

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our consolidated financial information and the related notes thereto included in the Accountants' Report in Appendix I to this document. Our consolidated financial information has been prepared in accordance with IFRS accounting standards.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions, and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this document. For further details, see "Forward-Looking Statements."

For the purposes of this section, unless the context otherwise requires, references to 2023 and 2024 refer to our financial years ended December 31 of such years.

OVERVIEW

We are a clinical-stage gene therapy company pioneering innovative therapies, with an international footprint and dedicated to delivering safe, effective and affordable gene therapy treatments to patients worldwide. Our mission is to advance gene therapies that address significant unmet medical needs, particularly large-market or currently untreatable diseases, to provide durable clinical benefits from a single administration.

Since our inception in 2019, we have been dedicated to the in-house development of innovative rAAV gene therapies. We have developed a differentiated and clinically advanced pipeline with global Best-in-Class potential. Our Core Products, which are in advanced stages of clinical development for treating XLRP, nAMD and DME, have demonstrated clear advantages in efficacy and/or safety in clinical studies, with great potential to address global unmet medical needs at an affordable price. We have the most clinically advanced Bac/Sf9-based gene therapy pipeline for ophthalmic diseases in China, including the only clinical-stage drug candidate being investigated for XLRP in China and the only intravitreal gene therapy advancing to Phase II clinical trials for DME in China.

We currently have no products approved for commercial sales and were loss-making during the Track Record Period. We incurred losses of US\$35.9 million and US\$26.5 million for the years ended December 31, 2023 and 2024, respectively, and losses of US\$20.7 million and US\$13.3 million for the nine months ended September 30, 2024 and 2025, respectively. Our losses primarily resulted from research and development expenses and general and administrative expenses.

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We expect to incur significant expenses for at least the next several years as we continue to advance our preclinical research and clinical development plans, and to prepare for the commercialization of our drug candidates. Subsequent to the [REDACTED], our financial performance may fluctuate from period to period due to, among other factors, the development status of our drug candidates, the regulatory approval timeline, and the level of commercial success of our drug candidates after approval.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our Ability to Successfully Develop and Commercialize Our Drug Candidates

The success of our business and results of operation relies on our ability to advance our drug development programs, demonstrate satisfactory safety and efficacy in clinical trials, obtain necessary regulatory approvals, and launch our products in our target markets as planned. To date, we have built a pipeline comprising eight in-house discovered drug candidates. See "Business — Our Pipeline" and "Risk Factors — Risks Relating to the Development and Regulatory Approval of our Drug Candidates" for details. In the event of successful commercialization of one or more of our drug candidates, our business and results of operations will depend on the market acceptance and sales of those drugs. These products may require significant marketing efforts before we generate any revenue from product sales. If they fail to achieve a sufficient degree of market acceptance, we may not be able to generate revenue as expected. See "Risk Factors — Risks Relating to the Commercialization of our Drug Candidates" for details.

Operating Expenses

Our business and results of operations are significantly affected by our cost structure, which primarily consisted of research and development expenses and general and administrative expenses during the Track Record Period.

Research and development activities are critical to our business. Our current research and development activities mainly relate to product discovery, preclinical studies and clinical trials of our drug candidates. For the years ended December 31, 2023 and 2024, our research and development expenses were US\$27.6 million and US\$20.6 million, respectively. For the nine months ended September 30, 2024 and 2025, our research and development expenses were US\$17.3 million and US\$11.0 million, respectively. We expect our research and development expenses to increase in the foreseeable future as we advance our drug candidates.

Our general and administrative expenses consist of salaries and related benefit costs for employees engaged in managerial and administrative positions or involved in general corporate functions, professional service expenses, depreciation and amortization expenses, and others. For the years ended December 31, 2023 and 2024, our general and administrative expenses were US\$10.4 million and US\$7.0 million, respectively. For the nine months ended September 30, 2024 and 2025, our general and administrative expenses were US\$6.0 million and US\$4.1 million, respectively. We anticipate increasing compliance, accounting, and investor and public relations expenses associated with being a [REDACTED]. Save for the above, we expect our general and administrative expenses to remain stable in the near future.

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Funding for Our Operations

During the Track Record Period, we funded our operations primarily through equity and debt financing. Going forward, with the continuing expansion of our business and our drug pipeline, we may require further funding through public or private offerings, debt financing, collaborations, and licensing arrangements or other sources. In the event of successful commercialization of one or more of our drug candidates, we expect to fund our operations in part with revenue generated from sales of our products. Any fluctuation in our ability to fund our operations will impact our cash flow and our results of operations.

BASIS OF PRESENTATION

Our historical financial information has been prepared in accordance with IFRS Accounting Standards.

Our historical financial information has been prepared on the historical cost basis except for fair value through profit or loss ("FVTPL"). Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, we take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the historical financial information is determined on the above basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

Our historical financial information has been prepared on a going concern basis as our Directors have, as of the date of this document, a reasonable expectation that we have adequate resources to continue in operational existence for the foreseeable future.

MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and results of operations. Our management continually evaluates such estimates, assumptions and judgments based on past experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

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Set forth below are discussions of the accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Other significant accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in detail the notes of the Accountants' Report in Appendix I to this document.

Employee benefits

Retirement benefit costs

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

Termination benefits

A liability for a termination benefit is recognized at the earlier of when we can no longer withdraw the offer of the termination benefit and when it recognizes any related restructuring costs.

Short-term employee benefits

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

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

Share-based payments

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

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

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When shares options granted are vested, the amount previously recognized in the share-based payment reserve will continue to be held in share-based payments reserve. When share options are exercised, the amount previously recognized in share-based payments reserve will continue to be held in share-based payments reserve. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share-based payments reserve will continue to be held in share-based payments reserve.

Leases

We assess whether a contract is or contains a lease based on the definition under IFRS 16 at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Our Group as a lessee

Right-of-use assets

The cost of right-of-use asset includes:

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

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

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

We present right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

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

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Lease liabilities

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

The lease payments include fixed payments.

