

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 2024 and 2025 refer to our financial years ended December 31 of such years.

OVERVIEW

We currently have no products approved for commercial sales and were loss-making during the Track Record Period. We incurred losses of US\$26.5 million and US\$19.5 million for the years ended December 31, 2024 and 2025, respectively, and losses of US\$8.2 million and US\$4.7 million for the six months ended June 30, 2025 and 2026, respectively. Our losses primarily resulted from research and development expenses and general and administrative expenses.

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. 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.

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, 2024 and 2025, our research and development expenses were US\$20.6 million and US\$13.9 million, respectively. For the six months ended June 30, 2025 and 2026, our research and development expenses were US\$7.1 million and US\$5.3 million, respectively. We expect our research and development expenses to increase in the foreseeable future as we advance our drug candidates.

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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, 2024 and 2025, our general and administrative expenses were US\$7.0 million and US\$5.1 million, respectively. For the six months ended June 30, 2025 and 2026, our general and administrative expenses were US\$2.7 million and US\$2.4 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.

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.

For a detailed discussion of material accounting policies, estimates, assumptions and judgments, please refer to the notes of the Accountants’ Report in Appendix I to this document.

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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 year are not necessarily indicative of our future trends.

	For the Year Ended December 31,		For the Six Months Ended June 30,	
	2024	2025	2025	2026
	<i>(US\$ in thousands)</i>			
	<i>(Unaudited)</i>			
Research and development expenses	(20,576)	(13,925)	(7,116)	(5,305)
General and administrative expenses	(6,989)	(5,135)	(2,708)	(2,430)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other income	617	488	374	1,702
Finance costs	(905)	(768)	(441)	(241)
Other gains and losses	1,389	2,465	1,684	2,233
Loss before tax	(26,464)	(19,528)	(8,207)	(4,744)
Loss for the year	(26,464)	(19,528)	(8,207)	(4,744)
Other comprehensive income				
Exchange difference arising on translation of foreign operations	870	(1,776)	(828)	(1,691)
Total comprehensive expense for the year	(25,594)	(21,304)	(9,035)	(6,435)

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 Six Months Ended June 30,			
	2024		2025		2025		2026	
	US\$	%	US\$	%	US\$	%	US\$	%
	<i>(US\$ in thousands, except percentages)</i>							
	<i>(Unaudited)</i>							
Research and development expenses								
Staff costs	7,644	37.1	4,173	30.0	2,271	31.9	1,768	33.3
Cost of purchase	2,918	14.2	1,263	9.1	645	9.1	951	17.9
Professional services expenses	5,212	25.3	4,901	35.1	2,345	33.0	1,338	25.2
Depreciation and amortization expenses	3,286	16.0	2,196	15.8	1,228	17.3	765	14.4
Others	1,516	7.4	1,392	10.0	627	8.7	483	9.2
Total	20,576	100.0	13,925	100.0	7,116	100.0	5,305	100.0

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For the years ended December 31, 2024 and 2025, our research and development expenses was US\$20.6 million and US\$13.9 million, respectively, representing 74.6% and 73.1% of our total operating expenses, defined as the sum of research and development expenses and general and administrative expenses in the corresponding years, respectively. For the six months ended June 30, 2025 and 2026, our research and development expenses was US\$7.1 million and US\$5.3 million, respectively, representing 72.4% and 68.6% of our total operating expenses, respectively.

For the years ended December 31, 2024 and 2025 and the six months ended June 30, 2026, we recorded research and development expenses incurred in the United States of US\$8.4 million, US\$5.1 million and US\$1.1 million, respectively, representing a combined 36.5% of our total research and development expenses in the Track Record Period. Our research and development activities in the United States primarily include target discovery and validation, candidate drug screening, and early-stage *in vitro* and *in vivo* studies. Our research and development expenses in the United States are primarily consist of (i) staff costs, (ii) cost of purchase, (iii) professional service fees, (iv) depreciation and amortization expenses, (v) office expenses, and (vi) others.

During the Track Record Period, the majority of our research and development expenses incurred in the United States were invested in FT-017, FT-018, FT-019, and FT-023. In detail, US\$8.5 million, representing 58.6% of the total US\$14.5 million, was spent on the aforementioned research and development activities for the four drug products. Following these investments, FT-017 has obtained an IND approval for the Phase I clinical trial, FT-018 has achieved drug candidate designation, FT-023 has completed gene of interest (“GOI”) screening and is expected to achieve drug candidate designation shortly, and FT-019 is currently in the early-stage research and discovery phase. Our research and development activities in the United States also provide critical support for our Core Products, FT-002 and FT-003, which are expected to initiate Phase III clinical trials in the second and first quarters of 2027, respectively. During the Track Record Period, US\$1.4 million, representing 9.5% of the total US\$14.5 million, was invested in supporting these two drug products.

