UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16 UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the Month of August 2025

Commission File Number: 001-39997

Adagene Inc.

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Suzhou, Jiangsu Province, 215123
People's Republic of China
+86-512-8777-3632
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.
Form 20-F ☒ Form 40-F ☐

INCORPORATION BY REFERENCE

On August 12, 2025, Adagene Inc. (the "Company") reported the Company's financial results for the six-month period ended June 30, 2025. This current report on Form 6-K, including Exhibits 99.1 and 99.2 attached hereof, is hereby incorporated by reference into the registration statements on Form F-3 (File No. 333-287161) and Form S-8 (File No. 333-255250) of the Company (including any prospectuses forming a part of such registration statements), and shall be a part thereof from the date on which this current report is furnished, to the extent not superseded by documents or reports subsequently filed or furnished.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Adagene Inc.

By: /s/ Peter Luo
Name: Peter Luo
Title: Chief Executive Officer

Date: August 12, 2025

EXHIBIT INDEX

Exhibit	Description
99.1	Press release tilted "Adagene Reports Six Month 2025 Financial Results and Provides Corporate Update"
99.2	Unaudited Interim Condensed Consolidated Financial Statements for the six months ended June 30, 2024 and 2025
101.INS	Inline XBRL Instance Document – this instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File (embedded within the Inline IXBRL document)

Exhibit 99.1

Adagene Reports Six Months 2025 Financial Results and Provides Corporate Updates

Muzastotug (ADG126) Phase 1b/2 in MSS CRC shows 19.4-month median OS (mOS) in 10 mg/kg dose cohorts; mOS for 20 mg/kg cohorts has not yet been reached

Alignment with FDA on Phase 2 and Phase 3 trial design elements. Company expects to begin enrolling patients in Phase 2 in 2H 2025

SAFEbody option exercised and up to US$25 million strategic investment by Sanofi, with cash runway extended into 2027

Sanofi will conduct a Phase 1b/2 trial in combination with ADG126 in over 100 patients

Strengthened leadership team with key additions

Partnered with ConjugateBio for development of bispecific ADCs

SAN DIEGO and SUZHOU, China, August 12, 2025 (GLOBE NEWSWIRE) -- Adagene Inc. (“Adagene” or the “Company”) (Nasdaq: ADAG), a platform-driven, clinical-stage biotechnology company transforming the discovery and development of novel antibody-based therapies, today reported financial results for the six months ended June 30, 2025 and provided corporate updates.

*“*The first half of 2025 was tremendously important for Adagene, as we shared the early overall survival benefit with ADG126 in combination with Merck’s (known as MSD outside of the US and Canada) anti-PD-1 therapy, KEYTRUDA® (pembrolizumab) that exceeds standard of care and is highly competitive with data from other products in development. The safety and tolerability data from ADG126 in combination with pembrolizumab in our Phase 1b/2 study in microsatellite stable colorectal cancer contributes to a large body of growing evidence that the power of CTLA-4 inhibition can be harnessed more safely with our approach utilizing conditional activation in the tumor microenvironment. Grade 3 treatment-related adverse events were less than 20%, which is an outstanding achievement given that ADG126 was dosed 10 to 20 times higher than the approved CTLA-4 inhibitors, in order to drive dose-dependent depletion of regulatory T-cells at the desired level inside tumors,” said Peter Luo, Ph.D., Chairman, CEO and President of R&D at Adagene. “Now that we have aligned with the FDA on Phase 2 and Phase 3 design elements, which do not require an ADG126 monotherapy arm, we have a clear line of sight into what will be required for regulatory approval. We look forward to initiating the Phase 2 study later this year.”

PIPELINE HIGHLIGHTS

ADG126 - Phase 1b/2 data and regulatory update:

As presented at the 2025 American Society of Clinical Oncology (ASCO) Annual Meeting (Poster #248), mOS for the 10 mg/kg cohorts was 19.4 months in microsatellite stable colorectal cancer (MSS CRC) patients free of liver metastasis (NLM), comparing favorably with historical fruquintinib benchmarks of 10.8 months from the FRESCO[i] study and 12.1 months from the FRESCO-2[ii] study for the same NLM patient population. Only 1 out of 41 patients in the 10 mg/kg cohorts was censored due to early withdrawal within the first 12 months. Median OS for the 20 mg/kg cohorts has not yet been reached. ADG126 showed a 29% confirmed overall response rate (ORR) in MSS CRC. ADG126 can be dosed at 20 mg/kg Q6W in combination with KEYTRUDA® (200 mg, Q3W) with less than 20% Grade 3 adverse events having been observed. All six responders in the 20 mg/kg cohorts remain on treatment, with four patients on study for over one year.

As recently reported, Adagene has now gained alignment with the FDA on Phase 2 and Phase 3 trial design elements for ADG126, and the Company plans to begin enrollment in 2H 2025. In addition, Adagene has initiated evaluation of ADG126 plus pembrolizumab in combination with standard of care in MSS CRC patients, as approved by the Merck/Adagene joint development committee and supported by the 2021 supply agreement between the two partners.

MAJOR COLLABORATIONS

Sanofi: In July, Sanofi agreed to make a strategic investment of up to US$25 million in Adagene. The Company plans to use the proceeds to fund its research and development activities, including clinical development of ADG126, through a randomized Phase 2 trial in MSS CRC. To further explore the clinical potential of ADG126, Adagene will supply Sanofi with ADG126 to evaluate the safety, efficacy, pharmacokinetics and biomarker data in combination with other anticancer therapies in over 100 patients in a Phase 1b/2 clinical trial in advanced solid tumors. Adagene continues to own worldwide commercial rights to ADG126.

Sanofi has also exercised its option to select a third SAFEbody discovery program, utilizing Adagene's proprietary masking technology and antibody engineering expertise. The bispecific therapeutic, with undisclosed targets, will be engineered by Adagene and induces an option exercise fee, as well as milestones and royalties as per the 2022 partnership agreement with Adagene.

Exelixis: Including upfront and other milestone payments, Adagene has received over US$18 million in total from Exelixis to date, under a technology license agreement to develop novel masked antibody-drug conjugate candidates.

ConjugateBio: In July 2025, Adagene entered into a partnering agreement with ConjugateBio to develop novel antibody drug conjugates. Adagene will provide ConjugateBio with a proprietary antibody for use in partner companies' bispecific ADC development programs.

ADAGENE

CORPORATE UPDATES

In April, Adagene appointed John Maraganore, Ph.D. as Executive Advisor to provide strategic guidance, and to contribute to Adagene's growth, value creation and benefit for patients.

In May, Mickael Chane-Du joined Adagene as Chief Strategy Officer to promote and advance Adagene's financing, internal strategic planning and external business development efforts.

FINANCIAL HIGHLIGHTS

Cash and Cash Equivalents:
Cash and cash equivalents were US$62.8 million as of June 30, 2025, compared to US$85.2 million as of December 31, 2024. Total borrowings from commercial banks in China (denominated in RMB) decreased to US$6.6 million as of June 30, 2025 from US$18.2 million as of December 31, 2024. Further, the cash balance as of June 30, 2025 does not include any equity proceed received from Sanofi in July 2025.

Research and Development (R&D) Expenses:
R&D expenses were US$12.0 million for the six months ended June 30, 2025, compared to US$14.7 million for the same period in 2024. The decrease of approximately 18% in R&D expenses reflects clinical focus on and prioritization of the company's masked, anti-CTLA-4 SAFEbody ADG126.

Administrative Expenses:
Administrative expenses were US$3.7 million for the six months ended June 30, 2025, compared to US$3.6 million for the same period in 2024.

Net Loss:
Net loss attributable to Adagene Inc.'s shareholders was US$13.5 million for the six months ended June 30, 2025, compared to US$17.0 million for the same period in 2024.

Ordinary Shares Outstanding:
As of June 30, 2025, there were 58,914,087 ordinary shares issued and outstanding. Each American depository share, or ADS, represents one and one quarter (1.25) ordinary shares of the company.

Non-GAAP Net Loss:
Non-GAAP net loss, which is defined as net loss attributable to ordinary shareholders for the period after excluding share-based compensation expenses, was US$11.4 million for the six months ended June 30, 2025, compared to US$14.5 million for the same period in 2024. Please refer to the section in this press release titled "Reconciliation of GAAP and Non-GAAP Results" for details.

Non-GAAP Financial Measures:

The company uses non-GAAP net loss and non-GAAP net loss per ordinary share for the period, which are non-GAAP financial measures, in evaluating its operating results and for financial and operational decision-making purposes. The company believes that non-GAAP net loss and non-GAAP net loss per ordinary share for the period help identify underlying trends in the company's business that could otherwise be distorted by the effect of certain expenses that the company includes in its loss for the period. The company believes that non-GAAP net loss and non-GAAP net loss per ordinary share for the period provide useful information about its results of operations, enhances the overall understanding of its past performance and future prospects and allows for greater visibility with respect to key metrics used by its management in its financial and operational decision-making.

Non-GAAP net loss and non-GAAP net loss per ordinary share for the period should not be considered in isolation or construed as an alternative to operating profit, loss for the period or any other measure of performance or as an indicator of its operating performance. Investors are encouraged to review non-GAAP net loss and non-GAAP net loss per ordinary share for the period and the reconciliation to their most directly comparable GAAP measures. Non-GAAP net loss and non-GAAP net loss per ordinary share for the period here may not be comparable to similarly titled measures presented by other companies. Other companies may calculate similarly titled measures differently, limiting their usefulness as comparative measures to the company's data. The company encourages investors and others to review its financial information in its entirety and not rely on a single financial measure. Non-GAAP net loss and non-GAAP net loss per ordinary share for the period represent net loss attributable to ordinary shareholders for the period excluding share-based compensation expenses. Share-based compensation expense is a non-cash expense arising from the grant of stock-based awards to employees. The company believes that the exclusion of share-based compensation expenses from the net loss in the "Reconciliation of GAAP and Non-GAAP Results" assists management and investors in making meaningful period-to-period comparisons in the company's operating performance or peer group comparisons because (i) the amount of share-based compensation expenses in any specific period may not directly correlate to the company's underlying performance, (ii) such expenses can vary significantly between periods as a result of the timing of grants of new stock-based awards, and (iii) other companies may use different forms of employee compensation or different valuation methodologies for their share-based compensation. Please see the "Reconciliation of GAAP and Non-GAAP Results" included in this press release for a full reconciliation of non-GAAP net loss and non-GAAP net loss per ordinary share for the period to net loss attributable to ordinary shareholders for the period.

About Adagene

Adagene Inc. (Nasdaq: ADAG) is a platform-driven, clinical-stage biotechnology company committed to transforming the discovery and development of novel antibody-based cancer immunotherapies. Adagene combines computational biology and artificial intelligence to

design novel antibodies that address globally unmet patient needs. The company has forged strategic collaborations with reputable global partners that leverage its SAFEbody® precision masking technology in multiple approaches at the vanguard of science.

