

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our audited consolidated financial information for the years ended and as of December 31, 2024 and 2025 and the six months ended and as of June 30, 2026 set out in Appendix I to this document, together with the respective accompanying notes. Our consolidated financial information has been prepared in accordance with IFRS accounting standards.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to the future events and financial performance that involve risks and uncertainties. These statements are based on our assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors. In evaluating our business, you should carefully consider the information provided in the section headed “Risk Factors” in this document.

Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a biopharmaceutical company focused on gene therapies with advanced delivery vector technologies, according to Frost & Sullivan. In addition, we are also developing oligonucleotide-based therapeutics. Leveraging our self-developed *AAVarta* (AI-aided AAV Capsid Evolution Discovery Platform) and *SODA* (Silencing Oligo Designing Approach) technology platforms, we have built diversified product pipelines covering neurological diseases, ophthalmic diseases, and other genetic or chronic diseases. Our Core Product candidate, EXG102-031, and our Key Product candidate, EXG202, are both adeno-associated virus (AAV)-based gene therapies for the treatment of wet age-related macular degeneration (wAMD), a severe form of AMD characterized by choroidal neovascularization, and other fundus neovascular diseases such as diabetic macular edema (DME) and retinal vein occlusion (RVO). The other Core Product candidate, EXG001-307 (SMA Type 1), is an adeno-associated virus (AAV)-based gene therapy for the treatment of spinal muscular atrophy (SMA), a rare and life-threatening neuromuscular disorder caused by a deficiency of survival motor neuron (SMN) protein. In addition, we are developing oligonucleotide-based therapeutics within our pipeline. We are committed to addressing significant unmet clinical needs around the world through innovative gene therapies and oligonucleotide-based therapeutic approaches. As of the Latest Practicable Date, our product candidate pipeline consisted of nine product candidates, including four at clinical stage.

We currently have no products approved for commercial sales and we were loss-making during the Track Record Period. We incurred net losses of RMB219.8 million, RMB826.9 million, RMB83.3 million and RMB381.2 million, respectively, for the years ended December 31, 2024 and 2025 and the six months ended June 30, 2025 and 2026, which primarily resulted from research and development expenses, administrative expenses, and fair value change of financial liabilities at FVTPL. We expect to incur significant research and development expenses for at least the next several years as we continue to advance our clinical development plans, and to prepare for the commercialization of our Core Product and Key Product candidates. Subsequent to the [REDACTED], our financial performance may fluctuate from period to period due to, among other factors, the development status of our product candidates, regulatory approval timeline and commercialization of our product candidates after approval.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial condition have been, and are expected to continue to be, principally affected by a number of factors, many of which may be beyond our control. A discussion of the key factors is set forth below.

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Development and Commercialization of Our Pipeline Product Candidates

Although we currently have no product approved for commercial sale and have not generated any revenue from product sales, we expect to commercialize one or more of our pipeline product candidates over the coming years as they move towards the final stages of development. Our ability to generate revenue from our pipeline product candidates is dependent on multiple factors, including but not limited to our ability to obtain regulatory approvals, secure adequate manufacturing capacity, collaboration with competent third-party sales partners, as well as making our products accessible to, affordable for and accepted by the vast population who are in need of quality products that brings comprehensive benefits for SMA, fundus neovascularization diseases and other prevalent and high-burden diseases we target.

Our business and results of operations depend on our ability to successfully develop and commercialize our differentiated pipeline product candidates, including our Core Products EXG102-031 and EXG001-307 (SMA Type 1), and our Key Product EXG202. EXG001-307 (SMA Type 1) received IND approval from the CDE in June 2022. As of the Latest Practicable Date, we had completed the Phase I/II clinical trial of EXG001-307 (SMA Type 1) in China, marking a key milestone for its upcoming commercialization.

As of the Latest Practicable Date, we had cultivated a diverse pipeline of nine product candidates to capture the market potential in SMA, fundus neovascularization diseases and other prevalent and high-burden diseases we target. We expect to continue to achieve and deliver major development milestones for our pipeline product candidates. Our business and results of operations depend on our pipeline product candidates demonstrating good safety and efficacy results, and our ability to obtain the requisite regulatory approvals for our pipeline product candidates.

Our Cost Structure

Our cost structure during the Track Record Period primarily consisted of research and development expenses and administrative expenses.

During the Track Record Period, we incurred research and development expenses of RMB145.0 million, RMB103.9 million, RMB57.4 million and RMB53.4 million for the years ended December 31, 2024 and 2025 and the six months ended June 30, 2025 and 2026, respectively, in each case representing the largest component of our cost structure during the relevant period. Going forward, we expect to continue to incur significant research and development expenses as we advance our pipeline product candidates towards commercialization or clinical stage.

For the years ended December 31, 2024 and 2025 and the six months ended June 30, 2025 and 2026, research and development expenses incurred for our Core Products were RMB73.6 million, RMB56.9 million, RMB32.5 million and RMB28.2 million, respectively, accounting for 50.8%, 54.8%, 56.6% and 52.8% of our total research and development expenses for the corresponding periods. For the years ended December 31, 2024 and 2025 and the six months ended June 30, 2025 and 2026, our research and development expenses accounted for 87.3%, 85.3%, 87.2% and 76.7% of our total operating expenses (which equals the sum of research and development expenses and administrative expenses), respectively.

Our administrative expenses, which primarily consisted of salaries and benefits for our management and administrative personnel, share-based payment for our management and administrative personnel, and professional service fees, amounted to RMB21.2 million, RMB17.8 million, RMB8.5 million and RMB16.2 million in the years ended December 31, 2024 and 2025 and the six months ended June 30, 2025 and 2026, respectively.

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Going forward, our cost structure will evolve as we further develop our pipeline product candidates. As our pipeline product candidates progress through preclinical studies and clinical trials and advance towards commercialization, we expect to incur additional expenses related to research and development, sales and marketing, and regulatory affairs, among other activities. Additionally, we may also incur increased legal, compliance, accounting, insurance, and investor and public relations expenses associated with being a public company in Hong Kong.

Funding for Our Operations

During the Track Record Period, we funded our operations primarily through interest-bearing borrowings and equity financing. Going forward, in the event of the successful commercialization of one or more of our pipeline product candidates, we expect to primarily fund our operations with revenue generated from sales of our commercialized products. We may also require further funding through financing, public or private offerings, debt financing, collaboration and licensing arrangements or other sources. Any fluctuation in the funding for our operations will impact our cash flow and our results of operations.

BASIS OF PREPARATION

Our Company was incorporated in the Cayman Islands in 2019 as an exempted company with limited liability under the Companies Law, Cap. 22 of the Cayman Islands. The historical financial information of our Group has been prepared with the results of operations of both our Company and its subsidiaries consolidated for the Track Record Period. The historical financial information has been prepared in accordance with the accounting policies which conforms with the IFRSs issued by the IASB. The historical financial information has been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

MATERIAL ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of our consolidated financial statements requires management to make estimates, judgment and assumptions that affect the report amounts of expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each year/period of the Track Record Period. Uncertainty about these estimates and assumptions could results in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. See Notes 3 and 4 to the Accountants’ Report set out in Appendix I to this document for our accounting policies, estimates and judgments.

