The following is the text of a report set out on pages I-1 to I-[42], received from the Company's reporting accountants, [Deloitte Touche Tohmatsu], Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

[To insert the firm's letterhead]

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF FRONTERA THERAPEUTICS AND UBS SECURITIES HONG KONG LIMITED AND HAITONG INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Frontera Therapeutics (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-[4] to I-[42], which comprises the consolidated statements of financial position of the Group as at December 31, 2024 and 2025 and June 30, 2026, the statements of financial position of the Company as at December 31, 2024 and 2025 and June 30, 2026, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the two years ended December 31, 2024 and 2025 and the six months ended June 30, 2026 (the "**Track Record Period**") and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-4 to I-[42] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [date] (the "**Document**") in connection with the [**REDACTED**] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 3 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 3 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's and the Company's financial position as at December 31, 2024 and 2025 and June 30, 2026 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 3 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended June 30, 2025 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 3 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing ("**HKSAs**") and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 3 to Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparation of the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which states that no dividend was declared or paid by the Company in respect of the Track Record Period.

[Deloitte Touche Tohmatsu]
Certified Public Accountants
Hong Kong
[Date]

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with accounting policies which conform with IFRS Accounting Standards issued by International Accounting Standards Board (the "**IASB**") and were audited by us in accordance with HKSAs issued by the HKICPA ("**Underlying Financial Statements**").

The Historical Financial Information is presented in United States Dollars ("**USD**") and all values are rounded to the nearest thousand (USD'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended December 31,		Six months ended June 30,	
		2024	2025	2025	2026
		USD'000	*USD'000*	*USD'000 (unaudited)*	*USD'000*
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	*6*	617	488	374	1,702
Finance costs	*7*	(905)	(768)	(441)	(241)
Other gains and losses	*8*	1,389	2,465	1,684	2,233
Loss before tax	*10*	(26,464)	(19,528)	(8,207)	(4,744)
Income tax expense	*9*	–	–	–	–
Loss for the year/period		**(26,464)**	**(19,528)**	**(8,207)**	**(4,744)**
Other comprehensive income (expense)					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation		870	(1,776)	(828)	(1,691)
Total comprehensive expense for the year/period		**(25,594)**	**(21,304)**	**(9,035)**	**(6,435)**
Loss per share					
– Basic and diluted (USD)	*13*	(1.05)	(0.82)	(0.34)	(0.20)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at December 31, 2024	As at December 31, 2025	As at June 30, 2026
		USD'000	*USD'000*	*USD'000*
Non-current Assets				
Property and equipment	*15*	11,228	5,403	4,799
Intangible assets	*14*	32	–	38
Right-of-use assets	*16*	4,139	666	427
Restricted bank balances	*21*	329	–	–
Prepayments and other receivables	*17*	773	1,135	1,326
		16,501	7,204	6,590
Current Assets				
Inventories	*18*	1,362	1,161	772
Prepayments and other receivables	*17*	1,908	2,164	2,065
Financial assets at fair value through profit or loss ("**FVTPL**")	*19*	39,096	25,225	16,560
Cash and cash equivalents	*21*	12,807	11,285	16,973
		55,173	39,835	36,370
Current Liabilities				
Trade payables	*22*	314	343	205
Other payables and accruals	*23*	2,078	4,377	2,991
Borrowings	*25*	1,383	2,133	6,591
Lease liabilities	*24*	649	437	331
		4,424	7,290	10,118
Net Current Assets		**50,749**	**32,545**	**26,252**
Total Assets Less Current Liabilities		**67,250**	**39,749**	**32,842**
Non-current Liabilities				
Borrowings	*25*	9,406	9,070	8,280
Lease liabilities	*24*	6,410	107	7
Provision	*26*	422	381	399
		16,238	9,558	8,686
Net Assets		**51,012**	**30,191**	**24,156**
Capital and Reserves				
Share capital	*27*	12	12	12
Reserves		51,000	30,179	24,144
Total Equity		**51,012**	**30,191**	**24,156**

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at December 31, 2024	As at December 31, 2025	As at June 30, 2026
		USD'000	*USD'000*	*USD'000*
Non-current Assets				
Investments in subsidiaries	*36*	23,519	16,691	15,498
Amounts due from subsidiaries	*20*	54,088	50,925	49,466
		77,607	67,616	64,964
Current Assets				
Prepayments and other receivables	*17*	–	437	555
Cash and cash equivalents	*21*	48	48	43
		48	485	598
Current Liabilities				
Other payables and accruals	*23*	4	1,593	654
Amounts due to subsidiaries	*20*	15,000	13,212	13,610
		15,004	14,805	14,264
Net Current Liabilities		**(14,956)**	**(14,320)**	**(13,666)**
Total Assets Less Current Liabilities		**62,651**	**53,296**	**51,298**
Net Assets		**62,651**	**53,296**	**51,298**
Capital and Reserves				
Share capital	*27*	12	12	12
Reserves	*35*	62,639	53,284	51,286
Total Equity		**62,651**	**53,296**	**51,298**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Ordinary share capital	Preferred share capital	Share premium	Share-based payment reserve	Translation reserve	Accumulated losses	Total
	USD'000	*USD'000 (Note 27)*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
At January 1, 2024	2	10	195,965	1,729	1,487	(122,119)	77,074
Loss and total comprehensive income (expense) for the year	–	–	–	–	870	(26,464)	(25,594)
Exercise of share options granted	–*	–	9	–	–	–	9
Repurchase of ordinary shares *(Note 27)*	–*	–	(720)	–	–	–	(720)
Recognition of equity-settled share-based payments *(Note 28)*	–	–	–	243	–	–	243
At December 31, 2024	2	10	195,254	1,972	2,357	(148,583)	51,012
Loss and total comprehensive expense for the year	–	–	–	–	(1,776)	(19,528)	(21,304)
Recognition of equity-settled share-based payments *(Note 28)*	–	–	–	483	–	–	483
At December 31, 2025	2	10	195,254	2,455	581	(168,111)	30,191
At December 31, 2025	2	10	195,254	2,455	581	(168,111)	30,191
Loss and total comprehensive expense for the period	–	–	–	–	(1,691)	(4,744)	(6,435)
Recognition of equity-settled share-based payments *(Note 28)*	–	–	–	400	–	–	400
At June 30, 2026	2	10	195,254	2,855	(1,110)	(172,855)	24,156
For the six months ended June 30, 2025 (unaudited)							
At January 1, 2025	2	10	195,254	1,972	2,357	(148,583)	51,012
Loss and total comprehensive expense for the period	–	–	–	–	(828)	(8,207)	(9,035)
Recognition of equity-settled share-based payments *(Note 28)*	–	–	–	212	–	–	212
At June 30, 2025 (unaudited)	2	10	195,254	2,184	1,529	(156,790)	42,189

* *Amount is less than USD1,000.*

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	USD'000	*USD'000*	*USD'000 (unaudited)*	*USD'000*
OPERATING ACTIVITIES				
Loss before tax	(26,464)	(19,528)	(8,207)	(4,744)
Adjustments for:				
Interest income	(70)	(54)	(29)	(51)
Gains on early termination of a lease	–	(3,063)	–	–
Losses (gains) on disposal of property and equipment	–	3,496	334	(33)
Depreciation of property and equipment	4,110	2,293	1,353	715
Depreciation of right-of-use assets	824	781	450	254
Amortization of intangible assets	164	32	11	5
Finance costs	905	768	441	241
Gains on fair value changes of financial assets measured at FVTPL	(2,682)	(1,502)	(848)	(357)
Share-based payment expenses	243	483	212	400
Unrealized foreign exchange losses (gains)	1,585	(2,250)	(954)	(1,881)
Operating cash flows before movements in working capital	(21,385)	(18,544)	(7,237)	(5,451)
(Increase) decrease in prepayments and other receivables	(597)	(65)	634	(7)
Decrease in inventories	1,343	201	272	389
(Decrease) increase in trade payables	(588)	29	638	(138)
(Decrease) increase in other payables and accruals	(1,879)	2,040	(1,221)	(1,305)
NET CASH USED IN OPERATING ACTIVITIES	**(23,106)**	**(16,339)**	**(6,914)**	**(6,512)**
INVESTING ACTIVITIES				
Interest received	70	54	29	51
Proceeds from disposal of financial assets measured at FVTPL	24,770	15,373	7,409	9,022
Proceeds from disposal of property and equipment	4	210	–	202
Payment for rental deposits	(49)	(36)	–	–
Refund of rental deposits	–	18	–	7
Purchase of property and equipment	(358)	(40)	(23)	(27)
Purchase of intangible assets	–	–	(1)	(42)
NET CASH FROM INVESTING ACTIVITIES	**24,437**	**15,579**	**7,414**	**9,213**
FINANCING ACTIVITIES				
Proceeds from borrowings	1,370	1,610	908	4,405
Repayment of borrowings	–	(1,610)	(908)	(1,094)
Proceeds from the exercise of share options	9	–	–	–
Payment for repurchase of ordinary shares	(720)	–	–	–
Payment for lease liabilities	(1,924)	(1,101)	(653)	(232)
Issue costs paid	–	(178)	–	(269)
Bank interest paid	(427)	(431)	(222)	(206)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(1,692)**	**(1,710)**	**(875)**	**2,604**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(361)**	**(2,470)**	**(375)**	**5,305**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD	**13,528**	**12,807**	**12,807**	**11,285**
Effect of foreign exchange rate changes	(360)	948	153	383
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD	**12,807**	**11,285**	**12,585**	**16,973**

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Frontera Therapeutics (the "**Company**") was incorporated in the Cayman Islands on September 17, 2019 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The respective address of the registered office and the principal place of business of the Company are set out in the section headed ("**Corporate Information**") to the document.

