The following is the text of a report set out on pages I-1 to I-51 received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

Deloitte. **德勤**

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF AXBIO INTERNATIONAL LIMITED, CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND SPDB INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Axbio International Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-51, which comprises the consolidated statements of financial position of the Group as at 31 December 2023 and 2024, the statements of financial position of the Company as at 31 December 2023 and 2024, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the two years ended 31 December 2024 (the "Track Record Period") and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-51 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "Document") in connection with the initial [**REDACTED**] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

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

Reporting accountants' responsibility

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

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

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's and the Company's financial position as at 31 December 2023 and 2024 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 3 to the Historical Financial Information.

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

Adjustments

In preparing the Historical Financial Information, no adjustment to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
[Date]

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

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

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

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR EACH OF THE TWO YEARS ENDED 31 DECEMBER 2023 AND 2024

	NOTES	**2023**	**2024**
		US$'000	*US$'000*
Revenue	*5*	–	479
Cost of sales		–	(175)
Gross Profit		–	304
Other income	*6a*	1,935	2,063
Other gains and losses	*6b*	(1,477)	(7,805)
Research and development expenses		(15,291)	(11,412)
Administrative expenses		(7,919)	(6,526)
Finance costs	*7*	(104)	(90)
Loss before tax		(22,856)	(23,466)
Income tax expense	*8*	–	–
Loss for the year	*9*	(22,856)	(23,466)
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		(82)	(187)
Total comprehensive expense for the year		(22,938)	(23,653)
Loss per share	*13*		
– Basic and diluted *(US$)*		(0.18)	(0.19)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 AND 2024

	NOTES	**2023**	**2024**
		US$'000	*US$'000*
Non-current assets			
Property and equipment	*14*	4,354	3,533
Right-of-use assets	*15(a)*	1,399	1,183
Intangible asset	*16*	–	527
Other receivables, deposits and prepayments	*17*	293	237
		6,046	5,480
Current assets			
Inventories	*18*	243	326
Trade receivables	*19*	–	347
Other receivables, deposits and prepayments	*17*	1,477	2,124
Bank balances and cash	*20*	54,260	36,910
		55,980	39,707
Current liabilities			
Trade and other payables	*21*	2,804	2,770
Bank borrowings	*22*	–	835
Lease liabilities	*15(b)*	638	814
Contract liabilities		222	329
Financial liabilities at fair value through profit or loss	*23*	90,220	97,830
Deferred income	*24*	169	167
		94,053	102,745
Net current liabilities		(38,073)	(63,038)
Total assets less current liabilities		(32,027)	(57,558)

	NOTES	**2023**	**2024**
		US$'000	*US$'000*
Non-current liabilities			
Lease liabilities	*15(b)*	798	396
Deferred income	*24*	494	320
		1,292	716
Net liabilities		(33,319)	(58,274)
Capital and deficit			
Share capital	*25*	12	12
Reserves		(33,331)	(58,286)
Total deficit		(33,319)	(58,274)

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY AS AT 31 DECEMBER 2023 AND 2024

	NOTES	**2023**	**2024**
		US$'000	*US$'000*
Non-current assets			
Investments in subsidiaries	*32*	42,601	49,101
Amounts due from subsidiaries	*33*	35,010	35,060
		77,611	84,161
Current assets			
Other receivables	*17*	66	252
Bank balances and cash		38,414	29,964
		38,480	30,216
Current liabilities			
Amounts due to subsidiaries	*33*	807	1,350
Financial liabilities at fair value through profit or loss	*23*	90,220	97,830
		91,027	99,180
Net current liabilities		(52,547)	(68,964)
Net assets		25,064	15,197
Capital and reserves			
Share capital	*25*	12	12
Reserves	*26*	25,052	15,185
		25,064	15,197

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR EACH OF THE TWO YEARS ENDED 31 DECEMBER 2023 AND 2024

	Share capital	Share premium	Other reserve**	Translation reserve	Share-based payments reserve	Accumulated losses	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2023	12	6,618	18,726	(695)	1,947	(38,099)	(11,491)
Loss for the year	–	–	–	–	–	(22,856)	(22,856)
Exchange differences arising on translation of foreign operations	–	–	–	(82)	–	–	(82)
Total comprehensive expense for the year	–	–	–	(82)	–	(22,856)	(22,938)
Recognition of equity settled share-based payments *(Note 28)*	–	–	–	–	1,110	–	1,110
At 31 December 2023	12	6,618	18,726	(777)	3,057	(60,955)	(33,319)
Loss for the year	–	–	–	–	–	(23,466)	(23,466)
Exchange differences arising on translation of foreign operations	–	–	–	(187)	–	–	(187)
Total comprehensive expense for the year	–	–	–	(187)	–	(23,466)	(23,653)
Recognition of equity settled share-based payments *(Note 28)*	–	–	–	–	1,198	–	1,198
Repurchase and cancellation of shares	–*	(2,500)	–	–	–	–	(2,500)
At 31 December 2024	12	4,118	18,726	(964)	4,255	(84,421)	(58,274)

* Represents amount less than US$1,000

** The other reserves mainly represent the capital premium over the amount of registered capital injected by the equity owners of the Company the effect arising from the group reorganisation completed in prior year.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR EACH OF THE TWO YEARS ENDED 31 DECEMBER 2023 AND 2024

	2023	2024
	US$'000	*US$'000*
OPERATING ACTIVITIES		
Loss before tax	(22,856)	(23,466)
Adjustments for:		
Finance costs	104	90
Interest income	(967)	(1,548)
Depreciation of property and equipment	1,175	1,403
Depreciation of right-of-use assets	822	852
Amortisation of intangible assets	–	11
Amortisation of deferred income	(436)	(169)
Allowance for inventories	–	28
Share-based payments expense	1,110	1,198
Changes in fair value of financial assets at fair value through profit or loss	(100)	–
Changes in fair value of financial liabilities at fair value through profit or loss	2,070	7,610
Loss from early termination of a lease	9	–
Operating cash flows before movements in working capital	(19,069)	(13,991)
Decrease (increase) in trade and other receivables	589	(1,006)
Increase in inventories	(63)	(112)
Increase (decrease) in trade and other payables	954	(2)
Increase in contract liabilities	9	107
Increase in deferred income	852	–
Cash used in operations	(16,728)	(15,004)
Income tax paid	–	–
NET CASH USED IN OPERATING ACTIVITIES	(16,728)	(15,004)

	2023	2024
	US$'000	*US$'000*
INVESTING ACTIVITIES		
Proceeds from disposal of financial assets at fair value through profit or loss	17,625	–
Interest received	967	1,548
Purchase of and deposits paid for property and equipment	(2,236)	(583)
Purchase of intangible asset	–	(543)
Withdrawal of restricted bank deposits	75	–
NET CASH FROM INVESTING ACTIVITIES	16,431	422
FINANCING ACTIVITIES		
Interest paid	(104)	(90)
Repayments of lease liabilities	(854)	(860)
Repayment of loan due to a preferred shareholder	(18,686)	–
Proceed from exercise of warrant issued to a preferred shareholder	19,398	–
New bank loans raised	–	843
Repurchase of preferred shares	–	(2,500)
NET CASH USED IN FINANCING ACTIVITIES	(246)	(2,607)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(543)	(17,189)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	55,552	54,260
Effects of exchange rate changes	(749)	(161)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	54,260	36,910

NOTES TO THE HISTORICAL FINANCIAL INFORMATION FOR EACH OF THE TWO YEARS ENDED 31 DECEMBER 2023 AND 2024

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 14 September 2021. Its shareholders are Dr. Hui Tian, Dr. Igor Ivanov (the "Founders") and groups of institutional investors and individuals.