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DESCRIPTION OF SELECTED COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table set forth a summary of our consolidated statements of profit or loss and other comprehensive income for the periods indicated:

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
			(unaudited)	
Revenue	—	1,299	—	—
Cost of sales	—	(1,169)	—	—
Gross profit	—	130	—	—
Other income	61,709	13,398	5,892	2,909
Impairment losses under expected credit loss model (“ECL”), net of reversal . .	(2,301)	(99)	(138)	162
Other gains and losses	2,965	(859)	233	(1,822)
Fair value change of financial liabilities at fair value through profit or loss (“FVTPL”) and convertible loan notes	(105,195)	(706,791)	(21,196)	(304,456)
Administrative expenses	(21,151)	(17,831)	(8,455)	(16,175)
[REDACTED] expenses	—	(6,707)	—	(7,529)
Research and development expenses	(144,967)	(103,863)	(57,373)	(53,370)
Other expenses	(8,667)	(3,155)	(1,375)	(815)
Finance costs	(2,197)	(1,125)	(906)	(63)
Loss before tax	(219,804)	(826,902)	(83,318)	(381,219)
Income tax expense	—	—	—	—
Loss for the year	(219,804)	(826,902)	(83,318)	(381,219)

Revenue

During the Track Record Period, none of our pipeline product candidates had received regulatory approval or approval for commercialization. We had no revenue for the year ended December 31, 2024 and for the six months ended June 30, 2025 and 2026. We recorded revenue of RMB1.3 million for the year ended December 31, 2025 generated from providing research and development services for an overseas customer (the “**Customer A**”). Customer A engaged us to provide rAAV with our proprietary vectors to test the effect of our vectors on its product efficacy.

Customer A is a multinational pharmaceutical company. In 2025, Customer A expressed its interests in testing our proprietary capsid, RtAAV001, and, accordingly, entered into a material transfer agreement (the “**MTA**”) with our Company in June 2025 to procure the relevant samples for use in preclinical studies (the “**Research**”). According to the MTA, the material required for the testing was to be provided by us and funded by Customer A.

We provided the aforementioned samples to Customer A so that it can test the effect of our proprietary RtAAV001 capsid in the Research. As such, the transaction between us and Customer A, which solely facilitates Customer A’s preliminary testing on our proprietary products, is distinctively different from the services provided to us by other CROs/CDMOs, which are development and/or manufacturing contracting services for the drug candidates for which they do not have proprietary ownership.

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The quantity of material required for this study necessitated large-scale manufacturing. Furthermore, we lack the in-house personnel and specialized equipment required to perform the quality testing specified by Customer A. As a result, we outsourced the manufacturing and such quality testing. Over 90% of the revenue received from Customer A was to cover the production cost quoted by Hangzhou CoJourney, with our Company retaining approximately 10% for overhead fees. As confirmed by Frost & Sullivan, such outsourcing with a similar split of revenue is common in the gene therapy industry in China.

Cost of Sales

During the Track Record Period, we did not incur any cost of sales for the year ended December 31, 2024 and for the six months ended June 30, 2025 and 2026 as we did not have any revenue for these periods. We incurred cost of sales of RMB1.2 million for the year ended December 31, 2025, which represented the cost of services we incurred for outsourcing to Hangzhou CoJourney the manufacture of rAAV with our proprietary vectors.

Gross Profit and Gross Profit Margin

Gross profit represents our revenue less cost of sales. Gross profit margin represents our gross profit as a percentage of our revenue. During the Track Record Period, we had no gross profit for the year ended December 31, 2024 and for the six months ended June 30, 2025 and 2026, and we recorded a gross profit of RMB0.1 million for the year ended December 31, 2025, representing a gross profit margin of 10.0%.

Other Income

During the Track Record Period, our other income consisted of (i) interest income from bank deposits, time deposits, receivables for the disposal of long-term assets and finance lease receivable; (ii) government grants, which primarily represent subsidies granted by local government authorities to support our research and development as well as other operating activities; (iii) sales of materials, which primarily represent income from our disposal of raw materials to Hangzhou CoJourney subsequent to our lease of production facilities (the “Disposal”); and (iv) rental income from our lease of self-owned production facilities to Hangzhou CoJourney.

The raw materials disposed by us in the Disposal were procured and intended to be used at the Plasmid Manufacturing Facility, and were sold to Hangzhou CoJourney as they would no longer be needed by our Company after the Plasmid Manufacturing Facility was sold to Hangzhou CoJourney. The Disposal was one-off in nature. We do not intend to continue to source and sell raw materials to Hangzhou CoJourney.

The following tables set forth breakdowns of our other income for the periods indicated:

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
			(unaudited)	
Interest income				
– Bank deposits	3,922	3,384	1,654	1,101
– Time deposits	5,116	1,029	618	229
– Receivables from the disposal of long-term assets	1,939	1,389	728	589
– Finance lease receivable . . .	110	69	40	17
Government grants	44,657	4,382	1,497	159
Rental income	2,204	2,923	1,355	814
Sales of materials	3,941	222	–	–
Total	61,709	13,398	5,892	2,909

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Other Gains and Losses

Our other gains and losses primarily consisted of gains from financial assets at FVTPL, net foreign exchange gains, and net losses on disposal of property and equipment.

The following table sets forth a breakdown of our other gains and losses for the periods indicated:

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
			(unaudited)	
Gains from financial assets at FVTPL	1,897	824	573	449
Net foreign exchange gains/(losses)	1,622	(1,869)	(340)	(2,331)
Net (losses) gains on disposal of long-term assets	(554)	50	—	—
Other	—	136	—	—
Total	2,965	(859)	233	(1,882)

Administrative Expenses

During the Track Record Period, our administrative expenses primarily consisted of (i) salaries and benefits for our management and administrative personnel; (ii) share-based payment for our management and administrative personnel; (iii) professional service fees, primarily representing fees paid to professional parties for audit services, legal services and human resource services; (iv) depreciation and amortization, primarily including depreciation and amortization expenses for right-of-use assets, property, plant and equipment, and intangible assets used for administrative purposes and (v) others, primarily including miscellaneous office expenses, property management and service expenses.

The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
			(unaudited)	
Salaries and benefits	10,313	9,328	4,403	4,628
Share-based payment	6,999	5,971	2,903	9,515
Professional service fees	2,231	1,089	505	1,149
Depreciation and amortization	568	422	241	289
Others	1,040	1,021	403	594
Total	21,151	17,831	8,455	16,175

Research and Development Expenses

During the Track Record Period, our research and development expenses consisted of (i) salaries and benefits for our research and development personnel; (ii) share-based payment for our research and development personnel; (iii) trial and testing expenses, primarily

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representing expenses incurred in connection with our pre-clinical studies and clinical trials; (iv) depreciation and amortization expenses for right-of-use assets, property, plant and equipment, and intangible assets used for research and development purposes; (v) cost of raw materials used for the clinical development of our pipeline product candidates; (vi) power costs; and (vii) others, primarily including patent application agent service fees and travelling expenses.

The following table sets forth a breakdown of our research and development expenses for the periods indicated:

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
			(unaudited)	
Salaries and benefits	42,342	35,139	19,115	13,520
Trial and testing expenses . .	44,549	27,342	15,448	14,455
Share-based payment	30,795	19,178	11,757	16,054
Depreciation and amortization	16,223	13,059	7,416	5,189
Material costs	6,102	4,053	1,645	2,329
Utilities	1,732	1,200	566	578
Others	3,224	3,892	1,426	1,245
Total	144,967	103,863	57,373	53,370

The following table sets forth a breakdown of research and development expenses attributable to our Core Products for the periods indicated:

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
			(unaudited)	
Labor costs	36,348	23,492	14,049	14,913
Trial and testing expenses . .	22,580	18,432	10,909	8,218
Depreciation and amortization	9,190	10,285	5,748	3,498
Material costs	2,522	2,060	870	679
Utilities	841	898	401	380
Others	2,106	1,757	485	476
Total	73,587	56,924	32,462	28,164

For the years ended December 31, 2024 and 2025 and the six months ended June 30, 2025 and 2026, research and development expenses incurred for our Core Products were RMB73.6 million, RMB56.9 million, RMB32.5 million and RMB28.2 million, respectively, accounting for 50.8%, 54.8%, 56.6% and 52.8% of our total research and development expenses for the corresponding periods, respectively.

