development activities, technology transfer, and the commercialization of new drugs. These grants are unconditional and accounted for as immediate financial support with neither future related costs expected to be incurred nor related to any assets. Government grants related to income that are receivable as compensation for expenses or loss that have already been incurred are recognised in profit or loss in the period in which they become receivable.

6. OTHER GAINS AND LOSSES, NET

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

7. FINANCE COSTS

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

8. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

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

9. INCOME TAX EXPENSE

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

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 28.7% for the six months ended June 30, 2023 (the six months ended June 30, 2022: 24.62%).

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

Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the EIT rate of the PRC subsidiaries is 25% unless subject to tax exemption set out below.

Frontage Laboratories (Shanghai) Co., Ltd. ("Frontage Shanghai"), a wholly owned subsidiary of the Group in the PRC, was accredited as a "High and New Technology Enterprise" in November 2017 and was entitled to a preferential tax rate of 15% for a three-year period commencing from 2017. Frontage Shanghai renewed its status in November 2020 and has thereafter been entitled to a preferential tax rate of 15% for another three-year period commencing from the beginning of 2020. Tax rate of 15% was applied for current interim period as management was confident to renew the "High and New Technology Enterprise" upon expiry in 2023.

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

Acme Biopharma Co. (Shanghai) Ltd. ("Acme Shanghai"), a wholly owned subsidiary of the Group in the PRC, was accredited as an "Advanced Technology Enterprise" in December 2019 and therefore is entitled to a preferential tax rate of 15% for a three-year period commencing from the beginning of 2019. Acme Shanghai renewed its status in December 2022, and is entitled to a preferential tax rate of 15% for a three-year period commencing from the beginning of 2022.

Wuhan Heyan Biomedical Technology Co., Ltd. ("Heyan Biotech"), a 70% owned subsidiary of the Group in the PRC, was accredited as a "High and New Technology Enterprise" in December 2020 and therefore is entitled to a preferential tax rate of 15% for a three-year period commencing from the beginning of 2020. Tax rate of 15% was applied for current interim period as management was confident to renew the "High and New Technology Enterprise" upon expiry in 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, 2023 and 2022. On March 21, 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The two-tiered profits tax rates regime is applicable to the Group's Hong Kong subsidiary with estimated assessable profits for its annual reporting periods ending on or after April 1, 2018.

The group entities incorporated in the Cayman Islands are not subject to income or capital gains tax under the law of the Cayman Islands.

10. EARNINGS PER SHARE

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

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

10. EARNINGS PER SHARE *(Continued)*

Number of Shares:

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

Note:

(i) The weighted average number of ordinary shares shown above has been adjusted for issue of new shares and cancellation of shares as set out in Note 21 and treasury shares as set out in Note 22.

11. DIVIDENDS

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

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

During the current interim period, the Group acquired approximately US$4,013,000 (six months ended June 30, 2022: US$3,812,000) for furniture, fixtures and equipment, US$6,494,000 (six months ended June 30, 2022: US$13,108,000) for constructions in progress, and US$205,000 (six months ended June 30, 2022: US$256,000) for leasehold improvements.

In prior year, the Group entered into several new lease agreements with lease terms ranged from 2 to 5 years, and began during the current interim period, for the use of laboratory equipment and buildings. During the current interim period, the Group recognized additional right-of-use assets and lease liabilities amounting to US$529,000 (six months ended June 30, 2022: US$2,503,000) upon the commencement of the leases.

13. GOODWILL

	US$'000
COST AND CARRYING VALUE	
At January 1, 2022	71,453
Arising on acquisition of subsidiaries	78,392
Exchange adjustments	(634)
At December 31, 2022 (Audited) and January 1, 2023 (Unaudited)	149,211
Exchange adjustments	(199)
At June 30, 2023 (Unaudited)	**149,012**

14. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

Details of the trade and other receivables due from related parties are set out in Note 26.

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:

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

15. UNBILLED REVENUE

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

Generally, significant payment terms are disclosed within the contents of a given contract and are in the form of either milestone payment terms representing a percentage of the total budgeted contract price or corresponding directly with the value to the customer of the Group's performance. Revenues recognized in excess of billings are recognized as contract assets and disclosed in the condensed consolidated statement of financial position as unbilled revenue.

Details of the unbilled revenue due from related parties are set out in Note 26.

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 0.02% to 5.4% per annum as at June 30, 2023 (December 31, 2022: from 0.02% to 4.2% per annum).