Research and Development Expenses for Core Products

During the Track Record Period, US\$4.9 million of our research and development expenses was attributable to FT-002, of which US\$4.5 million was incurred in mainland China and US\$0.4 million was incurred in the United States; US\$13.3 million of our research and development expenses was attributable to FT-003, of which US\$12.3 million was incurred in mainland China and US\$1.0 million was incurred in the United States; and US\$21.6 million of our research and development expenses was attributable to all other drug candidates, of which US\$8.5 million was incurred in mainland China and US\$13.1 million was incurred in the United States.

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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 Six Months Ended June 30,	
	2024	2025	2025	2026
	US\$	US\$	US\$	US\$
	(US\$ in thousands)			
	(Unaudited)			
Research and development expenses attributable to FT-002				
Pre-clinical costs	127	96	53	221
Clinical costs	1,622	1,243	463	551
Others ⁽¹⁾	432	394	104	219
Subtotal	2,181	1,733	620	991
Research and development expenses attributable to FT-003				
Pre-clinical costs	328	572	244	72
Clinical costs	3,139	4,681	2,124	2,670
Others ⁽¹⁾	564	745	440	483
Subtotal	4,031	5,998	2,808	3,225
Total	6,212	7,731	3,428	4,216

Note:

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

For the years ended December 31, 2024 and 2025, we recorded research and development expenses attributable to one of our Core Products FT-002 of US\$2.2 million and US\$1.7 million, respectively, representing 10.6% and 12.5% of our total research and development expenses, respectively. For the six months ended June 30, 2025 and 2026, we recorded research and development expenses attributable to one of our Core Products FT-002 of US\$0.6 million and US\$1.0 million, respectively, representing 8.7% and 18.7% of our total research and development expenses, respectively.

Our research and development expenses attributable to FT-002 decreased from 2024 to 2025, primarily because we conducted more clinical trials in-house instead of relying on CROs. 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 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-002 increased from the six months ended June 30, 2025 to the six months ended June 30, 2026, primarily because the staff costs increased due to the optimization of manufacturing processes and the development of QC methods for Phase III drug production in clinical trials of FT-002.

For the years ended December 31, 2024 and 2025, we recorded research and development expenses attributable to one of our Core Products FT-003 of US\$4.0 million and US\$6.0 million, respectively, representing 19.6% and 43.1% of our total research and development expenses, respectively. For the six months ended June 30, 2025 and 2026, we recorded research and development expenses attributable to one of our Core Products FT-003 of US\$2.8 million and US\$3.2 million, respectively, representing 39.5% and 60.8% of our total research and development expenses, respectively.

Our research and development expenses attributable to FT-003 increased from 2024 to 2025, primarily due to the expansion of the clinical trials due to increased participant enrollment. Our research and development expenses attributable to FT-003 increased from the six months ended June 30, 2025 to the six months ended June 30, 2026, primarily because the staff costs and material costs increased due to the optimization of manufacturing processes and the development of QC methods for Phase III drug production in clinical trials of FT-003.

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For the years ended December 31, 2024 and 2025, we recorded research and development expenses attributable to our Core Products of US\$6.2 million and US\$7.7 million, respectively, representing 22.5% and 40.6% of our total operating expenses, respectively. Our research and development expenses attributable to our Core Products as a percentage of our total operating expenses increased from 2024 to 2025, as (i) we incurred more research and development expenses attributable to our Core Products primarily due to the increased expenses attributable to FT-003 as explained above, and (ii) we incurred less general and administrative expenses due to the staff costs as we reduced our team size in line with the change in focus.

For the six months ended June 30, 2025 and 2026, we recorded research and development expenses attributable to our Core Products of US\$3.4 million and US\$4.2 million, respectively, representing 34.9% and 54.5% of our total operating expenses. Our research and development expenses attributable to our Core Products as a percentage of our total operating expenses increased from the six months ended June 30, 2025 to the six months ended June 30 2026, as (i) we incurred more research and development expenses attributable to our Core Products as explained above, and (ii) we incurred less general and administrative expenses due to the depreciation and amortisation expenses as we disposed fit-outs and furniture in connection with the relocation of our U.S. office.

Research and Development Expenses for Other Products

The following table sets forth the research and development expenses attributable to each drug product in addition to Core Products by jurisdiction for the periods indicated.