Other Expenses

During the Track Record Period, our other expenses primarily consisted of (i) costs we incurred for leasing our production facility to Hangzhou CoJourney, which include depreciation and amortization of production equipment and facilities and cost of utilities; (ii) material costs, which represent cost of our sales of certain raw materials to Hangzhou CoJourney subsequent to leasing production facilities to it; (iii) service fee, representing a

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one-off design service fee we incurred in the year ended December 31, 2024 for certain premises in connection with our commercialization plan; and (iv) others, representing expenses not related to our business operations, which primarily consisted of donations to charitable foundations for causes relating to SMA and Fabry.

The following table sets forth a breakdown of our other expenses for the periods indicated:

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
			(unaudited)	
Costs of lease income	2,024	2,923	1,355	814
Material costs	4,363	211	–	–
Service fee	2,170	–	–	–
Others	110	21	20	1
Total	8,667	3,155	1,375	815

Finance Costs

During the Track Record Period, our finance costs consisted of (i) interest payments on bank borrowings and (ii) deemed interest expense arising from lease liabilities.

The following table sets forth a breakdown of our financial costs for the periods indicated:

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
			(unaudited)	
Interest expenses				
– Bank borrowings	1,692	854	744	–
– Lease liabilities	505	271	162	63
Total	2,197	1,125	906	63

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six months ended June 30, 2026 compared to six months ended June 30, 2025

Revenue

For the six months ended June 30, 2025 and 2026, we did not generate any revenue.

Cost of Sales

For the six months ended June 30, 2025 and 2026, we did not incur any cost of sales.

Gross Profit and Gross Profit Margin

As a result of the above, our gross profit was nil for the six months ended June 30, 2025 and 2026.

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Other Income

Our other income decreased by RMB3.0 million, or 50.6%, from RMB5.9 million for the six months ended June 30, 2025 to RMB2.9 million for the six months ended June 30, 2026, primarily as a result of (i) a decrease in government grants. Our government grants were mostly one-off in nature. We did not have income-related government grants in the six months ended June 30, 2026 and the amount recognized represented amortization of asset-based government grants we received in prior years; (ii) a decrease in interest income from bank deposits primarily due to a decrease in bank deposit balance; and (iii) a decrease in rental income because Hangzhou Co-Journey used the leased facility for a shorter period of time during the six months ended June 30, 2026 compared to the same period in 2025.

Impairment Losses under Expected Credit Loss Model, Net of Reversal

Our impairment losses under expected credit loss model, net of reversal changed from losses of RMB0.1 million for the six months ended June 30, 2025 to a reversal of RMB0.2 million for the six months ended June 30, 2026, primarily due to the decrease in our receivables from Hangzhou Co-Journey.

Other Gains and Losses

Our other gains and losses amounted to net other gains of RMB0.2 million for the six months ended June 30, 2025 and net other losses of RMB1.9 million for the six months ended June 30, 2026, primarily due to an increase in net foreign exchange losses as a result of the depreciation of the U.S. dollar against the RMB.

Administrative Expenses

Our administrative expenses increased by RMB7.7 million, or 91.3%, from RMB8.5 million for the six months ended June 30, 2025 to RMB16.2 million for the six months ended June 30, 2026, primarily due to (i) an increase in share-based payment because we granted share options under our employee equity compensation plan in April 2026; and (ii) an increase in professional service fees for legal and financial advisory fees in connection with our operating activities.

Research and Development Expenses

Our research and development expenses decreased by RMB4.0 million, or 7.0%, from RMB57.4 million for the six months ended June 30, 2025 to RMB53.4 million for the six months ended June 30, 2026, primarily due to a decrease in salaries and benefits for our research and development personnel as a result of (i) a decrease in the number of our research and development personnel; and (ii) a reallocation of compensation for certain personnel from research and development to administrative expenses due to their increased involvement in administrative work in connection with our proposed [REDACTED].

Other Expenses

Our other expenses decreased by RMB0.6 million, or 40.7%, from RMB1.4 million for the six months ended June 30, 2025 to RMB0.8 million for the six months ended June 30, 2026, primarily due to a decrease in costs of lease income because Hangzhou Co-Journey used our facility for a short period of time during the six months ended June 30, 2026 compared to the same period in 2025.

Finance Costs

Our finance costs decreased by RMB0.8 million, or 93.0%, from RMB0.9 million for the six months ended June 30, 2025 to RMB0.1 million for the six months ended June 30, 2026, primarily due to a decrease in interest expenses on bank borrowings as we had fully repaid our bank borrowings by the end of 2025 and did not incur new bank borrowings in 2026.

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Loss for the Period

As a result of the foregoing, our loss increased by RMB297.9 million, or 357.5%, from RMB83.3 million for the six months ended June 30, 2025 to RMB381.2 million for the six months ended June 30, 2026.

Year ended December 31, 2025 compared to Year ended December 31, 2024

Revenue

Our revenue increased from nil for the year ended December 31, 2024 to RMB1.3 million for the year ended December 31, 2025. During the Track Record Period, none of our pipeline product candidates had received regulatory approval or approval for commercialization. We had no revenue for the year ended December 31, 2024. We recorded revenue of RMB1.3 million for the year ended December 31, 2025 generated from providing research and development services for an overseas customer, namely, Customer A. The customer engaged us to provide rAAV with our proprietary vectors to test the effect of our vectors on its product efficacy.

Cost of Sales

Our cost of sales increased from nil for the year ended December 31, 2024 to RMB1.2 million for the year ended December 31, 2025. We did not have any revenue and did not incur any cost of sales for the year ended December 31, 2024. We incurred cost of sales of RMB1.2 million for the year ended December 31, 2025, which represented the cost of services we incurred for outsourcing to Hangzhou CoJourney the manufacture of rAAV with our proprietary vectors.

Gross Profit and Gross Profit Margin

As a result of the above, our gross profit increased from nil for the year ended December 31, 2024 to RMB0.1 million for the year ended December 31, 2025, representing a gross profit margin of nil and 10.0%, respectively.

Other Income

Our other income decreased by RMB48.3 million, or 78.3%, from RMB61.7 million for the year ended December 31, 2024 to RMB13.4 million for the year ended December 31, 2025, primarily due to (i) a significant decrease in government grants because we received a one-off government grant in 2024 for our SMA-related research before it entered into the clinical trial stage; and (ii) a decrease in interest income due to a decrease in the amount under deposit, which were partially offset by an increase in rental income because Hangzhou CoJourney used the leased facility for a longer time due to an increase in customer orders during 2025 compared to 2024.

Impairment Losses under Expected Credit Loss Model, Net of Reversal

Our impairment losses under expected credit loss model, net of reversal decreased by RMB2.2 million from RMB2.3 million for the year ended December 31, 2024 to RMB0.1 million for the year ended December 31, 2025 primarily because in July 2024 we decided to extend the payment period for our receivables from Hangzhou CoJourney, evaluated its credit risk and recorded initial impairment losses. Our expected credit loss did not change significantly from 2024 to 2025 and as a result we recorded only RMB0.1 million of impairment losses under expected credit loss model for the year ended December 31, 2025.

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Other Gains and Losses

Our other gains and losses amounted to net other gains of RMB3.0 million for the year ended December 31, 2024 and net other losses of RMB0.9 million for the year ended December 31, 2025, primarily reflecting (i) a decrease in net gain on financial assets at FVTPL due to the decrease in our investment in structured deposit; and (ii) the change from net foreign exchange gains of RMB1.6 million in 2024 to net foreign exchange losses of RMB1.9 million in 2025 primarily due to the RMB's appreciation against the U.S. dollar.