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

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

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

17. TRADE AND OTHER PAYABLES

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

Note:

(a) Details of the trade and other payable due to related parties are set out in Note 26.

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:

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

18. ADVANCES FROM CUSTOMERS

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

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

Details of the advances from customers which are related parties are set out in Note 26.

19. BANK BORROWINGS

Bank Loans

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

	As at 6/30/2023 US$'000 (Unaudited)	As at 12/31/2022 US$'000 (Audited)
Within one year	11,527	13,725
More than one year, but not exceeding two years	7,461	4,132
More than two years, but not exceeding five years	26,733	23,738
More than five years	5,742	7,256
	51,463	48,851
Less: Amount shown under current liabilities	(11,527)	(13,725)
Amount shown under non-current liabilities	39,936	35,126
Loan interest of rate per annum in the range of	3.75%-8%	3.85%-9.5%

Bank Facilities

The Group has used certain restricted bank deposits, to secure banking facilities of RMB492,000,000 (equivalent to approximately US$68,089,000) (December 31, 2022: RMB360,000,000 (equivalent to approximately US$51,690,000)), of which RMB182,587,000 (equivalent to approximately US$25,269,000) (December 31, 2022: RMB149,136,000 (equivalent to approximately US$21,413,000)) were utilized as borrowings, respectively, as at June 30, 2023.

On May 31, 2022, Frontage Laboratories, Inc. ("Frontage Labs"), one of the subsidiaries of the Company, entered into a three-year committed senior secured revolving credit agreement with a bank under which the bank has agreed to extend to Frontage Labs a revolving line of credit in the maximum principal amount of US$25,000,000 (subject to an uncommitted increase of up to but not exceeding US$45,000,000). As at June 30, 2023, US$3,000,000 (December 31, 2022: US$3,000,000) of the facility were utilized as borrowings. Frontage Labs is obligated to grant to the bank security interest in and to the collateral of some of its designated subsidiaries in the U.S.

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, 2023, US$15,000,000 (December 31, 2022: US$15,000,000) of the facility were utilized as borrowings. The Company, as the guarantor, is obligated to guarantee for the liabilities, obligations and the full satisfaction of Frontage Labs under this facility. This facility is collateralized by Frontage Labs' assets in some of its designated subsidiaries in the U.S.

On September 16, 2022, Quintara Discovery, Inc. ("Quintara"), one of the subsidiaries of the Company, entered into a loan agreement with a bank under which the bank has agreed to provide Quintara with a loan in an aggregate principal amount of up to US$20,000,000 with multiple loan advances. An initial advancement of US$10,000,000 had been disbursed as a "Line of Credit" at loan closing date that had a drawn period ended on March 16, 2023. The remaining principal amount were provided under a term loan with a maturity date of October 16, 2027. As at June 30, 2023, the loan in the amount US$10,000,000 (December 31, 2022: US$10,000,000) were utilized as borrowings. Frontage Labs and the Company, as the guarantors, are obligated to guarantee for the full satisfaction of this loan. This loan is also collateralized by Frontage Labs' entire interest in Quintara.

The Group had aggregated banking facilities of RMB309,413,000 (equivalent to approximately US$42,821,000) (December 31, 2022: RMB210,864,000 (equivalent to approximately US$30,277,000)) and US$56,000,000 (December 31, 2022: US$66,000,000) which were unutilized as at June 30, 2023.

20. OTHER LONG-TERM LIABILITIES

	As at 6/30/2023 US$'000 (Unaudited)	As at 12/31/2022 US$'000 (Audited)
Bonus accrual	6,000	4,500
Contingent consideration payables related to:		
– Acquisition of Quintara	5,992	5,849
	11,992	10,349

21. SHARE CAPITAL

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

	Number of shares	Amount	Show in the financial statements as
		US$	*US$'000*
Issued and fully paid:			
As at January 1, 2022	2,051,455,410	20,516	20
Issue of shares under 2021 Frontage Share Award Scheme *(Note 24)*	22,950,500	230	1
Exercise of share options	6,227,500	62	–
Cancellation of shares	(24,922,000)	(249)	–
As at December 31, 2022 (Audited) and January 1, 2023 (Unaudited)	**2,055,711,410**	**20,559**	**21**
Exercise of share options	**2,868,500**	**29**	**–**
As at June 30, 2023 (Unaudited)	**2,058,579,910**	**20,588**	**21**

22. TREASURY SHARES

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

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

23. 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.

