

APPENDIX I

ACCOUNTANT’S REPORT

The following is the text of a report set out on pages I-[1] to I-[2], received from the Company’s reporting accountant, [PricewaterhouseCoopers], Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of 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.

[Letterhead of PricewaterhouseCoopers]

[Draft]

ACCOUNTANT’S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF MING YU PHARMACEUTICAL LIMITED, MORGAN STANLEY ASIA LIMITED, MERRILL LYNCH (ASIA PACIFIC) LIMITED AND CITIC SECURITIES (HONG KONG) LIMITED

Introduction

We report on the historical financial information of Ming Yu Pharmaceutical Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-[3] to I-[40], which comprises the consolidated and the company balance sheets as at December 31, 2024 and 2025 and May 31, 2026, and the consolidated statements of comprehensive loss, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2024 and 2025 and for the five months ended May 31, 2026 (the “Track Record Period”) and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-[3] to I-[40] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Document date] (the “Document”) in connection with the initial [REDACTED] of shares of the Company on the [REDACTED].

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 2.1 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 2.1 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.

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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 and the consolidated financial position of the Group as at December 31, 2024 and 2025 and May 31, 2026 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 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of comprehensive loss, the consolidated statement of changes in equity and the consolidated statement of cash flows for the five months ended May 31, 2025 and other explanatory information (the “Stub Period Comparative Financial Information”). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the International Auditing and Assurance Standards Board (“IAASB”). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant’s report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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-[3] have been made.

Dividends

We refer to Note 24 to the Historical Financial Information which states that no dividends have been paid by Ming Yu Pharmaceutical Limited 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]
Certified Public Accountants
Hong Kong
[Date]

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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 consolidated 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 (“ISAs”) issued by the International Auditing and Assurance Standards Board (“Underlying Financial Statements”).

The Historical Financial Information is presented in Renminbi (“RMB”) and all amounts are rounded to the nearest thousand (RMB’000) except when otherwise stated.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Notes	Year ended December 31,		Five months ended May 31,	
		2024	2025	2025	2026
		RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	5	–	264,410	264,151	–
Cost of revenue	6	–	(743)	(349)	–
Gross Profit		–	263,667	263,802	–
Research and development expenses	6	(280,689)	(230,322)	(60,060)	(120,001)
Administrative expenses	6	(13,541)	(37,053)	(5,903)	(14,831)
Other income	8	23,974	2,976	769	53
Other gains/(losses), net	9	1,595	702	24	(857)
Operating (loss)/profit		(268,661)	(30)	198,632	(135,636)
Finance income		158	8,606	74	5,394
Finance costs		(117)	(76)	(23)	(90)
Fair value change of financial liabilities at fair value through profit or loss	21	(14,011)	(927,808)	(249,527)	(79,891)
Loss before income tax		(282,631)	(919,308)	(50,844)	(210,223)
Income tax expense	10	–	–	–	–
Loss for the year/period attributable to the owners of the Company		(282,631)	(919,308)	(50,844)	(210,223)
Other comprehensive (loss)/income:					
<i>Items that will not be reclassified to profit or loss</i>					
Exchange differences on translation		(4,341)	20,888	(20)	33,974
<i>Items that will be reclassified to profit or loss</i>					
Exchange differences on translation		(9,161)	16,717	315	31,528
Other comprehensive (loss)/income for the year/period, net of tax		(13,502)	37,605	295	65,502
Total comprehensive loss for the year/period attributable to the owners of the Company		(296,133)	(881,703)	(50,549)	(144,721)
Loss per share for the loss attributable to owners of the Company					
– Basic and diluted loss per share (in RMB)	11	(1.28)	(4.18)	(0.23)	(0.96)

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CONSOLIDATED BALANCE SHEETS

		As at December 31,		As at May 31,
	Notes	2024	2025	2026
		RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	13	6,664	5,853	5,576
Right-of-use assets	14	1,822	5,368	7,512
Deposits	17	262	—	617
Other non-current assets	18	30,946	34,034	39,685
Total non-current assets		39,694	45,255	53,390
Current assets				
Cash and cash equivalents	15	29,712	800,749	604,896
Financial assets at fair value through profit or loss	16	13,786	13,248	6,741
Prepayments, deposits and other receivables	17	3,051	27,107	45,532
Total current assets		46,549	841,104	657,169
Total assets		86,243	886,359	710,559
DEFICITS				
Share capital	19	14	14	14
Other reserves	20	(53,801)	(13,301)	52,461
Accumulated losses		(1,071,670)	(1,990,978)	(2,201,201)
Deficits attributable to the owners of the Company		(1,125,457)	(2,004,265)	(2,148,726)
Total deficits		(1,125,457)	(2,004,265)	(2,148,726)
LIABILITIES				
Non-current liabilities				
Lease liabilities		—	4,393	5,917
Total non-current liabilities		—	4,393	5,917
Current liabilities				
Financial liabilities at fair value through profit or loss	21	968,655	2,815,384	2,809,591
Trade payables	22	236,787	47,277	24,069
Other payables	23	4,523	22,866	18,181
Lease liabilities		1,735	704	1,527
Total current liabilities		1,211,700	2,886,231	2,853,368
Net current liabilities		1,165,151	2,045,127	2,196,199
Total liabilities		1,211,700	2,890,624	2,859,285
Total deficits and liabilities		86,243	886,359	710,559

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THE COMPANY BALANCE SHEETS

		As at December 31,		As at May 31,
		2024	2025	2026
Notes		RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Investments in subsidiaries	29	640,941	937,530	1,098,639
Total non-current assets		640,941	937,530	1,098,639
Current assets				
Cash and cash equivalents	15	12,452	755,241	541,201
Prepayments	17	—	3,980	5,507
Amounts due from subsidiaries	17, 27	60,000	—	—
Total current assets		72,452	759,221	546,708
Total assets		713,393	1,696,751	1,645,347
EQUITY				
Share capital	19	14	14	14
Other reserves	20	(24,793)	(1,179)	34,199
Accumulated losses		(193,506)	(1,131,430)	(1,212,061)
Total deficits		(218,285)	(1,132,595)	(1,177,848)
LIABILITIES				
Current liabilities				
Financial liabilities at fair value through profit or loss	21	931,655	2,815,384	2,809,591
Other payables	23	23	13,962	13,604
Total current liabilities		931,678	2,829,346	2,823,195
Net current liabilities		859,226	2,070,125	2,276,487
Total liabilities		931,678	2,829,346	2,823,195
Total deficits and liabilities		713,393	1,696,751	1,645,347

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to the owners of the Company			
	Share capital	Other reserves	Accumulated losses	Total deficits
	RMB'000	RMB'000	RMB'000	RMB'000
Balances at January 1, 2024	<u>14</u>	<u>(41,628)</u>	<u>(789,039)</u>	<u>(830,653)</u>
Comprehensive loss				
Loss for the year	—	—	(282,631)	(282,631)
Other comprehensive loss				
<i>Items that will not be reclassified to profit or loss</i>				
Exchange differences on translation	—	(4,341)	—	(4,341)
<i>Items that will be reclassified to profit or loss</i>				
Exchange differences on translation	—	(9,161)	—	(9,161)
Transactions with owners in their capacity as owner:				
Share-based compensation expense	<u>—</u>	<u>1,329</u>	<u>—</u>	<u>1,329</u>
Balance at December 31, 2024	<u>14</u>	<u>(53,801)</u>	<u>(1,071,670)</u>	<u>(1,125,457)</u>
Comprehensive loss				
Loss for the year	—	—	(919,308)	(919,308)
Other comprehensive loss				
<i>Items that will not be reclassified to profit or loss</i>				
Exchange differences on translation	—	20,888	—	20,888
<i>Items that will be reclassified to profit or loss</i>				
Exchange differences on translation	—	16,717	—	16,717
Transactions with owners in their capacity as owner:				
Share-based compensation expense	<u>—</u>	<u>2,895</u>	<u>—</u>	<u>2,895</u>
Balance at December 31, 2025	<u>14</u>	<u>(13,301)</u>	<u>(1,990,978)</u>	<u>(2,004,265)</u>

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	Attributable to the owners of the Company			
	Share capital	Other reserves	Accumulated losses	Total deficits
	RMB'000	RMB'000	RMB'000	RMB'000
Balances at January 1, 2026	<u>14</u>	<u>(13,301)</u>	<u>(1,990,978)</u>	<u>(2,004,265)</u>
Comprehensive loss				
Loss for the period	–	–	(210,223)	(210,223)
Other comprehensive income				
<i>Items that will not be reclassified to profit or loss</i>				
Exchange differences on translation .	–	33,974	–	33,974
<i>Items that will be reclassified to profit or loss</i>				
Exchange differences on translation .	–	31,528	–	31,528
Transactions with owners in their capacity as owner:				
Share-based compensation expense .	–	260	–	260
Balance at May 31, 2026	<u>14</u>	<u>52,461</u>	<u>(2,201,201)</u>	<u>(2,148,726)</u>
<i>(unaudited)</i>				
Balances at January 1, 2025	<u>14</u>	<u>(53,801)</u>	<u>(1,071,670)</u>	<u>(1,125,457)</u>
Comprehensive loss				
Loss for the period	–	–	(50,844)	(50,844)
Other comprehensive income				
<i>Items that will not be reclassified to profit or loss</i>				
Exchange differences on translation .	–	(20)	–	(20)
<i>Items that will be reclassified to profit or loss</i>				
Exchange differences on translation .	–	315	–	315
Transactions with owners in their capacity as owner:				
Share-based compensation expense .	–	1,119	–	1,119
Balance at May 31, 2025	<u>14</u>	<u>(52,387)</u>	<u>(1,122,514)</u>	<u>(1,174,887)</u>

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	<i>Notes</i>	For the year ended December 31,		For the five months ended May 31,	
		2024	2025	2025	2026
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i>
Cash flows from operating activities					
Cash (used in)/generated from operating activities	25	(145,764)	(191,210)	154,013	(186,119)
Interest received		158	8,606	74	5,394
Net cash (outflow to)/inflow from operating activities . .		<u>(145,606)</u>	<u>(182,604)</u>	<u>154,087</u>	<u>(180,725)</u>
Cash flows from investing activities					
Purchase of property, plant and equipment		(279)	(445)	(43)	(316)
Proceeds from disposals of property, plant and equipment		3	1	–	10
Payments for financial assets at fair value through profit or loss		(22,000)	(38,500)	(10,000)	–
Proceeds from sale of financial assets through profit or loss .		30,029	39,231	12,329	6,549
Net cash inflow from investing activities		<u>7,753</u>	<u>287</u>	<u>2,286</u>	<u>6,243</u>
Cash flows from financing activities					
Proceeds from issuance of convertible preferred shares .	21	37,000	970,130	35,187	–
Return of domestic investment with warrants to purchase Preferred Shares for the purpose of their ODI approval		–	–	(20,000)	–
Principal element of lease payments.		(1,807)	(1,965)	(959)	(748)
Payments for interest expense on lease liability	14	(117)	(76)	(26)	(90)
Payments for [REDACTED] . .		<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Net cash inflow from/ (outflow to) financing activities.		<u>35,076</u>	<u>966,756</u>	<u>14,202</u>	<u>(2,347)</u>
Net (decrease)/increase in cash and cash equivalents .		<u>(102,777)</u>	<u>784,439</u>	<u>170,575</u>	<u>(176,829)</u>
Cash and cash equivalents at the beginning of year/period.		131,208	29,712	29,712	800,749
Effect of foreign exchange rate changes on cash and cash equivalents		1,281	(13,402)	(9)	(19,024)
Cash and cash equivalents at end of year/period		<u>29,712</u>	<u>800,749</u>	<u>200,278</u>	<u>604,896</u>

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION

Ming Yu Pharmaceutical Limited (the “Company”) was incorporated on March 8, 2018 in the Cayman Islands with limited liabilities under the Companies Law Cap. 22 of the Cayman Islands. The address of the Company’s registered office is at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (hereinafter collectively referred to as the “Group”) is principally engaged in the development of innovative medicines for oncology and autoimmune diseases in the People’s Republic of China (the “PRC”).