Administrative Expenses

Our administrative expenses decreased by RMB3.4 million, or 16.0%, from RMB21.2 million for the year ended December 31, 2024 to RMB17.8 million for the year ended December 31, 2025, mainly due to (i) decreases in salaries and benefits and share-based payment for our administrative personnel as a result of a decrease in the number of our high-level administrative staff; and (ii) a decrease in professional service fees due to the decrease in intellectual property counsel legal fees.

Research and Development Expenses

Our research and development expenses decreased by RMB41.1 million, or 28.3%, from RMB145.0 million for the year ended December 31, 2024 to RMB103.9 million for the year ended December 31, 2025, primarily due to (i) a decrease of RMB17.2 million in trial and testing expenses because in the year ended December 31, 2024 we incurred significant expenses in connection with the outsourced production costs for EXG001-307 (SMA Type 1), EXG202 and EXG110 pipeline products in connection with their clinical trials and IND applications while we did not incur these expenses in 2025; (ii) a decrease of RMB11.6 million in share-based payment for our research and development personnel primarily because we recognized less expenses as more share options had vested; (iii) a decrease of RMB7.2 million in salaries and benefits paid to our research and development personnel primarily due to a decrease in the number of such personnel after we outsourced production process related research and development to Hangzhou CoJourney; and (iv) a decrease of RMB3.2 million in depreciation and amortization related to equipment and interior decoration used for research and development because some equipment had finished the entire depreciation and amortization time period.

Other Expenses

Our other expenses decreased by RMB5.5 million, or 63.2%, from RMB8.7 million for the year ended December 31, 2024 to RMB3.2 million for the year ended December 31, 2025, primarily reflecting (i) a decrease of RMB4.2 million in material costs in line with the decrease in our sales of materials to Hangzhou CoJourney; and (ii) a decrease of RMB2.2 million in service fee, as in year ended December 31, 2024 we incurred a one-off design service fee for certain premises in connection with our commercialization plan but did not incur similar fees in 2025. These decreases were partially offset by an increase of RMB0.9 million in costs of lease income because Hangzhou CoJourney leased our production facility for a longer period of time during 2025 compared with 2024.

Finance Costs

Our finance costs decreased by RMB1.1 million, or 50.0%, from RMB2.2 million for the year ended December 31, 2024 to RMB1.1 million for the year ended December 31, 2025, primarily due to a decrease in interest payments on bank borrowings as a result of the decrease in the outstanding amount of bank borrowings and a decrease in interest rates.

Loss for the Year

As a result of the foregoing, our loss for the year increased by RMB607.1 million, or 276.2%, from RMB219.8 million for 2024 to RMB826.9 million for 2025.

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

The table below sets forth a summary of our consolidated statements of financial position as of the dates indicated:

	As of December 31,		As of June 30,
	2024	2025	2026
	(RMB'000)	(RMB'000)	(RMB'000)
NON-CURRENT ASSETS			
Property and equipment	31,134	18,397	14,046
Right-of-use assets	6,007	3,592	1,959
Intangible assets	112	150	97
Finance lease receivables	600	—	—
Prepayment on acquisition of non-current assets	1,838	—	—
Prepayment and other receivables	1,188	2,190	3,239
Amount due from related parties	40,461	27,490	27,979
Time deposits	30,000	—	—
	<u>111,340</u>	<u>51,819</u>	<u>47,320</u>
CURRENT ASSETS			
Inventories	3,365	2,670	2,039
Finance lease receivables	555	587	290
Prepayment and other receivables	5,574	5,957	7,216
Amounts due from related parties	14,007	17,474	15,170
Financial assets at FVTPL	40,127	68,235	90,287
Time deposits	50,319	31,417	—
Restricted bank deposits	300	—	6,000
Cash and cash equivalents	278,620	191,066	138,209
	<u>392,867</u>	<u>317,406</u>	<u>259,211</u>
CURRENT LIABILITIES			
Trade and other payables	29,728	30,497	19,946
Amounts due to related parties	2,989	30	1,144
Bank borrowings	53,758	—	—
Financial liabilities at FVTPL	1,774,141	2,450,780	2,745,764
Lease liabilities	3,913	2,479	826
Convertible loan notes	128,276	178,428	187,900
	<u>1,992,805</u>	<u>2,662,214</u>	<u>2,955,580</u>
NET CURRENT LIABILITIES	<u>(1,599,938)</u>	<u>(2,344,808)</u>	<u>(2,696,369)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>(1,488,598)</u>	<u>(2,292,989)</u>	<u>(2,649,049)</u>
NON-CURRENT LIABILITIES			
Other payables	155	—	—
Lease liabilities	2,058	319	17
Deferred income	795	139	46
	<u>3,008</u>	<u>458</u>	<u>63</u>
NET LIABILITIES	<u>(1,491,606)</u>	<u>(2,293,447)</u>	<u>(2,649,112)</u>

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Property and Equipment

During the Track Record Period, our property and equipment primarily included machinery, leasehold improvements, assets under installation representing equipment we previously purchased in preparation for production, office equipment and electronic devices.

Our property and equipment decreased from RMB31.1 million as of December 31, 2024 to RMB18.4 million as of December 31, 2025 and further decreased to RMB14.0 million as of June 30, 2026, primarily due to depreciation.

Right-of-use Assets

During the Track Record Period, our right-of-use assets consisted of our three leased properties in Hangzhou, China, Pennsylvania, U.S.A. and Massachusetts, U.S.A.

Our right-of-use assets decreased by RMB2.4 million, or 40.0%, from RMB6.0 million as of December 31, 2024 to RMB3.6 million as of December 31, 2025, primarily because (i) the depreciation and amortization expenses we recognized for the lease for our corporate headquarters in Hangzhou, China; and (ii) the lease for our office space in Pennsylvania, U.S.A. which ended in October 2025 and all related depreciation and amortization had been recognized as of September 30, 2025. Our right-of-use assets further decreased to RMB2.0 million as of June 30, 2026, primarily due to depreciation.

Intangible Assets

During the Track Record Period, our intangible assets primarily included software.

Our intangible assets increased from RMB0.1 million as of December 31, 2024 to RMB0.2 million as of December 31, 2025, mainly due to acquisition of additional software, partially offset by depreciation and amortization.

Our intangible assets decreased from RMB0.2 million as of December 31, 2025 to RMB0.1 million as of June 30, 2026, primarily due to amortization of software.

Prepayment and Other Receivables

During the Track Record Period, our prepayment and other receivables primarily consisted of (i) prepayments we made to suppliers of services and materials; (ii) deferred issue costs, which represent the portion of [REDACTED] expenses incurred in connection with our proposed [REDACTED] that will be deducted from equity upon the [REDACTED]; (iii) prepayments of [REDACTED] expenses and issue costs, which represent our prepayments for expenses in connection with the proposed [REDACTED]; (iv) value-added tax recoverables; (v) rental and other deposits for our leased properties and other miscellaneous deposits; and (vi) others.

