You should read the following discussion and analysis in conjunction with our audited consolidated financial information, included in the Accountants' Report in Appendix I to this document, together with the respective accompanying notes. Our consolidated financial information has been prepared in accordance with HKFRS Accounting Standards.

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

OVERVIEW

We are a biotechnology company focused on and pioneering in the development and commercialization of molecular diagnostic instruments and biochips. At the intersection of IC (integrated circuits), BT (biotechnology), and AI (artificial intelligence), we are committed to creating foundational platforms for life science research supported by RUO test kits, and for clinical applications supported by developing test kits with regulatory approval or through other pathways. Our product offerings include electrochemical long-read sequencing (EL-NGS) platform for multi-omics analysis and molecular diagnostic product, complemented by extended services built upon our solid and robust technology and platform foundation.

We had not generated revenue from commercial sales of our products and product candidates and were loss-making during the Track Record Period. In 2023, 2024 and the six months ended June 30, 2024 and 2025, we incurred net losses of US$22.9 million, US$23.5 million, US$12.7 million and US$5.2 million, respectively. Substantially all of our net losses resulted from research and development expenses and administrative expenses. Our adjusted loss (non-HKFRS measure) for the year/period was US$19.7 million, US$14.7 million, US$7.9 million and US$6.0 million in 2023, 2024 and the six months ended June 30, 2024 and 2025, respectively. We define adjusted loss (non-HKFRS measure) as loss for the year/period adjusted by adding back (i) loss or gain from changes in fair value of financial liabilities at FVTPL, (ii) [**REDACTED**], and (iii) share-based payments. For more information related to our adjusted loss (non-HKFRS measure), see "— Description of Selected Components of Consolidated Statements of Profit or Loss and Other Comprehensive Income — Non-HKFRS Measure."

We expect to incur increasing expenses and operating losses in the foreseeable future as we advance our research and development efforts, explore the clinical potentials, and strengthen the manufacturing and commercialization of our products and product candidates. Subsequent to the [**REDACTED**], we expect to incur costs associated with operating as a public company. We expect that our financial performance will fluctuate from period to period due to the development status, regulatory approval and commercialization of our pipeline products.

BASIS OF PREPARATION

Our historical financial information has been prepared in accordance with the accounting policies which conform with HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). We present our historical financial information in U.S. dollars ("US$").

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

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

Development of the Global and China's Non-Sequencing Molecule Testing and Gene Sequencing Industry

Our business expansion and results of operations have been, and will continue to be, affected by the development of the non-sequencing molecular testing and gene sequencing markets in China and globally. These markets are constantly evolving, and we must keep pace with new technologies and methodologies to maintain our competitive position.

The global and China's non-sequencing molecular testing industry has witnessed rapid growth in recent years and continues to demonstrate strong growth potential. According to CIC, the global non-sequencing molecular testing market reached US$9.8 billion in 2024, and is projected to grow to US$22.5 billion in 2033, representing a CAGR of 9.7% during the period. Additionally, China's non-sequencing molecular testing market reached US$1.8 billion in 2024, and is projected to grow to US$4.6 billion in 2033, representing a CAGR of 10.8% during the period. Similarly, the gene sequencing sector in both the global and Chinese markets have also experienced rapid expansion and presents significant growth potential. According to CIC, the global high-throughput gene sequencing market reached US$7.1 billion in 2024, and is projected to grow to US$21.9 billion in 2033, representing a CAGR of 13.2% during the period. Additionally, China's high-throughput gene sequencing market reached US$1.3 billion in 2024 and is projected to grow to US$5.3 billion in 2033, representing a CAGR of 17.4% during the period. The robust growth of these two markets is driven by a multitude of favorable factors and market trends including, without limitation, expansion of market demand, local innovation and technological breakthroughs, and favorable policy support. See "Industry Overview" for more details.

Our success depends on our ability to accurately identify and anticipate these trends, as well as to adapt our business to the evolving market environment. We believe that we are well-positioned to benefit from the general market growth and boast the competitive strengths, resources and expertise to capitalize on the evolving market dynamics. However, the continued growth of the non-sequencing molecular testing and gene sequencing markets and our ability to benefit from market growth are subject to a number of risks and uncertainties. See "Risk Factors — Risks Relating to Doing Business in the Jurisdiction Where We Mainly Operate" for details.

Our Ability to Successfully Develop and Commercialize Our Products and Product Candidates

Our business and results of operations depend on our ability to successfully develop product candidates, demonstrate favorable safety and efficacy clinical trial results, obtain the requisite regulatory approvals, secure adequate manufacturing capacity, and commercialize our products in targeted markets as planned. Leveraging our extensive expertise in molecular diagnostics and gene sequencing, we have cultivated a comprehensive pipeline spanning one microarray analyzer, two gene sequencers, as well as compatible test kits, as of the Latest Practicable Date. Particularly, our Core Product, AxiLona EL-100, was admitted into the Special Registration Procedures for Innovative Class II Medical Devices (commonly known as Green Path) by the Jiangsu MPA in June 2024 and subsequently obtained the Class II medical device registration certificate from the same authority in April 2025. We also received the EU CE marking for AxiLona EL-100 in July 2023. In addition, we have launched AxiLona AXP-100, the world's first EL-NGS gene sequencer as our Key Product, for research use in 2023 and realized end-user installation in 2024. We also plan to actively pursue the clinical application of AxiLona AXP-100, with anticipated completion of the type testing in China in the second half of 2025, following which we expect to initiate a clinical trial for this product candidate. See "Business – Our Product and Service Portfolio" for more information on the development status of our products and product candidates.

The time required to obtain approvals from the NMPA, FDA, or other comparable regulatory authorities is unpredictable, but it typically takes several years following the commencement of product design. Any delays in the regulatory approvals for any of our product candidates in major markets will correspondingly delay our ability to generate revenue from those product candidates in those markets and adversely affect our results of operations.

Following the commercialization of our Core Product AxiLona EL-100 and other product candidates, our business and results of operations will be driven by the market acceptance, sales of our products, as well as our manufacturing capabilities to meet growing demands. The successful commercialization may also require significant marketing efforts and inputs before we are able to generate any revenue from product sales. As of the Latest Practicable Date, we had built up a competent in-house sales and marketing team consisting of nine members who are mainly located in China to support our commercialization efforts. To expand our commercial footprint both within our domestic market and overseas market in the future and penetrate the in-hospital market in anticipation of our products' expanded clinical applications, we have started to engage distributors for the sales of our instruments and test kits. Despite our adaptive commercialization strategy, if we fail to achieve the degree of market acceptance, we may not be able to generate revenue as expected. See "Risk Factors — Risks Relating to the Commercialization of Our Product Candidates" for more details.

Our Cost Structure

Our results of operations are significantly affected by our cost structure, which primarily includes research and development expenses and administrative expenses.

Research and development expenses have been, and are expected to continue to be, a major component in our cost structure. We have invested a significant portion of our efforts and financial resources in the development of our products and product candidates. During the Track Record Period, our research and development expenses primarily consisted of staff cost, depreciation and amortization expenses, cost of raw materials, contract service fees, and share-based payments. See "— Description of Selected Components of Consolidated Statements of Profit or Loss and Other Comprehensive Income — Research and Development Expenses" for details. In 2023, 2024 and the six months ended June 30, 2024 and 2025, our research and development expenses amounted to US$15.3 million, US$11.4 million, US$6.1 million and US$4.5 million, respectively.

During the Track Record Period, our administrative expenses primarily consisted of staff cost, professional service fees, depreciation and amortization expenses, and general office expenses. See "— Description of Selected Components of Consolidated Statements of Profit or Loss and Other Comprehensive Income — Administrative Expenses" for details. In 2023, 2024 and the six months ended June 30, 2024 and 2025, our administrative expenses amounted to US$7.9 million, US$6.5 million, US$3.4 million and US$2.5 million, respectively.