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

We remeasure lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

We present lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

We account for a lease modification as a separate lease if:

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

For a lease modification that is not accounted for as a separate lease, we remeasure the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

We account for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

Property and equipment

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

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

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

Intangible assets acquired separately

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

Internally-generated intangible assets — research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

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Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognized immediately in profit or loss.

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

All other financial assets we held are subsequently measured at FVTPL.

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(i) Amortized cost and interest income

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

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or fair value through other comprehensive income ("FVTOCI") or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the "other gains and losses" line item as part of the net foreign exchange gains or losses;
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the "other gains and losses" line item as part of the fair value gains or losses of the financial assets.

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Derecognition of financial assets

We derecognize a financial asset only when the contractual rights to the cash flows from the asset expire.

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Repurchase of our own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase or issue of our own equity instruments.

Financial liabilities

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

Financial liabilities measured subsequently at amortized cost

Financial liabilities including trade payables, other payables and borrowings are subsequently measured at amortized cost, using the effective interest method.

Derecognition of financial liabilities

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

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CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTIES

In applying our accounting policies, our directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognized and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying our accounting policies

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that our directors have made in the process of applying our accounting policies and that have the most significant effect on the amounts recognized in the Historical Financial Information.

Research and development expenses

Development expenses incurred on our drug product pipelines are capitalized and deferred only when we can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, our intention to complete and our ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Research and development expenses which do not meet these criteria are expensed when incurred. The management of we assess the development progress of each of the product pipelines and determine whether the criteria are met for capitalization. During the Track Record Period, all the research and development expenses are expensed when incurred.

Key source of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the coming twelve months, are described below.

Deferred tax assets

As at December 31, 2023, 2024 and September 30, 2025, no deferred tax asset in relation to unused tax losses accounted to US\$119.6 million, US\$165.9 million and US\$196.5 million, respectively and deductible temporary differences accounted to US\$0.5 million, US\$1.5 million, and US\$1.8 million, respectively, has been recognized in our consolidated statements of financial position due to the unpredictability of future profit streams. The realizability of

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the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a recognition of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a recognition takes place.

Impairment of property and equipment and right-of-use assets

Property and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, we have to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), we estimate the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

At the end of each reporting period, we review the carrying amounts of its property and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss.

As at December 31, 2023 and 2024 and September 30, 2025, no indication of impairment for property and equipment and right-of-use assets are identified by us.

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DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income for the periods indicated. This information should be read together with our consolidated financial statements and related notes included elsewhere in this document. The results of operations in any period are not necessarily indicative of our future trends.

	For the Year Ended December 31,		For the Nine Months Ended September 30,	
	2023	2024	2024	2025
			<i>(Unaudited)</i>	
			<i>(US\$ in thousands)</i>	
Research and development expenses	(27,585)	(20,576)	(17,344)	(10,969)
General and administrative expenses	(10,410)	(6,989)	(5,975)	(4,059)
Other income	904	617	122	451
Finance cost	(944)	(905)	(674)	(652)
Other gains and losses	2,175	1,389	3,172	1,918
Loss before tax	(35,860)	(26,464)	(20,699)	(13,311)
Loss for the year/period	(35,860)	(26,464)	(20,699)	(13,311)
Other comprehensive income				
Exchange difference arising on translation of foreign operations	1,291	870	(435)	(1,194)
Total comprehensive expense for the year/period	(34,569)	(25,594)	(21,134)	(14,505)

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Research and Development Expenses

Our research and development expenses consist of (i) staff costs, representing salaries and related benefit costs for research and development personnel, (ii) cost of purchase, representing expenses for procuring materials and consumables used in the course of our research and development activities, (iii) professional services expenses, representing the cost of engaging professional service providers for preclinical and clinical support and CMC services, (iv) depreciation and amortization expenses, and (v) others, including maintenance, transportation and travel expenses.

The following table breaks down our research and development expenses for the periods indicated.

	For the Year Ended December 31,				For the Nine Months Ended September 30,			
	2023		2024		2024		2025	
	<i>US\$</i>	<i>%</i>	<i>US\$</i>	<i>%</i>	<i>US\$</i>	<i>%</i>	<i>US\$</i>	<i>%</i>
	<i>(US\$ in thousands, except percentages)</i>							
Research and development expenses								
Staff costs	10,556	38.3	7,644	37.1	6,475	37.3	3,319	30.3
Cost of purchase	3,788	13.7	2,918	14.2	2,661	15.3	923	8.4
Professional services expenses	6,636	24.0	5,212	25.3	4,253	24.6	3,784	34.5
Depreciation and amortization expenses	5,043	18.3	3,286	16.0	2,688	15.5	1,812	16.5
Others	1,562	5.7	1,516	7.4	1,267	7.3	1,131	10.3
Total	<u>27,585</u>	<u>100.0</u>	<u>20,576</u>	<u>100.0</u>	<u>17,344</u>	<u>100.0</u>	<u>10,969</u>	<u>100.0</u>

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The following table sets forth the research and development expenses attributable to the Core Products by development stage for the periods indicated.

	For the Year Ended December 31,		For the Nine Months Ended September 30	
	2023	2024	2024	2025
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
	<i>(US\$ in thousands)</i>			
Research and development expenses attributable to FT-002				
Pre-clinical costs	1,044	127	97	41
Clinical costs	2,714	1,622	1,422	562
Others ⁽¹⁾	1,407	432	359	164
Subtotal	5,165	2,181	1,878	767
Research and development expenses attributable to FT-003				
Pre-clinical costs	588	328	306	228
Clinical costs	2,396	3,139	2,584	3,756
Others ⁽¹⁾	691	564	338	638
Subtotal	3,675	4,031	3,228	4,622
Total	8,840	6,212	5,106	5,389

Note:

(1) Includes depreciation and amortization expenses, travel expenses and others.

