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. We had not generated revenue from commercial sales of our products and product candidates and were loss-making during the Track Record Period. In 2024 and 2025, we incurred net losses of US$23.5 million and US$22.3 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 was US$14.7 million and US$12.7 million in 2024 and 2025, respectively. 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. 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 2024 and 2025, our research and development expenses amounted to US$11.4 million and US$8.9 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 2024 and 2025, our administrative expenses amounted to US$6.5 million and US$5.7 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 investor 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 [**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. Our material accounting policies and significant accounting judgements and estimates include, among others, revenue recognition, foreign currencies, property and equipment, impairment on property and equipment, right-of-use assets and intangible assets other than goodwill, financial liabilities, share-based payments, fair value measurement of financial instruments. For more information, see Notes 3 and 4 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 years indicated:

	For the Year Ended December 31,	
	2024	2025
	(US$ in thousands)	
Revenue	**479**	**1,210**
Cost of sales	(175)	(374)
Gross profit	**304**	**836**
Other income	2,063	1,007
Other gains and losses	(7,805)	(6,841)
Research and development expenses	(11,412)	(8,925)
Administrative expenses	(6,526)	(5,687)
Impairment losses recognised under expected credit loss model, net	–	(106)
[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Finance costs	(90)	(115)
Loss before tax	**(23,466)**	**(22,272)**
Income tax expense	–	–
Loss for the year	**(23,466)**	**(22,272)**
Other comprehensive (expense) income (item that may be reclassified subsequently to profit or loss)		
Exchange differences arising on translation of foreign operations	(187)	92
Total comprehensive expense for the year	**(23,653)**	**(22,180)**

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 investors in facilitating a comparison of our operating performance from year to year.

We define adjusted loss (non-HKFRS measure) as loss for the year adjusted by adding back (i) loss from changes in fair value of financial liabilities at FVTPL, (ii) [**REDACTED**], and (iii) share-based payments. Loss 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 presented in accordance with HKFRS Accounting Standards, which is loss for the year:

	For the Year Ended December 31,	
	2024	**2025**
	(US$ in thousands)	
Loss for the year	**(23,466)**	**(22,272)**
Add:		
Loss from changes in fair value of financial liabilities at FVTPL	7,610	6,850
[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Share-based payments	1,198	318
Adjusted loss (non-HKFRS measure) for the year	**(14,658)**	**(12,663)**

Revenue

During the Track Record Period, our revenue was derived primarily from sales of our Core Product AxiLona EL-100, 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 US$479 thousand and US$1,210 thousand in 2024 and 2025, respectively. Our revenue attributable to the sales of AxiLona EL-100 and AxiLona AXP-100 was US$308 thousand and US$956 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 EL-100 and 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 2024 and 2025, our cost of sales was US$175 thousand and US$374 thousand, respectively.

Gross Profit and Gross Profit Margin

Our gross profit amounted to US$304 thousand and US$836 thousand in 2024 and 2025, and our gross profit margin was 63.5% and 69.1% for the same periods. In 2024 and 2025, our gross profit attributable to the sales of AxiLona EL-100 and AxiLona AXP-100 was US$263 thousand and US$793 thousand, respectively, and our gross profit margin attributable to the same was 85.4% and 82.9%, 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 years indicated:

	For the Year Ended December 31,			
	2024		2025	
	US$	*%*	*US$*	*%*
	(in thousands, except for percentages)			
Bank interest income	1,548	75.0	793	78.7
Government grants	513	24.9	205	20.4
Others	2	0.1	9	0.9
Total	**2,063**	**100.0**	**1,007**	**100.0**

Other Gains and Losses

During the Track Record Period, our other gains and losses consisted of (i) loss 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 or loss, and (iii) 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,			
	2024		2025	
	US$	*%*	*US$*	*%*
	(in thousands, except for percentages)			
Loss from changes in fair value of financial liabilities at FVTPL	(7,610)	97.5	(6,850)	100.1
Net foreign exchange gain (loss)	2	(0.0)	(2)	0.0
Others	(197)	2.5	11	(0.1)
Total	**(7,805)**	**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 years indicated:

	For the Year Ended December 31,			
	2024		2025	
	US$	*%*	*US$*	*%*
	(in thousands, except for percentages)			
Staff costs	6,583	57.7	5,177	58.0
Depreciation and amortization expenses	1,360	11.9	1,423	15.9
Cost of raw materials	1,000	8.8	933	10.5
Contract service fees	1,521	13.3	929	10.4
Share-based payments	392	3.4	97	1.1
Others	556	4.9	366	4.2
Total	**11,412**	**100.0**	**8,925**	**100.0**