We expect our cost structure to evolve as we continue to develop and expand our business. As we continue to advance the research and development for our pipeline products and bring them to commercialization, we expect to incur additional costs in relation to research and development, manufacturing, regulatory affairs, and sales and marketing efforts, among other things. Additionally, we anticipate increasing legal, compliance, accounting, insurance, and **[REDACTED]** and public relations expenses associated with being a **[REDACTED]** company in Hong Kong.

Funding for Our Operations

During the Track Record Period, we funded our operations primarily through equity and debt financings. We expect to fund our future operations primarily with existing cash and cash equivalents, bank loans, revenue derived from sales of our successfully commercialized products, and net **[REDACTED]** from the **[REDACTED]**. However, with the continuing expansion of our business and product pipeline, we may require further funding through public or private offerings, debt financing, or other sources. Any fluctuation in the funding for our operations will impact our cash flow and our results of operations.

MATERIAL ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. Estimates and judgments are continually re-evaluated and are based on historical experience and other factors, including industry practices and expectations of future events that we believe to be reasonable under the circumstances. We have not changed our assumptions or estimates in the past and have not noticed any material errors regarding our assumptions or estimates. Under current circumstances, we do not expect that our assumptions or estimates are likely to change significantly in the future. When reviewing our consolidated financial statements, you should consider (i) our material accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions.

We set forth below those accounting policies that we believe are material to us or involve the most significant estimates and judgments used in the preparation of our consolidated financial statements. Our material accounting policies and significant accounting judgements and estimates, which are important for an understanding of our financial position and results of operations, are set forth in detail in Notes 3 and 4 to the Accountants' Report set out in Appendix I to this document.

Material Accounting Policies

Revenue Recognition

Revenue from sales of goods is recognized 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.

Foreign Currencies

We recognize transactions in currencies other than the entity's functional currency (i.e. foreign currencies) at the exchange rates prevailing on the transaction dates. 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 recognized in profit or loss, any exchange component of that gain or loss is also recognized 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 recognized in profit or loss in the period in which they arise.

We translate the assets and liabilities of our operations into the presentation currency (i.e. US$) using the exchange rates prevailing at the end of each reporting period, 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 recognized in other comprehensive income and accumulated in equity under the heading of translation reserve.

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 recognized 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.

Impairment on Property and Equipment, Right-of-use Assets and Intangible Assets other than Goodwill

At the end of the reporting period, we review the carrying amounts of our property and equipment, right-of-use assets, and intangible assets with finite useful lives to determine whether any indication exists that these assets have suffered an impairment loss. If we find any such indication, we estimate the recoverable amount of the relevant asset to determine the extent of the impairment loss (if any).

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

In testing a cash-generating unit for impairment, we allocate corporate assets to the relevant cash-generating unit when we can establish a reasonable and consistent basis of allocation; otherwise, we allocate them to the smallest group of cash-generating units for which we can establish a reasonable and consistent allocation basis. 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 recognized 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 recognized 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 recognized immediately in profit or loss.

Financial Liabilities

All financial liabilities are subsequently measured at amortized 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 Combination applies, (ii) held for trading or (iii) it is designated as at FVTPL.

Financial liabilities at amortized cost

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

Derecognition of financial liabilities

We derecognize financial liabilities when, and only when, our obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, is recognized in profit or loss.

Share-based Payments

Share 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 our 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, we revise our 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 recognized 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 recognized 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 recognized in share-based payments reserve will be transferred to accumulated losses.

When shares granted are vested, the amount previously recognized 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 recognized as expenses (unless the goods or services qualify for recognition as assets).

Significant Accounting Judgements and Estimates

The preparation of our historical financial information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized 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

Fair value measurement of financial instruments

As of December 31, 2023 and 2024 and June 30, 2025, we measure certain financial liabilities, Series A-1 Preferred Shares and Series B Preferred Shares, amounting to US$90,220,000, US$97,830,000 and US$94,840,000, respectively, at fair value. We determine this fair value using valuation techniques that rely on significant unobservable inputs and involve our judgments and estimations in establishing the relevant methods and inputs. 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. For more details, see Note 23 to the Accountants' Report set out in Appendix I to this document.

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

The following table sets forth selected components of our consolidated statements of profit or loss and other comprehensive income for the periods indicated:

	For the Year Ended December 31,		For the Six Months Ended June 30,	
	2023	2024	2024	2025
	(US$ in thousands)			
			(unaudited)	
Revenue	**–**	**479**	**90**	**532**
Cost of sales	–	(175)	(63)	(118)
Gross profit	**–**	**304**	**27**	**414**
Other income	1,935	2,063	993	590
Other gains and losses	(1,477)	(7,805)	(4,218)	2,990
Research and development expenses	(15,291)	(11,412)	(6,108)	(4,487)
Administrative expenses	(7,919)	(6,526)	(3,390)	(2,537)
Impairment losses recognised under expected credit loss model, net	–	–	–	(114)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Finance costs	(104)	(90)	(44)	(56)
Loss before tax	**(22,856)**	**(23,466)**	**(12,740)**	**(5,155)**
Income tax expense	–	–	–	–
Loss for the year/period	**(22,856)**	**(23,466)**	**(12,740)**	**(5,155)**
Other comprehensive (expense) income (item that may be reclassified subsequently to profit or loss)				
Exchange differences arising on translation of foreign operations	(82)	(187)	(93)	37
Total comprehensive expense for the year/period	**(22,938)**	**(23,653)**	**(12,833)**	**(5,118)**

Non-HKFRS Measure

To supplement our consolidated statements of profit or loss and other comprehensive income which are presented in accordance with HKFRS Accounting Standards, we also use adjusted loss as a non-HKFRS measure, which is not required by, or presented in accordance with, HKFRS Accounting Standards. We believe that the presentation of the non-HKFRS measure when shown in conjunction with the corresponding HKFRS measures provides useful information to management and **[REDACTED]** in facilitating a comparison of our operating performance from year to year. In particular, the non-HKFRS measure eliminates impact of certain expenses, including loss or gain from changes in fair value of financial liabilities at FVTPL, **[REDACTED]**, and share-based payments. Such non-HKFRS measure allows **[REDACTED]** to consider metrics used by our management in evaluating our performance.

We define adjusted loss (non-HKFRS measure) as loss for the year/period adjusted by adding back (i) loss or gain from changes in fair value of financial liabilities at FVTPL, (ii) **[REDACTED]**, and (iii) share-based payments. Loss or gain from changes in fair value of financial liabilities at FVTPL represents the fair value changes of the Series A-1 Preferred Shares and Series B Preferred Shares held by our Pre-**[REDACTED]** Investors, which is non-cash in nature. Upon completion of the **[REDACTED]**, the Series A-1 Preferred Shares and Series B Preferred Shares will be converted into ordinary shares of our Company. **[REDACTED]** are the expenses arising from activities in relation to the proposed **[REDACTED]** and **[REDACTED]**. Share-based payments represent expenses arising from our grant of share options to eligible individuals, which are also non-cash in nature. The use of the non-HKFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for, or superior to, analysis of our results of operations or financial condition as reported under HKFRS Accounting Standards. In addition, the non-HKFRS financial measure may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures presented by other companies.