Our research and development expenses attributable to FT-002 decreased from 2023 to 2024 and from the nine months ended September 30, 2024 to the nine months ended September 30, 2025, primarily due to the different sizes of the IIT studies and clinical trials we conducted in these period. In 2023, we initiated and completed the dosing of the IIT study of FT-002, which enrolled a total of 18 patients. In 2024 and the nine months ended September 30, 2025, as a part of the Phase I and Phase II clinical trials of FT-002, a total of 13 patients (including 7 from Phase I and 6 in Phase II) received treatment. Our research and development expenses attributable to FT-003 generally remained stable during the Track Record Period.

For the years ended December 31, 2023 and 2024, we recorded research and development expenses attributable to our Core Products of US\$8.8 million and US\$6.2 million, respectively, representing 23.2% and 22.5% of our total operating expenses, defined as the sum of research and development expenses and general and administrative expenses in

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the corresponding years, respectively. Our research and development expenses attributable to our Core Products as a percentage of our total operating expenses remained stable between 2023 and 2024, as (i) we incurred less research and development expenses attributable to our Core Products primarily due to the decreased expenses attributable to FT-002 as explained above, and (ii) we incurred less research and development expenses associated to preclinical studies of other product candidates.

For the nine months ended September 30, 2024 and 2025, we recorded research and development expenses attributable to our Core Products of US\$5.1 million and US\$5.4 million, respectively, representing 21.9% and 36.0% of our total operating expenses. Our research and development expenses attributable to our Core Products as a percentage of our total operating expenses increased between the nine months ended September 30, 2024 and 2025, as we incurred less research and development expenses associated to preclinical studies of other product candidates.

General and Administrative Expenses

Our general and administrative expenses consist of (i) staff costs, representing salaries and related benefit costs for general and administrative personnel, (ii) professional service expenses, representing the cost of engaging professional service providers for consulting, auditing, legal, recruiting and IT services, (iii) depreciation and amortization expenses, (iv) office expenses, and (v) others.

The following table breaks down our general and administrative expenses for the periods indicated.

	For the Year Ended December 31,				For the Nine Months Ended September 30,			
	2023		2024		2024		2025	
	US\$	%	US\$	%	US\$	%	US\$	%
	<i>(US\$ in thousands, except percentages)</i>							
General and Administrative Expenses								
Staff costs	4,717	45.3	3,386	48.5	2,945	49.3	2,148	52.9
Professional services expenses	2,043	19.6	874	12.5	774	13.0	587	14.5
Depreciation and amortization expenses .	2,382	22.9	1,812	25.9	1,477	24.7	788	19.4
Office expenses	263	2.5	254	3.6	157	2.6	132	3.2
Others	1,005	9.7	663	9.5	622	10.4	404	10.0
Total	10,410	100.0	6,989	100.0	5,975	100.0	4,059	100.0

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Other Income

Our other income consists of (i) government grants, mainly subsidies granted by PRC or the U.S. governments as incentives for our research and development and operating activities, and (ii) bank interest income.

The following table breaks down our other income for the periods indicated.

	For the Year Ended December 31,				For the Nine Months Ended September 30,			
	2023		2024		2024		2025	
	US\$	%	US\$	%	US\$	%	US\$	%
	<i>(Unaudited)</i>							
	<i>(US\$ in thousands, except percentages)</i>							
Other income								
Government grants	771	85.3	547	88.7	80	65.6	415	92.0
Bank interest income	133	14.7	70	11.3	42	34.4	36	8.0
Total	904	100.0	617	100.0	122	100.0	451	100.0

Finance Cost

Our finance cost consists of (i) interest expenses on lease liabilities, mainly in relation to the leasehold office premises, (ii) interest expenses on borrowings, and (iii) interest expenses on provisions.

The following table breaks down our finance costs for the periods indicated.

	For the Year Ended December 31,				For the Nine Months Ended September 30,			
	2023		2024		2024		2025	
	US\$	%	US\$	%	US\$	%	US\$	%
	<i>(Unaudited)</i>							
	<i>(US\$ in thousands, except percentages)</i>							
Finance cost								
Interest expenses on lease liabilities	461	48.8	448	49.5	335	49.7	318	48.8
Interest expenses on borrowings	469	49.7	445	49.2	329	48.8	326	50.0
Interest expenses on provisions	14	1.5	12	1.3	10	1.5	8	1.2
Total	944	100.0	905	100.0	674	100.0	652	100.0

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Other Gains and Losses

Our other gains and losses consist of (i) gains from changes in fair value of financial assets at FVTPL, representing gains from cash management products, (ii) net foreign exchange losses and gains, (iii) losses or gains on early termination of a lease, (iv) losses on disposal of property and equipment, and (v) others.

The following table breaks down our other gains and losses for the periods indicated.

	For the Year Ended December 31,				For the Nine Months Ended September 30,			
	2023		2024		2024		2025	
	US\$	%	US\$	%	US\$	%	US\$	%
	<i>(Unaudited)</i>							
	<i>(US\$ in thousands, except percentages)</i>							
Other gains and losses								
Gains from changes in fair value of financial assets at FVTPL	3,677	169.1	2,682	193.1	2,166	68.3	1,214	63.3
Net foreign exchange (losses)/gains	(1,171)	(53.8)	(1,585)	(114.1)	725	22.9	1,594	83.1
(Losses)/gains on early termination of a lease	(20)	(0.9)	–	–	–	–	3,063	159.5
Losses on disposal of property and equipment	(115)	(5.3)	–	–	–	–	(3,574)	(186.3)
Others	(196)	(9.1)	292	21.0	281	8.8	(379)	(19.6)
Total	<u>2,175</u>	<u>100.0</u>	<u>1,389</u>	<u>100.0</u>	<u>3,172</u>	<u>100.0</u>	<u>1,918</u>	<u>100.0</u>

Taxation

Cayman Islands

Under the current laws of the Cayman Islands, our Company is not subject to tax on income or capital gains.