	For the Year Ended December 31,						For the Six Months Ended June 30,					
	2024			2025			2025			2026		
	U.S.	China	Total	U.S.	China	Total	U.S.	China	Total	U.S.	China	Total
(US\$ in thousands)												
(Unaudited)												
Drug Candidates												
FT-001	228	799	1,027	160	614	774	97	592	689	37	58	95
FT-017	2,302	5,083	7,385	167	437	604	155	408	563	74	68	142
FT-018	1,505	65	1,570	80	7	87	70	3	73	21	–	21
FT-023	518	–	518	2,711	658	3,369	1,821	–	1,821	215	135	350
Other												
pipelines ⁽¹⁾ . . .	2,120	480	2,600	606	61	667	289	53	342	5	18	23
Total	6,673	6,427	13,100	3,724	1,777	5,501	2,432	1,056	3,488	352	279	631

Note:

- (1) Includes FT-019, FT-022 and other undisclosed pipelines which are still in the stage of pre-clinical studies.

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.

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

	For the Year Ended December 31,				For the Six Months Ended June 30,			
	2024		2025		2025		2026	
	US\$	%	US\$	%	US\$	%	US\$	%
	(US\$ in thousands, except percentages) (Unaudited)							
General and Administrative Expenses								
Staff costs	3,386	48.5	2,812	54.8	1,497	55.3	1,487	61.2
Professional services expenses	874	12.5	701	13.6	390	14.4	352	14.5
Depreciation and amortization expenses .	1,812	25.9	910	17.7	586	21.6	209	8.6
Office expenses	254	3.6	214	4.2	93	3.4	193	7.9
Others	663	9.5	498	9.7	142	5.3	189	7.8
Total	6,989	100.0	5,135	100.0	2,708	100.0	2,430	100.0

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 Six Months Ended June 30,			
	2024		2025		2025		2026	
	US\$	%	US\$	%	US\$	%	US\$	%
	(US\$ in thousands, except percentages) (Unaudited)							
Other income								
Government grants	547	88.7	434	88.9	345	92.2	1,651	97.0
Bank interest income . . .	70	11.3	54	11.1	29	7.8	51	3.0
Total	617	100.0	488	100.0	374	100.0	1,702	100.0

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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 Six Months Ended June 30,			
	2024		2025		2025		2026	
	US\$	%	US\$	%	US\$	%	US\$	%
	<i>(US\$ in thousands, except percentages)</i>							
	<i>(Unaudited)</i>							
Finance cost								
Interest expenses on lease liabilities	448	49.5	326	42.5	216	49.0	12	5.0
Interest expenses on borrowings	445	49.2	431	56.1	220	49.9	223	92.5
Interest expenses on provisions	12	1.3	11	1.4	5	1.1	6	2.5
Total	905	100.0	768	100.0	441	100.0	241	100.0

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 Six Months Ended June 30,			
	2024		2025		2025		2026	
	US\$	%	US\$	%	US\$	%	US\$	%
	<i>(US\$ in thousands, except percentages)</i>							
	<i>(Unaudited)</i>							
Other gains and losses								
Gains from changes in fair value of financial assets at FVTPL	2,682	193.1	1,502	60.9	848	50.4	357	16.0
Net foreign exchange gains/(losses)	(1,585)	(114.1)	2,250	91.3	1,189	70.6	1,844	82.6
Gains on early termination of a lease	—	—	3,063	124.3	—	—	—	—
Gains/(losses) on disposal of property and equipment	—	—	(3,496)	(141.8)	(334)	(19.8)	33	1.5
Others	292	21.0	(854)	(34.7)	(19)	(1.2)	(1)	*
Total	1,389	100.0	2,465	100.0	1,684	100.0	2,233	100.0

Note:

* Less than 0.1.

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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.

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

Six Months Ended June 30, 2026 Compared to Six Months Ended June 30, 2025

Research and development expenses

Our research and development expenses decreased by 25.4% from US\$7.1 million in the six months ended June 30, 2025 to US\$5.3 million in the same period in 2026, primarily attributable to (i) a decrease in professional services expenses of US\$1.0 million, as our Core Products have entered the follow-up period of Phase II clinical trials and main expenses were already settled at the earlier stage, (ii) a decrease in staff costs of US\$0.5 million, mainly due to the reduction in the size of our U.S. team, and (iii) a decrease in depreciation and amortization expenses of US\$0.5 million, as we terminated the lease for the original U.S. laboratory due to relocation.