The following table reconciles our adjusted loss (non-HKFRS measure) for the year/period presented in accordance with HKFRS Accounting Standards, which is loss for the year/period:

	For the Year Ended December 31,		For the Six Months Ended June 30,	
	2023	**2024**	**2024**	**2025**
	(US$ in thousands)			
			(unaudited)	
Loss for the year/period	**(22,856)**	**(23,466)**	**(12,740)**	**(5,155)**
Add:				
Loss/(gain) from changes in fair value of financial liabilities at FVTPL	2,070	7,610	4,220	(2,990)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Share-based payments	1,110	1,198	609	214
Adjusted loss (non-HKFRS measure) for the year/period	**(19,676)**	**(14,658)**	**(7,911)**	**(5,976)**

Revenue

During the Track Record Period, our revenue was derived primarily from sales of our Key Product AxiLona AXP-100 for research use, and to a lesser extent, from provision of molecular diagnostics solutions to third-party customers. We recorded revenue of nil, US$479 thousand, US$90 thousand and US$532 thousand in 2023, 2024 and the six months ended June 30, 2024 and 2025, respectively. Our revenue attributable to the sales of AxiLona AXP-100 for research use was nil, US$308 thousand, nil, and US$463 thousand, respectively, during the same periods.

Cost of Sales

During the Track Record Period, our cost of sales primarily arose from our sales of AxiLona AXP-100 and provision of molecular diagnostics solutions, including cost of raw materials, staff costs, and certain depreciation and amortization expenses related thereto. In 2023, 2024 and the six months ended June 30, 2024 and 2025, our cost of sales was nil, US$175 thousand, US$63 thousand and US$118 thousand, respectively.

Gross Profit and Gross Profit Margin

Our gross profit amounted to US$304 thousand, US$27 thousand and US$414 thousand in 2024 and the six months ended June 30, 2024 and 2025, and our gross profit margin was 63.5%, 30.0% and 77.8% for the same periods. As we generated no revenue and incurred no cost of sales in 2023, we recorded nil gross profit in 2023. In 2024 and the six months ended June 30, 2024 and 2025, our gross profit attributable to the sales of AxiLona AXP-100 for research use was US$262 thousand, nil, and US$397 thousand, respectively, and our gross profit margin attributable to the same was 85.3%, nil and 85.7%, respectively.

Other Income

During the Track Record Period, our other income primarily consisted of government grants and bank interest income. Government grants refer to a variety of subsidies granted by the PRC local government authorities in support of our research and development activities and business operations, which had no conditions or contingencies attached or were recognized upon compliance with the attached conditions. Bank interest income represents interest on our bank deposits.

The following table summarizes a breakdown of our other income in absolute amounts and as percentages of the total other income for the periods indicated:

	For the Year Ended December 31,				For the Six Months Ended June 30,			
	2023		2024		2024		2025	
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*
	(in thousands, except for percentages)				*(unaudited)*			
Bank interest income	967	50.0	1,548	75.0	771	77.6	493	83.6
Government grants	831	42.9	513	24.9	222	22.4	86	14.6
Others	137	7.1	2	0.1	–	–	11	1.8
Total	**1,935**	**100.0**	**2,063**	**100.0**	**993**	**100.0**	**590**	**100.0**

Other Gains and Losses

During the Track Record Period, our other gains and losses consisted of (i) loss or gain from changes in fair value of financial liabilities at FVTPL, resulting from the changes in fair value of the Series A-1 Preferred Shares and Series B Preferred Shares, (ii) net foreign exchange gain, (iii) gain from changes in fair value of financial assets at FVTPL, representing the fair value gains of certain wealth management products purchased by us, and (iv) others, mainly including loss from early termination of a lease and certain donations to research institutes.

The following table summarizes a breakdown of our other gains and losses in absolute amounts and as percentages of the total other gains and losses for the periods indicated:

	For the Year Ended December 31,				For the Six Months Ended June 30,			
	2023		2024		2024		2025	
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*
	(in thousands, except for percentages)							
					(unaudited)			
(Loss)/gain from changes in fair value of financial liabilities at FVTPL	(2,070)	140.2	(7,610)	97.5	(4,220)	100.0	2,990	100.0
Net foreign exchange gain	502	(34.0)	2	(0.0)	2	(0.0)	–	–
Gain from changes in fair value of financial assets at FVTPL	100	(6.8)	–	–	–	–	–	–
Others	(9)	0.6	(197)	2.5	–	–	–	–
Total	**(1,477)**	**100.0**	**(7,805)**	**100.0**	**(4,218)**	**100.0**	**2,990**	**100.0**

Research and Development Expenses

During the Track Record Period, our research and development expenses consisted of (i) staff costs, mainly including wages, bonus, and other welfare benefits for our research and development personnel, (ii) depreciation and amortization expenses for property and equipment, right-of-use assets, and intangible assets used for research and development purpose, (iii) cost of raw materials consumed in the course of our research and development activities, (iv) contract service fees, mainly incurred in connection with our engagement of CROs, clinical trial sites, and other service providers, (v) share-based payments arising from our grant of share options to eligible research and development personnel, and (vi) others, such as utilities incurred for our research and development activities, regulatory registration fees, and IP related expenses.

The following table sets forth a breakdown of our research and development expenses in absolute amounts and as percentages of the total research and development expenses for the periods indicated:

	For the Year Ended December 31,				For the Six Months Ended June 30,			
	2023		2024		2024		2025	
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*
	(in thousands, except for percentages)				*(unaudited)*			
Staff costs	8,584	56.1	6,583	57.7	3,617	59.2	2,495	55.6
Depreciation and amortization expenses	1,126	7.4	1,360	11.9	672	11.0	735	16.4
Cost of raw materials	2,527	16.5	1,000	8.8	443	7.3	597	13.3
Contract service fees	1,702	11.1	1,521	13.3	1,142	18.7	413	9.2
Share-based payments	518	3.4	392	3.4	(20)	(0.3)	72	1.6
Others	834	5.5	556	4.9	254	4.1	175	3.9
Total	**15,291**	**100.0**	**11,412**	**100.0**	**6,108**	**100.0**	**4,487**	**100.0**

Our research and development expenses attributable to our Core Product were US$6.2 million, US$3.7 million, US$2.2 million and US$1.5 million in 2023, 2024 and the six months ended June 30, 2024 and 2025, respectively, accounting for 26.8%, 20.8%, 22.9% and 20.7% of our total operating expenses in the same periods, respectively. Our research and development expenses attributable to Core Product decreased by 40.0% from 2023 to 2024, mainly because (i) we successfully received the CE marking for AxiLona EL-100 in July 2023 and wrapped up the related R&D activities in the EU in the same year; and (ii) in China, we had advanced AxiLona EL-100 into a late development stage in 2024 with relatively fewer R&D expenses incurred. Our research and development expenses attributable to our Core Product decreased by 33.4% from the six months ended June 30, 2024 to the same period in 2025, mainly because we received the Class II medical device registration certificate for AxiLona EL-100 in April 2025 and wrapped up related R&D initiatives in the first half of 2025.

The following table sets forth a breakdown of our research and development expenses by category and by development stage of Core Product, in absolute amounts and as percentages of our total research and development expenses, for the periods indicated:

	For the Year Ended December 31,				For the Six Months Ended June 30,			
	2023		2024		2024		2025	
	US$	%	*US$*	%	*US$*	%	*US$*	%
	(in thousands, except for percentages)				*(unaudited)*			
Core Product								
AxiLona EL-100	6,217	40.7	3,730	32.7	2,179	35.7	1,452	32.4
Preclinical	6,069	39.7	3,138	27.5	2,099	34.4	1,435	32.0
Clinical	119	0.8	489	4.3	50	0.8	17	0.4
Registration stage	29	0.2	103	0.9	30	0.5	–	–
Other Products and Product Candidates								
AxiLona AXP-100	4,694	30.7	4,337	38.0	2,336	38.2	1,758	39.2
AxiLona AXP-1000	1,060	6.9	685	6.0	300	4.9	204	4.5
Test kit for X-linked monogenic disorder	709	4.6	545	4.8	274	4.5	282	6.3
Test kit for pathogenic microorganism	382	2.5	639	5.6	334	5.5	254	5.7
Technology Platforms	2,229	14.6	1,476	12.9	685	11.2	537	12.0
Total	**15,291**	**100.0**	**11,412**	**100.0**	**6,108**	**100.0**	**4,487**	**100.0**

Administrative Expenses

During the Track Record Period, our administrative expenses consisted of (i) staff costs, mainly including wages, bonus, and other welfare benefits for our administrative and management personnel, (ii) professional service fees paid to legal advisors, auditors, and other consulting service providers, (iii) depreciation and amortization expenses for property and equipment and right-of-use assets used for administrative purpose, (iv) general office expenses, and (v) others, such as traveling and transportation expenses, business development expenses, and taxes and surcharges.