Our research and development expenses attributable to our Core Product were US$3.7 million and US$2.8 million in 2024 and 2025, respectively, accounting for 20.8% and 19.5% of our total operating expenses in the same periods, respectively. Our research and development expenses attributable to our Core Product decreased by 23.7% from 2024 to 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 years indicated:

	For the Year Ended December 31,			
	2024		2025	
	US$	*%*	*US$*	*%*
	(in thousands, except for percentages)			
Core Product				
AxiLona EL-100	3,730	32.7	2,847	31.9
Preclinical	3,138	27.5	2,806	31.4
Clinical	489	4.3	41	0.5
Registration stage	103	0.9	–	–
Other Products and Product Candidates				
AxiLona AXP-100	4,337	38.0	3,436	38.5
AxiLona AXP-1000	685	6.0	518	5.8
Test kit for X-linked monogenic disorder	545	4.8	403	4.5
Test kit for pathogenic microorganism	639	5.6	480	5.4
Technology Platforms	1,476	12.9	1,241	13.9
Total	**11,412**	**100.0**	**8,925**	**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,			
	2024		2025	
	US$	*%*	*US$*	*%*
	(in thousands, except for percentages)			
Staff costs	3,156	48.3	2,052	36.1
Professional service fees	1,545	23.7	1,928	33.9
Depreciation and amortization expenses	790	12.1	851	15.0
General office expenses	873	13.4	630	11.1
Others	162	2.5	226	4.0
Total	**6,526**	**100.0**	**5,687**	**100.0**

Impairment Losses Recognized under Expected Credit Loss Model, Net

We perform impairment assessment for financial assets under expected credit loss (ECL) model, including trade receivables, bank balances, other receivables and deposits, and amounts due from subsidiaries. In 2024 and 2025, we recorded impairment losses recognized under ECL model, net of nil and US$106 thousand, respectively, primarily attributable to the loss allowance on other receivables and deposits.

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,			
	2024		2025	
	US$	*%*	*US$*	*%*
	(in thousands, except for percentages)			
Interest on:				
Bank borrowings	1	1.1	58	50.4
Lease liabilities	89	98.9	57	49.6
Total	**90**	**100.0**	**115**	**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. One of our PRC subsidiary was accredited as "high and new technology enterprises" under the relevant EIT laws and were accordingly entitled to a preferential income tax rate of 15% from 2022 through December 14, 2025. Such qualification was renewed for an additional three-year period since December 25, 2025.

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.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2025 Compared to Year Ended December 31, 2024

Revenue

Our revenue increased significantly from US$479 thousand in 2024 to US$1,210 thousand in 2025, mainly due to our increased sales of AxiLona EL-100 and AxiLona AXP-100 in 2025.

Cost of Sales

Our cost of sales increased significantly from US$175 thousand in 2024 to US$374 thousand 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 EL-100 and AxiLona AXP-100 in 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$304 thousand in 2024 to US$836 thousand in 2025, and our gross profit margin changed from 63.5% to 69.1% for the same periods.

Other Income

Our other income decreased by 51.2% from US$2,063 thousand in 2024 to US$1,007 thousand in 2025, mainly due to (i) a decrease of US$755 thousand in bank interest income in line with our decreased average bank deposits for the same periods; and (ii) a decrease of US$308 thousand in government grants.

Other Gains and Losses

Our other losses decreased by 12.4% from US$7.8 million in 2024 to US$6.8 million in 2025, mainly due to a decrease of US$0.8 million in loss from changes in fair value of financial liabilities at FVTPL, which is attributable to the the volatility in securities market.

Research and Development Expenses

Our research and development expenses decreased by 21.8% from US$11.4 million in 2024 to US$8.9 million in 2025, mainly due to (i) a decrease of US$1.4 million in staff costs, primarily attributable to our reduced workforce, and (ii) a decrease of US$0.6 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 2025, thereby incurring lower fees from CROs and other service providers.

Administrative Expenses

Our administrative expenses decreased by 12.9% from US$6.5 million in 2024 to US$5.7 million in 2025, mainly due to a decrease of US$1.1 million in staff costs, driven by management team streamlining, as well as reduced share-based payments incurred for eligible management personnel in 2025; partially offset by an increase of US$0.4 million in professional service fees incurred in connection with our commercialization initiatives and regulatory compliance.

