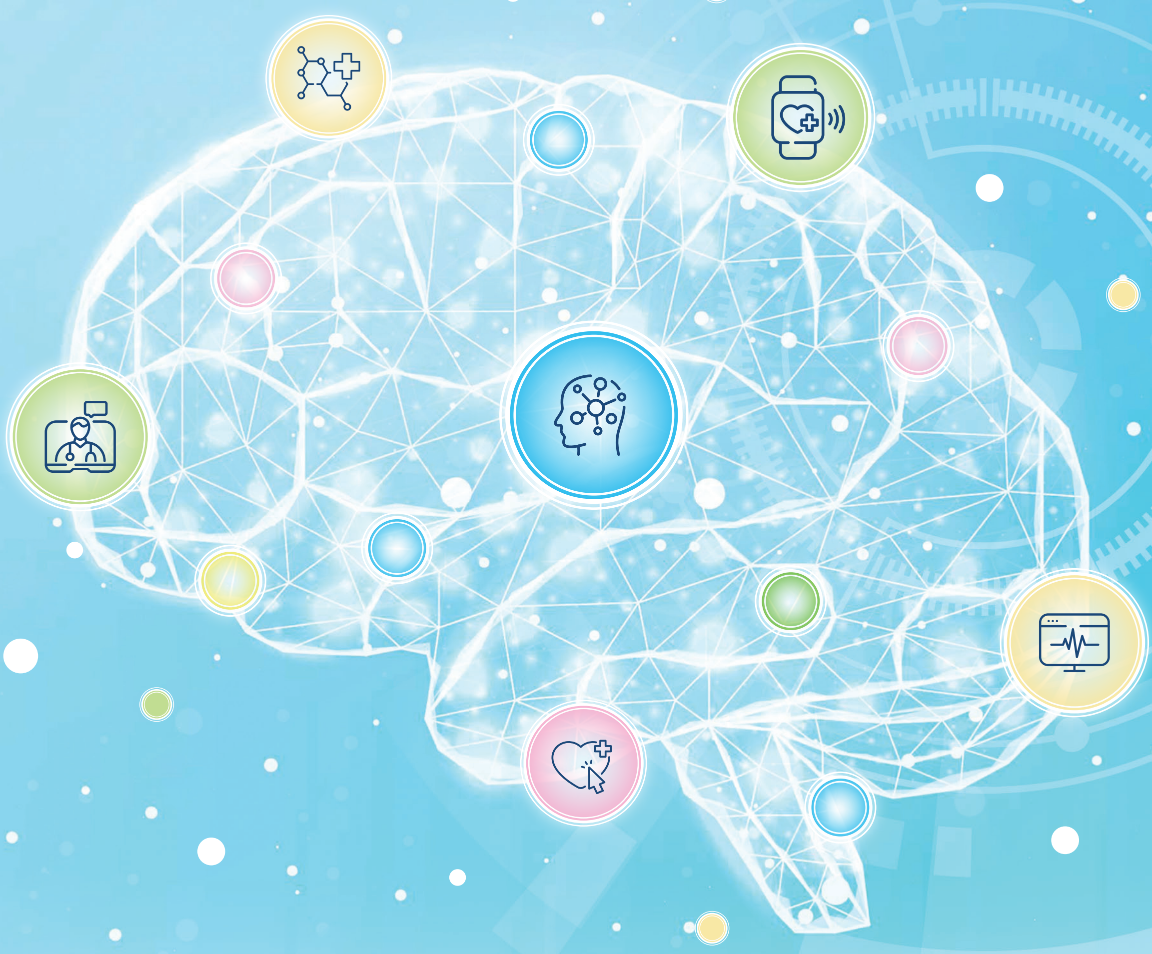
BrainAu 脑动极光 BRAINAU

BrainAurora Medical Technology Limited
脑动极光医疗科技有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6681



2024 ANNUAL REPORT

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Tan Zheng (譚錚)
(Chairman of the Board)
Dr. Wang Xiaoyi (王曉怡)

NON-EXECUTIVE DIRECTORS

Mr. Li Sirui (李思睿)
Ms. Li Mingqiu (李明秋)
Mr. Deng Feng

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Yiu Por (林曉波)
Dr. Duan Tao (段濤)
Mr. Li Yuezhong (李月中)

AUDIT COMMITTEE

Mr. Lam Yiu Por (林曉波) *(Chairman)*
Mr. Li Yuezhong (李月中)
Dr. Duan Tao (段濤)

REMUNERATION COMMITTEE

Mr. Li Yuezhong (李月中) *(Chairman)*
Mr. Lam Yiu Por (林曉波)
Dr. Duan Tao (段濤)

NOMINATION COMMITTEE

Mr. Tan Zheng (譚錚) *(Chairman)*
Mr. Li Yuezhong (李月中)
Dr. Duan Tao (段濤)

JOINT COMPANY SECRETARIES

Mr. Wang Junjie (王俊傑)
Ms. Sham Ying Man (岑影文)

AUTHORIZED REPRESENTATIVES

Mr. Tan Zheng (譚錚)
Ms. Sham Ying Man (岑影文)

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Cayman Islands

AUDITOR

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Certified Public Accountants and Registered
Public Interest Entity Auditor
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CORPORATE INFORMATION

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PRINCIPAL SHARE REGISTRAR

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Paojiang Development Zone
Shaoxing City
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China Merchants Bank Co., Ltd. Beijing Beiyuan Road Science and Technology Finance Branch
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Beijing
China

STOCK CODE

6681

COMPANY'S WEBSITE

66nao.cn

LISTING DATE

January 8, 2025

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of BrainAurora Medical Technology Limited 脑动极光医疗科技有限公司, I would like to express my sincere gratitude to all shareholders for your continuous trust and support. 2024 is a milestone year in the development of the Group, during which we have achieved remarkable results in respect of business expansion and product R&D. We have successfully listed on the Main Board of the Hong Kong Stock Exchange at the beginning of 2025, ushering in a new chapter of the development of the Company.

MAJOR ACHIEVEMENTS IN 2024

1. **Excellent progress for the commercialization of core products**

   Our flagship product, the "Brain Function Information Management Platform Software System", has been included in the medical insurance catalogue of 30 provinces in China and helped more than 150 hospitals establish diagnostic and treatment centers for cognitive impairment.

2. **Continuously extensive product pipeline**

   Development of new indications: Our Core Product has a new indication of "Basic Cognitive Assessment Software for Depression", which is undergoing clinical trials and is expected to be approved in 2025.

   Diversified pipeline: Six product candidates, including ADHD Assessment and Treatment Software and Depression Treatment Software, have been under preclinical and clinical stage, covering unmet needs in many fields such as child development deficiency and psychiatric disorders.

3. **Reinforced R&D strength**

   The R&D team has been expanded to 120 members, with master's and doctoral degree holders accounting for more than 20%, and has cooperated with top medical institutions in China or abroad to carry out cutting-edge research. In 2024, our investment in R&D reached RMB119 million, representing a year-on-year increase of 31.6%, thus promoting technology iteration and product innovation.

   In 2024, our pioneering research in respect of the dosage of cognitive trainings "Dose-response relationship between computerized cognitive training and cognitive improvement" was published in *npj Digital Medicine*, a journal of Nature magazine, which is one of the top two academic journals in the field of digital medicine internationally. This is the first international research to clarify the dosage-effect relationship of cognitive digital therapeutics, and provides valuable evidence-based medical evidence for accurately determining the optimal dosage of cognitive digital therapeutics.

   In January 2024, the "Establishment, promotion and application of key technologies on digital diagnostic and treatment platform for cognitive impairment diseases" project with our products as the core won the First Place of Chinese Medical Science and Technology Prize (中華醫學科技獎一等獎), the highest science and technology award in the medical sector in China.