2 BASIS OF PREPARATION AND NEW OR AMENDED STANDARDS OR INTERPRETATIONS

2.1 Basis of preparation

The Historical Financial Information have been prepared in accordance with all applicable International Financial Reporting Standards issued by the International Accounting Standards Board (“IFRS Accounting Standards”). The Historical Financial Information have been prepared under the historical cost convention, except for financial assets and financial liabilities measured at fair value through profit or loss.

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

The accounting policies applied in the preparation of the Historical Financial Information have been consistently applied to the Track Record Period, unless otherwise stated.

Other than those material accounting policies information as disclosed in the notes to the relevant financial line items or transactions in this Historical Financial Information, a summary of the other accounting policies information has been set out in Note 31 to this Historical Financial Information.

The Historical Financial Information has been prepared on a going concern basis. The Group incurred operating loss of RMB268,661 thousand, RMB30 thousand and RMB135,636 thousand for the years ended December 31, 2024 and 2025 and for the five months ended May 31, 2026, respectively, and net cash used in operating activities was RMB145,606 thousand, RMB182,604 thousand and RMB180,725 thousand for the years ended December 31, 2024 and 2025 and for the five months ended May 31, 2026, respectively, attributable primarily to significant R&D expenditure. As at May 31, 2026, the Group had net current liabilities of RMB2,196,199 thousand and had net liabilities of RMB2,148,726 thousand, which is primarily due to that the convertible preference shares of RMB2,809,591 thousand are classified as current liabilities, in considering their conversion features that are convertible by the holders at any time, details of which are disclosed in Note 21. Upon successful [REDACTED] (the “[REDACTED]”) of the Company, the convertible preference shares would be converted into ordinary shares and reclassified from the liability to the equity. In addition, the directors of the Company consider the redemption term in the shareholders agreement as summarized under Note 21(c)(iii) would not be triggered and the convertible redeemable preference shares will not have cash flow impact to the Group for at least the next twelve months from May 31, 2026. The Company’s ability to continue as a going concern is primarily dependent on the ability to raise external financing to fund its continuous operations. The directors believe that the Group’s cash and cash equivalents are sufficient to fund its operating expenses and capital expenditure requirements and meet its payment obligations for the next twelve months from May 31, 2026.

2.2 New or amended standards, amendments or interpretations

All effective standards, amendments to standards and interpretations, which are mandatorily effective for accounting periods beginning on January 1, 2026, are consistently applied to the Group for the Track Record Period.

New standards, amendments and interpretations not yet adopted

Standards, amendments and interpretations that have been issued but not yet effective and not been early adopted by the Group during the Track Record Period are as follows:

Standards	Key requirements	Effective for annual periods beginning on or after
IFRS 18	Presentation and disclosure in financial statements	January 1, 2027
IFRS 19	Subsidiaries without public accountability: disclosures	January 1, 2027
Amendments to IAS 21	Translation to a Hyperinflationary Presentation Currency	January 1, 2027
IFRS 20	Regulatory Assets and Regulatory Liabilities	January 1, 2029

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Standards	Key requirements	Effective for annual periods beginning on or after
Amendments to IFRS 10 and IAS 28 . . .	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards, amendments and interpretations, certain of which are relevant to the Group’s operations. According to the preliminary assessment made by the directors, these standards and amendments are not expected to have a significant impact on the Group’s financial performance and position, except IFRS 18 as described below.

IFRS 18 sets out requirements on presentation and disclosures in financial statements and will replace IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. Minor amendments to IAS 7 “Statement of Cash Flows” and IAS 33 “Earnings per Share” are also made.

IFRS 18, and the consequential amendments to other IFRS Accounting Standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted.

As IFRS 18 only proposed new presentation and disclosures requirements, its application would not have any impact on the financial position and performance of the Group. It is expected to affect the presentation of the consolidated statement of profit or loss and consolidated statement of cash flows and disclosures in the notes to future financial statements. The Group will continue to assess the impact of IFRS 18 on presentation and disclosures of the consolidated financial statements 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, 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 minimize potential adverse effects on the Group’s financial performance. Risk management is carried out by the management of the Group.

3.1.1 Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the Group entities’ functional currency. The Company’s functional currency is USD. The Company’s primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency.

There are certain cash and bank balances denominated in a currency that is not the functional currency. The Group constantly reviews the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures, as may be necessary.

As at December 31, 2024, December 31, 2025 and May 31, 2026, management considered that any reasonable changes in foreign exchange rates of USD against RMB would not result in a significant change in the Group’s results, as the net carrying amounts of financial assets and liabilities denominated in USD in the Group’s primary subsidiaries are considered to be not significant. No sensitivity analysis is presented for foreign exchange risk.

(ii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group’s exposure to the risk of changes in market interest rates relates primarily to the Group’s interest-bearing cash and cash equivalents. When cash and cash equivalents obtained at variable rates expose the Group to cash flow interest-rate risk. The Group has not hedged its cash flow or fair value interest-rate risk.

The Group has no significant interest-bearing assets except for cash and cash equivalents, details of which have been disclosed in Note 15.

3.1.2 Credit risk

Credit risk arises from cash and cash equivalents, financial assets at fair value through profit or loss, and other receivables. The carrying amount of each class of the above financial assets represents the Group’s maximum exposure to credit risk in relation to the corresponding class of financial assets.

To manage this risk, cash and cash equivalents and financial assets at fair value through profit or loss are mainly deposited with state-owned or reputable financial institutions in the PRC and reputable international financial institutions outside of the PRC. There has been no recent history of default in relation to these financial institutions.

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Other receivables mainly comprise receivables related to lease deposits and other receivables. Management considers other receivables have not had a significant increase in credit risk since initial recognition, and a 12-month expected credit loss approach that results from possible default event within 12 months of each reporting date is adopted. To measure the expected credit losses, other receivables have been grouped based on shared credit risk characteristics and the days past due. The Group does not expect any material losses from non-performance by the counterparties of other receivables and no loss allowance provision for other receivables was recognized as at December 31, 2024, December 31, 2025 and May 31, 2026.

3.1.3 Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents to meet its daily operating working capital.

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.

The following table presents the Group’s contractual maturities of financial liabilities at May 31, 2026:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total	Carrying Amount
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade payables	24,069	–	–	24,069	24,069
Other payables (excluding salaries and welfare payables and VAT and other taxes payables)	14,332	–	–	14,332	14,332
Lease liabilities	2,545	2,339	4,161	9,045	7,444
	<u>40,946</u>	<u>2,339</u>	<u>4,161</u>	<u>47,446</u>	<u>45,845</u>

The following table presents the Group’s contractual maturities of financial liabilities at December 31, 2025:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Carrying Amount
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade payables	47,277	–	–	–	47,277	47,277
Other payables (excluding salaries and welfare payables and VAT and other taxes payables)	14,996	–	–	–	14,996	14,996
Lease liabilities	858	1,073	3,545	113	5,589	5,097
	<u>63,131</u>	<u>1,073</u>	<u>3,545</u>	<u>113</u>	<u>67,862</u>	<u>67,370</u>

The following table presents the Group’s contractual maturities of financial liabilities at December 31, 2024:

	Less than 1 year	Total	Carrying Amount
	RMB’000	RMB’000	RMB’000
Trade payables	236,787	236,787	236,787
Other payables (excluding salaries and welfare payables and VAT and other taxes payables)	497	497	497
Lease liabilities	1,765	1,765	1,735
	<u>239,049</u>	<u>239,049</u>	<u>239,019</u>

The convertible preferred shares liabilities are managed on a fair value basis rather than by maturing dates (Note 21). They are classified as current liabilities as the holders have the right to convert them into the Company’s ordinary shares at their discretion.

3.2 Capital management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital (including share capital and convertible preferred shares on an as-if-converted basis) by regularly reviewing the capital structure. As a part of this review, the Company considers the cost of capital and the risks associated with the issued share capital. In the opinion of the directors of the Company, the Group’s capital risk is low.

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Net cash is calculated as cash and cash equivalent less lease liabilities. As at December 31, 2024, December 31, 2025 and May 31, 2026, the Group was in a net cash position, hence it is not meaningful to present the gearing ratio.

3.3 Fair value estimation

Fair value hierarchy

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are recognized and measured at fair value in the 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 is determined using valuation techniques which maximize 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.

The following table presents the Group’s assets and liabilities that were measured at fair value at May 31, 2026:

	Level 1	Level 2	Level 3	Total
	RMB’000	RMB’000	RMB’000	RMB’000
Assets				
Financial assets at fair value through profit or loss	–	–	6,741	6,741
	=	=	=	=
Liabilities				
Financial liabilities at fair value through profit or loss	–	–	2,809,591	2,809,591
	=	=	=	=

The following table presents the Group’s assets and liabilities that were measured at fair value at December 31, 2025:

	Level 1	Level 2	Level 3	Total
	RMB’000	RMB’000	RMB’000	RMB’000
Assets				
Financial assets at fair value through profit or loss	–	–	13,248	13,248
	=	=	=	=
Liabilities				
Financial liabilities at fair value through profit or loss	–	–	2,815,384	2,815,384
	=	=	=	=

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

	Level 1	Level 2	Level 3	Total
	RMB’000	RMB’000	RMB’000	RMB’000
Assets				
Financial assets at fair value through profit or loss	–	–	13,786	13,786
	=	=	=	=
Liabilities				
Financial liabilities at fair value through profit or loss	–	–	968,655	968,655
	=	=	=	=

(i) *Valuation techniques used to determine fair values*

Specific valuation techniques used to value financial instruments mainly include binomial option-pricing model, back-solve method, the market approach - the multiple method which is price over research and development expenses method or discounted cash flow analysis.