Powered by its proprietary Dynamic Precision Library (DPL) platform, composed of NEObody™, SAFEbody, and POWERbody™ technologies, Adagene's highly differentiated pipeline features novel immunotherapy programs. The company's SAFEbody technology is designed to address safety and tolerability challenges associated with many antibody therapeutics by using precision masking technology to shield the binding domain of the biologic therapy. Through activation in the tumor microenvironment, this allows for tumor-specific targeting of antibodies in tumor microenvironment, while minimizing on-target off-tumor toxicity in healthy tissues.

Adagene's lead clinical program, ADG126 (muzastotug), is a masked, anti-CTLA-4 SAFEbody that targets a unique epitope of CTLA-4 in regulatory T cells (Tregs) in the tumor microenvironment. ADG126 is currently in phase 1b/2 clinical studies in combination with anti-PD-1 therapy, particularly focused on Metastatic Microsatellite-stable (MSS) Colorectal Cancer (CRC). Validated by ongoing clinical research, the SAFEbody platform can be applied to a wide variety of antibody-based therapeutic modalities, including Fc empowered antibodies, antibody-drug conjugates, and bi/multispecific T-cell engagers.

For more information, please visit: https://investor.adagene.com.
Follow Adagene on WeChat, LinkedIn and X.

SAFEbody® is a registered trademark in the United tates, China, Australia, Japan, Singapore, and the European Union.

KEYTRUDA® is a registered trademark of Merck Sharp & Dohme LLC, a subsidiary of Merck & Co., Inc., Rahway, NJ, USA.

Safe Harbor Statement

This press release contains forward-looking statements, including statements regarding certain clinical results of ADG126, the potential implications of clinical data for patients, and Adagene's advancement of, and anticipated preclinical activities, clinical development, regulatory milestones, and commercialization of its product candidates. Actual results may differ materially from those indicated in the forward-looking statements as a result of various important factors, including but not limited to Adagene's ability to demonstrate the safety and efficacy of its drug candidates; the clinical results for its drug candidates, which may not support further development or regulatory approval; the content and timing of decisions made by the relevant regulatory authorities regarding regulatory approval of Adagene's drug candidates; Adagene's ability to achieve commercial success for its drug candidates, if approved; Adagene's ability to obtain and maintain protection of intellectual property for its technology and drugs; Adagene's reliance on third parties to conduct drug development,

manufacturing and other services; Adagene's limited operating history and Adagene's ability to obtain additional funding for operations and to complete the development and commercialization of its drug candidates; Adagene's ability to enter into additional collaboration agreements beyond its existing strategic partnerships or collaborations, and the impact of the COVID-19 pandemic on Adagene's clinical development, commercial and other operations, as well as those risks more fully discussed in the "Risk Factors" section in Adagene's filings with the U.S. Securities and Exchange Commission. All forward-looking statements are based on information currently available to Adagene, and Adagene undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law.

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[i] FRESCO: Li J.et al. JAMA. 2018;319(24):2486–2496
[ii] FRESCO-2: Garcia-Carbonero, R. et al. Annals of Oncology, 2024; Volume 35, S439

ADAGENE

Unaudited Consolidated Balance Sheets

	December 31, 2024 US$	June 30, 2025 US$
ASSETS		
Current assets:		
Cash and cash equivalents	85,194,502	62,828,156
Amounts due from related parties	8,309	2,449
Prepayments and other current assets	2,575,194	2,532,759
Total current assets	**87,778,005**	**65,363,364**
Property, equipment and software, net	1,125,389	901,383
Operating lease right-of-use assets	283,645	214,556
Other non-current assets	81,386	37,440
TOTAL ASSETS	**89,268,425**	**66,516,743**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	4,241,773	3,626,223
Amounts due to related parties	13,187,966	14,448,405
Accruals and other current liabilities	2,816,038	3,676,273
Income tax payable	5,265	4,121
Short-term borrowings	4,868,956	2,095,382
Current portion of long-term borrowings	12,923,599	4,539,994
Current portion of operating lease liabilities	141,341	125,851
Total current liabilities	**38,184,938**	**28,516,249**
Long-term borrowings	417,339	—
Operating lease liabilities	142,304	88,705
TOTAL LIABILITIES	**38,744,581**	**28,604,954**
Commitments and contingencies		
Shareholders' equity:		
Ordinary shares (par value of US$0.0001 per share; 640,000,000 shares authorized, and 58,886,944 shares issued and outstanding as of December 31, 2024; and 640,000,000 shares authorized, and 58,914,087 shares issued and outstanding as of June 30, 2025)	5,889	5,891
Additional paid-in capital	362,220,445	364,254,280
Accumulated other comprehensive loss	(526,903)	(1,695,555)
Accumulated deficit	(311,175,587)	(324,652,827)
Total shareholders' equity	**50,523,844**	**37,911,789**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**89,268,425**	**66,516,743**

ADAGENE

Unaudited Consolidated Statements of Comprehensive Loss

	For the Six Months Ended June 30, 2024 US$	For the Six Months Ended June 30, 2025 US$
Revenues		
Licensing and collaboration revenue	—	—
Operating expenses and income		
Research and development expenses	(14,724,553)	(12,015,184)
Administrative expenses	(3,597,278)	(3,673,073)
Loss from operations	**(18,321,831)**	**(15,688,257)**
Interest and investment income	1,976,559	1,214,108
Interest expense	(428,328)	(318,422)
Other income, net	47,040	63,436
Foreign exchange gain (loss), net	(283,768)	1,252,353
Loss before income tax	**(17,010,328)**	**(13,476,782)**
Income tax expense	(1,388)	(458)
Net loss attributable to Adagene Inc.'s shareholders	**(17,011,716)**	**(13,477,240)**
Other comprehensive income (loss)		
Foreign currency translation adjustments, net of nil tax	500,285	(1,168,652)
Total comprehensive loss attributable to Adagene Inc.'s shareholders	**(16,511,431)**	**(14,645,892)**
Net loss attributable to Adagene Inc.'s shareholders	**(17,011,716)**	**(13,477,240)**
Net loss attributable to ordinary shareholders	**(17,011,716)**	**(13,477,240)**
Weighted average number of ordinary shares used in per share calculation:		
—Basic	55,213,051	58,891,864
—Diluted	55,213,051	58,891,864
Net loss per ordinary share		
—Basic	(0.31)	(0.23)
—Diluted	(0.31)	(0.23)

ADAGENE

Reconciliation of GAAP and Non-GAAP Results

	For the Six Months Ended June 30, 2024 US$	For the Six Months Ended June 30, 2025 US$
GAAP net loss attributable to ordinary shareholders	**(17,011,716)**	**(13,477,240)**
Add back:		
Share-based compensation expenses	2,477,108	2,030,335
Non-GAAP net loss	**(14,534,608)**	**(11,446,905)**
Weighted average number of ordinary shares used in per share calculation:		
—Basic	55,213,051	58,891,864
—Diluted	55,213,051	58,891,864
Non-GAAP net loss per ordinary share		
—Basic	(0.26)	(0.19)
—Diluted	(0.26)	(0.19)

Exhibit 99.2

ADAGENE INC.

INDEX TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

ADAGENE INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2024 AND JUNE 30, 2025

	Notes	As of December 31, 2024	As of June 30, 2025
		US$	US$
ASSETS			
Current assets:			
Cash and cash equivalents		85,194,502	62,828,156
Amounts due from related parties	12	8,309	2,449
Prepayments and other current assets	3	2,575,194	2,532,759
Total current assets		**87,778,005**	**65,363,364**
Property, equipment and software, net	4	1,125,389	901,383
Operating lease right-of-use assets	13	283,645	214,556
Other non-current assets		81,386	37,440
TOTAL ASSETS		**89,268,425**	**66,516,743**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable		4,241,773	3,626,223
Amounts due to related parties	12	13,187,966	14,448,405
Accruals and other current liabilities	5	2,816,038	3,676,273
Income tax payable	10	5,265	4,121
Short-term borrowings	6	4,868,956	2,095,382
Current portion of long-term borrowings	6	12,923,599	4,539,994
Current portion of operating lease liabilities	13	141,341	125,851
Total current liabilities		**38,184,938**	**28,516,249**
Long-term borrowings	6	417,339	—
Operating lease liabilities	13	142,304	88,705
TOTAL LIABILITIES		**38,744,581**	**28,604,954**
Commitments and contingencies	14		
Shareholders' equity:			
Ordinary shares (par value of US$0.0001 per share; 640,000,000 shares authorized, and 58,886,944 shares issued and outstanding as of December 31, 2024; and 640,000,000 shares authorized, and 58,914,087 shares issued and outstanding as of June 30, 2025)		5,889	5,891
Additional paid-in capital		362,220,445	364,254,280
Accumulated other comprehensive loss		(526,903)	(1,695,555)
Accumulated deficit		(311,175,587)	(324,652,827)
Total shareholders' equity		**50,523,844**	**37,911,789**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**89,268,425**	**66,516,743**

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

ADAGENE INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

FOR THE SIX MONTHS ENDED JUNE 30, 2024 AND 2025

	Notes	For the six months ended June 30,	
		2024	2025
		US$	US$
Revenue			
Licensing and collaboration revenue	9	—	—
Operating expenses and income			
Research and development expenses		(14,724,553)	(12,015,184)
Administrative expenses		(3,597,278)	(3,673,073)
Loss from operations		**(18,321,831)**	**(15,688,257)**
Interest and investment income		1,976,559	1,214,108
Interest expense		(428,328)	(318,422)
Other income, net		47,040	63,436
Foreign exchange gain (loss), net		(283,768)	1,252,353
Loss before income tax		**(17,010,328)**	**(13,476,782)**
Income tax expense	10	(1,388)	(458)
Net loss attributable to Adagene Inc.'s shareholders		**(17,011,716)**	**(13,477,240)**
Other comprehensive income (loss)			
Foreign currency translation adjustments, net of nil tax		500,285	(1,168,652)
Total comprehensive loss attributable to Adagene Inc.'s shareholders		**(16,511,431)**	**(14,645,892)**
Net loss attributable to Adagene Inc.'s shareholders		**(17,011,716)**	**(13,477,240)**
Net loss attributable to ordinary shareholders		**(17,011,716)**	**(13,477,240)**
Weighted average number of ordinary shares used in per share calculation:			
—Basic	11	55,213,051	58,891,864
—Diluted	11	55,213,051	58,891,864
Net loss per ordinary share			
—Basic	11	(0.31)	(0.23)
—Diluted	11	(0.31)	(0.23)