Impairment Losses Recognized under Expected Credit Loss Model, Net

We recorded impairment losses recognized under ECL model, net of US$106 thousand in 2025, primarily attributable to the loss allowance on other receivables and deposits, as compared to nil in 2024.

[**REDACTED**]

We recorded [**REDACTED**] of US$[**REDACTED**] million in 2025 in relation to the proposed [**REDACTED**] and [**REDACTED**], as compared to nil in 2024.

Finance Costs

Our finance costs increased by 27.8% from US$90 thousand in 2024 to US$115 thousand in 2025, mainly due to an increase of US$56 thousand in interests on bank borrowings in line with our increased bank borrowings; partially offset by a decrease of US$32 thousand in interests on lease liabilities, which was consistent with the decline in our lease liabilities during the same periods.

Loss for the Year

As a result of the foregoing, our loss for the year decreased from US$23.5 million in 2024 to US$22.3 million in 2025.

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,	
	2024	**2025**
	(US$ in thousands)	
ASSETS		
Non-current assets		
Property and equipment	3,533	2,364
Right-of-use assets	1,183	737
Intangible assets	527	502
Other receivables, deposits and prepayments	237	363
Total non-current assets	**5,480**	**3,966**
Current assets		
Inventories	326	1,141
Trade receivables	347	207
Other receivables, deposits and prepayments	2,124	2,884
Bank balances and cash	36,910	24,554
Total current assets	**39,707**	**28,786**
LIABILITIES		
Current liabilities		
Trade and other payables	2,770	3,442
Bank borrowings	835	3,728
Lease liabilities	814	623
Contract liabilities	329	5
Financial liabilities at FVTPL	97,830	104,680
Deferred income	167	171
Total current liabilities	**102,745**	**112,649**
Net current liabilities	**(63,038)**	**(83,863)**
Total assets less current liabilities	**(57,558)**	**(79,897)**
Non-current liabilities		
Lease liabilities	396	83
Deferred income	320	156
Total non-current liabilities	**716**	**239**
Net liabilities	**(58,274)**	**(80,136)**
Capital and deficit		
Share capital	12	13
Reserves	(58,286)	(80,149)
Total deficit	**(58,274)**	**(80,136)**

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,	
	2024	**2025**
	(US$ in thousands)	
Property and equipment		
Leasehold improvements	1,753	1,214
Research and development equipment	1,413	1,024
Office fixtures and equipment	179	73
Manufacturing equipment	188	53
Total	**3,533**	**2,364**

Our property and equipment decreased from US$3.5 million as of December 31, 2024 to US$2.4 million as of December 31, 2025, mainly due to (i) a decrease of US$539 thousand in the carrying amounts of our leasehold improvements, and (ii) a decrease of US$389 thousand in the carrying amounts of our research and development equipment, both primarily attributable to accumulated depreciation. Our property and equipment are depreciated on a three-year straight-line basis.

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$1.2 million as of December 31, 2024 to US$737 thousand as of December 31, 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 remained relatively stable at US$527 thousand and US$502 thousand as of December 31, 2024 and 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, 2024 and 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 13 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$326 thousand as of December 31, 2024 to US$1,141 thousand as of December 31, 2025, mainly due to an increase of US$755 thousand in finished goods, driven by the production ramp-up following the commercialization of AxiLona EL-100 in 2025.

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

	As of December 31,	
	2024	**2025**
	(US$ in thousands)	
Inventories:		
Raw materials and consumables	149	199
Finished goods	205	960
	354	1,159
Less: Allowance for inventories	(28)	(18)
Total	**326**	**1,141**

As of March 31, 2026, US$502.7 thousand, or 44.1%, of our inventories as of December 31, 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 US$347 thousand and US$207 thousand as of December 31, 2024 and 2025, respectively. The ageing of all trade receivables as of December 31, 2024 and 2025, based on the date of revenue recognition, was less than 90 days.