There were no changes in valuation techniques during the Track Record Period.

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(ii) Valuation processes

The Group’s finance team manages the valuation of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the relevant instruments on a case by case basis. At least once a year, the team uses valuation techniques to determine the fair value of the Group’s level 3 instruments. External valuers will be involved when necessary.

The summary of significant unobservable inputs to the valuation of level 3 financial instruments together with a quantitative sensitivity analysis was disclosed in Note 16 and Note 21, respectively.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Historical Financial Information requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in applying the Group’s accounting policies.

Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(i) Fair value of convertible preferred shares

The fair value of convertible preferred shares that are not traded in an active market is determined by using valuation techniques. The Group applied the back-solve method and the market approach — the multiple method which is price over research and development expenses to determine the underlying equity value of the Company, and adopted option-pricing method and equity allocation model to determine the fair value of the convertible preferred shares. Key assumptions such as P/RD ratio, risk-free interest, volatility and discount for lack of marketability (“DLOM”) are disclosed in Note 21.

(ii) Share-based compensation

The Group has granted share options to the Group’s employees. The Company has engaged an independent valuer to determine the fair value of the options granted to employees, which is expensed over the vesting periods. Unobservable inputs such as the risk-free interest rate, volatility and dividend yield, etc. are used in determining the fair value of the share-based compensations.

(iii) Accrual of research and development expenses

Research and development expenses include costs paid to third-party contract research organizations (CROs), contract development and manufacturing organizations (CDMOs) and hospitals. The estimate of accrual of research and development expenses is complex because billing terms under relevant contracts often do not coincide with the timing of when the work is performed, which in turn requires estimates of outstanding obligations as of period end. These estimates are based on a number of factors, including management’s knowledge of the research and development (“R&D”) programs and activities associated with timelines, invoicing date, and the provisions in the contracts.

(iv) Revenue recognition

(i) Identification of performance obligation

The Group has a licensing arrangement with a customer as described under note 5(b). The Group determined that the license-out arrangement contains only one performance obligation relating to license of intellectual properties of a new drug under development within the context of the contract, and no additional services performed by the licensor directly transfer a good or service to the customer.

(ii) Estimation of variable consideration

The consideration within the contract includes variable consideration such as milestone payments and sales-based royalties. The Group determines the amount of milestone payments by using either the expected value or the most likely amount based on which method better predicts the amount of consideration to which it will be entitled. The Group assesses whether the milestones are considered highly probable of being achieved and estimates the amount to be included in the transaction price using the most likely amount method as there are a few possible outcomes under which milestone can be achieved. In making these assessments, the Group considers various factors such as the scientific, clinical, regulatory, commercial, and other risks that must be overcome to achieve a particular milestone. For sales-based royalties, the Group recognizes the revenue when the occurrence of the subsequent sales.

5 SEGMENT AND REVENUE INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker (“CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Group.

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(a) Description of segments and principal activities

The Group is principally engaged in the research and development of new drugs. The CODM reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM regards that there is only one segment which is used to make strategic decisions.

(b) License agreement with a customer

On March 31, 2025, the Group has entered into a license agreement with Qilu, under which the Group granted Qilu an exclusive license of intellectual properties of MHB088C, an ADC with blockbuster potential in small cell lung cancer and other cancers, to develop and commercialize in Greater China. Under the terms of the agreement, Qilu agreed to make various payments to the Group, including (i) a one-off and non-refundable upfront payment and (ii) milestone payments and tiered royalties at percentage rates between high single digits and middle double digits on the net annual sales in Greater China.

The rights to this key product in Greater China are currently being developed by Qilu in a Phase III clinical trial. The next milestone payment will be triggered upon the submission of the New Drug Application (NDA) for the ADC in small cell lung cancer in Mainland China.

The license agreement will remain in effect until expiration of the royalty term for MHB088C in a jurisdiction upon the latter of: (a) expiration of the patents covering MHB088C in the country and (b) the tenth anniversary of the first commercial sale of MHB088C in the jurisdiction.

(c) Disaggregated revenue information

	For the year ended December 31,		For the five months ended May 31,	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
			(unaudited)	
Type of revenue				
Revenue from the license agreement . .	—	264,410	264,151	—
	=	=	=	=
	For the year ended December 31,		For the five months ended May 31,	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
			(unaudited)	
Timing of revenue recognition				
At a point in time.	—	264,410	264,151	—
	=	=	=	=

(d) Accounting policy of revenue recognition

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

At contract inception, the Group assesses the goods or services promised within each contract and determines those that are performance obligations and assesses whether each promised good or service is distinct.

The Group considers the terms of the contracts to determine the transaction price. When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Licenses that meet all of the following criteria is to provide a right to access: (i) the contract requires, or the customer reasonably expects, that the Group will undertake activities that significantly affect the intellectual property to which the customer has rights; (ii) the rights granted by the license directly expose the customer to any positive or negative effects of the Group’s activities; and (iii) those activities do not result in the transfer of a good or a service to the customer as those activities occur. If these are not met, it is a right to use a license and it is recognized when the license is granted to the customer.

Revenue in the form of a sales-based or usage-based royalty, in exchange for a license of intellectual property, is recognized only when the later of the following events occurs: (i) the subsequent sale or usage occurs; and (ii) the performance obligation to which some or all of the sales-based or usage-based royalty has been allocated has been satisfied.

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The Group’s revenue is mainly generated from license of intellectual properties of a new drug (MHB088C) to Qilu. The terms of this arrangement typically include non-refundable upfront payments, milestone payments and royalties on net sales of licensed products. The contracts generally do not include a significant financing component as the amount or timing of the variable considerations varies on the basis of achieving a particular milestone and how much and when the subsequent sales occurred.

The Group concludes that it has a single performance obligation under the contract to issue the license. The Group has granted a ‘right to use’ license and revenue is recognized at the point in time that the license is granted to the customer. The intellectual properties licensed to the customer has significant stand-alone functionality (being the technology) and the Group does not perform any activities that affect that functionality.

The consideration for the license comprises a fixed payment (the upfront payment) and variable elements (the milestone payments and royalties). The Group uses judgment to determine whether milestones or other variable consideration should be included in the transaction price. At the inception of the arrangement, the Group assesses whether the milestones are considered highly probable of being achieved and estimates the amount to be included in the transaction price using the most likely amount method. In making these assessments, the Group considers various factors such as the scientific, clinical, regulatory, commercial, and other risks that must be overcome to achieve a particular milestone. Milestone payments that are subject to regulatory approvals and commercialization stages are not considered highly probable of being achieved until those approvals are received or commercialization stages are achieved.

A contract asset represents the Group’s right to consideration for goods or services that have been transferred to a customer, but for which the right to payment is still subject to the fulfilment of future performance obligations or other conditions. In the license-out arrangement with Qilu, as of May 31, 2025, control of the license is transferred to the customer upon grant of the license and a contract asset of RMB30 million has been recognized, as the Group’s right to consideration is conditional upon the achievement of a specific milestone event in the ongoing Phase III clinical trial. The Group does not have an unconditional right to payment until this milestone is met.

6 EXPENSES BY NATURE

	Year ended December 31,		Five months ended May 31,	
	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Outsourced pre-clinical and clinical expenses	243,701	185,767	42,699	99,703
Employee benefit expenses (Note 7) . .	35,567	44,172	16,694	19,634
Office and traveling expenses	5,360	4,304	1,752	2,123
Depreciation	3,105	3,036	1,270	1,534
Professional services expenses	2,530	4,887	825	2,506
Patent application fee	1,374	3,539	1,288	66
Direct materials and supplies	1,157	2,234	719	1,773
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Others	1,436	2,700	1,065	808
	<u>294,230</u>	<u>268,118</u>	<u>66,312</u>	<u>134,832</u>

7 EMPLOYEE BENEFIT EXPENSES

	Year ended December 31,		Five months ended May 31,	
	2024	2025	2025	2026
	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Wages, salaries and bonus	26,800	33,522	12,568	15,195
Social insurance (a)	6,791	7,108	2,813	3,861
Share-based compensation expenses (Note 12)	1,329	2,895	1,119	260
Other welfare for employees	647	647	194	318
	<u>35,567</u>	<u>44,172</u>	<u>16,694</u>	<u>19,634</u>

(a) Social insurance

The employees of the Group’s subsidiaries participate in various government-sponsored defined contribution pension plans and various government supervised housing funds, medical insurance and other employee social insurance plan under which these subsidiaries are required to make monthly contributions to these plans at certain percentages of the employee’s monthly salaries and wages subject to certain ceilings. During the Track Record Period, the Group had no forfeited contributions under these plans which may be utilized by the Group to reduce its contributions for the current period.

The Group has no other material obligation for the payment of retirement benefit associated with these schemes beyond the annual contribution described above.

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(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include only one director for the year ended December 31, 2024 and the five months ended May 31, 2025, include two directors for the year ended December 31, 2025, and include three directors for the five months ended May 31, 2026, respectively, whose emoluments are reflected in the analysis shown in Note 28. The emoluments payable to the remaining individuals during the period are as follows:

	Year ended December 31,		Five months ended May 31,	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Wages, salaries and bonus	3,792	3,288	1,752	883
Social insurance	541	404	167	108
Share-based compensation expenses . .	453	899	358	87
Other welfare for employees	9	—	—	—
	<u>4,795</u>	<u>4,591</u>	<u>2,277</u>	<u>1,078</u>

The emoluments fell within the following bands:

	Year ended December 31,		Five months ended May 31,	
	2024	2025	2025	2026
			(unaudited)	
Emolument bands				
HKD400,001 to HKD500,000	—	—	1	—
HKD500,001 to HKD1,000,000	1	1	3	2
HKD1,000,001 to HKD2,000,000	3	2	—	—
	<u>4</u>	<u>3</u>	<u>4</u>	<u>2</u>

8 OTHER INCOME

Accounting policy for government grant

Grants from the government are recognized at their fair value where there is a reasonable assurance that the subsidies will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognized in consolidated statements of comprehensive loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to property, plant and equipment are included in non-current liabilities as deferred income and are credited to consolidated statements of comprehensive loss over the estimated useful lives of the related assets using the straight-line method.