The principal activities of the Company and its subsidiaries (collectively the "Group") are developing high-performance molecular In-Vitro diagnostic technology and development and sales of medical equipment and provision of technical support services in the People's Republic of China (the "PRC") and the United States of America (the "USA").

The functional currency of the Company and the operating subsidiary incorporated in the USA is United States Dollars ("US$"). The functional currency of the PRC operating subsidiaries is Renminbi ("RMB"). The presentation currency of the Historical Financial Information is US$ as it best suits the needs of the shareholders and investors.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently adopted the accounting policies which conform with the HKFRS Accounting Standards issued by the HKICPA, which are effective for the accounting period beginning on 1 January 2024 consistently throughout the Track Record Period.

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

At the date of this report, the Group has not early applied the following new and amendments to HKFRS Accounting Standards that have been issued but are not yet effective:

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-Dependent Electricity[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRSs Accounting	Annual Improvements to HKFRS Accounting Standards – Volume 11[3]
Amendments to HKAS 21	Lack of Exchangeability[2]
HKFRS 18	Presentation and Disclosure in Financial Statements[4]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2025.
3 Effective for annual periods beginning on or after 1 January 2026.
4 Effective for annual periods beginning on or after 1 January 2027.

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

HKFRS 18 Presentation and Disclosure in Financial Statements

HKFRS 18 Presentation and Disclosure in Financial Statements, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 Presentation of Financial Statements. This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, 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. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 and HKFRS 7. Minor amendments to HKAS 7 Statement of Cash Flows and HKAS 33 Earnings per Share are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The Group will continue to assess the impact of HKFRS 18 on the Group's consolidated financial statements.

3. MATERIAL ACCOUNTING POLICY INFORMATION

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

As of 31 December 2024, the Group had net current liabilities of US$63,038,000, net liabilities of US$58,274,000 and accumulated losses of US$84,421,000. According to the Memorandum and Articles of Association of the Company, the preferred shares are redeemable at the option of the holders at any time if the Company fails to complete an **[REDACTED]** before 31 December 2026 or the occurrence of certain other events. The relevant terms of the preferred shares have been further amended subsequently in April 2025 details of which are disclosed in Note 35. The directors of the Company are of the opinion that the preferred shares will not have cash flow impact to the Group in the next twelve months from the date of this report as they consider the redemption events are unlikely to occur in the next twelve months from the date of this report.

Taking into account of the facts or views that the Group generated cash flow out of US$17,189,000 for the year ended 31 December 2024, the Group has bank balances and cash of US$36,910,000 as at 31 December 2024 and the financial liabilities at FVTPL included in current liabilities with carrying amount of US$97,830,000 was expected not to have cash flow impact to the Group in the next twelve months from the date of this report, the Group has performed a cash flow projection for the next twelve months. Accordingly, the directors of the Company believe that the Group will have sufficient working capital to meet its financial liabilities and obligations as and when they fall due and to sustain its operations for the next twelve months from the date of the report. Accordingly, the directors of the Company consider that it is appropriate that the Historical Financial Information is prepared on a going concern basis.

Basis of consolidation

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

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

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

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

Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in Note 5.

Leases

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 Leases at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment, or a lease contract is modified and the lease modification is not accounted for as a separate lease (see below for the accounting policy for "lease modifications").

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

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purpose of presenting the Historical Financial Information, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. US$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Borrowing costs

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

Government grants

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

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

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Employee benefits

Retirement benefit costs

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

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Share-based payments

Equity-settled share-based payment transactions

Shares options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will be transferred to accumulated losses.

When shares granted are vested, the amount previously recognised in share-based payment reserve will be transferred to share premium.

Share options granted to non-employees

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses (unless the goods or services qualify for recognition as assets).

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

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

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

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

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

Current and deferred tax are recognised in profit or loss.

Property and equipment

Property and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

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

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use assets, intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

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

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

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

Cash and cash equivalents

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

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

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 Revenue from Contracts with Customers. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss ("FVTPL") are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit losses ("ECL") model on financial assets (including trade and other receivables, deposits, amounts due from subsidiaries and bank balances and cash) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables.

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

(i) Significant increase in credit risk

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

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

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

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor 's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 3 years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

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

Lifetime ECL for trade receivables that are not credit-impaired are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

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

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

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

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Other gains and losses' line item as part of the net foreign exchange gains/(losses).

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 Business Combinations applies, (ii) held for trading or (iii) it is designated as at FVTPL.

Financial liabilities at amortised cost

Financial liabilities including borrowings, trade and other payables and amounts due to subsidiaries are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, is recognised in profit or loss.

Investments in subsidiaries

Investments in subsidiaries is stated in the statements of financial position of the Company at cost less any identified impairment loss.

4. KEY SOURCE OF ESTIMATION UNCERTAINTIES

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Group are required to make judgement, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value measurement of financial instruments

As at 31 December 2023 and 2024, certain of the Group's financial liabilities, Series A-1 and Series B preference shares, amounting to US$90,220,000 and US$97,830,000 respectively, are measured at fair value which being determined based on significant unobservable inputs using valuation techniques and involving judgements and estimation in establishing the relevant valuation techniques and the relevant inputs thereof. Management estimates and assumptions are reviewed periodically and are adjusted if necessary. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See Note 23 for further disclosures.

5. REVENUE AND SEGMENT INFORMATION

Revenue

(i) Disaggregation of revenue from contracts with customers

The following is an analysis of the Group's revenue from its major products:

At a point in time

	2023	**2024**
	US$'000	*US$'000*
Sales of goods	–	479

(ii) Performance obligations for contracts with customers

For sales of goods to customers, revenue is recognised at a point in time when control of the goods has passed to customers, i.e. when the products have been delivered and titles have passed to customers upon received by customers.

Segment Information

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

Geographical Information

The Group's operations and non-current assets are mainly located at the US and the mainland of the PRC. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Non-current assets excluding financial instruments	
	2023	**2024**
	US$'000	*US$'000*
The US	1,086	1,044
The PRC	4,723	4,213
	5,809	5,257

Note: Non-current assets excluded non-current portion of rental deposits.

6a. OTHER INCOME

	2023	2024
	US$'000	*US$'000*
Bank interest income	967	1,548
Government grants *(Note)*	831	513
Others	137	2
	1,935	2,063

Note: During the years ended 31 December 2023 and 2024, the government grants include subsidies received to encourage research and development amounting to US$395,000 and US$344,000, respectively which was recognised in the consolidated statement of profit or loss upon receipt of these rewards and the related conditions associated with the rewards are met, if any. There are no unfulfilled conditions or contingencies relating to these grants.

The remaining portion of government grants related to subsidies received for i) the cost of leasehold improvements ii) specific research and development project, which were recognised in the statement of profit or loss over the useful lives of relevant assets as detailed in Note 24.