	At December 31,		At June 30,
	2024	2025	2026
	(RMB'000)	(RMB'000)	(RMB'000)
Prepayments	5,038	4,531	4,273
Deferred issue costs	—	1,097	2,214
Prepayments of [REDACTED] expenses and issue costs	—	119	451
Value-added tax recoverable.	263	1,054	2,133
Rental and other deposits	1,028	1,051	1,048
Others	433	295	336
	<u>6,762</u>	<u>8,147</u>	<u>10,455</u>

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	At December 31,		At June 30,
	2024	2025	2026
	(RMB'000)	(RMB'000)	(RMB'000)
Analyzed as:			
Current	5,574	5,958	7,216
Non-current	1,188	2,190	3,239
	<u>6,762</u>	<u>8,147</u>	<u>10,455</u>
Less: Allowance for ECL	—	—	—
	<u>6,762</u>	<u>8,147</u>	<u>10,455</u>

Our prepayment and other receivables increased from RMB6.8 million as of December 31, 2024 to RMB8.1 million as of December 31, 2025 primarily due to the reclassification of our prepayment on acquisition of non-current assets in the amount of RMB1.8 million as of December 31, 2024 to prepayments to suppliers as of December 31, 2025 because we had previously engaged a third party to procure three sets of equipment and had prepaid RMB1.8 million for the equipment as of December 31, 2024. We subsequently terminated the equipment procurement contract, and parties agreed the prepayment of RMB1.8 million would be used for purchase of raw materials instead. This was partially offset by a decrease in prepayments to suppliers because we ended up not using the services of some hospitals and retrieved prepayments made to them. Our prepayment and other receivables further increased from RMB8.1 million as of December 31, 2025 to RMB10.5 million as of June 30, 2026, primarily as a result of an increase in deferred issue costs and an increase in value-added tax recoverable.

Finance Lease Receivables

During the Track Record Period, our finance lease receivables consisted of total remaining lease payments from the sublease of our leased office space in Massachusetts, U.S.A. to an Independent Third Party.

	As of December 31,		As of June 30,
	2024	2025	2026
	(RMB'000)	(RMB'000)	(RMB'000)
Non-current	600	—	—
Current	555	587	290
Total	<u>1,155</u>	<u>587</u>	<u>290</u>

Our finance lease receivables decreased from RMB1.2 million as of December 31, 2024 to RMB0.6 million as of December 31, 2025 then to RMB0.3 million as of June 30, 2026, as a result of sublease payments we received.

Financial Assets at FVTPL

During the Track Record Period, our financial assets at FVTPL mainly represented our investment in structured deposits managed by a financial institution in the PRC.

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The table below sets forth a breakdown of our financial assets at FVTPL as of the dates indicated:

	As of December 31,		As of June 30,
	2024	2025	2026
	(RMB'000)	(RMB'000)	(RMB'000)
Investment in structured deposits .	40,127	68,235	90,287
Total	40,127	68,235	90,287

Our financial assets at FVTPL increased from RMB40.1 million as of December 31, 2024 to RMB68.2 million as of December 31, 2025 and RMB90.3 million as of June 30, 2026, primarily due to our additional investments in structured deposits.

Inventories

During the Track Record Period, our inventories primarily consisted of materials used for research and development services. Our inventories decreased from RMB3.4 million as of December 31, 2024 to RMB2.7 million as of December 31, 2025 then to RMB2.0 million as of June 30, 2026, primarily due to utilization of certain auxiliary materials used in our research and development.

Time Deposits

The table below sets forth a breakdown of our time deposits as of the dates indicated:

	As of December 31,		As of June 30,
	2024	2025	2026
	(RMB'000)	(RMB'000)	(RMB'000)
Non-current	30,000	—	—
Current	50,319	31,417	—
Total	80,319	31,417	—

Our time deposits decreased by RMB48.9 million, or 60.9%, from RMB80.3 million as of December 31, 2024 to RMB31.4 million as of December 31, 2025 primarily because our time deposit of RMB50.3 million (US\$7.0 million) as of December 31, 2024 had matured prior to December 31, 2025. Our time deposits subsequently decreased to nil as of June 30, 2026, because we had no time deposits during the six months ended June 30, 2026.

Cash and Cash Equivalents

As of December 31, 2024 and 2025 and June 30, 2026, the balance of our cash and cash equivalents amounted to RMB278.6 million, RMB191.1 million and RMB138.2 million, respectively. For more details, see “— Liquidity and Capital Resources — Cash Flow Analysis” in this section.

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Liabilities

Trade and Other Payables

Our trade and other payables represent (i) trade payables, (ii) accrued research and development expenses, which represent expenses payable to CROs and hospitals for which we have not yet received invoices; (iii) bills payable; (iv) accrued payroll and welfare; (v) other taxes payables; (vi) rent payables; (vii) payables for acquisition of property and equipment; (viii) employee subsidies payable which represented subsidies applied for by employees from the government, with us acting solely as a collection and disbursement agent on their behalf; (ix) accrued [REDACTED] expenses and issue costs in connection with our proposed [REDACTED]; and (x) others. The table below sets forth a breakdown of our trade and other payables as of the dates indicated:

	As of December 31,		As of June 30,
	2024	2025	2026
	(RMB'000)	(RMB'000)	(RMB'000)
Trade payables	7,420	7,456	5,124
	<u>7,420</u>	<u>7,456</u>	<u>5,124</u>
Bills payable.	1,200	—	—
Accrued research and development expenses	5,993	6,796	6,285
Accrued payroll and welfare	8,576	7,355	4,277
Other tax payables	2,902	39	8
Rent payables	1,540	1,740	1,735
Payables for acquisition of property and equipment	673	646	646
Employee subsidies payable	400	2,600	—
Accrued [REDACTED] expenses and issue costs.	—	3,330	1,025
Others	1,179	535	846
	<u>22,463</u>	<u>23,041</u>	<u>14,822</u>
Total	<u>29,883</u>	<u>30,497</u>	<u>19,946</u>

Our trade and other payables increased by RMB0.6 million, or 2.0%, from RMB29.9 million as of December 31, 2024 to RMB30.5 million as of December 31, 2025, mainly due to (i) an increase of RMB3.3 million in accrued [REDACTED] expenses in connection with our proposed [REDACTED]; and (ii) an increase of RMB2.2 million in employee subsidies payable as a result of our role in collecting and disbursing subsidies applied for by employees from the government on their behalf. These increases were partially offset by (i) a decrease of RMB2.9 million in other taxes payables, primarily because we made provision for taxes payable in 2024 in connection with our transfer of assets to Hangzhou CoJourney, which were paid in full in 2025, while we did not have this provision in 2025; and (ii) a decrease of RMB1.2 million in bills payable because our RMB1.2 million of bills payable to a supplier as of December 31, 2024 had matured and been paid by March 2025 and we did not issue new bills payables prior to December 31, 2025. Our trade and other payables decreased from RMB30.5 million as of December 31, 2025 to RMB19.9 million as of June 30, 2026, primarily due to (i) a decrease of RMB3.1 million in accrued payroll and welfare because as of December 31, 2025, we had accrued bonuses payable for a whole year while as of June 30, 2026 we had only accrued bonuses payable for half a year; (ii) a decrease of RMB2.6 million in employee subsidies payable under government supported talent programs; (iii) a decrease of RMB2.3 million in trade payables as we settled some trade payables during the six months ended June 30, 2026; and (iv) a decrease of RMB2.3 million in accrued [REDACTED] expenses and issue costs as we settled some payments during the six months ended June 30, 2026.

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The following table sets forth an aging analysis of our trade payables, presented based on invoice dates, as of the dates indicated:

	As of December 31,		As of June 30,
	2024	2025	2026
	(RMB'000)	(RMB'000)	(RMB'000)
Within one year	6,783	6,827	4,495
After one year but within two years	4	—	—
Over two years	633	629	629
Balance at the end of the year/period	7,420	7,456	5,124

Our suppliers typically grant us credit periods for purchases of goods and services ranging from 30 to 60 days.

Amounts Due to/from Related Parties

As of December 31, 2024 and 2025 and June 30, 2026, we had RMB54.5 million, RMB45.0 million and RMB43.1 million, respectively, of amounts due from related parties, and RMB3.0 million, RMB30,000 and RMB1.1 million, respectively, of amounts due to related parties.

