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羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CLOUDBREAK PHARMA INC. AND CCB INTERNATIONAL CAPITAL LIMITED AND HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED

Introduction

We report on the historical financial information of Cloudbreak Pharma Inc. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-74, which comprises the consolidated statements of financial position as at 31 December 2022, 2023 and 2024, the Company's statements of financial position as at 31 December 2022, 2023 and 2024, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2022, 2023 and 2024 (the "Track Record Period") and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-74 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 24 June 2025 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2022, 2023 and 2024 and the consolidated financial position of the Group as at 31 December 2022, 2023 and 2024 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

羅兵咸永道

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

Adjustments

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

Dividends

We refer to note 28 to the Historical Financial Information which states that no dividends have been paid by Cloudbreak Pharma Inc. in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
24 June 2025

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

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

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("Underlying Financial Statements").

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December		
	Notes	**2022**	**2023**	**2024**
		US$'000	*US$'000*	*US$'000*
Revenue	*5*	–	–	10,000
Other income	*6*	471	880	214
Other gains, net	*7*	718	674	645
General and administrative expenses	*8*	(8,912)	(11,277)	(9,489)
Research and development expenses	*8*	(15,290)	(27,492)	(37,946)
Operating loss		(23,013)	(37,215)	(36,576)
Finance income	*11*	1,602	3,872	2,029
Finance costs	*11*	(31)	(275)	(27)
Finance income, net		1,571	3,597	2,002
Change in fair value of financial liabilities at fair value through profit or loss and derivative financial instruments		(45,314)	(95,777)	(63,723)
Loss before income tax		(66,756)	(129,395)	(98,297)
Income tax expenses	*12*	(82)	(23)	(833)
Loss for the year		(66,838)	(129,418)	(99,130)

	Notes	Year ended 31 December 2022 US$'000	2023 US$'000	2024 US$'000
Other comprehensive losses				
Items that may be reclassified subsequently to profit or loss:				
Currency translation difference		(1,815)	(801)	(877)
Items that will not be reclassified subsequently to profit or loss:				
Change in fair value of convertible redeemable preferred shares due to own credit risk	*24(a)*	(2,476)	(982)	(13)
Change in fair value of other financial liabilities due to own credit risk	*24(b)*	(1,824)	–	–
Other comprehensive loss for the year		(6,115)	(1,783)	(890)
Total comprehensive loss for the year		(72,953)	(131,201)	(100,020)
Loss per share attributable to the owners of the Company (expressed in US$ per share)				
– Basic and diluted	*13*	(0.15)	(0.28)	(0.21)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December		
		2022	**2023**	**2024**
		US$'000	*US$'000*	*US$'000*
Assets				
Non-current assets				
Property, plant and equipment	*14*	363	1,106	375
Right-of-use assets	*15*	807	2,161	2,051
Prepayments and other receivables	*18*	808	97	74
		1,978	3,364	2,500
Current assets				
Prepayments and other receivables	*18*	869	1,263	2,325
Current income tax receivables		129	50	322
Short-term bank deposits	*19*	63,194	7,500	–
Cash and cash equivalents	*19*	15,917	52,654	34,862
		80,109	61,467	37,509
Total assets		82,087	64,831	40,009
Equity				
Share capital	*20*	48	48	48
Other reserves	*21*	(29,508)	(17,720)	(7,342)
Accumulated losses		(115,704)	(245,122)	(344,252)
Total deficit		(145,164)	(262,794)	(351,546)

	Notes	As at 31 December 2022 US$'000	2023 US$'000	2024 US$'000
Liabilities				
Non-current liability				
Lease liabilities	*15*	548	228	209
Current liabilities				
Trade and other payables	*22*	30,711	4,599	4,766
Convertible redeemable preferred shares	*24*	109,957	322,459	386,195
Other financial liabilities at fair value through profit or loss	*24*	73,960	–	–
Derivative financial instruments	*25*	11,783	–	–
Lease liabilities	*15*	292	317	302
Current income tax liabilities		–	22	83
		226,703	327,397	391,346
Total liabilities		227,251	327,625	391,555
Total deficit and liabilities		82,087	64,831	40,009
Net current liabilities		(146,594)	(265,930)	(353,837)

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December 2022	2023	2024
		US$'000	US$'000	US$'000
Assets				
Non-current asset				
Investments in subsidiaries	1.2	324,376	324,376	324,376
Current assets				
Prepayments	18	–	338	452
Amounts due from subsidiaries	26	83,898	87,008	74,026
Cash and cash equivalents	19	–	11	11
		83,898	87,357	74,489
Total assets		408,274	411,733	398,685
Equity				
Share capital	20	48	48	48
Reserve	21	252,707	265,296	276,551
Accumulated losses		(68,827)	(182,100)	(265,552)
Total equity		183,928	83,244	11,047
Liabilities				
Current liabilities				
Trade and other payables	22	28,313	1,256	1,120
Convertible redeemable preferred shares	24	109,957	322,459	386,195
Other financial liabilities at fair value through profit or loss	24	73,960	–	–
Derivative financial instruments	25	11,783	–	–
Amounts due to subsidiaries	26	333	4,774	420
Current income tax liabilities		–	–	83
		224,346	328,489	387,818
Total liabilities		224,346	328,489	387,818
Total equity and liabilities		408,274	411,733	398,865

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to the owners of the Company			
	Share capital	**Other reserves**	**Accumulated losses**	**Total deficits**
	US$'000	*US$'000*	*US$'000*	*US$'000*
	(Note 20)	(Note 21)		
Balance at 1 January 2022	46	(24,736)	(48,866)	(73,556)
Comprehensive loss				
Loss for the year	–	–	(66,838)	(66,838)
Other comprehensive loss:				
Changes in fair value of convertible redeemable preferred shares due to own credit risk *(Note 24(a))*	–	(2,476)	–	(2,476)
Changes in fair value of other financial liabilities due to own credit risk *(Note 24(b))*	–	(1,824)	–	(1,824)
Currency translation differences	–	(1,815)	–	(1,815)
Total comprehensive loss for the year	–	(6,115)	(66,838)	(72,953)
Transactions with owners:				
Equity-settled share-based payment transactions *(Note 10)*	–	1,345	–	1,345
Share awards vested and granted *(Note 20)*	2	(2)	–	–
Total transactions with owners	2	1,343	–	1,345
Balance at 31 December 2022	48	(29,508)	(115,704)	(145,164)

	Attributable to the owners of the Company			
	Share capital	Other reserves	Accumulated losses	Total deficits
	US$'000	*US$'000*	*US$'000*	*US$'000*
	(Note 20)	(Note 21)		
Balance at 1 January 2023	48	(29,508)	(115,704)	(145,164)
Comprehensive loss				
Loss for the year	–	–	(129,418)	(129,418)
Other comprehensive loss:				
Changes in fair value of convertible redeemable preferred shares due to own credit risk *(Note 24(a))*	–	(982)	–	(982)
Currency translation differences	–	(801)	–	(801)
Total comprehensive loss for the year	–	(1,783)	(129,418)	(131,201)
Transactions with owners:				
Equity-settled share-based payment transactions *(Note 10)*	–	13,571	–	13,571
Total transactions with owners	–	13,571	–	13,571
Balance at 31 December 2023	48	(17,720)	(245,122)	(262,794)

	Attributable to the owners of the Company			
	Share capital	Other reserves	Accumulated losses	Total deficits
	US$'000	*US$'000*	*US$'000*	*US$'000*
	(Note 20)	(Note 21)		
Balance at 1 January 2024	48	(17,720)	(245,122)	(262,794)
Comprehensive loss				
Loss for the year	–	–	(99,130)	(99,130)
Other comprehensive loss:				
Changes in fair value of convertible redeemable preferred shares due to own credit risk *(Note 24(a))*	–	(13)	–	(13)
Currency translation differences	–	(877)	–	(877)
Total comprehensive loss for the year	–	(890)	(99,130)	(100,020)
Transactions with owners:				
Equity-settled share-based payment transactions *(Note 10)*	–	11,268	–	11,268
Total transactions with owners	–	11,268	–	11,268
Balance at 31 December 2024	48	(7,342)	(344,252)	(351,546)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	**Year ended 31 December**		
		2022	**2023**	**2024**
		US$'000	*US$'000*	*US$'000*
Cash flows from operating activities				
Cash used in operation	*23(a)*	(19,835)	(22,586)	(25,480)
Income tax (paid)/refund		(215)	80	(1,042)
Net cash used in operating activities		(20,050)	(22,506)	(26,522)
Cash flows from investing activities				
Purchase of property, plant and equipment		(778)	(556)	(155)
Purchase of land use rights		–	(1,655)	–
Proceeds from disposal of financial assets at fair value through profit or loss		32,552	–	–
Placement of short-term bank deposits		(326,848)	(74,713)	–
Repayment of short-term bank deposits		263,654	130,407	7,500
Interest received		1,602	3,872	2,029
Net cash (used in)/generated from investing activities		(29,818)	57,355	9,374
Cash flows from financing activities				
Repayment to a director	*23(b)*	(89)	–	–
Proceeds from issuance of preferred shares	*23(b)*	–	2,800	–
Proceeds from issuance of warrants and related financial liabilities	*23(b)*	15,975	–	–
Proceeds from bank borrowings	*23(b)*	–	284,930	14,000
Repayment of bank borrowings	*23(b)*	–	(284,930)	(14,000)
Interest paid on bank borrowings	*23(b)*	–	(240)	(4)
Payment for listing expenses		–	(173)	(102)
Payments for acquisition of Cloudbreak Therapeutics LLC	*1.2(d), 23(b)*	(30,000)	–	–
Payment for lease liabilities, principal portion	*23(b)*	(192)	(300)	(328)
Payment for lease liabilities, interest portion	*23(b)*	(31)	(35)	(23)
Net cash (used in)/generated from financing activities		(14,337)	2,052	(457)

		Year ended 31 December		
	Notes	**2022**	**2023**	**2024**
		US$'000	*US$'000*	*US$'000*
Net (decrease)/increase in cash and cash equivalents		(64,205)	36,901	(17,605)
Cash and cash equivalents at beginning of the year	*19*	80,604	15,917	52,654
Exchange differences on cash and cash equivalents		(482)	(164)	(187)
Cash and cash equivalents at end of the year	*19*	15,917	52,654	34,862

II. NOTES TO THE FINANCIAL INFORMATION

1 General information, history and reorganisation

1.1 General information

Cloudbreak Pharma Inc. (the "Company") was incorporated in the Cayman Islands on 20 November 2020. The address of the Company's registered office is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

The Company is an investment holding company and its subsidiaries (together the "Group") are principally engaged in the research and developments of therapeutic biologics (the "Listing Business").

These financial statements are presented in US$, unless otherwise stated.

1.2 History and reorganisation of the Group

Prior to the incorporation of the Company and the completion of the reorganisation (the "Reorganisation") in preparation for the listing (the "Listing") of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKEX"), the Listing Business was operated by Cloudbreak Therapeutics LLC ("Cloudbreak USA") and its subsidiaries including ADS Therapeutics LLC ("ADS USA"), Cloudbreak Bio-Pharmaceutical Science and Technology (Guangzhou) Co., Ltd. ("Cloudbreak Guangzhou") (collectively, the "Operating Companies").

Upon the completion of the Reorganisation, each of the shareholders of Cloudbreak USA became the shareholders of the Company, and the Company became the holding company of the companies now comprising the Group. The Reorganisation mainly involved the following major steps:

(a) Incorporation of the Company

On 20 November 2020, the Company was incorporated as an exempted company with limited liability in the Cayman Islands with an initial authorised share capital of US$50,000 divided into 500,000,000 ordinary shares with a par value of US$0.0001 each. On the same day, the initial subscriber transferred one ordinary share at par to Water Lily Consultants Inc. ("Water Lily Consultants"). On 13 January 2021, Water Lily Consultants surrendered its one share in the Company.

(b) Transfer of entire equity interest in ADS USA to the Company

Immediately prior to the Reorganisation, ADS USA was held as to 58.82%, 28.82% and 4.12% by Cloudbreak USA, Water Lily Consultants and each of Ice Tree, LLC ("Ice Tree LLC"), VD&TL Capital and YDD Consulting Inc. ("YDD Consulting"), respectively.

On 13 January 2021, Cloudbreak USA, Water Lily Consultants, Ice Tree LLC, VD&TL Capital and YDD Consulting transferred the entire equity interest in ADS USA to the Company in exchange for 66,973,418, 32,816,975, 4,688,139, 4,688,139, 4,688,139 Class A ordinary shares of the Company, respectively.

Upon completion of the transaction, ADS USA became a subsidiary of the Company and the Company was held as to approximately 58.82% by Cloudbreak USA, 28.82% by Water Lily Consultants, and 4.12% by each of Ice Tree LLC, VD&TL Capital and YDD Consulting.

(c) Transfer of entire equity interest in Cloudbreak Pharmaceutical Inc. ("Cloudbreak Cayman") to the Company

On 12 March 2021, Cloudbreak USA, Water Lily Consultants and Ice Tree Consultants, Inc. ("Ice Tree Consultants") transferred the entire equity interest in Cloudbreak Cayman, the intermediate holding company of Cloudbreak Guangzhou, to the Company in exchange for 205,984 Class A and 130,769,200 Class B ordinary shares, 28,649 Class A and 18,096,200 Class B ordinary shares, and 5,770 Class A and 3,619,200 B ordinary shares of the Company, respectively.

Upon completion of the transaction, Cloudbreak Cayman became a wholly-owned subsidiary of the Company and the Company was held as to approximately 74.25% by Cloudbreak USA, 19.11% by Water Lily Consultants, 1.36% by Ice Tree Consultants, and 1.76% by each of Ice Tree LLC, VD&TL Capital and YDD Consulting.

(d) Transfer of entire membership interest in Cloudbreak USA to the Company

On 24 November 2021, the then members of Cloudbreak USA transferred the entire membership interest in Cloudbreak USA to the Company in exchange for ordinary shares of the Company and cash as set out below:

	Class C ordinary shares	Cash (*US$'000*)
Water Lily Consultants	51,519,363	8,234
Bright Future Pharmaceutical Laboratories Ltd.	45,955,468	8,083
Dr. Li Junzhi	26,966,012	4,231
VD&TL Capital	24,405,636	4,080
Whitcup Life Sciences LLC	13,130,134	2,261
Other individual shareholders	21,670,191	3,111
	183,646,804	30,000

Upon completion of the transaction, Cloudbreak USA became a wholly-owned subsidiary of the Company.