CHAIRMAN'S STATEMENT

4. **Capital market milestone**

   On January 8, 2025, the Company was successfully listed on the Main Board of the Stock Exchange, and the net proceeds amounted to approximately HK$501.3 million, providing a strong impetus for the implementation of the future strategies.

FINANCIAL PERFORMANCE

In 2024, the Group's revenue increased by 82.0% year-on-year to RMB122.31 million, and gross profit increased to RMB54.01 million. Despite loss due to increased investment in R&D and market expansion, adjusted net loss narrowed to RMB162 million (non-IFRS measure), reflecting continuous optimization of operating efficiency.

FUTURE OUTLOOK

In 2025, we will focus on the following strategic directions:

Strengthen market penetration of core products: accelerate the coverage of the System in hospitals nationwide, promote the commercialization of new indications, and enhance patient accessibility.

Global expansion: promote product registration in Europe and the United States, and explore cooperation opportunities in the Middle East and Southeast Asian market.

Technological innovation: strengthen the integration of AI and brain science, and continue to develop personalized digital therapeutics solutions.

Employment of capital: strictly plan the proceeds from the Listing, focus on R&D, commercialization promotion and international layout, and lay a foundation for the long-term growth.

CONCLUSION

We have always adhered to our mission of "making achievements in the brain science to benefit cognitive impairment patients". In the future, we will uphold the spirit of innovation and work with global partners to meet medical and health needs, and create sustainable value for our shareholders.

Thank you once again for your trust and support!

Tan Zheng
Chairman of the Board and Executive Director
BrainAurora Medical Technology Limited
April 28, 2025

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

We are a seasoned player in China's cognitive impairment digital therapeutics (the "**DTx**") market. We are the first company in China that has developed a medical-grade DTx product for cognitive impairment, combining brain science with advanced artificial intelligence (the "**AI**") technologies. Our product pipeline covers both the assessment and intervention of a broad range of cognitive impairments induced by vascular diseases, neurodegenerative diseases, psychiatric disorders, and child development deficiencies, among others. Our Core Product (as defined in Chapter 18A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**")), the Brain Function Information Management Platform Software System (the "**System**" or the "**Core Product**"), is the first cognitive impairment DTx product that has obtained regulatory approval in China.

We are a commercial stage company. As of the Latest Practicable Date, our Core Product had been included in the provincial health insurance reimbursement lists of 30 provinces in China. We are committed to assisting medical institutions across the country to establish diagnostic and treatment centers for cognitive impairment, and building long-term business relationships with medical institutions to promote the development of cognitive impairment DTx market in China. As of the Latest Practicable Date, we had helped more than 150 hospitals establish cognitive centers in China, including several leading hospitals with "National Medical Center" (國家醫學中心) certification for various medical specialties by the NHC. We are committed to making achievements in the brain scientific research to DTx products that benefit cognitive impairment patients.

We have established a broad DTx product pipeline. The Core Product had been commercialized for eight indications from four major types of cognitive impairment and is under development for several other cognitive impairment indications as of the Latest Practicable Date. We had three other products with regulatory approvals in China, one other product with regulatory approval in the EU and six product candidates under different stages of preclinical and clinical development or registration process as of the Latest Practicable Date. We enjoy rights with respect to our products and product candidates in jurisdictions where we receive regulatory approvals.

FINANCIAL HIGHLIGHTS

	For the Year ended		
	December 31, 2024 RMB'000	December 31, 2023 RMB'000	Year-on-year change %
Revenue	**122,311**	67,200	82.01%
Loss and total comprehensive expense for the year	**(198,610)**	(359,116)	(44.69%)
Adjusted net loss for the year* (non-IFRS measure)	**(161,959)**	(149,027)	8.68%

* Adjusted net loss for the year is not defined under the International Financial Reporting Standard (the "**IFRS**"), it represents the loss for the year excluding the effect brought by fair value changes on convertible redeemable preferred shares and expenses under the employee long-term incentive plans.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OUTLOOK

DTx refers to software-driven medical solutions that assess patient conditions by collecting various types of patient input (such as pictures, texts, voices and video feeds) in order to deliver therapeutic interventions that prevent, treat, and manage various types of diseases. DTx digitize existing medical principles, guidance or standardized treatment plans into software-driven interventional measures that improve patients' access to and compliance with treatments. Cognitive impairment DTx is a subset of digital medicine.

Cognitive impairment refers to deficits in neurocognitive domains that lead to a decline in cognition function. The causes of cognitive impairment primarily include the following: vascular diseases, neurodegenerative diseases, psychiatric disorders and child development deficiency, among others:

- Vascular disease induced cognitive impairment (the "**VDCI**") is typically caused by brain damages due to impaired blood flow to the brain. The relevant types of vascular diseases generally include stroke, cerebral hemorrhage, or narrowed or chronically damaged blood vessels in the brain. Symptoms of VDCI include confusion, attention deficiency, difficulty with organization, unsteady gait and memory problems, among others.

- Neurodegenerative disease induced cognitive impairment (the "**NCI**") are caused by conditions that cause progressive damage to brain cells, resulting in long-term cognitive decline. Alzheimer's disease and amnestic mild cognitive impairment are two common examples.

- Psychiatric disorder induced cognitive impairment (the "**PCI**") are conditions in which individuals experience clinically significant disturbances in cognition, emotional regulation, or behavior. The causes of psychiatric disorders are complex and multifaceted, involving various factors such as genetics, family history, life experiences, substance use, and other biological factors.

- Child development deficiency induced cognitive impairment (the "**CDDCI**") is present at birth and are caused by genetic conditions or brain damage that occurs during pregnancy or childbirth. Examples include Attention Deficit Hyperactivity Disorder ("**ADHD**"), dyslexia and autism.

Each category of diseases presents unique treatment challenges, and there is a growing need for effective, evidence-based solutions that can improve patients' cognitive functions and quality of life and traditional drug therapies may not be effective or available for cognitive impairments induced by these diseases. Cognitive impairment DTx serves as both an assessment and intervention tool for cognitive impairment patients and cognitive impairment DTx products leverage cutting-edge technology to deliver solutions that can be tailored to the specific needs of individual patients. The cognitive impairment DTx market has experienced significant growth and is expected to continue to grow as the number of people affected by cognitive impairments continues to increase.

MANAGEMENT DISCUSSION AND ANALYSIS

OUR PRODUCTS AND PRODUCT PIPELINE

The following chart summarizes the development status of our products as of the Latest Practicable Date:

Product	Disease Area	Indication	Assessment/ Intervention	Phase: Preclinical	Phase: Clinical Trial	Phase: Registration	Phase: Commercialization	Upcoming Milestone	Estimated and Actual Time of Commercialization	Commercialization Country/Region
Brain Function Information Management Platform Software System ★	Vascular disease induced cognitive impairment	Vascular cognitive impairment	Assessment + Intervention						June 2020	China
		Aphasia	Assessment + Intervention						June 2020	China
		Atrial fibrillation induced cognitive impairment	Assessment + Intervention					2025 Q2 Data Analysis Completion	2026	China
		Hypertension induced cognitive impairment	Assessment + Intervention					2025 Q2 Data Analysis Completion	2026	China
		Coronary heart disease induced cognitive impairment	Assessment + Intervention					2025 Q2 Data Analysis Completion	2026	China
		Post-cardiac surgery rehabilitation	Assessment + Intervention					2025 Q2 Clinical Trial Initiation	2026	China
		Heart failure induced cognitive impairment	Assessment + Intervention					2026 H1 Clinical Trial Initiation	2028	China
	Neurodegenerative disease induced cognitive impairment	Alzheimer's disease	Assessment + Intervention						June 2020	China
		Amnestic mild cognitive impairment	Assessment + Intervention					2025 Data Analysis Completion	2026	China
		Parkinson's disease	Assessment + Intervention					2026 Q2 Clinical Trial Initiation	2027	China
	Psychiatric disorder induced cognitive impairment	Depression	Assessment + Intervention						June 2020	China
		Schizophrenia	Assessment + Intervention						June 2020	China
		Sleep disorders	Assessment + Intervention						June 2020	China
		Anxiety	Assessment + Intervention					2025 Q2 Clinical Trial Initiation	2026	China