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

ADAGENE INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2024 AND 2025

	Ordinary shares		Treasury shares		Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total shareholders' equity
	Number of shares	Amount	Number of shares	Amount				
		US$		US$	US$	US$	US$	US$
Balance as of December 31, 2023	**55,470,840**	**5,547**	**(1)**	**(4)**	**350,105,518**	**(1,800,088)**	**(277,751,476)**	**70,559,497**
Net loss	—	—	—	—	—	—	(17,011,716)	(17,011,716)
Other comprehensive income (loss)	—	—	—	—	—	500,285	—	500,285
Exercise of share options (Note 8)	72,641	7	—	—	62,407	—	—	62,414
Share-based compensation	—	—	—	—	2,477,108	—	—	2,477,108
Balance as of June 30, 2024	**55,543,481**	**5,554**	**(1)**	**(4)**	**352,645,033**	**(1,299,803)**	**(294,763,192)**	**56,587,588**

	Ordinary shares		Treasury shares		Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total shareholders' equity
	Number of shares	Amount	Number of shares	Amount				
		US$		US$	US$	US$	US$	US$
Balance as of December 31, 2024	**58,886,944**	**5,889**	**—**	**—**	**362,220,445**	**(526,903)**	**(311,175,587)**	**50,523,844**
Net loss	—	—	—	—	—	—	(13,477,240)	(13,477,240)
Other comprehensive income (loss)	—	—	—	—	—	(1,168,652)	—	(1,168,652)
Exercise of share options (Note 8)	3,250	—	—	—	3,502	—	—	3,502
Share-based compensation	23,893	2	—	—	2,030,333	—	—	2,030,335
Balance as of June 30, 2025	**58,914,087**	**5,891**	**—**	**—**	**364,254,280**	**(1,695,555)**	**(324,652,827)**	**37,911,789**

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

ADAGENE INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2024 AND 2025

	For the six months ended June 30,	
	2024	2025
	US$	US$
Cash flows from operating activities:		
Net loss	(17,011,716)	(13,477,240)
Adjustments to reconcile net loss to net cash used in operating activities:		
Income related to short-term investments	(459,789)	(244,106)
Depreciation and amortization	399,798	229,569
Net loss on disposal of property, equipment, software and operating lease right-of-use asset	—	323
Share-based compensation	2,477,108	2,030,335
Amortization of right-of use assets and interest of lease liabilities	116,140	75,033
Foreign exchange loss (gain), net	283,768	(1,252,353)
Changes in operating assets and liabilities:		
Prepayments and other current assets	207,683	30,452
Amount due from related parties	190,608	5,860
Other non-current assets	3,004	43,946
Accounts payable	276,889	(615,550)
Amount due to related parties	619,600	1,260,439
Accruals and other current liabilities	(342,976)	860,235
Lease liabilities	(119,332)	(75,072)
Income tax payable	(14,502)	(1,144)
Net cash used in operating activities	**(13,373,717)**	**(11,129,273)**
Cash flows from investing activities:		
Placement of short-term investments	(53,500,000)	(40,000,000)
Withdrawal of short-term investments	53,959,789	40,244,106
Purchase of property, equipment and software	(12,547)	(2,495)
Net cash generated from investing activities	**447,242**	**241,611**
Cash flows from financing activities:		
Proceeds from borrowings	2,806,230	—
Proceeds from exercise of share options	42,814	15,485
Payment of direct costs related to at-the-market offering	(200,000)	—
Repayment of borrowings	(4,085,110)	(11,620,071)
Net cash used in financing activities	**(1,436,066)**	**(11,604,586)**
Effect of exchange rate on cash and cash equivalents	102,071	125,902
Net decrease in cash and cash equivalents	**(14,260,470)**	**(22,366,346)**
Cash and cash equivalents at the beginning of the period	109,934,257	85,194,502
Cash and cash equivalents at the end of the period	**95,673,787**	**62,828,156**
Supplemental cash flow disclosures:		
Interest paid	395,399	291,889
Income tax paid	15,890	1,602
Cash paid for fixed operating lease costs included in the measurement of lease obligations in operating activities	119,332	75,072
Right-of-use assets obtained in exchange for operating lease obligations	—	—

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

ADAGENE INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2025

1. ORGANIZATION AND BASIS OF PRESENTATION

Adagene Inc. (the "Company") is a limited liability company incorporated in the Cayman Islands on February 25, 2011. The Company, together with its subsidiaries (collectively, the "Group"), are principally engaged in research, development and production of monoclonal antibody drugs for cancers. The shares of the Company's American Depositary Shares ("ADSs") are traded on the NASDAQ Global Market, and each ADS represents one and one quarter (1.25) ordinary shares of the Company.

As of June 30, 2025, the Company's principal subsidiaries were as follows:

Entity	Date of incorporation	Place of incorporation	Percentage of legal ownership by the Company	Principal activities
Adagene (Hong Kong) Limited	December 12, 2011	Hong Kong	100 %	Investment holding, and research and development of innovative medicines
Adagene Incorporated	September 20, 2017	The United States of America	100 %	Research and development of innovative medicines
Adagene (Suzhou) Limited	February 28, 2012	The People's Republic of China ("PRC" or "China")	100 %	Research and development of innovative medicines
Adagene Australia PTY Ltd.	May 30, 2018	Australia	100 %	Research and development of innovative medicines
Adagene PTE. Ltd.	March 27, 2020	Singapore	100 %	Research and development of innovative medicines
Adagene AG	August 31, 2020	Switzerland	100 %	Research and development of innovative medicines
Adagene Project C1 PTE. Ltd.	March 25, 2022	Singapore	100 %	Research and development of innovative medicines

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The interim unaudited condensed consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America ("U.S. GAAP") for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The interim unaudited condensed consolidated financial statements have been prepared on the same basis as the annual audited consolidated financial statements. In the opinion of management, all adjustments, consisting of normal recurring adjustments necessary for the fair statement of results for the periods presented, have been included. The results of operations of any interim period are not necessarily indicative of the results of operations for the full year or any other interim period.

The comparative year-end condensed balance sheet data was derived from the annual audited consolidated financial statements but is condensed to the same degree as the interim condensed balance sheet data.

The interim unaudited condensed consolidated financial statements and related disclosures have been prepared with the presumption that users have read or have access to the annual audited consolidated financial statements filed on March 24, 2025.

Principal accounting policies followed by the Company in the preparation of the accompanying condensed consolidated financial statements are summarized below. References to specific U.S. GAAP principles throughout these notes to the accompanying financial statements are to the Accounting Standards Codification ("ASC"), as published by the U.S. Financial Accounting Standards Board ("FASB").

Principles of Consolidation

The condensed consolidated financial statements of the Group include the financial statements of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated upon consolidation.

Use of estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the balance sheet dates and the reported amounts of expenses during the reporting periods. Significant estimates and assumptions reflected in the Group's condensed consolidated financial statements include, but are not limited to, licensing and collaboration revenue recognition, research and development expense allocation, the useful lives and impairment of long-lived assets, tax valuation allowance, share-based compensation expenses, and measurement of right-of-use assets and lease liabilities. Management bases the estimates on historical experience and various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results could materially differ from those estimates.

Foreign currency translation

The functional currency of the Company, Adagene (Hong Kong) Limited, Adagene Incorporated, Adagene PTE. Ltd. and Adagene Project C1 PTE. Ltd. is the United States dollar ("US$"). The functional currency of the Company's PRC subsidiary is Renminbi ("RMB"). The functional currency of the Company's Australian subsidiary is Australian dollar ("AU$"). The functional currency of the Company's Swiss subsidiary is Swiss Franc ("CHF"). The determination of the respective functional currency is based on the criteria stated in ASC 830, *Foreign Currency Matters*. The Company uses US$ as its reporting currency. The financial statements of the Company's PRC, Australian and Swiss subsidiaries are translated from the functional currency to the reporting currency.

Transactions denominated in foreign currencies are remeasured into the functional currency at the exchange rates quoted by the People's Bank of China (the "PBOC") prevailing on the transaction dates. Monetary assets and liabilities denominated in foreign currencies are re-measured at the exchange rates prevailing at the balance sheet date. Non-monetary items that are measured in terms of historical costs in foreign currency are re-measured using the exchange rates at the dates of the initial transactions. Exchange gains and losses are included in the condensed consolidated statements of comprehensive loss.

Assets and liabilities are translated at the exchange rates at the balance sheet date, equity accounts are translated at historical exchange rates and revenues, expenses, gains and losses are translated using the average rate for the reporting period. Translation adjustments are reported as accumulated comprehensive loss and are shown as a separate component of other comprehensive loss in the condensed consolidated statements of comprehensive loss.

Cash and cash equivalents

Cash and cash equivalents primarily consist of cash and demand deposits which are highly liquid. The Group considers highly liquid investments that are readily convertible to known amounts of cash and with original maturities from the date of purchase of three months or less to be cash equivalents. All cash and cash equivalents are unrestricted as to withdrawal and use.

Short-term investments

Short-term investments consist primarily of investments in money market funds, which are measured at fair value and are expected to be redeemed within one year. As of June 30, 2025 and December 31, 2024, there were no short-term investments held by the Group.

Accounts receivable and allowance for doubtful accounts

Account receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due. Accounts receivable is carried at net realizable value. The allowance for credit losses reflects the best estimate of future losses over the contractual life of outstanding accounts receivable and is determined on the basis of historical experience, specific allowances for known troubled accounts, other currently available information including customer financial condition, and both current and forecasted economic conditions.

Fair value measurements

The Group applies ASC 820, *Fair Value Measurements and Disclosures*. ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC 820 requires disclosures to be provided for fair value measurements. ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1—Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2—Other inputs that are directly or indirectly observable in the marketplace.

Level 3—Unobservable inputs which are supported by little or no market activity.

ASC 820 describes three main approaches to measuring the fair value of assets and liabilities: (1) market approach; (2) income approach; and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

The carrying amounts of cash and cash equivalent, accounts receivable, amounts due to related parties and other current assets, accounts payable, amounts due to related parties, accrued liabilities and other current liabilities and short-term borrowings approximate their fair values because of their generally short maturities. The carrying amounts of long-term borrowings approximate their fair values since they bear interest rates which approximate market interest rates.

The Group did not transfer any assets or liabilities in or out of Level 3 during the year ended December 31, 2024 or during the six months ended June 30, 2025.

The Group had no financial assets and liabilities measured and recorded at fair value on a nonrecurring basis as of December 31, 2024 and June 30, 2025.

Property, equipment and software

Property and equipment and software are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets as follows:

Category	Estimated Useful Life
Machinery and laboratory equipment	5 years
Vehicles	4 years
Furniture and tools	3 - 5 years
Electronic equipment	3 years
Computer software	3 - 5 years
Leasehold improvements	Lesser of lease terms or estimated useful lives of the assets

Repair and maintenance costs are charged to expense as incurred, whereas the cost of renewals and betterments that extend the useful lives of property, equipment and software are capitalized as additions to the related assets. Retirements, sales and disposals of assets are recorded by removing the cost and accumulated depreciation and amortization from the asset and accumulated depreciation and amortization accounts with any resulting gain or loss reflected in the condensed consolidated statements of comprehensive loss.