23. 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, 2023 US$'000	December 31, 2022 US$'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	3,460	3,590	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	2,768	3,087	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 RMB91,000 (equivalent to approximately US$12,000) (2022: RMB91,000 (equivalent to approximately US$13,000)) as at June 30, 2023.

23. 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.

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	Contingent consideration for business combinations
	US$'000	*US$'000*
As at January 1, 2022	1,568	27,636
Acquisition	2,154	–
Changes in fair value	–	193
Payment of contingent consideration	–	(10,545)
Exchange adjustments	(132)	(32)
As at December 31, 2022 (Audited) and January 1, 2023 (Unaudited)	3,590	17,252
Changes in fair value	**–**	**354**
Payment of contingent consideration	**–**	**(5,322)**
Exchange adjustment	**(130)**	**–**
As at June 30, 2023 (Unaudited)	**3,460**	**12,284**

23. 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)

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, 2023 (December 31, 2022: US$125,000/US$128,000) 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, 2023 (December 31, 2022: US$nil/US$nil) in the Group.

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.

24. 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 over a four-year period 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	
	6/30/2023	6/30/2022
	Number	Number
	(Unaudited)	(Unaudited)
Outstanding at beginning of period	**14,410,501**	21,489,500
Vested during the period	**(4,695,062)**	(5,362,374)
Canceled during the period	**(574,063)**	(825,625)
Outstanding at end of period	**9,141,376**	15,301,501

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.

24. 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, 2023, there are 12,893,064 shares (six months ended June 30, 2022: 17,588,126 shares) held for such scheme with carrying amount of US$1,000 (six months ended June 30, 2022: 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, 2023 was HK$2.98 (six months ended June 30, 2022: HK$3.90).

The Group recognized total expense of approximately US$1,143,000 for the six months ended June 30, 2023 (six months ended June 30, 2022: US$2,473,000) in relation to share award granted under the 2021 Frontage Share Award Scheme.

Pre-IPO share incentive plans

Frontage Labs 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.

24. 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			
	6/30/2023		6/30/2022	
	Weighted average exercise price *(US$)* (Unaudited)	Number (Unaudited)	Weighted average exercise price *(US$)* (Unaudited)	Number (Unaudited)
Outstanding as at beginning of period	0.16	60,270,500	0.16	66,998,000
Forfeited during the period	–	–	0.20	(500,000)
Exercised during the period	0.20	(2,868,500)	0.14	(905,000)
Outstanding as at end of period	0.16	57,402,000	0.16	65,593,000
Options exercisable		57,402,000		65,593,000
Weighted average contractual life (years)		1.0		2.35

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$2.29 (equivalent to US$0.29) (six months ended June 30, 2022: HK$3.57, equivalent to US$0.46).

The Group recognized total expenses of approximately nil (six months ended June 30, 2022: US$ nil) in relation to share options granted by the Company.

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.

24. SHARE-BASED PAYMENTS *(Continued)*

2018 Frontage share incentive plan *(Continued)*

	Six months ended 6/30/2023	
	Weighted average exercise price *(US$)* (Unaudited)	Number (Unaudited)
Outstanding as at beginning of period	0.27	31,445,000
Granted during the period		–
Forfeited during the period	0.27	(1,265,000)
Outstanding as at end of period	0.27	30,180,000
Options exercisable		30,180,000
Weighted average contractual life (years)		4.3

The exercise price of options outstanding is HK$2.09 (equivalent to US$0.27).

Each option granted generally vests over a three-year period with an agreed award vesting on the anniversary one year after grant date.

The Group recognised total expenses of approximately US$829,000 or the six months ended June 30, 2023 (six months ended June 30, 2022: US$nil) in relation to share options granted by the Company under 2018 Frontage Share Incentive Scheme.

25. CAPITAL COMMITMENTS

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

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

26. 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

		Six months ended	
		6/30/2023	6/30/2022
		US$'000	*US$'000*
	Relationship	**(Unaudited)**	(Unaudited)
Frontage Clinical Services, Inc. ("Frontage Clinical")	Associate until July 27, 2022	–	42
Hangzhou Tigermed	Ultimate holding company	294	158
Frontida BioPharm, Inc. ("Frontida") *(note (i))*	Entity controlled by a substantial shareholder	–	50
Beijing Canny Consulting, Inc.	Fellow subsidiary	1	–
		295	250