MANAGEMENT DISCUSSION AND ANALYSIS

Product	Disease Area	Indication	Assessment/ Intervention	Phase: Preclinical	Phase: Clinical Trial	Phase: Registration	Phase: Commercialization	Upcoming Milestone	Estimated and Actual Time of Commercialization	Commercialization Country/Region
	Child development deficiency induced cognitive impairment	Attention deficit hyperactive disorder	Assessment + Intervention						June 2020	China
		Autism	Assessment + Intervention						June 2020	China
		Language delay	Assessment + Intervention					2025 Q2 Clinical Trial Initiation	2026	China
		Cerebral palsy	Assessment + Intervention					2025 Q2 Clinical Trial Initiation	2026	China
		Dyslexia	Intervention					2025 Q3 Clinical Trial Initiation	2026	China
	Other disorders	Epilepsy	Assessment + Intervention					2025 Q2 Clinical Trial Initiation	2026	China
		Bone fracture induced pain	Assessment + Intervention					2025 Q4 Clinical Trial Completion	2026	China
		Diabetes	Assessment + Intervention					2025 Q3 Clinical Trial Initiation	2026	China
		Phenylketonuria induced cognitive impairment	Assessment + Intervention					2025 Q3 Clinical Trial Initiation	2027	China
		Kidney disease induced cognitive impairment	Assessment + Intervention					2025 Q3 Clinical Trial Initiation	2026	China
		Multiple sclerosis	Assessment + Intervention					2025 Q3 Clinical Trial Initiation	2026	China
		Hepatic encephalopathy	Assessment + Intervention					2025 Q3 Clinical Trial Initiation	2026	China
		Post-breast cancer surgery rehabilitation	Assessment + Intervention					2025 Q3 Clinical Trial Initiation	2027	China
		Post-lung cancer surgery rehabilitation	Assessment + Intervention					2025 Q3 Clinical Trial Initiation	2027	China
		Drug addiction	Assessment + Intervention					2025 Q3 Clinical Trial Initiation	2027	China

MANAGEMENT DISCUSSION AND ANALYSIS

Product	Disease Area	Indication	Assessment/ Intervention	Phase: Preclinical	Phase: Clinical Trial	Phase: Registration	Phase: Commercialization	Upcoming Milestone	Estimated and Actual Time of Commercialization	Commercialization Country/Region
Basic Cognitive Ability Testing Software		Cognitive impairment	Assessment					2025 H2 Full Commercialization	2025	China
Cognitive Ability Supplemental Screening and Assessment Software		Cognitive impairment	Assessment					2025 H2 Full Commercialization	2025	China
Dyslexia Supplemental Screening and Assessment Software	Child development deficiency induced cognitive impairment	Dyslexia	Assessment					2025 H2 Full Commercialization	2025	China
Covid-19 Induced Cognitive Impairment Assessment and Recovery Training Software	Other disorders	Covid-19 induced cognitive impairment	Assessment + Intervention					2025 H2 Registration Approval	2025	China
Attention Deficit Hyperactivity Disorder Assessment and Treatment Software	Child development deficiency induced cognitive impairment	Attention deficit hyperactivity disorder	Assessment + Intervention					2025 Q3 Clinical Trial Initiation	2025	China
Quantitative Cognitive Assessment Software for Depression	Psychiatric disorders	Depression	Assessment					2025 Q2 Clinical Trial Completion	2025	China
Depression Treatment Software	Psychiatric disorders	Depression	Intervention					2025 Q2 Clinical Trial Initiation	2026	China
Cognitive Impairment Assessment Software		Cognitive impairment	Assessment					2025 Registration Submission	2026	EU
								2025 H2 Registration Submission	2026	US
Cognitive Impairment Treatment Software		Cognitive impairment	Intervention					2026 Commencement of Commercialization	2026	EU
								2025 Registration Submission	2026	US

★ Core Product

Commercialized Product/Indication

Product exempt from clinical trials under current relevant regulations

Regulatory approvals obtained through submission of clinical evaluation materials on the System conducted by third parties

MANAGEMENT DISCUSSION AND ANALYSIS

Our Core Product – Brain Function Information Management Platform Software System

Our Core Product, the System, is an evidence-based, medical-grade DTx product, and the first cognitive impairment DTx product in China to receive regulatory approval. In September 2018, we obtained the initial Class II medical device registration certificate from the Hunan Medical Products Administration (the "**Hunan MPA**") for the System. In June 2020, we obtained an amended certificate (the "**2020 Amended Certificate**") from the Hunan MPA to include the screening, assessment, recovery and data analysis of eight specific indications. In May 2023, we renewed the 2020 Amended Certificate with the Hunan MPA (the "**2023 Renewed Certificate**"), which contains the same indication coverage as the 2020 Amended Certificate. In 2024, we have launched three clinical trials to evaluate the System's safety and efficacy on mild cognitive impairment induced by several types of vascular diseases, such as atrial fibrillation, hypertension and coronary heart disease. In 2025, we expect to complete data collection and analysis for clinical trials of the System in the context of vascular disease and neurodegenerative disease induced cognitive impairment. We also aim to initiate clinical trial for anxiety indication in 2025 to facilitate our plan in upgrading the System's application on depression-induced cognitive impairments.

The System is software that combines clinical experience in brain science with deep neutral networks ("**DNN**") algorithms, a powerful category of machine learning algorithms, to assess a patient's cognitive impairment and provide personalized DTx treatment options. The System enables clinical assessment and interventions for various types of cognitive impairment induced by vascular diseases, neurodegenerative diseases, psychological disorders and child development deficiencies, among other types of cognitive impairments. The System incorporates our two underlying technologies, namely virtual human and AI technologies. In particular, our DNN algorithms are trained with a large amount of information on patient demographics, clinical assessment, diagnosis and information collected during patients' participation in training tasks at diverse difficulty levels. Our DNN algorithms undergo constant iteration and training to dynamically adjust the content of the training tasks. The DNN algorithms can identify the most suitable training out of millions of different possible combinations, building on over 300 training modules that are designed to activate the appropriate brain regions for the best therapeutic effect.

Patients that use the System typically suffer from cognitive impairment, which is what the System addresses. Such cognitive impairments may be induced by many classes of diseases, such as vascular diseases, neurodegenerative diseases, psychiatric disorders and child development deficiencies. In addition, the clinical trials that have been undertaken on the System demonstrate the safety and efficacy of the System in improving patients' cognitive functions (such as speed, attention, perception, long-term memory, working memory, calculation, executive control, reasoning and problem solving), not the inducing diseases themselves. Therefore, despite the variety in the diseases that could induce cognitive impairment, the eight existing indications as well as the potential new indications are considered indication expansion of the System and can be added to the same medical device registration certificate.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET THE SYSTEM WITH NEW INDICATIONS SUCCESSFULLY.

Our Other Key Products and Product Candidates

As of the Latest Practicable Date, four of our products besides the System had obtained regulatory approvals in China or abroad, including, among others, BCAT, SAS and DSS (terms defined below).

Basic Cognitive Testing Software (the "BCAT")

BCAT is designed to facilitate healthcare professionals' assessment of patients' basic cognitive capacity by enabling patients to self-administer tests of their cognitive capacities relating to processing speed, working memory, episodic memory, visual-spatial ability and verbal comprehension. We obtained a Class II medical device registration certificate

MANAGEMENT DISCUSSION AND ANALYSIS

from the Hunan MPA for the BCAT in October 2022. After obtaining regulatory approval in 2022, we have been and are undergoing further research and preparing additional scientific literature with regards to BCAT, which we believe would be conducive to improving its market recognition and acceptance by the medical community. We have commenced the initial commercialization of BCAT and expect to reach full commercialization in the first half of 2025.