Immediately prior to the Reorganisation, the Listing Business was held by Cloudbreak USA and mainly conducted through Cloudbreak USA and its subsidiaries. Pursuant to the Reorganisation, Cloudbreak USA and the Listing Business were transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a recapitalisation of the Listing Business, with no change in management. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the business held under Cloudbreak USA and, for the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the consolidated financial statements of Cloudbreak USA and its subsidiaries, with the assets and liabilities of the Group recognised and measured at the carrying amounts under the consolidated financial statements of Cloudbreak USA throughout the periods presented.

Upon completion of the Reorganisation and as at the date of this report, the Company has direct or indirect interests in the following principal subsidiaries during the Track Record Period:

Name of subsidiaries	Place and date of incorporation	Issued and fully paid up share capital	Principal activities	Attributable equity interest of the Group — As at 31 December 2022	2023	2024	As the date of report	Notes
Directly held:								
Cloudbreak USA	United States, 14 September 2015	Nil	Research and developments of therapeutic biologics	100%	100%	100%	100%	(i)
Cloudbreak Pharma (HK) Limited	Hong Kong, 13 June 2022	Nil	Investment holding	100%	100%	100%	100%	(vi), (viii)
ADS USA	United States, 16 January 2017	Nil	Research and developments of therapeutic biologics	100%	100%	100%	100%	(i)
Cloudbreak Pharmaceutical GmbH	Germany, 4 November 2021	EUR25,000	Investment holding	100%	100%	100%	100%	(i)
Cloudbreak Cayman	Cayman, 1 November 2019	US$24,331	Investment holding	100%	100%	100%	100%	(i)
Indirectly held:								
Cloudbreak Biotechnology Limited	BVI, 18 November 2019	US$1	Investment holding	100%	100%	100%	100%	(i)
ADS Pharmaceuticals Pty Ltd	Australia, 20 November 2020	AUD1	Research and developments of therapeutic biologics	100%	100%	100%	100%	(i)
Cloudbreak Therapeutics Limited ("Cloudbreak HK")	Hong Kong, 28 November 2019	HK$1	Investment holding	100%	100%	100%	100%	(iv), (viii)
Cloudbreak Guangzhou* 撥康視雲生物醫藥科技(廣州)有限公司 (former name: 撥雲生物醫藥科技(廣州)有限公司)	Mainland China, 30 September 2018	RMB10,970,620	Research and developments of therapeutic biologics	100%	100%	100%	100%	(ii), (viii)
Cloudbreak Bio-pharmaceutical Science and Technology (Suzhou) Co., Ltd* 撥康視雲生物醫藥科技(蘇州)有限公司 (former name: 撥雲生物醫藥科技(蘇州)有限公司)	Mainland China, 27 September 2021	US$29,999,965	Research and developments of therapeutic biologics	100%	100%	100%	100%	(iii), (viii)
Cloudbreak Bio-pharmaceutical Science and Technology (Yixing) Co., Ltd* 撥康視雲生物醫藥科技(宜興)有限公司	Mainland China, 5 September 2023	US$7,500,000	Research and developments of therapeutic biologics	N/A	100%	100%	100%	(v), (vii), (viii)
Cloudbreak Bio-pharmaceutical Science and Technology (Wenzhou) Co., Ltd* 撥康視雲生物醫藥科技(溫州)有限公司	Mainland China, 11 June 2024	RMB100,000	Research and developments of therapeutic biologics	N/A	N/A	100%	100%	(v), (viii)

(i) No audited statutory financial statements were prepared for these subsidiaries as they are not required to issue audited financial statements under the statutory requirements of their respective of incorporation.

(ii) The statutory financial statements for the years ended 31 December 2022 and 2023 were audited by Guangzhou Deyong Certified Public Accountants Limited (廣州德永會計師事務所有限公司) and Guanzhou Tiancheng Certified Public Accountants (廣州天誠會計師事務所) respectively.

(iii) The statutory financial statements for the years ended 31 December 2022 and 2023 were audited by Suzhou Qianzheng Certified Public Accountants (蘇州乾正會計師事務所) and Suzhou Sucheng Joining Certified Public Accountants Co. Ltd. (蘇州蘇城會計師事務所有限公司) respectively.

(iv) The statutory financial statements for the years ended 31 December 2022 and 2023 were audited by Sino Corp CPA Limited and Sino Corp CPA Limited respectively.

(v) The subsidiary had not been incorporated in the relevant year with "N/A".

(vi) The statutory financial statements for the year ended 31 December 2022 and 2023 were audited by Shum Fai Nin Certified Public Accountant.

(vii) The statutory financial statements for the year ended 31 December 2023 were audited by Guanzhou Tiancheng Certified Public Accountants (廣州天誠會計師事務所).

(viii) The audited financial statements of these subsidiaries for the year ended 31 December 2024 have not been issued as of date of report.

* The English names of the companies established in the People Republic of China (the "PRC" or "Mainland China") and their statutory auditors referred to above represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or are available.

The investments in subsidiaries of the Company represent the fair values of the Listing Business attributable to owners of the Company upon the completion of the Reorganisation.

2 Basis of preparation

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The Historical Financial Information of the Group has been prepared in accordance with all applicable IFRS Accounting Standards issued by International Accounting Standards Board ("IASB"). The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of convertible redeemable preferred shares, other financial liabilities at fair value through profit or loss ("FVPL") and derivative financial instruments, which are carried at fair value.

The preparation of Historical Financial Information in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4 below.

2.1 Going Concern

The Group is in the development phase of the therapeutic biologics and has been incurring losses from its operations since incorporation. The Historical Financial Information has been prepared on a going concern basis notwithstanding that, the Group reported a net loss of approximately US$66,838,000, US$129,418,000 and US$99,130,000 during the years ended 31 December 2022, 2023 and 2024, respectively, and as at 31 December 2022, 2023 and 2024, the Group's current liabilities exceeded its current assets by approximately US$146,594,000, US$265,930,000 and US$353,837,000 and had a net liabilities of approximately US$145,164,000, US$262,794,000 and US$351,546,000, respectively. As at 31 December 2024, the Group's current liabilities included series A and series B convertible redeemable preferred shares of approximately US$111,286,000 and series C convertible redeemable preferred shares of approximately US$274,909,000.

Given that the conversion options are exercisable at the series A, series B and series C investors' discretions, all the convertible redeemable preferred shares were classified as current liabilities as at 31 December 2022, 2023 and 2024.

For series A and series B convertible preferred shares, the redemption events of have not been triggered and the management considered that they will not be triggered for at least twelve months from 31 December 2024.

For series C convertible redeemable preferred shares, according to the shareholders' agreement entered into between the Company and all the preferred shareholders (the "Shareholders Agreement"), the holders of the series C convertible redeemable preferred shares were granted the right to redeem the preferred shares as a qualified initial public offering has not been consummated by the Company on or prior to 31 December 2022. Up to the date of this report, the Group had not received any redemption notice from the series C preferred shareholders.

Such redemption right shall be terminated on the date of the first submission by the Company of its listing application to certain particular stock exchange, but such redemption option shall be automatically restored if the Company fails to be listed in such listing application, or the Company decides to put on hold the listing procedures or withdraw the listing application. As at the date of this report, the redemption option is terminated as the Company has submitted the listing application for the proposed Listing and the Company does not have any intention to put on hold the listing procedures nor withdraw the listing application for at least twelve months from 31 December 2024 so that such redemption option shall not be restored for at least twelve months from 31 December 2024. The preferred shares shall automatically be converted into ordinary shares at the time immediately upon the closing of a qualified initial public offering. For details, please refer to Note 24.

In view of the above circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing and prepared a cash flow projection covering not less than 12 months from 31 December 2024 in assessing whether the Group will have sufficient financial resources to continue as a going concern for at least twelve months from 31 December 2024. Significant judgments and assumptions were made by directors as part of the Group's assessment, inter alia, the Series A, B and C convertible redeemable preferred share are not redeemable for at least twelve months from 31 December 2024.

The directors, believe that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due in the next twelve months from 31 December 2024. Accordingly, taking into account the non-exercise of the redemption right of all the preferred shareholders for at least twelve months from 31 December 2024, the anticipated cash flows required by the Group and its available financial resources, the directors believe that it is appropriate to prepare the Historical Financial Information on a going concern basis.

2.2 New standards, amendments and improvements to existing standards not yet adopted

New standards, amendments and improvements to existing standards that have been issued but not yet effective and not been early adopted by the Group during the Track Record Period are as follows:

		Effective for annual periods beginning on or after
Amendments to IAS 21	Lack of Exchangeability	1 January 2025
Amendments to IFRS 9 and IFRS 7	Classification and Measurement of Financial Instruments	1 January 2026
Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7	Annual Improvements to IFRS Accounting Standards	1 January 2026
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

IFRS 18 will replace IAS 1 Presentation of Financial Statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though IFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the consolidated statements of profit or loss and providing management-defined performance measures within the financial statements.

Management is currently assessing the detailed implications of applying the new standard on the Group's consolidated financial statements. The Group expects to apply the new standard from its mandatory effective date of 1 January 2027. Retrospective application is required, and so the comparative information for the financial year ending 31 December 2026 will be restated in accordance with IFRS 18.

Except for the abovementioned changes in presentation and disclosure, these pronouncements are not expected to have a material impact on the results or the financial position of the Group.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

3.1.1 Market risk

(a) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the respective group entities' functional currency.

Certain bank balances and cash are denominated in foreign currencies of respective group entities that are exposed to foreign currency risk. The Group has entities operating in United States, Hong Kong and Mainland China. The Group constantly reviews the economic situation and its foreign exchange risk profile, and considers appropriate hedging measures in the future, as may be necessary.

The Group is primarily exposed to changes in RMB/US$ exchange rates in its entities operating in Mainland China that have functional currency in RMB.

As at 31 December 2022, 2023 and 2024, if RMB strengthened/weakened by 5% against the US$ with all other variables held constant, loss before income tax for the year would have been approximately US$473,000, US$1,663,000 and US$867,000 higher/lower, respectively, mainly as a result of foreign exchange gains/losses on the translation of US$ denominated cash and cash equivalents in the entities operating in Mainland China.

There are certain US$ and HK$ financial assets and liabilities held by the Group with HK$ and US$ functional currency respectively. Since HK$ are pegged to the US$, management considers the foreign exchange risk arising from such financial assets and liabilities to the Group is not significant. Hence, the directors consider the Group does not have any material foreign exchange risk exposure. No sensitivity analysis is presented.

The Group does not hedge against any fluctuation in foreign currencies during the Track Record Period.

(b) Cash flow and fair value interest rate risk

Other than interest-bearing short-term bank deposit, the Group has no other significant interest-bearing assets. The directors of the Company do not anticipate there is any significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of short-term bank deposit are not expected to change significantly.

3.1.2 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The carrying amounts of other receivables, short-term bank deposits and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

(a) Other financial assets at amortised cost

For other receivables, it is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been significant increase in credit risk since initial recognition. Other financial assets that are not credit-impaired on initial recognition are classified in 'Stage 1' and the expected credit losses are measured as 12-month expected credit losses. If a significant increase in credit risk of other financial asset has occurred since initial recognition, the financial asset is moved to 'Stage 2' but is not yet deemed to be credit-impaired. The expected credit losses are measured as lifetime expected credit loss. If any financial asset is credit-impaired, it is then moved to 'Stage 3' and the expected credit loss is measured as lifetime expected credit loss.

Management has assessed that during the Track Record Period, other receivables have not had a significant increase in credit risk since initial recognition. Management considers that the expected credit loss for other financial assets at amortised cost to be immaterial.

(b) Credit risk of short-term bank deposits and cash and cash equivalents

The Group expects that there is no significant credit risk associated with short-term bank deposits and cash and cash equivalents since they are substantially deposited at state-owned banks or reputable commercial banks which are high-credit-quality financial institutions. Management considers that the expected credit loss for short-term bank deposits and cash and cash equivalents to be immaterial.

3.1.3 Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents to meet the Group's liquidity requirements.

The Group recognises the financial liabilities issued to investors at fair value through profit or loss.

Accordingly, the financial liabilities at FVPL are managed on a fair value basis rather than by maturing dates *(Note 24)*.

The table below analyses the Group's non-derivative financial liabilities that will be settled into relevant maturity grouping based on the remaining period at each balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than one year US$'000	Between 1 year and 2 years US$'000	Between 2 years and 5 years US$'000	Total US$'000
As at 31 December 2022				
Trade and other payables (excluding non-financial liabilities)	29,855	–	–	29,855
Lease liabilities	327	340	235	902
Total	30,182	340	235	30,757
As at 31 December 2023				
Trade and other payables (excluding non-financial liabilities)	3,774	–	–	3,774
Lease liabilities	337	184	51	572
Total	4,111	184	51	4,346
As at 31 December 2024				
Trade and other payables (excluding non-financial liabilities)	3,465	–	–	3,465
Lease liabilities	320	157	60	537
Total	3,785	157	60	4,002

3.2 Capital management

The Group's objectives on managing capital are to safeguard the Group's ability to continue as a going concern and support the sustainable growth of the Group in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long term.

The Group monitors capital (including share capital, share premium and preferred shares on an as-if-converted basis) by regularly reviewing the capital structure. As part of this review, the Group may adjust the amount of return capital to shareholders, issue new shares or sell assets to reduce debt.

The liability-to-asset ratios as at the end of each of the Track Record Period are as follow:

	As at 31 December		
	2022 US$'000	2023 US$'000	2024 US$'000
Total assets	82,087	64,831	40,009
Total liabilities	227,251	327,625	391,555
Liability-to-asset ratio	277%	505%	979%

* Liability-to-asset ratios is calculated by dividing total liabilities by total assets and multiplying the product by 100%

3.3 Fair value estimation

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- Discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate; and
- A combination of observable and unobservable inputs, including discount rate, risk-free interest rate, discount for lack of marketability ("DLOM"), and expected volatility, etc.

There were no transfers between levels 1, 2 and 3 during the Track Record Period. The Group has no financial instruments in level 1 and level 2.