General and administrative expenses

Our general and administrative expenses decreased by 10.3% from US\$2.7 million in the six months ended June 30, 2025 to US\$2.4 million in the same period in 2026, primarily due to a decrease in depreciation and amortisation expenses of US\$0.4 million, as our deferred expenses have been fully amortized due to the disposal of fit-outs and furniture in connection with the relocation of our U.S. office.

Other income

Our other income increased by 355.1% from US\$0.4 million in the six months ended June 30, 2025 to US\$1.7 million in the same period in 2026, primarily due to an increase in government grants of US\$1.3 million.

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Finance cost

Our finance cost decreased by 45.4% from US\$0.4 million in the six months ended June 30, 2025 to US\$0.2 million in the same period in 2026, primarily due to a decrease in interest expenses on lease liabilities of US\$0.2 million.

Other gains and losses

Our other gains and losses increased by 32.6% from US\$1.7 million in the six months ended June 30, 2025 to US\$2.2 million in the same period in 2026, primarily due to we recorded net foreign exchange gains of US\$1.8 million in the six months ended June 30, 2026, as compared to net foreign exchange gains of US\$1.2 million in the same period in 2025.

Loss for the period

As a result of the foregoing, our loss for the period decreased by 42.2% from US\$8.2 million in the six months ended June 30, 2025 to US\$4.7 million in the same period in 2026.

Year Ended December 31, 2025 Compared to Year Ended December 31, 2024

Research and development expenses

Our research and development expenses decreased by 32.3% from US\$20.6 million in 2024 to US\$13.9 million in 2025, 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\$3.5 million, as we reduced our team size in line with the change in focus, (ii) a decrease in cost of purchase of US\$1.7 million, as we engaged in less preclinical studies, (iii) a decrease in depreciation and amortization expenses of US\$1.1 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\$0.3 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 26.5% from US\$7.0 million in 2024 to US\$5.1 million in 2025, primarily due to (i) a decrease in staff cost of US\$0.6 million, as we reduced our team size in line with the change in focus, and (ii) 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 general and administrative expenses, were fully amortized by the middle of 2024, and the disposal of fit-outs and furniture in connection with the relocation of our U.S. office.

Other income

Our other income decreased by 20.9% from US\$0.6 million in 2024 to US\$0.5 million in 2025, primarily due to a decrease in government grants of US\$0.1 million.

Finance cost

Our finance cost decreased by 15.1% from US\$0.9 million in 2024 to US\$0.8 million in 2025, primarily due to a decrease in interest expenses on lease liabilities of US\$0.1 million.

Other gains and losses

Our other gains and losses increased by 77.5% from US\$1.4 million in 2024 to US\$2.5 million in 2025, primarily because (i) we recorded gains on early termination of a lease of US\$3.1 million, and (ii) we recorded net foreign exchange gains of US\$2.3 million in 2025.

Loss for the year

As a result of the foregoing, our loss for the year decreased by 26.2% from US\$26.5 million in 2024 to US\$19.5 million in 2025.

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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
	2024	2025	June 30,
			2026
	<i>(US\$ in thousands)</i>		
Total non-current assets	16,501	7,204	6,590
Total current assets	55,173	39,835	36,370
Total assets	71,674	47,039	42,960
Total non-current liabilities	16,238	9,558	8,686
Total current liabilities	4,424	7,290	10,118
Total liabilities	20,662	16,848	18,804
Net current assets	50,749	32,545	26,252
Net assets	51,012	30,191	24,156

Our net assets decreased from US\$51.0 million as of December 31, 2024 to US\$30.2 million as of December 31, 2025. The decrease was mainly due to our loss of US\$19.5 million for the year ended December 31, 2025. Our net assets further decreased to US\$24.2 million as of June 30, 2026. The decrease was mainly due to our loss of US\$4.7 million for the six months ended June 30, 2026.

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

	As of December 31,		As of	As of
	2024	2025	June 30,	July 31,
			2026	2026
	<i>(Unaudited)</i>			
	<i>(US\$ in thousands)</i>			
Current assets:				
Prepayments and other receivables	1,908	2,164	2,065	2,166
Financial assets at FVTPL	39,096	25,225	16,560	16,615
Inventories	1,362	1,161	772	762
Cash and cash equivalents	12,807	11,285	16,973	15,331
Total current assets	55,173	39,835	36,370	34,874
Current liabilities:				
Trade payables	314	343	205	210
Other payables and accruals	2,078	4,377	2,991	3,106
Borrowings	1,383	2,133	6,591	7,378
Lease liabilities	649	437	331	296
Total current liabilities	4,424	7,290	10,118	10,990
Net current assets	50,749	32,545	26,252	23,884

Our net current assets decreased from US\$50.7 million as of December 31, 2024 to US\$32.5 million as of December 31, 2025, which was primarily attributable to the decrease of total current assets, mainly consisting of the decrease of financial assets at FVTPL of US\$13.9 million. Our net current assets further decreased to US\$26.3 million as of June 30,

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2026, which was mainly attributable to (i) the decrease of total current assets, mainly consisting of the decrease in financial assets at FVTPL of US\$8.7 million, partially offset by the increase in cash and cash equivalent of US\$5.7 million, and (ii) the increase of current liabilities, mainly consisting of the increase in borrowings of US\$4.5 million.

