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FRONTAGE HOLDINGS CORPORATION

方達控股公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1521)

DISCLOSEABLE TRANSACTION ACQUISITION OF 100% EQUITY INTEREST IN ACME BIOSCIENCE, INC.

The Board is pleased to announce that, on July 2, 2020 (after trading hours), Frontage Labs, a wholly-owned subsidiary of the Company, entered into the Stock Purchase Agreement with the stockholders of the Target (the “Sellers”), pursuant to which Frontage Labs agreed to acquire and the Sellers agreed to sell the 100% Equity Interest for a cash consideration of up to USD26,000,000 (equivalent to approximately HK\$201,500,000) in accordance with the terms and conditions of the Stock Purchase Agreement.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios for the transaction under the Stock Purchase Agreement are more than 5% but all of them are less than 25%, the Stock Purchase Agreement and the transactions contemplated thereunder constitute a discloseable transaction of the Company pursuant to Chapter 14 of the Listing Rules and are therefore subject to the reporting and announcement requirements but not subject to the circular and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

THE STOCK PURCHASE AGREEMENT

The Board is pleased to announce that, on July 2, 2020 (after trading hours), Frontage Labs, a wholly-owned subsidiary of the Company, entered into the Stock Purchase Agreement with Dr. Jason Zhang and Dr. Zhi-jie Ni, pursuant to which Frontage Labs agreed to acquire and Dr. Jason Zhang and Dr. Zhi-jie Ni agreed to sell the 100% Equity Interest for a cash consideration of up to USD26,000,000 (equivalent to approximately HK\$201,500,000) in accordance with the terms and conditions of the Stock Purchase Agreement. The principal terms of the Stock Purchase Agreement are set out below:

Date of the Stock Purchase Agreement: July 2, 2020

Parties: Dr. Jason Zhang and Dr. Zhi-jie Ni, as the Sellers

Frontage Labs, as the Buyer

Acme, as the Target

Consideration: USD26,000,000 (equivalent to approximately HK\$201,500,000)

The Target primarily provides contract research and custom synthesis services for biopharmaceutical company specializing in drug discovery and development. The Target carries out its operations in the U.S. and the PRC.

Consideration

The Consideration is USD26,000,000 (equivalent to approximately HK\$201,500,000), of which USD11,000,000 (equivalent to approximately HK\$85,250,000) will be subject to the achievements of certain performance targets by the Target for the three years ending December 31, 2022 as set out in the Stock Purchase Agreement. The Consideration was arrived at after arm's length negotiations between the Buyer and the Sellers, having considered the net assets value, the profit and business prospects of the Target.

Having considered the factors taken into account by the parties in arriving at the Consideration, the Directors are of the view that the Consideration is fair and reasonable. The Consideration will be funded by the Group's internal resources.

Acquisition of the Equity Interest

Prior to the Acquisition, the Target was held as to 85% by Dr. Jason Zhang and 15% by Dr. Zhi-jie Ni. Upon the completion of the Acquisition, the Target will become an indirectly 100%-owned subsidiary of the Company and the financial results, assets and liabilities of the Target will be consolidated into the financial statements of the Company.

Completion

Completion of the Acquisition is conditional upon each party having obtained the necessary consent and approval in respect of the Acquisition, the continued valid existence of the Target, there being nothing which has or may reasonably be expected to have material adverse effect on the operation, financial condition or asset of the Target, and other customary conditions.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in integrated, scientifically-driven research, analytical and development services throughout the drug discovery and development process to enable pharmaceutical companies to achieve their drug development goals. The Group provides services including DMPK, safety and toxicology, CMC, and bioanalytical in North America (including the United States and Canada), and currently provides CMC, bioanalytical and bioequivalence services in China.

It has been one of the Company's strategies to extend the range of its services to offer its customers more integrated solutions through organic growth and potential acquisitions.

The Board is of the view that by entering into the Stock Purchase Agreement, the Acquisition will expand the Group's capabilities of organic synthesis, medicinal chemistry, and process research and development, and will enable the Group to capture growth in the drug discovery and early stage development and other ancillary services. The Board considers there is a good business outlook and prospect in the U.S. and the PRC, which can also potentially increase the Group's revenue base and strengthen the Group's position to provide more comprehensive and high-quality services in the CRO industry in North America and China to cater for future business growth.