The changes in level 3 instruments for the years ended 31 December 2022, 2023 and 2024 are presented in Notes 24 and 25.

Financial instruments at fair value

The following table presents the Group's assets and liabilities that were measured at fair value as at 31 December 2022, 2023 and 2024:

	Level 1	Level 2	Level 3	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
At 31 December 2022				
Liabilities				
Convertible redeemable preferred shares *(Note 24(a))*	–	–	109,957	109,957
Other financial liabilities at fair value through profit or loss *(Note 24(b))*	–	–	73,960	73,960
Derivative financial instruments *(Note 25)*	–	–	11,783	11,783
	–	–	195,700	195,700
At 31 December 2023				
Liability				
Convertible redeemable preferred shares *(Note 24(a))*	–	–	322,459	322,459
At 31 December 2024				
Liability				
Convertible redeemable preferred shares *(Note 24(a))*	–	–	386,195	386,195

For convertible redeemable preferred shares, other financial liabilities at fair value through profit or loss and derivative financial instruments, they are in initially recognised at fair value, and subsequently stated at fair value with changes in fair value recognized in profit or loss. For details, please refer to Notes 24 and 25.

Financial instruments at amortised cost

The carrying amounts of the Group's financial assets measured at amortised costs, including other receivables, short-term bank deposits, cash and cash equivalents and the Group's financial liabilities measured at amortised costs, including trade and other payables and lease liabilities approximate their fair values due to their short maturities or the interest rates are close to the market interest rates.

3.4 Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the consolidated statements of financial position where the Group currently has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

4 Critical estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

(a) Fair value measurement of convertible redeemable preferred shares, derivative financial instruments and other financial liabilities at fair value through profit or loss

The fair values of the Group's convertible redeemable preferred shares, derivative financial instruments and other financial liabilities at fair value through profit or loss, which are not traded in an active market, are determined by using valuation techniques. Significant judgements and assumptions are exercised by management in selecting valuation models and unobservable inputs at the end of each reporting periods. Changing the key assumptions used by management could materially affect the fair values of these financial liabilities and as a result affect the Group's financial position and results of operation. Details of the valuation models, key assumptions and inputs are disclosed in Notes 24 and 25.

(b) Share-based compensation expenses

As mentioned in Note 10, the Company has granted share awards and share options to the Group's employees. The Company has engaged an independent valuer to determine the grant date fair value of the share options to employees using the binomial option pricing model, which is to be expensed over the vesting period. Various assumptions are involved in the model and significant estimate on assumptions is required to be made by the management, including discount rate, risk-free interest, expected price volatility, expected dividend payout, expected option life, fair value of ordinary shares, milestone of the non-market vesting condition and subjective judgments regarding projected financial and operating results, its unique business risks, and its operating history and prospects at the time the grants are made. The Company measures the share awards and share-based compensation to the non-employees with reference to the fair value of the instruments at grant date or the date when services are rendered, whichever appropriate. The management applies judgements and estimate on those significant assumptions in determining the fair value of the share options and share awards to the Group's employees and share-based compensation to the non-employees.

At the end of each reporting period, the Group reassesses estimated number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in consolidated statements of comprehensive income such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve.

(c) Research and development expenditures

Development expenditures incurred on the Group's research and development activities, including conducting clinical trials and other activities related to regulatory filings for the Group's product candidates, are capitalised as intangible assets only when meet the capitalisation criteria. Expenditures that do not meet these capitalisation principles are recognised as research and development expenses. During the Track Record Period, the Group's research and development expenditures incurred did not meet these capitalisation principles for any products and were expensed as incurred.

5 Segment information and revenue

The executive directors are identified as the chief operating decision makers ("CODM") of the Group who review the Group's internal reporting in order to assess performance and allocate resources. The CODM identifies operating segments based on the internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

The Group is principally engaged in the research and developments of therapeutic biologics. The CODM assesses the performance of the Listing Business based on a measure of operating results and considers the Listing Business in a single operating segment. Information reported to the CODM for the purposes of resources allocation and performance assessment focuses on the operation results of the Group as a whole as the Group's resources are integrated. Accordingly, the Group has identified one operating segment and no further analysis of this single segment is presented for the Track Record Period.

The Group's non-current assets by geographical location, which is determined by the location in which the asset is located, is as follows:

	As at 31 December		
	2022	**2023**	**2024**
	US$'000	*US$'000*	*US$'000*
Mainland China	1,014	2,755	2,205
Hong Kong	445	292	91
United States	425	316	203
Others	94	1	1
	1,978	3,364	2,500

	Year ended 31 December		
	2022	**2023**	**2024**
	US$'000	*US$'000*	*US$'000*
Revenue	–	–	10,000

During the year ended 31 December 2024, the timing of revenue recognition was at a point in time.

Revenue from customers contributing over 10% of the total revenue of the Group is as follow:

	Year ended 31 December		
	2022	**2023**	**2024**
	US$'000	*US$'000*	*US$'000*
Customer A	–	–	10,000

In August 2024, the Group entered into an agreement with a pharmaceutical company for licensing one of its know-how to the customer for development and commercialization. The license contract includes an upfront fee and certain development milestone payments. The contract also includes sales-based royalties. For the year ended 31 December 2024, there was no development milestone and commercial milestone achieved by the Group. The Group is further entitled to receive up to an aggregate of USD3,000,000 upon the achievement of additional specified milestones related to the development and regulatory approval. As at 31 December 2024, the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) was US$3,000,000 (2022 and 2023: nil). Management expects that the transaction price allocated to the unsatisfied performance obligations will be recognised as revenue when the related services are provided in a period of more than one year.

6 Other income

	Year ended 31 December		
	2022	2023	2024
	US$'000	*US$'000*	*US$'000*
Government grants	471	880	214

Various government grants have been received from the local government authority for supporting the research and development of therapeutic biologics in United States and the PRC. The Group recognised these government grants as other income when all the conditions specified in the government grants were satisfied.

7 Other gains, net

	Year ended 31 December		
	2022	2023	2024
	US$'000	*US$'000*	*US$'000*
Change in fair value on financial assets at fair value through profit or loss	55	–	–
Net losses on disposal of property, plant and equipment *(Note 14)*	(4)	–	–
Foreign exchange gains, net	623	662	647
Others	44	12	(2)
	718	674	645

8 Expenses by nature

	Year ended 31 December		
	2022	2023	2024
	US$'000	*US$'000*	*US$'000*
Clinical research expenses	11,711	11,212	22,014
Employee benefit expenses (including directors' remunerations) *(Note 9)*	6,590	21,814	18,922
Auditor's remunerations			
– audit services	3	3	6
Depreciation of property, plant and equipment *(Note 14)*	135	502	872
Depreciation of right-of use assets *(Note 15)*	194	327	360
Expense relating to short-term leases *(Note 15)*	155	179	111
Insurance expenses	58	112	82
Legal and professional fees	5,076	1,738	2,443
Listing expenses	–	2,118	1,478
Others	280	764	1,147
Total general and administrative expenses and research and development expenses	24,202	38,769	47,435

9 Employee benefit expenses (including directors' remunerations)

(a) Employee benefit expenses are analysed as follows:

	Year ended 31 December		
	2022	**2023**	**2024**
	US$'000	*US$'000*	*US$'000*
Salaries, wages and bonuses	4,444	7,392	6,432
Pension costs – defined contribution plans	553	484	935
Other welfare and allowances	248	367	287
Share-based payment expenses *(Note 10)*	1,345	13,571	11,268
	6,590	21,814	18,922

During the years ended 31 December 2022, 2023 and 2024 , no forfeited contributions were utilised by the Group to reduce its contributions. There is no balance available as at 31 December 2022, 2023 and 2024 to reduce future contributions.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for each of the years ended 31 December 2022, 2023 and 2024 include 3 directors whose emoluments are reflected in the analysis shown in Note 27. The emoluments payable to the remaining 2 individual is as follows:

	Year ended 31 December		
	2022	**2023**	**2024**
	US$'000	*US$'000*	*US$'000*
Salaries, wages and bonuses	1,209	1,707	996
Pension costs – defined contribution plans	41	46	58
Other welfare and allowances	124	160	21
Share-based payment expenses	1,297	3,269	2,237
	2,671	5,182	3,312

The emoluments of these individuals are within the following bands:

Number of individuals

	Year ended 31 December		
	2022	**2023**	**2024**
HK$ 3,000,001 – HK$ 3,500,000	1	–	–
HK$ 6,500,001 – HK$ 7,000,000	–	–	1
HK$ 17,500,001 – HK$ 18,000,000	1	–	–
HK$ 18,500,001 – HK$ 19,000,000	–	–	1
HK$ 20,000,001 – HK$ 20,500,000	–	1	–
HK$ 20,500,001 – HK$ 21,000,000	–	1	–

10 Share-based payment

The table below summarises the share-based payment expenses charged to the consolidated statements of comprehensive income during the Track Record Period.

	Year ended 31 December		
	2022	2023	2024
	US$'000	*US$'000*	*US$'000*
Shares issued under share award scheme *(Note a)*	1,345	13,546	11,245
Options issued under share option scheme *(Note b)*	–	25	23
	1,345	13,571	11,268

Share-based payment expenses charged to the consolidated statements of comprehensive income during the Track Record Period as follows:

	Year ended 31 December		
	2022	2023	2024
	US$'000	*US$'000*	*US$'000*
Administrative expense	1,345	1,745	420
Research and development expenses	–	11,826	10,848
	1,345	13,571	11,268

Equity-settled share-based payment transactions

The Group granted share options, share awards and restricted share units ("RSUs") to employees, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of equity instruments (share options, share awards and RSUs) is recognised as an expense on the consolidated financial statements. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, the requirement for employees to serve); and
- including the impact of any non-vesting conditions.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of shares that are expected to vest based on the service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognised for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognised over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognised over the remainder of the original vesting period. Where shares are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognised in relation to such shares are reversed effective at the date of the forfeiture.

(a) Share awards scheme

Under the share and warrant purchase agreement dated 24 November 2021, eligible senior management and employees may be granted Class A ordinary shares in the Company for no cash consideration. Offers under the scheme are at the discretion of the Company, in all other respects the shares rank equally with other fully-paid ordinary shares on issue.

Share awards granted in November 2021

In November 2021, eligible employees were granted 9,732,246 share awards which were vested immediately upon granted for Class A ordinary shares. The shares were also issued on the same date.

All these shares that were originally granted during the year ended 31 December 2021 were subsequently surrendered in March 2022. On the same day, same number of shares were agreed to grant to the same employees. Among these shares, 7,788,237 share awards were vested and granted immediately, while 1,944,009 share awards will be vested and granted on a five-year schedule, subject to the participant continuing to be an employee in each vesting date. For the vesting schedule, 10% of the granted shares are vested on the second anniversary from the vesting commencement date and 30% granted shares are vested in each of the following three subsequent years respectively. Management considers the incremental fair value between the share surrendered and granted at the replacement date is not material, therefore no additional expense was recognised and charged to consolidated statements of comprehensive income during the year ended 31 December 2022.

In May 2024, the vesting schedule of these 1,944,009 share awards was modified from above vesting schedule to be, 40% of the granted shares are vested on the third anniversary from the vesting commencement date and 30% granted shares are vested in each of the following two subsequent years, respectively. Management considers the incremental fair value between the share granted under original and modified vesting schedule is not material, therefore no additional expense was recognised and charged to consolidated statements of comprehensive income during the year ended 31 December 2024.

Share awards granted in April 2022

In April 2022, eligible employees were granted 17,371,448 Class A ordinary shares at an average fair value of US$0.15 per share with no service condition, of which 137,326 share awards were vested immediately upon granted. The remaining 17,234,122 share awards contains a buy-back clause that requires the Company to buy back the shares if certain performance condition is not met by 30 September 2023. Although these 17,234,122 Class A ordinary shares have been awarded to the employees, as at 31 December 2022, they are not considered vested given that the shares are still subject to the buy-back clause. All the shares has been fully vested as at 31 December 2023.

Share awards granted in April 2023

In April 2023, eligible employees were granted 69,302,411 RSUs at a fair value of US$0.71 per share of which will be vested on a five-year schedule and granted for Class A ordinary shares, subject to the participant continuing to be an employee in each vesting date. Class A ordinary shares will be issued upon vested and these shares may not be sold after one year.

The following shows the vesting schedule:

Tranche	% of the total share option	Vesting period
Tranche 1	10%	3 April 2023 to 2 April 2026
Tranche 2	30%	3 April 2023 to 2 April 2027
Tranche 3	30%	3 April 2023 to 2 April 2028
Tranche 4	30%	3 April 2023 to 2 April 2029

There is also a vesting acceleration term in which the remaining 50% of unvested share awards of each tranche are immediately vested if the Group's initial public offering ("IPO") is successful.

Fair value measurement

The fair value of services received in return for a share award granted is measured by reference to the fair value of the share award at the grant date. The fair value of the share award granted was determined using the spot fair value for underlying ordinary shares, except for the fair value of the 17,234,122 share award granted in April 2022 was subjected to adjustment on the buy-back clause, which was performed by an independent valuer.

The following table summarises the share awards issued during the Track Record Period:

	Number of shares *'000*	Weighted average grant date fair value *USD*
Outstanding as at 1 January 2022	–	–
Granted during the year	17,371	0.15
Vested and transferred during the year	(137)	0.35
Outstanding as at 31 December 2022 and 1 January 2023	17,234	0.15
Granted during the year	69,302	0.71
Vested and transferred during the year	(17,234)	0.15
Outstanding as at 31 December 2023, 1 January 2024 and 31 December 2024	69,302	0.71

Subsequence to the year ended 31 December 2024, eligible employees were granted 94,886,451 RSUs which will be vested on a five-year schedule and subject to certain conditions.

(b) ***Share option scheme***

Under the share and warrant purchase agreement dated 24 November 2021, the Board may, at its discretion, offer to grant in whatever form of share options and share awards to subscribe of new shares in aggregate not exceeding 96,084,000 Class A ordinary shares. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

198,192 Class A ordinary shares were granted to an employee of the Group on 3 April 2023. The fair value of share options granted was determined using the binomial option pricing model (the "Binomial Model") which was performed by an independent valuer.

The share options shall be subject to different vesting schedules of five years from the vesting commencement date, subject to the participant continuing to be an employee through each vesting date. The options are exercisable to subscribe Class A ordinary shares at any time provided the options have been vested.