Impairment of long-lived assets

The Group evaluates the recoverability of its long-lived assets, including fixed assets and intangible assets with finite lives, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. When these events occur, the Group measures impairment by comparing the carrying amount of the assets to the estimated undiscounted future cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flows is less than the carrying amount of the assets, the Group recognizes an impairment loss based on the excess of the carrying amount of the assets over their fair value. Fair value is generally determined by discounting the cash flows expected to be generated by the assets, when the market prices are not readily available. The adjusted carrying amount of the assets is the new cost basis and is depreciated over the assets' remaining useful lives. Long-lived assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities.

No impairment loss was recorded for the six months ended June 30, 2024 and 2025.

Revenue recognition

At contract inception of collaboration and out-licensing arrangements, the Group analyzes its arrangements to assess whether they are within the scope of ASC 808, *Collaborative Arrangements* ("ASC 808") to determine whether such arrangements involve joint operating activities performed by parties that are both active participants in the activities and exposed to significant risks and rewards dependent on the commercial success of such activities. For collaboration arrangements within the scope of ASC 808 that contain multiple elements, the Group first determines which elements of the collaboration are deemed to be within the scope of ASC 808 and those that are reflective of a vendor-customer relationship and therefore within the scope of ASC 606, *Revenue from Contracts with Customers* ("ASC 606"). For elements of collaboration arrangements that are accounted for pursuant to ASC 808, an appropriate recognition method is determined and applied consistently. Under the criteria of ASC 606, the Group recognizes revenue to depict the transfer of control of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to receive in exchange for those goods or services.

The Group adopted ASC 606 for all periods presented. To determine revenue recognition for arrangements that an entity determines are within the scope of ASC 606, the entity performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price, including variable consideration, if any; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The Group only applies the five-step model to contracts when it is probable that the entity will collect substantially all the consideration to which it is entitled in exchange for the goods or services it transfers to the customer. The Group reviews the contract to determine which performance obligations are distinct and represent a promise to provide distinct goods or services or a series of distinct goods or services as defined by the standard. The Group recognizes as revenue the amount of the transaction price that is allocated to each performance obligation as and when that performance obligation is satisfied.

Licenses of Intellectual Property: Upfront non-refundable payments for licensing the Group's intellectual property are evaluated to determine if the license is distinct from the other performance obligations identified in the arrangement. For licenses determined to be distinct, the Group recognizes revenues from non-refundable, up-front fees allocated to the license at a point in time, when the transfer of control of the license to the licensee occurs and the licensee is able to use and benefit from the license. For licenses determined not to be distinct, the Group accounts for the promise to grant a license and those other promised goods or services together as a single performance obligation when recognizing revenue.

Research and Development Services: The portion of a transaction price allocated to research and development services performance obligations is deferred and recognized as collaboration revenue over time as delivery or performance of such services occurs.

Milestone Payments: At the inception of each arrangement that includes development, commercialization, and regulatory milestone payments, the Group evaluates whether the milestones are considered probable of being reached and to the extent that a significant reversal of cumulative revenue would not occur in future periods, estimates the amount to be included in the transaction price using the most likely amount method. The transaction price is then allocated to each performance obligation on a relative stand-alone selling price basis, for which the Group recognizes revenue as or when the performance obligations under the contract are satisfied. At the end of each subsequent reporting period, the Group re-evaluates the probability of achieving such development milestones and any related constraint, and if necessary, adjust the estimate of the overall transaction price. Any such adjustments are recorded on a cumulative catch-up basis, which would affect revenues and earnings in the period of adjustment.

Royalties: For arrangements that include sales-based royalties, including milestone payments based on the level of sales, and the license is deemed to be the predominant item to which the royalties relate, the Group recognizes revenue at the later of (i) when the related sales occur, or (ii) when the performance obligation to which some or all of the royalty has been allocated has been satisfied (or partially satisfied).

Contract assets and contract liabilities

When a customer pays consideration before the Group transfers products or services, the Group records its obligation as a contract liability; When the Group satisfies its performance obligations by providing products or services to a customer before the customer pays consideration and before payment is due, the Group recognizes its rights to consideration as a contract asset.

Research and development expenses

Elements of research and development expenses primarily include (1) payroll and other related costs of personnel engaged in research and development activities, (2) costs related to pre-clinical testing of the Group's technologies under development and clinical trials such as payments to contract research organizations ("CRO") and contract development and manufacturing organizations ("CDMO"), investigators and clinical trial sites that conduct the clinical studies; (3) costs to develop the product candidates, including raw materials and supplies, product testing, depreciation and amortization, and facility related expenses, and (4) other research and development expenses. Research and development costs are expensed as incurred when the related research and development services are provided to the Group and the resulting assets, if any, have no alternative future uses. As of December 31, 2024 and June 30, 2025, the Group had several ongoing clinical studies in various clinical trial stages. The contracts with CRO and CDMO are generally cancellable, with notice, at the Group's option. The Group did not record any accrued expenses related to cancellation of CRO or CDMO contracts as of December 31, 2024 or June 30, 2025 as the Group did not have any plan to cancel the existing CRO or CDMO contracts.

Government subsidies

Government subsidies primarily consist of financial subsidies received from provincial and local governments for operating a business in their jurisdictions and compliance with specific policies promoted by the governments. The Group's PRC based subsidiary received government subsidies from certain local government. The Group's government subsidies consist of specific subsidies and other subsidies. Specific subsidies are subsidies that the local government has set certain conditions for the subsidies. Other subsidies are the subsidies that the local government has not set any conditions and are not tied to future trends or performance of the Group, receipt of such subsidy income is not contingent upon any further actions or performance of the Group and the amounts do not have to be refunded under any circumstances. These specific subsidies are recorded as other non-current liabilities upon receipt and are recognized as other income when the conditions are met. Other subsidies are recognized as other income upon receipt as further performance by the Group is not required.

Government subsidies of US$7 thousand were received and recognized as other income during the six months ended June 30, 2024. There were no government subsidies received during the six months ended June 30, 2025.

Leases

In accordance with ASC 842, *Leases* ("ASC 842"), the Group determines if an arrangement is or contains a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets and lease liabilities on the condensed consolidated balance sheet. Lease liabilities that become due within one year of the balance sheet date are classified as current liabilities. The Group does not have any finance leases since the adoption date.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and lease liabilities are calculated as the present value of the lease payments not yet paid. As the rate implicit in the Group's leases is not typically readily available, the Group uses an incremental borrowing rate based on the information available at the lease commencement date in determining the present value of lease payments. This incremental borrowing rate reflects the fixed rate at which the Group could borrow the amount of the lease payments in the same currency, for a similar term, in a similar economic environment. ROU assets include any lease prepayments and are reduced by lease incentives. Operating lease expense for lease payments is recognized on a straight-line basis over the lease term. Lease terms are based on the non-cancelable term of the lease and may contain options to extend the lease when it is reasonably certain that the Group will exercise that option.

The Group has elected to adopt the following lease policies (i) elect for each lease not to separate non-lease components from lease components and instead to account for each separate lease component and the non-lease components associated with that lease component as a single lease component; (ii) for leases that have lease terms of 12 months or less and does not include a purchase option that is reasonably certain to exercise, the Group elected not to apply ASC 842 recognition requirements; and (iii) the Group elected to apply the package of practical expedients for existing arrangements entered into prior to January 1, 2022 to not reassess (a) whether an arrangement is or contains a lease, (b) the lease classification.

Comprehensive income (loss)

Comprehensive income (loss) is defined as the changes in equity of the Group during a period from transactions and other events and circumstances excluding transactions resulting from investments by shareholders and distributions to shareholders. Accumulated other comprehensive income (loss) of the Group includes foreign currency translation adjustments related to the Group and its subsidiaries whose functional currency is not US$.

Income taxes

The Group follows the liability method of accounting for income taxes in accordance with ASC 740, *Income Taxes* ("ASC 740"). Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates that will be in effect in the period in which the differences are expected to reverse. The Group records a valuation allowance to offset deferred tax assets if based on the weight of available evidence, it is more likely than not that some portion, or all, of the deferred tax assets will not be realized. The effect on deferred taxes of a change in tax rate is recognized in tax expense in the period that includes the enactment date of the change in tax rate.

The Group evaluates its uncertain tax positions using the provisions of ASC 740, which prescribes a recognition threshold that a tax position is required to meet before being recognized in the condensed consolidated financial statements.

The Group recognizes in the condensed consolidated financial statements the benefit of a tax position which is "more likely than not" to be sustained under examination based solely on the technical merits of the position assuming a review by tax authorities having all relevant information. Tax positions that meet the recognition threshold are measured using a cumulative probability approach, at the largest amount of tax benefit that has a greater than fifty percent likelihood of being realized upon settlement. It is the Group's policy to recognize interest and penalties related to unrecognized tax benefits, if any, as a component of income tax expense.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the condensed consolidated statements of comprehensive loss over the period of the borrowings using the effective interest method.

Share-based compensation

The Company grants restricted shares and stock options to eligible employees and nonemployees and accounts for share-based compensation in accordance with ASC 718, *Compensation—Stock Compensation*.

Share-based compensation awards are measured at the grant date fair value of the awards and recognized as expenses (a) immediately at the grant date if no vesting conditions are required; (b) for share-based awards granted with only service conditions, using the straight-line method over the vesting period; or (c) for share-based awards granted with service conditions and performance conditions, using the graded vesting method over the vesting period if and when the Company concludes that it is probable that the performance conditions will be achieved.

A change in any of the terms or conditions of share-based awards is accounted for as a modification of the awards. The Group calculates incremental compensation expense of a modification as the excess of the fair value of the modified awards over the fair value of the original awards immediately before its terms are modified at the modification date. For vested awards, the Group recognizes incremental compensation cost in the period when the modification occurs. For awards not being fully vested, the Group recognizes the sum of the incremental compensation expense and the remaining unrecognized compensation expense for the original awards over the remaining requisite service period after modification.

Net loss per share

In accordance with ASC 260, *Earnings Per Share*, basic net loss per share is computed by dividing net loss attributable to ordinary shareholders by the weighted average number of unrestricted ordinary shares outstanding during the year using the two-class method. Under the two-class method, net loss is allocated between ordinary shares and other participating securities based on dividends declared (or accumulated) and participating rights in undistributed earnings as if all the earnings for the reporting period had been distributed. Diluted net loss per share is calculated by dividing net loss attributable to ordinary shareholders, as adjusted for the effect of dilutive ordinary equivalent shares, if any, by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the period. Ordinary equivalent shares include ordinary shares issuable upon the exercise of share options, using the treasury stock method. Ordinary share equivalents are excluded from the computation of diluted earnings per share if their effects are anti-dilutive. For the periods presented herein, the computation of basic net loss per share using the two-class method is not applicable as the Group is in a net loss position and the participating securities do not have contractual rights and obligations to share in the losses of the Group.