Cognitive Ability Supplemental Screening and Assessment Software (the "SAS")
SAS is designed to facilitate healthcare professionals' assessment of patients' cognitive capacity by enabling patients to self-administer Mini-Mental State Examination and Montreal Cognitive Assessment tests. We obtained a Class II medical device registration certificate from the Hunan MPA for the SAS in December 2022 after submitting relevant clinical evaluation materials. After obtaining regulatory approval in 2022, we have been and are undergoing further research and preparing additional scientific literature with regards to SAS, which we believe would be conducive to improving its market recognition and acceptance by the medical community. We have commenced the initial commercialization of SAS and expect to reach full commercialization in the first half of 2025.

Dyslexia Supplemental Screening and Assessment Software (the "DSS")
DSS is designed to facilitate the assessment of risk of developmental dyslexia in children. We received a Class II medical device registration certificate for DSS in September 2023 from the Hunan MPA. In support of our application for the above Class II medical device registration certificate, we submitted a clinical comparison with the System.

Other Product Candidates
We also have the following products under different stages of development.

- *COVID-19 Induced Cognitive Impairment Assessment and Recovery Training Software:* We collaborated with Xuanwu Hospital Capital Medical University (首都醫科大學宣武醫院) on a clinical trial focused on cognitive decline due to COVID-19 infection, commonly referred to as "COVID-19 brain fog." One of the trial's design goals was to facilitate a Class II medical device registration approval and, therefore, the trial has a risk profile consistent with what is required for such approvals. We obtained ethics approval in July 2022, completed the clinical trial in October 2023 and submitted Class II medical device registration in the second quarter of 2024 and expect to receive registration approval in the second half of 2025. Once approved, we plan to promote the commercialization of this product through existing sales channels. As of the Latest Practicable Date, the trial is associated with two of our patents or patent applications.

- *ADHD Assessment and Treatment Software:* We are currently under preclinical development of the Attention Deficit Hyperactivity Disorder Assessment and Treatment Software ("**ADHD Software**"). The ADHD Software has two main components: (i) the task-based cognitive assessment system; and (ii) the digitized question-based assessment system. The tasks in the task-based cognitive assessment system will cover cognitive domains including perception, attention, memory, action execution and mood regulation, while the question-based system will supplement the task-based cognitive assessments with our digitized version of traditional ADHD and cognitive dysfunction screening scales, including the tests based on ADHD Rating Scale – IV and the Achenbach Child Behavior Checklist, a test widely used to detect behavioral and emotional problems in children and adolescents.

MANAGEMENT DISCUSSION AND ANALYSIS

- *Quantitative Cognitive Assessment Software for Depression:* We are conducting a clinical trial for the quantitative cognitive assessment software for depression, which is an electronic cognitive function assessment tool developed based on the latest scientific development on an understanding of human intelligence and cutting-edge clinical research on cognitive dysfunction associated with depression, and obtained ethics approval in February 2024. We have initiated the clinical trial and expect trial completion by the second quarter of 2025.

- *Depression Treatment Software:* We are currently under preclinical development of the depression treatment software, called "Mind Island Aurora," which is a computerized system utilizing a combination of game-playing and Computerized Cognitive Behavioral Therapy to improve the symptoms related to. We expect to initiate clinical trial in the second quarter of 2025.

- *Cognitive Impairment Assessment Software and Cognitive Impairment Treatment Software:* In order to expand our international footprint and build global influence, we are developing the following products for the U.S. and the EU: Cognitive Impairment Assessment Software and Cognitive Impairment Treatment Software. On July 22, 2022, we obtained the CE mark in the EU for our Cognitive Impairment Treatment Software, which is exempted from clinical trial requirements under EU's Medical Device Regulation and allows for its commercialization in the EU that is expected to commence in 2026. We are also developing our Cognitive Impairment Treatment Software and Cognitive Impairment Assessment Software in the U.S. in preparation for regulatory filings under Section 510(k).

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR OTHER KEY PRODUCTS AND PRODUCT CANDIDATES SUCCESSFULLY.

RESEARCH AND DEVELOPMENT CAPABILITY

We believe that our continued research and development ("**R&D**") is the key driver of our business growth and competitiveness.

R&D Team

We have a strong multi-disciplinary in-house R&D team of 120 professionals with 26 holding a master's degree and two holding PhDs as of the Latest Practicable Date. Our R&D team is led by Dr. Wang Xiaoyi ("**Dr. Wang**"), who has been our chief executive officer ("**CEO**") and chief research officer. Our key R&D staff have on average over six years of relevant experience in the DTx industry. Our R&D team frequently participates in academic and industry conferences and engages with industry and clinical experts to bring us up-to-date insights and innovations from a global perspective. Our R&D team is divided into the following three groups: (i) Brain Research Institute, (ii) Product Innovation Center, and (iii) Technology Research Center. Externally, we have established long-term relationships with key opinion leaders, including well-known medical professional and clinical experts in China. Leveraging their insights and recommendations, we are able to focus our R&D process on unmet clinical needs and explore frontier and breakthrough technologies.

MANAGEMENT DISCUSSION AND ANALYSIS

Product Design and Preclinical Development

We have established and strictly followed an internal protocol that governs the design and development of our products. Our internal protocol was formulated based on applicable National Medical Products Administration of China (國家藥品監督管理局) regulations and ISO 13485. To start with a product development project, we conduct market research to analyze market prospects and patient's need and formulate a development proposal that describes the target medical need, potential risks and specific product functions. After obtaining approvals from our management on the project, we will then formulate a detailed development plan, which includes the product functionalities and applications, labor and budget planning and begin the development process.

Clinical Development

Our clinical affairs department has significant experience in conducting clinical trials for our products. As of the Latest Practicable Date, we had organized a dedicated regulatory and clinical affairs department consisting of seven members, with extensive experience in medical device industry. Dr. Wang, our CEO, has over 20 years of academic and professional experience in brain and cognitive sciences, as well as extensive experience in handling medical device regulatory affairs. We also set up a separate regulatory affairs team in charge of regulatory communications. Our regulatory affairs team is mainly responsible for sorting and reviewing registration materials of our products, as well as submitting such materials to the relevant government agencies. We conduct clinical trials of new indications and products in order to obtain the requisite regulatory approvals and collect access-controlled data that can improve the design and features of our products. The goal of a clinical trial is to measure the clinical safety and efficacy of a device. Primary parameters for clinical trials are selected based on the intended use of the medical device.

FUTURE DEVELOPMENT

We plan to execute the following strategies to achieve our mission and drive our future growth: (i) continue indication expansion of the System and development of other product candidates to further solidify our position in China's cognitive impairment DTx market, (ii) accelerate commercialization of the System and other products and enhance market penetration, (iii) further improve our research and development capabilities, (iv) expand our international footprint and build global influence, and (v) strategically seek merger and acquisition opportunities.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

Overview

The following discussion is based on, and should be read in conjunction with, the financial information and notes included elsewhere in this report.

Revenue

Our revenue increased by RMB55.11 million from RMB67.20 million for the year ended December 31, 2023 to RMB122.31 million for the year ended December 31, 2024, representing a year-on-year increase of 82.01%.