The Group’s government grants was related to income and recognized in “Other income”:

	Year ended December 31,		Five months ended May 31,	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Government grants	23,974	2,787	580	21
Others	—	189	189	32
	<u>23,974</u>	<u>2,976</u>	<u>769</u>	<u>53</u>

9 OTHER GAINS/(LOSSES), NET

	Year ended December 31,		Five months ended May 31,	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Net foreign exchange gains/(losses) . .	1,158	202	—	(892)
Realized and unrealized gains on financial assets at fair value through profit or loss	305	193	24	42
Others	132	307	—	(7)
	<u>1,595</u>	<u>702</u>	<u>24</u>	<u>(857)</u>

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10 INCOME TAX EXPENSE

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.

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

(a) *Cayman Islands*

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

(b) *Hong Kong*

Ming Ren Pharmaceutical Limited is incorporated in Hong Kong, which is subject to Hong Kong profit tax on its taxable income generated from operations in Hong Kong at two-tiered profits tax rates, 8.25% for first HKD2 million of assessable profits and 16.5% for assessable profits above HKD2 million. Additionally, payments of dividends by the subsidiary incorporated in Hong Kong to the Company are not subject to any Hong Kong withholding tax. No provision for Hong Kong profits tax has been provided as Ming Ren Pharmaceutical Limited has no estimated assessable profit during the Track Record Period.

(c) *Chinese Mainland*

During the Track Record Period, Minghui Pharmaceutical (Hangzhou) Co., Ltd is subject to corporate income tax at a rate of 25%.

For the year ended 31 December 2024, Minghui Pharmaceutical (Shanghai) Co., Ltd is entitled to a preferential corporate income tax rate of 5% because it is qualified as a small-scale enterprise. For the year ended 31 December 2025 and the period ended May 31, 2026, it is subject to corporate income tax at a rate of 25%.

No provision for Chinese Mainland profits tax has been provided pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the “CIT Law”), as the Group has no estimated assessable profits during the Track Record Period.

(d) *Withholding tax*

According to applicable tax regulations prevailing in the PRC, distribution of profits earned by PRC companies is generally subject to a withholding tax of 10% upon the distribution of profits to overseas-incorporated immediate holding companies. Depending on the tax residency of a foreign shareholder, the withholding tax rate may be adjusted based on the relevant bilateral tax treaty. During the Track Record Period, all the PRC companies recorded operating losses. Consequently, there is no profit distribution plan. Accordingly, no deferred income tax liability on withholding tax was accrued during the Track Record Period.

The tax on the Group’s loss before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to loss of the consolidated entities as follows:

	Year ended December 31,		Five months ended May 31,	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Loss before income tax	(282,631)	(919,308)	(50,844)	(210,223)
Tax at the statutory tax rate of 25% . .	(70,658)	(229,827)	(12,711)	(52,556)
Effects of different tax rates applicable to different subsidiaries of the Group	8,756	235,320	62,686	20,487
Additional deduction of research and development expense	(39,506)	(78,215)	(14,012)	(26,380)
Expenses not deductible for tax purposes	42	20	4	11
Deductible temporary differences for which no deferred tax asset was recognized	(51)	(94)	(53)	(143)
Utilization of previously unrecognized tax losses	–	–	(35,914)	–
Tax losses for which no deferred income tax asset was recognized . .	101,417	72,796	–	58,581
Income tax expense	–	–	–	–

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No deferred tax asset has been recognized in respect of the tax losses and deductible temporary difference due to the unpredictability of future profit streams. The tax losses in Chinese Mainland will expire in one to five years for offsetting against future taxable profits of the Group in which the losses arose.

11 LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss of the Group attributable to the equity holders of the Company by weighted average number of ordinary shares outstanding during the Track Record Period.

	For the year ended December 31,		For the five months ended May 31,	
	2024	2025	2025	2026
			(unaudited)	
Loss attributable to the owners of the Company (RMB'000)	(282,631)	(919,308)	(50,844)	(210,223)
Weighted average number of ordinary shares in issue (in thousands)	220,000	219,728	220,000	219,021
Basic loss per share (RMB)	(1.28)	(4.18)	(0.23)	(0.96)

(b) Diluted loss per share

Pursuant to the share option plan (Note 12), before November 18, 2025, certain number of ordinary shares of the Company held by the founder is to be used to provide incentives for the employees, officers, directors or consultants of the Group, the exercise of share options will not result in new shares issued by the Company, therefore such plan do not have dilutive impact on loss per share. On November 18, 2025, the Company established two employee incentive platforms for the abovementioned share option plan. The ordinary shares of the Company held by the two employee incentive platforms are presented as treasury shares in the consolidated financial statements prior to the satisfaction of vesting conditions. Accordingly, for the year ended December 31, 2025 and for the five months ended May 31, 2026, the outstanding share options issued under the Company’s share option plan are dilutive potential ordinary shares. During the Track Record Period, the dilutive potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive.

During the Track Record Period, the Company had convertible preferred shares which are treated as potential ordinary shares for the purpose of diluted loss per share. Each series of convertible preferred shares was tested individually for dilution. Convertible preferred shares are excluded from the diluted loss per share calculation if their inclusion would be anti-dilutive. Accordingly, for the years ended December 31, 2024 and 2025 and for the five months ended May 31, 2025 and 2026, none of the series of convertible preferred shares were included in the diluted loss per share calculation because their inclusion would have been anti-dilutive.

12 SHARE-BASED COMPENSATION

Accounting policy for share-based compensation

The Group operates share options granted to employees, under which the Group 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 (options) is recognized as an expense over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. 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);
- including the impact of any non-vesting conditions.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated statements of comprehensive loss, with a corresponding adjustment to equity.

The grant by the Company of its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

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Employee share option of the Group

On April 14, 2021, the Group adopted a share option plan, pursuant to which, up to 18,000,000 ordinary shares of the Company held by Ming De Group Holdings Limited (wholly owned by the founder) is to be used to provide long-term incentives for the employees, officers, directors or consultants of the Group to deliver long-term shareholder returns. Under the plan, participants are granted options which only vest if service condition is met. Participation in the plan is at the board of directors’ discretion. The expiry dates of the share options granted are the tenth anniversary of the grant dates.

On November 18, 2025, the Company established two employee incentive platforms (the “Trusts”) for the purpose of the Pre-[REDACTED] Equity Incentive Plan. Pursuant to the plan, the Company allotted and issued 3,401,300 shares to the Trusts from Ming De Group Holdings Limited (wholly owned by the founder) for no consideration. All share options held by the Trusts have been granted to the eligible employees, and 2,306,000 shares have been vested but not exercised. The Trusts are structured as employee share trusts and are controlled by the Company as defined under IFRS 10 Consolidated Financial Statements, accordingly, the Trusts are consolidated into the Company’s consolidated financial statements. Prior to the satisfaction of vesting conditions, the shares held in the Trusts remain classified as treasury shares, and the related treasury shares are reclassified and issued as outstanding ordinary shares when shares are vested with employees. As at December 31, 2025, 1,095,300 shares (including granted but not vested and forfeited shares) with a carrying amount of RMB77, were classified as treasury shares deducted from equity of share premium. As at May 31, 2026, 877,300 shares (including granted but not vested and forfeited shares) with a carrying amount of RMB60, were classified as treasury shares deducted from equity of share premium.

The chief executive officer of the Company may determine the number of options granted to the Participants each year. The options will vest after a required service period beginning on the date of the respective grant. The vested shares shall become exercisable upon the earliest of (i) the [REDACTED], or (ii) the occurrence of a change in control.

(i) Movements in share options

The following table summarizes the movements in the number of options granted and the exercise price during the Track Record Period.

	Year ended December 31, 2024		Year ended December 31, 2025		Five months ended May 31, 2025 (unaudited)		Five months ended May 31, 2026	
	Average exercise price	Number of options	Average exercise price	Number of options	Average exercise price	Number of options	Average exercise price	Number of options
	RMB		RMB		RMB		RMB	
At beginning of the year/period	1	1,530,000	1	2,196,000	1	2,196,000	1	3,383,900
Granted	1	666,000	1	1,205,300	1	1,022,000	1	–
Forfeited.	1	–	1	(17,400)	1	–	1	(60,400)
At end of the year/period	1	2,196,000	1	3,383,900	1	3,218,000	1	3,323,500
Including: vested at end of the year/period. . .	1	1,345,000	1	2,306,000	1	1,595,000	1	2,524,000
	=	=	=	=	=	=	=	=

(ii) Fair value of share options granted

As a private company with no quoted market price of the Company’s equity instruments, the Company needs to estimate the fair value of the Group’s equity interests at the respective grant date.

The directors of the Company estimated the risk-free interest rate based on the yield of China Treasury Bond with a maturity life close to the option life of the share option. Expected volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share option.

The fair value of the share options granted have been valued by an independent qualified valuer using the binomial valuation model as at the respective grant date. Key assumptions are set as below:

	Risk-free interest rate	Expected volatility	Dividend yield
Share options granted in the year ended December 31, 2024	2.56%	64.03%	0.00%
Share options granted in the year ended December 31, 2025	1.68%~1.86%	66.66%~67.96%	0.00%
Share options granted in the five months ended May 31, 2025 (unaudited)	1.83%	66.66%	0.00%
Share options granted in the five months ended May 31, 2026.	N/A	N/A	N/A

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(iii) Expenses arising from share-based payment transactions

Expenses for the share-based compensation have been charged to the consolidated statements of comprehensive loss as follows:

	Year ended December 31,		Five months ended May 31,	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Research and development expenses . .	1,168	2,663	919	240
Administrative expenses	161	232	200	20
	<u>1,329</u>	<u>2,895</u>	<u>1,119</u>	<u>260</u>

The Group has to estimate the expected yearly percentage of grantees that will stay within the Group at the end of vesting periods of the share options (the “Expected Retention Rate”) in order to determine the amount of share-based compensation expenses charged to the consolidated statements of comprehensive loss. As at December 31, 2024 and 2025 and May 31, 2026, the Expected Retention Rate was assessed to be 95%.

13 PROPERTY, PLANT AND EQUIPMENT

Accounting policy for property, plant and equipment

(i) Recognition and subsequent measurement

Property, plant and equipment, comprising office equipment, electronic equipment, laboratory equipment, motor vehicles and leasehold improvements are stated at historical cost less depreciation and impairment losses, if any. 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 recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

	Estimated useful lives
Office equipment	5 years
Electronic equipment	3 years
Laboratory equipment	10 years
Motor vehicles	10 years
Software	1 year
Leasehold improvements	the shorter of their useful lives and the lease terms

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statements of comprehensive loss.

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(ii) Impairment

Property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized 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 (CGU). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

As at December 31, 2024, December 31, 2025 and May 31, 2026, all the property, plant and equipment were in good condition and normal use. The recoverable amounts of these assets exceed that of the carrying amounts.