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

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

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

		Six months ended	
		6/30/2023	6/30/2022
		US$'000	*US$'000*
	Relationship	**(Unaudited)**	(Unaudited)
Frontage Clinical	Associate until July 27, 2022	**–**	34
Jiaxing Tigermed Data Management Co., Ltd.	Fellow subsidiary	**121**	216
Mosim Co., Ltd.	Fellow subsidiary	**–**	40
Beijing Yaxincheng Medical InfoTech Co., Ltd.	Fellow subsidiary	**2**	–
Luohe Tigermed Pharmaceutical Technology Co., Ltd.	Fellow subsidiary	**70**	–
Tigermed-IntelliPV Co., Ltd.	Fellow subsidiary	**17**	–
Hangzhou Tigermed	Ultimate holding company	**–**	1
		210	291

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

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

(c) Administrative services provided to related parties

	Relationship	Six months ended 6/30/2023 US$'000 (Unaudited)	Six months ended 6/30/2022 US$'000 (Unaudited)
Frontage Clinical	Associate	–	155
Hangzhou Tigermed	Ultimate holding company	1	4
		1	159

(d) Selling services provided by related parties

	Relationship	Six months ended 6/30/2023 US$'000 (Unaudited)	Six months ended 6/30/2022 US$'000 (Unaudited)
Tigermed Swiss AG	Fellow subsidiary	5	–
Hangzhou Tigermed	Ultimate holding company	11	–
		16	–

26. 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	6/30/2023 *US$'000* (Unaudited)	12/31/2022 *US$'000* (Audited)
Trade receivables			
Frontida *(note (i))*	Entity controlled by a substantial shareholder	–	116
Hangzhou Tigermed	Ultimate holding company	–	28
Shanghai Tigermed Medical Consulting Co., Ltd.	Fellow subsidiary	–	–
Hongkong Tigermed	Fellow subsidiary	–	115
		–	259
Other receivables			
Frontida *(note (i))*	Entity controlled by a substantial shareholder	–	105
Hangzhou Tigermed	Ultimate holding company	4	4
		4	109

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

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

	Relationship	6/30/2023 US$'000 (Unaudited)	12/31/2022 US$'000 (Audited)
Unbilled revenue			
Hangzhou Tigermed	Ultimate holding company	398	357
Shanghai Tigermed Technology Co., Ltd.	Fellow subsidiary	2	2
		400	359
Trade payables			
Beijing Yaxincheng Medical InfoTech Co., Ltd.	Fellow subsidiary	–	2
Hangzhou Tigermed InfelliPV Co., Ltd.	Fellow subsidiary	–	16
Hangzhou Tigermed	Ultimate holding company	37	28
Jiaxing Tigermed Data management Co., Ltd.	Fellow subsidiary	–	31
Tigermed-InfelliPV Co., Ltd.	Fellow subsidiary	32	–
Luohe Tigermed Pharmaceutical Technology Co., Ltd.	Fellow subsidiary	72	–
		141	77

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

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

	Relationship	6/30/2023 US$'000 (Unaudited)	12/31/2022 US$'000 (Audited)
Other payables			
Hangzhou Tigermed	Ultimate holding company	1	1
Advances from customers			
Hangzhou Tigermed	Ultimate holding company	510	574
Hongkong Tigermed	Fellow subsidiary	–	37
Hainan Boao Hope City Tigermed Consulting Co, Ltd.	Fellow subsidiary	6	–
		516	611

Notes:

(i) Frontida is considered as a related party of the Group because Dr. Song Li, the substantive shareholder and executive director of the Company, is Frontida's controlling shareholder.

(ii) 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.

(iii) All the above balances with related parties are unsecured, interest fee and repayable on demand.

26. 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	
	6/30/2023	*6/30/2022*
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Salaries and other benefits	**1,627**	1,854
Share-based compensation	**754**	1,109
Performance-based bonus	**362**	176
Retirement benefits scheme contributions	**8**	28
	2,751	3,167

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

27. SUBSEQUENT EVENT

On August 15, 2023, the Group entered into a Share Purchase Agreement (the "Agreement") with independent third parties (the "Sellers"), pursuant to which the Sellers agreed to sell and, the Group agreed to purchase 100% of the equity interests in Nucro Technics Inc. in aggregate for a cash consideration of CAD70,000,000 (equivalent to approximately US$52,000,000), subject to the adjustments sets forth therein, in accordance with the terms and conditions of the Agreement. Details are set out in the Company's announcement dated August 15, 2023.

Up to the date the condensed consolidated financial statements are authorized for issue, given the occurrence of the above event is close to the date of this report, it is not practicable to provide an estimate of financial effect of the above acquisition until the Group has performed a detailed review.