The Company directly holds 100% equity interest in Frontera Therapeutics (HK) Limited ("**Frontera HK**"), FTGEN Corp (formerly known as "Frontera Therapeutics, Inc.") ("**Frontera US**") and PhixitBio Limited ("**Frontera BVI**"). Frontera BVI owns 100% of the equity interest of Inspirar Limited ("**Inspirar**"). Frontera HK owns 100% of the equity interest of Frontera Therapeutics Company Ltd. ("**Frontera Shanghai**") and Frontera Therapeutics (Suzhou) Co., Ltd. (the "**WFOE**" or "**Frontera Suzhou**"). The WFOE controls the Shanghai Frontera Qisheng Therapeutics Co., Ltd. (formerly known as "Frontera Biotechnology (Suzhou) Co., Ltd.") ("**Frontera Qisheng**") till November 11, 2025 through a set of contractual agreements including powers of attorney, exclusive business cooperation agreement, exclusive option agreement and share pledge agreement, due to the restrictions of foreign investments on research and development of gene therapy under the People's Republic of China (the "**PRC**") laws and regulations. At November 11, 2025, the contractual agreements were terminated and the owners of the Frontera Qisheng transferred the entire equity interests of Frontera Qisheng to Frontera Shanghai. Upon completion of the transfer, the Group directly holds the entire equity interests of Frontera Qisheng. Details of the contractual arrangements are set out in Note 3 to the Historical Financial Information.

The Group is mainly engaged in the business of research and development, production, registration and commercialization of pharmaceutical and biological products.

The functional currency of the Company is USD. The presentation currency of the Historical Financial Information is USD.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

New and amendments to IFRS Accounting Standards in issue but not yet effective

For the purpose of preparing the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with IFRS Accounting Standards, which are effective for the accounting period beginning on January 1, 2026, throughout the Track Record Period.

At the date of this report, the following new and amendments to IFRS Accounting Standards have been issued but are not yet effective:

Amendments to IAS 21	Translation to a Hyperinflationary Presentation Currency[2]
Amendments to IAS 28	Amendments to the Fair Value Option for Investments in Associates and Joint Ventures[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
IFRS 18	Presentation and Disclosure in Financial Statements[2]
IFRS 20	Regulatory Assets and Regulatory Liabilities[3]

[1] Effective for annual periods beginning on or after a date to be determined.

[2] Effective for annual periods beginning on or after January 1, 2027.

[3] Effective for annual periods beginning on or after January 1, 2029.

Except for the new IFRS Accounting Standard mentioned below, the directors of the Company anticipate that the application of these new and amendments to IFRS Accounting Standards will have no material impact on the Group's financial position and performance in foreseeable future.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 *Presentation of Financial Statements*. This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provides disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Minor amendments to IAS 7 Statement of Cash Flows and IAS 33 Earnings per Share are also made.

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after January 1, 2027, with early application permitted. The application of the new standard is expected to affect

the presentation of the statement of profit or loss and other comprehensive income and disclosures in the future financial statements, but no impact on the Group's financial positions and performance.

3. BASIS OF PREPARATION OF THE HISTORICAL FINANCIAL INFORMATION AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of the Historical Financial Information

The Historical Financial Information has been prepared based on the accounting policies which conform with IFRS Accounting Standards issued by the IASB. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

No statutory financial statements of the Company have been prepared since its date of incorporation as it is incorporated in the jurisdiction where there are no statutory audit requirements.

Going concern

The directors of the Company have, [at the date of this report], a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the Historical Financial Information.

3.2 Material accounting policy information

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and the entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins with the Company obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

When necessary, adjustments are made to the Historical Financial Information of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

During the Track Record Period, the WFOE has adopted a set of contractual agreements with the individual shareholders of Frontera Qisheng (the "**Structured Arrangements**") to obtain their entire economic benefits. The Structured Arrangements are irrevocable and enable the WFOE to:

- exercise effective financial and operational control over Frontera Qisheng;
- exercise equity holders' voting rights of Frontera Qisheng;
- receive substantially all economic returns generated by Frontera Qisheng in consideration for the business support, technical and consulting services provided by the Group;
- obtain an irrevocable and exclusive right to purchase the entire equity interest in Suzhou Frontera from the individual shareholders to the extent permitted by of PRC law at nominal consideration; and
- obtain a pledge over the entire equity interest of Frontera Qisheng from the individual shareholders as collateral security for all of Frontera Qisheng due to the Group and to secure performance of individual shareholders' obligations under the Structured Arrangements.

As a result of Structured Arrangements, the WFOE has the rights to exercise power over Frontera Qisheng, the right to receive variable returns from its involvement in Frontera Qisheng, and the ability to affect those returns through its power over the Frontera Qisheng, and is therefore considered to control Frontera Qisheng. Consequently, the WFOE regards Frontera Qisheng as a controlled entity and consolidated the assets, liabilities, and results of operations of the Frontera Qisheng in the consolidated financial information of the Group throughout the Track Record Period.

At November 11, 2025, the Structured Arrangements were terminated and the owners of the Frontera Qisheng transferred the entire equity interests of Frontera Qisheng to Frontera Shanghai. Upon completion of the transfer, the Group owns the entire equity interests of Frontera Qisheng.

Investments in subsidiaries

The Company accounts for investments in subsidiaries using the equity method. Under the equity method, investments in subsidiaries are initially recognized in the statement of financial position at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiaries. When the Company's share of losses of a subsidiary exceeds the Company's interest in that subsidiary, the Company discontinues recognising its share of further losses.

Employee benefits

Retirement benefit costs

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

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises 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 the Group's 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, the Group revises 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.

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 recognised 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 recognised in share-based payments reserve will continue to be held in share-based payments reserve.

Leases

The Group assesses 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.

The 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 the Group; and
- an estimate of costs to be incurred by the Group 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.

The Group presents 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.

Lease liabilities

At the commencement date of a lease, the Group recognises 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, the Group uses 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.

The Group remeasures 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.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts 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, the Group remeasures 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.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

Foreign currencies

In preparing the Historical Financial Information of the Group, transactions in currency other than the Group's functional currency (foreign currency) are recognized at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

For the purpose of presenting the Historical Financial Information, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

Current tax

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the lease liabilities and the related assets separately. The Group recognized a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority.

Current tax and deferred tax for the year/period

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

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 purchases. Property and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and accumulated impairment loss, if any.

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 which are disclosed in Note 14. 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 recognised 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 recognised 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 recognised 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 recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

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

Impairment on property and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use assets, intangible assets with finite useful lives 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 (if any).

The recoverable amount of property and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax

discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials. Cost is calculated using the weighted average cost method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Financial instruments

Financial assets and financial liabilities are recognized in the Group's consolidated statements of financial position when the Group becomes a party to the contractual provisions of the instrument.

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

All regular way purchases or sales of financial assets are recognized and derecognized on a settlement 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 market place concerned.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the 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 the Group held are subsequently measured at FVTPL.

(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.

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit losses ("**ECL**") model on financial assets (including other receivables, cash and cash equivalents and restricted bank balances), and other items which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of past events and current conditions at the reporting date as well as the forecast of future economic conditions.

The Group always recognized lifetime ECL for trade receivables and contract assets.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognized lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event (see (ii) above);
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount through a loss allowance account.