Employee defined contribution plan

As stipulated by the regulations of the PRC, full-time employees of the Group are entitled to staff welfare benefits including medical care, welfare subsidies, unemployment insurance and pension benefits through a PRC government-mandated multi-employer defined contribution plan. The Group is required to accrue for these benefits based on certain percentages of the qualified employees' salaries. The Group is required to make contributions to the plans out of the amounts accrued. The PRC government is responsible for the medical benefits and the pension liability to be paid to these employees and the Group's obligations are limited to the amounts contributed. The Group has no further payment obligations once the contributions have been paid. The Group recorded employee benefit expenses of US$1,142,843 and US$947,916 for the six months ended June 30, 2024 and 2025, respectively.

Concentration of risks

Concentration of credit risk

As of December 31, 2024 and June 30, 2025, the amount of cash and cash equivalents of US$3,020,953 and US$3,280,337 respectively, were held at major financial institutions located in Mainland China, and US$82,173,549 and US$59,547,819,respectively, were deposited with major financial institutions located outside of Mainland China. Management believes that these financial institutions are of high credit quality and continually monitors the credit worthiness of these financial institutions.

Accounts receivable is typically unsecured and denominated in US$ and/or RMB and is derived from revenues earned from customers. The Group manages credit risk of accounts receivable through ongoing monitoring of the outstanding balances.

Concentration of suppliers

A significant portion of the Group's research and development services were purchased from one supplier group, who collectively accounted for 15.0% and 12.0% of the Group's total research and development services purchases for the six months ended June 30, 2024 and 2025, respectively. During the six months ended June 30, 2025, a second supplier group also collectively accounted for 10% of the Group's total research and development services purchased.

Business and economic risk

The Group believes that changes in any of the following areas could have a material adverse effect on the Group's future consolidated financial position, results of operations or cash flows: changes in the overall demand for services; competitive pressures due to new entrants; advances and new trends in new technologies and industry standards; changes in certain strategic relationships; regulatory considerations and risks associated with the Group's ability to attract employees necessary to support its growth. The Group's operations could also be adversely affected by significant political, regulatory, economic and social uncertainties in the PRC.

Foreign currency exchange rate risk

A significant portion of the Group's businesses are transacted in RMB, which is not a freely convertible currency. On January 1, 1994, the PRC government abolished the dual rate system and introduced a single rate of exchange as quoted daily by the PBOC. However, the unification of the exchange rates does not imply that the RMB may be readily convertible into US$ or other foreign currencies. All foreign exchange transactions continue to take place either through the PBOC or other banks authorized to buy and sell foreign currencies at the exchange rates quoted by the PBOC. Approval of foreign currency payments by the PBOC or other institutions requires submitting a payment application form together with suppliers' invoices, shipping documents and signed contracts.

From July 21, 2005, the RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. For U.S. dollar against RMB, there was appreciation of approximately 0.62% and depreciation of approximately 0.41% in the six months ended June 30, 2024 and 2025, respectively. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the U.S. dollar in the future.

The functional currency and the reporting currency of the Company are the US$. However, the Group incurs portions of our expenses, and derives revenues, in currencies other than US$, in particular, the RMB. Any significant fluctuation of the valuation of RMB may materially affect the Group's cash flows, expenses, losses and financial position, and the value of any dividends payable on the American Depositary Shares in US$.

Recently issued accounting pronouncements

The Group is an emerging growth company ("EGC") as defined by the Jumpstart Our Business Startups Act ("JOBS Act"). The JOBS Act provides that an EGC can take advantage of extended transition periods for complying with new or revised accounting standards. This allows an EGC to delay adoption of certain accounting standards until those standards would otherwise apply to private companies. The Group elected to take advantage of the extended transition periods. However, this election will not apply should the Group cease to be classified as an EGC.

New and amended standards not yet adopted by the Group

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740), Improvements to Income Tax Disclosures*, which enhances the transparency and decision usefulness of income tax disclosures. The standard is effective for public entities for annual periods beginning after December 15, 2024. For entities other than public business entities, the amendments are effective for annual periods beginning after December 15, 2025. The standard allows the amendments to be applied on a prospective basis or a retrospective basis. The Group has evaluated the impact of this accounting standard update on its consolidated financial statements and assessed the impact of the adoption to be immaterial.

In November 2024, the FASB issued ASU 2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses* ("ASU 2024-03"), which requires disclosure about the types of costs and expenses included in certain expense captions presented on the income statement. The standard is effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The standard allows the amendments to be applied on a prospective basis or a retrospective basis. The Group is currently in the process of evaluating the impact of this accounting standard update on its consolidated financial statements and related disclosures.

3. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets consisted of the following:

	As of December 31, 2024	As of June 30, 2025
	US$	US$
Prepayments	269,075	203,161
Deposits (a)	1,778,413	1,567,521
Others	527,706	762,077
	2,575,194	2,532,759

Note (a): The deposits represented the amounts that the Group paid to its CRO vendors for various outsourced research and development programs according to the terms of respective CRO agreements. The Group expects to recover the deposits if the programs fail or the agreements are cancelled.

4. PROPERTY, EQUIPMENT AND SOFTWARE, NET

Property, equipment and software consisted of the following:

	As of December 31, 2024	As of June 30, 2025
	US$	US$
Machinery and laboratory equipment	5,116,503	5,134,386
Leasehold improvements	1,030,798	1,035,089
Electronic equipment	1,793,132	1,800,269
Furniture and tools	49,085	49,127
Vehicles	77,767	78,091
Software	358,952	358,385
Total property, equipment and software	8,426,237	8,455,347
Less: accumulated depreciation and amortization	(7,300,848)	(7,553,964)
Net book value	1,125,389	901,383

Depreciation and amortization expenses recognized for the six months ended June 30, 2024 and 2025 were US$399,798 and US$229,569 respectively.

5. ACCRUALS AND OTHER CURRENT LIABILITIES

Accrued liabilities and other current liabilities consisted of the following:

	As of December 31, 2024	As of June 30, 2025
	US$	US$
Professional service fees	1,182,056	1,398,006
Payroll and related liabilities	1,097,013	1,784,589
Other taxes and surcharge	480,704	467,531
Others	56,265	26,147
	2,816,038	3,676,273

6. BORROWINGS

	As of December 31, 2024	As of June 30, 2025
	US$	US$
Current		
Short-term borrowings:		
Bank loans	4,868,956	2,095,382
Current portion of long-term borrowings	12,923,599	4,539,994
Total current borrowings	17,792,555	6,635,376
Non-Current		
Long-term borrowings:		
Bank loans	417,339	—
Total non-current borrowings	417,339	—
Total borrowings	**18,209,894**	**6,635,376**

Short-term borrowings

In January 2023, the Group borrowed a loan with the amount of RMB10,000,000 from Bank of Ningbo Co., Ltd for a term of one year at the interest rate of 3.90% per annum. The borrowing was repaid in January 2024.

In March 2023, the Group borrowed a loan with the amount of RMB10,000,000 from China Everbright Bank Co., Ltd for a term of one year at the interest rate of 3.80% per annum. The borrowing was repaid in April 2024.

In July 2023, the Group borrowed a loan with the amount of RMB10,000,000 from Bank of Ningbo Co., Ltd for a term of one year at the interest rate of 3.85% per annum. The borrowing was repaid in July 2024.

In June 2024, the Group borrowed a loan with the amount of RMB20,000,000 from China Construction Bank Corporation for a term of one year at the interest rate of 3.50% per annum. The borrowing was repaid in June 2025.

In September 2024, the Group borrowed a loan with the amount of RMB15,000,000 from Bank of Ningbo Co., Ltd for a term of one year at the interest rate of 3.80% per annum.

Long-term borrowings

In September 2021, the Group borrowed a loan with the amount of RMB8,500,000 from Shanghai Pudong Development Bank Co., Ltd. for a term of three years at the interest rate of 4.05% per annum. The Group repaid RMB425,000 in 2022, RMB850,000 in 2023, and RMB7,225,000 in 2024. The loan was fully repaid in September 2024.

In May 2022, the Group borrowed a loan with the amount of RMB30,000,000 from Agricultural Bank of China Limited for a term of three years at the interest rate of 4.00% per annum. The Group repaid RMB3,000,000 in 2023, RMB5,000,000 in 2024 and RMB22,000,000 during the six months ended June 30, 2025. As of December 31, 2024, RMB22,000,000 repayable within twelve months for this agreement was classified as “Current portion of long-term borrowing” on the condensed consolidated balance sheets. The loan was fully repaid in May 2025.

Also in May 2022, the Group borrowed a loan with the amount of RMB20,000,000 from Shanghai Pudong Development Bank Co., Ltd. for a term of three years at the interest rate of 4.00% per annum. The Group repaid RMB500,000 in 2022, RMB1,500,000 in 2023, RMB9,500,000 in 2024, and RMB8,500,000 during the six months ended June 30, 2025. As of December 31, 2024, RMB8,500,000 repayable within twelve months for this agreement was classified as “Current portion of long-term borrowing” on the condensed consolidated balance sheets. The loan was fully repaid in May 2025.

In August 2022, the Group borrowed a loan with the amount of RMB9,900,000 from Agricultural Bank of China Limited for a term of three years at the interest rate of 4.00% per annum. The Group repaid RMB1,000,000 in 2023, RMB2,000,000 in 2024, and made no repayments during the six months ended June 30, 2025. As of December 31, 2024 and June 30, 2025, RMB6,900,000 repayable within twelve months for this agreement was classified as “Current portion of long-term borrowing” on the condensed consolidated balance sheets, respectively.

Also in August 2022, the Group borrowed a loan with the amount of RMB20,000,000 from Shanghai Pudong Development Bank Co., Ltd. for a term of three years at the interest rate of 4.00% per annum. The Group repaid RMB1,000,000 in 2023, RMB2,000,000 in 2024, and RMB8,500,000 during the six months ended June 30, 2025. As of December 31, 2024 and June 30, 2025, RMB17,000,000 and RMB8,500,000 repayable within twelve months for this agreement was classified as “Current portion of long-term borrowing” on the condensed consolidated balance sheets, respectively.

In November 2022, the Group borrowed a loan with the amount of RMB9,900,000 from Agricultural Bank of China Limited for a term of three years at the interest rate of 4.00% per annum. The Group repaid RMB1,000,000 in 2023, RMB2,000,000 in 2024, and made no repayments during the six months ended June 30, 2025. As of December 31, 2024 and June 30, 2025, RMB6,900,000 repayable within twelve months for this agreement was classified as “Current portion of long-term borrowing” on the condensed consolidated balance sheets, respectively.