"2008 Share Incentive Plan"	the pre-IPO share incentive plan approved by Frontage Labs in 2008 and assumed by the Company on April 17, 2018
"2015 Share Incentive Plan"	the pre-IPO share incentive plan approved by Frontage Labs in 2015 and assumed by the Company on April 17, 2018
"2018 Share Incentive Plan"	the post-IPO share incentive plan adopted by the Company on May 11, 2019
"2021 Share Award Scheme"	the "2021 Share Award Scheme" constituted by the rules adopted on January 22, 2021, in its present form or as amended from time to time in accordance with the provisions therein
"Audit and Risk Management Committee"	the audit and risk management committee of the Board
"Award Participants"	the selected participants who were awarded the Awarded Shares under the 2021 Share Award Scheme
"Awarded Shares"	the 22,950,500 Shares granted by the Company to the Award Participants pursuant to the terms of the 2021 Share Award Scheme
"Board of Directors" or "Board"	the board of directors of the Company from time to time
"CAP"	The College of American Pathologists
"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 14 to the Listing Rules

"CMC"	stands for Chemistry, Manufacturing and Controls. The Group's portfolio of CMC services spans from drug discovery to the post-approval phase, including lead compound quantification and analytical testing for the discovery phase, formulation development, Good Laboratory Practice toxicology batch studies, release and product testing, stability testing, Clinical Trial Materials and Good Manufacturing Practice manufacturing, extractability and leachability studies and commercial product release following approval of an application
"CODM"	the chief operating decision maker of the Group
"Company"	Frontage Holdings Corporation, a company incorporated under the laws of the Cayman Islands with limited liability on April 16, 2018
"Connected Award Participants"	the Award Participants who are connected with the Company or connected persons of the Company
"Controlling Shareholder(s)"	has the meaning given to it under the Listing Rules and unless the context requires otherwise, refers to Hangzhou Tigermed and Hongkong Tigermed
"CRO"	Contract research organization
"Director(s)"	the director(s) of the Company from time to time
"DMPK"	Drug Metabolism and Pharmacokinetics, refers to studies designed to determine the absorption and distribution of an administered drug, the rate at which a drug takes effect, the duration a drug maintains its effects and what happens to the drug after being metabolized by the body
"EIT"	PRC Enterprise Income Tax
"EIT Law"	Enterprise Income Tax Law of the PRC
"FDA"	The United States Food and Drug Administration
"Frontage Labs"	Frontage Laboratories, Inc., a company incorporated under the laws of Pennsylvania, United States on April 21, 2004 and the wholly-owned subsidiary of the Company

"Frontage Shanghai"	Frontage Laboratories (Shanghai) Co., Ltd., a company established in the PRC on August 2, 2005 and a subsidiary of the Company
"Frontage Suzhou"	Frontage Laboratories (Suzhou) Co, Ltd., a company established in the PRC on January 7, 2014, and an associate of the Company
"Global Offering"	the Hong Kong Public Offering (as defined in the Prospectus) and the International Offering (as defined in the Prospectus)
"Group", "We", "Our" or "Us"	the Company and its subsidiaries
"Hangzhou Tigermed"	Hangzhou Tigermed Consulting Co., Ltd., a company established in the PRC on December 15, 2004 with its shares being listed on ChiNext market of the Shenzhen Stock Exchange with stock code 300347 and on the Main Board of the Hong Kong Stock Exchange with stock code 3347, which is one of the controlling shareholders of the Company
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hongkong Tigermed"	Hongkong Tigermed Co., Limited, a company incorporated under the laws of Hong Kong with limited liability on September 14, 2011 and which is a wholly-owned subsidiary of Hangzhou Tigermed and one of the Controlling Shareholders of the Company
"IFRSs"	International Financial Reporting Standards
"Independent Shareholders"	independent Shareholders other than the Connected Award Participants and their respective associates
"IPO"	initial public offering
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	May 30, 2019, being the date of Listing
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time

"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"Non-connected Award Participants"	the Award Participants who are not connected with the Company or connected persons of the Company
"PRC" or "China"	the People's Republic of China, but for the purposes of this 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
"Relevant Employees"	the employees of the Group who, because of their office or employment, are likely to possess inside information in relation to the Company or its securities
"Reporting Period"	the six months ended June 30, 2023
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	ordinary share(s) with nominal value USD0.00001 each in the issued share capital of the Company
"Shareholder(s)"	holder(s) of Share(s)
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US$" or "USD"	United States Dollars, the lawful currency of the U.S.
"USA", the "United States" or the "U.S."	the United States of America
%	per cent

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