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 of losses of the financial assets.

Derecognition of financial assets

The Group derecognizes 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 the Group are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's 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 the Company's 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

The Group derecognizes financial liabilities when, and only when, the Group's 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.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTIES

In applying the Group's accounting policies, which are described in Note 3, the directors of the Company 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 the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the directors of the Company have made in the process of applying the Group's 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 the Group's drug product pipelines are capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group's intention to complete and the Group's 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 the Group assesses 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, 2024 and 2025 and June 30, 2026, no deferred tax asset in relation to unused tax losses amounted to USD165,864,000, USD185,594,000 and USD200,317,000, respectively and deductible temporary differences accounted to USD1,475,000, USD2,658,000 and USD2,025,000, respectively, has been recognized in the Group's consolidated statements of financial position due to the unpredictability of future profit streams. The realizability of 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, the Group has 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), the Group estimates 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, the Group reviews 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, 2024 and 2025 and June 30, 2026, no indication of impairment for property and equipment and right-of-use assets are identified by the Group, given that (i) such assets of the Group were neither obsolete nor physically damaged, and (ii) the Group's operations and pipelines were making progress as planned.

5. SEGMENT INFORMATION

For the purpose of resource allocation and assessment of performance, the chief executive officer of the Company, being the chief operating decision makers, focus and review on the overall results and financial position of the Group as a whole. Accordingly, the Group has only one single operating segment and no further analysis of the single segment is presented.

Geographical information

As at December 31, 2024 and 2025 and June 30, 2026, non-current assets of USD8,366,000, USD292,000 and USD80,000 are located in the U.S., respectively, comprising property and equipment and right-of-use assets. The remaining non-current assets are all located in the PRC.

The Group has not generated any revenue during the Track Record Period.

6. OTHER INCOME

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	USD'000	*USD'000*	*USD'000 (unaudited)*	*USD'000*
Government grants *(Note)*	547	434	345	1,651
Bank interest income	70	54	29	51
	617	488	374	1,702

Note: Government grants mainly include subsidies granted by the PRC or the U.S. government authorities to group entities as incentives for the Group's operating activities.

7. FINANCE COSTS

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	USD'000	*USD'000*	*USD'000 (unaudited)*	*USD'000*
Interest expenses on lease liabilities	448	326	216	12
Interest expenses on borrowings	445	431	220	223
Interest expenses on provisions	12	11	5	6
	905	768	441	241

8. OTHER GAINS AND LOSSES

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	USD'000	*USD'000*	*USD'000 (unaudited)*	*USD'000*
Gains from changes in fair value of financial assets at FVTPL	2,682	1,502	848	357
Net foreign exchange (losses)/gains	(1,585)	2,250	1,189	1,844
Gains on early termination of a lease	–	3,063	–	–
(Losses) gains on disposal of property and equipment	–	(3,496)	(334)	33
Others	292	(854)	(19)	(1)
	1,389	2,465	1,684	2,233

9. INCOME TAX EXPENSE

The Group does not have any enterprise income tax ("**EIT**") expenses during the Track Record Period.

Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and British Virgin Islands.

No provision for taxation in Hong Kong has been made as no income arises in, or derived from, Hong Kong.

Frontera US is mainly operated in State of Massachusetts, which is subject to Federal Tax at a rate of 21% and State of Massachusetts Profits Tax at a rate of 8%. No provision for taxation in the U.S. has been made as Frontera US has not generated any taxable income from sources both within and outside the U.S. during the period.

Pursuant to the Enterprise Income Tax Law and Implementation Regulations of the Law of the PRC, the applicable tax rate of the PRC subsidiaries is 25% for the Track Record Period.

The income tax expense for the Track Record Period can be reconciled to the loss before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	USD'000	*USD'000*	*USD'000 (unaudited)*	*USD'000*
Loss before tax	(26,464)	(19,528)	(8,207)	(4,744)
Tax expense calculated at PRC EIT rate of 25%	(6,616)	(4,882)	(2,052)	(1,186)
Tax effect of expenses that are not deductible for tax purpose	111	745	92	302
Tax effect of super deduction for research and development expenses	(1,030)	(510)	(262)	(216)
Tax effect of tax losses not recognized	7,953	4,740	2,362	1,368
Tax effect of deductible temporary differences not recognized	253	282	163	–
Utilization of previously unrecognized deductible temporary differences	–	–	–	(179)
Tax effect of income not taxable for tax purpose	(671)	(375)	(303)	(89)
Income tax expense	–	–	–	–

At December 31, 2024 and 2025 and June 30, 2026, the Group has unrecognized tax losses of approximately USD165,864,000, USD185,594,000 and USD200,317,000, respectively. At December 31, 2024 and 2025 and June 30, 2026, the Group has deductible temporary differences of approximately USD1,475,000, USD2,658,000 and USD2,025,000, respectively. No deferred tax asset has been recognized in respect of the tax losses or temporary differences due to the unpredictability of future profit streams.

The unrecognized tax losses will be carried forward and expire in years as follows:

	As at December 31,		As at June 30,
	2024	2025	2026
	USD'000	*USD'000*	*USD'000*
2025	277	–	–
2026	6,029	6,067	6,287
2027	24,111	24,265	25,143
2028	17,788	17,901	18,549
2029	15,756	16,137	16,636
2030	–	9,742	10,749
2031	–	–	5,873
Indefinite	101,903	111,482	117,080
	165,864	185,594	200,317

10. LOSS BEFORE TAX

Loss before tax for the year/period has been arrived at after charging:

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	USD'000	*USD'000*	*USD'000 (unaudited)*	*USD'000*
Auditor's remuneration	84	143	-	80
Directors' emoluments *(Note 11)*	886	1,008	459	553
Other staff costs:				
– Salaries, bonus and other benefits	9,643	5,411	3,013	2,301
– Retirement benefit scheme contributions	468	414	204	189
– Share-based payment expenses	33	152	92	212
	10,144	5,977	3,309	2,702
Analysed as:				
Charged in research and development expenses	7,644	4,173	2,271	1,768
Charged in general and administrative expenses	3,386	2,812	1,497	1,487
	11,030	6,985	3,768	3,255
Depreciation of property and equipment	4,110	2,293	1,353	715
Depreciation of right-of-use assets	824	781	450	254
Amortization of intangible assets	164	32	11	5
Total depreciation and amortization	5,098	3,106	1,814	974
Analysed as:				
Charged in research and development expenses	3,286	2,196	1,228	765
Charged in general and administrative expenses	1,812	910	586	209
	5,098	3,106	1,814	974
Cost of inventories recognized in research and development expenses	2,918	1,311	693	685

11. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

Details of the emoluments paid or payable to the individuals who were appointed as directors and the chief executive officer of the Company during the Track Record Period are as follows:

(a) Executive and non-executive directors

	Date of appointment	Director fee	Salaries and other benefits	Retirement benefit scheme	Share-based payments	Discretionary bonus	Total
		USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
For the year ended December 31, 2024							
Executive director:							
Dr. Xinyan Li *(Note i)*	October 2020	–	471	2	210	203	886
Non-executive directors:							
Qingsheng Zhu *(Note ii)*	September 2019	–	–	–	–	–	–
Guowei Wang *(Note ii)*	September 2019	–	–	–	–	–	–
Wei Li *(Note ii)*	September 2019	–	–	–	–	–	–
Carl Lee Gordon *(Note ii)*	September 2019	–	–	–	–	–	–
Yanling Cao *(Note iii)*	April 2021	–	–	–	–	–	–
Jiang Han *(Note iv)*	May 2021	–	–	–	–	–	–
		–	–	–	–	–	–

	Date of appointment	Director fee	Salaries and other benefits	Retirement benefit scheme	Share-based payments	Discretionary bonus	Total
		USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
For the year ended December 31, 2025							
Executive director:							
Dr. Xinyan Li *(Note i)*	October 2020	–	471	2	163	188	824
Non-executive directors:							
Qingsheng Zhu *(Note ii)*	September 2019	–	–	–	–	–	–
Guowei Wang *(Note ii)*	September 2019	–	–	–	–	–	–
Wei Li *(Note ii)*	September 2019	–	–	–	–	–	–
Carl Lee Gordon *(Note ii)*	September 2019	–	–	–	–	–	–
Yanling Cao *(Note iii)*	April 2021	–	–	–	–	–	–
Jiang Han *(Note iv)*	May 2021	–	–	–	–	–	–
Diyong Xu *(Note v)*	September 2025	–	–	–	–	–	–
		–	–	–	–	–	–
Independent non-executive director:							
Robert Joseph Smith *(Note vi)*	May 2025	15	–	–	169	–	184