The following table sets forth our amounts due from related parties during the Track Record Period:

	At December 31,		At June 30,
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Trade nature			
Hangzhou CoJourney			
– Receivables from the disposal of long-term assets	43,684	45,073	45,662
– Receivables for sales of materials and rental services .	14,244	3,449	891
Non-trade nature			
Landes Therapeutics Ltd			
– Receivables for share issued . .	7	7	—
CoJourney Inc.			
– Other receivable	—	1	—
Less: Allowance for ECL	(3,467)	(3,566)	(3,404)
	54,468	44,964	43,149
Analyzed as:			
Current	14,007	17,474	15,170
Non-current	40,461	27,490	27,979
	54,468	44,964	43,149

We have fully settled our amounts due from related parties as of December 31, 2025 that were of a non-trade nature.

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Receivables for the disposal of long-term assets represents the remaining consideration due from Hangzhou CoJourney for our disposal of certain production lines and equipment relating to plasmid manufacturing to Hangzhou CoJourney. In July 2024, we and Hangzhou CoJourney entered into a supplemental agreement to the original asset transfer agreement, pursuant to which Hangzhou CoJourney agreed to repay our receivables from the disposal of long-term assets in three equal installments by December 31, 2026, 2027 and 2028, respectively, together with related payments of interest on the outstanding receivables balance. Receivables for disposal of raw materials and rental service represents outstanding payment due from Hangzhou CoJourney for purchase of raw materials from us and for rental service provided by us.

Other than as described above, amounts due from related parties are unsecured and interest free. As of June 30, 2026, the amount due from Landes Therapeutics Ltd. and CoJourney Inc. had been fully settled.

The table below sets forth our amounts due to related parties during the Track Record Period:

	At December 31,		At June 30,
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Hangzhou Co-Journey Bio Ltd. . . .	–	–	112
Shen Yue’e			
– Payables for contractual arrangements	750	–	–
Government talent subsidy payable:			
– to Dr. Wu Zhenhua, Ms Wang Lijun and Dr. Ye Guojie	2,189	–	–
– to Dr. Song	–	–	1,025
Reimbursement payable to Dr. Wu and Dr. Song	50	30	7
Total	<u>2,989</u>	<u>30</u>	<u>1,144</u>

As of the Latest Practicable Date, all of the amounts due to related parties outstanding as of June 30, 2026 had been fully settled.

Current Assets and Current Liabilities

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

	As of December 31,		As of
	2024	2025	June 30,
	(RMB'000)	(RMB'000)	2026
			(RMB'000)
CURRENT ASSETS			
Inventories	3,365	2,670	2,039
Finance lease receivables	555	587	290
Prepayment and other receivables	5,574	5,957	7,216
Amounts due from related parties	14,007	17,474	15,170
Financial assets at FVTPL	40,127	68,235	90,287
Time deposits	50,319	31,417	–
Restricted bank deposits	300	–	6,000
Cash and cash equivalents	278,620	191,066	138,209
Total current assets	<u>392,867</u>	<u>317,406</u>	<u>259,211</u>

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	As of December 31,		As of
	2024	2025	June 30,
	(RMB'000)	(RMB'000)	2026
			(RMB'000)
CURRENT LIABILITIES			
Trade and other payables	29,728	30,497	19,946
Amounts due to related parties . . .	2,989	30	1,144
Bank borrowings	53,758	—	—
Financial liabilities at FVTPL	1,774,141	2,450,780	2,745,764
Lease liabilities	3,913	2,479	826
Convertible loan notes	128,276	178,428	187,900
Total current liabilities	1,992,805	2,662,214	2,955,580
NET CURRENT LIABILITIES	(1,599,938)	(2,344,808)	(2,696,369)

We recorded net current liabilities of RMB1,599.9 million, RMB2,343.8 million and RMB2,696.4 million as of December 31, 2024, December 31, 2025 and June 30, 2026, respectively, primarily due to financial liabilities at FVTPL arising from our preferred shares. We have designated preferred shares which contain redemption features and other embedded derivatives as financial liabilities at FVTPL on initial recognition. On January 13, 2026, we entered into an amended shareholders’ agreement with holders of our preferred shares, pursuant to which they agreed to relinquish their right to redemption under the preferred shares. Upon the [REDACTED], our preferred shares will automatically convert into ordinary shares and will no longer be treated as financial liabilities. As such, we do not expect to continue to record net current liabilities following the [REDACTED].

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our primary uses of cash have been to fund the research and development of our Core Products, Key Product and other pipeline products, and our administrative expenses. During the Track Record Period, we incurred net cash outflows from our operations and substantially all of our operating cash outflows resulted from our research and development expenses and administrative expenses. Our net cash used in operating activities was RMB67.6 million, RMB71.8 million, RMB49.5 million and RMB58.6 million for the years ended December 31, 2024 and 2025 and the six months ended June 30, 2025 and 2026, respectively. Our operating cash flow will continue to be affected by our research and development expenses and administrative expenses. We expect to improve our operating cash flow following the approval and commercialization of our pipeline product candidates in the future. In addition, we plan to improve our operating cash flow through the following measures: (i) business development: we are actively looking out for potential out-licensing of rights and interests in our product candidates to expedite the inflow of operating funds; (ii) strict cost control: we have established an R&D expense budgeting and control framework, under which expenditures are subject to strict review and approval procedures; and (iii) bank credit facilities: we have obtained approved and unutilized bank credit facilities totaling RMB330.0 million, which are available to support our operating needs and R&D funding requirements.

During the Track Record Period and up to the Latest Practicable Date, we have funded our working capital requirements through proceeds from private equity financing and bank loans. As of June 30, 2026, we had total committed but unutilized credit lines in total the amount of RMB330.0 million. Our management closely monitors uses of cash and cash equivalents and strives to maintain robust liquidity for our operations. Going forward, we believe that our liquidity requirements will be satisfied by a combination of [REDACTED] from the [REDACTED] and cash generated from our operations. We do not have any equity financing plan in the next six months from the expected date of the [REDACTED]. As of June 30, 2026, our cash and cash equivalents amounted to RMB138.2 million.

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Cash Flow Analysis

The following table sets forth a summary of our cash flows for the periods indicated:

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
			(unaudited)	
Net cash used in operating activities	(67,572)	(71,816)	(49,522)	(58,569)
Net cash from investing activities	150,257	26,218	77,157	11,322
Net cash used in financing activities	(1,550)	(40,121)	(27,427)	(3,474)
Net increase/(decrease) in cash and cash equivalents	81,135	(85,719)	208	(50,721)
Cash and cash equivalents at beginning of the year/period .	196,784	278,620	278,620	191,066
Effect of exchange rate changes .	701	(1,835)	(266)	(2,136)
Cash and cash equivalents at end of the year/period	<u>278,620</u>	<u>191,066</u>	<u>278,562</u>	<u>138,209</u>

Operating Activities

During the Track Record Period, we incurred net cash outflows from our operations. Substantially all of our operating cash outflows have resulted from our research and development expenses and administrative expenses.

For the six months ended June 30, 2026, our net cash used in operating activities was RMB58.6 million, which was primarily attributable to loss before tax of RMB381.2 million, as primarily adjusted for interest income of RMB1.9 million, depreciation of property, plant and equipment of RMB4.4 million, depreciation of right-of-use assets of RMB1.6 million, net foreign exchange losses of RMB2.3 million, share-based payment expenses of RMB25.6 million, loss on fair value change of financial liabilities at FVTPL and convertible loan notes of RMB304.5 million. The amount was further adjusted by a negative change in working capital, primarily reflecting an increase in restricted bank deposits of RMB6.0 million and a decrease in trade and other payables of RMB8.0 million.

For the year ended December 31, 2025, our net cash used in operating activities was RMB71.8 million, which was primarily attributable to loss before tax of RMB826.9 million, as primarily adjusted for finance costs of RMB1.1 million, interest income of RMB5.9 million, depreciation of property, plant and equipment of RMB12.3 million, depreciation of right-of-use assets of RMB3.3 million, net foreign exchange losses of RMB1.9 million, share-based payment expenses of RMB25.1 million, loss on fair value change of financial liabilities at FVTPL and convertible loan notes of RMB706.8 million. The amount was further adjusted by a positive change in working capital, primarily reflecting a decrease in prepayment and other receivables of RMB11.3 million.