Hong Kong

Under the current Hong Kong Inland Revenue Ordinance, our subsidiary in Hong Kong is subject to Hong Kong profit tax on its taxable income generated from operations in Hong Kong at two-tiered profit tax rates, 8.25% for first HK\$2 million of assessable profits and 16.5% for assessable profits above HK\$2 million. Additionally, payments of dividends by the subsidiary incorporated in Hong Kong to the Company are not subject to any Hong Kong withholding tax. No provision for Hong Kong profits tax has been provided for at the rate of 16.5% as our subsidiaries in Hong Kong had no estimated assessable profit during the Track Record Period.

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Mainland China

Pursuant to the Enterprise Income Tax Law and Implementation Regulations of the Law of the PRC, the applicable tax rate of our mainland China subsidiaries was 25% during the Track Record Period. No provision for mainland China tax has been provided for as our mainland China subsidiaries had no estimated assessable profit during the Track Record Period.

United States

Frontera US, our U.S. subsidiary, is subject to federal income tax at a rate of 21% and the Commonwealth of Massachusetts profit tax at a rate of 8%. No provision for U.S. income tax has been provided for as our U.S. subsidiary had no estimated assessable profit during the Track Record Period.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Nine Months Ended September 30, 2025 Compared to Nine Months Ended September 30, 2024

Research and development expenses

Our research and development expenses decreased by 36.4% from US\$17.3 million in the nine months ended September 30, 2024 to US\$11.0 million in the same period in 2025, primarily attributable to (i) a decrease in staff cost of US\$3.2 million, as we reduced our team size in the United States in line with a change in focus from preclinical studies to clinical development of our Core Products, (ii) a decrease in cost of purchase of US\$1.7 million, as we used materials manufactured from prior periods for our R&D activities and engaged in less preclinical studies, both reducing the need for us to purchase raw materials, and (iii) a decrease in depreciation and amortization expenses of US\$0.9 million, as the leasehold improvement associated with our Suzhou manufacturing facility, some of which were allocated under research and development expenses, were fully amortized by the middle of 2024.

General and administrative expenses

Our general and administrative expenses decreased by 31.7% from US\$6.0 million in the nine months ended September 30, 2024 to US\$4.1 million in the same period in 2025, primarily due to (i) a decrease in staff costs of US\$0.8 million, as we reduced our team size in line with our change in focus, and (ii) a decrease in depreciation and amortization expenses of US\$0.7 million, as the leasehold improvement associated with our Suzhou manufacturing facility, some of which were allocated under general and administrative expenses, were fully amortized by the middle of 2024.

Other Income

Our other income increased by 400.0% from US\$0.1 million in the nine months ended September 30, 2024 to US\$0.5 million in the same period in 2025, primarily due to an increase in government grants of US\$0.3 million.

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Finance cost

Our finance cost remained relatively stable at US\$0.7 million in the nine months ended September 30, 2024 and 2025.

Other gains and losses

Our other gains decreased by 40.6% from US\$3.2 million in the nine months ended September 30, 2024 to US\$1.9 million in the same period in 2025, primarily due to (i) the losses on disposal of property and equipment of US\$3.6 million relating to a relocation of our U.S. laboratory and the disposal of obsolete equipment and (ii) a decrease in gains from changes in fair value of financial assets at FVTPL of US\$1.0 million as we held less cash management products, partially offset by an increase in gain on early termination of a lease of US\$3.1 million relating to the relocation of our U.S. laboratory in September 2025.

Loss for the period

As a result of the foregoing, our loss for the period decreased by 35.7% from US\$20.7 million in the nine months ended September 30, 2024 to US\$13.3 million in the same period in 2025.

Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

Research and development expenses

Our research and development expenses decreased by 25.4% from US\$27.6 million in 2023 to US\$20.6 million in 2024, primarily attributable to a change in our development focus from preclinical studies to early-stage clinical trials which involved limited participant enrollment. In particular, the decrease consists of (i) a decrease in staff costs of US\$2.9 million, as we reduced our team size in line with the change in focus, (ii) a decrease in cost of purchase of US\$0.9 million, as we engaged in less preclinical studies, (iii) a decrease in depreciation and amortization expenses of US\$1.8 million, as the leasehold improvement associated with our Suzhou manufacturing facility, some of which were allocated under research and development expenses, were fully amortized by the middle of 2024, and (iv) a decrease in professional services expenses of US\$1.4 million, as we conducted more clinical trials in-house instead of relying on CROs.

General and administrative expenses

Our general and administrative expenses decreased by 32.7% from US\$10.4 million in 2023 to US\$7.0 million in 2024, primarily due to (i) a decrease in staff cost of US\$1.3 million, as we reduced our team size in line with the change in focus, (ii) a decrease in professional services expenses of US\$1.2 million, as our professional service providers lowered their fees, and (iii) a decrease in depreciation and amortization expenses of US\$0.6 million, as the leasehold improvement associated with our Suzhou manufacturing facility, some of which were allocated under general and administrative expenses, were fully amortized by the middle of 2024.

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Other income

Our other income decreased by 33.3% from US\$0.9 million in 2023 to US\$0.6 million in 2024, primarily due to a decrease in government grants of US\$0.2 million.

Finance cost

Our finance cost remained relatively stable at US\$0.9 million in 2023 and 2024.

Other gains and losses

Our other gains and losses decreased by 36.4% from US\$2.2 million in 2023 to US\$1.4 million in 2024, primarily due to a decrease in gain from changes in fair value of financial assets at FVTPL of US\$1.0 million, as we held less cash management products.

Loss for the year

As a result of the foregoing, our loss for the year decreased by 26.2% from US\$35.9 million in 2023 to US\$26.5 million in 2024.

DISCUSSION OF CERTAIN KEY ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated.