	Date of appointment	Director fee	Salaries and other benefits	Retirement benefit scheme	Share-based payments	Discretionary bonus	Total
		USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
For the six months ended June 30, 2025 (unaudited)							
Executive director:							
Dr. Xinyan Li *(Note i)*	October 2020	–	233	1	97	101	432
Non-executive directors:							
Qingsheng Zhu *(Note ii)*	September 2019	–	–	–	–	–	–
Guowei Wang *(Note ii)*	September 2019	–	–	–	–	–	–
Wei Li *(Note ii)*	September 2019	–	–	–	–	–	–
Carl Lee Gordon *(Note ii)*	September 2019	–	–	–	–	–	–
Yanling Cao *(Note iii)*	April 2021	–	–	–	–	–	–
Jiang Han *(Note iv)*	May 2021	–	–	–	–	–	–
		–	–	–	–	–	–
Independent non-executive director:							
Robert Joseph Smith *(Note vi)*	May 2025	4	–	–	23	–	27

	Date of appointment	Director fee	Salaries and other benefits	Retirement benefit scheme	Share-based payments	Discretionary bonus	Total
		USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
For the six months ended June 30, 2026							
Executive director:							
Dr. Xinyan Li *(Note i)*	October 2020	–	247	1	34	102	384
Non-executive directors:							
Qingsheng Zhu *(Note ii)*	September 2019	–	–	–	–	–	–
Guowei Wang *(Note ii)*	September 2019	–	–	–	–	–	–
Wei Li *(Note ii)*	September 2019	–	–	–	–	–	–
Jiang Han *(Note iv)*	May 2021	–	–	–	–	–	–
Diyong Xu *(Note v)*	September 2025	–	–	–	–	–	–
		–	–	–	–	–	–
Independent non-executive director:							
Robert Joseph Smith *(Note vi)*	May 2025	15	–	–	154	–	169

Notes:

i. Dr. Xinyan Li was appointed as an executive director with effect from October 2020, and she was appointed as the chief executive officer of the Company with effect from May 2023.

ii. Qingsheng Zhu, Guowei Wang, Wei Li, and Carl Lee Gordon were appointed as non-executive directors with effect from September 2019. Carl Lee Gordon resigned as a director with effect from September 2025.

iii. Yanling Cao was appointed as a non-executive director on April 2021, and resigned as a director with effect from November 2025.

iv. Jiang Han was appointed as a non-executive director with effect from May 2021.

v. Diyong Xu was appointed as a non-executive director with effect from September 2025.

vi. Robert Joseph Smith was appointed as an independent non-executive director with effect from May 2025.

The executive directors' and chief executive's emoluments shown above were paid for their services in connection with the management of the affairs the Company and/or the Group during the Track Record Period. The independent non-executive director's emoluments shown above were paid for his services as independent director of the Company during the Track Record Period.

During the Track Record Period, none of the directors of the Company waived or agreed to waive any emoluments and no emoluments were paid by the Group to any of the directors of the Company as an inducement of join or upon joining the Group or for the loss of office.

During the Track Record Period, certain directors were granted share options, in respect of their services to the Group, details are set out in Note 28 to the Historical Financial Information.

(b) Five highest paid employees

The five highest paid individuals of the Group included one, one, one and one director of the Company for the year ended December 31, 2024 and 2025 and the six months ended June 30, 2025 (unaudited) and 2026. Details of director's remuneration are set out above. Details of the remunerations for the Track Record Period of these highest paid individuals except for the directors of the Company are as follows:

	Year ended December 31,		Six months ended June 30,	
	2024	**2025**	**2025**	**2026**
	USD'000	*USD'000*	*USD'000 (unaudited)*	*USD'000*
Salaries and other allowances	1,151	891	488	398
Discretionary bonus	256	322	92	95
Retirement benefits schemes contributions	35	49	24	19
Share-based payment expenses	7	93	42	204
Total	**1,449**	**1,355**	**646**	**716**

The emoluments of the five highest paid employees are within the following bands:

	Year ended December 31,		Six months ended June 30,	
	2024	**2025**	**2025**	**2026**
			(unaudited)	
HKD500,000 to HKD1,000,000	–	–	1	1
HKD1,000,001 to HKD1,500,000	–	1	1	1
HKD1,500,001 to HKD2,000,000	–	–	2	2
HKD2,000,001 to HKD2,500,000	1	1	–	–
HKD2,500,001 to HKD3,000,000	2	1	–	–
HKD3,000,001 to HKD3,500,000	–	1	1	1
HKD3,500,001 to HKD4,000,000	1	–	–	–
HKD6,000,001 to HKD6,500,000	–	1	–	–
HKD6,500,001 to HKD7,000,000	1	–	–	–
Total	5	5	5	5

12. DIVIDEND

No dividend was declared or paid by the Company in respect of the Track Record Period.

13. LOSS PER SHARE

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

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	USD'000	*USD'000*	*USD'000 (unaudited)*	*USD'000*
Loss for the year/period attributable to owners of the Company	(26,464)	(19,528)	(8,207)	(4,744)

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
			(unaudited)	
Weighted average number of ordinary shares in issue	25,161,232	23,943,882	23,943,882	23,943,882

The computation of diluted loss per share for the years ended December 31, 2024 and 2025 and the six months ended June 30, 2025 (unaudited) and 2026, respectively, has not considered share options granted under the share incentive plan (Note 28), and the conversion of preferred shares as their inclusion would be anti-dilutive.

14. INTANGIBLE ASSETS

The Group

	Software
	USD'000
Cost	
At January 1, 2024	444
Exchange adjustments	(12)
At December 31, 2024	432
Exchange adjustments	16
At December 31, 2025	448
Additions	42
Exchange adjustments	15
At June 30, 2026	505
Amortization	
At January 1, 2024	(246)
Provided for the year	(164)
Exchange adjustments	10
At December 31, 2024	(400)
Provided for the year	(32)
Exchange adjustments	(16)
At December 31, 2025	(448)
Provided for the period	(5)
Exchange adjustments	(14)
At June 30, 2026	(467)
Carrying amount	
At December 31, 2024	32
At December 31, 2025	–*
At June 30, 2026	38

* *Amount is less than US$1,000.*

The intangible assets are amortized on a straight-line basis over their estimated useful lives of 3 years.

15. PROPERTY AND EQUIPMENT

The Group

	Experimental equipment	Electronic equipment	Furniture and equipment	Leasehold improvement	Construction in progress	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Cost						
At January 1, 2024	13,921	561	462	12,881	7	27,832
Additions	–	–	–	24	295	319
Transfer from construction in progress	297	–	–	–	(297)	–
Disposal	–	(117)	–	–	–	(117)
Exchange rate adjustments	(277)	(7)	(4)	(283)	1	(570)
At December 31, 2024	13,941	437	458	12,622	6	27,464
Additions	17	3	–	11	9	40
Transfer from construction in progress	2	9	–	–	(11)	–
Disposal	(3,050)	(184)	(351)	(4,610)	–	(8,195)
Exchange rate adjustments	347	8	4	336	–*	695
At December 31, 2025	11,257	273	111	8,359	4	20,004
Additions	–	–	–	9	18	27
Transfer from construction in progress	17	–	1	–	(18)	–
Disposal	(490)	–	–	–	–	(490)
Exchange rate adjustments	289	7	4	268	–*	568
At June 30, 2026	11,073	280	116	8,636	4	20,109
Accumulated depreciation						
At January 1, 2024	(4,200)	(409)	(212)	(7,714)	–	(12,535)
Provided for the year	(2,087)	(122)	(94)	(1,807)	–	(4,110)
Eliminated on disposals	–	113	–	–	–	113
Exchange rate adjustments	71	5	2	218	–	296
At December 31, 2024	(6,216)	(413)	(304)	(9,303)	–	(16,236)
Provided for the year	(1,908)	(11)	(63)	(311)	–	(2,293)
Eliminated on disposals	2,307	184	272	1,628	–	4,391
Exchange rate adjustments	(127)	(7)	(3)	(326)	–	(463)
At December 31, 2025	(5,944)	(247)	(98)	(8,312)	–	(14,601)
Provided for the period	(695)	(2)	(5)	(13)	–	(715)
Eliminated on disposals	417	–	–	–	–	417
Exchange rate adjustments	(135)	(7)	(4)	(265)	–	(411)
At June 30, 2026	(6,357)	(256)	(107)	(8,590)	–	(15,310)
Carrying amount						
At December 31, 2024	7,725	24	154	3,319	6	11,228
At December 31, 2025	5,313	26	13	47	4	5,403
At June 30, 2026	4,716	24	9	46	4	4,799