6b. OTHER GAINS AND LOSSES

	2023	2024
	US$'000	*US$'000*
Changes in fair value of financial liabilities at FVTPL	(2,070)	(7,610)
Net foreign exchange gain	502	2
Changes in fair value of financial assets at FVTPL	100	–
Others	(9)	(197)
	(1,477)	(7,805)

7. FINANCE COSTS

	2023	2024
	US$'000	*US$'000*
Interests on:		
Bank borrowings	–	1
Lease liabilities	104	89
	104	90

8. INCOME TAX EXPENSE

The Company was incorporated in the Cayman Islands and is exempted from income tax for the Track Record Period.

For the years ended 31 December 2023 and 2024, Axbio Inc. is a taxable corporation for U.S. income tax purpose, which is subject to U.S. federal income tax and applicable state income tax. The U.S. federal statutory tax rate is 21% and state income tax rate varies by state and locality but is up to 8.84%.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of EIT Law, the enterprise income tax ("EIT") rate of the PRC subsidiaries is 25% during the Track Record Period except that Anxuyuan Biotechnology (Shenzhen) Co., Limited ("Anxuyuan Shenzhen") which is operated in the PRC is qualified as "High and New Technology Enterprises" and entitled to a preferential EIT rate of 15% since 2022 with a valid period of three years until 14 December 2025.

According to a policy promulgated by the State Tax Bureau of the PRC and effective from 2022 onwards, enterprises engaged in research and development activities are entitled to claim 100% of the research and development expenses incurred in a year as extra tax deductible expenses in determining the taxable income for that year ("Super Deduction"). Anxuyuan Shenzhen has claimed such Super Deduction in determining its tax assessable profits for the years ended 31 December 2023 and 2024.

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for the Track Record Period.

No provision for taxation has been made since all subsidiaries of the Company have no assessable profits during the Track Record Period.

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

	2023	2024
	US$'000	*US$'000*
Loss before tax	(22,856)	(23,466)
Income tax expense calculated at 25%	(5,714)	(5,867)
Tax effect of expenses not deductible for tax purpose	964	2,104
Tax effect of income not taxable for tax purpose	–	(42)
Tax effect of Super Deduction	(1,317)	(969)
Tax effect of tax losses not recognised	6,202	4,752
Others	(135)	22
Income tax expense recognised in profit or loss	–	–

At 31 December 2023 and 2024, the Group has unrecognised tax losses of approximately US$64,290,000 and US$83,459,000, respectively, subject to final confirmation of relevant tax authorities. No deferred tax asset has been recognised in respect of the tax losses or temporary differences due to the unpredictability of future profit streams. Included in unrecognised tax losses as at 31 December 2023 and 2024 are the amounts of US$25,699,000 and US$37,442,000, respectively which were incurred by the PRC operating subsidiary and will expire from 2025 to 2033 and from 2025 to 2034, respectively. The remaining unused tax losses, which are related to Axbio Inc. and Axbio Hong Kong Limited will carry forward indefinitely.

9. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2023	**2024**
	US$'000	*US$'000*
Depreciation of property and equipment	1,175	1,403
Depreciation of right-of-use assets	822	852
Amortisation of intangible assets	–	11
Total depreciation and amortisation	1,997	2,266
Auditor's remuneration	3	1
Directors' and chief executive's emoluments *(Note 10)*	701	584
Other staff costs:		
Salaries, allowances and other benefits in kind	10,954	8,586
Retirement benefit scheme contributions	594	347
Share-based payments expense	1,110	1,198
Total staff costs	13,359	10,715

10. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS

Directors' and chief executive officer's remuneration for the Track Record Period, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

	Fees	Salaries and other benefits	Retirement benefit scheme contributions	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
For the year ended 31 December 2023				
Executive directors:				
Dr. Hui Tian *(Chairman and Chief executive officer)*	–	354	–	354
Dr. Igor Ivanov	–	347	–	347
Non-executive Directors:				
Mr. Bing Chen	–	–	–	–
Mr. Xutian Jing	–	–	–	–
Mr. Lizi Bie	–	–	–	–
	–	701	–	701
For the year ended 31 December 2024				
Executive directors:				
Dr. Hui Tian *(Chairman and Chief executive officer)*	–	301	–	301
Dr. Igor Ivanov	–	283	–	283
Non-executive Directors:				
Mr. Bing Chen	–	–	–	–
Mr. Xutian Jing	–	–	–	–
Mr. Lizi Bie	–	–	–	–
	–	584	–	584

Notes:

(i) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. None of the directors of the Company waived any emoluments during the Track Record Period.

(ii) During the years ended 31 December 2023 and 2024, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals of the Group included 2, and 2 directors of the Group for the years ended 31 December 2023 and 2024, respectively, details of whose remuneration are set out above. Details of the remuneration for the remaining 3, and 3 highest paid employees for the years ended 31 December 2023 and 2024, respectively, are as follows:

	2023	**2024**
	US$'000	*US$'000*
Salaries, allowances and benefits in kind	702	641
Share-based payments expense	193	72
	895	713

The emoluments of these employees (excluding directors) are within the following bands:

	2023	**2024**
	No. of employees	*No. of employees*
HK$1,000,001 to HK$1,500,000	1	–
HK$1,500,001 to HK$2,000,000	–	2
HK$2,000,001 to HK$2,500,000	1	1
HK$3,500,001 to HK$4,000,000	1	–
	3	3

During the Track Record Period, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

12. DIVIDEND

No dividend was declared or paid by the Group in respect of the Track Record Period nor has any dividend been proposed since the end of the Track Record Period.

13. LOSS PER SHARE

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

	2023	2024
	US$'000	*US$'000*
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	(22,856)	(23,466)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	125,943,040	124,711,951

As Series Seed Preferred Shares and Series A Preferred Shares are classified as equity instrument and have the same rights to receive dividends as ordinary shares (Note 25), Series Seed Preferred Shares and Series A Preferred Shares are treated as ordinary shares for the purpose of calculating basic and diluted loss per share.

For the years ended 31 December 2023 and 2024, the Series A-1 and Series B Preferred Shares and the shares options awarded under the Equity Incentive Plan (as defined in Note 28) issued by the Company were not included in the calculation of diluted loss per share, as their inclusion would be anti-dilutive. Accordingly, the diluted loss per share for the years ended 31 December 2023 and 2024 are the same as the basic loss per share.