We generate revenue from (i) provision of the System integral software solutions in hospitals; (ii) provision of the System integral software solutions out of hospitals to individual patients; (iii) provision of research projects services to research institutions; and (iv) others, such as sales of hardware embedded with the System and the related user accounts. The increase in our revenue was primarily due to (i) an increase in the number of hospitals that purchased the System from 75 in 2023 to 186 in 2024; and (ii) an increase in the number of times patients used the System from over 850,000 times in 2023 to approximately 1,800,000 times in 2024; and (iii) a significant increase in the number of patients from approximately 4,900 to approximately 7,397 over the same periods who selected our System for use in their own homes after initially using the System in hospitals.

Cost of Sales

Our cost of sales increased from RMB35.14 million for the year ended December 31, 2023 to RMB68.30 million for the year ended December 31, 2024, representing an increase of 94.37%. The increase in our cost of sales was primarily due to (i) an RMB23.74 million increase in operational costs, incurred by third-party service providers that provide operational support in cognitive centers on our behalf; and (ii) an increase in the number of cognitive centers from which we incurred construction costs from 48 in 2023 to 107 in 2024, which led to an increase in construction and depreciation costs.

Gross Profit

Our gross profit increased from RMB32.06 million for the year ended December 31, 2023 to RMB54.01 million for the year ended December 31, 2024, representing an increase of 68.47%. The increase in our gross profit was primarily due to the significant increase in sales volume of the System and the increase in the number of hospitals and patients that used our System.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Income

Our other income primarily consists of (i) interest income on bank balances, term deposits and restricted bank deposit; (ii) interest income from rental deposits; (iii) government grants related to R&D activities; and (iv) others.

Our other income decreased from RMB2.08 million for the year ended December 31, 2023 to RMB1.71 million for the year ended December 31, 2024, representing a decrease of 17.79%. The decrease in our other income was mainly attributable to the decrease in interest income on bank balances, time deposits and restricted bank deposit of RMB1.45 million as a result of the change in average balance in 2024 as compared to 2023.

Other Expenses and Other Gains and Losses, Net

Our other expenses and other gains and losses, net primarily relates to fair value gains on financial assets at FVTPL. Our other expenses and other gains and losses, net increased from RMB2.32 million for the year ended December 31, 2023 to RMB3.33 million for the year ended December 31, 2024, representing an increase of 43.53%. The increase in our other expenses and other gains and losses, net was primarily attributable to RMB4.16 million increase in gain on re-estimated repayments of long-term bonds in 2024.

Fair Value Changes of Financial Liabilities at FVTPL

Our fair value changes of financial liabilities at FVTPL primarily relates to fair value changes of our redeemable preference shares. Our fair value changes of financial liabilities at FVTPL changed from loss of RMB165.22 million for the year ended December 31, 2023 to gain of RMB30.12 million for the year ended December 31, 2024, representing an 118.23% increase. The increase in our gain on fair value changes of financial liabilities at FVTPL was primarily attributable to fair value changes of redeemable preference shares.

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of (i) market development and service expenses; (ii) employee benefits expenses; (iii) depreciation and amortization expenses; (iv) share-based payments; and (v) others.

Our selling and distribution expenses increased from RMB38.40 million for the year ended December 31, 2023 to RMB48.02 million for the year ended December 31, 2024, representing an increase of 25.05%. The increase in our selling and distribution expenses was primarily attributable to an increase in market development and service expenses driven by the increasing efforts to explore business cooperation opportunities in order to reach more hospitals and other customers and to enhance industry recognition and awareness of our products.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative Expenses

Our administrative expenses primarily consist of (i) employee benefit expenses for our administrative staff; (ii) restructuring related expenses; (iii) depreciation and amortization expenses; (iv) professional service expenses; (v) utilities and office expenses; (vi) share-based payments; and (vii) others.

Our administrative expenses increased from RMB54.40 million for the year ended December 31, 2023 to RMB59.93 million for the year ended December 31, 2024, representing an increase of 10.17%. The increase in our administrative expenses was primarily attributable to the facts that (i) an administrative expense of RMB27,273 thousand shall be recognized in 2024 since an entity awarded 85,166 awarded shares to 46 grantees (including Directors, senior management and other employees of the Group) on July 31, 2023, representing an increase of RMB9.35 million as compared with that of 2023; (ii) RMB5.53 million of restructuring related administrative expenses were incurred in 2023, while there were no such expenses incurred during the Reporting Period; (iii) depreciation and amortization of fixed assets increased by RMB1.23 million during the Reporting Period resulting from the purchase of fixed assets by an entity used for office purpose due to business expansion during the Reporting Period.

R&D Expenses

Our R&D expenses primarily consist of (i) staff remuneration; (ii) share-based payments; (iii) depreciation and amortization; and (iv) technical service fee engaging external organization for development.

Our R&D expenses increased from RMB90.73 million for the year ended December 31, 2023 to RMB119.42 million for the year ended December 31, 2024, representing an increase of 31.62%. The increase in our R&D expenses was primarily due to the facts that (i) higher staff remuneration led to an increase of RMB12,739 thousand in R&D expenses; (ii) share-based payments increased by RMB8,287 thousand during the Reporting Period mainly attributable to the continuing amortisation of the share-based payments granted in July 2023; (iii) other piecemeal procurement and reimbursement increased by RMB6,694 thousand as compared with last year, representing an increase of 68%. The increase was mainly generated from technical service fee and patent service fee. During the Reporting Period, we increased our investment in R&D, and the technical service fee mainly represented software development service fee, including other software development service fee of cognitive trainings for the aged and children; (iv) service fee and cloud service fee increased by RMB5,013 thousand as compared with last year, representing an increase of 137%. Among them, the cloud service fee included service fee for Alibaba Cloud, Tencent Cloud and Huawei Cloud, and increased by RMB1,783 thousand during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth a breakdown of our R&D expenses for the years indicated:

	For the year ended December 31,			
	2024		2023	
	RMB'000	%	RMB'000	%
Employee benefit expenses	54,750	45.8%	42,011	46.3%
Depreciation and amortization expenses	10,448	8.7%	9,353	10.3%
Collaboration expense[1]	1,912	1.6%	7,049	7.8%
Service expense	8,667	7.3%	3,654	4.0%
Procurement expenses	16,535	13.8%	9,841	10.8%
Share-based payments	27,112	22.8%	18,825	20.8%
Total	119,424	100%	90,733	100%

Note:

(1) Collaboration expenses represent sub-contracting costs in relation to clinical trials included in R&D expenses.

Finance Costs

Our finance costs primarily consist of (i) interest expense on long-term bond; and (ii) interest on lease liabilities.

Our finance costs increased from RMB20.22 million for the year ended December 31, 2023 to RMB22.03 million for the year ended December 31, 2024, representing an increase of 8.95%. The increase in our finance costs was primarily due to an increase in interest on borrowings.

Loss for the Year

As a result of the above, we recorded a loss of RMB198.61 million for the year ended December 31, 2024, as compared to a loss of RMB359.12 million for the year ended December 31, 2023.

Capital Management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize value to our shareholders (the "**Shareholders**").

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may return capital to the Shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year ended December 31, 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Capital Resources

The Group primarily relied on capital contribution from the Shareholders, issuance of redeemable preference shares and long-term bonds as major sources of liquidity. The Group has always adopted a prudent treasury management policy. The Group places strong emphasis on having funds readily available and accessible and is in a stable liquidity position with sufficient funds in standby banking facilities to cope with daily operations and meet its future development demands for capital.

As of December 31, 2024, the current assets of the Group were RMB548.13 million, of which cash and cash equivalents amounted to RMB413.38 million and other current assets amounted to RMB134.75 million. The Group's cash and cash equivalents increased by RMB141.56 million to RMB413.38 million as of December 31, 2024 from RMB271.82 million as at December 31, 2023. The increase was mainly due to the fact that some IPO investors remitted their subscription amounts to the Group's account prior to December 31, 2024.