For the year ended December 31, 2024, our net cash used in operating activities was RMB67.6 million, which was primarily attributable to loss before tax of RMB219.8 million, as primarily adjusted for finance costs of RMB2.2 million, interest income of RMB11.1 million, depreciation of property, plant and equipment of RMB15.4 million, depreciation of right-of-use assets of RMB3.3 million, foreign exchange gain of RMB1.6 million, share-based payment expenses of RMB37.8 million, realized gain from financial assets at FVTPL of RMB1.9 million, losses on fair value change of financial liabilities at FVTPL and convertible loan notes of RMB105.2 million and release of deferred income of RMB1.2 million. The amount was further adjusted by a slight negative change in working capital, primarily

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reflecting a decrease in inventories of RMB5.4 million, an increase in prepayment and other receivables of RMB3.2 million, and a decrease in trade and other payables of RMB0.8 million.

Investing Activities

For the six months ended June 30, 2026, our net cash generated from investing activities was RMB11.3 million, mainly reflecting (i) proceeds from disposal of financial assets at FVTPL of RMB128.4 million and (ii) proceeds from withdrawal of time deposits of RMB38.2 million, partially offset by our purchases of financial assets at FVTPL of RMB150.0 million.

For the year ended December 31, 2025, our net cash generated from investing activities was RMB26.2 million, mainly reflecting (i) proceeds from disposal of financial assets at FVTPL of RMB435.7 million and (ii) proceeds from withdrawal of time deposits of RMB50.2 million, partially offset by our purchases of financial assets at FVTPL of RMB463.0 million.

For the year ended December 31, 2024, our net cash generated from investing activities was RMB150.3 million, mainly reflecting (i) proceeds from withdrawal of time deposits of RMB261.1 million, (ii) proceeds from disposal of financial assets at FVTPL of RMB246.8 million, partially offset by (i) purchases of financial assets at FVTPL of RMB240.0 million and (ii) our placement of time deposits of RMB143.4 million.

Financing Activities

For the six months ended June 30, 2026, our net cash used in financing activities was RMB3.5 million, mainly reflecting our payments of lease liabilities of RMB2.0 million and our payments of [REDACTED] expenses of RMB1.5 million.

For the year ended December 31, 2025, our net cash used in financing activities was RMB40.1 million, mainly reflecting repayment of bank borrowings of RMB101.9 million, partially offset by new bank borrowings raised of RMB48.2 million and proceeds from issuance of convertible loan notes in the amount of RMB20.0 million.

For the year ended December 31, 2024, our net cash used in financing activities was RMB1.6 million, mainly reflecting (i) our repayment of bank borrowings of RMB50.0 million, (ii) our repayments of lease liabilities of RMB4.6 million, and (iii) interest paid of RMB1.7 million, largely offset by new bank borrowings raised of RMB53.8 million.

CASH OPERATING COSTS

The following table sets forth key information relating to our cash operating costs for the periods indicated:

	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
			(unaudited)	
Costs relating to research and development of our Core Products				
Pre-clinical development expenditure	13,995	10,274	4,752	3,336
Clinical development expenditure	16,410	16,044	9,465	7,566
Labor costs	24,164	16,381	9,683	6,586
Subtotal	54,569	42,699	23,900	17,488

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	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i>
Costs relating to research and development of our other pipeline product candidates				
Pre-clinical development expenditure	27,887	9,926	5,823	5,564
Clinical development expenditure	426	3,602	729	3,625
Labor costs	18,178	18,758	9,432	6,935
Subtotal	46,491	32,286	15,983	16,124
Total cash operating costs for non-research and development				
Labor cost for non-research and development staff	10,313	9,328	4,403	4,628
Other cash operating costs	3,271	2,110	908	1,743
Subtotal	13,584	11,438	5,311	6,371
Total cash operating costs	114,644	86,423	45,195	39,983

The following table sets forth a further breakdown by product of the cash operating costs for our pipeline products for the periods indicated:

Product	Year ended December 31,		Six months ended June 30,	
	2024	2025	2025	2026
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i> <i>(unaudited)</i>	<i>(RMB'000)</i>
EXG001-307 (Core Product) . . .	29,855	19,494	10,343	6,304
EXG102-031 (Core Product) . . .	24,714	23,205	13,557	11,184
EXG202 (Key Product)	10,140	11,871	6,108	5,681
EXG110	18,470	2,923	1,555	1,614
EXG112	5,766	3,757	2,156	2,031
Other product pipelines	12,115	13,735	6,165	6,798

WORKING CAPITAL CONFIRMATION

We monitor and maintain a level of cash and cash equivalents deemed adequate to finance our business operations and mitigate the effects of fluctuations in cash flows. Our Directors are of the opinion that, taking into account the financial resources available, including cash and cash equivalents, cash flows from operating and investing activities and the estimated [REDACTED] from the [REDACTED], as well as our cash burn rate, we have sufficient working capital to cover at least 125% of our costs, including research and development expenses and administrative expenses, for at least the next 12 months from the date of this document.

Our cash burn rate refers to our average monthly (i) net cash used in operating activities, which includes research and development expenses; and (ii) capital expenditures. Taking into account our cash and cash equivalents and financial products we purchased, and assuming monthly net cash used in operating activities and capital expenditures going forward

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of 1.8 times the average level in 2025, we estimate we will be able to maintain our financial viability for 21 months without considering the estimated [REDACTED] from the [REDACTED]; or if we also take into account the estimated [REDACTED] from the [REDACTED], assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the low-end of the indicative [REDACTED] Range), 102 months. Our Directors and our management team will continue to monitor our working capital, cash flows and our business development status.

INDEBTEDNESS

During the Track Record Period, we had indebtedness in the form of interest-bearing bank borrowings and lease liabilities. The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,		As of
	2024	2025	June 30,
	(RMB'000)	(RMB'000)	2026
			(RMB'000)
Current			
Financial liabilities at FVTPL	1,774,141	2,450,780	2,745,764
Convertible loan notes	128,276	178,428	187,900
Bank borrowings	53,758	—	—
Lease liabilities	3,913	2,479	826
Non-current			
Lease liabilities	2,058	319	17
Total	1,962,146	2,632,006	2,934,507

Financial Liabilities at FVTPL

As of December 31, 2024 and 2025 and June 30, 2026, we had financial liabilities of RMB1,774.1 million, RMB2,450.8 million and RMB2,745.8 million, respectively, reflecting liabilities resulting from our Series A-1 Preferred Shares, Series A-2 Preferred Shares, Series B Preferred Shares, Series B+ Preferred Shares and Series B++ Preferred Shares issued on February 12, 2020, May 5, 2020, July-December 2020, January 22, 2021 and June 1, 2021, respectively. For details, see note 28 to our consolidated financial statements included in this document as Appendix I to this document. We have designated these preferred shares which contain redemption features and other embedded derivatives as financial liabilities at FVTPL on initial recognition.

Convertible Loan Notes

On August 16, 2022, our Company entered into a convertible loan agreement (“**2022 Convertible Loan Agreement**”) with Zhejiang Industry Fund Co., Ltd. (“**Zhejiang Fund**”), under which Zhejiang Fund provided a loan of RMB100.0 million to Hangzhou Exegenesis Bio Ltd at nil interest with repayment in seven years. On August 16, 2022, our Company issued a series B++ warrant to Zhejiang Fund. The series B++ warrant is entitled to subscribe for 11,145,543 series B++ preferred shares with par value US\$0.00001 per share, and Zhejiang Fund is entitled to the obligations and rights corresponding to the holder of series B++ preferred shares. The series B++ warrant shall be exercisable at any time after the date that the holder has completed all the approvals and registrations required for outbound investment from the competent PRC governmental authorities at an exercise price of US\$1.411344 per share.