The following table sets forth a breakdown of our administrative expenses in absolute amounts and as percentages of the total administrative expenses for the periods indicated:

	For the Year Ended December 31,				For the Six Months Ended June 30,			
	2023		2024		2024		2025	
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*
	(in thousands, except for percentages)							
					(unaudited)			
Staff costs	3,556	44.9	3,156	48.3	2,021	59.6	1,111	43.8
Professional service fees	2,096	26.5	1,545	23.7	495	14.6	454	17.9
Depreciation and amortization expenses	672	8.5	790	12.1	297	8.8	449	17.7
General office expenses	1,239	15.6	873	13.4	493	14.5	411	16.2
Others	356	4.5	162	2.5	84	2.5	112	4.4
Total	**7,919**	**100.0**	**6,526**	**100.0**	**3,390**	**100.0**	**2,537**	**100.0**

Finance Costs

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

The following table sets forth a breakdown of our finance costs in absolute amounts and as percentages of the total finance costs for the periods indicated:

	For the Year Ended December 31,				For the Six Months Ended June 30,			
	2023		2024		2024		2025	
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*
	(in thousands, except for percentages)							
					(unaudited)			
Interest on:								
Lease liabilities	104	100.0	89	98.9	44	100.0	34	60.7
Bank borrowings	–	–	1	1.1	–	–	22	39.3
Total	**104**	**100.0**	**90**	**100.0**	**44**	**100.0**	**56**	**100.0**

Income Tax Expense

Our income tax expense during the Track Record Period represented the tax currently payable. We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which we are domiciled and operate.

Cayman Islands

We were incorporated in the Cayman Islands and were exempted from income tax during the Track Record Period.

U.S.

Our U.S. subsidiary, Axbio US, is a taxable corporation for U.S. income tax purpose, which was subject to U.S. federal income tax and applicable state income tax during the Track Record Period. 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%.

PRC

Pursuant to the Enterprise Income Tax Law of the PRC and the respective regulations (the "EIT Laws"), our PRC subsidiaries were subject to income tax at a rate of 25% on the taxable income during the Track Record Period.

Hong Kong

Our Hong Kong subsidiary was subject to Hong Kong Profits Tax at a rate of 16.5% calculated on the estimated assessable profit for the Track Record Period.

We did not record any income tax expense during the Track Record Period due to our loss before taxation. Our Directors confirm that during the Track Record Period, we had made all the required tax filings and had paid all outstanding tax liabilities with the relevant tax authorities in the relevant jurisdictions, and we are not aware of any outstanding or potential disputes with such tax authorities.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six Months Ended June 30, 2025 Compared to Six Months Ended June 30, 2024

Revenue

Our revenue increased significantly from US$90 thousand in the six months ended June 30, 2024 to US$532 thousand in the same period in 2025, mainly due to our increased sales of AxiLona AXP-100 for research use in the first half of 2025.

Cost of Sales

Our cost of sales increased by 87.3% from US$63 thousand in the six months ended June 30, 2024 to US$118 thousand in the same period in 2025, mainly due to increases in cost of raw materials, staff costs and certain depreciation and amortization expenses, which were related to our sales of AxiLona AXP-100 for research use in the first half of 2025.

Gross Profit and Gross Profit Margin

As a result of the cumulative effect of the factors described above, our gross profit increased from US$27 thousand in the six months ended June 30, 2024 to US$414 thousand in the same period in 2025, and our gross profit margin changed from 30.0% to 77.8% for the same periods.

Other Income

Our other income decreased by 40.6% from US$993 thousand in the six months ended June 30, 2024 to US$590 thousand in the same period in 2025, mainly due to (i) a decrease of US$278 thousand in bank interest income in line with our decreased average bank deposits for the same periods; and (ii) a decrease of US$136 thousand in government grants.

Other Gains and Losses

We had other gains of US$3.0 million in the six months ended June 30, 2025, as compared to other losses of US$4.2 million in the same period in 2024. This change was mainly due to an increase of US$7.2 million in fair value gains on financial liabilities at FVTPL, attributable to the volatility in securities market.

Research and Development Expenses

Our research and development expenses decreased by 26.5% from US$6.1 million in the six months ended June 30, 2024 to US$4.5 million in the same period in 2025, mainly due to (i) a decrease of US$1.1 million in staff costs, primarily attributable to our reduced workforce and organizational streamlining, and (ii) a decrease of US$0.7 million in contract service fees primarily attributed to our Core Product AxiLona EL-100, as we had wrapped up related R&D initiatives for this product candidate in the first half of 2025, thereby incurring lower fees from CROs and other service providers.

Administrative Expenses

Our administrative expenses decreased by 25.2% from US$3.4 million in the six months ended June 30, 2024 to US$2.5 million in the same period in 2025, mainly due to a decrease of US$0.9 million in staff costs, driven by management team streamlining, as well as reduced share-based payments incurred for eligible management personnel in the first half of 2025.

[REDACTED]

We recorded **[REDACTED]** of US$**[REDACTED]** in the six months ended June 30, 2025 in relation to the proposed **[REDACTED]** and **[REDACTED]**, as compared to **[REDACTED]** in the six months ended June 30, 2024.

Finance Costs

Our finance costs increased by 27.3% from US$44 thousand in the six months ended June 30, 2024 to US$56 thousand in the same period in 2025, mainly due to an increase of US$22 thousand in interests on bank borrowings in line with our increased bank borrowings; partially offset by a decrease of US$10 thousand in interests on lease liabilities, which was consistent with the decline in our lease liabilities during the same periods.

Loss for the Period

As a result of the foregoing, our loss for the period decreased from US$12.7 million in the six months ended June 30, 2024 to US$5.2 million in the same period in 2025.

Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

Revenue

Our revenue increased from nil in 2023 to US$479 thousand in 2024, mainly due to our sales of AxiLona AXP-100 for research use and provision of molecular diagnostics solutions to third-party customers in 2024.

Cost of Sales

Our cost of sales increased from nil in 2023 to US$175 thousand in 2024, mainly due to increases in cost of raw materials, staff costs and certain depreciation and amortization expenses, which were related to our sales of AxiLona AXP-100 for research use and provision of molecular diagnostics solutions in 2024.

Gross Profit and Gross Profit Margin

As a result of the cumulative effect of the factors described above, our gross profit increased from nil in 2023 to US$304 thousand in 2024, and our gross profit margin changed from nil to 63.5% for the same years.

Other Income

Our other income increased by 6.6% from US$1.9 million in 2023 to US$2.1 million in 2024, mainly due to an increase of US$581 thousand in our bank interest income in connection with our bank deposits denominated in U.S. dollar, which enjoyed a higher interest rate and had appreciated against Renminbi in 2024. This increase was partially offset by a decrease of US$318 thousand in government grants, primarily as we received a subsidy related to the receipt of foreign currency funds in 2023 which was not expected to recur in every subsequent year.

Other Gains and Losses

Our other losses increased significantly from US$1.5 million in 2023 to US$7.8 million in 2024, mainly due to an increase of US$5.5 million in loss from changes in fair value of financial liabilities at FVTPL, resulting from the appreciation in fair value of our Series A-1 Preferred Shares and Series B Preferred Shares as our valuation increased.