The following shows the vesting schedule:

Tranche	% of the total share option	Vesting period	Exercisable period
Tranche 1	10%	3 April 2023 to 2 April 2026	3 April 2025 to 2 April 2035
Tranche 2	30%	3 April 2023 to 2 April 2027	3 April 2026 to 2 April 2036
Tranche 3	30%	3 April 2023 to 2 April 2028	3 April 2027 to 2 April 2037
Tranche 4	30%	3 April 2023 to 2 April 2029	3 April 2028 to 2 April 2038

There is also a vesting acceleration terms in which the remaining 50% of unvested share options of each tranche are immediately vested if the Group's IPO is successful.

The following table summarises the share option movement during the Track Record Period:

	Exercise price per share	No. of share options
At 1 January 2022, 31 December 2022 and 1 January 2023	–	–
Granted	US$0.58	198,192
At 31 December 2023, 1 January 2024 and 31 December 2024		198,192

No options was expired during the Track Record Period.

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Grant date	Expiry date	Exercise price per share	Vesting years/ condition	No. of share options As at 31 December 2022	2023	2024
3 April 2023	2 April 2038	US$0.58	6 years from grant date	–	198,192	198,192
Weighted average remaining contractual life of option outstanding				–	9.25 years	8.25 years

Based on fair value of the underlying ordinary shares, the Group has used the Binomial Model to determine the fair value of the share option as at the grant date. Key assumptions are set as below:

	As at the grant date
Fair value per ordinary shares	US$0.68
Risk-free interest rate	3.40%
Expected life	10 years
Expected volatility	90%
Fair value per share option	US$0.50
Exercise price	US$0.58

11 Finance income, net

	Year ended 31 December		
	2022	2023	2024
	US$'000	*US$'000*	*US$'000*
Finance income:			
Interest income from bank deposits	1,602	3,872	2,029
Finance costs:			
Interest expenses on bank borrowings	–	(240)	(4)
Interest expense on lease liabilities *(Note 15)*	(31)	(35)	(23)
	(31)	(275)	(27)
Finance income, net	1,571	3,597	2,002

12 Income tax expenses

	Year ended 31 December		
	2022	2023	2024
	US$'000	*US$'000*	*US$'000*
Current income tax	82	23	910
Over-provision in prior year	–	–	(77)
Current income tax expenses	82	23	833

The Group's principal applicable taxes and tax rates are as follows:

Cayman Islands

Under the current laws of the Cayman Islands, the Company and Cloudbreak Cayman are not subject to tax on income or capital gains. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax is imposed.

British Virgin Islands ("BVI")

Subsidiary is incorporated in the BVI are exempted from income tax on their foreign-derived income in the BVI. There are no withholding taxes in the BVI.

Hong Kong

Hong Kong profits tax rate is 16.5% for the years ended 31 December 2022, 2023 and 2024. No Hong Kong profit tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the Track Record Period.

The United States

Cloudbreak USA and ADS USA were established in California and Delaware, the United States. The corporate income tax rate of Cloudbreak USA and ADS USA are subject to both federal income tax rate and California income tax rate and Delaware income tax rate, which are 21%, 8.84% and 8.7% respectively for the years ended 31 December 2022, 2023 and 2024.

Mainland China

Provision for Mainland China corporate income tax is calculated at the statutory rate of 25% on the assessable income of the Group's subsidiaries incorporated and operated in Mainland China for the years ended 31 December 2022, 2023 and 2024.

During the years ended 31 December 2022, 2023 and 2024, an additional 75% to 100% of qualified research and development expenses incurred is allowed to be deducted from taxable income under the Mainland China Income Tax Law and its relevant regulations.

Income tax for other foreign countries

Taxes on profits in other foreign countries, including Germany and Australia, have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. No income tax for other foreign countries was provided for as there was no estimated assessable profit that was subject to the income tax for other foreign countries during the Track Record Period.

The income tax expenses for the year can be reconciled to the loss before income tax per the consolidated statements of comprehensive income as follows:

	Year ended 31 December		
	2022	**2023**	**2024**
	US$'000	*US$'000*	*US$'000*
Loss before income tax	(66,756)	(129,395)	(98,297)
Tax calculated at domestic tax rates applicable to loss in respective jurisdictions	(3,878)	(3,275)	(4,427)
Income not subjected to tax	(262)	(444)	(611)
Super deduction of research and development expenses	(148)	–	–
Expenses not deductible for taxation purpose	234	179	220
Tax loss not recognised	4,136	3,563	5,728
Over-provision in prior year	–	–	(77)
Income tax expenses	82	23	833

The weighted average applicable tax rate is influenced by the change in the profitability of the Group's subsidiaries in the respective regions. There is no change of the tax rate of the respective regions during for the years ended 31 December 2022, 2023 and 2024.

13 Loss per share

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss for the year attributable to ordinary shareholders by the weighted average number of outstanding shares in issue during the years ended 31 December 2022, 2023 and 2024.

	Year ended 31 December		
	2022	2023	2024
Loss attributable to owners of the Company *('000)*	(66,838)	(129,418)	(99,130)
Weighted average number of ordinary shares in issue	458,597,663	462,543,309	475,386,302
Basic losses per share (in US$)	(0.15)	(0.28)	(0.21)

(b) Diluted losses per share

Diluted losses per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the years ended 31 December 2022, 2023 and 2024, the Company had certain potential ordinary shares: convertible redeemable preferred shares (Note 24(a)) and employee share award scheme (Note 10). As the Group incurred losses for the years ended 31 December 2022, 2023 and 2024, the potential ordinary shares were not included in the calculation of the diluted losses per share as their inclusion would be anti-dilutive. Accordingly, diluted losses per share for the years ended 31 December 2022, 2023 and 2024 are the same as basic losses per share.

14 Property, plant, and equipment

	Leasehold improvements *US$'000*	Computer equipment *US$'000*	Furniture and fixture *US$'000*	Office and laboratory equipment *US$'000*	Total *US$'000*
As at 1 January 2022					
Cost	48	12	4	313	377
Accumulated depreciation	(4)	(4)	(1)	(24)	(33)
Net book amount	44	8	3	289	344
Year ended 31 December 2022					
Opening net book amount	44	8	3	289	344
Additions	122	23	28	10	183
Disposal *(Note 7)*	(4)	–	–	–	(4)
Depreciation *(Note 8)*	(28)	(8)	(4)	(95)	(135)
Currency translation	(3)	–	–	(22)	(25)
Net book amount	131	23	27	182	363

	Leasehold improvements US$'000	Computer equipment US$'000	Furniture and fixture US$'000	Office and laboratory equipment US$'000	Total US$'000
As at 31 December 2022					
Cost	162	35	32	296	525
Accumulated depreciation	(31)	(12)	(5)	(114)	(162)
Net book amount	131	23	27	182	363
Year ended 31 December 2023					
Opening net book amount	131	23	27	182	363
Additions	847	25	9	362	1,243
Depreciation *(Note 8)*	(316)	(15)	(10)	(161)	(502)
Currency translation	5	–	–	(3)	2
Net book amount	667	33	26	380	1,106
As at 31 December 2023					
Cost	1,008	60	41	650	1,759
Accumulated depreciation	(341)	(27)	(15)	(270)	(653)
Net book amount	667	33	26	380	1,106
Year ended 31 December 2024					
Opening net book amount	667	33	26	380	1,106
Additions	51	6	3	95	155
Depreciation *(Note 8)*	(635)	(18)	(13)	(206)	(872)
Currency translation	(7)	–	–	(7)	(14)
Net book amount	76	21	16	262	375
As at 31 December 2024					
Cost	1,035	64	43	728	1,870
Accumulated depreciation	(959)	(43)	(27)	(466)	(1,495)
Net book amount	76	21	16	262	375

During the Track Record Period, depreciation expenses have been charged to consolidated statements of comprehensive income as follow:

	Year ended 31 December		
	2022	**2023**	**2024**
	US$'000	*US$'000*	*US$'000*
General and administrative expenses	27	67	76
Research and development expenses	108	435	796
	135	502	872

Property, plant, and equipment are stated at historical cost less depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is recognised. All other repairs and maintenance are charged to the consolidated statements of profit or loss during the periods in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the lease term if shorter, as follows:

	Estimated useful lives
Office and laboratory equipment	3 years
Computer equipment	3 years
Furniture and fixture	3 years
Leasehold improvements	Shorter of remaining lease term and 3-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount *(Note 32.5)*.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amounts. These are included in the consolidated statements of comprehensive income.

15 Leases

This note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the consolidated statements of financial position

The consolidated statements of financial position shows the following amounts relating to leases:

	As at 31 December		
	2022	**2023**	**2024**
	US$'000	*US$'000*	*US$'000*
Right-of-use assets			
Leased premises	807	505	494
Land use rights	–	1,656	1,557
	807	2,161	2,051
Lease liabilities			
Current portion	292	317	302
Non-current portion	548	228	209
	840	545	511

Additions to the right-of-use assets during the years ended 31 December 2022, 2023 and 2024 were US$849,000, US$1,655,000 and US$329,000 respectively.

(ii) Amounts recognised in the consolidated statements of comprehensive income

	Year ended 31 December		
	2022	2023	2024
	US$'000	*US$'000*	*US$'000*
Depreciation of right-of-use assets *(Note 8)*	194	327	360
Interest expenses on lease liabilities *(Note 11)*	31	35	23
Expenses relating to short-term leases *(Note 8)*	155	179	111

The interest rate of each lease contracts is fixed at its contract date, and the interest rate of lease liabilities was 5% per annum as at 31 December 2022, 2023 and 2024.

The total cash outflows for leases including payments of short-term leases, lease liabilities and payments of interest expenses on leases for the years ended 31 December 2022, 2023 and 2024 were approximately US$378,000, US$514,000 and US$462,000, respectively.

(iii) The Group's leasing activities and how these are accounted for

The right-of-use assets represent the Group's rights to use underlying leased premises under lease arrangements over the lease terms from 2 to 4 years and land use rights over the lease terms of 30 years. They are stated at cost less accumulated depreciation and accumulated impairment losses.

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Such determination is made on an evaluation of the substance of the arrangement, regardless of whether the arrangements take the legal form of a lease.

The Group enters into lease agreements as a lessee with respect to certain premises and leasehold land.

Leases are initially recognised as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Group. Each lease payment is allocated between the principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's estimated useful life and the lease term.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option; and
- lease payments to be made under reasonably certain extension options are also included in the measurement of lease liabilities.

The lease payments are discounted using the interest rate implicit in the lease, if that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentive received; and
- any initial direct costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense. Short-term leases are leases with a lease term of 12 months or less.

Some of the property leases include extension options. These terms are used to maximise operational flexibility in terms of managing contracts. The extension options held are exercisable only by the Group and not by the respective lessor. The Group considers all facts and circumstances that create an economic incentive to exercise an extension option in determining the lease term. The assessment is revised if a significant event or a significant change in circumstances occurs which affects the assessment.

Land use rights are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost represents consideration paid for the right to use the land for periods varying 30 years. Amortisation of land use rights is charged to the consolidated financial statements on a straight-line basis over the period of leases or when there is impairment, the impairment is charged to the consolidated financial statements.

16 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax recoverable against current income tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The offset amounts are as follows:

	As at 31 December		
	2022	**2023**	**2024**
	US$'000	*US$'000*	*US$'000*
Deferred income tax assets	206	135	131
Set-off of deferred tax liabilities pursuant to set-off provisions	(206)	(135)	(131)
	–	–	–
Deferred income tax liabilities	206	135	131
Set-off of deferred tax liabilities pursuant to set-off provisions	(206)	(135)	(131)
	–	–	–

The movements in deferred income tax assets during the Track Record Period, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Lease liabilities *US$'000*	Total *US$'000*
At 1 January 2022	42	42
Credited to the consolidated statements of comprehensive income	164	164
At 31 December 2022 and 1 January 2023	206	206
Charged to the consolidated statements of comprehensive income	(71)	(71)
At 31 December 2023 and 1 January 2024	135	135
Charged to the consolidated statements of comprehensive income	(4)	(4)
At 31 December 2024	131	131

The movements in deferred income tax liabilities during the Track Record Period, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Right-of-use asset *US$'000*	Others *US$'000*	Total *US$'000*
At 1 January 2022	(41)	(1)	(42)
Charged to the consolidated statements of comprehensive income	(157)	(7)	(164)
At 31 December 2022 and 1 January 2023	(198)	(8)	(206)
Credited/(charged) to the consolidated statements of comprehensive income	72	(1)	71
At 31 December 2023 and 1 January 2024	(126)	(9)	(135)
(Charged)/credited to the consolidated statements of comprehensive income	(1)	5	4
At 31 December 2024	(127)	(4)	(131)

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable.

As at 31 December 2022, 2023 and 2024, the Group did not recognise deferred income tax assets of approximately US$388,000, US$519,000 and US$4,110,000, respectively, in respect of unused tax losses of US$1,552,000, US$2,076,000 and US$16,440,000 that can be carried forward for 5 years for offsetting against future taxable income. As at 31 December 2022, 2023 and 2024, the Group did not recognise deferred income tax assets of approximately US$4,915,000, US$8,338,000 and US$10,456,000, respectively, in respect of unused tax losses of US$23,762,000, US$40,676,000 and US$51,244,000, that can be used to offset future income with no expiry date.

As at 31 December 2022, 2023 and 2024, management is of the view that undistributed earnings totalling US$385,000, US$235,000 and US$390,000, respectively, are for re-investment and not for distribution. Accordingly, deferred income tax liabilities of US$39,000, US$23,500 and US$39,000 respectively have not been recognised for the withholding tax that would be payable upon distribution of profits of the subsidiaries.