14. PROPERTY AND EQUIPMENT

The Group

	Leasehold Improvements	Research and development equipment	Office fixtures and equipment	Manufacturing equipment	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
COST					
At 1 January 2023	1,761	1,516	305	415	3,997
Additions	1,116	780	152	131	2,179
Exchange adjustments	(36)	(12)	(4)	(7)	(59)
At 31 December 2023	2,841	2,284	453	539	6,117
Additions	22	525	73	5	625
Exchange adjustments	(40)	(18)	(6)	(9)	(73)
At 31 December 2024	2,823	2,791	520	535	6,669
DEPRECIATION					
At 1 January 2023	44	444	73	35	596
Provided for the year	467	403	158	147	1,175
Exchange adjustments	(3)	(2)	(2)	(1)	(8)
At 31 December 2023	508	845	229	181	1,763
Provided for the year	575	541	115	172	1,403
Exchange adjustments	(13)	(8)	(3)	(6)	(30)
At 31 December 2024	1,070	1,378	341	347	3,136
CARRYING VALUES					
At 31 December 2024	1,753	1,413	179	188	3,533
At 31 December 2023	2,333	1,439	224	358	4,354

The above items of property and equipment are depreciated on a straight-line basis at the rate per annum as follows:

Leasehold improvements	Over the term of the lease
Research and development equipment	33%
Office fixtures and equipment	33%
Manufacturing equipment	33%

15. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group

(a) Right-of-use assets

	Leased properties
	US$'000
Carrying amounts	
At 31 December 2023	1,399
At 31 December 2024	1,183
Amortisation charge	
For the year ended 31 December 2023	822
For the year ended 31 December 2024	852

	2023	2024
	US$'000	*US$'000*
Expense relating to short-term leases	62	61
Total cash outflow for leases	1,020	1,011
Additions to right-of-use assets	641	648

During the years ended 31 December 2023 and 2024, the Group leases properties for its office premises. Lease contracts are entered into for fixed term of 19 months to 5 years. There were no extension or termination options in the lease contract. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for staff quarter. For each of the reporting period, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in above.

During the year ended 31 December 2023, the Group early terminated a lease agreement in USA. The early termination fee was US$9,000. The Group has derecognised a right-of-use asset and the corresponding lease liability of approximately US$23,000 and US$23,000, and recognised a loss of US$9,000.

In addition, as at 31 December 2023 and 2024, lease liabilities of US$1,436,000 and US$1,210,000 are recognised with related right-of-use assets of US$1,399,000 and US$1,183,000, respectively. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(b) Lease liabilities

	2023	2024
	US$'000	*US$'000*
Lease liabilities payable:		
Within one year	638	814
Within a period of more than one year but not more than two years	479	314
Within a period of more than two years but not exceeding five years	319	82
	1,436	1,210
Less: Amount due for settlement with 12 months shown under current liabilities	(638)	(814)
Amount due for settlement after 12 months shown under non-current liabilities	798	396

The weighted average incremental borrowing rate applied to lease liabilities are ranged from 4.31% to 9.17% during the year ended 31 December 2023 and ranged from 4.59% to 9.17% during the year ended 31 December 2024.

16. INTANGIBLE ASSET

The Group

	Patents
	US$'000
COST	
At 1 January 2023 and 31 December 2023	–
Additions	543
Exchange alignment	(5)
At 31 December 2024	538
AMORTISATION	
At 1 January 2023 and 31 December 2023	–
Provided for the year	(11)
At 31 December 2024	(11)
CARRYING VALUES	
At 31 December 2023	–
At 31 December 2024	527

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over 15 to 15.2 years.

17. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The Group

	2023	2024
	US$'000	*US$'000*
Tax recoverable	950	1,234
Prepayments for research and development service	123	458
Rental deposits	289	277
Other prepayments	193	110
Others	215	282
	1,770	2,361
Represented by:		
Non-current	293	237
Current	1,477	2,124
	1,770	2,361

The Company

	2023	2024
	US$'000	*US$'000*
Tax recoverable	66	144
Others	–	108
	66	252

18. INVENTORIES

The Group

	2023	2024
	US$'000	*US$'000*
Raw materials and consumables	149	149
Finished goods	94	205
	243	354
Less: allowance for inventories	–	(28)
	243	326

19. TRADE RECEIVABLES

The Group

	2023	2024
	US$'000	*US$'000*
Trade receivables	–	347

As at 1 January 2023, trade receivables from contracts with customers amounted to nil.

The Group usually provides customers with a credit term from 30 to 90 days. The ageing of the trade receivables as at 31 December 2024, based on the date of revenue recognition, is less than 90 days.

20. BANK BALANCES AND CASH

The Group and the Company

Bank balances and cash include demand deposits and short-term deposits with original maturity of three months or less for the purpose of meeting the Group's and the Company's short term cash commitments, which carry interest at market rates range from 0% to 5.25% for the year ended 31 December 2023 and from 0% to 4.62% for the year ended 31 December 2024.

21. TRADE AND OTHER PAYABLES

The Group

	2023	2024
	US$'000	*US$'000*
Trade payables	–	14
Payroll payables	2,224	2,175
Other payables	580	581
	2,804	2,770

The credit period on trade payables is 14 days. The ageing of the trade payables as at 31 December 2024, based on the suppliers' invoice dates, is less than 90 days.

22. BANK BORROWINGS

	2023	2024
	US$'000	*US$'000*
Unsecured and unguaranteed	–	835

Note: As at 31 December 2024, the bank borrowings carried at fixed interest rate of 3.0% and 3.1% per annum, and the interests are calculated and settled on a monthly basis.

The carrying amounts of the above borrowings are analysed based on contractual repayment date as follows:

	2023	2024
	US$'000	*US$'000*
Within one year	–	835
	–	835
Less: Amount due within one year classified under current liabilities	–	(835)
Amounts shown under non-current liabilities	–	–

23. FINANCIAL LIABILITIES AT FVTPL

The Group and the Company

	Date of issue	Total number of preferred shares issue	Subscription price per preferred share	Total
			US$	*US$'000*
Series A-1 Preferred Shares				
– Tranche 1	29 October 2021	9,053,597	1.6568	15,000
– Tranche 2	27 April 2022	3,017,866	1.6568	5,000
– Tranche 3 *(Note)*	7 June 2022	484,016	–	–
		12,555,479		20,000
Series B Preferred Shares				
– Tranche 1	7 June 2022	21,461,376	1.8638	40,000
– Tranche 2	18 August 2022	5,365,344	1.8638	10,000
– Tranche 3	17 March 2023	10,730,688	1.8638	20,000
		37,557,408		70,000

Note: On 7 June 2022, 484,016 nil-paid Series A-1 Preferred Shares were alloted and issued to the Series A-1 Investors in connection with the Equity Incentive Plan (as defined in Note 28).

In accordance with the investment agreements of Series A-1 Preferred Shares and Series B Preferred Shares, the investors were granted with certain preferred rights (the "Preferred Rights") upon capital contribution. The Preferred Rights mainly included the followings:

(a) *Dividend rights*

When as and if declared by the board of directors of the Company, Series B Preferred Shares are entitled to a non-cumulative dividend in preference to any dividend on other preferred shares and ordinary shares at an annual rate of 6.8% of the applicable issue price of Series B Preferred Shares. After payment in full on Series B Preferred Shares, Series A-1 Preferred Shares are entitled to a non-cumulative dividend in preference to any dividend on other preferred shares and ordinary shares at the rate per annum of US$0.1127 per share. A dividend is payable only when funds are legally available and only when, as and if declared by the board of directors of the Company. During the Track Record Period, the board of directors of the Company has not declared any dividends.