Also in November 2022, the Group borrowed a loan with the amount of RMB10,000,000 from Shanghai Pudong Development Bank Co., Ltd. for a term of three years at the interest rate of 4.00% per annum. The Group repaid RMB500,000 in 2023, RMB1,000,000 in 2024, and RMB4,250,000 during the six months ended June 30, 2025. As of December 31, 2024 and June 30, 2025, RMB8,500,000 and RMB4,250,000 repayable within twelve months for this agreement was classified as “Current portion of long-term borrowing” on the condensed consolidated balance sheets, respectively.

In April 2023, the Group borrowed a loan with the amount of RMB7,000,000 from Shanghai Pudong Development Bank Co., Ltd. for a term of three years at the interest rate of 3.90% per annum. The Group repaid RMB150,000 in 2023, RMB550,000 in 2024, and RMB350,000 during the six months ended June 30, 2025. As of December 31, 2024 and June 30, 2025, RMB3,300,000 and RMB5,950,000 repayable within twelve months for this agreement was classified as “Current portion of long-term borrowing” on the condensed consolidated balance sheets, respectively.

In August 2023, the Group borrowed a loan with the amount of RMB10,000,000 from Bank of Jiangsu Co., Ltd. for a term of eighteen months at the interest rate of 3.80% per annum. The Group repaid RMB100,000 in 2024, and RMB9,900,000 during the six months ended June 30, 2025. As of December 31, 2024, RMB9,900,000 repayable within twelve months for this agreement was classified as “Current portion of long-term borrowing” on the condensed consolidated balance sheets. The loan was fully repaid in February 2025.

In September 2023, the Group borrowed another loan with the amount of RMB10,000,000 from Bank of Jiangsu Co., Ltd. for a term of eighteen months at the interest rate of 3.80% per annum. The Group repaid RMB100,000 in 2024, and RMB9,900,000 during the six months ended June 30, 2025. As of December 31, 2024, RMB9,900,000 repayable within twelve months for this agreement was classified as “Current portion of long-term borrowing” on the condensed consolidated balance sheets. The loan was fully repaid in March 2025.

The proceeds from the loans were primarily used to pay for the Group’s research and development activities in China, including CMC costs of clinical and preclinical programs. As of December 31, 2024 and June 30, 2025, none of the Group’s borrowings were collateralized in the respective loan agreements.

Future maturities of short-term borrowings and long-term borrowings

Future principal maturities of short-term borrowings and long-term borrowings as of June 30, 2025 were as follows:

	As of June 30, 2025 US$
Remainder of 2025	6,216,300
2026	419,076
	6,635,376

7. SEGMENT INFORMATION

The Group's principal business activities are related to the discovery and development of novel antibody-based cancer medicines. The Group manages the business activities on a consolidated basis and operates in one reportable segment. The determination of a single reportable segment is consistent with the consolidated financial information regularly provided to the Group's chief operating decision maker (CODM), which is its Chief Executive Officer, who reviews and evaluates consolidated net income (loss) for purposes of assessing performance, making operating decisions, allocating resources and planning and forecasting for future periods. The accounting policies of the segment are the same as those described in the Summary of Significant Accounting Policies for the Group. Refer to Note 2 for additional information.

Significant expenses within income (loss) from operations, as well as within net income (loss), include research and development, and administrative expenses, which are each separately presented on the Group's condensed consolidated statements of comprehensive loss. Other segment items within net income (loss) include interest and investment income, interest expense, other income, net, and income tax expense.

In addition to the significant expense categories included within the consolidated net loss presented on the Group's condensed consolidated statements of comprehensive loss, see below for disaggregated amounts that comprise research and development expenses:

	For the six months ended June 30,	
	2024 US$	2025 US$
Direct research and development expenses[(a)]	5,341,929	3,940,166
Indirect research and development expenses[(b)]		
Payroll and other related costs of personnel	7,206,484	6,340,610
Lab supplies and other research and development expenses	2,176,140	1,734,408
Total indirect research and development expenses	9,382,624	8,075,018
Total research and development expenses	**14,724,553**	**12,015,184**

Note (a): Direct research and development expenses consist principally of: (1) costs related to clinical trials such as payments to CRO, CMO, investigators, and clinical trial sites that conduct the clinical studies; and (2) costs to develop the product candidates, including costs related to product testing.
Note (b): Indirect research and development expenses are not allocated directly to each program, and primarily consist of compensation and other personnel related costs, overhead and infrastructure costs to maintain our facilities, and other costs related to activities that benefit multiple projects.

The measure of segment assets is reported on the condensed consolidated balance sheets as consolidated total assets. The Group's long-lived assets consist primarily of property, plant and equipment, net. No geographical segments are presented as a substantial portion of the Group's long-lived assets are located in the PRC with the exception of certain laboratory and electronic equipment which are located in the U.S.

8. SHARE-BASED COMPENSATION

On January 16, 2021, the Company passed a board resolution, pursuant to which the 2021 Performance Incentive Plan (the "2021 Plan") was adopted. Under the 2021 Plan, an aggregate of 2,994,000 ordinary shares shall be reserved for issuance, and the share limit shall automatically increase on the first trading day in January of each year (commencing with 2022) by an amount equal to (1) 5% of the total number of the Company's outstanding ordinary shares on December 31 of the prior year, or (2) such lesser number as determined by the board of directors.

On January 7, 2022, the Company passed a board resolution, pursuant to which the vesting schedules and conditions of 2,060,308 share options granted to certain employees were modified. Share options as to which the applicable performance milestones have been met are no longer subject to the time-based vesting requirement. The share options vested (or to be vested) for each year (commencing from 2021) shall be equal to the lesser of (i) 25% of the total number of share options of each grantee ("Annual Cap") and (ii) the number of shares as determined by the Compensation Committee based on the extent to which any performance milestones were achieved during that year ("Credited Shares"), plus any Credited Share of earlier years that have not previously vested due to the Annual Cap. In addition, the performance milestones applicable to the share options that remain outstanding were also modified. As a result of the modification, the Company recognized an incremental fair value of US$2,337,697.

During the six months ended June 30, 2024, pursuant to the 2021 Plan, a total of 100,000 share options were granted to certain employee and external directors, with exercise price ranging from US$2.26 to US$3.07.

During the six months ended June 30, 2025, pursuant to the 2021 Plan, a total of 3,424,440 share options were granted to certain employees and external consultants, with exercise price ranging from US$1.14 to US$1.56. In addition, 23,893 ordinary shares were issued to certain employees as stock bonus in May 2025.

The following table sets forth the share options activities for the six months ended June 30, 2024 and 2025:

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Grant Date Fair Value	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
		US$ per option	US$ per option	Years	US$
Outstanding at December 31, 2023	8,766,882	3.39	3.60	8.24	2,011,843
Granted	100,000	2.67	1.57	—	—
Exercised	(72,641)	0.86	3.45	—	—
Forfeited	(144,314)	9.26	6.36	—	—
Outstanding at June 30, 2024	8,649,927	3.30	3.53	7.79	6,937,921
Outstanding at December 31, 2024	9,847,240	2.55	2.49	8.36	1,736,202
Granted	3,424,440	1.41	0.88	—	—
Exercised	(3,250)	1.08	0.66	—	—
Forfeited	(442,646)	3.11	2.12	—	—
Outstanding at June 30, 2025	12,825,784	2.23	2.07	8.40	2,046,458
Vested and expected to vest at June 30, 2025	12,825,784	2.23	2.07	8.40	2,046,458
Exercisable at June 30, 2024	2,951,207	4.93	5.84	6.64	1,681,415
Exercisable at June 30, 2025	4,863,411	3.49	3.96	6.86	759,771

The aggregate intrinsic value in the table above represents the difference between the exercise price of the awards and the fair value of the underlying ordinary shares at each reporting date, for those awards that had exercise price below the estimated fair value of the relevant ordinary shares.

The aggregate fair value of the equity awards vested during the six months ended June 30, 2024 and 2025 was US$2,761,089 and US$3,020,048, respectively. As of June 30, 2025, the total unrecognized employee share-based compensation expense was US$8,158,440, all of which may be adjusted for actual forfeitures occurring in the future. Total unrecognized compensation cost will be recognized over a weighted-average period of 2.91 years as of June 30, 2025.

Fair value of share options

The fair value of share options was determined using the binomial option valuation model, with the assistance from an independent third-party appraiser. The binomial model requires the input of highly subjective assumptions, including the expected volatility, the exercise multiple, the risk-free rate and the dividend yield. For expected volatility, the Group has made reference to historical volatility of several comparable companies in the same industry. The exercise multiple was estimated as the average ratio of the stock price to the exercise price of when employees would decide to voluntarily exercise their vested share options. The risk-free rate for periods within the contractual life of the share options is based on the market yield of U.S. Treasury Bonds in effect at the time of grant. The dividend yield is based on the expected dividend policy over the contractual life of the share options.

The assumptions used to estimate the fair value of the share options granted were as follows:

	For the Six Months Ended June 30,	
	2024	2025
Risk-free interest rate	4.18% - 4.42%	4.24% - 4.49%
Dividend yield	0%	0%
Expected volatility range	73.3% - 73.6%	76.4% - 77.1%
Exercise multiple	2.2 - 2.8	2.2 - 2.8
Contractual life	10 years	10 years

Total share-based compensation expenses recognized for the six months ended June 30, 2024 and 2025 were as follows:

	For the Six Months Ended June 30,	
	2024	2025
	US$	US$
Research and development expenses	1,724,112	1,393,980
Administrative expenses	752,996	636,355
Total share-based compensation expenses	2,477,108	2,030,335

9. COLLABORATION ARRANGEMENTS

Guilin Sanjin Pharmaceutical Co., Ltd. License Agreement

In December 2018, the Group entered into (i) a collaboration agreement (the "Sanjin Greater China Agreement") that covers Greater China with Guilin Sanjin Pharmaceutical Co., Ltd. ("Sanjin") and certain of its subsidiaries (collectively, "Sanjin Parties") and (ii) a collaboration agreement (the "Sanjin ROW Agreement", together with the Sanjin Greater China Agreement, the "2018 Sanjin Agreements") that covers the regions other than Greater China with Sanjin. Pursuant to the Sanjin Greater China Agreement, the Group licensed the Chinese intellectual property directly related to a monospecific antibody molecule that binds to the PD-L1 target (the "PD-L1 Project"), including patent rights, patent application rights and technologies based on the core sequence of the molecule, to Sanjin Parties. Sanjin Parties will own all the Chinese intellectual property developed in the exercise of Sanjin Parties' rights under the agreement, including but not limited to improvements (including combination products), clinical trials, regulatory filings, and commercialization rights relating thereto. The Group also granted Sanjin Parties a royalty-free license to use our other existing intellectual property and improvements thereto which are related to the PD-L1 Project for the purposes of exploiting its rights and performing its obligations under the agreement. Sanjin Parties will enjoy all the economic benefits deriving from the PD-L1 Project in Greater China, including but not limited to patent transfer fee, licensing fee, sales revenue and sales commission, etc. Sanjin Parties will pay the Group (i) single-digit percentage of net sales of the products that use the licensed antibody after such products enter the market and (ii) a low to mid-low double-digit percentage of the profits resulting from any transfer of the license to any third parties depending on the timing of the transfer relative to the development stage of the product. Prior to 2023, the Group received RMB10,000,000 (equivalent to approximately US$1,511,168) upfront fee upon the effectiveness of the agreement from Sanjin Parties, which was recognized as revenue as the performance obligation was satisfied by the Group. No additional revenue related to this agreement has been recognized during the six months ended June 30, 2024 and 2025.