17 Financial instruments by category

	As at 31 December		
	2022	2023	2024
	US$'000	*US$'000*	*US$'000*
Assets as per consolidated statements of financial position			
Financial assets measured at amortised cost:			
– Other receivables *(Note 18)*	810	855	1,898
– Short-term bank deposits *(Note 19)*	63,194	7,500	–
– Cash and cash equivalents *(Note 19)*	15,917	52,654	34,862
	79,921	61,009	36,760
Total	79,921	61,009	36,760
Liabilities as per consolidated statements of financial position			
Financial liabilities measured at amortised cost:			
– Trade and other payables (excluding non-financial liabilities) *(Note 22)*	29,855	3,774	3,465
– Lease liabilities *(Note 15)*	840	545	511
	30,695	4,319	3,976
Financial liabilities at fair value through profit or loss:			
– Convertible redeemable preferred shares *(Note 24(a))*	109,957	322,459	386,195
– Other financial liabilities at fair value through profit or loss *(Note 24(b))*	73,960	–	–
– Derivatives financial instrument *(Note 25)*	11,783	–	–
	195,700	322,459	386,195
Total	226,395	326,778	390,171

18 Prepayments and other receivables

The Group:

	As at 31 December		
	2022	**2023**	**2024**
	US$'000	*US$'000*	*US$'000*
Non-current assets			
Prepayments for property, plant and equipment	687	–	–
Rental deposits	121	97	74
	808	97	74
Current assets			
Prepayments	180	170	49
Deferred listing expenses *(Note)*	–	287	307
Prepayments for listing expenses	–	48	145
Rental deposits	5	34	60
Other receivables	684	724	1,764
	869	1,263	2,325
Total prepayments and other receivables	1,677	1,360	2,399

Note: Deferred listing expenses will be deducted from equity upon listing of the Group.

Information about the provision for impairment of other receivables and the Group's exposure to credit risk on other receivables are disclosed in Note 3.1.2(a).

As at 31 December 2022, 2023 and 2024, the carrying amounts of the other receivables approximate their fair values.

The prepayments and other receivables are denominated in the following currencies:

	As at 31 December		
	2022	**2023**	**2024**
	US$'000	*US$'000*	*US$'000*
US$	567	790	427
RMB	928	401	1,810
Others	182	169	162
	1,677	1,360	2,399

The Company:

	As at 31 December		
	2022	2023	2024
	US$'000	*US$'000*	*US$'000*
Current assets			
Prepayments	–	3	–
Deferred listing expenses *(Note)*	–	287	307
Prepayments for listing expenses	–	48	145
	–	338	452

Note: Deferred listing expenses will be deducted from equity upon listing of the Group.

19 Cash and cash equivalents and short-term deposits

The Group:

	As at 31 December		
	2022	2023	2024
	US$'000	*US$'000*	*US$'000*
Cash at banks	1,938	2,645	3,143
Cash on hand	3	9	5
Short-term bank deposits with maturities of less than three months *(Note (i))*	13,976	50,000	31,714
Cash and cash equivalents	15,917	52,654	34,862
Short-term bank deposits with maturities of more than three months *(Note (ii))*	63,194	7,500	–
	79,111	60,154	34,862
Maximum exposure to credit risk	79,108	60,145	34,862

(i) The effective interest rate of short-term bank deposits with maturities of less than three months was 4.96%, 5.51% and 4.33% as at 31 December 2022, 2023 and 2024 respectively.

(ii) The effective interest rate of short-term bank deposits with maturities of more than three months was 5.29%, 5.23% and nil as at 31 December 2022, 2023 and 2024 respectively.

Cash and cash equivalents and short-term bank deposits are denominated in the following currencies:

	As at 31 December		
	2022	**2023**	**2024**
	US$'000	*US$'000*	*US$'000*
US$	78,168	58,765	33,019
RMB	843	492	1,408
Others	100	897	435
	79,111	60,154	34,862

Bank balances of the Group amounting to US$9,377,000, US$33,492,000 and US$18,743,000 were placed with certain banks in the Mainland China as at 31 December 2022, 2023 and 2024. The remittance of these balances is subject to the foreign exchange control restrictions imposed by the PRC government.

The Company:

	As at 31 December		
	2022	**2023**	**2024**
	US$'000	*US$'000*	*US$'000*
Cash at banks	–	11	11
Maximum exposure to credit risk	–	11	11

Cash and cash equivalents of the Company are denominated in US$.

20 Share capital

The Group and the Company:

Authorised:

	Number of ordinary shares at US$ 0.0001 each	Number of Class A ordinary shares at US$ 0.0001 each	Number of Class B ordinary shares at US$ 0.0001 each	Number of Class C ordinary shares at US$ 0.0001 each	Total number of ordinary shares at US$ 0.0001 each	Nominal value of ordinary share	Number of Series A preferred shares at US$ 0.0001 each	Number of Series B preferred shares at US$ 0.0001 each	Number of Series C preferred shares at US$ 0.0001 each	Total number of preferred shares at US$ 0.0001 each	Nominal value of preferred share	Total number of shares	Nominal value of share capital
	'000	*'000*	*'000*	*'000*	*'000*	*US$'000*	*'000*	*'000*	*'000*	*'000*	*US$'000*	*'000*	*US$'000*
As at 1 January 2022, 31 December 2022, 2023 and 2024	–	358,206	152,484	183,647	694,337	69	8,873	81,708	215,082	305,663	31	1,000,000	100

Class C ordinary shares rank in priority to Class B ordinary shares and Class B ordinary shares rank in priority to Class A ordinary shares as to the repayment of capital upon liquidation, dissolution or winding up and also to repayment of capital upon sale or disposal of shares.

Issued and fully paid:

	Number of Class A ordinary shares at US$ 0.0001 each '000	Number of Class B Ordinary shares at US$ 0.0001 each '000	Number of Class C Ordinary shares at US$ 0.0001 each '000	Total number of ordinary shares at US$ 0.0001 each '000	Nominal value of Class A ordinary shares US$'000	Nominal value of Class B ordinary shares US$'000	Nominal value of Class C ordinary shares US$'000	Share capital US$'000
As at 1 January 2022	123,827	152,485	183,647	459,959	13	15	18	46
Surrender of shares *(Note 10(a))*	(9,732)	-	-	(9,732)	(1)	-	-	(1)
Share awards vested *(Note 10(a))*	7,788	-	-	7,788	1	-	-	1
Share awards awarded and not yet vested *(Note 10(a))*	17,234	-	-	17,234	2	-	-	2
Share awards vested *(Note 10(a))*	137	-	-	137	-*	-	-	-*
As at 31 December 2022, 2023 and 2024	139,254	152,485	183,647	475,386	15	15	18	48

* Less than US$1,000

21 Other reserves

The Group:

	Share premium US$'000	Share-based payment reserves US$'000	Currency translation differences US$'000	Merger reserve US$'000	Others US$'000	Total US$'000
At 1 January 2022	258,280	-	916	(281,989)	(1,943)	(24,736)
Changes in fair value of convertible redeemable preferred shares due to own credit risk *(Note 24(a))*	-	-	-	-	(2,476)	(2,476)
Changes in fair value of other financial liabilities due to own credit risk *(Note 24(b))*	-	-	-	-	(1,824)	(1,824)
Currency translation differences	-	-	(1,815)	-	-	(1,815)
Equity-settled share-based payment transactions *(Note 10)*	-	1,345	-	-	-	1,345
Share awards granted *(Note 20)*	-	(2)	-	-	-	(2)
At 31 December 2022	258,280	1,343	(899)	(281,989)	(6,243)	(29,508)

	Share premium US$'000	Share-based payment reserves US$'000	Currency translation differences US$'000	Merger reserve US$'000	Others US$'000	Total US$'000
At 1 January 2023	258,280	1,343	(899)	(281,989)	(6,243)	(29,508)
Changes in fair value of convertible redeemable preferred shares due to own credit risk *(Note 24(a))*	–	–	–	–	(982)	(982)
Currency translation differences	–	–	(801)	–	–	(801)
Equity-settled share-based payment transactions *(Note 10)*	–	13,571	–	–	–	13,571
At 31 December 2023	258,280	14,914	(1,700)	(281,989)	(7,225)	(17,720)

	Share premium US$'000	Share-based payment reserves US$'000	Currency translation differences US$'000	Merger reserve US$'000	Others US$'000	Total US$'000
At 1 January 2024	258,280	14,914	(1,700)	(281,989)	(7,225)	(17,720)
Changes in fair value of convertible redeemable preferred shares due to own credit risk *(Note 24(a))*	–	–	–	–	(13)	(13)
Currency translation differences	–	–	(877)	–	–	(877)
Equity-settled share-based payment transactions *(Note 10)*	–	11,268	–	–	–	11,268
At 31 December 2024	258,280	26,182	(2,577)	(281,989)	(7,238)	(7,342)

The Company:

	Share premium US$'000	Share-based payment reserves US$'000	Others US$'000	Total US$'000
At 1 January 2022	258,280	–	(2,616)	255,664
Changes in fair value of convertible redeemable preferred shares due to own credit risk *(Note 24(a))*	–	–	(2,476)	(2,476)
Changes in fair value of other financial liabilities due to own credit risk *(Note 24(b))*	–	–	(1,824)	(1,824)
Equity-settled share-based payment transactions *(Note 10)*	–	1,345	–	1,345
Share awards granted *(Note 20)*	–	(2)	–	(2)
At 31 December 2022	258,280	1,343	(6,916)	252,707

	Share premium US$'000	Share-based payment reserves US$'000	Others US$'000	Total US$'000
At 1 January 2023	258,280	1,343	(6,916)	252,707
Changes in fair value of convertible redeemable preferred shares due to own credit risk *(Note 24(a))*	–	–	(982)	(982)
Equity-settled share-based payment transactions *(Note 10)*	–	13,571	–	13,571
At 31 December 2023	258,280	14,914	(7,898)	265,296
At 1 January 2024	258,280	14,914	(7,898)	265,296
Changes in fair value of convertible redeemable preferred shares due to own credit risk *(Note 24(a))*	–	–	(13)	(13)
Equity-settled share-based payment transactions *(Note 10)*	–	11,268	–	11,268
At 31 December 2024	258,280	26,182	(7,911)	276,551

22 Trade and other payables

The Group:

	As at 31 December 2022 US$'000	2023 US$'000	2024 US$'000
Trade payables	1,225	2,102	1,760
Receipt in advance from an investor *(Note)*	27,200	–	–
Payable to a convertible redeemable preferred shareholder	435	–	–
Accrued legal and professional expenses	675	426	128
Accrued staff cost	856	825	1,301
Accrued listing expenses	–	781	947
Other accruals and payables	320	465	630
	30,711	4,599	4,766

The carrying amounts of trade and other payables are denominated in the following currencies:

	As at 31 December		
	2022	2023	2024
	US$'000	*US$'000*	*US$'000*
US$	30,105	3,782	3,398
RMB	483	695	1,034
Others	123	122	334
	30,711	4,599	4,766

Trade and other payables of the Group were approximate their fair values, unsecured, interest-free and repayable on demand.

As at 31 December 2022, 2023 and 2024, the ageing analysis of the trade payables based on invoice date is as follows:

	As at 31 December		
	2022	2023	2024
	US$'000	*US$'000*	*US$'000*
Within 30 days	1,188	1,899	1,760
31 – 60 days	25	144	–
More than 60 days	12	59	–
	1,225	2,102	1,760

The Company:

	As at 31 December		
	2022	2023	2024
	US$'000	*US$'000*	*US$'000*
Trade payables	–	39	–
Receipt in advance from an investor *(Note)*	27,200	–	–
Payable to a convertible redeemable preferred shareholder	435	–	–
Accrued legal and professional expenses	675	426	128
Accrued listing expenses	–	781	947
Other accruals and payables	3	10	45
	28,313	1,256	1,120

Trade and other payables of the Company were approximate their fair values, unsecured, interest-free, repayable on demand and denominated in US$.

Note: During the Track Record Period, receipt in advance from an investor represents payment in advance from preferred shareholders for the subscription of Series C preferred shares.

23 Cash flows information

(a) Cash used in operations:

	As at 31 December		
	2022	2023	2024
	US$'000	*US$'000*	*US$'000*
Cash flows from operating activities			
Loss before income tax	(66,756)	(129,395)	(98,297)
Adjustment for:			
– Finance income *(Note 11)*	(1,602)	(3,872)	(2,029)
– Finance costs *(Note 11)*	31	275	27
– Share-based payment expenses *(Note 10)*	1,345	13,571	11,268
– Change in fair value of financial liabilities at fair value through profit or loss and derivative financial instruments	45,314	95,777	63,723
– Gain on early termination of lease	–	–	(2)
– Gain on financial assets at fair value through profit or loss *(Note 7)*	(55)	–	–
– Loss on disposal of property, plant and equipment, net *(Note 7)*	4	–	–
– Foreign exchange losses/(gains), net *(Note 7)*	(623)	(662)	(647)
– Depreciation of property, plant and equipment *(Note 14)*	135	502	872
– Depreciation of right-of use assets *(Note 15)*	194	327	360
Operating loss before working capital changes	(22,013)	(23,477)	(24,725)
Changes in working capital:			
– Prepayments and other receivables	(304)	(184)	(900)
– Trade and other payables	2,482	1,075	145
	(19,835)	(22,586)	(25,480)

(b) *Cash flow information – financing activities*

The movement of liabilities from financing activities for each of the years ended 31 December 2022, 2023 and 2024:

	Convertible redeemable preferred shares *US$'000*	Financial instruments issued to investors *US$'000*	Amount due to a director *US$'000*	Amounts due to shareholders *US$'000*	Bank borrowings *US$'000*	Trade and other payables from financing activities *US$'000*	Leases liabilities *US$'000*	Total *US$'000*
As at 1 January 2022	(84,935)	(38,725)	(89)	(30,000)	–	(27,200)	(168)	(181,117)
Financing cash flow	–	(15,975)	89	30,000	–	–	223	14,337
Non-cash items								
Change in fair value through profit or loss *(Note 24)*	(22,546)	(12,266)	–	–	–	–	–	(34,812)
Change in fair value through other comprehensive income *(Note 24)*	(2,476)	(1,824)	–	–	–	–	–	(4,300)
Derivative financial instruments *(Note 25)*	–	(4,457)	–	–	–	–	–	(4,457)
Addition of lease	–	–	–	–	–	–	(849)	(849)
Interest expense of lease	–	–	–	–	–	–	(31)	(31)
Currency translation	–	(713)	–	–	–	–	(15)	(728)
	(25,022)	(19,260)	–	–	–	–	(895)	(45,177)
As at 31 December 2022	(109,957)	(73,960)	–	–	–	(27,200)	(840)	(211,957)