(b) *Conversion feature*

Series A-1 and B Preferred Shares are convertible, at the option of the holder thereof, at any time after the date of issuance of respective series of preferred shares, into that number of ordinary shares determined by dividing the original issue price for the relevant series by the conversion price for such series. The initial conversion price is the original purchase price of Series A-1 Preferred Shares and Series B Preferred Shares, which are US$1.6568 and US$1.8638 respectively, and may be adjusted if the consideration per share for the additional ordinary shares issued by the Company is less than the Series A-1 Preferred Share conversion price or the Series B Preferred Share conversion price, as appropriate. As at 31 December 2023 and 31 December 2024, the applicable conversion ratio for Series A-1 Preferred Shares was 1:1 and 1:1 respectively and that for Series B Preferred Shares was 1:1 and 1:1 respectively.

Series A-1 and B Preferred Shares shall automatically be converted into ordinary shares at the then effective conversion rate for such share immediately prior to the closing of a qualified [**REDACTED**], which means [**REDACTED**] on the New York Stock Exchange, the NASDAQ Stock Market's Global Market System, the Main Board of the Hong Kong Stock Exchange, Shanghai Stock Exchange, Shenzhen Stock Exchange or any other exchange of recognised international reputation and standing duly approved by the holders of more than fifty percent (50%) of the voting power of the issued and outstanding Series A Preferred Shares (as defined in Note 25) and Series A-1 Preferred Shares ('Junior Preferred Majority') and the holders of more than two thirds (2/3) of the voting power of the issued and outstanding Series B Preferred Shares, with the [**REDACTED**] of the Company immediately following the completion of such [**REDACTED**] of no less than [**REDACTED**] (prior to customary [**REDACTED**] commissions and expenses), on a fully-diluted basis, or such other valuation approved by the Junior Preferred Majority and holders of more than eighty percent (80%) of the voting power of the issued and outstanding Series B Preferred Shares ("Qualified [**REDACTED**]").

(c) *Redemption*

Series A-1 and Series B Preferred Shares investors may require the Company to redeem their investments if the Company fails to consummate a Qualified [**REDACTED**] by 31 December 2026, at the redemption price the original purchase price, adjusted for any share splits, share dividends, recapitalization and events with similar effect, plus a simple interest rate of 10% per annum accruing from the original issue date until the date of redemption plus all declared but unpaid dividends.

(d) *Liquidation preferences*

In the event of any liquidation event (including customarily-deemed-liquidation events such as acquisition), whether voluntary or involuntary, all assets and funds of the Company legally available for distribution to the shareholders shall be distributed to the shareholders of the Company as follows:

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, outstanding Series A-1 Preferred Shares and Series B Preferred Shares are entitled to be paid in full out of the Company's assets available for distribution before payment on ordinary shares in the following order: (i) on Series B Preferred Shares, the sum of (a) US$1.8638 for each Series B Preferred Shares, (b) an interest at the rate of 5% per annum (accruing daily and compounding annually from the Series B Preferred Shares issuance date) and (c) any dividends accrued or declared but unpaid; (ii) on Series A-1 Preferred Shares, the sum of (a) US$1.6568 for each Series A-1 Preferred Share, (b) an interest at the rate of 5% per annum (accruing daily and compounding annually from the Series A-1 Preferred Shares issuance date) and (c) any dividends accrued or declared but unpaid. Any remaining net assets of the Company are distributed to all shareholders on a pro-rata basis.

(e) *Voting rights*

The voting, dividend and liquidation rights of ordinary shares are subject to the rights, powers and preferences of preferred shares. Ordinary shares are entitled to one vote per share at all meetings of shareholders. There is no cumulative voting right. On any matter presented to shareholders of the Company for their action or consideration at any meeting of shareholders, each holder of preferred shares is entitled to the number of votes equal to the number of whole shares of ordinary shares into which preferred shares are convertible. Holders of preferred shares shall vote together with the holders of ordinary shares as a single class.

Presentation and Classification

The directors of the Company considered that the Series A-1 and Series B Preferred Shares issued by the Company are accounted for as financial liabilities measured at FVTPL.

The directors of the Company also considered that the changes in the fair value of the Series A-1 and Series B Preferred Shares attributable to the change in credit risk of these financial liabilities are minimal. Changes in fair value of the Series A-1 and Series B Preferred Shares not attributable to the change in credit risk of the financial liabilities are charged to profit or loss and presented as "changes in fair value of financial liabilities at FVTPL".

The Series A-1 and Series B Preferred Shares were valued by the directors of the Company with reference to valuation reports carried out by an independent qualified professional valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"), which has appropriate qualifications and experiences in valuation of similar instruments. The address of the JLL is Room 801, Jinghui Building, No.118 Jianguo Road Yi, Chaoyang District, Beijing 100022, China.

As at 31 December 2023, the directors of the Company used the back-solve method to determine the underlying share value of the Company and applied the hybrid method to perform an equity allocation to arrive the fair value of the Series A-1 and Series B Preferred Shares. The hybrid method is a hybrid between the probability-weighted expected return method and the option pricing method ("OPM"), estimating the probability-weighted value across multiple scenarios but using the OPM to estimate the allocation of value within one or more of those scenarios.

As at 31 December 2024, the directors of the Company used the discounted cash flows method to determine the underlying share value of the Company and applied the hybrid method to perform an equity allocation to arrive the fair value of the Series A-1 and Series B Preferred Shares.

The key valuation assumptions used in back-solve method and discounted cash flows method to determine the fair value of the Series A-1 and Series B Preferred Shares are as follows:

Back-solve method

	As at 31 December 2023
Probability for liquidation	20%
Probability for redemption	20%
Probability for [**REDACTED**]	60%
Time to liquidation	31 December 2026
Expected volatility value	53%
Expected dividend yield	0%
Risk-free rate	4.01%

The directors of the Company estimated the risk-free rate based on the yield of the United States Treasury Bonds. Expected volatility value was estimated on valuation date based on average of historical volatilities of the comparable companies in the same industry. Dividend yield, possibilities under different scenario and expected exit date are estimated based on management estimation at the valuation dates.

Discounted cash flows method

	As at 31 December 2024
Probability for liquidation	20%
Probability for redemption	20%
Probability for [**REDACTED**]	60%
Expected volatility value	44.48%
Expected dividend yield	0%
Risk-free rate	4.25%
Discount rate	20.70%

The movements of the financial liabilities at FVTPL are set out as below:

	US$000
At 1 January 2023	88,150
Repayment of loan form a preferred shareholder	(18,686)
Proceed from exercise of warrant issued by the Company to a preferred shareholder	19,398
Change in fair value of financial liabilities at FVTPL	2,070
Exchange adjustments	(712)
At 31 December 2023	90,220
Change in fair value of financial liabilities at FVTPL	7,610
At 31 December 2024	97,830

24. DEFERRED INCOME

The Group

During the year ended 31 December 2023, the Group received a government subsidy of approximately US$852,000 towards the cost of leasehold improvements of its office in PRC. The amount received in respect of the leasehold improvements cost of the office was applied after all the renovation costs have been paid. The amount has been treated as deferred income. The amount is transferred to other income in the form of reduced depreciation charges over the lease term of the relevant right-of-use assets. This policy has resulted in a credit to income of US$170,000 for the year ended 31 December 2023 and US$169,000 for the year ended 31 December 2024. As at 31 December 2023 and 2024, an amount of US$663,000 and US$487,000 remains to be amortised respectively.