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.

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

	As of December 31,		As of
	2024	2025	June 30,
			2026
	<i>(US\$ in thousands)</i>		
Property and equipment			
Experimental equipment	7,725	5,313	4,716
Electronic equipment	24	26	24
Furniture and equipment	154	13	9
Leasehold improvement	3,319	47	46
Construction in progress	6	4	4
Total	11,228	5,403	4,799

Our property and equipment decreased from US\$11.2 million as of December 31, 2024 to US\$5.4 million as of December 31, 2025, primarily attributable to a decrease in our leasehold improvement of US\$3.3 million mainly due to certain disposal, and a decrease in our experimental equipment of US\$2.4 million mainly due to depreciation. Our property and equipment further decreased to US\$4.8 million as of June 30, 2026, primarily due to a decrease in our experimental equipment of US\$0.6 million mainly due to depreciation.

Intangible Assets

Our intangible assets primarily consist of our software systems. Our intangible assets decreased from US\$32 thousand as of December 31, 2024 to nil as of December 31, 2025, primarily due to amortization. Our intangible assets increased to US\$38 thousand as of June 30, 2026, primarily due to the purchase of financial system database.

Right-of-Use Assets

Our right-of-use assets primarily consist of plant and office premises. Our right-of-use assets decreased from US\$4.1 million as of December 31, 2024 to US\$0.7 million as of December 31, 2025, because we renewed our leases for office premises in Shanghai and our manufacturing facility in Suzhou, and we terminated the lease for the original U.S. laboratory due to relocation. Our right-of-use assets further decreased to US\$0.4 million as of June 30, 2026, primarily due to amortization.

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. Our restricted bank balances decreased from US\$0.3 million as of December 31, 2024 to nil as of December 31, 2025, as we terminated the lease for the original U.S. laboratory due to relocation and settled the related bank guarantee. Our restricted bank balances remained nil as of June 30, 2026.

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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
	2024	2025	June 30,
			2026
	<i>(US\$ in thousands)</i>		
Prepayments and other receivables			
Value-added tax recoverable	654	986	1,168
Prepayments for research and development	1,786	1,474	1,260
Prepaid expenses	77	122	209
Rental deposits	164	182	180
Deferred issue costs	–	437	555
Other receivables	–	98	19
	2,681	3,299	3,391
Less: Deposits classified as non-current asset	(119)	(149)	(158)
Less: Value-added tax recoverable classified as non-current assets	(654)	(986)	(1,168)
Balance classified as current assets	1,908	2,164	2,065

Our prepayments and other receivables increased from US\$2.7 million as of December 31, 2024 to US\$3.3 million as of December 31, 2025. The increase was mainly due to an increase in value-added tax recoverable of US\$0.3 million and an incurrence of deferred issue costs of US\$0.4 million. Our prepayments and other receivables increased from US\$3.3 million as of December 31, 2025 to US\$3.4 million as of June 30, 2026. The increase was mainly due to an increase in value-added tax recoverable of US\$0.2 million, partially offset by a decrease in prepayments for research and development of US\$0.2 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.

As of July 31, 2026, US\$72 thousand, or 2.1%, of our prepayments and other receivables as of June 30, 2026 had been settled.

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\$39.1 million as of December 31, 2024 to US\$25.2 million as of December 31, 2025, as we reduced our holdings of the cash management products. Our financial assets at FVTPL further decreased to US\$16.6 million as of June 30, 2026, as we reduced our holdings of the cash management products.

We adopt a prudent short-term investment strategy focused on preserving capital and maintaining liquidity. We utilize idle funds to invest in low-risk, high-liquidity portfolio investments such as time deposits and structured financial products offered by commercial banks. We have established a management team of experienced staff with extensive expertise in treasury management, financial analysis and risk assessment. Our investment-related items,

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including but not limited to financial budgets and wealth management plans, are all formulated by our investment management team, and could only be executed upon the Board’s prior approval. Our such investments in financial assets at FVTPL after the [REDACTED] will be subject to the compliance requirements pursuant to Chapter 14 of the Main Board Rules.