As of December 31, 2024, the current liabilities of the Group were RMB782.01 million, including trade and other payables of RMB56.09 million, receipts in advance from cornerstone investors of RMB320.97 million, interest-bearing bank liabilities of RMB21.26 million and lease liabilities of RMB11.82 million.

Borrowings

As of December 31, 2024, the Group had outstanding borrowings of approximately RMB21.26 million (December 31, 2023: RMB22.08 million) which were denominated in RMB and bearing interest at fixed interest rates ranging from 3.00% to 5.00% per annum.

Charges on Group Assets

As of December 31, 2024, there were no charges on assets of the Company (2023: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Key Financial Ratios

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

	For the year ended December 31/ As at December 31,	
	2024	2023
Gross margin	**44.2%**	47.7%
Current ratio[1]	**0.7**	0.8
Average trade payables turnover days[2]	**31.2**	52.0
Average trade receivables turnover days[3]	**232.8**	160.7

Notes:

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

(2) Trade payable turnover days for a period equals the arithmetic mean of the beginning and ending trade payables balances divided by cost of sales for that period and multiplied by the number of days in that period.

(3) Trade receivable turnover days for a period equals the arithmetic mean of the beginning and ending trade receivable balances divided by revenue for that period and multiplied by the number of days in that period.

Contingent Liabilities

The Group did not have any material contingent liabilities as of December 31, 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Expenditure and Commitments

Our capital expenditure for the year ended December 31, 2024 was RMB25.38 million, compared to RMB29.21 million for the year ended December 31, 2023. The decrease was primarily due to (i) the increased payment for tablets as an addition to fixed asset for the purpose of home-based business development, leading to an increase in the capital expenditure of RMB2.02 million as compared with last year; (ii) the decrease in right-of-use capital expenditures of RMB1.97 million as a result of the decreased further demand for lease of office building; and (iii) the decrease in capital expenditures of RMB3.88 million as compared with last year, because we did not increase large investment in intangible assets during the Reporting Period. Our capital expenditure primarily consisted of (i) additions of fixed assets, plant and equipment; (ii) additions of right-of-use assets; and (iii) additions of intangible assets.

As of December 31, 2024, we had capital commitments of RMB0.86 million, primarily in connection with expenditures in respect of the acquisition of equipment and machineries and renovation of leasehold properties.

Foreign Currency Risk

As at December 31, 2024, the Group mainly operated in China and a majority of its transactions were settled in RMB, the functional currency of the Company's principal subsidiaries.

A portion of the Group's transactions were dominated in RMB, Hong Kong dollars, US dollars. Except for certain cash and cash equivalents, other receivables, payables, other payables and accruals denominated in foreign currencies, the Group did not have significant foreign exchange risk exposure from its operations during the Reporting Period. We currently do not have a foreign currency hedging policy. However, our management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. As of December 31, 2024, the Group did not hold any financial instruments for hedging purposes.

Non-IFRS Measures

To supplement our consolidated statement of profit or loss and other comprehensive income, which are presented in accordance with IFRS, we also use adjusted net loss (non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with, IFRS. We believe this non-IFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impacts of certain items. We believe this measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management in assessing our results of operations. The fair value loss of financial liabilities at FVTPL is adjusted because it will cease upon the completion of this Global Offering; share-based payments are adjusted because they are non-cash in nature. However, our non-IFRS measure does not have a standardized meaning prescribed by IFRS, and our adjusted net loss (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRS.

We define adjusted net loss (non-IFRS measure) as loss and total comprehensive expense for the year adjusted by adding back fair value loss of financial liabilities at FVTPL and share-based payments, both being non-cash in nature.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table reconciles adjusted net loss (non-IFRS measure) for the years indicated to the nearest financial measure calculated and presented in accordance with IFRS, which is loss and total comprehensive expense for the year:

	For the year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Reconciliation of loss and total comprehensive expense for the year to adjusted net loss (non-IFRS measure)		
Loss and total comprehensive expense for the year	**(198,610)**	(359,116)
Add:		
Fair value (gain) loss of financial liabilities at FVTPL	**(30,116)**	165,216
Share-based payments	**66,767**	44,873
Adjusted net loss (non-IFRS measure)	**(161,959)**	(149,027)

Employees and Remuneration Policy

As of December 31, 2024, we had 159 employees in total, and all our employees were based in Mainland China. The following table sets forth the number of our employees categorized by function as of December 31, 2023 and December 31, 2024.

	Number of employees as of December 31, 2024	Number of employees as of December 31, 2023
Management and Administrative	**24**	28
R&D	**120**	126
Marketing	**15**	13
Total	**159**	167

The total remuneration cost incurred by the Group was RMB78.16 million for the year ended December 31, 2024, and RMB75.38 million for the year December 31, 2023. The increase in remuneration cost was primarily attributable to an increase in monthly wages of staff.

Our employees' remuneration consists of salaries, bonuses, employees' provident fund and social security contributions and other welfare payments. In accordance with applicable PRC laws, we have made contributions to social security insurance funds (including pension plan, unemployment insurance, work-related injury insurance, medical insurance and maternity insurance), supplemental medical insurance and housing funds for our employees.

MANAGEMENT DISCUSSION AND ANALYSIS

To maintain our workforce's quality, knowledge, and skill levels, we are committed to continuously enhancing our team's technical expertise, continuing education, project management capabilities and service quality with a comprehensive training system, including periodic technical training and regular sharing of industry insight to accelerate the learning progress and improve the knowledge and skill levels of our workforce. We also conduct training for our employees to abide by our anti-bribery and anti-corruption compliance requirements and applicable laws and regulations to eliminate bribery and corruption risks.

Furthermore, we provide various incentives and benefits to our employees, including competitive salaries, bonuses and share-based payment, particularly our key employees. The Company has adopted a share award scheme on July 30, 2023. For further details, please refer to the section headed "Pre-IPO Share Award Scheme" in Appendix IV to the Prospectus and the section headed "Incentive Plans Adopted by the Company" in this report.

OTHER INFORMATION

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code")

The Company has adopted the Model Code set out in Appendix C3 to the Listing Rules as its own code of conduct regarding dealings in the securities of the Company by the Directors and the Company's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company or its securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the period from the Listing Date, being January 8, 2025, to the Latest Practicable Date. In addition, the Company is not aware of any non-compliance of the Model Code by the employees of the Company who are likely to be in possession of inside information of the Company during the period from the Listing Date, being January 8, 2025, to the Latest Practicable Date.

Purchase, Sale or Redemption of the Company's Listed Securities

The shares of the Company were not listed on the Stock Exchange as at December 31, 2024. Neither the Company nor any of its subsidiaries have purchased, redeemed or sold any of the Company's listed securities (including sale of treasury shares) since the Listing Date, being January 8, 2025, and up to the Latest Practicable Date. As at December 31, 2024, the Company did not hold any treasury shares.

Material Litigation

The Company was not involved in any material litigation or arbitration during the year ended December 31, 2024 which could have a material and adverse effect on our financial condition or results of operations. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Company since the Listing Date, being January 8, 2025, and up to the date of this report which could have a material and adverse effect on our financial condition or results of operations.

MANAGEMENT DISCUSSION AND ANALYSIS

Audit Committee and Auditor

The audit committee of the Board (the "**Audit Committee**") has three members comprising three independent non-executive Directors, being Mr. Lam Yiu Por (林曉波) (chairman of the Audit Committee with the appropriate professional qualifications), Mr. Li Yuezhong (李月中) and Dr. Duan Tao (段濤), with terms of reference in compliance with the Listing Rules.

The Audit Committee has considered and reviewed the annual financial results for the year ended December 31, 2024, the accounting principles and practices adopted by the Company and the Group and discussed matters in relation to internal control, risk management and financial reporting with the management. There is no disagreement between the Board and the Audit Committee regarding the accounting treatment adopted by the Company. The Audit Committee considers that the annual financial results for the year ended December 31, 2024 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made. The Audit Committee has met with the independent auditor of the Company, Deloitte Touche Tohmatsu, and has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control and financial reporting.