Group

	Office equipment	Electronic equipment	Laboratory equipment	Motor vehicles	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2024						
Cost	84	682	4,709	717	5,677	11,869
Accumulated depreciation . . .	(50)	(340)	(1,247)	(366)	(2,168)	(4,171)
Net book amount	<u>34</u>	<u>342</u>	<u>3,462</u>	<u>351</u>	<u>3,509</u>	<u>7,698</u>
Year ended December 31, 2024						
Opening net book amount . . .	34	342	3,462	351	3,509	7,698
Additions	–	130	149	–	–	279
Disposals	–	(3)	–	–	–	(3)
Depreciation charge	(11)	(181)	(452)	(70)	(596)	(1,310)
Closing net book amount . . .	<u>23</u>	<u>288</u>	<u>3,159</u>	<u>281</u>	<u>2,913</u>	<u>6,664</u>
At December 31, 2024						
Cost	84	800	4,858	717	5,677	12,136
Accumulated depreciation . . .	(61)	(512)	(1,699)	(436)	(2,764)	(5,472)
Net book amount	<u>23</u>	<u>288</u>	<u>3,159</u>	<u>281</u>	<u>2,913</u>	<u>6,664</u>
	Office equipment	Electronic equipment	Laboratory equipment	Motor vehicles	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2025						
Cost	84	800	4,858	717	5,677	12,136
Accumulated depreciation . . .	(61)	(512)	(1,699)	(436)	(2,764)	(5,472)
Net book amount	<u>23</u>	<u>288</u>	<u>3,159</u>	<u>281</u>	<u>2,913</u>	<u>6,664</u>
Year ended December 31, 2025						
Opening net book amount . . .	23	288	3,159	281	2,913	6,664
Additions	–	197	248	–	–	445
Disposals	–	(1)	–	–	–	(1)
Depreciation charge	(10)	(157)	(468)	(70)	(550)	(1,255)
Closing net book amount . . .	<u>13</u>	<u>327</u>	<u>2,939</u>	<u>211</u>	<u>2,363</u>	<u>5,853</u>
At December 31, 2025						
Cost	84	975	5,106	717	5,677	12,559
Accumulated depreciation . . .	(71)	(648)	(2,167)	(506)	(3,314)	(6,706)
Net book amount	<u>13</u>	<u>327</u>	<u>2,939</u>	<u>211</u>	<u>2,363</u>	<u>5,853</u>

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	Office equipment	Electronic equipment	Laboratory equipment	Motor vehicles	Software	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2026							
Cost	84	975	5,106	717	–	5,677	12,559
Accumulated depreciation . . .	(71)	(648)	(2,167)	(506)	–	(3,314)	(6,706)
Net book amount.	<u>13</u>	<u>327</u>	<u>2,939</u>	<u>211</u>	<u>–</u>	<u>2,363</u>	<u>5,853</u>
Five months ended May 31, 2026							
Opening net book amount . . .	13	327	2,939	211	–	2,363	5,853
Additions	–	122	60	–	134	–	316
Disposals	(7)	(2)	(1)	–	–	–	(10)
Depreciation charge	(3)	(78)	(205)	(35)	(33)	(229)	(583)
Closing net book amount . . .	<u>3</u>	<u>369</u>	<u>2,793</u>	<u>176</u>	<u>101</u>	<u>2,134</u>	<u>5,576</u>
At May 31, 2026							
Cost	31	1,095	5,164	717	134	5,677	12,818
Accumulated depreciation . . .	(28)	(726)	(2,371)	(541)	(33)	(3,543)	(7,242)
Net book amount.	<u>3</u>	<u>369</u>	<u>2,793</u>	<u>176</u>	<u>101</u>	<u>2,134</u>	<u>5,576</u>

	Office equipment	Electronic equipment	Laboratory equipment	Motor vehicles	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>(unaudited)</i>						
At January 1, 2025						
Cost	84	800	4,858	717	5,677	12,136
Accumulated depreciation . . .	(61)	(512)	(1,699)	(436)	(2,764)	(5,472)
Net book amount	<u>23</u>	<u>288</u>	<u>3,159</u>	<u>281</u>	<u>2,913</u>	<u>6,664</u>
Five months ended May 31, 2025						
Opening net book amount . . .	23	288	3,159	281	2,913	6,664
Additions	–	14	29	–	–	43
Depreciation charge	(4)	(67)	(193)	(29)	(229)	(522)
Closing net book amount . . .	<u>19</u>	<u>235</u>	<u>2,995</u>	<u>252</u>	<u>2,684</u>	<u>6,185</u>
At May 31, 2025						
Cost	84	814	4,887	717	5,677	12,179
Accumulated depreciation . . .	(65)	(579)	(1,892)	(465)	(2,993)	(5,994)
Net book amount	<u>19</u>	<u>235</u>	<u>2,995</u>	<u>252</u>	<u>2,684</u>	<u>6,185</u>

Depreciation of the Group charged to consolidated statements of comprehensive loss is analyzed as follows:

	Year ended December 31,		Five months ended May 31,	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
			<i>(unaudited)</i>	
Administrative expenses		150	41	82
Research and development expense . .		1,160	457	501
Cost of revenue		–	24	–
		<u>1,310</u>	<u>522</u>	<u>583</u>

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14 RIGHT-OF-USE ASSETS

Group

The Group leases offices and laboratory for its own use. Information about leases for which the Group is a lessee is presented below:

	Offices and laboratory
	<i>RMB'000</i>
As at January 1, 2024	
Cost	5,962
Accumulated depreciation	<u>(2,345)</u>
Net book amount	<u><u>3,617</u></u>
For the year ended December 31, 2024	
Opening net book amount	3,617
Depreciation charge	<u>(1,795)</u>
Closing net book amount	<u><u>1,822</u></u>
As at December 31, 2024	
Cost	5,962
Accumulated depreciation	<u>(4,140)</u>
Net book amount	<u><u>1,822</u></u>
	Offices and laboratory
	<i>RMB'000</i>
As at January 1, 2025	
Cost	5,962
Accumulated depreciation	<u>(4,140)</u>
Net book amount	<u><u>1,822</u></u>
For the year ended December 31, 2025	
Opening net book amount	1,822
Additions	5,327
Depreciation charge	<u>(1,781)</u>
Closing net book amount	<u><u>5,368</u></u>
As at December 31, 2025	
Cost	11,289
Accumulated depreciation	<u>(5,921)</u>
Net book amount	<u><u>5,368</u></u>
	Offices and laboratory
	<i>RMB'000</i>
As at January 1, 2026	
Cost	11,289
Accumulated depreciation	<u>(5,921)</u>
Net book amount	<u><u>5,368</u></u>
For the five months ended May 31, 2026	
Opening net book amount	5,368
Additions	3,095
Depreciation charge	<u>(951)</u>
Closing net book amount	<u><u>7,512</u></u>
As at May 31, 2026	
Cost	14,384
Accumulated depreciation	<u>(6,872)</u>
Net book amount	<u><u>7,512</u></u>

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	Offices and laboratory
	<i>RMB'000</i>
<i>(unaudited)</i>	
As at January 1, 2025	
Cost	5,962
Accumulated depreciation	(4,140)
Net book amount	<u>1,822</u>
For the five months ended May 31, 2025	
Opening net book amount	1,822
Additions	–
Depreciation charge	(748)
Closing net book amount.	<u>1,074</u>
As at May 31, 2025	
Cost	5,962
Accumulated depreciation	(4,888)
Net book amount	<u>1,074</u>

As at December 31, 2024, December 31, 2025 and May 31, 2026, all the offices and laboratory were in good condition and normal use. The recoverable amounts of these assets exceed that of the carrying amounts.

(i) Amounts recognized in the consolidated statements of comprehensive loss

The consolidated statements of comprehensive loss contain the following amounts relating to leases:

	Year ended December 31,		Five months ended May 31,	
	2024	2025	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i>
Depreciation charge of right-to-use assets				
Offices and laboratory	1,795	1,781	748	951
Interest expenses	117	76	23	90

The total cash outflow for leases in the years ended December 31, 2024 and 2025 and for the five months ended May 31, 2025 and 2026 were RMB1,924,000, RMB2,041,000, RMB985,000 and RMB838,000, respectively.

No expenses relating to short-term leases and variable lease payments.

15 CASH AND CASH EQUIVALENTS

Group

	As at December 31,		As at May 31,
	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash in bank and on hand	29,712	692,295	498,678
Three-month term deposit	–	108,454	106,218
	<u>29,712</u>	<u>800,749</u>	<u>604,896</u>
	As at December 31,		As at May 31,
	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash and cash equivalents are denominated in:			
USD	15,071	774,665	554,218
RMB	14,641	26,084	50,678
	<u>29,712</u>	<u>800,749</u>	<u>604,896</u>

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Company

	As at December 31,		As at May 31,
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Cash in bank	12,452	646,787	434,983
Three-month term deposit	—	108,454	106,218
	<u>12,452</u>	<u>755,241</u>	<u>541,201</u>

	As at December 31,		As at May 31,
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents are denominated in:			
USD	<u>12,452</u>	<u>755,241</u>	<u>541,201</u>

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,		As at May 31,
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Wealth management products	<u>13,786</u>	<u>13,248</u>	<u>6,741</u>

It represented investment in a wealth management product issued by a reputable commercial bank in the PRC. The wealth management product is not principal protected and the return is variable. It is denominated in RMB and redeemable on demand.

The unobservable inputs of wealth management products are expected return rates and discounted rates. The higher the expected return rate, the higher the fair value; the higher the discounted rate, the lower the fair value. The expected annual return rates of the investments in wealth management products with floating rate range from 1.42% to 2.32% for the year ended December 31, 2024, from 1.09% to 2.05% for the year ended December 31, 2025 and from 1.00% to 1.58% for the five months ended May 31, 2026. If the fair value of financial assets at fair value through profit or loss held by the Group had been 1% higher/lower, for the year ended December 31, 2024, the pre-tax loss would have been approximately decreased/increased RMB138,000, for the year ended December 31, 2025, the pre-tax loss would have been approximately decreased/increased by RMB132,000, and for the five months ended May 31, 2026, the pre-tax loss would have been approximately decreased/increased by RMB67,000.

17 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Accounting policy for prepayments and other receivables

Prepayments mainly represent upfront cash payments made to hospitals and testing companies. Prepayments to hospitals and testing companies will be subsequently recorded as research and development expenses in accordance with the applicable performance requirements.

Prepayments are generally expected to consume within one year or less and therefore are all classified as current assets.

Other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for impairment.