Inventories

Our inventories primarily consist of materials for our research and development activities. Our inventories decreased from US\$1.4 million as of December 31, 2024 to US\$1.2 million as of December 31, 2025, and further decreased to US\$0.8 million as of June 30, 2026, primarily because we maintained excess inventories during COVID-19 and gradually consumed the excess inventories.

Due to COVID-19, we arranged a one-time bulk procurement prior to our Core Products advancing to Phase II clinical stages. This strategic move was designed to ensure the stability of clinical trial supplies within a specific period. While this led to most of our inventory being over two years old, this was a one-off event and does not reflect our long-term procurement and inventory management strategy.

We have clear plans for inventory utilization. We have formulated specific future production plans for our core products FT-002 and FT-003. In light of their impending entry into Phase III clinical trials, we expect to schedule one production batch each for FT-002 and FT-003 within the next 12 months. Furthermore, the majority of our inventories consist of general-purpose materials, with a relatively small proportion comprising dedicated materials for specific projects or drug products. Consequently, most of our inventories can be applied to the production of multiple drug products or the further development of manufacturing processes, thereby mitigating the risk of material impairment caused by production scheduling issues.

Currently and moving forward, we will continue to enforce strict approval controls over procurement requirements. We conduct monthly reviews of inventory levels and expiration dates, adopting a strategy of precise, small-batch purchasing to meet our needs. Furthermore, by substituting imported materials with domestic alternatives, we have successfully shortened lead times and effectively reduced procurement costs. These comprehensive measures are designed to optimize our cash conversion cycle from multiple dimensions.

The following table sets forth an aging analysis of our inventories as of the dates indicated.

	As of December 31,		As of
	2024	2025	June 30,
			2026
	<i>(US\$ in thousand)</i>		
Within 1 year	228	231	274
1 year to 2 years	144	120	28
Over 2 years	1,134	853	525
Total	1,506	1,204	827

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The following table sets forth the shelf-life analysis of our inventories as of June 30, 2026.

	Expire before	Expire in the Year Ended December 31		Expire after	Total
	2026	2027	2028	2029	
	<i>(US\$ in thousands)</i>				
Consumables	221	298	30	53	602
Packing materials	72	28	51	–	151
Raw materials and excipients	8	45	16	5	74
Total	301	371	97	58	827

The following table sets forth a summary of our inventory turnover days for the periods indicated:

	For the Year Ended December 31,		For the Six Months Ended June 30,
	2024	2025	2026
Inventory turnover days ⁽¹⁾	334	623	269

Note:

(1) Inventory turnover days were calculated based on the arithmetic mean of opening and closing balance of inventories for the relevant period, divided by our inventory consumption for R&D purposes for the same period and multiplied by 365 days for a one-year period or by 180 days for a six-month period, as applicable.

Our inventory turnover days increased from 334 days in 2024 to 623 days in 2025. The increase was primarily because the inventory consumption for R&D purposes decreased in 2025, which was attributable to the clinical development stage that we were in. We generally consume more inventory at the beginning of clinical trials, and the Phase II clinical trials for our Core Products began before 2025. Our inventory turnover days decreased from 623 days in 2025 to 269 days for the six months ended June 30, 2026, primarily because the absolute level of inventories decreased as we consumed excess inventories. In the first half of 2026, we consumed inventories of US\$685 thousand, amounting to approximately 59% of inventories for our research and development and production activities.

As of December 31, 2024 and 2025 and June 30, 2026, we recorded provisions for inventory impairment of US\$108 thousand, US\$21 thousand, and US\$20 thousand, respectively. The impairment assessment took into account the subsequent utilisation by each drug candidate, the pace of clinical trials, expiration constraints and future demand forecasts, and was conducted to fairly reflect the future utility value of the inventories. We believe these provisions are sufficient and do not believe they represent material impairment issues.

As of July 31, 2026, US\$32 thousand, or 4.1%, of our inventories as of June 30, 2026 had been utilized.

Cash and cash equivalents

Our cash and cash equivalents decreased from US\$12.8 million as of December 31, 2024 to US\$11.3 million as of December 31, 2025, primarily due to the cash requirements of our operations. Our cash and cash equivalents increased to US\$17.0 million as of June 30, 2026, primarily due to the incurrence of new borrowings and the receipt of government grants.