The Directors consider that the Stock Purchase Agreement was negotiated on an arm's length basis, and are on normal commercial terms, which are fair and reasonable, and in the interests of the Company and its shareholders as a whole.

INFORMATION ON THE TARGET

The Target is a corporation incorporated under the laws of Delaware, U.S. on January 16, 2001. It provides synthetic & medicinal chemistry and process research & development services for biopharmaceutical companies specializing in drug discovery and development.

Set out below is a summary of the unaudited financial information of the Target for the two financial years ended December 31, 2018 and December 31, 2019, respectively:

	For the year ended December 31, 2019 (USD)	For the year ended December 31, 2018 (USD)
Net profit before tax	1,524,000	675,000
Net profit after tax	1,501,000	617,000

Pursuant to the unaudited financial statements of the Target, the net assets of the Target as at December 31, 2019 was USD3,143,000.

INFORMATION ON THE SELLERS

The Sellers are individual residents in the U.S. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Sellers are Independent Third Parties and have no other relationships with the Group and its connected persons.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) for the transaction under the Stock Purchase Agreement exceed 5% but all of them are less than 25%, the Stock Purchase Agreement and the transactions contemplated thereunder constitute a discloseable transaction of the Company pursuant to Chapter 14 of the Listing Rules and are therefore subject to the reporting and announcement requirements but not subject to the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms shall have the following meanings:

Term	Definition
“Acquisition”	the acquisition of the Equity Interest by the Buyer from the Sellers pursuant to the terms and conditions of the Stock Purchase Agreement
“bioanalytical”	the analytical and quantitative chemistry of certain compounds in biological systems; covering biotics (macromolecules, proteins, DNA, large molecule drugs and metabolites) and xenobiotics
“bioequivalence”	the study of assessing the expected <i>in vivo</i> equivalence of two preparations of a drug. If two products are said to be bioequivalent, it means that there is an absence of a significant difference in the rate and extent to which the active ingredient or active moiety in products becomes available at the site of drug action when administered at the same molar dose under similar conditions in an appropriately designed study
“Board”	the board of directors of the Company from time to time
“Buyer” or “Frontage Labs”	Frontage Laboratories, Inc., a company incorporated under the laws of Pennsylvania, United States on April 21, 2004 and a wholly-owned subsidiary of the Company
“China” or “PRC”	the People's Republic of China, and for the purpose of this announcement only, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan

“CMC”	Chemistry, Manufacturing and Controls, an important and detailed section detailing the characteristics of a therapeutic and its manufacturing and quality testing process in a dossier used to support clinical studies and marketing applications
“Company”	Frontage Holdings Corporation (方達控股公司*), a company incorporated under the laws of the Cayman Islands with limited liability on April 16, 2018, whose shares are listed on The Stock Exchange of Hong Kong Limited
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Consideration”	the consideration of up to USD26,000,000 (equivalent to approximately HK\$201,500,000) to be paid by the Buyer to the Sellers for the transfer of the Equity Interest pursuant to the Stock Purchase Agreement
“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
“Equity Interest”	100% of the equity interest in the Target
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	party(ies) who, together with its ultimate beneficial owner(s), is/are person(s) independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Sellers”	Dr. Jason Zhang and Dr. Zhi-jie Ni, who are individuals and Independent Third Parties
“Stock Purchase Agreement”	the stock purchase agreement dated July 2, 2020 entered into among Frontage Labs, the Sellers, and the Target

“Target” or “Acme”	Acme Bioscience, Inc., a corporation incorporated under the laws of Delaware, U.S. on January 16, 2001, of which 85% and 15% of its equity interests are owned by Dr. Jason Zhang and Dr. Zhi-jie Ni respectively immediately prior to the completion of the Acquisition
“U.S.” or “United States”	United States of America
“USD”	U.S. Dollars, the lawful currency of the United States of America
“%”	per cent

By Order of the Board
Frontage Holdings Corporation
Dr. Zhihe Li
Chairman

Hong Kong, July 2, 2020

As at the date of this announcement, the Board comprises Dr. Zhihe Li as executive director; Mr. Jun Gao as non-executive director; and Mr. Yifan Li, Mr. Erh Fei Liu and Dr. Jingsong Wang as independent non-executive directors.

* *For identification purpose only*