	As of December 31,		As of
	2023	2024	September 30, 2025
	<i>(US\$ in thousands)</i>		
Total non-current assets	19,770	16,501	7,640
Total current assets	79,041	55,173	44,910
Total assets	98,811	71,674	52,550
Total non-current liabilities	16,272	16,238	9,586
Total current liabilities	5,465	4,424	6,106
Total liabilities	21,737	20,662	15,692
Net current assets	73,576	50,749	38,804
Net assets	77,074	51,012	36,858

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Our net assets decreased from US\$77.1 million as of December 31, 2023 to US\$51.0 million as of December 31, 2024 and further decreased to US\$36.9 million as of September 30, 2025. The decrease was mainly due to our loss of US\$26.5 million for the year ended December 31, 2024 and loss of US\$13.3 million for the nine months ended September 30, 2025.

The following table sets forth our current assets and current liabilities as of the dates indicated.

	As of December 31,		As of September 30,	As of October 31,
	2023	2024	2025	2025
				<i>(Unaudited)</i>
				<i>(US\$ in thousands)</i>
Current assets:				
Prepayments and other				
receivables	1,624	1,908	1,592	1,670
Financial assets at FVTPL	61,184	39,096	32,546	27,047
Inventories	2,705	1,362	1,088	1,177
Cash and cash equivalents	13,528	12,807	9,684	13,769
Total current assets	79,041	55,173	44,910	43,663
Current liabilities:				
Trade payables	902	314	503	591
Other payables and accruals	4,007	2,078	3,068	4,052
Borrowings	14	1,383	2,109	1,415
Lease liabilities	542	649	426	432
Total current liabilities	5,465	4,424	6,106	6,490
Net current assets	73,576	50,749	38,804	37,173

Our net current assets decreased from US\$73.6 million as of December 31, 2023 to US\$50.7 million as of December 31, 2024 and further decreased to US\$38.8 million as of September 30, 2025. The decrease was mainly due to our loss of US\$26.5 million for the year ended December 31, 2024 and loss of US\$13.3 million for the nine months ended September 30, 2025. Our net current asset remained stable between US\$38.8 million as of September 30, 2025 and US\$37.2 million as of October 31, 2025.

Property and Equipment

Our property and equipment consist of (i) experimental equipment, (ii) electronic equipment, (iii) furniture and equipment, (iv) leasehold improvement, and (v) construction in progress.

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The following table sets forth our property and equipment as of the dates indicated.

	As of December 31,		As of September 30,
	2023	2024	2025
	<i>(US\$ in thousands)</i>		
Property and equipment			
Experimental equipment	9,721	7,725	5,722
Electronic equipment	152	24	24
Furniture and equipment	250	154	17
Leasehold improvement	5,167	3,319	51
Construction in progress	7	6	4
Total	15,297	11,228	5,818

Our property and equipment decreased from US\$15.3 million as of December 31, 2023 to US\$11.2 million as of December 31, 2024, primarily attributable to a decrease in our experimental equipment of US\$2.0 million and a decrease in our leasehold improvement of US\$1.8 million, both as a result of depreciation and amortization. Our property and equipment further decreased to US\$5.8 million as of September 30, 2025, primarily due to a decrease in our leasehold improvement of US\$3.3 million and a decrease in our experimental equipment of US\$2.0 million, both as a result of the relocation of our U.S. laboratory and the disposal of obsolete equipment.

Intangible Assets

Our intangible assets primarily consist of our software systems. Our intangible assets decreased from US\$0.2 million as of December 31, 2023 to US\$32 thousand as of December 31, 2024, primarily due to amortization. Our intangible assets further decreased to US\$16 thousand as of September 30, 2025, primarily due to amortization.

Right-of-Use Assets

Our right-of-use assets primarily consist of plant and office premises. Our right-of-use assets increased from US\$3.5 million as of December 31, 2023 to US\$4.1 million as of December 31, 2024, because we renewed our leases for office premises in Shanghai and our manufacturing facility in Suzhou. Our right-of-use assets decreased to US\$0.8 million as of September 30, 2025, primarily due to the early termination of a lease relating to the relocation of our U.S. laboratory.

Restricted Bank Balances

Our restricted bank balances primarily consist of amounts pledged to a bank against banking facilities granted by the bank that were used to support our leasing of a U.S. laboratory. We recorded restricted bank balances of US\$0.3 million as of both December 31, 2023 and December 31, 2024. Our restricted bank balances decreased to nil as of September 30, 2025, as we terminated the lease for our U.S. laboratory.

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Prepayments and Other Receivables

Our prepayments and other receivables consist of (i) value-added tax recoverable, (ii) prepayments for research and development, (iii) prepaid expenses, including prepaid rental and insurance expenses, (iv) rental deposits, and (v) other receivables.

The following table sets forth our prepayments and other receivables as of the dates indicated.

	As of December 31,		As of September 30,
	2023	2024	2025
	<i>(US\$ in thousands)</i>		
Prepayments and other receivables			
Value-added tax recoverable	329	654	902
Prepayments for research and development	1,431	1,786	1,384
Prepaid expenses	145	77	61
Rental deposits	115	164	143
Other receivables	15	–	126
	2,035	2,681	2,616
Less: Deposits clarified as non-current asset	(82)	(119)	(122)
Less: Value-added tax recoverable classified as non-current assets	(329)	(654)	(902)
Balance classified as current assets . . .	1,624	1,908	1,592

Our prepayments and other receivables increased from US\$2.0 million as of December 31, 2023 to US\$2.7 million as of December 31, 2024. The increase was mainly due to an increase in value-added tax recoverable of US\$0.3 million and an increase in prepayments for research and development of US\$0.4 million. As we have not generated revenue, our value-added tax recoverable related to the input value-added tax we paid for research materials and other goods and services which are expected to offset output value-added tax incurred afterwards. We are able to carry the value-added tax recoverable forward for an infinite period of time. The increase in prepayments for research and development is in line with the progress of our clinical trials.