Pursuant to the Sanjin ROW Agreement, the Group granted Sanjin a royalty-free license to use all intellectual property relating to (i) the collaboration under the agreement that the Group controlled before the Group entered into the agreement or acquired independently of the agreement and (ii) improvements thereto for the purposes of exploiting its rights and performing its obligations under the agreement. Any intellectual property generated independently by a party under the agreement will be solely owned by that party who generated such intellectual property, and any intellectual property generated from cooperation between the Group and Sanjin's affiliates in connection with the collaboration will be jointly owned. The Group retain the ownership of patent rights of key intellectual property pertaining to PD-L1 outside of the Greater China. In addition, all the results obtained by Sanjin relating to the research and development of any new antibody developed under the agreement will be owned by Sanjin. The Group retain a majority of the economic benefits derived from the Sanjin ROW Agreement, including but not limited to any patent transfer fee, licensing fee and gains realized under such transfer. In case the Group intend to transfer to a third party our share of economic interests in any country outside of Greater China, the Group must notify Sanjin and Sanjin will receive a right of first refusal if it pays the Group a deposit equal to a low double-digit percentage of the consideration that the Group expect to receive from such third party. If Sanjin waives the right of first refusal, the Group can proceed with the transfer, provided that the final transaction price with the third party is not lower than the amount of the offering price that was included in the Group's notice to Sanjin.

The Group agreed not to (i) independently develop any monospecific antibodies that bind to the PD-L1 target or (ii) grant any rights associated with such antibodies to any third parties during the three-year period from the effective date of the agreement. The exclusivity obligation does not prevent the Group from (i) developing or granting any licenses to third parties for intellectual property that covers bispecific antibodies, ADCs, diagnostic antibodies, nano-particles and masked antibody against PD-L1 target and (ii) continuing to provide antibody screening service that were commenced before the execution of the Sanjin Greater China Agreement and either party has the independent right to conduct combination therapy studies outside of the Greater China. Either non-breaching party may terminate the 2018 Sanjin Agreements if the other party's ability to comply with its respective obligations under the agreements is negatively affected by contingencies such as failure to maintain operation or changes in core project management and the other party fails to take effective remedial measures. Each agreement automatically terminates upon the termination of the other agreement. Upon the rescission or termination, Sanjin Parties will return to the Group all the intellectual property, documents and data provided by the Group under the 2018 Sanjin Agreements.

In the event that the failure of the development of the product candidate solely arises from the Group's research and development basis specified under this agreement, Sanjin has the right to claim back all the payment made to the Group. The Group considers the possibility of occurrence of such event is remote.

Dragon Boat Biopharmaceutical (Shanghai) Limited License Agreement

In May 2019, the Group entered into (i) a collaboration agreement that covers Greater China (the "Dragon Boat Greater China Agreement") and (ii) a collaboration agreement that covers the regions other than Greater China (the "Dragon Boat ROW Agreement," together with the Dragon Boat Greater China Agreement, the "2019 Dragon Boat Agreements"), with Dragon Boat Biopharmaceutical (Shanghai) Limited ("Dragon Boat"), a subsidiary of Sanjin. Pursuant to the Dragon Boat Greater China Agreement, the Group will license the Chinese intellectual property directly related to a certain monospecific antibody molecule that binds to a specified target (the "Specified Project"), including the patent rights, patent application rights and technologies based on the core sequence of the molecule, to Dragon Boat. Dragon Boat will own all the Chinese intellectual property developed in the exercise of Dragon Boat's rights under the agreement, including but not limited to improvements (including combination products), clinical trials, regulatory filings, and commercialization rights relating thereto. The Group also granted Dragon Boat a royalty-free license to use our other existing intellectual property and improvements thereto which are related to the Specified Project for the purposes of exploiting its rights and performing its obligations under the agreement. Dragon Boat will enjoy all the economic benefits deriving from the Specified Project in Greater China, including but not limited to patent transfer fee, licensing fee, sales revenue and sales commission, etc. and will pay the Group (i) certain high-six figure dollar milestone payments upon the achievement of certain milestones (including milestones of launch of pre-clinical safety evaluation animal test, obtaining Investigational New Drug ("IND") approval in PRC and completion of clinical phase I test in PRC) and (ii) a single-digit percentage of net sales of the products that use the licensed antibody after such products enter the market.

Pursuant to the Dragon Boat ROW Agreement, the Group granted Dragon Boat a royalty-free license to use all intellectual property relating to (i) the collaboration under the agreement that the Group controlled before the Group entered into the agreement or acquired independently of the agreement and (ii) improvements thereto for the purposes of exploiting its rights and performing its obligations under the agreement. Any intellectual property generated independently by a party under the agreement will be solely owned by that party who generated such intellectual property, and any intellectual property generated from cooperation between the Group and Dragon Boat in connection with the collaboration will be jointly owned. The Group retain the ownership of patent rights of key intellectual property pertaining to the specified target outside of the Greater China. In addition, all the results obtained by Dragon Boat relating to the research and development of any new antibody developed under the agreement will be owned by Dragon Boat. The Group retains a majority of the economic benefits derived from the Dragon Boat ROW Agreement, including but not limited to any patent transfer fee, licensing fee and gains realized under such transfer. In case the Group intend to transfer to a third party our share of economic interests in any country outside of Greater China, the Group must notify Dragon Boat and Dragon Boat will receive a right of first refusal if it pays the Group a deposit equal to a low double-digit percentage of the consideration that the Group expects to receive from such third party. If Dragon Boat waives the right of first refusal, the Group can proceed with the transfer, provided that the final transaction price with the third party is not lower than the amount of the offering price that was included in our notice to Dragon Boat.

Under the 2019 Dragon Boat Agreements, the Group agreed not to (i) independently develop any monospecific antibodies that bind to the specified target or (ii) grant any rights associated with such antibodies to any third parties during the three-year period from the effective date of the agreements. The exclusivity obligation does not prevent the Group from (i) developing or granting any licenses to third parties for intellectual property that covers bispecific antibodies, ADCs, diagnostic antibodies, nano-particles and masked antibody against the specific target and (ii) continuing to provide antibody screening service that were commenced before the execution of the Dragon Boat Greater China Agreement and either party has the independent right to conduct combination therapy studies outside of the Greater China. Either nonbreaching party may terminate the 2019 Dragon Boat Agreements if the other party's ability to comply with its obligations under the agreements is negatively affected by contingencies such as failure to maintain operation or changes in core project management and the other party fails to take effective remedial measures. Each agreement automatically terminates upon the termination of the other agreement. Upon the rescission or termination, Dragon Boat will return to the Group all the intellectual property, documents and data provided by the Group under the 2019 Dragon Boat Agreements.

In the event that the failure of the development of the product candidate solely arises from the Group's research and development basis specified under this agreement, Dragon Boat has the right to claim back all the payment made to the Group. The risk of failure is considered remote upon recognition of revenue.

Prior to 2024, the Group received upfront fee of RMB4,000,000 received, and milestone fee of RMB4,000,000, which were recognized as licensing revenue as the performance obligation was satisfied by the Group and certain milestone events were achieved.

No additional revenue was recognized for the six months ended June 30, 2024 and 2025.

Exelixis, Inc. Agreements

In February 2021, the Group entered into a collaboration and license agreement (the "Exelixis Agreement") with Exelixis, Inc. ("Exelixis"), pursuant to which the Group agreed to generate masked antibodies with its SAFEbody technology against an initial target selected and a second target to be selected by Exelixis. The Group will generate masked antibodies in the form of alternative compounds in accordance with the program plan for each target at its own cost and deliver the related data packages to Exelixis. Exelixis will select lead compounds (the "Lead Compounds") to further develop, obtain regulatory approval and commercialize product(s) for each target (the "Products under the Exelixis Agreement"). Under the Exelixis Agreement, the Group will also grant Exelixis an exclusive, worldwide, sublicensable license (the "Adagene License") upon delivery of the data package to research, develop, make, have made, sell, offer for sale, import and commercialize products containing the masked antibodies to be generated by the Group with respect to both targets. Exelixis will own the inventions relating to the Lead Compounds arising in connection with the Exelixis Agreement.

The Exelixis Agreement will remain effective until the expiration of the defined royalty terms of the Products under the Exelixis Agreement, unless terminated by either party. Exelixis may terminate the Exelixis Agreement for any or no reason, in its entirety or on a target-by-target basis. Any payment received by the Group before the termination shall be non-refundable.

Under the Exelixis Agreement, Exelixis agreed to pay the Group an upfront non-refundable fee of US$11,000,000. For each target, the Group will be eligible to receive up to US$127,500,000 of milestone payments conditioned upon achieving certain development and regulatory approval milestones, and up to $262,500,000 of sales-based milestone payments. In addition, the Group is also entitled to royalties of mid-single-digit percentage in respect of the aggregate annual net sales of the products developed under the Exelixis Agreement worldwide, subject to certain reductions.

In April 2022, the Group entered in a letter agreement (the "Exelixis Letter Agreement") in reference to the Exelixis Agreement with Exelixis for expanded collaboration in SAFEbody discovery. Under the Exelixis Letter Agreement, the Group will generate additional masked antibodies against the target selected by Exelixis per the Exelixis Agreement. Exelixis agreed to pay the Group an additional upfront non-refundable fee of US$1,100,000.

The Group determined that generating masked antibodies with its SAFEbody technology is reflective of a vendor-customer relationship and therefore within the scope of ASC 606. Under the Exelixis Agreement, the delivery of data packages for each target, along with the Adagene License used to develop the related compounds, represents one performance obligation, as they are not distinct from each other. Transaction price is allocated to each one of the two performance obligations using the relative standalone selling price method. The Group records revenue at a point in time, when the data packages for each target were delivered to Exelixis. Considering that the development, regulatory and sales-based milestone payments and the royalties are constrained, the transaction price shall initially only include upfront payment and the milestone payments that are considered probable. Subsequently, once the uncertainty associated with the milestone payments is resolved, the milestone payments shall be included in the total transaction price when it is no longer probable that a significant reversal of cumulative revenue would occur in future periods. The sales-based royalty and sales-based milestones promised in exchange for the Adagene License granted are recognized when (or as) the later of (1) the subsequent sale or usage occurs, or (2) the performance obligation to which some or all of the sales-based royalty or sales-based milestones being allocated has been satisfied (or partially satisfied).