Research and Development Expenses

Our research and development expenses decreased by 25.4% from US$15.3 million in 2023 to US$11.4 million in 2024, mainly due to (i) a decrease of US$2.0 million in staff costs, primarily attributable to our reduced workforce and organizational streamlining, and (ii) a decrease of US$1.5 million in cost of raw materials primarily attributed to AxiLona AXP-100, as we had successfully launched this product candidate for research use in 2023 and incurred lower material costs in the subsequent year.

Administrative Expenses

Our administrative expenses decreased by 17.6% from US$7.9 million in 2023 to US$6.5 million in 2024, mainly due to (i) a decrease of US$551 thousand in professional service fees, as we incurred less employee recruitment expenses along with our organizational streamlining in 2024, and (ii) a decrease of US$400 thousand in staff costs, primarily attributable to our reduced workforce and salary cuts for the management team.

Finance Costs

Our finance costs decreased by 13.5% from US$104 thousand in 2023 to US$90 thousand in 2024, mainly due to a decrease of US$15 thousand in interests on lease liabilities, which was consistent with the decline in our lease liabilities from 2023 to 2024.

Loss for the Year

As a result of the foregoing, our loss for the year remained relatively stable at US$22.9 million and US$23.5 million in 2023 and 2024, respectively.

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

The following table sets forth our consolidated statements of financial position as of the dates indicated:

	As of December 31,		As of June 30,
	2023	2024	2025
	(US$ in thousands)		
ASSETS			
Non-current assets			
Property and equipment	4,354	3,533	2,809
Right-of-use assets	1,399	1,183	756
Intangible assets	–	527	510
Other receivables, deposits and prepayments	293	237	364
Total non-current assets	**6,046**	**5,480**	**4,439**
Current assets			
Inventories	243	326	319
Trade receivables	–	347	130
Other receivables, deposits and prepayments	1,477	2,124	2,340
Bank balances and cash	54,260	36,910	30,699
Total current assets	**55,980**	**39,707**	**33,488**
LIABILITIES			
Current liabilities			
Trade and other payables	2,804	2,770	2,220
Bank borrowings	–	835	2,858
Lease liabilities	638	814	597
Contract liabilities	222	329	11
Financial liabilities at FVTPL	90,220	97,830	94,840
Deferred income	169	167	168
Total current liabilities	**94,053**	**102,745**	**100,694**
Net current liabilities	**(38,073)**	**(63,038)**	**(67,206)**
Total assets less current liabilities	**(32,027)**	**(57,558)**	**(62,767)**

	As of December 31,		As of June 30,
	2023	**2024**	**2025**
	(US$ in thousands)		
Non-current liabilities			
Lease liabilities	798	396	174
Deferred income	494	320	237
Total non-current liabilities	**1,292**	**716**	**411**
Net liabilities	**(33,319)**	**(58,274)**	**(63,178)**
Capital and deficit			
Share capital	12	12	13
Reserves	(33,331)	(58,286)	(63,191)
Total deficit	**(33,319)**	**(58,274)**	**(63,178)**

Property and Equipment

During the Track Record Period, our property and equipment consisted of leasehold improvements, research and development equipment, office fixtures and equipment and manufacturing equipment. The following table sets forth a breakdown of our property and equipment as of the dates indicated:

	As of December 31,		As of June 30,
	2023	**2024**	**2025**
	(US$ in thousands)		
Property and equipment			
Leasehold improvements	2,333	1,753	1,477
Research and development equipment	1,439	1,413	1,110
Office fixtures and equipment	224	179	119
Manufacturing equipment	358	188	103
Total	**4,354**	**3,533**	**2,809**

Our property and equipment decreased from US$4.4 million as of December 31, 2023 to US$3.5 million as of December 31, 2024, mainly due to (i) a decrease of US$580 thousand in the carrying amounts of our leasehold improvements, and (ii) a decrease of US$170 thousand in the carrying amounts of our manufacturing equipment, both primarily attributable to accumulated depreciation. Our property and equipment decreased from US$3.5 million as of December 31, 2024 to US$2.8 million as of June 30, 2025, mainly due to (i) a decrease of US$303 thousand in the carrying amounts of our research and development equipment, and (ii) a decrease of US$276 thousand in the carrying amounts of our leasehold improvements, both primarily attributable to accumulated depreciation. Our property and equipment are depreciated on a three-year straight-line basis. During the Track Record Period and at the end of each reporting periods, no indications of the impairment for property and equipment were identified.

Right-of-Use Assets

During the Track Record Period, our right-of-use assets were primarily related to leased properties used as office premises and manufacturing facilities. Our right-of-use assets decreased from US$1.4 million as of December 31, 2023 to US$1.2 million as of December 31, 2024, mainly due to the expiration of two leases at the end of 2024, both of which were subsequently renewed. Our right-of-use assets decreased from US$1.2 million as of December 31, 2024 to US$756 thousand as of June 30, 2025, mainly due to depreciation of our leased properties over the lease term. During the Track Record Period and at the end of each reporting periods, no indications of the impairment for right-of-use assets were identified.

Intangible Assets

During the Track Record Period, our intangible assets primarily represented patents. Our intangible assets increased from nil as of December 31, 2023 to US$527 thousand as of December 31, 2024, mainly due to our acquisition of five invention patents in 2024 in support of the research and development and production of our product candidates. Our intangible assets remained relatively stable at US$527 thousand and US$510 thousand as of December 31, 2024 and June 30, 2025, respectively. During the Track Record Period and at the end of each reporting periods, no indications of the impairment for intangible assets were identified.

We assess whether there are any indicators of impairment for all non-financial assets (including property and equipment, right-of-use assets and intangible assets) at the end of each period comprising the Track Record Period by reviewing the internal and external sources of information. As of December 31, 2023 and 2024 and June 30, 2025, no indicators of the impairment for our non-financial assets were identified, given that (i) the value of our non-financial assets did not significantly decline during the Track Record Period, (ii) our non-financial assets were neither obsolete nor physically damaged, and (iii) none of the indicators set out in paragraph 14 of Hong Kong Accounting Standard 36 "Impairment of Assets" were observed or identified by the Reporting Accountant.

Inventories

During the Track Record Period, our inventories consisted of raw materials and consumables, as well as finished goods. Our inventories increased from US$243 thousand as of December 31, 2023 to US$326 thousand as of December 31, 2024, mainly due to an increase of US$111 thousand in our finished goods resulting from the inventory buildup to support the promotion of our molecular diagnostics solutions in China. Our inventories remained relatively stable at US$326 thousand and US$319 thousand as of December 31, 2024 and June 30, 2025, respectively.

The following table sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,		As of June 30,
	2023	**2024**	**2025**
	(US$ in thousands)		
Inventories:			
Raw materials and consumables	149	149	192
Finished goods	94	205	149
Less: Allowance for inventories	–	(28)	(22)
Total	**243**	**326**	**319**

As of the Latest Practicable Date, US$77 thousand, or 24.1%, of our inventories as of June 30, 2025 had been subsequently consumed.

Trade Receivables

During the Track Record Period, our trade receivables arose from our sales of AxiLona AXP-100 for research use. We recorded trade receivables of nil, US$347 thousand and US$130 thousand as of December 31, 2023 and 2024 and June 30, 2025, respectively. The ageing of all trade receivables as of December 31, 2024 and June 30, 2025, based on the date of revenue recognition, was less than 90 days.

As of the Latest Practicable Date, nil of our trade receivables as of June 30, 2025 had been subsequently settled.

Other Receivables, Deposits and Prepayments

During the Track Record Period, our receivables, deposits and prepayments consisted of (i) tax recoverable, mainly consisting of VAT input tax credits and prepaid corporate income tax, (ii) prepayments for research and development service, mainly representing prepaid contract service fees and material procurement costs, (iii) rental deposits, (iv) other prepayments, representing prepaid professional service fees, property management fees and other miscellaneous expenses, (v) deferred issue costs, and (vi) others, mainly including interest receivables on bank deposits and amounts withheld and paid on behalf of employees for social insurance and housing provident fund contributions.