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Group

	As at December 31,		As at May 31,
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Non-current			
Deposits	262	—	617
Current			
Prepayments to suppliers (i)	2,704	22,455	39,889
Deferred [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Deposits	246	508	—
Others	101	164	136
	3,051	27,107	45,532

- (i) It mainly represented prepayments to hospitals relating to advances for patient recruitment, trial administration, and other clinical study costs; and prepayments to testing companies relating to advances for dedicated materials and testing services that are essential for R&D activities.

Company

	As at December 31,		As at May 31,
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Current			
Deferred [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Receivables of domestic investments with warrants to purchase Preferred Shares (Note 27(a))	60,000	—	—
	60,000	3,980	5,507

18 OTHER NON-CURRENT ASSETS

Group

	As at December 31,		As at May 31,
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Value-added tax recoverable	30,946	34,034	39,685

There is no time limit for the utilization of value-added tax recoverable, and it is expected to be recovered by offsetting against the output VAT levied on future revenue.

19 SHARE CAPITAL

Group and Company

Authorized

	Number of Ordinary Shares	Number of Series A Preferred Shares	Number of Series B Preferred Shares	Number of Series B+ Preferred Shares	Number of Series Pre-C Preferred Shares	Number of Series C Preferred Shares	Equivalent Nominal Value
							USD'000
At December 31, 2024	4,781,407,374	80,000,000	52,500,000	70,328,251	15,764,375	—	50
At December 31, 2025 and May 31, 2026	4,624,651,943	80,000,000	52,500,000	70,328,251	34,473,967	138,045,839	50

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Issued

	Number of Ordinary Shares	Equivalent Nominal Value of Ordinary Shares
		<i>RMB'000</i>
At December 31, 2024, December 31, 2025 and May 31, 2026	220,000,000	14

The Company was incorporated in the Cayman Islands as an exempted company registered under the laws of the Cayman Islands on March 8, 2018. Upon incorporation of the Company, 220,000,000 shares were issued at par value of USD0.00001 each.

20 OTHER RESERVES

Group

	Translation reserve	Share-based compensation	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2024	(47,367)	5,739	(41,628)
Exchange difference on translation	(13,502)	–	(13,502)
Share-based compensation	–	1,329	1,329
At December 31, 2024	(60,869)	7,068	(53,801)
Exchange difference on translation	37,605	–	37,605
Share-based compensation	–	2,895	2,895
At December 31, 2025	(23,264)	9,963	(13,301)
At January 1, 2026	(23,264)	9,963	(13,301)
Exchange difference on translation	65,502	–	65,502
Share-based compensation	–	260	260
At May 31, 2026	42,238	10,223	52,461
<i>(unaudited)</i>			
At January 1, 2025	(60,869)	7,068	(53,801)
Exchange difference on translation	295	–	295
Share-based compensation	–	1,119	1,119
At May 31, 2025	(60,574)	8,187	(52,387)

Company

	Translation reserve	Share-based compensation	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2024	(24,590)	2,447	(22,143)
Exchange difference on translation	(3,979)	–	(3,979)
Share-based compensation	–	1,329	1,329
At December 31, 2024	(28,569)	3,776	(24,793)
Exchange difference on translation	20,719	–	20,719
Share-based compensation	–	2,895	2,895
At December 31, 2025	(7,850)	6,671	(1,179)
At January 1, 2026	(7,850)	6,671	(1,179)
Exchange difference on translation	35,118	–	35,118
Share-based compensation	–	260	260
At May 31, 2026	27,268	6,931	34,199
<i>(unaudited)</i>			
At January 1, 2025	(28,569)	3,776	(24,793)
Exchange difference on translation	(24)	–	(24)
Share-based compensation	–	1,119	1,119
At May 31, 2026	(28,593)	4,895	(23,698)

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21 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Accounting policy for convertible preferred shares

Convertible preferred shares issued by the Company are redeemable upon occurrence of certain future events. This instrument can be converted into ordinary shares of the Company at any time after the date of issuance of such preferred shares at the option of the holders, or automatically converted into ordinary shares upon the closing of an [REDACTED] of the Company.

The Group designated the convertible preferred shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. Subsequent to initial recognition, the convertible preferred shares are carried at fair value with changes in fair value recognized in the consolidated statements of comprehensive loss. The convertible preferred shares are classified as current liabilities since the holders have the right to convert them into the Company’s ordinary shares at their discretion.

If the Company’s own credit risk results in fair value changes in financial liabilities designated as at fair value through profit or loss, they are recognized in other comprehensive loss. Amounts recorded in other comprehensive income/(loss) related to credit risk are not subject to recycling in profit or loss, but are transferred to retained earnings when realized.

Group

	As at December 31,		As at May 31,
	2024	2025	2026
	RMB’000	RMB’000	RMB’000
Series A Preferred Shares	295,025	569,535	585,433
Series B Preferred Shares (a)	160,559	275,277	280,488
Series B+ Preferred Shares	356,008	530,443	535,311
Series Pre-C Preferred Shares (b).	157,063	269,894	269,217
Series C Preferred Shares	—	1,170,235	1,139,142
	<u>968,655</u>	<u>2,815,384</u>	<u>2,809,591</u>

(a) Domestic investment with warrants and offshore affiliate to purchase Series B Preferred Shares

In 2020, the Company issued 15,000,000 Series B Preferred Shares to an investor with both onshore and offshore affiliate at total cash consideration of RMB60,000,000 via the following arrangement.

In the Series B financing, an onshore affiliate of the investor entered into a domestic investment agreement with the Group in 2020 whereby the onshore affiliate agreed to provide domestic investments to the Minghui Pharmaceutical (Shanghai) Co., Ltd. or Minghui Pharmaceutical (Hangzhou) Co., Ltd. (the “WFOEs”), subsidiaries of the Company that incorporated in the PRC, and the Company agreed to issue Series B Preferred Share Purchase Warrants (the “Series B Warrants”) to the onshore affiliate. Meanwhile, the Company issued Series B Preferred Shares to an offshore affiliate of the investor.

Prior to investing in the Company, the onshore affiliate of the investor shall obtain requisite overseas direct investment approvals (“ODI approval”). Once the ODI approval obtained, the WFOEs shall return the onshore affiliate the principal amount of the domestic investment, and such amount shall be paid by the onshore affiliate to the Company as part of purchase consideration for Series B Preferred Shares, and concurrently, the Series B Preferred Shares originally issued to the offshore affiliate shall be surrendered.

The instruments relating to the Series B Warrant, domestic investment in the WFOEs and Series B Preferred Shares issued by the Company were designated as financial liabilities at fair value through profit or loss as a whole, which are initially recognized at fair value. The amount of fair value changes relating to the Company’s own credit risk is immaterial. Fair value changes relating to market risk are recognized in profit or loss.

(b) Domestic investment with warrants to purchase Series Pre-C Preferred Shares

Through October 2024 to April 2025, the Company issued 17,539,859 Series Pre-C Preferred Shares to certain onshore investors at a cash consideration of USD9,072,205 (RMB65,000,000), via the following arrangement.

Prior to investing in the Company, onshore investors shall obtain requisite ODI approval. In the Series Pre-C financing, prior to obtaining ODI approval, these onshore investors entered into domestic investment agreements with the Group in March 2025 whereby these onshore investors agreed to provide domestic investments to the WFOEs and the Company agreed to issue Series Pre-C Preferred Share Purchase Warrants (the “Series Pre-C Warrants”, together with Series B Warrants, the “Warrants”) to these onshore investors.

Once these onshore investors obtain ODI approval, the WFOEs shall return these onshore investors the principal amount of domestic investment, and such amount shall be paid by these onshore investors to the Company as part of purchase consideration for Series Pre-C Preferred Shares.

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These abovementioned domestic investments and warrants were designated as financial liabilities at fair value through profit or loss, which are initially recognized at fair value. The amount of fair value changes relating to the Company’s own credit risk is immaterial. Fair value changes relating to market risk are recognized in profit or loss.

(c) Convertible preferred shares of the Company

The rights, preferences and privileges of the above convertible preferred shares are as follows:

(i) Conversion feature

Each convertible preferred share may, at the option of the holder thereof, be converted at any time after the date of issuance of such convertible preferred shares into ordinary shares, or shall automatically be converted into ordinary shares upon the closing of an [REDACTED] of the Company.

The conversion ratio for the convertible preferred shares to the ordinary shares is 1:1 if no adjustments to conversion price have occurred. As at December 31, 2024, December 31, 2025 and May 31, 2026, each convertible preferred share is convertible into one ordinary share.

(ii) Liquidation preferences

Each holder of convertible preferred shares shall be entitled to receive for each series of convertible preferred shares 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 any other class or series of shares by reason of their ownership of such shares, an amount per share equal to the greater of (a) the aggregate of (i) 100% of the respective applicable issue price, and any and all accrued or declared but unpaid dividends on such convertible preferred share per share, and (ii) plus an amount accruing thereon daily at a rate of 10% per annum of the respective applicable issue price commencing from the respective issue date; or (b) the amount such holder would be entitled to receive assuming that all the then issued and outstanding preferred shares had been converted to ordinary shares and the entire assets and funds of the Company legally available for distribution are distributed ratably among all holders of ordinary shares according to the relative number of ordinary shares held by such holder.

In the event of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, all assets and funds of the Company legally available for distribution shall be distributed in the following order and manner: first to holders of Series C Preferred Shares, second/third to holders of Series Pre-C Preferred Shares, fourth to holders of Series B+ Preferred Shares, fifth to holders of Series B Preferred Shares and sixth to holders of Series A Preferred Shares. After distributing or paying in full the liquidation preference amount to all of the holders of convertible preferred shares, the remaining assets shall be distributed ratably on a pari passu, pro rata basis in accordance with the number of ordinary shares held among the holders of ordinary shares.

(iii) Redemption feature

The holders of the convertible preferred shares may give a written notice to the Company to redeem all or a portion of the issued and outstanding convertible preferred shares held by such holder under certain triggering events as provided in the article of association. These redemption triggering events include the following:

- (a) any breach, misrepresentation or fraud by any of the Group, the founding shareholder and the founding shareholder Holdco (collectively, “the Warrantor”) of any representations, warranties, covenants or obligations of the transaction documents, which have materially affected or prejudiced the preferred share holders’ interest;
- (b) any material breach or non-compliance with any applicable laws by any of the Warrantor, which, if curable, is not cured within 15 Business days after the receipt of written notice by the preferred share holders;
- (c) any change of control or change of the management team, which have or would have material adverse effect on the Group or on the [REDACTED] of the Group;
- (d) any violation or infringement of the rights of any person by any intellectual property owned or used by the Group, or any pending or threatened claim or litigation against any Group contesting the right to use its intellectual property, asserting the misuse thereof, or asserting the infringement or other violation of any intellectual property of any person, which have or would have material adverse effect on the Group or on the [REDACTED] of Group; or
- (e) any activities conducted by the founding shareholder or the founding shareholder Holdco or their respective affiliates, directly or indirectly, in a business competing with the principal business of the Group, which have or would have material adverse effect on the [REDACTED] of the Group.