	Convertible redeemable preferred shares *US$'000*	Financial instruments issued to investors *US$'000*	Bank borrowings *US$'000*	Trade and other payables from financing activities *US$'000*	Leases liabilities *US$'000*	Total *US$'000*
As at 1 January 2023	(109,957)	(73,960)	–	(27,200)	(840)	(211,957)
Financing cash flow	(2,800)	–	240	–	335	(2,225)
Non-cash items						
Change in fair value through profit or loss *(Note 24)*	(92,606)	–	–	–	–	(92,606)
Change in fair value through other comprehensive income *(Note 24)*	(982)	–	–	–	–	(982)
Exercise of warrants *(Note 24)*	(73,960)	73,960	–	–	–	–
Derivative financial instruments *(Note 25)*	(14,954)	–	–	–	–	(14,954)
Issuance of Series C CRPS	(27,200)	–	–	27,200	–	–
Interest expense of lease liabilities	–	–	–	–	(35)	(35)
Interest expense of bank borrowings	–	–	(240)	–	–	(240)
Currency translation	–	–	–	–	(5)	(5)
	(209,702)	73,960	(240)	27,200	(40)	(108,822)
As at 31 December 2023	(322,459)	–	–	–	(545)	(323,004)

	Convertible redeemable preferred shares US$'000	Bank borrowing US$'000	Leases liabilities US$'000	Total US$'000
As at 1 January 2024	(322,459)	–	(545)	(323,004)
Financing cash flow	–	4	351	355
Non-cash items				
Change in fair value through profit or loss *(Note 24)*	(63,723)	–	–	(63,723)
Changes in fair value through other comprehensive income *(Note 24)*	(13)	–	–	(13)
Addition of lease	–	–	(329)	(329)
Interest expense of lease liabilities	–	–	(23)	(23)
Early termination of lease	–	–	37	37
Interest expense of bank borrowing	–	(4)	–	(4)
Currency translation	–	–	(2)	(2)
	(63,736)	(4)	(317)	(64,057)
As at 31 December 2024	(386,195)	–	(511)	(386,706)

24 Convertible redeemable preferred shares and other financial liabilities at fair value through profit or loss

The Group and Company:

	As at 31 December		
	2022 US$'000	2023 US$'000	2024 US$'000
Current			
Convertible redeemable preferred shares ("**CRPS**")	109,957	322,459	386,195
Other financial liabilities at fair value through profit or loss – current portion:			
Warrants and related financial liabilities to CRPS ("**Warrants**")	73,960	–	–

Since the date of incorporation and during the Track Record Period, the companies now comprising the Group have completed a few rounds of financing by issuing convertible redeemable preferred shares and warrants and related financial liabilities to investors.

The details of the issuance are set out in the table below:

US$'000	Date of issuance/ effective date	Number of instrument	Purchase price per convertible redeemable preferred shares	Exercise price per convertible redeemable preferred shares	Total cash consideration
Series A CRPS *(Note i)*	6 January 2021	Preferred shares: 8,873,587	US$0.1587	N/A	*(Note i)*
Series B-1 CRPS *(Note ii)*	13 May 2020	Preferred shares: 26,789,367	US$0.2103	N/A	5,634
Series B-2 CRPS *(Note ii)*	27 August 2020	Preferred shares: 46,881,393	US$0.2103	N/A	9,859
Series B-2 CRPS *(Note ii)*	12 November 2020	Preferred shares: 8,036,810	US$0.2103	N/A	1,690
Series C CRPS *(Note iii)*	17 December 2021	Preferred shares: 37,225,703	US$0.6044	N/A	22,500
Series C CRPS *(Note iii)*	28 December 2021	Preferred shares: 24,817,136	US$0.6044	N/A	15,000
Series C CRPS (Note iii)	30 December 2021	Preferred shares: 8,272,379	US$0.6044	N/A	5,000
Series C warrants and related financial liabilities *(Note 24(b))*	From 23 December 2021 to 20 January 2022	Warrants to subscribe for preferred shares: 90,168,926	N/A	US$0.6044	54,500
Series C CRPS conversion *(Note 24(b))*	From 4 August 2022 to 23 September 2022	(90,168,926)	N/A	N/A	(54,500)
Series C CRPS *(Note 24(b), Note (iii))*	3 January 2023	Preferred shares: 90,168,926	US$0.6044	N/A	54,500
Series C CRPS *(Note iii)*	24 April 2023	Preferred shares: 49,634,271	US$0.6044	N/A	30,000

Notes:

(i) On 29 October 2018 and 14 January 2019, Series A investor and Cloudbreak Guangzhou entered into an investment agreement and a supplement investment agreement, pursuant to which Series A investor conducted a capital injection of RMB10,000,000 (equivalent to approximately US$1,480,000) into Cloudbreak Guangzhou in exchange of 3.64% shareholding of Cloudbreak Guangzhou.

As part of the group restructuring in 2020, Series A investor, Cloudbreak HK and Cloudbreak Cayman entered into certain agreements in which Series A investor gave up its entire shareholding in Cloudbreak Guangzhou in exchange of 8,873,587 Series A preferred shares of Cloudbreak Cayman. Pursuant to a share purchase agreement dated 1 July 2020 and the share transfer agreement dated 5 August 2020 entered into between Series A investor and Clouldbreak HK, Series A investor subscribed for 8,873,587 Series A preferred shares of Cloudbreak Cayman for a cash consideration of approximately US$22,000, which was conditional upon the completion of disposal of the shareholding of Series A investor in Cloudbreak Guangzhou to Cloudbreak HK for a consideration of approximately RMB662,000 (equivalent to approximately US$93,000). The entire transaction was completed on 6 January 2021.

On 12 March 2021, the share exchange was carried out to establish the Company as the holding company of all group companies. Pursuant to the share exchange agreement dated 28 December 2020, Series A investors transferred its 8,873,587 Series A preferred shares of Cloudbreak Cayman in exchange for the Company's 8,873,587 Series A preferred shares. Prior to the share exchange, the financial instrument was convertible into ordinary shares of Cloudbreak Cayman, while after the share exchange, it was convertible into ordinary shares of the Company. There was a substantial change of the fair value of the financial instrument before and after the share exchange. Based on the above, management considered that such modification of the terms and conditions arising from the share exchange constitute substantial modification, the original financial liabilities related to the CRPS before the amendments are distinguished whereas the new financial liabilities under the revised terms and conditions are recognised at fair value, with the difference recognised in the profit or loss, resulted in a loss of approximately US$1,137,000. The accumulated changes in the fair value of the original CRPS attributable to changes in own credit risks included in other comprehensive income is transferred to the retained earnings.

As at 31 December 2022 and 2023 and 2024, the redemption events of Series A preferred shares have not been triggered and the management considered they will not be triggered within the next 12 months from the balance sheet dates. However, given that the conversion options are exercisable at the Series A investor's discretions as at 31 December 2022 and 2023 and 2024, Series A preferred shares amounted to US$4,958,000, US$8,747,000 and US$10,835,000 respectively have been classified as current liabilities as the Series A investor has the option to convert within twelve months.

(ii) Pursuant to a share purchase agreement dated 13 April 2020 entered among Series B-1 investor and Cloudbreak Cayman, Series B-1 investor subscribed for 26,789,367 Series B-1 preferred shares of Cloudbreak Cayman for a consideration of approximately US$5,634,000. The entire transaction was completed on 13 May 2020.

Pursuant to a share purchase agreement dated 1 July 2020 entered among Series B-2 investors and Cloudbreak Cayman, Series B-2 investors agreed to invest a total of approximately US$11,549,000 by subscribing for 54,918,203 Series B-2 preferred shares. The entire transactions were completed on 27 August 2020 and 12 November 2020.

On 12 March 2021, the share exchange was carried out to establish the Company as the holding company of all group companies. Pursuant to the share exchange agreement dated 28 December 2020, Series B-1 and B-2 investors transferred their 81,707,570 Series B-1 and B-2 preferred shares of Cloudbreak Cayman in exchange for the Company's 81,707,570 Series B-1 and B-2 preferred shares. Prior to the share exchange, the financial instrument was convertible into ordinary shares of Cloudbreak Cayman, while after the share exchange, it was convertible into ordinary shares of the Company. There was a substantial change of the fair value of the financial instrument before and after the share exchange. Based on the above, management considered that such modification of the terms and conditions arising from the share exchange constitute substantial modification, the original financial liabilities related to the CRPS before the amendments are distinguished whereas the new financial liabilities under the revised terms and conditions are recognised at fair value, with the difference recognised in the profit or loss, resulted in a loss of approximately US$9,896,000. The accumulated changes in the fair value of the original CRPS attributable to changes in own credit risks included in other comprehensive income is transferred to the retained earnings.

As at 31 December 2022 and 2023 and 2024, the redemption events of Series B-1 and Series B-2 preferred shares have not been triggered and the management considered they will not be triggered within the next 12 months from the balance sheet dates. However, given that the conversion options are exercisable at the Series B-1 and Series B-2 investors' discretions as at 31 December 2022 and 2023 and 2024, Series B preferred shares amounted to US$47,324,000, US$81,391,000 and US$100,451,000 respectively have been classified as current liabilities as the Series B-1 and Series B-2 investors have the option to convert within twelve months.

(iii) Pursuant to a share and warrants purchase agreement dated 24 November 2021 entered among Series C investors and the Company, several Series C investors agreed to invest a total of US$75,500,000 by subscribing for 124,912,916 Series C preferred shares of the Company. The entire transactions were completed on 17 December 2021, 28 December 2021, 30 December 2021 and 24 April 2023.

During the year ended 31 December 2023, several Series C investors, which were holders of the warrants and related financial liabilities, have exercised the warrants and related financial liabilities and converted them into 90,168,926 Series C preferred shares of the Company. The entire transaction was completed on 3 January 2023.

As at 31 December 2022 and 2023 and 2024, the redemption event of Series C preferred shares has been triggered, which the qualified initial public offering has not been consummated by the Company on or prior to 31 December 2022. The Series C preferred shares is redeemable since 31 December 2022, and convertible at the Series C investors' discretions as at 31 December 2022 and 2023 and 2024, therefore, Series C preferred shares amounted to US$57,675,000, US$232,321,000 and US$274,909,000 respectively have been classified as current liabilities as at 31 December 2022 and 2023 and 2024.

Please refer to Note 24(a)(iii) for details.

(a) ***CRPS***

Details of the movements of number of CRPS are as follows:

	Number of preferred shares
As at 1 January 2022 and 31 December 2022	160,896,375
Outstanding as at 31 December 2022 represent:	
– Series A CRPS	8,873,587
– Series B-1 CRPS	26,789,367
– Series B-2 CRPS	54,918,203
– Series C CRPS	70,315,218
	160,896,375
As at 1 January 2023	160,896,375
Issuance during the year ended 31 December 2023	
– Series C CRPS	49,634,271
– Series C CRPS through exercise of warrants	90,168,926
Outstanding as at 31 December 2023, 1 January 2024 and 31 December 2024	300,699,572
Outstanding as at 31 December 2023, 1 January 2024 and 31 December 2024 represent:	
– Series A CRPS	8,873,587
– Series B-1 CRPS	26,789,367
– Series B-2 CRPS	54,918,203
– Series C CRPS	210,118,415
	300,699,572

The key terms of the CRPS are summarised as follows:

(i) *Dividends right*

The dividends available for distribution to the shareholders shall be distributed ratably among all shareholders according to the relative number of shares held by such shareholder on an as-converted basis. No dividends shall be distributed to any shareholders unless and until such distribution has been approved by the majority of directors in the board of directors of the Company.

(ii) *Conversion features*

The CRPS shall be converted into ordinary shares at the options of holders at any time, or automatically converted into fully-paid and non-assessable ordinary shares upon the earlier of (i) the qualified initial public offering ("Qualified IPO"), or (ii) the date specified by written consent or agreement of the holders representing at least 51% of the Series A preferred shares, Series B preferred shares and the Series C preferred shares, respectively.

Qualified IPO mean an underwritten initial public offering of ordinary shares on the Shanghai Stock Exchange, Shenzhen Stock Exchange, Hong Kong Stock Exchange, New York Stock Exchange or Nasdaq or any other reputable stock exchange as approved by the shareholders that implies a market reorganisation of the Company immediately prior to such offering of not less than US$1 billion provided that such offering completes on or prior to 31 December 2022.

(iii) Redemption features

If any of the following events occurs, and if the Group fails to fix the failures within thirty days after the preferred shareholder's notice to fix such failures, at the written request of the preferred shareholder and subject to the applicable Laws, the Company shall redeem all or a portion of the preferred shares held by the preferred shareholder as requested at the redemption price:

Redemption events of the Series A preferred share

(a) Occurrence of the Group's illegal acts and such illegal acts fail to be cured within the time limit that the Series A preferred shareholder requested in its written notice to improve it, and the foregoing results in a material adverse effect to the Group; or

(b) the Company suffers significant losses due to violation of Company and the ordinary shareholders of any covenants or warranties and failure to cure such violation within the time limit that the Series A preferred shareholder requested in its written notice to cure it, and the foregoing results in a material adverse effect to the Group.

The Series A redemption price shall equal to the sum of Series A preferred share issue price plus an amount of interest at a simple annual rate of 10% on the Series A preferred share issue price from the completion date of the subscription of equity interest. The redemption rights of the Series A preferred shareholder shall be exercised within three months upon the occurrence of such events or otherwise be deemed to forfeit. The Group shall redeem all or a portion of the preferred shares held by the Series A preferred shareholder within one month upon the request of the Series A preferred shareholder under the Series A redemption event.

Redemption events of the Series B preferred share

(a) within two years after the closing under the Series B share purchase agreement dated 1 July 2020, any of the Series B preferred shareholder is aware of any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein during the Series B preferred shareholder's due diligence leading to the transactions contemplated by the transaction document, and the foregoing results in a material adverse effect to the Group;

(b) any breach of any of the representations and warranties by any of the warrantors contained in the shareholders agreement dated 3 December 2021 or in any of the other transaction documents, and the foregoing results in a material adverse effect to the Group;

(c) any breach of the obligations of non-compete set forth in the shareholders agreement dated 3 December 2021 or in any of the other transaction documents by the Jinsong NI, Van Dinh, Yang Rong and Leng Bing (the "Founders" and each, a "Founder"), and the foregoing results in a material adverse effect to the Group;

(d) any false or fictitious entries in the books or records of any companies within the Group by any person;

(e) any annual audit report with the Company's auditor's qualified opinion, or adverse opinion, or disclaimer of opinion; or

(f) any material action due to the Group's non-compliance that results in any material adverse effect to the business of the Group.