The following table sets forth a breakdown of our other receivables, deposits and prepayments as of the dates indicated:

	As of December 31,		As of June 30,
	2023	**2024**	**2025**
	(US$ in thousands)		
Other receivables, deposits and prepayments:			
Tax recoverable	950	1,234	1,387
Prepayments for research and development service	123	458	295
Rental deposits	289	277	277
Other prepayments	193	110	265
Deferred issue costs	–	–	249
Others	215	282	337
Less: allowance for credit loss	–	–	(106)
Total	**1,770**	**2,361**	**2,704**

Our other receivables, deposits and prepayments increased from US$1.8 million as of December 31, 2023 to US$2.4 million as of December 31, 2024, mainly due to (i) an increase of US$335 thousand in our prepayments for research and development services, primarily attributable to the contract service fees prepaid to relevant service providers to advance the research and development for AxiLona AXP-100 in 2024, and (ii) an increase of US$284 thousand in our tax recoverable. Our other receivables, deposits and prepayments increased from US$2.4 million as of December 31, 2024 to US$2.7 million as of June 30, 2025, mainly due to an increase of US$249 thousand in deferred issue costs.

As of the Latest Practicable Date, US$274 thousand, or 10.1%, of our other receivables, deposits and prepayments as of June 30, 2025 had been subsequently settled.

Bank Balances and Cash

During the Track Record Period, our bank balances and cash consisted of demand deposits and short-term deposits with original maturity of three months or less for the purpose of meeting our short-term cash commitments. Our bank balances and cash decreased from US$54.3 million as of December 31, 2023 to US$36.9 million as of

December 31, 2024, and further to US$30.7 million as of June 30, 2025, mainly attributable to the cash outflows associated with our continued investments in research and development activities and daily operation.

Trade and Other Payables

During the Track Record Period, our trade and other payables consisted of (i) trade payables, mainly including payables for purchase of raw materials, (ii) accrued issue costs, (iii) payroll payables, and (iv) other payables, mainly including accrued professional service fees payable to legal advisors, auditors, and other consulting service providers. The following table sets forth a breakdown of our trade and other payables as of the dates indicated:

	As of December 31,		As of June 30,
	2023	**2024**	**2025**
	(US$ in thousands)		
Trade and other payables			
Payroll payables	2,224	2,175	1,612
Accrued issue costs	–	–	89
Trade payables	–	14	13
Other payables	580	581	506
Total	**2,804**	**2,770**	**2,220**

Our trade and other payables remained relatively stable at US$2.8 million and US$2.8 million as of December 31, 2023 and 2024, respectively. Our trade and other payables decreased from US$2.8 million as of December 31, 2024 to US$2.2 million as of June 30, 2025, mainly due to a decrease of US$563 thousand in payroll payables, as we had disbursed outstanding employee salaries and bonuses during the first quarter of 2025.

As of the Latest Practicable Date, US$1,639 thousand, or 73.8%, of our trade and other payables as of June 30, 2025 had been subsequently settled.

Bank Borrowings

We generally borrow bank loans from creditworthy commercial banks in the PRC to supplement our working capital requirements and finance our capital expenditures. As of December 31, 2023 and 2024, June 30 and September 30, 2025, we had total bank borrowings of nil, US$0.8 million, US$2.9 million and US$3.2 million, respectively. These bank borrowings carried fixed interest rates of 3.0% or 3.5% per annum. All of these borrowings were unsecured and unguaranteed and will become due within one year based on the contractual repayment date. For details, see Note 22 to the Accountants' Report set out in Appendix I to this document.

As of the Latest Practicable Date, we had committed unutilized banking facilities of RMB17.0 million (US$2.4 million).

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

Lease Liabilities

During the Track Record Period, our lease liabilities were primarily related to leases of properties used as office premises and manufacturing facilities. The following table sets forth a breakdown of our lease liabilities as of the dates indicated:

	As of December 31,		As of June 30,	As of September 30,
	2023	2024	2025	2025
	(US$ in thousands)			
				(unaudited)
Lease liabilities				
Current	638	814	597	417
Non-current	798	396	174	129
Total	**1,436**	**1,210**	**771**	**546**

Our lease liabilities decreased from US$1.4 million as of December 31, 2023 to US$1.2 million as of December 31, 2024, mainly due to the expiration of two leases in 2024. Our lease liabilities decreased from US$1.2 million as of December 31, 2024 to US$771 thousand as of June 30, 2025, mainly due to the non-renewal of our certain leases upon expiration. Our lease liabilities further decreased to US$546 thousand as of September 30, 2025, mainly due to the amortization of lease obligations over lease term.

Financial Liabilities at FVTPL

Our financial liabilities at FVTPL primarily represented the Series A-1 Preferred Shares and Series B Preferred Shares held by our Pre-[**REDACTED**] Investors. We recorded financial liabilities at FVTPL of US$90.2 million, US$97.8 million and US$94.8 million as of December 31, 2023 and 2024 and June 30, 2025, respectively.

We valued the Series A-1 Preferred Shares and Series B Preferred Shares with reference to valuation reports carried out by an independent qualified professional valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited. As of December 31, 2023 and 2024 and June 30, 2025, we used the back-solve method and discounted cash flows method to determine the underlying value of our Shares, respectively. We also applied the hybrid method to perform an equity allocation to arrive the fair value of the Series A-1 Preferred Shares and Series B Preferred Shares as of December 31, 2023 and 2024 and June 30, 2025. The hybrid method is a hybrid between the probability-weighted expected return method and the option pricing method, which estimates the probability-weighted value across multiple scenarios but using the option pricing method to estimate the allocation of value within one or more of those scenarios. For details, see Note 23 to the Accountants' Report set out in Appendix I to this document. We derecognize financial liabilities only when our obligations are discharged, cancelled or have expired.

Deferred Income

Our deferred income represented certain government grants which had not been recognized in profit or loss until the compliance with the attached conditions. We recorded deferred income of US$663 thousand, US$487 thousand and US$405 thousand as of December 31, 2023 and 2024 and June 30, 2025, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Our primary use of cash during the Track Record Period was to fund our research and development activities. We recorded net cash used in operating activities of US$16.7 million, US$15.0 million, US$8.3 million and US$8.0 million in 2023, 2024 and the six months ended June 30, 2024 and 2025, respectively. During the Track Record Period, we primarily funded our working capital requirements through equity and debt financings. Our management closely monitors use of cash and cash equivalents and strives to maintain a healthy liquidity for our operations. Going forward, we expect our liquidity requirements will be satisfied by a combination of existing cash and cash equivalents, bank loans, net [**REDACTED**] from the [**REDACTED**], as well as revenue derived from sales of our successfully commercialized products. With the continuing expansion of our business, we may require further funding through public or private offerings, debt financing, or other sources.

Current Assets and Current Liabilities

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

	As of December 31,		As of June 30,	As of September 30,
	2023	2024	2025	2025
	(US$ in thousands)			
				(unaudited)
Current Assets				
Inventories	243	326	319	302
Trade receivables	–	347	130	291
Other receivables, deposits and prepayments	1,477	2,124	2,340	2,576
Bank balances and cash	54,260	36,910	30,699	27,954
Total current assets	**55,980**	**39,707**	**33,488**	**31,123**
Current liabilities				
Trade and other payables	2,804	2,770	2,220	2,192
Bank borrowings	–	835	2,858	3,237
Lease liabilities	638	814	597	417
Contract liabilities	222	329	11	12
Financial liabilities at FVTPL	90,220	97,830	94,840	94,840
Deferred income	169	167	168	169
Total current liabilities	**94,053**	**102,745**	**100,694**	**100,866**
Net current liabilities	**(38,073)**	**(63,038)**	**(67,206)**	**(69,743)**

Our net current liabilities remained relatively stable at US$67.2 million and US$69.7 million as of June 30 and September 30, 2025, respectively.