The redemption price payable on each of the abovementioned convertible preferred shares shall be 100% of the applicable issue price and any accrued or declared but unpaid dividends on such convertible preferred share, plus an amount accruing thereon daily at a rate of 12% per annum.

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(iv) Dividend rights

Each holder of the issued and outstanding convertible preferred shares shall be entitled to receive dividends, at an amount such holder would be entitled to receive together with each holder of ordinary shares on a pari passu and as-converted basis, payable out of funds or assets when and as such funds or assets become legally available therefor on parity with each other, prior and in preference to, and satisfied before, any dividend on any ordinary shares, when, as, and if declared by the board of directors, provided that the holders of the convertible preferred shares shall be entitled to receive dividends at the rate no less than the rate for the holders of ordinary shares (calculated on an as-converted basis).

Except for a distribution pursuant to c(ii) described above, no dividend or distribution, whether in cash, in property, or in any other shares of the Company, shall be declared, paid, set aside or made with respect to the ordinary shares at any time unless a dividend or distribution is likewise declared, paid, set aside or made, respectively, at the same time with respect to each issued and outstanding preferred share.

The movement of financial liabilities at fair value through profit or loss is set out below:

	Total
	<i>RMB'000</i>
At January 1, 2024	904,019
Issuance of convertible preferred shares (i)	37,000
Changes in fair value — profit or loss	14,011
Currency translation difference	13,625
At December 31, 2024	968,655
Issuance of convertible preferred shares (i) (ii)	970,130
Changes in fair value — profit or loss	927,808
Currency translation difference	(51,209)
At December 31, 2025	2,815,384
Changes in fair value — profit or loss	79,891
Currency translation difference	(85,684)
At May 31, 2026	2,809,591
<i>(unaudited)</i>	
At January 1, 2025	968,655
Issuance of convertible preferred shares (i)	35,187
Changes in fair value — profit or loss	249,527
Currency translation difference	(304)
At May 31, 2025	1,253,065

- (i) Through October 2024 to April 2025, the Company issued 18,709,592 Series Pre-C Preferred Shares to certain onshore investors at a cash consideration of USD10,072,205 (RMB72,187,000).
- (ii) In August 2025, the Company issued 138,045,839 Series C Preferred Shares to investors at a cash consideration of USD130,999,925 (RMB934,943,685).

The directors of the Company estimated the risk-free interest rate for the valuation of the convertible preferred shares based on the yields of US Treasury Bond with maturities approximating the expected time to the liquidity events (such as an entire business sale, transfer of controlling interest or liquidation), as the convertible preferred shares were subscribed for in USD and the expected exit proceeds are USD-denominated.

Expected volatility was estimated as at the valuation date based on the historical volatilities of comparable listed biotechnology companies over look-back periods commensurable with the expected time to the liquidity events of the convertible preferred shares. Such volatility inputs reflect market participant assumptions and are considered appropriate given the characteristics of the convertible preferred shares and the prevailing market conditions of the biotechnology sector.

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With the assistance from an external valuer appointed by the Group, the Group applied the back-solve method and the market approach — the multiple method which is price over research and development expenses (“P/RD”) method to determine the underlying equity value of the Company and adopted option-pricing method and equity allocation model to determine the fair value of the financial instruments issued to investors. Key assumptions are set out as below:

Unobservable inputs	December 31, 2024	December 31, 2025	May 31, 2026	Relationship of unobservable inputs to fair value
P/RD ratio	8.57	21.68	16.36	The higher the P/RD ratio, the higher the fair value of financial instrument to investors.
Risk-free interest rate	4.28%	3.69%	4.10%	The higher the risk-free interest rate, the lower the fair value of financial instrument to investors.
Volatility	70.34%	70.61%	74.45%	Nonlinear relationships
DLOM	28.10%	12.00%	7.00%	The higher the DLOM, the lower the fair value of financial instrument to investors.

As of December 31, 2024, increasing/decreasing expected P/RD ratio by 5% would increase/decrease the fair value of financial instruments by RMB41,649,000 and RMB41,763,000, respectively. Increasing/decreasing risk-free interest rate by one percentage point would decrease/increase the fair value by RMB3,114,000 and RMB3,167,000, respectively. Increasing/decreasing DLOM by 5% would decrease/increase the fair value by RMB16,307,000 and RMB16,290,000, respectively.

As of December 31, 2025, increasing/decreasing expected P/RD ratio by 5% would increase/decrease the fair value of financial instruments by RMB135,957,000 and RMB136,044,000, respectively. Increasing/decreasing risk-free interest rate by one percentage point would decrease/increase the fair value by RMB4,308,000 and RMB4,435,000, respectively. Increasing/decreasing DLOM by 5% would decrease/increase the fair value by RMB18,546,000 and RMB18,544,000, respectively.

As of May 31, 2026, increasing/decreasing expected P/RD ratio by 5% would increase/decrease the fair value of financial instruments by RMB137,123,000 and RMB137,182,000, respectively. Increasing/decreasing risk-free interest rate by one percentage point would decrease/increase the fair value by RMB2,737,000 and RMB2,812,000, respectively. Increasing/decreasing DLOM by 5% would decrease/increase the fair value by RMB10,323,000 and RMB10,323,000, respectively.

Company

	As at December 31,		As at May 31,
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Series A Preferred Shares	295,025	569,535	585,433
Series B Preferred Shares	160,559	275,277	280,488
Series B+ Preferred Shares	356,008	530,443	535,311
Series Pre-C Preferred Shares	120,063	269,894	269,217
Series C Preferred Shares	—	1,170,235	1,139,142
	<u>931,655</u>	<u>2,815,384</u>	<u>2,809,591</u>
			Total
			RMB'000
At January 1, 2024			904,019
Changes in fair value — profit or loss			14,011
Currency translation difference			13,625
At December 31, 2024			<u>931,655</u>
Issuance of convertible preferred shares			1,007,130
Changes in fair value — profit or loss			927,808
Currency translation difference			(51,209)
At December 31, 2025			<u>2,815,384</u>
Changes in fair value — profit or loss			79,891
Currency translation difference			(85,684)
At May 31, 2026			<u>2,809,591</u>
(unaudited)			
At January 1, 2025			931,655
Issuance of convertible preferred shares			17,187
Changes in fair value — profit or loss			249,527
Currency translation difference			(304)
At May 31, 2025			<u>1,198,065</u>

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As described in note 21(b) above, 17,539,859 Series Pre-C Preferred Shares were issued to certain onshore investors at a cash consideration of USD9,072,205 (RMB65,000,000) under the arrangement of domestic investment with warrants. The Company recognized the fair value change of financial liabilities at fair value through profit or loss in relation with these warrants, and the corresponding financial liabilities in relation to the domestic investments were recorded in the WFOEs. Among which, domestic investments of RMB37,000,000 were made by certain onshore investors in 2024. Upon completion of the ODI of these investors in 2025, the Company issued the corresponding Series Pre-C Preferred Shares and the related financial liabilities were recognised at the Company level in 2025 accordingly.

For the five months ended May 31, 2025, a cash consideration of USD1,395,800 (RMB10,000,000) was returned to the onshore investor to be paid to the Company for the purchase consideration of Series Pre-C Preferred Shares.

22 TRADE PAYABLES

Accounting policy for trade payables

Trade and other payables mainly represent the obligations to pay for services that have been acquired in the ordinary course of business from hospitals and clinical trial companies. Trade and other payables are presented as current liabilities unless payment is not due within one year or less after the reporting period.

Trade and other payables are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

Group

As at December 31, 2024, December 31, 2025 and May 31, 2026, the aging analysis of trade payables based on invoice date is as follows:

	As at December 31,		As at May 31,
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Within 6 months	87,584	24,562	15,007
Over 6 months and within 1 year	67,962	6,601	7,263
Over 1 year	81,241	16,114	1,799
	<u>236,787</u>	<u>47,277</u>	<u>24,069</u>

23 OTHER PAYABLES

Group

	As at December 31,		As at May 31,
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Staff salaries and welfare payables	3,853	7,689	3,684
Other taxes payable	173	181	165
[REDACTED] payables	[REDACTED]	[REDACTED]	[REDACTED]
Others	497	1,057	749
	<u>4,523</u>	<u>22,866</u>	<u>18,181</u>

Company

	As at December 31,		As at May 31,
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
[REDACTED] payables	[REDACTED]	[REDACTED]	[REDACTED]
Others	23	23	21
	<u>23</u>	<u>13,962</u>	<u>13,604</u>

24 DIVIDENDS

No dividend or distribution has been declared, made or paid by the Company or any of the companies comprising the Group during the Track Record Period.

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25 CASH FLOW INFORMATION

(a) Reconciliation of loss for the year/period to net cash used in operations

	Year ended December 31,		Five months ended May 31,	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Loss before income tax	(282,631)	(919,308)	(50,844)	(210,223)
Adjustments for:				
– Depreciation of property, plant and equipment	1,310	1,255	522	583
– Share-based compensation expenses	1,329	2,895	1,119	260
– Depreciation of right-of-use assets	1,795	1,781	748	951
– Finance income, net	(41)	(8,530)	(51)	(5,304)
– Fair value gains on financial assets at fair value through profit or loss	(305)	(193)	(24)	(42)
– Fair value change of financial liabilities at fair value through profit or loss	14,011	927,808	249,527	79,891
– Exchange gains	(1,158)	(202)	–	(1,158)
Changes in working capital:				
– Trade payables	122,822	(189,510)	(24,392)	(23,208)
– Other payables	(563)	18,343	3,133	(4,685)
– Contract assets	–	–	(30,000)	–
– Prepayments, deposits and other receivables	5,592	(22,461)	(7,508)	(17,533)
– Other non-current assets	(7,925)	(3,088)	11,783	(5,651)
Cash (used in)/generated from operating activities	(145,764)	(191,210)	154,013	(186,119)

(b) Reconciliation of liabilities arising from financing activities

	Lease liabilities	Financial liabilities at fair value through profit or loss	Total
	RMB'000	RMB'000	RMB'000
Net debt as at January 1, 2024	3,542	904,019	907,561
Cash flows	(1,924)	37,000	35,076
Changes in fair value — profit or loss	–	14,011	14,011
Other changes	117	–	117
Foreign exchange adjustments	–	13,625	13,625
Net debt as at December 31, 2024	1,735	968,655	970,390
Cash flows	(2,041)	970,130	968,089
Changes in fair value — profit or loss	–	927,808	927,808
Other changes	5,403	–	5,403
Foreign exchange adjustments	–	(51,209)	(51,209)
Net debt as at December 31, 2025	5,097	2,815,384	2,820,481
Cash flows	(838)	–	(838)
Changes in fair value — profit or loss	–	79,891	79,891
Other changes	3,185	–	3,185
Foreign exchange adjustments	–	(85,684)	(85,684)
Net debt as at May 31, 2026	7,444	2,809,591	2,817,035
<i>(unaudited)</i>			
Net debt as at January 1, 2025	1,735	968,655	970,390
Cash flows	(985)	35,187	34,202
Changes in fair value — profit or loss	–	249,527	249,527
Other changes	23	–	23
Foreign exchange adjustments	–	(304)	(304)
Net debt as at May 31, 2025	773	1,253,065	1,253,838

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26 COMMITMENTS

(a) Capital commitments

No capital expenditure contracted for by the Group at the balance sheet date but not yet incurred during the Track Record Period.