The Series B redemption price shall equal to the sum of (a) the purchase price per share as determined in accordance with the Series B-1 share purchase agreement dated 13 April 2020 and the Series B-2 share purchase agreement dated 1 July 2020, and adjusted for share dividends, splits, combinations, recapitalisations or similar events, plus (b) an amount of interest at a compounded annual rate of 10% (when calculating the period, calculated based on 365 days per calendar year and be rounded up to 2 decimal places) on the purchase price per share for the holder of the preferred shares held by the respective Series B preferred shareholder from the completion date of the subscription for such preferred share till the full payment of the Series B redemption price to the respective Series B preferred shareholders.

Each of the Series B preferred shareholder may exercise its redemption rights within ten business days after its such determination to do so upon the occurrence of a Series B redemption event by delivering a written notice by the respective Series B preferred shareholder to the Company, notifying the Company the number of the preferred shares that it requires the Company to redeem.

Redemption events of the Series C preferred share

(a) a Qualified IPO has not been consummated by the Company on or prior to 31 December 2022;

(b) there is any material breach by any of the warrantors, as defined in the share purchase agreement, of any of their respective representations, warranties, covenants or other obligations under the transaction documents;

(c) there is any material breach by any Founder of any of the applicable laws, regulations, leading to the result that such Founder is unable to devote the majority of his professional time to attend the business of the Group;

(d) any Founder departs from the Group without prior consent of at least fifty percent of the preferred shares of the Company without reasonable reason (such as physical problem) prior to the Qualified IPO;

(e) prior to the Qualified IPO, any Founder no longer holds, directly or indirectly, at least 50% of the shares held by him/her on an as-converted basis, both directly and indirectly, as of the date hereof; or

(f) any other series of preferred shares becomes redeemable by the Company.

The Series C redemption price shall equal to the sum of (a) the purchase price per share (as determined in accordance with the share purchase agreement and adjusted for share dividends, splits, combinations, recapitalisations or similar events), plus (b) an amount of interest at a simple annual rate of 10% (when calculating the period, calculated based on 365 days per calendar year and be rounded up to 2 decimal places) on the purchase price per share for the holder of the preferred shares held by the Series C preferred shareholder from the completion date of the subscription for such preferred share till the full payment of the Series C redemption price to the Series C preferred shareholders.

Each of the Series C investor may exercise its redemption rights within ten business days after its such determination to do so upon the occurrence of a Series C redemption event by delivering a written notice by the respective Series C investor to the Company, notifying the Company the number of the preferred shares that it requires the Company to redeem.

Termination of redemption rights of the Series A, Series B and Series C preferred share

The redemption rights of the Series A, Series B and Series C preferred shares shall be automatically terminated on the date of the first submission by the Company of its listing application to stock exchange. As at the date of this report, the redemption right is terminated as the Company has submitted the listing application to the Main Board of the HKEX. But this redemption rights shall be automatically restored if the Company fails to be listed in such listing application, or the Company decides to put on hold the IPO procedures or withdraw the listing application.

(iv) Liquidation preferences

Upon the occurrence of (i) any liquidation, winding up or dissolution of the Company, (ii) any sale, lease, transfer, or other disposal of, in a single transaction or series of related transactions, all or substantially all of the assets of the Group, (iii) any transfer or exclusive license-out of all or substantially all of the intellectual property of the Group, (iv) any sale, transfer or other disposal of a majority of the issued (including any (primary issuance)) and outstanding share capital of any companies within the Group or a majority of the voting power of any companies within the Group or (v) any merger, consolidation, amalgamation or acquisition of any companies within the Group with or into another party, or any other corporate reorganisation or scheme of arrangement, including a sale or acquisition of shares or equity interest of such companies within the Group in which the shareholders of the Company immediately before such transaction own less than a majority of the voting power of such companies within the Group, the surviving entity or the entity controlling the surviving entity immediately after such transaction (excluding any transaction effected solely for tax purposes or to change the Company's domicile) holders of the preferred shares shall be entitled to receive distributions in the following manner:

The respective holders of the preferred shares shall be entitled to receive, prior to and in preference to any distribution or payment to any ordinary shareholder.

First to the holders of Series C preferred shares, entitled to receive for each Series C preferred share fully paid and held by such holder, on parity with each other and prior and in preference to any distribution of any of the assets or funds of the Company to the holders of Series B preferred shares and Series A preferred shares, plus an amount of interest at simple annual rate of 10% on the Series C preferred share issue price from the completion date of the subscription. If the assets and funds of the Company shall be insufficient to settle the Series C preferred liquidation preference in full, then such assets and funds shall be distributed among the holders of such Series C preferred shares ratably in proportion to the full amount to which they would otherwise be respectively entitled thereon.

After distribution or payment in full of the Series C preferred liquidation preference, and before any distribution or payment shall be made to the holders of Series A preferred shares and ordinary shares of the Company, the holders of Series B preferred shares shall be entitled to receive for each Series B preferred share fully paid and held by such holder, on parity with each other and prior and in preference to any distribution of any of the assets or funds of the Company to the holders of Series A preferred shares, plus an amount of interest at simple annual rate of 10% on the Series B preferred share issue price from the completion date of the subscription. If the assets and funds of the Company shall be insufficient to settle the Series B preferred liquidation preference in full, then such assets and funds shall be distributed among the holders of such Series B preferred shares ratably in proportion to the full amount to which they would otherwise be respectively entitled thereon.

After distribution or payment in full of the Series C preferred liquidation preference and Series B preferred liquidation preference, and before any distribution or payment shall be made to the holders of ordinary shares of the Company, the holders of Series A preferred shares shall be entitled to receive for each Series A preferred share fully paid and held by such holder, on parity with each other and prior and in preference to any distribution of any of the assets or funds of the Company to the holders of Series A preferred shares, plus an amount of interest at simple annual rate of 10% on the Series A preferred share issue price from the completion date of the subscription of equity interest of Cloudbreak Guangzhou. If the assets and funds of the Company shall be insufficient to settle the Series A preferred liquidation preference in full, then such assets and funds shall be distributed among the holders of such Series A preferred shares ratably in proportion to the full amount to which they would otherwise be respectively entitled thereon.

After distribution or payment in full of the amount distributable or payable on the preferred shares pursuant to paragraph above, and different classes of ordinary shares, the remaining assets of the Company available for distribution shall be distributed ratably among the holders of outstanding ordinary shares and the holders of outstanding preferred share in proportion to the number of outstanding ordinary shares held by them (with outstanding preferred shares treated on an as-if-converted basis).

Accounting policy

The Group does not bifurcate any embedded derivatives from the host instruments and designates the entire instruments as financial liabilities at fair value through profit or loss with the changes in the fair value changes related to market risk recognised in the profit or loss and the component of fair value changes relating to the Company's own credit risk is recognised in other comprehensive income.

The movements of the CRPS are set out as below:

	US$'000
At 1 January 2022	84,935
Change in fair value through profit or loss	22,546
Change in fair value through other comprehensive income due to own credit risk	2,476
At 31 December 2022 and 1 January 2023	109,957
Issuance of Series C CRPS	44,954
Issuance of Series C CRPS through exercise of warrants *(Note 24(b))*	73,960
Change in fair value through profit or loss	92,606
Change in fair value through other comprehensive income due to own credit risk	982
At 31 December 2023	322,459
At 31 December 2023 and 1 January 2024	322,459
Change in fair value through profit or loss	63,723
Change in fair value through other comprehensive income due to own credit risk	13
At 31 December 2024	386,195

(b) Warrants and related financial liabilities

Pursuant to a share and warrants purchase agreement dated 24 November 2021 entered among Series C investors and the Company, several Series C investors agreed to subscribe 90,168,926 Series C CRPS with a total consideration of US$54,500,000. These Series C investors located at the PRC and are subject to relevant rules and regulations imposed by the PRC government for a right to subscribe for Series C CRPS and unable to remit the subscription proceeds to the Company prior to obtaining the approval from the PRC government.

As agreed in the share and warrants purchase agreement, the Series C investors entered into arrangement with Cloudbreak Guangzhou, Cloudbreak Guangzhou received loans from the Series C investors and the Company issued warrants to the Series C investors to convert for a consideration representing the principal amount of the Series C CRPS. In case that all necessary approvals has been obtained, the Cloudbreak Guangzhou are required to repay the loans to the Series C investors, and such repayment amount will be converted into US$ and remitted to the Company by the Series C investors to exercise the warrants.

During the year ended 31 December 2022, all holders of the warrants and related financial liabilities obtained all necessary approvals from the PRC authority and issued a form of notices of exercise to the Company to exercise its right to subscribe Series C CRPS at the exercise price of US$0.6044 per share pursuant to the term of such warrants. The entire transaction was completed on 3 January 2023 which warrants and related financial liabilities have been exercised and converted to Series C CRPS.

The warrants and related financial liabilities do not qualify for hedging accounting and the changes in fair values are recognised in profit or loss.

The Group designated the warrants and related financial liabilities as financial liabilities at fair value through profit or loss because the purpose of the warrants and related financial liabilities are to enable the investors located in the PRC to subscribe for the Series C CRPS which are measured at fair value prior to obtaining the approvals from the PRC government.

The movements of the warrants and related financial liabilities are set out as below:

	US$'000
At 1 January 2022	38,725
Issuance of warrants and related financial liabilities to Series C CRPS investors	21,145
Change in fair value through profit or loss	12,266
Change in fair value through other comprehensive income due to own credit risk	1,824
At 31 December 2022 and 1 January 2023	73,960
Transfer to Series C CRPS upon exercise of warrants *(Note 24 (a))*	(73,960)
At 31 December 2023, 1 January 2024 and 31 December 2024	–

(c) *Fair value measurements*

CRPS

The Group has a team that manages the valuation of level 3 instruments for financial reporting purposes. The team manages the valuation of the investments on a case by case basis. The team would use valuation techniques to determine the fair value of the Group's level 3 instruments which includes CRPS. External valuation experts will be involved when necessary.

As the instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques.

The Group applied the discounted cash flow method to determine the underlying equity value of the Group and adopted equity allocation model to determine the fair value of the CRPS. Key assumptions are set as below:

	As at 31 December		
	2022	**2023**	**2024**
Discount rate	16.5%	16.0%	16.0%
Risk-free interest rate	4.7%	5.19%	4.28%
DLOM	12.0%-21.0%	9.0%-13.0%	8.0%-11.0%
Volatility	85.0%	75.0%	75.0%
IPO probability	30.0%	60.0%	70.0%

Discount rate (post-tax) was estimated by weighted average cost of capital as at each valuation date. Management estimated the risk-free interest rate based on the market yield of US Treasury Curve with maturity close to expected liquidation date/redemption date as at the valuation date.

The DLOM was estimated based on the option-pricing method. Under option-pricing method, the cost of put option, which can hedge the price change before the privately held share can be sold, was considered as a basis to determine the lack of marketability discount.

Volatility was estimated based on annualised standard deviation of the daily return embedded in historical stock prices of comparable companies with a time horizon close to the expected term.

Probability weight among redemption, liquidation and IPO scenarios was based on the Company's best estimates. In addition to the assumptions adopted above, the Company's projections of future performance were also factored into the determination of the fair value of the preferred shares at each valuation date.

Changes in fair value of the CRPS were recorded in "Change in fair value of financial liabilities at fair value through profit or loss" in the profit or loss, and the fair value changes in the CRPS that are attributable to changes of own credit risk of this liabilities are recorded in other comprehensive income.

Fair value of CRPS is affected by changes in the Company's equity value. If the Company's equity value had increased/decreased by 10% with all other variables held constant, the loss before income tax for the years ended 31 December 2022, 2023 and 2024 would have been approximately US$9,649,000/9,375,000 higher/lower, US$29,645,000/29,717,000 higher/lower and US$37,234,000/36,583,000 higher/lower respectively.

Fair value of CRPS is also affected by changes in the discount rate. If the discount rate had increased/decreased by 1% with all other variables held constant, the loss before income tax for the years ended 31 December 2022, 2023 and 2024 would have been approximately US$10,897,000/13,227,000 lower/higher, US$32,610,000/38,264,000 lower/higher and US$36,140,000/42,833,000 lower/higher respectively.

Warrants and related financial liabilities

The Group applied the discounted cash flow method to determine the underlying equity value of the Group and adopted equity allocation model to determine the fair value of warrants and related financial liabilities. Key assumptions are set as below:

	As at 31 December		
	2022	**2023**	**2024**
Discount rate	16.5%	N/A	N/A
Risk-free interest rate	4.7%	N/A	N/A
DLOM	12.0%-18.0%	N/A	N/A
Volatility	85.0%	N/A	N/A
IPO probability	30.0%	N/A	N/A

Discount rate (post-tax) was estimated by weighted average cost of capital as at each valuation date. Management estimated the risk-free interest rate based on the market yield of US Treasury Curve with maturity close to expected liquidation date/redemption date as at the valuation date.

The DLOM was estimated based on the option-pricing method. Under option-pricing method, the cost of put option, which can hedge the price change before the privately held share can be sold, was considered as a basis to determine the lack of marketability discount.

Volatility was estimated based on annualised standard deviation of the daily return embedded in historical stock prices of comparable companies with a time horizon close to the expected term.

Probability weight among redemption, liquidation and IPO scenarios was based on the Company's best estimates. In addition to the assumptions adopted above, the Company's projections of future performance were also factored into the determination of the fair value of the warrants and related liabilities at each valuation date.

Changes in fair value of the warrants and related financial liabilities were recorded in "Change in fair value of financial liabilities at fair value through profit or loss" in the profit or loss, and the fair value changes in the warrants and related financial liabilities that are attributable to changes of own credit risk of this liabilities are recorded in other comprehensive income.

Fair value of warrants and related financial liabilities is affected by changes in the Company's equity value. If the Company's equity value had increased/decreased by 10% with all other variables held constant, the loss before income tax for the year ended 31 December 2022 would have been approximately US$5,102,000/4,770,000 higher/lower.

Fair value of warrants and related financial liabilities is also affected by changes in the discount rate. If the discount rate had increased/decreased by 1% with all other variables held constant, the loss before income tax for the year ended 31 December 2022 would have been approximately US$5,603,000/7,026,000 lower/higher.