CHARGE ON ASSETS

As of December 31, 2024, there was no charge on assets of our Group (FY2023: nil).

CAPITAL EXPENDITURES AND CAPITAL COMMITMENTS

We make capital expenditures to expand our operations, upgrade our property, plant and equipment and facilities, and increase our operating efficiency. We expect to incur capital expenditures in 2025 primarily in relation to, among others, purchase of property, plant and equipment. We expect to finance such capital expenditures through a combination of operating cash flows, net proceeds from the Global Offering and bank and other borrowings. We also made capital commitment primarily in connection with expenditures in respect of the acquisition of equipment and machineries and leasehold improvements. Details of our capital commitments are set out in Note 39 to the financial statements.

TREASURY POLICY

Our management performs the treasury functions and continues to monitor our cash requirements from time to time. If our cash requirements exceed the liquidity we hold at the time, our Company may seek credit facilities and external borrowings or issue securities as it considers necessary and appropriate.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

As of December 31, 2024, our Company did not have any material contingent liabilities.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

As at December 31, 2024, we did not hold any significant investments. During the Reporting Period, our Company had no other significant investments and/or material acquisition or disposal of subsidiaries, associates and joint venture.

FINANCIAL RATIOS

As at December 31, 2024, our gearing ratio, calculated as total borrowings divided by total equity attributable to equity holders of the Company, was not applicable (2023: not applicable).

DIRECTORS' REPORT

The Board is pleased to present this Directors' report together with the consolidated financial statements of the Group for the Reporting Period.

DIRECTORS

The Directors who held office during the Reporting Period and up to the date of this report are:

Executive Directors

Mr. Tan Zheng (譚錚) *(Chairman of the Board)*
Dr. Wang Xiaoyi (王曉怡)

Non-Executive Directors

Mr. Li Sirui (李思睿)
Ms. Li Mingqiu (李明秋)
Mr. Deng Feng

Independent Non-Executive Directors

Mr. Lam Yiu Por (林曉波)
Dr. Duan Tao (段濤)
Mr. Li Yuezhong (李月中)

Biographical details of the Directors are set out in the section headed "Directors and Senior Management" of this annual report.

Since the Listing Date and up to the date of this annual report, the Board at all times met the requirements of Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise and the appointment of independent non-executive Directors representing at least one-third of the Board. Among the three independent non-executive Directors, Mr. Lam Yiu Por has appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

In accordance with Article 108(a) of the Articles of Association of the Company, Mr. Tan Zheng, Dr. Wang Xiaoyi and Mr. Li Sirui shall retire from their offices as Directors at the forthcoming Annual General Meeting and, being eligible, will offer themselves for re-election at the forthcoming Annual General Meeting.

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

The Group is involved in provision of the System integral software solutions in hospitals and out of hospitals and research project.

The principal activities and particulars of the Company's subsidiaries are shown under Note 6 to the financial statements. An analysis of the Group's results for the Reporting Period by principal activities of the Group is set out in the section headed "Management Discussion and Analysis" in this annual report.

Since all of the Group's non-current assets were located in China, no geographical segment information in accordance with IFRS 8 Operating Segments is presented. The Group is engaged in provision of the System integral software solutions in hospitals and out of hospitals and research project, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for purposes of resource allocation and performance assessment. Therefore, no further operating segment analysis thereof is presented.

BUSINESS REVIEW

A fair review of the business of the Group as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of the Group's financial performance, an indication of likely future developments in the Group's business and the Group's key relationships with its stakeholders who have a significant impact on the Group and on which the Group's success depends, is set out in the section headed "Management Discussion and Analysis" of this annual report. These discussions form part of this directors' report. Events affecting the Company that have occurred since the end of the financial year is set out in the section headed "Important Events After The Reporting Period" in this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to achieving environmental sustainability. The Group endeavours to comply with the relevant laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, waste reduction and energy saving. For instance, the in-house facilities of the Group operate in compliance with the relevant environmental rules and regulations. The Group reviews its environmental policies on a regular basis.

Further details of the Company's environmental policies and performance are disclosed in the environmental, social and governance report of the Company for the year ended December 31, 2024 (the "**ESG Report**") published concurrently with this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group, details of which could be referred to the section headed "Regulatory Overview" in the Prospectus. The Group has compliance policies and procedures in place and would seek professional legal advice from its legal advisers to ensure that transactions and business to be performed by the Group are in compliance with the applicable laws and regulations. During the Reporting Period, there was no material breach of, or non-compliance, with applicable laws and regulations by the Group.

DIRECTORS' REPORT

HUMAN RESOURCES

As at December 31, 2024, the Group had a total of 159 (2023: 167) employees and the total staff costs for the Reporting Period (including Directors' emoluments) were RMB78.16 million (2023: RMB75.38 million). Remuneration of our employee is determined with reference to market conditions and individual employees' performance, qualification and experience. In line with the performance of the Group and individual employees, a competitive remuneration package is offered to retain employees, including salaries, bonuses, employees' provident fund and social security contributions and other welfare payments.

During the Reporting Period, the relationship between the Group and our employees has been stable. We had not experienced any strikes or other labor disputes which materially affected our business activities. To maintain our workforce's quality, knowledge, and skill levels, we are committed to continuously enhancing our team's technical expertise, continuing education, project management capabilities and service quality with a comprehensive training system, including periodic technical training and regular sharing of industry insight to accelerate the learning progress and improve the knowledge and skill levels of our workforce. We also conduct training for our employees to abide by our anti-bribery and anti-corruption compliance requirements and applicable laws and regulations to eliminate bribery and corruption risks.

RETIREMENT BENEFITS SCHEME

The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The employees of the PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme. During the year ended December 31, 2024, under the PRC retirement benefits scheme, there were no contributions forfeited by the Group on behalf of its employees who leave the plan prior to vesting fully in such contribution, nor had there been any utilization of such forfeited contributions to reduce future contributions. No forfeited contributions were available for utilization by the Group to reduce the existing level of contributions.

Details of the pension obligations of the Company are set out in Note 30 to the financial statements in this annual report.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended December 31, 2024 are set out in Note 36 to the financial statements contained herein. For the year ended December 31, 2024, the Company has not conducted any continuing connected transaction which should be disclosed pursuant to Chapter 14A of the Listing Rules.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2024, revenue from the Group's five largest customers accounted for approximately 65.6%(2023: 75.6%) of the Group's total revenue. The Group's largest customer for the year ended December 31, 2024 accounted for approximately 25.6%(2023: 39.9%) of the Group's total revenue for the same year.

For the year ended December 31, 2024, purchases from the Group's five largest suppliers accounted for approximately 25.0% (2023: 43.9%) of the Group's total purchase amount. The Group's largest supplier for the year ended December 31, 2024 accounted for approximately 14.3% (2023: 18.7%) of the Group's total purchase amount for the same year.

None of the Directors, their respective close associates, or any shareholder of the Company who, to the knowledge of the Directors, owns more than 5% of the Company's issued shares (excluding treasury shares), has any interest in any of the Group's five largest customers or five largest suppliers.

During the year ended December 31, 2024, the Group did not experience any significant disputes with its customers or suppliers.

RELATIONSHIP WITH STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its employees, customers, suppliers, and other stakeholders to meet its immediate and long-term goals. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders. An account of the Company's key relationships with its employees, customers, suppliers and other stakeholders that have a significant impact on the Company is set out in the ESG Report.

SOCIAL RESPONSIBILITY

We are highly committed to fulfilling our social responsibilities and giving back to the communities in which we operate. We maintain a WeChat public account which routinely share scientific, health and medical information on brain sciences and cognitive health.