* *Amount is less than US$1,000.*

The above items of equipment are depreciated using the straight-line method after taking into account of their estimated residual values over the following estimated useful lives:

Experimental equipment	3-10 years
Electronic equipment	3 years
Furniture and equipment	3-5 years
Leasehold improvement	Shorter of the relevant lease terms or 10 years

16. RIGHT-OF-USE ASSETS

The Group

	Plant and office premises
	USD'000
CARRYING AMOUNT:	
At January 1, 2024	3,535
Additions	1,470
Depreciation charge for the year	(824)
Exchange rate adjustments	(42)
At December 31, 2024	4,139
Additions	36
Decrease	(2,771)
Depreciation charge for the year	(781)
Exchange rate adjustments	43
At December 31, 2025	666
Depreciation charge for the period	(254)
Exchange rate adjustments	15
At June 30, 2026	427

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	USD'000	*USD'000*	*USD'000 (unaudited)*	*USD'000*
Expenses relating to short-term leases	9	56	16	132
Total cash outflow for leases	1,933	1,157	669	364

During the Track Record Period, the Group leases various properties for its operations. Lease contracts are entered into for fixed terms of 1 to 12 years. The Group's obligations are secured by the rental deposits for such leases. The Group determines the lease period to be the non-cancellable period based on the contractual terms of the contract.

In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, lease liabilities amounting to USD7,059,000, USD544,000 and USD338,000 are recognized with related right-of-use assets of USD4,139,000, USD666,000 and USD427,000, respectively, as at December 31, 2024 and 2025 and June 30, 2026. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

17. PREPAYMENTS AND OTHER RECEIVABLES

The Group

	As at December 31,		As at June 30,
	2024	2025	2026
	USD'000	*USD'000*	*USD'000*
Prepayments for research and development	1,786	1,474	1,260
Value added tax recoverable	654	986	1,168
Rental deposits	164	182	180
Prepaid expenses	77	122	209
Deferred issue costs	–	437	555
Other receivables	–	98	19
	2,681	3,299	3,391
Less: Deposits classified as non-current assets	(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

The Company

	As at December 31,		As at June 30,
	2024	2025	2026
	USD'000	*USD'000*	*USD'000*
Deferred issue costs	–	437	555

18. INVENTORIES

The Group

	As at December 31,		As at June 30,
	2024	2025	2026
	USD'000	*USD'000*	*USD'000*
Raw materials and consumables	1,506	1,204	827
Less: provision	144	43	55
	1,362	1,161	772

19. FINANCIAL ASSETS AT FVTPL

The Group

	As at December 31,		As at June 30,
	2024	2025	2026
	USD'000	*USD'000*	*USD'000*
Wealth management products	39,096	25,225	16,560

These assets were managed by reputable financial institution and underlying investments are low risk instruments including time deposits, money market ETF, and cash, etc.

20. AMOUNTS DUE FROM SUBSIDIARIES/AMOUNTS DUE TO SUBSIDIARIES

The Company

The amounts due from subsidiaries and the amounts due to subsidiaries are non-trade, unsecured, interest-free and repayable on demand.

21. CASH AND CASH EQUIVALENTS / RESTRICTED BANK BALANCES

The Group

The bank balances and restricted bank balances carry interest at market rate from 0.005% to 1.10%, 0.005% to 1.08% and 0.001% to 3.55% per annum as at December 31, 2024 and 2025 and June 30, 2026, respectively. Restricted bank balances amounting to USD329,000 as at December 31, 2024 were pledged to a bank against banking facilities granted by the bank.

The Company

The bank balances carry interest at market rate from 0.01% to 0.20%, 0.01% to 0.20% and 0.01% to 0.19% per annum as at December 31, 2024 and 2025 and June 30, 2026, respectively.

Bank balances that are denominated in currencies other than functional currencies of the relevant group entities are set out below:

	As at December 31,		As at June 30,
	2024	2025	2026
	USD'000	*USD'000*	*USD'000*
Renminbi ("**RMB**")	1,251	1,300	1,342
Hong Kong Dollars ("**HKD**")	1	2	3
	1,252	1,302	1,345

22. TRADE PAYABLES

The Group

	As at December 31,		As at June 30,
	2024	2025	2026
	USD'000	*USD'000*	*USD'000*
Trade payables	314	343	205

The average credit period on purchases of goods/services of the Group is 30 to 60 days.

The following is an aging analysis of trade payables of the Group, presented based on earlier of the date of goods and services received and the invoice dates at the end of each year:

	As at December 31,		As at June 30,
	2024	2025	2026
	USD'000	*USD'000*	*USD'000*
0-30 days	249	229	160
31-60 days	14	112	4
61-180 days	51	2	–
181-365 days	–	–	41
	314	343	205

23. OTHER PAYABLES AND ACCRUALS

The Group

	As at December 31,		As at June 30,
	2024	2025	2026
	USD'000	*USD'000*	*USD'000*
Accrued research and development expenses	664	1,314	1,443
Accrued [**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Accrued issue costs	–	259	108
Accrued legal and professional fees	361	155	176
Payroll payables	970	1,076	559
Other tax payables	66	18	26
Others	17	6	2
	2,078	4,377	2,991

The Company

	As at December 31,		As at June 30,
	2024	2025	2026
	USD'000	*USD'000*	*USD'000*
Accrued [**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Accrued issue costs	–	259	108
Accrued legal and professional fees	4	–	12
	4	1,593	654

24. LEASE LIABILITIES

The Group

	As at December 31,		As at June 30,
	2024	2025	2026
	USD'000	*USD'000*	*USD'000*
Lease liabilities payable:			
Within one year	649	437	331
Within a period of more than one year but not exceeding two years	592	106	7
Within a period of more than two years but not exceeding five years	2,106	1	–
Within a period of more than five years	3,712	–	–
	7,059	544	338
Less: Amount due for settlement with 12 months shown under current liabilities	(649)	(437)	(331)
Amount due for settlement after 12 months shown under non-current liabilities	6,410	107	7

As at December 31, 2024 and 2025 and June 30, 2026, the weighted average incremental borrowing rates applied to lease liabilities are 6.20%, 5.23% and 5.23%, respectively.

25. BORROWINGS

The Group

	As at December 31,		As at June 30,
	2024	2025	2026
	USD'000	*USD'000*	*USD'000*
Unsecured and unguaranteed	–	–	735
Unsecured and guaranteed	10,789	11,203	14,136
	10,789	11,203	14,871

	As at December 31,		As at June 30,
	2024	2025	2026
	USD'000	*USD'000*	*USD'000*
Carrying amount repayable			
Within one year	1,383	2,133	6,591
Within a period of more than one year but not exceeding two years	672	2,093	2,520
Within a period of more than two years but not exceeding five years	8,734	6,977	5,760
	10,789	11,203	14,871

On July 28, 2021, Frontera Suzhou entered into a loan agreement for a specific research and development project with a PRC bank which provided a loan facility amounting to RMB140,000,000 (equivalent to USD19,180,000). The bank borrowings are guaranteed by Frontera Shanghai and Frontera Qisheng, both wholly owned subsidiaries of the Group. As at December 31, 2024 and 2025 and June 30, 2026, Frontera Suzhou has withdrawn RMB68,654,000, RMB68,654,000 and RMB68,654,000 (equivalent to USD9,406,000, USD9,768,000 and USD10,080,000), respectively. The interest rate on this loan is reset annually based on the 5-year Loan Prime Rate plus 30 basis points.

As at December 31, 2024 and 2025 and June 30, 2026, the short-term bank borrowings of Frontera Shanghai are RMB10,000,000, RMB10,000,000 and RMB15,000,000, equivalent to USD1,371,000, USD1,424,000 and USD2,204,000, respectively. As at June 30, 2026, RMB10,000,000 (equivalent to USD1,470,000) of the bank borrowings are guaranteed by Frontera Suzhou, a wholly owned subsidiary of the Group, while the remaining RMB5,000,000 (equivalent to USD735,000) are unguaranteed.

As at June 30, 2026, the short-term bank borrowing of Frontera Qisheng is RMB20,000,000, equivalent to USD2,938,000. The bank borrowings are guaranteed by Frontera Shanghai, a wholly owned subsidiary of the Group.