Prior to 2024, the Group received US$11,000,000 upfront payment upon execution of the Exelixis Agreement, US$1,100,000 upfront payment under the Exelixis Letter Agreement, milestone fee of US$3,000,000 related to the successful nomination of lead SAFEbody candidates for the initial target under the Exelixis Agreement, and another milestone fee of US$3,000,000 related to the successful nomination of lead SAFEbody candidates for the second target under the Exelixis Agreement. All of the upfront payments and milestone fees were recognized as revenue upon delivery of data packages and achievement of the milestone event for the initial target under the Exelixis Agreement in 2021 and 2023.

No additional revenue was recognized during the six months ended June 30, 2024 and 2025.

Sanofi Agreement

In March 2022, the Group entered into a collaboration and license agreement (the "Sanofi Agreement") with Genzyme Corporation, a wholly-owned subsidiary of Sanofi ("Sanofi"), pursuant to which the Group agreed to perform early-stage research activities to develop masked versions of Sanofi candidate antibodies (each a "Target", and together, "Targets"), using Adagene's SAFEbody technology for development and commercialization by Sanofi. Sanofi has the ability to advance two initial Targets in the collaboration, followed by an option for two additional Targets. The Group will generate masked antibodies in the form of customized compounds and complete the compound research activities in accordance with the program plan for each Target at its own cost and deliver the compounds and related data packages to Sanofi. Sanofi is solely responsible for later stage research and all clinical, product development and commercialization activities. Under the Sanofi Agreement, the Group granted Sanofi an exclusive, worldwide, sublicensable license to research, develop, use, make, have made, sell, offer for sale, import and commercialize products containing the masked antibodies to be generated by the Group.

The Sanofi Agreement will remain effective until the expiration of the defined royalty on a product-by-product and country-by-country basis, unless terminated earlier with cause or by mutual agreements of both parties. Sanofi may terminate the Sanofi Agreement without cause, in its entirety, or on a Target-by-Target or country-by-country basis.

Under the Sanofi Agreement, Sanofi agreed to pay the Group an upfront non-refundable fee of US$17,500,000 in consideration of the license granted and the early-stage research activities to generate the compounds. Sanofi is obligated to pay an additional fee if Sanofi exercises the option for additional Targets. For each Target, the Group will be eligible to receive up to US$173,500,000 of milestone payments conditioned upon achieving certain development and regulatory approval milestones, and up to US$450,000,000 of sales-based milestone payments. In addition, the Group is also entitled to royalties of mid-single-digit percentage in respect of the aggregate annual net sales of the products developed under the Sanofi Agreement worldwide, subject to certain reductions.

The Group then determined that this collaboration is more reflective of a vendor-customer relationship and therefore within the scope of ASC 606. Under the Sanofi Agreement, the performance of early-stage research activities to develop compounds for each Target, along with the grant of the license, represents one performance obligation, as they are not distinct from each other. Transaction price is allocated to each one of the two performance obligations based on the relative standalone selling price. Since the early-stage research activities does not generate an asset for alternative use and the Group has an enforceable right to the upfront payment, the Group records revenue over time using labor hour as the input to assess the satisfaction of the performance obligations. Considering that the development, regulatory and sales-based milestone payments and the royalties are constrained, the transaction price shall initially only include upfront payment and the milestone payments that are considered probable. Subsequently, once the uncertainty associated with the milestone payments is resolved, the milestone payments shall be included in the total transaction price when it is no longer probable that a significant reversal of cumulative revenue would occur in future periods. The sales-based royalty and sales-based milestones promised in exchange for the license granted are recognized when (or as) the later of (1) the subsequent sale or usage occurs, or (2) the performance obligation to which some or all of the sales-based royalty or sales-based milestones being allocated has been satisfied (or partially satisfied).

The Group received US$17,500,000 upfront payment under the Sanofi Agreement prior to 2024, all of which were recognized as revenue over time in 2022 and 2023 using the input method. For the six months ended June 30, 2024 and 2025, no additional revenue was recognized.

10. INCOME TAX EXPENSE

The income tax expense and the effective income tax rate resulting from operations were as follows:

	For the Six Months Ended June 30,	
	2024	2025
	US$	US$
Loss before income tax	(17,010,328)	(13,476,782)
Income tax expense	1,388	458
Effective income tax rate	(0.01)%	(0.00)%

The change in the effective income tax rate for the six months ended June 30, 2025 compared with the six months ended June 30, 2024 is primarily due to changes to the amount of loss before income tax, jurisdictional mix of loss before income tax, and valuation allowances.

11. NET LOSS PER SHARE

Basic and diluted net loss per share for the six months ended June 30, 2024 and 2025 were calculated as follows:

	For the Six Months Ended June 30,	
	2024	2025
	US$	US$
Numerator:		
Net loss attributable to Adagene Inc.'s shareholders	(17,011,716)	(13,477,240)
Net loss attributable to ordinary shareholders	(17,011,716)	(13,477,240)
Denominator:		
Weighted-average number of ordinary shares outstanding—basic and diluted	55,213,051	58,891,864
Net Loss per share—basic and diluted	(0.31)	(0.23)

The effects of all outstanding share options have been excluded from the computation of diluted loss per share for the six months ended June 30, 2024 and 2025 as their effects would be anti-dilutive.

The potentially dilutive securities that have not been included in the calculation of diluted net loss per share as their inclusion would be anti-dilutive are as follows:

	For the Six Months Ended June 30,	
	2024	2025
Incremental shares on share options and share grant	1,305,736	191,073

12. RELATED PARTY TRANSACTIONS

a) Related Parties

Name of related parties	Relationship
Peter Luo	Chairman, Chief Executive Officer and a principal shareholder of the Company
Certain senior management personnel	Management and ordinary shareholders of the Company
WuXi AppTec Co., Ltd. ("WuXi AppTec Group")	A principal shareholder of the Company
WuXi Biologics (Cayman) Inc.	Controlled by the ultimate controlling party of a principal shareholder of the Company

b) The Group had the following related party balances as of December 31, 2024 and June 30, 2025:

	As of December 31, 2024	As of June 30, 2025
	US$	US$
WuXi AppTec Group	5,304	1,443
Certain senior management personnel	3,005	1,006
Total amounts due from related parties	8,309	2,449

As of December 31, 2024 and June 30, 2025, the amounts due from related parties mainly represented prepayments made for the CRO and CDMO services.

	As of December 31, 2024	As of June 30, 2025
	US$	US$
WuXi Biologics (Cayman) Inc.	12,598,836	13,787,167
WuXi AppTec Group	589,130	660,232
Certain senior management personnel.	—	1,006
Total amounts due to related parties	13,187,966	14,448,405

As of December 31, 2024 and June 30, 2025, the amounts due to related parties mainly represented payables for the CRO and CDMO services.

c) The Group had the following related party transactions during the six months ended June 30, 2024 and 2025:

	For the Six Months Ended June 30,	
	2024	2025
	US$	US$
WuXi Biologics (Cayman) Inc.	715,995	1,123,145
WuXi AppTec Group	244,590	128,133
Certain senior management personnel	6,080	6,013
	966,665	1,257,291

For the six months ended June 30, 2024 and 2025, the transactions with related parties mainly represented expenses incurred for receipt of CRO and CDMO services.

13. LEASES

As of December 31, 2024 and June 30, 2025, the Group had operating leases recorded on its condensed consolidated balance sheets for certain office spaces that expire on various dates through 2027. The Group's lease arrangements have no renewal options, rent escalation clauses, restrictions or contingent rents and are all executed with third parties. All of the Group's leases qualify as operating leases.

Information related to operating leases as of December 31, 2024 and June 30, 2025 is as follows:

	As of December 31, 2024	As of June 30, 2025
	US$	US$
Assets		
Operating lease right-of-use assets	283,645	214,556
Liabilities		
Current portion of operating lease liabilities	141,341	125,851
Operating lease liabilities	142,304	88,705
Weighted average remaining lease term (years)	2.2	1.8
Weighted average discount rate	3.9 %	3.9 %

Information related to operating lease activity during the six months ended June 30, 2024 and 2025 is as follows:

	For the Six Months Ended June 30,	
	2024	2025
	US$	US$
Operating lease rental expense		
Amortization of right-of-use assets	109,251	70,021
Expense for short-term leases within 12 months	6,778	27,275
Interest of lease liabilities	6,889	5,012
	122,918	102,308

Maturities of lease liabilities were as follows:

	As of December 31,	As of June 30,
	2024	2025
	US$	
Remainder of 2025	149,975	75,300
2026	93,734	94,124
2027	53,116	53,337
Total undiscounted lease payments	296,825	222,761
Less: imputed interest	(13,180)	(8,205)
Total lease liabilities	283,645	214,556

14. COMMITMENTS AND CONTINGENCIES

Contingencies

The Group is currently not involved in any legal or administrative proceedings that may have a material adverse impact on the Group's business, financial position or results of operations.

15. Subsequent Event

On July 1, 2025, the Group announced that Sanofi had exercised its option to select a third SAFEbody discovery program, utilizing the Group's proprietary masking technology and antibody engineering expertise. The bispecific therapeutic, with undisclosed targets, will be engineered by the Group and induces an option exercise fee, as well as milestones and royalties as per the Sanofi Agreement entered in March 2022 as disclosed in Note 9.

In July 2025, the Company issued 1,062,500 Series A non-voting convertible preferred shares (the "Series A Preferred Shares") to Sanofi Foreign Participations B.V.("Sanofi B.V.") with an aggregate purchase price of US$17.0 million, reflecting an as-converted price of US$2.0 per American depository share of the Company. The issuance of the Series A Preferred Shares is the first closing in connection with a securities purchase agreement signed between the Company and Sanofi B.V. (the "Securities Purchase Agreement"), under which Sanofi B.V. has agreed to make a strategic investment of up to US$25.0 million in Adagene in two closings. The first closing was completed in July 2025.

In July 2025, the Group entered into a partnering agreement (the "Conjugate Agreement") with ConjugateBio Inc. ("Conjugate") to develop novel antibody drug conjugates. Under the Conjugate Agreement, the Group will provide ConjugateBio with a proprietary antibody for use in partner companies' bispecific ADC development programs.

In July 2025, the Group issued certain warrant to a consultant as compensation for the consultant's services in the field of investor relations and business development services. Such warrant gives the consultant a right to purchase the Company's ADSs at a specific price and within a certain time frame.