As of March 31, 2026, US$146.4 thousand, or 70.7%, of our trade receivables as of December 31, 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) other prepayments, representing prepaid professional service fees, property management fees and other miscellaneous expenses, (iv) deferred issue costs, (v) rental deposits, 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,	
	2024	**2025**
	(US$ in thousands)	
Other receivables, deposits and prepayments:		
Tax recoverable	1,234	1,479
Prepayments for research and development service	458	482
Other prepayments	110	337
Deferred issue costs	–	328
Rental deposits	277	260
Others	282	361
Total	**2,361**	**3,247**

Our other receivables, deposits and prepayments increased from US$2.4 million as of December 31, 2024 to US$3.2 million as of June 30, 2025, mainly due to (i) an increase of US$328 thousand in deferred issue costs; (ii) an increase of US$245 thousand in tax recoverable, resulting from the accumulation of input VAT credits; and (iii) an increase of US$227 thousand in other prepayments for procurement of equipment.

As of March 31, 2026, US$377.3 thousand, or 11.6%, of our other receivables, deposits and prepayments as of December 31, 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$36.9 million as of December 31, 2024 to US$24.6 million as of December 31, 2025, mainly attributable to the cash outflows associated with our continued investments in research and development activities and daily operations.

Trade and Other Payables

During the Track Record Period, our trade and other payables consisted of (i) payroll payables, (ii) trade payables, mainly including payables for purchase of raw materials, (iii) accrued [**REDACTED**], (iv) accrued issue costs, which were attributable to the issue of Shares and will be deducted from equity upon [**REDACTED**], and (v) 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,	
	2024	**2025**
	(US$ in thousands)	
Trade and other payables		
Payroll payables	2,175	1,837
Trade payables	14	494
Accrued [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Accrued issue costs	–	61
Other payables	581	691
Total	**2,770**	**3,442**

Our trade and other payables increased from US$2.8 million as of December 31, 2024 to US$3.4 million as of December 31, 2025, mainly due to (i) an increase of US$480 thousand in trade payables, primarily attributable to increased procurement in line with production planning, as well as the extension of supplier credit terms to improve working capital efficiency; and (ii) an increase of US$359 thousand in accrued [**REDACTED**] in relation to the proposed [**REDACTED**] and [**REDACTED**].

As of March 31, 2026, US$1,000.1 thousand, or 29.1%, of our trade and other payables as of December 31, 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, 2024 and 2025 and March 31, 2026, we had total bank borrowings of US$0.8 million, US$3.7 million and US$4.3 million, respectively. These bank borrowings carried fixed weighted average interest rates of 3.05% or 3.10% 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 March 31, 2026, we had committed unutilized banking facilities of RMB25.0 million (US$3.6 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 March 31,
	2024	**2025**	**2026**
	(US$ in thousands)		*(unaudited)*
Lease liabilities			
Current	814	623	452
Non-current	396	83	36
Total	**1,210**	**706**	**488**

Our lease liabilities decreased from US$1.2 million as of December 31, 2024 to US$706 thousand as of December 31, 2025, mainly due to the non-renewal of our certain leases upon expiration. Our lease liabilities further decreased to US$488 thousand as of March 31, 2026, 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$97.8 million and US$104.7 million as of December 31, 2024 and 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, 2024 and 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, 2024 and 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$320 thousand and US$156 thousand as of December 31, 2024 and 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$15.0 million and US$14.3 million in 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 March 31,
	2024	**2025**	**2026**
	(US$ in thousands)		*(unaudited)*
Current Assets			
Inventories	326	1,141	760
Trade receivables	347	207	555
Other receivables, deposits and prepayments	2,124	2,884	3,155
Bank balances and cash	36,910	24,554	21,260
Total current assets	**39,707**	**28,786**	**25,730**
Current liabilities			
Trade and other payables	2,770	3,442	2,266
Bank borrowings	835	3,728	4,293
Lease liabilities	814	623	452
Contract liabilities	329	5	4
Financial liabilities at FVTPL	97,830	104,680	104,680
Deferred income	167	171	173
Total current liabilities	**102,745**	**112,649**	**111,868**
Net current liabilities	**(63,038)**	**(83,863)**	**(86,138)**

Our net current liabilities remained relatively stable at US$83.9 million and US$86.1 million as of December 31, 2025 and March 31, 2026, respectively.

Our net current liabilities increased from US$63.0 million as of December 31, 2024 to US$83.9 million as of December 31, 2025, primarily attributable to (i) a decrease of US$12.4 million in bank balances and cash resulting from the cash outflows for our continued research and development activities and daily operations; and (ii) an increase of US$6.9 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.