The exposure of the Group's borrowings are as follows:

	As at December 31,		As at June 30,
	2024	2025	2026
	USD'000	*USD'000*	*USD'000*
Floating rate borrowings	9,418	9,779	10,463
Fixed-rate borrowings	1,371	1,424	4,408
	10,789	11,203	14,871

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	As at December 31,		As at June 30,
	2024	2025	2026
Effective interest rate:			
Floating rate borrowings	4.15%	3.80%	2.50%-3.80%
Fixed-rate borrowings	3.00%	2.83%	2.40%-2.80%

26. PROVISION

The Group

	Restoration provision
	USD'000
At January 1, 2024	410
Interest accrual	9
Exchange rate adjustments	3
At December 31, 2024	422
Interest accrual	11
Exchange rate adjustments	(52)
At December 31, 2025	381
Interest accrual	6
Exchange rate adjustments	12
At June 30, 2026	399

The Group has entered several lease contracts with the lessors which the restoration term required the Group to dismantle and remove the underlying asset, restore the site on which it is located or restore the underlying asset to the condition at the expiration of the leases and bear the costs thereof.

27. SHARE CAPITAL

The Group and the Company

The Company was incorporated and registered as an exempted company in the Cayman Islands on September 17, 2019 with an authorized share capital of US$50,000 divided into 500,000,000 shares.

	Number of shares	Share Capital
		USD'000
Ordinary shares		
Ordinary shares of US$0.0001 each		
Authorized		
At January 1, 2024, December 31, 2024 and 2025 and June 30, 2026	500,000,000	50

	Number of shares	Share capital
		USD'000
Issued and fully paid		
Ordinary shares		
At January 1, 2024	25,533,882	2
Exercise of share options granted *(Note 28)*	210,000	–*
Repurchase and cancellation of ordinary shares	(1,800,000)	–*
At December 31, 2024 and 2025 and June 30, 2026	23,943,882	2
Preferred shares		
At January 1, 2024, December 31, 2024 and 2025 and June 30, 2026	91,194,645	10
Total shares		
At December 31, 2024	115,138,527	12
At December 31, 2025	115,138,527	12
At June 30, 2026	115,138,527	12

* *Amount is less than US $1,000.*

Ordinary shares

On September 17, 2019, the Company's shareholders subscribed for 20,000,000 ordinary shares with par value of USD0.0001 each for an aggregate consideration of USD2,000, of which USD1,000 was unpaid and 10,000,000 ordinary shares were subsequently cancelled by the Company on April 28, 2020.

On April 28, 2020 and May 25, 2020, the Company's shareholders subscribed for 10,000,000 and 3,475,000 shares with par value of USD0.0001 each for an aggregate consideration of USD1,000 and USD347.50.

During the year ended December 31, 2022, 250,102 options under the equity incentive plan were exercised, with 13,478 shares subscribed at USD0.01 per share and 236,624 shares subscribed at USD0.34 per share.

During the years ended December 31, 2023 and 2024, 1,808,780 and 210,000 options, respectively, were exercised under the equity incentive plan. In 2023, the exercises resulted in the subscription of 2,312 shares at USD0.01 per share and 1,806,468 shares at USD0.34 per share. In 2024, the exercises resulted in the subscription of 200,000 shares at USD0.01 per share and 10,000 shares at USD0.61 per share.

On September 28, 2024, the Company repurchased and cancelled 1,800,000 ordinary shares from a former senior management for a total consideration of USD720,000.

Preferred shares

During the period from October 2019 to April 2020, the Company entered into share purchase agreements (the "**Agreements**") with certain ordinary shareholders and issued convertible loan notes amounting to USD500,000 and USD4,500,000 with an interest rate of 4% per annum. However, no interest shall accrue on the outstanding principal amount if the entire principal amount has been converted into preferred shares of the Company on or before the maturity date.

On October 9, 2020, the total of USD5,000,000 convertible loan notes were converted into series A preferred shares at the issue price of USD1 each for series A preferred shares. On the same day, the Company issued additional 12,500,000 series A preferred shares to certain investors with par value of USD0.0001 each for an aggregate consideration of USD12,500,000.

On January 15, 2021 and May 6, 2021, the Company further issued 17,500,000 series A and 36,196,541 series B-1 preferred shares with par value of USD0.0001 each to certain investors with a total consideration of USD17,500,000 and USD80,150,000, respectively.

On July 15, 2022, the Company further issued 19,998,104 series B-2 preferred shares with par value of USD0.0001 each to certain investors with a total consideration of USD80,150,000.

The key terms of series A, B-1 and B-2 preferred shares (collectively referred as the "**Preferred Shares**") are as follows:

(a) Dividend rights

Each holder of the series B preferred shares shall be entitled to receive, pari passu with each other holder of the series B preferred shares, prior and in preference to, and satisfied before, any distribution to the holders of any series A preferred shares and ordinary shares, and any other class or series of shares, out of any funds legally available therefor, when, as and if declared by the board, such amount of cumulative dividends and other distributions equal to the distribution that such holder would have received if such series B preferred share had been converted into ordinary shares immediately prior to such distribution. If there are any funds remaining available for distribution after the dividends with respect to the series B preferred shares have been paid in full pursuant, with respect to each series A preferred share, each holder of the series A preferred shares shall be entitled to receive, prior and in preference to, and satisfied before, any distribution to the holders of any ordinary shares, and any other class or series of shares, out of any funds legally available therefor, when, as and if declared by the board, such amount of cumulative dividends and other distributions equal to the distribution that such holder would have received if such series A preferred share had been converted into ordinary shares immediately prior to such distribution. No dividends have been declared or paid during the Track Record Period and [up to the date of this report].

(b) Conversion feature

Any preferred share may be convertible, at the option of the holder thereof, at any time after the date of issuance of such shares, without the payment of any additional consideration, into the number of fully paid and non-assessable ordinary shares based on the then-effective conversion price resulting in an initial conversion ratio for the Preferred Shares of 1:1.

Such initial conversion price shall be subject to adjustment, including but not limited to dividends, share splits and combinations, capital reorganization or reclassification, and adjustment upon issuance of new securities for consideration per shares less than conversion price.

Each preferred share shall automatically be converted into ordinary shares at the then respective effective conversion price upon the closing of a qualified [**REDACTED**] or the written consent of the

holders of at least a majority of the voting power of the then outstanding Preferred Shares of that class or series (voting together as a single class and calculated on an as-converted basis).

(c) Liquidation preferences

In the event of any liquidation, dissolution or winding up of the Company, or the cessation of the business of the Group or of a substantial portion of the business of the Group, whether voluntary or involuntary, all assets and surplus funds of the Company legally available for distribution to the shareholders shall be distributed to the shareholders of the Company in the sequence as follows:

(1) series B preferred shares

(2) series A preferred shares

(3) ordinary shares

(d) Voting rights

The holder of any ordinary shares issued and outstanding shall have one vote for each ordinary share held by such holder, and the holder of any Preferred Shares shall be entitled to the number of votes equal to the number of ordinary shares into which such Preferred Shares could be converted at the record date for determination of the members entitled to vote on such matters, or, if no such record date is established, at the date such vote is taken or any written consent of members is solicited, such votes to be counted together with all other shares of the Company having general voting power and not counted separately as a class.

28. SHARE-BASED PAYMENT TRANSACTIONS

To promote the success of the Company and the interests of its shareholders and to attract, motivate, retain and reward certain officers, employees, directors and other eligible persons, the Company adopted an equity incentive plan on August 28, 2020, under which, the share options can be issued by the Company. The share options shall be vested in one of the four schedules: (i) 1/4 of the share options to vest on the one-year anniversary of the vesting commencement date and an additional 1/48 of the share options upon each successive monthly anniversary (or if there is non-corresponding day, on the last day of such month) for the next 36 months following such one-year anniversary; or (ii) 1/8 of share options to vest on each successive three-month anniversary (or if there is no corresponding day, on the last day of such month) for 24 months; or (iii) 1/2 of the share options to vest on the one-year anniversary of the vesting commencement date and an additional 1/24 of the share options upon each successive monthly anniversary (or if there is non-corresponding day, on the last day of such month) for the next 12 months following such one-year anniversary; or (iv) tranches arrangement with (i) above and with the successful completion of an [**REDACTED**] of the Company. All the share options shall expire not more than 10 years after their dates of grant.