Trade Payables

Our trade payables primarily include outsourced research and development expenses and procurement costs of research materials. Our trade payables remained stable at US\$0.3

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million as of December 31, 2024 and 2025. Our trade payables decreased to US\$0.2 million as of June 30, 2026, as our fees payable to patent lawyers reduced in the first half of 2026.

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

	As of December 31,		As of
	2024	2025	June 30,
			2026
	<i>(US\$ in thousands)</i>		
Trade payables			
Within 30 days	249	229	160
31 days to 60 days	14	112	4
61 days to 180 days	51	2	–
181 days to 365 days	–	–	41
Total	314	343	205

As of July 31, 2026, US\$151 thousand, or 73.7%, of our trade payables as of June 30, 2026 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.

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

	As of December 31,		As of
	2024	2025	June 30,
			2026
	<i>(US\$ in thousands)</i>		
Other payables and accruals			
Accrued research and development expenses	664	1,314	1,443
Accrued legal and professional fees	361	155	176
Payroll payables	970	1,076	559
Other tax payables	66	18	26
Accrued [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Accrued issue cost	–	259	108
Others	17	6	2
Total	2,078	4,377	2,991

Our other payables and accruals increased from US\$2.1 million as of December 31, 2024 to US\$4.4 million as of December 31, 2025. The increase was mainly due to (i) an incurrence of accrued [REDACTED] of [REDACTED], and (ii) an increase in accrued research and development expenses of US\$0.7 million in line with the progress of our research and development. Our other payables and accruals decreased to US\$3.0 million as of June 30, 2026. The decrease was mainly related to (i) a decrease in accrued [REDACTED] of [REDACTED], and (ii) a decrease in payroll payables of US\$0.5 million.

As of July 31, 2026, US\$0.3 million, or 9.6%, of our other payables and accruals as of June 30, 2026 had been settled.

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Borrowings

Our borrowings consist of short-term and long-term bank loans. Our borrowings increased from US\$10.8 million as of December 31, 2024 to US\$11.2 million as of December 31, 2025, primarily due to the cash requirements of our operations. Our borrowings increased to US\$14.9 million as of June 30, 2026, primarily due to the cash requirements of our operations.

Lease Liabilities

As of December 31, 2024 and 2025, our lease liabilities, which are premises we leased for office space and manufacturing, decreased from US\$7.1 million to US\$0.5 million, respectively, because we renewed our leases for office premises in Shanghai and our manufacturing facility in Suzhou, and we terminated the lease for the original U.S. laboratory due to relocation. Our lease liabilities decreased to US\$0.3 million as of June 30, 2026, as we remitted lease payments on a scheduled basis.

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, 2024 and 2025 and June 30 2026.

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\$12.8 million and US\$11.3 million as of December 31, 2024 and 2025, respectively, and US\$17.0 million as of June 30 2026. Our cash and cash equivalents consist of bank deposits. We still have some wealth management products that we can redeem to fund our research and development and operation. 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 [2.3] times the level during the six months ended June 30, 2026, we estimate that (i) without taking into account the estimated [REDACTED] for the [REDACTED], our total cash balance as of June 30, 2026, including cash and cash equivalents and financial assets measured at FVTPL, will be able to maintain our financial viability for [12] 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 Six Months Ended June 30,	
	2024	2025	2025	2026
	<i>(US\$ in thousands)</i>			
	<i>(Unaudited)</i>			
Net cash used in operating activities	(23,106)	(16,339)	(6,914)	(6,512)
Net cash from investing activities	24,437	15,579	7,414	9,213
Net cash from/(used in) financing activities . .	(1,692)	(1,710)	(875)	2,604
Net increase/(decrease) in cash and cash equivalents	(361)	(2,470)	(375)	5,305
Cash and cash equivalents at beginning of the year/period	13,528	12,807	12,807	11,285
Cash and cash equivalents at end of the year/period	12,807	11,285	12,585	16,973

Net cash used in operating activities

In the six months ended June 30, 2026, net cash used in operating activities was US\$6.5 million. The difference between net cash used in operating activities and the loss before tax of US\$4.7 million was the result of certain non-cash and non-operating items, which primarily consist of unrealized foreign exchange losses of US\$1.9 million, partially offset by depreciation of property and equipment of US\$0.7 million. The amount was further adjusted for movements in working capital, which primarily consist of a decrease in other payables and accruals of US\$1.3 million.

In order to improve the net operating cash outflows, we have been proactively enhancing capital efficiency through two key initiatives. First, we strategically manage other payables and accruals to defer cash outflows for operating expenses, thereby retaining funds and strengthening overall liquidity. Second, we optimize inventory procurement by implementing dynamic management strategies and rigorous purchase reviews. These sustainable measures are expected to help sharpen our purchasing precision, effectively curbing unnecessary cash outflows and ensuring robust control over net operating cash outflows. We will continue to implement them in our operations in the future.