The Group also received a government subsidy of approximately US$756,000 in relation to the specific research and development project and the subsidy received was deposited into a restricted bank account held by the Group. The amount has been treated as deferred income. Following government approval and in accordance with the agreed milestones of the research and development project, the Group is permitted to transfer the specified amount from the restricted bank account and such amount is transferred to other income accordingly. The project was finished and certified by the government during the year ended 31 December 2023 and resulted in a credit amount of US$266,000 for the year ended 31 December 2023. As at 31 December 2023, there was no outstanding amount to be amortised in respect of this subsidy.

25. SHARE CAPITAL

The Company

	Number of Shares	Nominal value
		US$'1000
Authorised:		
At 1 January 2023 and 31 December 2023 and 2024		
Ordinary shares of USD0.0001 each	415,856,766	42
Series Seed Preferred Shares of USD0.0001 each *(note a)*	22,260,460	2
Series A Preferred Shares of USD0.0001 each *(note b)*	11,650,330	1
	449,767,556	45

	Number of shares	Share capital
		US$'000
Issued and fully paid:		
At 1 January 2023 and 31 December 2023	125,943,040	12
Shares repurchased and cancelled *(note c)*	(1,341,336)	–*
At 31 December 2024	124,601,704	12

* Represents amount less than US$1,000

Notes:

(a) The Company issued 22,260,460 preferred shares ("Series Seed Preferred Shares") to the investors of the Company at an aggregate consideration of approximately US$9,750,000.

(b) On 15 October 2021, the Company issued 11,650,330 preferred shares ("Series A Preferred Shares") to the investors of the Company at an aggregate consideration of approximately US$18,440,000.

(c) On 15 March 2023, pursuant to the share repurchase agreement entered into between the Company and Shantou Huarun Innovation Equity Investment Fund Partnership (Limited Partnership), the Company agrees to repurchase 1,341,336 Series A Preferred Shares of the Company, par value US$0.0001 per share, free and clear of any lien, claim, restriction upon transfer, option, charge, security interest or other encumbrance, at the per share repurchase price of US$1.8638, amounting to a total repurchase price of US$2,500,000. The transfer has been completed at 30 January 2024 and the repurchased Series A Preferred Shares have been cancelled at 1 February 2024.

The Series Seed and Series A Preferred Shares issued by the Company are classified as equity instruments since they are non-redeemable, nor does the Company have any contractual obligation to deliver cash or other financial assets to another party. Furthermore, the Company, as the issuer of these shares does not have any obligations to issue a variable number of its own equity instruments or deliver shares with a fixed value or a value based on changes in an underlying variable at the dates of issue and at the end of each reporting period.

26. RESERVES OF THE COMPANY

	Share premium	Other reserve	Accumulated profit (loss)	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
At 1 January 2023	6,618	18,726	1,794	27,138
Loss for the year	–	–	(2,086)	(2,086)
At 31 December 2023	6,618	18,726	(292)	25,052
Loss for the year	–	–	(7,367)	(7,367)
Repurchase of preferred shares	(2,500)	–	–	(2,500)
At 31 December 2024	4,118	18,726	(7,659)	15,185

27. RELATED PARTY TRANSACTIONS

Save for disclosed in elsewhere of the Historical Financial Information, the Group has the following transactions with the related parties during the Track Record Period:

Compensation of key management personnel

The directors of the Company were considered to be the key management personnel of the Company. The remuneration of the directors of the Company, chief executive officer and other members of key management of the Group during the Track Record Period was as follows:.

	2023	2024
	US$'000	*US$'000*
Salaries, allowances and other benefits in kind	701	584

28. SHARE-BASED PAYMENTS

The Company adopted equity incentive plan on 6 January 2023, which replaced the previous equity incentive plan adopted by Axbio Inc. on 18 December 2017 ("Equity Incentive Plan"). The primary purpose of the Equity Incentive Plan is to promote the success of the Company and the interests of its shareholders by providing a mean through which the Company may grant equity-based incentives to attract, motivate, retain and reward employees, directors and consultants (the "Eligible Persons") and to further link the Eligible Persons' interests with those of the Company's shareholders generally.

In addition to time-based vesting condition, some of share options granted shall vest depends on the performance target, which is completion of [**REDACTED**] of the Company during the vesting period.

At 31 December 2023 and 2024, the number of shares in respect of which options had been granted and remained outstanding under the Equity Incentive Plan was 7,971,375 and 7,816,264 respectively.

Set out below are details of the movements of the outstanding options granted under the Equity Incentive Plan during years ended 31 December 2023 and 2024:

For the year ended 31 December 2023

	Date of grant	Vesting period	Exercisable period	Exercise price	Outstanding as at 1.1.2023	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding as at 31.12.2023
Employees	18 December 2017	Note 1	Note 2	US$0.16	2,150,000	–	–	–	2,150,000
Non-employees	18 December 2017	Note 1	Note 2	US$0.16	300,000	–	–	–	300,000
Employees	14 May 2018	Note 1	Note 2	US$0.16	1,400,000	–	–	–	1,400,000
Employees	1 January 2022	Note 1	Note 2	US$0.46	3,461,321	–	–	394,946	3,066,375
Non-employees	1 January 2022	Note 1	Note 2	US$0.46	340,000	–	–	–	340,000
Non-employees	1 January 2023	Note 1	Note 2	US$0.46	–	715,000	–	–	715,000
					7,651,321	715,000	–	394,946	7,971,375
Exercisable at the end of the year									5,812,188
Weighted average exercise price					US$0.31	US$0.46	–	US$0.46	US$0.32

For the year ended 31 December 2024

	Date of grant	Vesting period	Exercisable period	Exercise price	Outstanding as at 1.1.2024	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding as at 31.12.2024
Employees	18 December 2017	Note 1	Note 2	US$0.16	2,150,000	–	–	1,000,000	1,150,000
Non-employees	18 December 2017	Note 1	Note 2	US$0.16	300,000	–	–	–	300,000
Employees	14 May 2018	Note 1	Note 2	US$0.16	1,400,000	–	–	–	1,400,000
Employees	1 January 2022	Note 1	Note 2	US$0.46	3,066,375	–	–	573,902	2,492,473
Non-employees	1 January 2022	Note 1	Note 2	US$0.46	340,000	–	–	–	340,000
Non-employees	1 January 2023	Note 1	Note 2	US$0.46	715,000	–	–	–	715,000
Employees	18 April 2024	Note 1	Note 2	US$0.46	–	508,791	–	–	508,791
Non-employees	23 April 2024	Note 1	Note 2	US$0.46	–	910,000	–	–	910,000
					7,971,375	1,418,791	–	1,573,902	7,816,264
Exercisable at the end of the year									5,568,854
Weighted average exercise price					US$0.32	US$0.46	–	US$0.27	US$0.35

Note 1: The share options were granted to employees and non-employees of the Group. One forth (25%) of the share options shall vest on the first anniversary of the vesting commencement date and one forty-eighth (1/48th) shall vest each month thereafter on the same day of the month as the vesting commencement date, subject to the employees continuing to be a service provider through each such date.

Note 2: The exercise period of the options granted under the Equity Incentive Plan shall commence from the date on which the relevant options become vested and end on the 10th anniversary of the grant date, subject to the terms of the Equity Incentive Plan and the share option award agreement signed by the grantee.