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Our prepayments and other receivables decreased from US\$2.7 million as of December 31, 2024 to US\$2.6 million as of September 30, 2025. The decrease was mainly due to a decrease in prepayments for research and development of US\$0.4 million, primarily because our development of drug candidates have not reached milestones for significant payments, partially offset by an increase in value-added tax recoverable of US\$0.2 million, for the same reason as set forth above.

Financial Assets at FVTPL

Our financial assets at FVTPL represent cash management products that we purchased to better utilize our idle cash. These assets are managed by reputable financial institutions and the underlying investments consist of low-risk instruments including time deposits, money market ETFs and cash. Our financial assets at FVTPL decreased from US\$61.2 million as of December 31, 2023 to US\$39.1 million as of December 31, 2024, as we reduced our holdings of the cash management products. Our financial assets at fair value through profit or loss further decreased to US\$32.5 million as of September 30, 2025, as we reduced our holdings of the cash management products.

Inventories

Our inventories primarily consist of materials for our research and development activities. Our inventories decreased from US\$2.7 million as of December 31, 2023 to US\$1.4 million as of December 31, 2024, respectively, primarily because we maintained excess inventories during COVID-19 and gradually consumed the excess inventories. Our inventories further decreased to US\$1.1 million as of September 30, 2025, primarily due to the regular consumption of materials.

Cash and cash equivalents

Our cash and cash equivalents decreased from US\$13.5 million as of December 31, 2023 to US\$12.8 million as of December 31, 2024, primarily due to the cash requirements of our operations. Our cash and cash equivalents further decreased to US\$9.7 million as of September 30, 2025, primarily due to the cash requirements of our operations.

Trade Payables

Our trade payables primarily include outsourced research and development expenses and procurement costs of research materials. Our trade payables decreased from US\$0.9 million as of December 31, 2023 to US\$0.3 million as of December 31, 2024. The decrease was mainly due to a change in one of our CROs. Our trade payables increased to US\$0.5 million as of September 30, 2025. The increase was mainly attributable to legal fees relating to patent law.

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The following table sets forth the aging analysis of our trade payables as of the dates indicated.

	As of December 31,		As of September 30,
	2023	2024	2025
	<i>(US\$ in thousands)</i>		
Trade payables			
Within 30 days	439	249	495
31 days to 60 days	281	14	8
61 days to 180 days	182	51	–
Total	902	314	503

As of October 31, 2025, US\$174 thousand, or 35%, of our trade payables as of September 30, 2025 had been settled.

Other Payables and Accruals

Our other payables and accruals consist of (i) accrued research and development expenses, (ii) accrued legal and professional fees, which are mainly fees for executive search services and legal consulting services, (iii) payroll payables, which are mainly for accrued social insurance and housing provident fund, as well as unpaid annual bonuses, (iv) other tax payables, which are mainly for accrued individual income tax, (v) payables on the purchase of property and equipment, and (vi) others.

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The following table sets forth our other payables and accruals as of the dates indicated.

	As of December 31,		As of September 30,
	2023	2024	2025
	<i>(US\$ in thousands)</i>		
Other payables and accruals			
Accrued research and development expenses	1,483	664	924
Accrued legal and professional fees	354	361	283
Payroll payables	2,039	970	1,835
Other tax payables	67	66	22
Payables on the purchase of property and equipment	39	–	–
Others	25	17	4
Total	4,007	2,078	3,068

Our other payables and accruals decreased from US\$4.0 million as of December 31, 2023 to US\$2.1 million as of December 31, 2024. The decrease was mainly due to a decrease in payroll payables of US\$1.0 million as we reduced our team size in line with the change in development focus. Our other payables and accruals increased from US\$2.1 million as of December 31, 2024 to US\$3.1 million as of September 30, 2025. The increase was mainly related to a temporary increase in accrued bonus that was subsequently settled in November 2025.

Borrowings

Our borrowings consist of short-term and long-term bank loans. Our borrowings increased from US\$9.7 million as of December 31, 2023 to US\$10.8 million as of December 31, 2024, primarily due to the cash requirements of our operations. Our borrowings increased to US\$11.1 million as of September 30, 2025, primarily due to exchange rate fluctuation.

Lease Liabilities

As of December 31, 2023 and 2024, our lease liabilities, which are premises we leased for office space and manufacturing, increased from US\$6.7 million to US\$7.1 million, respectively, because we renewed our leases for office premises in Shanghai and our manufacturing facility in Suzhou. Our lease liabilities decreased to US\$0.6 million as of September 30, 2025, primarily due to the early termination of a lease relating to the relocation of our U.S. laboratory.

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Provision

Our provisions primarily consist of provisions accrued for reinstatement costs required by certain leasehold premises upon termination. Our provisions remained stable at US\$0.4 million as of December 31, 2023 and 2024, and still US\$0.4 million as of September 30, 2025.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we funded our cash requirements principally from equity and debt financings.

We had cash and cash equivalents of US\$13.5 million and US\$12.8 million as of December 31, 2023 and 2024, respectively, and US\$9.7 million as of September 30, 2025. Our cash and cash equivalents consist of bank deposits. After the [REDACTED], we intend to finance our future capital requirements through the net [REDACTED] from the [REDACTED] and other future equity or debt financings. We currently do not anticipate any changes to the availability of financing to fund our operations in the near future.

Working Capital Sufficiency

Our Directors are of the view that we have sufficient working capital to cover at least 125% of our costs, consisting of research and development expenses and general and administrative expenses (including any production costs), for at least the next 12 months from the date of this document.

Our cash burn rate refers to the average monthly amount of cash used in operating activities. We estimate that we will receive net [REDACTED] of approximately [REDACTED] from the [REDACTED], assuming an [REDACTED] of [REDACTED], being the low end of the indicative [REDACTED] range stated in this document. Assuming an average monthly cash burn rate going forward of 2.0 times the level during the nine months ended September 30, 2025, we estimate that (i) without taking into account the estimated [REDACTED] for the [REDACTED], our total cash balance as of September 30, 2025, including cash and cash equivalents and financial assets measured at FVTPL, will be able to maintain our financial viability for 17 months, (ii) if we take into account the [REDACTED] of the estimated net [REDACTED] from the [REDACTED] that is allocated to our working capital and other general corporate purposes, [REDACTED], and (iii) if we take into account all of the estimated net [REDACTED] from the [REDACTED], [REDACTED]. We expect to raise our next round of financing no earlier than six months after the completion of the [REDACTED].