27 RELATED PARTY TRANSACTIONS

Parties are considered to be related in one party has the ability, directly or indirectly, to control the other part or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the Track Record Period.

(a) Outstanding balance with related parties

Company

	Year ended December 31,		Five months ended May 31,	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Amount due from subsidiaries	60,000	—	—	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

As described in note 21(a), 15,000,000 Series B Preferred Shares was issued to an offshore affiliate of an investor at cash consideration of RMB60,000,000. The consideration was paid by the investor’s onshore affiliate to the WFOEs, which was recorded as amount from subsidiaries at the Company level. In 2025, the WFOEs returned consideration of RMB60,000,000 to the onshore affiliate for the purpose of the ODI approval.

(b) Key management compensation

Compensations for key management other than those for directors as disclosed in Note 28 is set out below.

	Year ended December 31,		Five months ended May 31,	
	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Wages, salaries and bonus	880	—	467	—
Share-based compensation expenses . .	351	—	51	—
Social insurance	145	—	60	—
Other welfare for employees	2	—	—	—
	<u>1,378</u>	<u> </u>	<u>578</u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Throughout the financial year ended December 31, 2025 and the period ended May 31, 2026, the Company’s senior executive officers concurrently served as executive directors on the Board.

28 DIRECTORS’ BENEFITS AND INTERESTS

(a) Directors’ and senior management’s emoluments

Directors and chief executives’ emoluments for the Track Record Period are set out as follows:

	Fees	Salary	Discretionary bonus	Share-based compensation expenses	Social security costs	Other benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31,							
2024							
Executive director							
Dr. CAO Guoqing (i)	—	2,294	—	—	29	354	2,677
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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	Fees	Salary	Discretionary bonus	Share-based compensation expenses	Social security costs	Other benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2025							
Executive directors							
Dr. CAO Guoqing	–	2,233	700	–	–	343	3,276
Mr. SHI Junwei (ii)	–	880	247	153	146	–	1,426
Mr. ZHONG Zhongren (iii)	–	401	75	35	13	–	524
Non-executive directors							
Dr. David Guowei WANG (iv)	–	–	–	–	–	–	–
Dr. CHEN Kan (v)	–	–	–	–	–	–	–
	–	3,514	1,022	188	159	343	5,226

	Fees	Salary	Discretionary bonus	Share-based compensation expenses	Social security costs	Other benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Five months ended May 31, 2026							
Executive directors							
Dr. CAO Guoqing	–	917	–	–	–	143	1,060
Mr. SHI Junwei	–	489	–	73	61	–	623
Mr. ZHONG Zhongren	–	370	–	33	61	–	464
Non-executive directors							
Dr. David Guowei WANG	–	–	–	–	–	–	–
Dr. CHEN Kan	–	–	–	–	–	–	–
	–	1,776	–	106	122	143	2,147

	Fees	Salary	Discretionary bonus	Share-based compensation expenses	Social security costs	Other benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000

(unaudited)

Five months ended May 31, 2025

Executive director							
Dr. CAO Guoqing	–	974	100	–	–	143	1,217

(i) Dr. CAO Guoqing, as the founder, was appointed as executive director on April 27, 2018.

(ii) Mr. SHI Junwei was appointed as executive director on November 18, 2025.

(iii) Mr. ZHONG Zhongren was appointed as executive director on November 18, 2025.

(iv) Dr. David Guowei WANG was appointed as non-executive director on July 31, 2025.

(v) Dr. CHEN Kan was appointed as non-executive director on July 31, 2025.

(b) Directors’ retirement benefits

None of the directors received or will receive any retirement benefits during the Track Record Period.

(c) Directors’ termination benefits

None of the directors received or will receive any termination benefits during the Track Record Period.

(d) Consideration provided to third parties for making available directors’ services

During the Track Record Period, the Company did not pay consideration to any third parties for making available directors’ services.

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(e) Information about domestic investment, quasi-domestic investment and other dealings in favor of directors, bodies corporate controlled by or entities connected with directors

There were no domestic investment, quasi-domestic investment and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors during the Track Record Period.

(f) Directors’ material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group’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 at the end of the year/period or at any time during the Track Record Period.

29 SUBSIDIARIES

The details of the subsidiaries of the Group are set out below:

Name	Place and date of incorporation	Principal activities	Issued ordinary/registered share capital			Percentage of attributable equity interest to the Company			
			As at December 31,		As at May 31,	As at December 31,		As at May 31,	As at the date of this report
			2024	2025	2026	2024	2025	2026	
Minghui Pharmaceutical Pty, Ltd. (a) (b).	Australia, 3 July 2019	Pharmaceuticals research, development and production	AUD100	N/A	N/A	100%	N/A	N/A	N/A
Minghui Pharmaceutical (USA), Inc. (a).	United States, 8 July 2022	Pharmaceuticals research, development and production	USD1	USD1	USD1	100%	100%	100%	100%
Ming Yuan Group Holdings Limited (a) . .	British Virgin Islands, 15 March 2018	Investment holding	USD1	USD1	USD1	100%	100%	100%	100%
Ming Ren Pharmaceutical Limited (c) . .	Hong Kong, 23 March 2018	Investment holding	HKD1	HKD1	HKD1	100%	100%	100%	100%
Minghui Pharmaceutical (Shanghai) Co., Ltd. (d)	PRC, 27 April 2018	Pharmaceuticals research, development and production	RMB300,000,000	RMB300,000,000	RMB300,000,000	100%	100%	100%	100%
Minghui Pharmaceutical (Hangzhou) Co., Ltd. (d) . .	PRC, 29 July 2019	Pharmaceuticals research, development and production	USD100,000,000	USD150,000,000	USD150,000,000	100%	100%	100%	100%

Notes:

- (a) No audited financial statements have been issued for these companies for the Track Record Period, as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.
- (b) There were limited operating activities carried out in Minghui Pharmaceutical Pty, Ltd (the “MPPL”) since its incorporation in 2019. Due to the constrained prospects for clinical operations in Australia, management decided to deregister the subsidiary. On June 4, 2025, the MPPL completed the deregistration procedures in accordance with the relevant laws and regulations of its place of registration and the Company no longer holds any equity interest in it. The MPPL was not involved in any material non-compliance incidence or litigation during the Track Record Period and up to its deregistration. The deregistration of the subsidiary did not have a material impact on the Group’s consolidated financial statements for the Track Record Period.
- (c) The statutory auditor of this subsidiary for the years ended December 31, 2024 and 2025 was Diligent Treasure CPA Limited, certified public accountants registered in Hong Kong.
- (d) The statutory auditor of these subsidiaries for the years ended December 31, 2024 and 2025 was Beijing Dongshen Certified Public Accountants (LLP), certified public accountants registered in the PRC.

30 SUBSEQUENT EVENTS

There is no significant subsequent event after May 31, 2026.

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31 SUMMARY OF OTHER ACCOUNTING POLICIES

31.1 Principles of consolidation and equity accounting

31.1.1 Subsidiaries

Subsidiaries are all entities (including structured 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 to direct the activities of 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 unrealized gains on transactions between group companies are eliminated. Unrealized 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.

31.2 Foreign currency translation

31.2.1 Functional and presentation currency

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 Company’s functional currency is USD; however the Historical Financial Information are presented in RMB. As the major operations of the Group are within the PRC, the Group determined to present the Historical Financial Information in RMB (unless otherwise stated).

31.2.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in consolidated statements of comprehensive loss in the period in which they arise.

Monetary assets and liabilities denominated in foreign currencies at the year end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

All foreign exchange gains and losses are presented in the consolidated statements of comprehensive loss within “Other gains/losses, net”.

31.2.3 Group companies

The results and balance sheet of all the Group entities (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 financial position are translated at the closing rate;
- Income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rate; and
- All resulting currency translation differences are recognized in other comprehensive income and accumulated as “Other reserves” in equity.

31.3 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash in bank and cash on hand.

31.4 Share capital

Ordinary shares are classified as equity. Convertible preferred shares issued to investors are classified as liabilities based on the respective contract terms (see Note 21).

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

31.5 Income tax

The income tax expense or credit for the period is the tax payable 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.

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Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, deferred tax liabilities are not recognized 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 substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized 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 tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current 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 realize the asset and settle the liability simultaneously.

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

31.6 Employee benefits

31.6.1 Pension obligations

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees’ salaries, subject to certain ceiling. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in an independent fund managed by the PRC government. The Group’s contributions to these plans are expensed as incurred.

31.6.2 Housing funds, medical insurances and other social insurances

The PRC employees of the Group are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group’s liability in respect of these funds is limited to the contributions payable in each period.

31.6.3 Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits 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 recognized 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 balance sheet.

31.6.4 Employee leave entitlement

Employee entitlement to annual leave are recognized 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 the reporting period. Employees entitlement to sick leave and maternity leave are not recognized until the time of leave.

31.6.5 Bonus plan

The expected cost of bonus is recognized 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 12 months and are measured at the amounts expected to be paid when they are settled.

31.7 Leases as lessee

The Group leases various properties. Rental contracts are typically made for fixed periods of 2-3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

APPENDIX I

ACCOUNTANT’S REPORT

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to consolidated statements of comprehensive 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 over the shorter of the asset’s useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments), less any lease incentives receivable; and the lease payments are discounted using the interest rate implied in the lease, if that rate can be determined, or the respective incremental borrowing rate.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liabilities;

The payments associated with short-term leases are recognized on a straight-line basis as an expense in consolidated statements of comprehensive loss. Short-term leases are leases with a lease term of 12 months or less.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company or any of the companies comprising the Group in respect of any period subsequent to May 31, 2026 and up to the date of this report.