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On December 26, 2025, we entered into a convertible loan agreement (the “**Wanlian Guangsheng Convertible Loan Agreement**”), with, among others, Wanlian Guangsheng, pursuant to which Wanlian Guangsheng provided a loan in the principal amount of RMB20.0 million and has been granted the right to convert the loan under the Wanlian Guangsheng Convertible Loan Agreement into our ordinary shares of at the conversion price of RMB8.97219633 per share.

On January 13, 2026, we entered into a convertible loan agreement (the “**Zhejiang Fund Convertible Loan Agreement**”), with, among others, Zhejiang Fund, which superseded and substituted the 2022 Convertible Loan Agreement. Pursuant to the Zhejiang Fund Convertible Loan Agreement and a warrant cancellation deed dated January 13, 2026, the Series B++ Warrant was cancelled. Pursuant to the Zhejiang Fund Convertible Loan Agreement, Zhejiang Fund has been granted the right to convert the Zhejiang Fund Convertible Loan into our ordinary shares at the conversion price of RMB8.97219633 per share. The rights stated in the convertible loan agreement with Zhejiang Fund dated on August 16, 2022 shall be reinstated and restored with the respective parties’ rights and obligations thereunder resumed with full force and effect if certain events in connection with the proposed [REDACTED] should occur. For details, see note 27 to the Accountants’ Report set forth in Appendix I to this document.

The convertible loan notes contain two components, the debt component and derivative component. Our Group designated the convertible loan notes as FVTPL as a whole.

The movement of the convertible loan notes during the Track Record Period is as follows:

	As of December 31,		As of
	2024	2025	June 30,
	(RMB'000)	(RMB'000)	2026
			(RMB'000)
Carrying amount at the beginning of the year	123,013	128,276	178,428
Issuance of convertible loan notes	—	20,000	—
Change in fair value	5,263	30,152	9,472
Carrying amount at the end of the year/period	128,276	178,428	187,900

Bank Borrowings

During the Track Record Period, our bank borrowings consisted of banks loans carrying an interest rate of up to 3.1% per annum and are repayable within one year. Our bank borrowings decreased from RMB53.8 million as of December 31, 2024 to nil as of December 31, 2025 after we fully repaid outstanding bank loans. Our bank borrowings remained to be nil as of June 30, 2026. As of June 30, 2026, we had committed and unutilized bank facilities in the total amount of RMB330.0 million.

	As of December 31,		As of
	2024	2025	June 30,
	RMB'000	RMB'000	2026
			RMB'000
Unsecured and guaranteed ⁽¹⁾ . .	50,000	—	—
Unsecured and unguaranteed . .	3,758	—	—
Total	53,758	—	—

Note: These borrowings were guaranteed by our subsidiary Hangzhou Exegenesis Bio Ltd. No bank borrowings were guaranteed by related parties. All of our bank borrowings had been fully repaid as of December 31, 2025.

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Lease Liabilities

Our current lease liabilities decreased from RMB3.9 million as of December 31, 2024 to RMB2.5 million as of December 31, 2025 and further to RMB0.8 million as of June 30, 2026 as we continued to make lease payments.

	As of December 31,		As of June 30,
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Amounts due for settlement within 12 months shown under current liabilities	3,913	2,479	826
Amounts due for settlement after 12 months shown under non-current liabilities	2,058	319	17
Total	5,971	2,798	843

During the Track Record Period, our non-current lease liabilities primarily consisted of our leased office space in Massachusetts, U.S.A. with its lease term ending in February 2027 and in Hangzhou, China with its lease term ending in December 2026. Our non-current lease liabilities decreased by RMB2.0 million, or 99.2%, from RMB2.1 million as of December 31, 2024 to RMB1.7 thousand as of June 30, 2026, mainly because lease payments due within 12 months were move to current lease liabilities.

Statement of Indebtedness

Our Directors confirm that as of the Latest Practicable Date, there were no material covenants on any of our outstanding debt, and there was no breach of covenant during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that we did not experience any difficulty in obtaining bank loans or other borrowings, nor any default in repayment or breach of covenant, during the Track Record Period and up to the Latest Practicable Date.

Save as disclosed above, apart from intra-group liabilities and normal trade payables, as of June 30, 2026, we did not have any other material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other material contingent liabilities. Our Directors confirm that there has not been any material change in our indebtedness since June 30, 2026 and up to the Latest Practicable Date.

CAPITAL COMMITMENTS

Capital commitments represent capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in our financial statements. During the Track Record Period, we had capital commitments in the amount of RMB0.4 million, nil and nil million as of December 31, 2024 and 2025 and June 30, 2026, respectively.

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have any unrecorded material contingent liabilities, guarantees, or litigation against us.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

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MATERIAL RELATED PARTY TRANSACTIONS

We have the certain transactions and balances with the related parties during the Track Record Period, details of which are set out in note 35 to the Accountants’ Report set forth in Appendix I to this document.

Our Directors believe that our transaction with related party during the Track Record Period was conducted in the ordinary course of business, and it did not distort our track record results or make our historical results not reflective of our future performance.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratio as of the dates indicated:

	As of December 31,		As of
	2024	2025	June 30,
			2026
Current ratio ⁽¹⁾	19.7%	11.9%	8.8%

Note:

(1) Current ratio is calculated as total current assets divided by total current liabilities as of the dates indicated.

Current Ratio

Our current ratio decreased from approximately 19.7% as of December 31, 2024 to approximately 11.9% as of December 31, 2025 and further to approximately 8.8% as of June 30, 2026, primarily due to a decrease in our current assets as a result of a decrease in our cash and cash equivalents as we used cash resources to fund our business operations.

MARKET RISK DISCLOSURE

Our major financial instruments include other receivables, amounts due to a subsidiary, amounts due from related parties, financial assets at FVTPL, restricted bank deposits, time deposits, cash and cash equivalents, financial liabilities at FVTPL, convertible loan notes, amounts due to related parties, trade and other payables and bank borrowings. The risks associated with these financial instruments and lease liabilities and the policies on how to mitigate these risks are set out below. Our management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. Main risks arising from our financial instruments are currency risk, interest rate risk, credit risk and liquidity risk. For further details — see note 34 to the Accountants’ Report set forth in Appendix I to this document.

DIVIDENDS

We did not declare or pay any dividend during the Track Record Period. As of the Latest Practicable Date, we did not have a formal dividend policy or fixed dividend payout ratio. We currently intend to retain all available funds and earnings, if any, to fund the development and expansion of our business and we do not anticipate paying any cash dividends in the foreseeable future. Investors should not purchase our ordinary shares with the expectation of receiving cash dividends. Any future determination to pay dividends will be made at the discretion of our Directors and may be based on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors may deem relevant. As advised by our PRC Legal Adviser, we are not allowed to make dividend payments if we have accumulated losses. Regulations in the PRC currently permit payment of dividends of a PRC company only out of accumulated distributable after-tax profits less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to

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make, as determined in accordance with its articles of association and the accounting standards and regulations in China. As a result, we may not have sufficient or any distributable profits to make dividend contributions to our Shareholders, even if we become profitable.

DISTRIBUTABLE RESERVES

As of June 30, 2026, we did not have any distributable reserves.

[REDACTED]

[REDACTED]

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

[REDACTED]

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, there has been no material adverse change in our financial or trading position prospects since June 30, 2026 and up to the date of this document and there is no event since June 30, 2026 which would materially affect the information shown in our consolidated financial statements included in the Accountants’ Report set out in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

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