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Cash Flows

The following table sets forth our cash flows for the periods indicated.

	For the Year Ended December 31,		For the Nine Months Ended September 30,	
	2023	2024	2024	2025
			<i>(Unaudited)</i>	
			<i>(US\$ in thousands)</i>	
Net cash used in operating activities	(26,829)	(23,106)	(20,217)	(10,436)
Net cash from investing activities	21,485	24,437	17,882	7,774
Net cash used in financing activities	(1,197)	(1,692)	(1,113)	(1,035)
Net decrease in cash and cash equivalents	(6,541)	(361)	(3,448)	(3,697)
Cash and cash equivalents at beginning of the year/period	19,953	13,528	13,528	12,807
Cash and cash equivalents at end of the year/period . . .	13,528	12,807	10,760	9,684

Net cash used in operating activities

In the nine months ended September 30, 2025, net cash used in operating activities was US\$10.4 million. The difference between net cash used in operating activities and the loss before tax of US\$13.3 million was the result of certain non-cash and non-operating items, which primarily consist of (i) losses on disposal of property and equipment of US\$3.6 million, and (ii) depreciation of property and equipment of US\$1.9 million, partially offset by (i) gain on early termination of a lease of US\$3.1 million, and (ii) unrealized foreign exchange gains of US\$1.6 million. The amount was further adjusted for movements in working capital, which primarily consist of an increase in other payables and accruals of US\$1.0 million.

In 2024, net cash used in operating activities was US\$23.1 million. The difference between net cash used in operating activities and the loss before tax of US\$26.5 million was the result of certain non-cash and non-operating items, which primarily consist of (i) depreciation of property and equipment of US\$4.1 million, and (ii) unrealized foreign exchange losses of US\$1.6 million, partially offset by net gains on fair value changes of financial assets measured at FVTPL of US\$2.7 million. The amount was further adjusted for movements in working capital, which primarily consisted of (i) a decrease in other payables and accruals of US\$1.9 million, and (ii) a decrease in trade payables of US\$0.6 million, partially offset by a decrease in inventories of US\$1.3 million.

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In 2023, net cash used in operating activities was US\$26.8 million. The difference between net cash used in operating activities and the loss before tax of US\$35.9 million was the result of certain non-cash and non-operating items, which primarily consist of (i) depreciation of property and equipment of US\$6.0 million, (ii) depreciation of right-of-use assets of US\$1.2 million, and (iii) unrealized foreign exchange losses of US\$1.2 million, partially offset by net gains on fair value changes of financial assets measured at FVTPL of US\$3.7 million. The amount was further adjusted for movements in working capital, which primarily consisted of a decrease in prepayments and other receivables of US\$2.8 million, partially offset by a decrease in other payables and accruals of US\$0.3 million.

Net cash from investing activities

In the nine months ended September 30, 2025, net cash from investing activities was US\$7.8 million, primarily attributable to proceeds from disposal of financial assets measured at FVTPL of US\$7.8 million.

In 2024, net cash from investing activities was US\$24.4 million, primarily attributable to proceeds from disposal of financial assets measured at FVTPL of US\$24.8 million, partially offset by purchase of property and equipment of US\$0.4 million.

In 2023, net cash from investing activities was US\$21.5 million, primarily attributable to proceeds from disposal of financial assets measured at FVTPL of US\$22.8 million, partially offset by purchase of property and equipment of US\$1.6 million.

Net cash used in financing activities

In the nine months ended September 30, 2025, net cash used in financing activities was US\$1.0 million, primarily attributable to payment for lease liabilities of US\$0.7 million.

In 2024, net cash used in financing activities was US\$1.7 million, primarily attributable to (i) payment for lease liabilities of US\$1.9 million, (ii) payment for repurchase of ordinary shares of US\$0.7 million, and (iii) bank interest paid of US\$0.4 million, partially offset by proceeds from borrowings of US\$1.4 million.

In 2023, net cash used in financing activities was US\$1.2 million, primarily attributable to (i) payment for lease liabilities of US\$1.4 million and (ii) bank interest paid of US\$0.5 million, partially offset by proceeds from the exercise of share options of US\$0.6 million.

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CASH OPERATING COSTS

The following table sets forth our cash operating costs for the periods indicated:

	For the Year Ended December 31,		For the Nine Months Ended September 30,	
	2023	2024	2024	2025
	<i>(US\$ in thousands)</i>			
Costs relating to research and development of our Core Products				
Staff costs	2,650	1,850	1,466	1,347
Cost of purchase	1,046	384	271	581
Professional services expenses	2,874	2,947	2,654	2,546
Others	397	275	196	266
Subtotal	6,967	5,456	4,587	4,740
Costs relating to research and development of our other drug candidates				
Staff costs	7,486	5,579	5,041	1,888
Cost of Purchase	2,742	2,534	2,390	342
Professional services expenses	3,762	2,265	1,599	1,237
Others	1,165	1,241	1,071	866
Subtotal	15,155	11,619	10,101	4,333
Total research and development cost	22,122	17,075	14,688	9,073
Labor cost for non-research and development staff	5,101	3,358	2,774	1,881
Other operating costs	3,311	1,791	1,553	1,123

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INDEBTEDNESS

The following table sets forth the breakdown of our indebtedness as of the dates indicated.