Accounting policy for the convertible redeemable preferred shares and other financial liabilities at fair value through profit or loss

Financial instruments issued to investors consist of convertible redeemable preferred shares and other financial liabilities at fair value through profit or loss. Accounting policies and other explanatory information of these financial instruments are elaborated as follows:

(a) Convertible redeemable preferred shares

The Company entered into a series of share purchase agreements with investors and issued Series A, Series B-1, Series B-2 and Series C preferred shares, respectively (collectively, "Preferred Shares").

Preferred Shares issued by the Company are redeemable upon occurrence of certain future events as disclosed in Note 24(a)(iii). Those instruments can be converted into ordinary shares of the Company at any time at the option of the holders or automatically converted into ordinary shares upon occurrence of an initial public offering ("IPO") of the Company or at any time after the date of issuance of such shares as detailed in Note 24(a)(ii).

The Group designated the Preferred Shares as financial liabilities at FVPL. They are initially recognised at fair value. Subsequent to initial recognition, the Preferred Shares are carried at fair value with changes in fair value recognised in the profit or loss, except for the gains or losses arising from the Company's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the profit or loss.

(b) Other financial liabilities at fair value through profit or loss

The Company issued warrants and related financial liabilities under which the holders have the rights to subscribe for the Company's Series C preferred shares at a predetermined exercise price when the holders have obtained the approval from the PRC government (Note 24(b)).

Warrants and related financial liabilities are initially recognised at fair value on the date a warrant contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The Group's warrants and related financial liabilities were classified as current liabilities, as the management expected these warrants will be converted to Series C CRPS within the next twelve month from the balance sheet dates after the holders have obtained the approval from the PRC government for a right to subscribe for Series C CRPS.

25 Derivative financial instruments

	As at 31 December		
	2022	**2023**	**2024**
	US$'000	*US$'000*	*US$'000*
Forward contract	11,783	–	–

Derivative financial instruments are recognised when there are commitment to issue the underlying preferred shares and warrants and related financial liabilities at a predetermined price and would be derecognised upon the issuance of the underlying preferred shares and warrants and related financial liabilities. The changes in fair value of derivative financial instruments are recognised in the profit or loss.

The movements of the derivative financial instruments are set out as below:

	US$'000
At 1 January 2022	5,738
Change in fair value through profit or loss	10,502
Derecognised upon the issuance of the underlying warrants and related financial liabilities	(4,457)
At 31 December 2022 and 1 January 2023	11,783
Change in fair value through profit or loss	3,171
Derecognised upon the issuance of the underlying preferred shares	(14,954)
At 31 December 2023, 1 January 2024 and 31 December 2024	–

The Group applied the discounted cash flow method to determine the underlying equity value of the Group and adopted equity allocation model to determine the fair value of derivative financial instruments. Key assumptions are set as below:

	As at 31 December		
	2022	**2023**	**2024**
Discount rate	16.5%	N/A	N/A
Risk-free interest rate	4.7%	N/A	N/A
DLOM	12.0%-18.0%	N/A	N/A
Volatility	85.0%	N/A	N/A
IPO probability	30.0%	N/A	N/A

Discount rate (post-tax) was estimated by weighted average cost of capital as at each valuation date. Management estimated the risk-free interest rate based on the market yield of US Treasury Curve with maturity close to expected liquidation date/redemption date as at the valuation date.

The DLOM was estimated based on the option-pricing method. Under option-pricing method, the cost of put option, which can hedge the price change before the privately held share can be sold, was considered as a basis to determine the lack of marketability discount.

Volatility was estimated based on annualised standard deviation of the daily return embedded in historical stock prices of comparable companies with a time horizon close to the expected term.

Probability weight among redemption, liquidation and IPO scenarios was based on the Company's best estimates. In addition to the assumptions adopted above, the Company's projections of future performance were also factored into the determination of the fair value of the derivative financial instruments at each valuation date.

Fair value of derivative financial instruments is affected by changes in the Company's equity value. If the Company's equity value had increased/decreased by 10% with all other variables held constant, the loss before income tax for the year ended 31 December 2022 would have been approximately US$3,090,000/2,888,000 higher/ lower.

Fair value of derivative financial instruments is also affected by changes in the discount rate. If the discount rate had increased/decreased by 1% with all other variables held constant, the loss before income tax for the years ended 31 December 2022 would have been approximately US$3,393,000/4,254,000 lower/higher.

26 Related party transactions

Related parties are those parties that have the ability to control, jointly control or exercise significant influence over the other party in holding power over the investee; exposure or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

(a) Year end balances with related parties

The Company:

	As at 31 December		
	2022	**2023**	**2024**
	US$'000	*US$'000*	*US$'000*
Non-trade nature			
Amounts due from subsidiaries	83,898	87,008	74,026
Non-trade nature			
Amounts due to subsidiaries	333	4,774	420

As at 31 December 2022, 2023 and 2024 the balances with subsidiaries of the Company were unsecured, interest-free, repayable on demand, approximate their fair values and denominated in US$. None of the related parties provided loans, advances, guarantees or pledge of securities to the Group as at 31 December 2022, 2023 and 2024.

(b) Key management compensation

Key management includes directors (executive and non-executive) and senior management of the Group.

The compensation paid or payable to senior management for employee services is shown below:

	Year ended 31 December		
	2022	**2023**	**2024**
	US$'000	*US$'000*	*US$'000*
Salaries, wages and bonuses	3,036	5,491	3,780
Pension costs – defined contribution plans	162	209	205
Other welfare and allowances	136	194	102
Share-based payment expenses	1,297	12,745	10,510
	4,631	18,639	14,597

27 Benefits and interests of directors

(a) *Directors' emoluments*

The remuneration of each director paid/payable for each of the years ended 31 December 2022, 2023 and 2024 were set out below:

	Year ended 31 December 2022					
	Director's fee	Salaries, wages and bonus	Pension cost-defined contribution plan	Other social security costs and housing benefits	Share-based compensation expense	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Executive directors:						
Ni Jinsong	–	758	40	3	–	801
Zhao Jianghua (i), (iv)	–	–	–	–	–	–
Van Son Dinh (ii)	–	392	40	–	–	432
Chan Chak Yeung (iii), (iv)	–	–	–	–	–	–
Yang Rong (iii)	–	393	40	3	–	436
Non-executive directors:						
Li Junzhi (ii), (v)	–	–	–	–	–	–
Zhou Chao (iii), (v), (vi)	–	–	–	–	–	–
Xu Cao (iii), (v)	–	–	–	–	–	–
	–	1,543	120	6	–	1,669

	Year ended 31 December 2023					
	Director's fee	Salaries, wages and bonus	Pension cost-defined contribution plan	Other social security costs and housing benefits	Share-based compensation expense	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Executive directors:						
Ni Jinsong	–	2,162	41	9	6,729	8,941
Zhao Jianghua (i), (iv)	–	–	–	–	–	–
Van Son Dinh (ii)	–	467	42	8	801	1,318
Chan Chak Yeung (iii), (iv)	–	–	–	–	–	–
Yang Rong (iii)	–	467	40	9	801	1,317
Non-executive directors:						
Li Junzhi (ii), (v)	–	–	–	–	–	–
Zhou Chao (iii), (v), (vi)	–	–	–	–	–	–
Xu Cao (iii), (v)	–	–	–	–	–	–
	–	3,096	123	26	8,331	11,576

	Year ended 31 December 2024					
	Director's fee	Salaries, wages and bonus	Pension cost-defined contribution plan	Other social security costs and housing benefits	Share-based compensation expense	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Executive directors:						
Ni Jinsong	–	898	38	22	6,172	7,130
Van Son Dinh (ii)	–	442	38	12	735	1,227
Yang Rong (iii)	–	442	38	12	735	1,227
Non-executive directors:						
Li Junzhi (ii), (v)	–	–	–	–	–	–
Zhou Chao (iii), (v), (vi)	–	–	–	–	–	–
Xu Cao (iii), (v)	–	–	–	–	–	–
Xia Zhi Dong (vii)	–	–	–	–	–	–
	–	1,782	114	46	7,642	9,584

(i) Zhao Jianghua was appointed as the director on 15 July 2021.

(ii) Van Son Dinh and Li Junzhi were appointed as director on 22 July 2021.

(iii) Zhou Chao, Xu Cao, Chan Chak Yeung and Yang Rong were appointed as director on 24 November 2021.

(iv) Chan Chak Yeung and Zhao Jianghua were resigned as executive directors on 12 October 2023 and 1 November 2023, respectively.

(v) Li Junzhi, Zhou Chao and Xu Cao were re-designed as non-executive directors on 9 November 2023.

(vi) Zhou Chao was resigned as non-executive director on 24 June 2024.

(vii) Xia Zhidong was appointed as director on 26 June 2024.

(b) Directors' retirement and termination benefits

No retirement or termination benefits have been paid to the Company's directors for the years ended 31 December 2022, 2023 and 2024.

(c) Consideration provided to third parties for making available directors' services

No consideration was provided to third parties for making available directors' services during the years ended 31 December 2022, 2023 and 2024.

(d) Information about loans, quasi-loans or other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans or other dealings were entered into by the Company in favor of directors, controlled body corporates by and connected entities with such directors for the years ended 31 December 2022, 2023 and 2024.

(e) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in Note 26, no significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during the years ended 31 December 2022, 2023 and 2024.

28 Dividends

No dividend has been paid or declared by the Company or the companies now comprising the Group during each of the years ended 31 December 2022, 2023 and 2024.

29 Contingent liabilities

As of 31 December 2022, 2023 and 2024, the Group did not have any material contingent liabilities.

30 Commitments

As at 31 December 2022, 2023 and 2024, the Group had capital commitments of US$241,000, nil and nil primarily in connection with capital expenditure not yet incurred, with respect to its purchase of property, plant and equipment.

31 Subsequent events

There have been no material events subsequent to the Track Record Period.

32 Summary of other accounting policies

32.1 Principles of consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

32.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount of the investee's net assets including goodwill in the financial statements.

32.3 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources, assessing performance of the operating segments, and has been identified as the executive directors of the Company that make strategic decisions.

32.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the Historical Financial Information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The functional currency of the Company is US$. As the major operations of the Group during the Track Record Period are within United States, the Group determined to present its Historical Financial Information in US$.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the companies in United States, Cayman Islands and British Virgin Islands are US$. The functional currency of the companies in PRC is RMB. The functional currency of the company in Australia is AUD. The functional currency of the company in Hong Kong is HK$.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains, net.

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of position presented are translated at the closing rate at the date of that statement of financial position; and
- income and expenses for each consolidated statements of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income.

32.5 Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

32.6 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (**"OCI"**) or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in profit or loss using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains, net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains, net. Interest income from these financial

assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains, net and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains, net in the period in which it arises.

During the Track Record Period, no amount is recognised in respect of financial assets at FVOCI.

(d) Impairment

The Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For cash and cash equivalents, the expected credit loss risk is considered immaterial.

Impairment on other receivables from third parties and related parties are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If no significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as 12-month expected credit losses.

32.7 Other receivables

Majority of other receivables are rental deposits. If collection of other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 3.1 for a description of the Group's impairment policies.

32.8 Cash and cash equivalents

For the purpose of presentation in the consolidated statements of cash flows, cash and cash equivalents includes cash at banks and in hand, and term deposit with financial institutions that with original maturity less than 3 months are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

32.9 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Preferred shares are classified as financial liabilities based on the respective contract terms.

32.10 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

32.11 Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at the end of each reporting period. Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognised immediately in profit or loss. Derivatives are classified as current assets or liabilities if they are expected to be settled within twelve months; otherwise, they are classified as non-current.

32.12 Current and deferred income tax

The income tax expense or credit for the period is the tax payable or recoverable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current income tax assets and liabilities and where the deferred income tax balances relate to the same taxation authority. Current income tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

32.13 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statements of financial position.

(b) Pension, housing funds, medical insurances and other social insurances obligations

Employees of the Group are covered by various government-sponsored defined-contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these employees when they retire. The Group contributes on a monthly basis to these pension plans for the employees which are determined at certain percentage of their salaries. Under these plans, the Group has no obligation for post-retirement benefits beyond the contribution made. Contributions to these plans are expensed as incurred and contributions paid to the defined contribution pension plans for a staff are not available to reduce the Group's future obligations to such defined-contribution pension plans even if the staff leaves the Group.

(c) Employee leave entitlement

Employee entitlements to annual leave are recognised when they have accrued to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of each reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(d) Bonus plan

The expected cost of bonuses is recognised as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 1 year and are measured at the amounts expected to be paid when they are settled.

32.14 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The increase in the provisions due to the passage of time is recognised as interest expense.

32.15 Interest income

Interest income from financial assets at FVPL is included in the net fair value losses-net on these assets.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

32.16 Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the entities' shareholders or directors, where appropriate.

32.17 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Where the grants related to an expense item, it is recognised as income on a systematic basis over the period that the costs, which it is intended to compensate, are expensed. Where the grants related to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset on straight-line basis.

32.18 Revenue recognition

Revenue is recognised to depict the transfer of promised services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. Revenue is recognised when, or as, obligations under the terms of a contract are satisfied, which occurs when control of the promised products or services is transferred to customers. Revenue is measured as the amount of consideration the Group expects to receive in exchange for transferring products or services to a customer ("transaction price"). A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same. Depending on the terms of the contract and the laws applicable, control of the goods and services may be transferred over time or at a point in time. A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with using the same approach as for trade receivables. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due. There is normally no significant cost to obtain contract. A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. The following is a description of the accounting policy for the principal revenue streams of the Group.

Revenue from license granted

The Group provides license of its intellectual properties ("IP") to customers as well as providing certain R&D service. The license of IP and the R&D service are distinct performance obligations. The consideration comprises fixed and variable elements. Initially only fixed consideration is included in the transaction price. The amount of the variable consideration is only included in the transaction price when it is highly probable that no significant reversal of revenue when the uncertainty is resolved. The transaction price is allocated between performance obligations based on the stand-alone selling price. The control of the license transfers at point in time, when the customer obtains the right to use the underlying IP of the license. Control of the R&D service is transferred over time based on the progress measured towards complete satisfaction of that performance obligation.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2024 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2024.