In 2025, net cash used in operating activities was US\$16.3 million. The difference between net cash used in operating activities and loss before tax of US\$19.5 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\$3.5 million, and (ii) depreciation of property and equipment of US\$2.3 million, partially offset by gains on early termination of a lease of US\$3.1 million. The amount was further adjusted for movements in working capital, which primarily consisted of an increase in other payables and accruals of US\$2.0 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.

Net cash from investing activities

In the six months ended June 30, 2026, net cash from investing activities was US\$9.2 million, primarily attributable to proceeds from disposal of financial assets measured at FVTPL of US\$9.0 million.

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In 2025, net cash from investing activities was US\$15.6 million, primarily attributable to proceeds from disposal of financial assets measured at FVTPL of US\$15.4 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.

Net cash used in financing activities

In the six months ended June 30, 2026, net cash from financing activities was US\$2.6 million, primarily attributable to proceeds from borrowings of US\$4.4 million, partially offset by repayment of borrowings of US\$1.1 million.

In 2025, net cash used in financing activities was US\$1.7 million, primarily attributable to (i) repayment of borrowings of US\$1.6 million, and (ii) payment for lease liabilities of US\$1.1 million, partially offset by proceeds from borrowings of US\$1.6 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.

CASH OPERATING COSTS

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

	For the Year Ended December 31,		For the Six Months Ended June 30,	
	2024	2025	2025	2026
	(US\$ in thousands)			
	(Unaudited)			
Costs relating to research and development of our Core Products				
Staff costs	1,850	1,747	839	1,376
Cost of purchase	384	857	434	880
Professional services expenses	2,947	3,538	1,457	1,151
Others	275	635	225	166
Subtotal	5,456	6,777	2,955	3,573
Costs relating to research and development of our other drug candidates				
Staff costs	5,579	2,320	1,358	353
Cost of Purchase	2,534	406	210	71
Professional services expenses	2,265	1,363	888	186
Others	1,241	757	401	318
Subtotal	11,619	4,846	2,857	928
Total research and development cost	17,075	11,623	5,812	4,501
Labor cost for non-research and development staff	3,358	2,434	1,360	1,127
Other operating costs	1,791	1,413	625	733

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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 June 30,	As of July 31,
	2024	2025	2026	2026
				(Unaudited)
	(US\$ in thousands)			
Current				
Borrowings	1,383	2,133	6,591	7,378
Lease liabilities	649	437	331	296
Non-current				
Borrowings	9,406	9,070	8,280	7,223
Lease liabilities	6,410	107	7	6
Total	17,848	11,747	15,209	14,903

As of July 31, 2026, all committed banking facilities granted by the banks to us have been utilized. 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”. There were no material changes from July 31, 2026 up to the Latest Practicable Date.

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 June 30, 2026, 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.

We are not subject to any material covenants or undertakings relating to our outstanding debts, guarantees, pledges over key assets, or other contingent obligations. There was no breach of covenants during the Track Record Period and up to the Latest Practicable Date. Furthermore, we have not experienced any difficulty in obtaining additional debt or equity financing.

CAPITAL EXPENDITURES

Our capital expenditures are primarily incurred for the purchase of equipment. Our capital expenditures were US\$0.4 million and US\$40 thousand in 2024 and 2025, respectively, and were US\$23 thousand and US\$27 thousand in the six months ended June 30, 2025 and 2026, respectively.

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.

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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\$21 thousand as of December 31, 2024 to nil as of December 31, 2025, and remained nil as of June 30, 2026.

KEY FINANCIAL RATIOS

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

	As of December 31,		As of
	2024	2025	June 30,
			2026
Current ratio ⁽¹⁾	12.5	5.5	3.6

Note:

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

Our current ratio decreased from 12.5 as of December 31, 2024 to 5.5 as of December 31, 2025, primarily due to a decrease in financial assets at FVTPL. Our current ratio further decreased to 3.6 as of June 30, 2026, primarily due to a decrease in financial assets at FVTPL and an increase in borrowings.

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.

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.

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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.

DIVIDEND POLICY

We have not yet adopted a formal 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 June 30, 2026, our Company did not have any distributable reserves available for distribution to our shareholders.

FINANCIAL INFORMATION

[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 June 30, 2026, being the end date of our latest consolidated financial statements, and there has been no event since June 30, 2026 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.