Our net current liabilities increased from US$63.0 million as of December 31, 2024 to US$67.2 million as of June 30, 2025, primarily attributable to a decrease of US$6.2 million in bank balances and cash resulting from the cash outflows for our continued research and development activities and daily operations; partially offset by a decrease of US$3.0 million in financial liabilities at FVTPL in connection with the fair value changes of our Series A-1 Preferred Shares and Series B Preferred Shares.

Our net current liabilities increased from US$38.1 million as of December 31, 2023 to US$63.0 million as of December 31, 2024, primarily attributable to (i) a decrease of US$17.4 million in bank balances and cash, mainly due to the cash outflows to support our continued research and development activities, and (ii) an increase of US$7.6 million in financial liabilities at FVTPL in relation to the fair value change of Series A-1 Preferred Shares and Series B Preferred Shares.

We recorded net current liabilities during the Track Record Period primarily because our Preferred Shares issued to Pre-[**REDACTED**] investors are recorded as current liabilities under financial liabilities at FVTPL. These Preferred Shares will be converted into Ordinary Shares upon [**REDACTED**], after which the amount of our financial liabilities at FVTPL, which were recorded as our current liabilities during the Track Record Period, will be derecognized from our liabilities and recorded as equity, which can result in the Group turning into net current assets and net assets position. See Note 23 of the Accountants' Report to this document for details.

Cash Flows

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

	For the Year Ended December 31,		**For the Six Months Ended June 30,**	
	2023	**2024**	**2024**	**2025**
	(US$ in thousands)			
			(unaudited)	
Operating cash flows before movements in working capital	(19,069)	(13,991)	(7,620)	(7,152)
Changes in working capital	2,341	(1,013)	(693)	(806)
Net cash used in operating activities	(16,728)	(15,004)	(8,313)	(7,958)
Net cash generated from investing activities	16,431	422	493	356
Net cash (used in) generated from financing activities	(246)	(2,607)	(2,995)	1,356
Net decrease in cash and cash equivalents	(543)	(17,189)	(10,815)	(6,246)
Cash and cash equivalents at beginning of the year/period	55,552	54,260	54,260	36,910
Effect of foreign exchange rate changes	(749)	(161)	(80)	35
Cash and cash equivalents at end of the year/period	**54,260**	**36,910**	**43,365**	**30,699**

Net Cash Used in Operating Activities

To improve our net operating cash outflows position, we have introduced third-party products to offer integrated molecular diagnostic solutions, thereby enhancing our industry competitiveness and increasing our revenue. Meanwhile, we have implemented stricter budget controls, optimized R&D process management, and refined our employee performance assessment system to strengthen operational efficiency and cash flow management.

In the six months ended June 30, 2025, our net cash used in operating activities was US$8.0 million, which was primarily attributable to loss before tax of US$5.2 million as adjusted by certain non-cash and working capital items. Positive adjustments primarily included (i) depreciation of property and equipment of US$744 thousand, (ii) depreciation of right-of-use assets of US$429 thousand and (iii) share-based payments expense of US$214 thousand. Negative adjustments primarily included (i) changes in fair value of financial liabilities at FVTPL of US$3.0 million and (ii) decrease in trade and other payables of US$646 thousand.

In 2024, our net cash used in operating activities was US$15.0 million, which was primarily attributable to loss before tax of US$23.5 million adjusted by certain non-cash and working capital items. Positive adjustments primarily included (i) change in fair value of financial liabilities at FVTPL of US$7.6 million, and (ii) depreciation of property and equipment of US$1.4 million, and (iii) depreciation of right-of-use assets of US$852 thousand. Negative adjustments primarily included (i) interest income of US$1.5 million, and (ii) an increase of US$1.0 million in trade and other receivables.

In 2023, our net cash used in operating activities was US$16.7 million, which was primarily attributable to loss before tax of US$22.9 million adjusted by certain non-cash and working capital items. Positive adjustments primarily included (i) change in fair value of financial liabilities at FVTPL of US$2.1 million, (ii) depreciation of property and equipment of US$1.2 million, (iii) an increase of US$852 thousand in deferred income, and (iv) depreciation of right-of-use assets of US$822 thousand. Negative adjustments primarily included (i) interest income of US$967 thousand, and (ii) amortization of deferred income of US$436 thousand.

Net Cash Generated from Investing Activities

In the six months ended June 30, 2025, our net cash generated from investing activities was US$356 thousand, primarily attributable to interest received of US$493 thousand, partially offset by purchase of and deposits paid for property and equipment of US$137 thousand.

In 2024, our net cash generated from investing activities was US$422 thousand, primarily attributable to interest received of US$1.5 million, partially offset by (i) purchase of and deposits paid for property and equipment of US$583 thousand, and (ii) purchase of intangible assets of US$543 thousand.

In 2023, our net cash generated from investing activities was US$16.4 million, primarily attributable to proceeds from disposal of financial assets at FVTPL of US$17.6 million, partially offset by the purchase of and deposits paid for property and equipment of US$2.2 million.

Net Cash Used in Financing Activities

In the six months ended June 30, 2025, our net cash generated from financing activities was US$1.4 million, primarily attributable to new bank loans raised of US$2.1 million, partially offset by repayments of lease liabilities of US$441 thousand.

In 2024, our net cash used in financing activities was US$2.6 million, primarily attributable to (i) repurchase of preferred shares of US$2.5 million and (ii) repayments of lease liabilities of US$860 thousand.

In 2023, our net cash used in financing activities was US$246 thousand, primarily attributable to (i) repayment of loan due to a shareholder of Preferred Shares of US$18.7 million, and (ii) repayments of lease liabilities of US$854 thousand; partially offset by proceeds from exercise of warrant issued to a shareholder of Preferred Shares of US$19.4 million.

WORKING CAPITAL CONFIRMATION

Our Directors are of the opinion that, taking into account the financial resources available to us, including bank balances and cash, unutilized bank facilities and the estimated net [**REDACTED**] from the [**REDACTED**], and considering our cash burn rate, we have available sufficient working capital to cover at least 125% of our costs, including research and development expenses, administrative expenses and other operating costs, for at least the next 12 months from the date of this document.

Our cash burn rate refers to the average monthly amount of net cash used in operating activities, capital expenditures and lease payments. We had bank balances and cash of US$30.7 million as of June 30, 2025. We estimate that we will receive net [**REDACTED**] of approximately HK$[**REDACTED**] million in the [**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the low end of the indicative [**REDACTED**] range. Assuming an average cash burn rate going forward of 1.5 times the level in the six months ended June 30, 2025, we estimate that our bank balances and cash as of June 30, 2025 will be able to maintain our financial viability for [18] months, or, if we take into account the estimated net [**REDACTED**] from the [**REDACTED**], [44] months. We will continue to monitor our cash flows from operations closely and expect to raise our next round of financing no earlier than six months after the completion of the [**REDACTED**].