Details of the share options outstanding throughout the Track Record Period separated by directors and senior management of the Company and other employees are as follows:

	As at December 31,				As at June 30,	
	2024		2025		2026	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
		USD		*USD*		*USD*
Directors and senior management:						
Outstanding at beginning of the year/period	5,955,000	0.32	6,915,000	0.34	10,950,307	0.36
Granted during the year/period	960,000	0.47	4,035,307	0.40	–	–
Outstanding at the end of the year/period	6,915,000	0.34	10,950,307	0.36	10,950,307	0.36
Exercisable at the end of the year/period	6,007,083	0.28	7,054,583	0.38	7,566,171	0.39

	As at December 31,				As at June 30,	
	2024		2025		2026	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
		USD		*USD*		*USD*
Other Employees:						
Outstanding at beginning of the year/period	4,369,459	0.30	2,515,846	0.32	3,805,088	0.34
Granted during the year/period	1,531,700	0.59	3,670,193	0.40	–	–
Exercised during the year/period	(210,000)	0.04	–	–	–	–
Forfeited during the year/period	(3,175,313)	0.44	(2,380,951)	0.42	(113,150)	0.35
Outstanding at the end of the year/period	2,515,846	0.32	3,805,088	0.34	3,691,938	0.33
Exercisable at the end of the year/period	1,592,045	0.25	3,280,943	0.33	3,377,610	0.34

Binomial option pricing model was used to determine the fair value of the options granted. Key assumptions are required to be determined by the directors of the Company with best estimate. The inputs into the Black-Scholes model during the Track Record Period are as follows:

	Year ended December 31,	
	2024	2025
Grant date ordinary share fair value	USD0.40	USD1.75
Grant date option fair value	USD0.17-0.24	USD1.44-1.60
Exercise price	USD0.40-0.61	USD0.40
Expected volatility	69.87%	72.26%-72.55%
Expected life	10 years	10 years
Risk-free rate	3.89%	4.08%-4.45%
Expected dividend yields	0.00%	0.00%
Discount rate	13.00%	13.00%

The Company used the discounted cash flow model to determine the underlying share value. The directors of the Company estimated the risk-free interest rate based on the yield of the United States Treasury Bonds with a maturity life close to the option life of the share option. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share options. Dividend yield is based on management estimation at the grant date.

The fair value of the share options was valued by directors of the Company with reference to valuation reports prepared by an independent qualified professional valuer, Anderson Management Consulting (Shanghai) Co. Limited ("**Anderson Management**"). The address of Anderson Management is 36/F, Citi Square, No. 859 North Sichuan Road, Hong Kou district, Shanghai, the PRC.

The Group recognized total expenses of USD243,000, USD483,000, USD212,000 and USD400,000 related to equity-settled share-based payment transactions for the years ended 2024 and 2025 and the six months ended June 30, 2025 (unaudited) and 2026, respectively.

5,064,179 options were granted subject to the condition that the Company successfully completes its [**REDACTED**]. As at June 30, 2026, no expenses have been recognized for these granted options as there is uncertainty on the satisfaction of the performance condition.

29. RETIREMENT BENEFITS PLAN

The subsidiary in the U.S. maintains multiple qualified contributory savings plans as allowed under section 401(k) of the Internal Revenue Code in the U.S.. These plans are defined contribution plans covering substantially all its qualifying employees and provide for voluntary contributions by employees, subject to certain limits. The contributions are made by both the employees and the employer. The employees' contributions are primarily based on specified dollar amounts or percentages of employee compensation. The only obligation of the subsidiary in the U.S. with respect to the retirement benefits plans is to make the specified contributions under the plans.

The employees of the Company's subsidiaries in the PRC are members of the state-sponsored retirement benefit scheme organized by the relevant local government authority in the PRC. The subsidiaries are required to contribute, based on a certain percentage of the payroll costs of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions.

The total expense recognized in profit or loss of USD470,000, USD416,000, USD205,000 and USD190,000 represents contributions payable to these plans by the Group at rates specified in the rules of the plans for the years ended 2024 and 2025 and the six months ended June 30, 2025 (unaudited) and 2026, respectively. As at December 31, 2024 and 2025 and June 30, 2026, contributions of USD128,000, USD21,000 and USD22,000, respectively, due in respect of the current reporting year had not been paid over to the plans.

30. CAPITAL COMMITMENTS

Capital expenditure in respect of the acquisition of property and equipment contracted for but not provided in the Historical Financial Information.

	As at December 31,		As at June 30,
	2024	2025	2026
	USD'000	*USD'000*	*USD'000*
Arising from acquisition of property and equipment	21	–	–

31. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes lease liabilities and the borrowings disclosed in notes 24 and 25 respectively, net of cash and cash equivalents and equity of the Group, comprising issued share capital, and other reserves.

The management of the Group reviews the capital structure on a semi-annual basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through new share issues as well as the issue of new debt or the redemption of existing debt.

32. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The Group

	As at December 31,		As at June 30,
	2024	2025	2026
	USD'000	*USD'000*	*USD'000*
Financial assets			
Financial assets at FVTPL	39,096	25,225	16,560
Amortized cost	13,300	11,565	17,172
	52,396	36,790	33,732
Financial liabilities			
Amortized cost	12,145	14,829	17,482

The Company

	As at December 31,		As at June 30,
	2024	2025	2026
	USD'000	*USD'000*	*USD'000*
Financial assets			
Amortized cost	54,136	50,973	49,509
Financial liabilities			
Amortized cost	15,000	13,212	13,610

(b) Financial risk management objectives and policies

The Group's major financial assets and liabilities include other receivables, cash and cash equivalents, restricted bank balances, financial assets at FVTPL, trade payables, other payables and borrowings. Details of these financial assets and liabilities are disclosed in respective notes.

The risks associated with these financial assets and liabilities include market risks (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risks

The Group's activities expose it primarily to currency risk and interest rate risk. There has been no change in the Group's exposure to these risks or the manner in which it manages and measures the risks.

(i) Currency risk

Certain bank balances are denominated in foreign currency of respective group entities which are exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets at the end of each year are mainly as follows:

	As at December 31,		As at June 30,
	2024	2025	2026
	USD'000	*USD'000*	*USD'000*
Assets			
RMB	1,251	1,300	1,342
HKD	1	2	3
	1,252	1,302	1,345

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in foreign currencies against respective entities' functional currencies, with which the Group may have a material exposure. 5% represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis uses outstanding foreign currency denominated monetary items as a base and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rates. A positive/negative number below indicates a decrease/increase in loss where foreign currencies strengthen 5% against functional currencies. For a 5% weakening of foreign currencies against functional currencies, there would be an equal and opposite impact on loss for the year.

	As at December 31,		As at June 30,
	2024	2025	2026
	USD'000	*USD'000*	*USD'000*
Impact on profit or loss	63	65	67

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to lease liabilities and cash flow interest rate risk in relation to the bank balances and borrowings due to the fluctuation of the prevailing market interest rates during the Track Record Period.

The Group currently does not have any interest rate hedging policy in relation to fair value and cash flow interest rate risks. The management of the Group monitors the Group's exposure on ongoing basis and will consider hedging interest rate risk should the need arise. The Group's cash flow interest rate risk is mainly sensitive to the fluctuation of interest rate arising from the Group's borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year.

If interest rates had been 10 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2024 and 2025 and the six months ended June 30, 2026 would increase/decrease by USD10,000, USD11,000 and USD7,000, respectively. This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to other receivables, cash, bank balances and restricted bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Other receivables

For other receivables, the management of the Group make periodic assessment on the recoverability of other receivables based on quantitative and qualitative information that is reasonable and supportive forward-looking information. During the Track Record Period, the Group assessed the ECL for other receivables was insignificant and thus no loss allowance was recognized.

Cash and cash equivalents and restricted bank balances

The credit risk on cash and cash equivalents and restricted bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit-rating agencies. During the Track Record Period, based on the average loss rates, the 12m ECL on cash and cash equivalents and restricted bank balances was considered to be insignificant and therefore no loss allowance was recognized.