	As of December 31,		As of September 30,	As of October 31,
	2023	2024	2025	2025
	<i>(unaudited)</i>			
	<i>(US\$ in thousands)</i>			
Current				
Borrowings	14	1,383	2,109	2,149
Lease liabilities	542	649	426	430
Non-current				
Borrowings	9,693	9,406	8,972	8,994
Lease liabilities	6,169	6,410	218	183
Total	16,418	17,848	11,725	11,756

For details of our borrowings and lease liabilities, please refer to “— Discussion of Certain Key Items from the Consolidated Statements of Financial Position — Borrowings” and “— Discussion of Certain Key Items from the Consolidated Statements of Financial Position — Lease Liabilities”. Our total indebtedness remained stable between US\$11.7 million as of September 30, 2025 and US\$11.8 million as of October 31, 2025.

Contingent Liabilities or Guarantees

During the Track Record Period and up to the Latest Practicable Date, we did not have any material contingent liabilities or guarantees.

No Other Outstanding Indebtedness

Except as disclosed above, as of October 31, 2025, being the latest practicable date for determining our indebtedness, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities.

CAPITAL EXPENDITURES

Our capital expenditures are primarily incurred for the purchase of equipment. Our capital expenditures were US\$1.6 million and US\$0.4 million in 2023 and 2024, respectively, and were US\$0.2 million and US\$26 thousand in the nine months ended September 30, 2024 and 2025, respectively.

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We intend to fund our future capital expenditures with our existing cash balance and proceeds from the [REDACTED]. See the section headed “Future Plans and Use of [REDACTED]” for more details. We may reallocate the funds to be utilized on capital expenditure and long-term investments based on our ongoing business needs.

CONTRACTUAL OBLIGATIONS

Capital Commitments

Our capital commitments during the Track Record Period related to capital expenditures in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements. Our capital commitments decreased from US\$29 thousand as of December 31, 2023 to US\$21 thousand as of December 31, 2024, then further decreased to nil as of September 30, 2025.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios for the periods indicated.

	For the Year Ended December 31,		For the Nine Months ended September 30,
	2023	2024	2025
Current ratio ⁽¹⁾	14.5	12.5	7.4

Note:
(1) Current ratio represents current assets divided by current liabilities at the end of year/period.

Our current ratio remained generally stable between December 31, 2023 and 2024. It decreased between December 31, 2024 and September 30, 2025, primarily due to a decrease in our cash and cash equivalents to fund our operations.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholders’ equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or product development services with us.

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RELATED PARTY TRANSACTIONS

We did not have any material related party transactions during the Track Record Period. See note 34 in the Accountants' Report set out in Appendix I of this document for details on our transactions with related parties during the Track Record Period.

FINANCIAL RISK DISCLOSURE

We are exposed to a variety of financial risks, including market risks (such as currency risk and interest rate risk), credit risk and liquidity risk. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. See note 32 to the Accountants' Report in Appendix I to this document for a detailed description of our financial risk management.

Currency Risk

We are exposed to foreign currency risks due to certain cash and cash equivalents we hold that are denominated in RMB instead of functional currency of respective group entities, the U.S. dollar. We currently do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. For further details in relation to currency risks, see note 32(b) to the Accountants' Report in Appendix I to this document.

Interest Rate Risk

We are exposed to fair value interest rate risk in relation to time deposits, borrowings, lease liabilities and cash flow interest rate risk in relation to the cash and cash equivalents due to the fluctuation of the prevailing market interest rates during the Track Record Period.

We currently do not have any interest rate hedging policy in relation to fair value and cash flow interest rate risks. Our management monitors our exposure on an ongoing basis and will consider hedging interest rate risk should the need arise. Our cash flow interest rate risk is mainly sensitive to the fluctuation of interest rate arising from our cash and cash equivalents.

Credit Risk and Impairment Assessment

Credit risk refers to the risk that our counterparties default on their contractual obligations resulting in our financial losses. Our credit risk exposures are primarily attributable to other receivables, cash and cash equivalents and restricted bank balances. We do not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets. For further details in relation to credit risk and impairment assessment, see Note 32(b) to the Accountants' Report in Appendix I to this document.

Liquidity Risk

In the management of our liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance our operations and mitigate the effects of fluctuations in cash flows. For further details in relation to liquidity risk, see note 32(b) to the Accountants' Report in Appendix I to this document.

FINANCIAL INFORMATION

DIVIDEND POLICY

We did not declare or distribute dividends to our shareholders during the Track Record Period, nor do we have any present plan to pay any cash dividends on our ordinary shares in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

According to our Articles of Association and applicable laws and regulations, the decision on whether to pay dividends will be made at the discretion of our Directors and will depend upon, among other things, our financial results, cash flows, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, any restrictions on payment of dividends, and other factors that our Directors may consider relevant. We do not have a pre-determined dividend payout ratio. As advised by our legal advisor on Cayman Islands law, Harney Westwood & Riegels, under the Companies Act (As Revised) of the Cayman Islands, a position of accumulated losses does not necessarily restrict us to declare and pay dividends to our shareholders as dividends may be declared and paid out of our share premium account notwithstanding our profitability, provided that our Company is able to pay its debts as they fall due in the ordinary course of business immediately after such payment.

We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividends will also depend on the availability of dividends received from our subsidiaries. PRC laws require that dividends shall be paid only out of the profit for the year determined according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require foreign-invested enterprises to set aside 10% of its after-tax profits, if any, to fund its statutory reserve funds, until the aggregate amount of such a fund reaches 50% of its registered capital. Such reserve funds are not available for distribution as cash dividends. Dividend distribution to our shareholders is recognized as a liability in the period in which the dividends are approved by our shareholders or Directors, where appropriate.

DISTRIBUTABLE RESERVES

As of September 30, 2025, our Company did not have any distributable reserves available for distribution to our shareholders.

[REDACTED]

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[REDACTED]

FINANCIAL INFORMATION

[REDACTED]

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since September 30, 2025, being the end date of our latest consolidated financial statements, and there has been no event since September 30, 2025 that would materially affect the information shown in the Accountants' Report set out in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.