CASH OPERATING COSTS

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

	For the Year Ended December 31,		For the Six Months Ended June 30,	
	2023	2024	2024	2025
	(US$ in thousands)			
Costs relating to research and development of our Core Product				
Contract service fees	556	587	435	156
Cost of raw materials	1,029	337	179	181
Subtotal	**1,585**	**924**	**614**	**337**
Costs relating to research and development of our other product candidates				
Contract service fees	1,236	1,484	781	279
Cost of raw materials	1,545	786	322	377
Subtotal	**2,781**	**2,270**	**1,103**	**656**
Staff costs for research and development personnel	8,195	6,810	3,889	2,753
Other research and development costs	808	379	174	158
Total research and development costs	**13,369**	**10,383**	**5,780**	**3,904**
Staff costs for non-research and development personnel	2,748	2,415	1,379	1,103
Direct production costs	160	284	91	32
Other operating costs	2,934	2,686	1,245	1,468

INDEBTEDNESS

The following table sets forth the breakdown of our indebtedness as of the dates indicated:

	As of December 31,		As of June 30,	As of September 30,
	2023	2024	2025	2025
	(US$ in thousands)			*(unaudited)*
Current:				
Bank borrowings	–	835	2,858	3,237
Lease liabilities	638	814	597	417
Non-current:				
Lease liabilities	798	396	174	129
Total	**1,436**	**2,045**	**3,629**	**3,783**

Except as disclosed in the table above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of September 30, 2025. Our Directors confirm that there had been no material change in our indebtedness since September 30, 2025 and up to the date of this document.

CAPITAL EXPENDITURES

We from time to time incur capital expenditures to purchase and maintain our property and equipment and intangible assets in order to enhance our product development capabilities and expand our business operations. Historically, we have funded our capital expenditures primarily through equity and debt financings. The following table sets forth our capital expenditures for the years indicated:

	For the Year Ended December 31,		For the Six Months Ended June 30,	
	2023	2024	2024	2025
	(US$ in thousands)		*(unaudited)*	
Capital expenditures				
Purchase of and deposits paid for property and equipment	2,236	583	278	137
Purchase of intangible asset	–	543	–	–
Total	**2,236**	**1,126**	**278**	**137**

We plan to finance our future capital expenditures primarily with existing cash and cash equivalents, banks loans, and net [**REDACTED**] from the [**REDACTED**]. See "Future Plans and Use of [**REDACTED**]" for more details. We may adjust our capital expenditures for any given period according to our development plans or in light of market conditions and other factors as appropriate.

COMMITMENTS

Capital Commitments

As of December 31, 2023 and 2024 and June 30, 2025, we did not have any capital commitments.

CONTINGENT LIABILITIES

As of December 31, 2023 and 2024 and June 30, 2025, we did not have any material contingent liabilities. We confirm that as of the Latest Practicable Date, there had been no material changes or arrangements to our contingent liabilities.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

We had not entered into any off-balance sheet transactions during the Track Record Period and as of the Latest Practicable Date.

RELATED PARTY TRANSACTIONS

We did not have any material related party transactions during the Track Record Period. For details, see Note 27 to the Accountants' Report set out in Appendix I to this document.

KEY FINANCIAL RATIOS

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

	As of December 31,		As of June 30,
	2023	**2024**	**2025**
Current ratio [(1)]	0.6	0.4	0.3

Note:

(1) Current ratio is calculated as current assets divided by current liabilities as of the end of the year/period.

Our current ratio decreased from 0.6 as of December 31, 2023 to 0.4 as of December 31, 2024, mainly due to (i) the substantial decrease in our bank balances and cash, resulting from the cash outflows in support of our continued research and development activities, and (ii) the increase in our financial liabilities at FVTPL, which is attributable to the fair value gains of our Series A-1 Preferred Shares and Series B Preferred Shares as our valuation increased. Our current ratio remained relatively stable at 0.4 and 0.3 as of December 31, 2024 and June 30, 2025, respectively.

FINANCIAL RISK DISCLOSURE

We are exposed to a variety of financial risks, including currency risk, interest rate risk, credit risk, and liquidity risk. Our management manages and monitors these exposures to ensure appropriate measure are implemented on a timely and effective manner. For details, see Note 30(b) to the Accountants' Report set out in Appendix I to this document.

Foreign Currency Risk

We record bank balances, amounts due from related companies, trade and other payables and amounts due to related companies of respective group entities that expose us to foreign currency risk. We do not currently implement a foreign currency hedging policy. However, our management monitors our foreign exchange exposure and will initiate hedging measures if we face significant risks.

Our foreign currency risk is concentrated on the fluctuation of RMB against US$. For details of our foreign currency denominated monetary assets and liabilities, as well as a sensitivity analysis of change in interest rates, see Note 30(b) to the Accountants' Report set out in Appendix I to this document.

Interest Rate Risk

We are exposed to fair value interest rate risk in relation to lease liabilities. We are also exposed to cash flow interest rate risk in relation to variable-rate bank balances. Our cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances. We manage our interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. Our management team 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.

Credit Risk and Impairment Assessment

Our credit risk exposures are primarily attributable to trade receivables, other receivables and deposits, amounts due from related parties and cash and cash equivalents. Counterparties might default on their contractual obligations, resulting in financial loss to us. We do not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets. We performed impairment assessment for financial assets under the expected credit losses model. For more information related to credit risk management, maximum exposure and related impairment assessment, see Note 30(b) to the Accountants' Report set out in Appendix I to this document.

Liquidity Risk

We monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance the operations and mitigate the effects of fluctuations in cash flows. Our management team monitors the utilization of bank borrowings and ensures compliance with loan covenants. For further details and an analysis of the maturity profile of our financial liabilities and lease liabilities at the end of each period comprising the Track Record Period, see Note 30(b) to the Accountants' Report set out in Appendix I to this document.

DIVIDENDS

We did not declare or pay any dividend during the Track Record Period. We did not have a formal dividend policy or pre-determined dividend payout ratio. We currently intend to retain all available funds and earnings, if any, to fund the development and expansion of our business and we do not anticipate paying any cash dividends in the foreseeable future. Our Board of Directors has complete discretion as to whether to distribute dividends, subject to certain restrictions under Cayman Islands law. Even if our Board of Directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our Board of Directors.

As advised by our legal advisor as to Cayman Islands laws, notwithstanding that the Company may have accumulated losses, the Company may declare dividend (a) out of profits of the Company if the Company has sufficient profits, unless such is contrary to the accounting principles adopted by the Company or (b) out of the share premium of the Company if following the date on which the dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business. In determining whether to declare a dividend, our Board will need to be satisfied that the declaration of dividend is in the best interest of the Company and may make provision for losses. [**REDACTED**] should not purchase our Shares with the expectation of receiving cash dividends.

DISTRIBUTABLE RESERVES

As of June 30, 2025, we did not have any distributable reserves.

[REDACTED]

[REDACTED] to be borne by us are estimated to be approximately HK$[**REDACTED**] million (including [**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the mid-point of the indicative [**REDACTED**] range of HK$[**REDACTED**] to HK$[**REDACTED**] per Share), which represent [**REDACTED**]% of the gross [**REDACTED**] from the [**REDACTED**], assuming no Shares are issued pursuant to the [**REDACTED**]. The above [**REDACTED**] are comprised of (i) [**REDACTED**]-related expenses of HK$[**REDACTED**], and (ii) non-[**REDACTED**]-related expenses of HK$[**REDACTED**], including (a) the legal advisors and the reporting accountants expenses of HK$[**REDACTED**], and (b) other fees and expenses of HK$[**REDACTED**]. During the Track Record Period, we incurred [**REDACTED**] of HK$[**REDACTED**], HK$[**REDACTED**] of which was charged to our consolidated statements of profit or loss, and HK$[**REDACTED**] of which was attributable to the issue of Shares and will be deducted from equity. We expect to incur additional [**REDACTED**] of approximately HK$[**REDACTED**] after the Track Record Period, of which approximately HK$[**REDACTED**] is expected to be charged to our consolidated statements of profit or loss, and approximately HK$[**REDACTED**] is attributable to the issue of Shares and will be deducted from equity upon [**REDACTED**]. The [**REDACTED**] above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, there has been no material adverse change in our financial or [**REDACTED**] position or prospects since June 30, 2025 and up to the date of this document and there is no event since June 30, 2025 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report set out in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

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