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,	
	2024	2025
	(US$ in thousands)	
Operating cash flows before movements in working capital	(13,991)	(13,537)
Changes in working capital	(1,013)	(806)
Net cash used in operating activities	(15,004)	(14,318)
Net cash generated from investing activities	422	346
Net cash (used in)/generated from financing activities	(2,607)	1,531
Net decrease in cash and cash equivalents	(17,189)	(12,441)
Cash and cash equivalents at beginning of the year	54,260	36,910
Effect of foreign exchange rate changes	(161)	85
Cash and cash equivalents at end of the year	**36,910**	**24,554**

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 2025, our net cash used in operating activities was US$14.3 million, which was primarily attributable to loss before tax of US$22.3 million as adjusted by certain non-cash and working capital items. Positive adjustments primarily included (i) changes in fair value of financial liabilities at FVTPL of US$6.9 million, and (ii) depreciation of property and equipment of US$1,420 thousand. Negative adjustments primarily included (i) interest income of US$793 thousand, and (ii) increase in inventories of US$784 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.

Net Cash Generated from Investing Activities

In 2025, our net cash generated from investing activities was US$346 thousand, primarily attributable to interest received of US$793 thousand, partially offset by purchase of and deposits paid for property and equipment of US$447 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.

Net Cash Used in Financing Activities

In 2025, our net cash generated from financing activities was US$1.5 million, primarily attributable to new bank loans raised of US$3.7 million; partially offset by (i) repayments of lease liabilities of US$915 thousand, and (ii) repayment of bank borrowings of US$840 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.

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$24.6 million as of December 31, 2025. We estimate that we will receive net [**REDACTED**] of approximately HK$[**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 2025, we estimate that our bank balances and cash as of December 31, 2025 will be able to maintain our financial viability for [**REDACTED**] months, or, if we take into account the estimated net [**REDACTED**] from the [**REDACTED**], [**REDACTED**] 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,	
	2024	**2025**
	(US$ in thousands)	
Costs relating to research and development of our Core Product		
Contract service fees	587	248
Cost of raw materials	337	327
Subtotal	**924**	**575**
Costs relating to research and development of our other product candidates		
Contract service fees	1,484	529
Cost of raw materials	786	698
Subtotal	**2,270**	**1,228**
Staff costs for research and development personnel	6,810	5,843
Other research and development costs	379	294
Total research and development costs	**10,383**	**7,939**
Staff costs for non-research and development personnel	2,415	2,067
Direct production costs	284	431
Other operating costs	2,686	2,826

INDEBTEDNESS

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

	As of December 31,		As of March 31,
	2024	**2025**	**2026**
	(US$ in thousands)		*(unaudited)*
Current:			
Bank borrowings	835	3,728	4,293
Lease liabilities	814	623	452
Non-current:			
Lease liabilities	396	83	36
Total	**2,045**	**4,434**	**4,781**

Note:

(1) The foregoing bank borrowings and lease liabilities are unguaranteed and unsecured.

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 March 31, 2026. Our Directors confirm that there had been no material change in our indebtedness since March 31, 2026 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,	
	2024	**2025**
	(US$ in thousands)	
Capital expenditures		
Purchase of and deposits paid for property and equipment	583	447
Purchase of intangible asset	543	–
Total	**1,126**	**447**

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, 2024 and 2025, we did not have any capital commitments.

CONTINGENT LIABILITIES

As of December 31, 2024 and 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,	
	2024	**2025**
Current ratio (1)	0.4	0.3

Note:

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

Our current ratio remained relatively stable at 0.4 and 0.3 as of December 31, 2024 and 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 of our financial risks and management policies, 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 December 31, 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$[**REDACTED**] million, and (ii) non-[**REDACTED**]-related expenses of HK$[**REDACTED**] million, including (a) the legal advisors and the reporting accountants expenses of HK$[**REDACTED**] million, and (b) other fees and expenses of HK$[**REDACTED**] million. During the Track Record Period, we incurred [**REDACTED**] of HK$[**REDACTED**] million, HK$[**REDACTED**] million of which was charged to our consolidated statements of profit or loss, and HK$[**REDACTED**] million of which was attributable to the issue of Shares and will be deducted from equity. We expect to incur additional [**REDACTED**] of approximately HK$[**REDACTED**] million after the Track Record Period, of which approximately HK$[**REDACTED**] million is expected to be charged to our consolidated statements of profit or loss, and approximately HK$[**REDACTED**] million 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]

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, there has been no material adverse change in our financial or [**REDACTED**] position or prospects since December 31, 2025 and up to the date of this document and there is no event since December 31, 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.