The estimated fair value of the share options granted during the year ended 31 December 2024 is US$1,255,000. The fair value was determined using the binominal option-pricing model. These fair values and corresponding inputs into the model were as follows:

	2024
Expected volatility value	57.81%
Risk-free rate	4.64%
Expected dividend yield	0%
Expected term (in years)	10
Fair value of the underlying shares on the date of option grants *(US$)*	0.89

The directors of the Group estimated the risk-free interest rate based on the yield of the United States Treasury Bonds with a maturity life close to the option life of the share option. Expected volatility value was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share options. Expected dividend yield is based on management estimation at the grant date. The expected term used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expense of approximately US$1,110,000 and US$1,198,000, for the years ended 31 December 2023 and 2024, respectively, in relation to share options granted by the Group.

29. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes the borrowings and lease liabilities disclosed in Notes 22 and 15b respectively, net of cash and cash equivalents and equity of the Group, comprising issued share capital and other reserves.

The management of the Group reviews the capital structure regularly. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendation of the management of the Group, the Group will balance its overall capital structure through the new share issues as well as the issue of new debt.

30. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The Group

	2023	**2024**
	US$'000	*US$'000*
Financial assets		
Amortised cost	55,658	39,036
Financial liabilities		
Amortised cost	580	1,430
Financial liabilities at FVTPL	90,220	97,830

The Company

	2023	2024
	US$'000	*US$'000*
Financial assets		
Amortised cost	73,490	65,276
Financial liabilities		
Amortised cost	807	1,350
Financial liabilities at FVTPL	90,220	97,830

(b) Financial risk management objectives and policies

The Group's major financial assets and liabilities include trade and other receivables, deposits, bank balances and cash, trade and other payables, borrowings and financial liabilities at FVTPL. The Company's financial assets and liability includes bank balances and cash, other receivables, amounts due from subsidiaries, amounts due to subsidiaries and financial liabilities at FVTPL. Details of these financial assets and liabilities are disclosed in respective notes.

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

Market risk

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

(i) Currency risk

Certain bank balances, amounts due from related companies, trade and other payables and amounts due to related companies of respective group entities which exposure the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging of significant foreign currency exposure should the need arise.

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the end of each reporting period are mainly as follows:

The Group:

	Liabilities		Assets	
	2023	2024	2023	2024
	US$'000	*US$'000*	*US$'000*	*US$'000*
US$	–	–	111	21
Intra-group balances				
US$	-	106	76	76
RMB	204	420	2,248	2,210

The Company:

	Liabilities		Assets	
	2023	**2024**	**2023**	**2024**
	US$'000	*US$'000*	*US$'000*	*US$'000*
RMB	204	418	–	–

Sensitivity analysis

The Group's and the Company's foreign currency risk is concentrated on the fluctuation of RMB against US$.

The following table details the Group's and the Company's sensitivity to a 5% increase and decrease in RMB against US$. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A negative number below indicates a decrease in post-tax loss for the year where RMB weakens 5% against US$. For a 5% strengthening of RMB against US$, there would be an opposite impact on the post-tax loss for the year.

The Group:

	2023	**2024**
	US$'000	*US$'000*
Impact on profit or loss	112	89

The Company:

	2023	**2024**
	US$'000	*US$'000*
Impact on profit or loss	(10)	(21)

(ii) *Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to lease liabilities and bank borrowings (Notes 15b and 22). The Group and the Company are also exposed to cash flow interest rate risk in relation to variable-rate bank balances. The Group's and the Company's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances. The Group and the company manage its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook.

The management considers that the exposure of fair value interest rate risk in relation to lease liabilities and cash flow interest rate risk arising from variable-rate bank balances is insignificant. No sensitivity analysis is presented accordingly.

(iii) *Other price risk*

The Group and the Company is exposed to other price risk arising from the preference shares which were classified as financial liabilities at FVTPL as at 31 December 2023 and 2024.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the reporting date for financial liabilities at FVTPL.

For financial liabilities at FVTPL as at 31 December 2023 and 2024, if the equity value of the Company had been changed based on the 5% higher/lower, the loss for the year ended 31 December 2023 and 2024 would increase/decrease by approximately US$4,511,000 and US$4,892,000.

(iv) *Credit risk and impairment assessment*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company. The Group's credit risk exposures are primarily attributable to trade receivables, other receivables and deposits, amounts due from related parties and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group performed impairment assessment for financial assets under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

Trade receivables

Before accepting any new customer, the Group and the Company uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the management considers that the Group's and the Company's credit risk is significantly reduced. In order to minimize the credit risk, the management has delegated a team responsible for determination of credit limits and credit approvals.

In addition, the Group perform impairment assessment under ECL model on trade receivables individually and collectively. Except for credit-impaired debtors, which are assessed individually, the remaining trade receivables are grouped based on shared credit risk characteristics by reference to the aging of outstanding balances. The Group and the Company assessed the ECL for these financial assets are insignificant and thus no loss allowance is recognised for each of the reporting period.

Bank balances

Credit risk on bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. The Group and the Company assessed 12m ECL for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on bank balances is considered to be insignificant and therefore no loss allowance was recognised for each of the reporting period.

Other receivables and amounts due from subsidiaries

For other receivables and amounts due from fellow subsidiaries, the management makes periodic individual assessment on the recoverability of these financial assets based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there is no significant increase in credit risk of these amounts since initial recognition and the Group and the Company provided impairment based on 12m ECL. The Group and the Company assessed the ECL for these financial assets are insignificant and thus no loss allowance is recognised for both reporting periods.

Liquidity risk

In the management of the liquidity risk, the Group and the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's and the Company's operations and mitigate the effects of fluctuations in cash flows. The Group and the Company rely on shareholders' investment and issuance of preferred shares as a significant source of liquidity.

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

	Weighted average effective interest rate	**Within 1 year and on demand**	**1 to 5 years**	**Total**	**Carrying amount**
	%	*US$'000*	*US$'000*	*US$'000*	*US$'000*
The Group					
At 31 December 2023					
Trade and other payables	–	580	–	580	580
Financial liabilities at FVTPL	10%	–	141,392	141,392	90,220
Lease liabilities	6.40%	678	849	1,527	1,436
		1,258	142,241	143,499	92,236

	Weighted average effective interest rate	Within 1 year and on demand	1 to 5 years	Total	Carrying amount
	%	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 31 December 2024					
Trade and other payables	–	595	–	595	595
Borrowings	3.05%	856	–	856	835
Financial liabilities at FVTPL	10%	–	141,392	141,392	97,830
Lease liabilities	6.81%	869	423	1,292	1,210
		2,320	141,815	144,135	100,470
The Company					
At 31 December 2023					
Amounts due to subsidiaries	–	807	–	807	807
Financial liabilities at FVTPL	10%	–	141,392	141,392	90,220
		807	141,392	142,199	91,027
At 31 December 2024					
Amounts due to subsidiaries	–	1,350	–	1,350	1,350
Financial liabilities at FVTPL	10%	–	141,392	141,392	97,830
		1,350	141,392	142,742	99,180

(c) Fair value measurements of financial instruments

Some of the Group's and the Company's financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Group engages third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The chief financial officer reports the findings to the directors of the Company every year to explain the cause of fluctuations in the fair value.