Amounts due from subsidiaries

The credit risk on amounts due from subsidiaries is limited because the counterparties are related parties. During the Track Record Period, the Group assessed the ECL for amounts due from subsidiaries was insignificant and thus no loss allowance was recognized.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	12m ECL
Watch list . . .	Debtor frequently repays after due dates but settle in full	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – not credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity tables

	Weighted average effective interest rate	Within 1 year or on demand	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
As at December 31, 2024							
Trade payables . .	–	314	–	–	–	314	314
Other payables . .	–	1,042	–	–	–	1,042	1,042
Borrowings	4.35	1,801	1,100	9,350	–	12,251	10,789
Lease liabilities . .	6.20	986	841	2,993	4,272	9,092	7,059
		4,143	1,941	12,343	4,272	22,699	19,204
As at December 31, 2025							
Trade payables . .	–	343	–	–	–	343	343
Other payables . .	–	3,283	–	–	–	3,283	3,283
Borrowings	3.70	2,412	2,409	7,297	–	12,118	11,203
Lease liabilities . .	5.23	456	107	1	–	564	544
		6,494	2,516	7,298	–	16,308	15,373
As at June 30, 2026							
Trade payables . .	–	205	–	–	–	205	205
Other payables . .	–	2,406	–	–	–	2,406	2,406
Borrowings	3.35	6,998	2,779	5,902	–	15,679	14,871
Lease liabilities . .	5.23	338	7	–	–	345	338
		9,947	2,786	5,902	–	18,635	17,820

(c) Fair value measurements of financial instruments

The management of the Group considers that the carrying amount of the Group's financial assets and financial liabilities recorded at amortized cost in the Historical Financial Information approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

The Group's financial assets at FVTPL measured at fair value at December 31, 2024 and 2025 and June 30, 2026 are grouped under Level 2 hierarchy. The fair values are estimated based on the net asset values of the products.

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities	Borrowings	Other payables	Total
	USD'000 (Note 24)	*USD'000 (Note 25)*	*USD'000*	*USD'000*
At January 1, 2024	6,711	9,707	–	16,418
Financing cash flows	(1,924)	943	–	(981)
Non-cash changes:				
New leases entered	1,470	–	–	1,470
Interest expenses	448	445	–	893
Exchange rate adjustments	354	(306)	–	48
At December 31, 2024	7,059	10,789	–	17,848
Financing cash flows	(1,101)	(431)	(178)	(1,710)
Non-cash changes:				
New leases entered	36	–	–	36
Settled by restricted cash	(329)	–	–	(329)
Early termination	(5,834)	–	–	(5,834)
Interest expenses	326	431	–	757
Accrued issue costs	–	–	437	437
Exchange rate adjustments	387	414	–	801
At December 31, 2025	544	11,203	259	12,006
Financing cash flows	(232)	3,105	(269)	2,604
Non-cash changes:				
Interest expenses	12	223	–	235
Accrued issue costs	–	–	118	118
Exchange rate adjustments	14	340	–	354
At June 30, 2026	338	14,871	108	15,317
At December 31, 2024	7,059	10,789	–	17,848
Financing cash flows	(653)	(222)	–	(875)
Non-cash changes:				
New leases entered	36	–	–	36
Interest expenses	216	220	–	436
Exchange rate adjustments	14	212	–	226
At June 30, 2025 (unaudited)	6,672	10,999	–	17,671

34. RELATED PARTY TRANSACTIONS

Save for disclosed in Note 20 of the Historical Financial Information, which is the balances with the related parties of the Company, the Group has the following transactions with the related parties during the Track Record Period.

(a) Compensation of key management personnel

The remuneration of the directors and senior management during the years ended December 31, 2024 and 2025 and the six months ended June 30, 2025 (unaudited) and 2026 as follows:

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	USD'000	*USD'000*	*USD'000 (unaudited)*	*USD'000*
Salaries, bonus and other allowances	1,402	1,443	718	858
Retirement benefits scheme contributions	30	34	16	20
Share-based payment expenses	250	447	162	392
	1,682	1,924	896	1,270

35. RESERVES OF THE COMPANY

	Share premium	Share-based payment reserve	Translation reserve	Accumulated losses	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*
At January 1, 2024	195,965	1,729	1,487	(122,119)	77,062
Loss and total comprehensive expense for the year	–	–	(1,487)	(12,468)	(13,955)
Exercise of share options granted	9	–	–	–	9
Repurchase of ordinary shares *(Note 27)*	(720)	–	–	–	(720)
Recognition of equity-settled share-based payments *(Note 28)*	–	243	–	–	243
At December 31, 2024	195,254	1,972	–	(134,587)	62,639
Loss and total comprehensive expense for the year	–	–	–	(9,838)	(9,838)
Recognition of equity-settled share-based payments *(Note 28)*	–	483	–	–	483
At December 31, 2025	195,254	2,455	–	(144,425)	53,284
Loss and total comprehensive expense for the period	–	–	–	(2,398)	(2,398)
Recognition of equity-settled share-based payments *(Note 28)*	–	400	–	–	400
At June 30, 2026	195,254	2,855	–	(146,823)	51,286

36. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

(a) Investments in subsidiaries

	As at December 31,		As at June 30,
	2024	2025	2026
	USD'000	*USD'000*	*USD'000*
Cost of investments in subsidiaries	157,651	157,651	157,651
Share of losses and other comprehensive expenses	(134,132)	(140,960)	(142,153)
	23,519	16,691	15,498

(b) Detail information of subsidiaries of the Group

As at December 31, 2024 and 2025 and June 30, 2026 , and as at the date of this report, the Company has direct and indirect equity interests in the following subsidiaries:

Name of subsidiaries	Place/country and date of establishment/ incorporation	Issued and fully paid share capital/ registered capital				Equity interest attributable to the Group				Principal activities
		as at December 31,		As at June 30,	as at the date of this report	as at December 31,		As at June 30,	as at the date of this report	
		2024	2025	2026		2024	2025	2026		
Directly held										
Frontera BVI *(Note ii)*	BVI, March 11, 2020	Issued capital of USD1 and paid-in capital of nil	Issued capital of USD1 and paid-in capital of nil	Issued capital of USD1 and paid-in capital of nil	[Issued capital of USD1 and paid-in capital of nil]	100%	100%	100%	[100%]	Investment holding company
Frontera HK *(Note i)*	Hong Kong, October 2, 2019	Issued and paid-in capital of HKD1	Issued and paid-in capital of HKD1	Issued and paid-in capital of HKD1	[Issued and paid-in capital of HKD1]	100%	100%	100%	[100%]	Investment holding company
Frontera US *(Note ii)*	Delaware, USA, December 18, 2019	Issued and paid-in capital of USD1	Issued and paid-in capital of USD1	Issued and paid-in capital of USD1	[Issued and paid-in capital of USD1]	100%	100%	100%	[100%]	Research and development of biological science
Indirectly held										
Inspirar *(Note ii)*	Hong Kong, April 9, 2019	Issued capital of HKD1 and paid-in capital of nil	Issued capital of HKD1 and paid-in capital of nil	Issued capital of HKD1 and paid-in capital of nil	[Issued capital of HKD1 and paid-in capital of nil]	100%	100%	100%	[100%]	Investment holding company
The WFOE *(Note iii)*	Suzhou, PRC, September 16, 2020	Registered and paid-up capital of USD10,000,000	Registered and paid-up capital of USD10,000,000	Registered and paid-up capital of USD10,000,000	[Registered and paid-up capital of USD10,000,000]	100%	100%	100%	[100%]	Research and development of biological science
Frontera Shanghai *(Note iii)*	Shanghai, PRC, June 5, 2020	Registered and paid-up capital of USD5,000,000	Registered and paid-up capital of USD5,000,000	Registered and paid-up capital of USD5,000,000	[Registered and paid-up capital of USD5,000,000]	100%	100%	100%	[100%]	Research and development of biological science
Suzhou Frontera *(Note iii)*	Suzhou, PRC, August 19, 2020	Registered capital of RMB40,000,000 and paid-up capital of RMB10,000,000	Registered capital of RMB40,000,000 and paid-up capital of RMB10,000,000	Registered capital of RMB40,000,000 and paid-up capital of RMB10,000,000	[Registered capital of RMB40,000,000 and paid-up capital of RMB10,000,000]	100%	100%	100%	[100%]	Research and development of biological science

All of the subsidiaries adopted December 31 as financial year end.

None of the subsidiaries has issued any debt securities as at December 31, 2024 and 2025 and June 30, 2026.

Notes:

i. The statutory financial statements of Frontera HK for each of the years ended December 31, 2024 and 2025 were prepared in accordance with the HKFRS Accounting Standards issued by the HKICPA and were audited by us.

ii. No statutory financial statements have been prepared for these subsidiaries, as there is no statutory audit requirement.

iii. The statutory financial statements of these subsidiaries for each of the years ended December 31, 2024 and 2025 were prepared in accordance with Chinese Accounting Standards for Business Enterprises and were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP.

37. SUBSEQUENT EVENTS

[As at the date of this report, there was no material subsequent event undertaken by the Group after June 30, 2026.]

38. [SUBSEQUENT FINANCIAL STATEMENTS

[No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared by the Company or any of the companies comprising the Group in respect of any period subsequent to June 30, 2026 and up to the date of this report.]