(i) Fair value of the Group's and the Company's financial liabilities that are measured at fair value on a recurring basis

Some of the Group's and the Company's financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial liabilities	Fair value as at 2023	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of significant unobservable inputs to fair value
	US$'000				
Financial liabilities at FVTPL – Preferred shares	90,220	Level 3	Back-solve method, hybrid method Probability for liquidation, probability for redemption, probability for [REDACTED], expected exit date, expected volatility value, expected dividend yield, risk-free rate	Expected volatility value	A significant increase in volatility value would result in a significant increase in fair value, and vice versa. *(note a)*

Financial liabilities	Fair value as at 2024	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of significant unobservable inputs to fair value
	US$'000				
Financial liabilities at FVTPL – Preferred shares	97,830	Level 3	Discounted cash flows, hybrid method Discount rate, probability for liquidation, probability for redemption, probability for [REDACTED], expected exit date, expected volatility value, expected dividend yield	Discount rate	A significant increase in discount rate of would result in a significant decrease in fair value, and vice versa. *(note b)*

The reconciliation of Level 3 measurements of financial liabilities at FVTPL are set out in Note 23 and fair value losses on financial liabilities at FVTPL are presented as "changes in fair value of financial liabilities at FVTPL".

Note a: A 5% increases (decreases) in the expected volatility value, while all other variables keep constant, would (decrease) increase the carrying amount of financial liability at FVTPL held by the Group and the Company as at 31 December 2023 by US$(440,000) and US$410,000, respectively.

Note b: A 5% increases (decreases) in discount rate, while all other variables keep constant, would (decrease) increase the carrying amount of financial liability at FVTPL held by the Group and the Company as at 31 December 2024 by US$(6,120,000) and US$6,930,000, respectively.

(ii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures required)

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

31. RETIREMENT BENEFIT PLANS

The subsidiary in the USA maintains qualified contributory savings plans for its qualifying employees and provide for voluntary contributions by employees, subject to certain limits. The contributions are made by both the employees and the employer. The employees' contributions are primarily based on specified dollar amounts or percentages of employee compensation. The only obligation of the subsidiary in the USA with respect to the retirement benefits plans is to make the specified contributions under the plans.

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

The total amount provided by the Group to the scheme or plans in the USA and the PRC and charged to profit or loss are US$594,000 and US$347,000 for the years ended 31 December 2023 and 2024, respectively.

32. INVESTMENTS IN SUBSIDIARIES

The Company

	2023	**2024**
	US$'000	*US$'000*
Unlisted investments, at cost	42,601	49,101

As at 31 December 2023 and 2024 and the date of this report, the Group's subsidiaries are as follows:

Name of subsidiaries	Place and date of establishment/ incorporation	Issued and fully paid share/ registered capital	Equity interest attributable to the Group 2023	Equity interest attributable to the Group 2024	As at the date of this report	Principal activities
			%	%	%	
Directly held:						
Axbio Inc. *(Note i)*	USA 29 February 2016	US$0.1	100	100	100	Research and development activities
Axbio (Hong Kong) Limited *(Note ii)*	Hong Kong 27 October 2021	HKD10,000	100	100	100	Investment holding
Indirectly held:						
Anxuyuan Shenzhen* (安序源生物科技(深圳)有限公司) *(Note i)*	PRC 1 June 2017	RMB140,000,000	100	100	100	Research and development activities
Anxuyuancheng Biotechnology (Tianjin) Co., Ltd.* (安序源成生物科技(天津)有限公司) *(Note i)*	PRC 21 April 2020	RMB8,000,000	100	100	100	Research and development activities
Anxuyuan Wuxi (安序源生物科技(無錫)有限公司) *(Note i)*	PRC 19 November 2021	US$35,000,000	100	100	100	Manufacturing of In-Vitro diagnostic equipment
Anxuyuan Medical Technology (Wuxi) Co., Ltd* (安序源醫療科技(無錫)有限公司) *(Note i)*	PRC 19 November 2023	RMB5,000,000	100	100	100	Dormant
Anxuyuan Biotechnology (Suzhou) Co., Ltd* (安序源生物科技(蘇州)有限公司) *(Note i)*	PRC 7 April 2020	RMB10,000,000	100	100	100	Dormant

* English name is for identification purpose only

Notes:

(i) No statutory financial statements have been prepared for these subsidiaries as there are no statutory audit requirements in the jurisdictions where these subsidiaries are incorporated.

(ii) The statutory financial statements of Axbio (Hong Kong) Limited for the year ended 31 December 2023 were prepared in accordance with Hong Kong Financial Reporting Standards for Private Entities issued by the HKICPA and were audited by Richful CPA Limited registered in Hong Kong. At the date of this report, the statutory financial statements of Axbio (Hong Kong) Limited for the year ended 31 December 2024 have not been issued.

(iii) All subsidiaries are limited liability companies and have adopted 31 December as their financial year end date.

None of the subsidiaries has issued any debt securities as at 31 December 2023 and 2024.

33. AMOUNTS DUE FROM/TO SUBSIDIARIES

The amounts are non-trade in nature, unsecured, interest-free and repayable on demand. In the opinion of the directors, the Company will not demand for repayment from subsidiaries within one year from the end of the reporting periods and accordingly the amounts are classified as non-current.

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Financial liabilities at FVTPL	Lease liabilities	Bank borrowings	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
At 1 January 2023	88,150	1,694	–	89,844
Financing cash flows	712	(958)	–	(246)
Change in fair value	2,070	–	–	2,070
New leases entered	–	641	–	641
Interest expenses	–	104	–	104
Early termination of a lease	–	(23)	–	(23)
Exchange alignment	(712)	(22)	–	(734)
At 31 December 2023	90,220	1,436	–	91,656
Financing cash flows	–	(950)	843	(107)
Changes in fair value	7,610	–	–	7,610
New leases entered	–	648	–	648
Interest expenses	–	89	1	90
Exchange alignment	–	(13)	(9)	(22)
At 31 December 2024	97,830	1,210	835	99,875

35. SUBSEQUENT EVENTS

On 15 April 2025, the Company amended the Equity Incentive Plan and further granted shares to certain eligible persons with an aggregate of 8,243,619 shares of the Company.

Pursuant to the shareholders' resolution approved on 30 April 2025, the redemption rights in respect of the Series A-1 and Series B Preferred Shares, as set out in Note 23, ceased to be exercisable immediately before the first filing of the **[REDACTED]** application by the Company with the Stock Exchange of Hong Kong Limited, and shall resume to be exercisable in accordance with below terms upon the earliest of (a) the rejection of the Company's **[REDACTED]** application by the Hong Kong Stock Exchange; (b) the Company serving a written notice of withdrawal of its **[REDACTED]** application to the Hong Kong Stock Exchange; or (c) 18 months (which may be extended as may be mutually agreed upon by the Company and holders of the Series B Preferred Share) from the first submission of the Company's first **[REDACTED]** application form to the Hong Kong Stock Exchange. The aforesaid amendments to the terms of the Series A-1 and Series B Preferred Shares did not change the classification of these financial instruments as financial liabilities at fair value through profit or loss.

36. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 December 2024 and up to the date of this report.