PRINCIPAL RISKS AND UNCERTAINTIES

The following list is a summary of certain principal risks and uncertainties facing the Group, some of which are beyond its control.

- If we are unable to successfully complete clinical development, obtain regulatory approval and commercialize our product candidates, or experience significant delays in doing so, our business and financial prospects will be materially adversely affected.

- If we are not able to develop and release new products that are competitive in the market, or develop successful enhancements or indication expansions of our System or any future products in a timely manner our products may become obsolete and our business, operating results and financial condition could be materially adversely affected.

DIRECTORS' REPORT

- Clinical development is a lengthy, expensive and uncertain process, and unsuccessful clinical trials or procedures relating to products and indications under development could have a material adverse effect on our prospects.

- Our algorithms and methodologies are complex and may contain errors or may not operate properly, which could adversely affect our business, financial condition and results of operations.

- Some of our current and future products may be classified or reclassified as Class III medical devices under relevant PRC laws and regulations.

- If we are unable to develop and successfully maintain adequate sales and commercial distribution capabilities, our business and results of operations could be adversely affected. If we are unable to maintain and expand our relationships with qualified third-party service providers, or to attract, motivate and retain a sufficient number of qualified personnel to support our selling and distribution efforts, sales volumes or margin of our System and other products may be adversely affected and we may be unable to extend our market coverage and deepen our market penetration as contemplated.

- There is also no assurance that we will be able to maintain our sales, which may be adversely affected by many factors outside of our control.

- Increasingly stringent regulatory requirements could create barriers to our development and introduction of new products.

- You may lose substantially all your investments in us given the high risks and uncertainties associated with our business operations and the cognitive impairment DTx industry.

- Our relationships with customers will be subject to applicable anti-bribery, anti-kickback, fraud and abuse and other healthcare laws and regulations, which could expose us to criminal sanctions, civil penalties, exclusion from government healthcare programs, contractual damages, reputational harm and diminished profits and future earnings.

However, the above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares.

FINANCIAL SUMMARY

A summary of the consolidated results and the assets and liabilities of the Group for the last three financial years, is set out on page 166 of this annual report. This summary does not form part of the audited consolidated financial statements.

ADVANCE TO ENTITY PROVIDED BY THE COMPANY

During the Reporting Period, the Company had not provided any advance to an entity which is subject to disclosure requirement under Rule 13.20 of the Listing Rules.

DIRECTORS' REPORT

BREACH OF LOAN AGREEMENT

During the Reporting Period, the Company had not breached any terms of its loan agreements for loans that are significant to its operations.

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES BY THE COMPANY

During the Reporting Period, the Company had not provided any financial assistance and guarantees to affiliated companies of the Company which is subject to disclosure requirements under Rule 13.22 of the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the Shareholders by reason of their respective holding of the Company's securities.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 37 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the Reporting Period are set out in Note 16 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Reporting Period are set out in Note 28 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the latest practicable date prior to the issue of this annual report, the Company has maintained the public float as required under the Listing Rules.

DONATION

During the Reporting Period, the Company did not make any donations (2023: nil).

DEBENTURE ISSUED

The Group did not issue any debenture during the Reporting Period (2023: nil).

DIRECTORS' REPORT

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group, or existed during the Reporting Period.

RESULTS AND DIVIDEND

The consolidation results of the Group for the Reporting Period are set out on pages 77 to 159 of this annual report.

The Board has resolved not to recommend payment of any final dividend for the year ended December 31, 2024.

There is no arrangement that a Shareholder has waived or agreed to waive any dividend.

PERMITTED INDEMNITY

A permitted indemnity provision (as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) in relation to the directors' and officers' liability insurance is currently in force and was in force during the Reporting Period and up to the date of this annual report. The Company has arranged appropriate directors' liability insurance coverage for the Directors of the Group during the Reporting Period and up to the Latest Practicable Date.

RESERVES

Details of the movements in the reserves of the Company during the Reporting Period are set out in the consolidated statement of changes in equity of the financial statements. As at December 31, 2024, the Company had no reserves available for distribution under the provisions of the Companies Act (As Revised) of the Cayman Islands.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group (including the maturity profile of borrowings and committed banking facilities) as at December 31, 2024 are set out in this annual report and Note 26 to the financial statements. There is no material seasonality of borrowing requirements for the Group. Save as disclosed, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, unutilized banking facilities, bank overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees.

DIRECTORS' SERVICE CONTRACTS

Each of our executive Directors, Mr. Tan and Dr. Wang, has entered into a service contract with our Company on December 19, 2024 for an initial term of three years commencing from the Listing Date, which may be terminated by not less than 3 months notice in writing served by either the executive Director or our Company. Pursuant to the service contracts entered into with us, none of our executive Directors will receive any remuneration as director's fee.

DIRECTORS' REPORT

Each of our non-executive Directors and independent non-executive Directors has entered into an appointment letter with our Company on December 19, 2024 for an initial term of three years commencing from the Listing Date, which may be terminated by not less than 3 months notice in writing served by either the executive Director or our Company. Pursuant to the appointment letters entered into with us, none of our non-executive Directors will receive any remuneration as director's fee, and each of our independent non-executive Directors will receive an annual director's fee of HK$300,000.

None of the Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than under normal statutory obligations.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting has entered into any service agreement or letter of appointment with any member of the Group (excluding agreements expiring or determinable by any member of the Group within one year without payment of compensation other than statutory compensation) during or at the end of the Reporting Period.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Reporting Period, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries. From time to time our non-executive Directors may serve on the boards of both private and public companies within the broader healthcare and biopharmaceutical industries. However, as these non-executive Directors are not members of our executive management team, we do not believe that their interests in such companies as directors would render us incapable of carrying on our business independently from the other companies in which these Directors may hold directorships from time to time.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the Reporting Period was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debt securities including debentures of, the Company or any other body corporate.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As the Company has not been listed on the Main Board of the Stock Exchange as at December 31, 2024, Divisions 7 and 8 of Part XV and section 352 of SFO are not applicable to the Directors and chief executive of our Company as at December 31, 2024.

As at the date of this annual report, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interest in our Company

Name of Director	Capacity/Nature of interest	Number of Shares held[5]	Approximate percentage of shareholding
Mr. Tan[1]	Interest in controlled corporation	275,468,000(L)	21.75%
	Interest held through voting powers entrusted by other persons	99,104,000(L)	7.83%
	Beneficial owner	27,129,000(L)	2.14%
		401,701,000(L)	31.72%
Dr. Wang[2]	Interest in controlled corporation	183,955,000(L)	14.53%
	Beneficial owner	26,946,000(L)	2.13%
		210,901,000(L)	16.66%
Mr. Deng Feng[3]	Interest in controlled corporation	126,854,000(L)	10.02%
Ms. Li Mingqiu[4]	Interest in controlled corporation	123,527,000(L)	9.76%

Notes:

(1) Mr. Tan is interested in (i) 275,468,000 Shares held by ZTan Limited, his controlled corporation, and (ii) a total of 99,104,000 Shares held by Healthblooming Limited through voting powers entrusted by Healthblooming Limited.

Mr. Tan was granted 27,129,000 Awarded Shares under the Pre-IPO Share Award Scheme.

(2) Dr. Wang is interested in a total of 183,955,000 Shares held by Wispirits Limited, Wiseforward Limited and Neurobright Limited, his controlled corporations.

Dr. Wang was granted Awards to acquire 26,946,000 Shares under the Pre-IPO Share Award Scheme.

(3) Mr. Deng Feng is interested in 126,854,000 Shares held by Northern Light Strategic Fund IV L.P., Northern Light Venture Fund IV L.P. and Northern Light Partners Fund IV L.P.

(4) Ms. Li Mingqiu is interested in 123,527,000 Shares held by Crusky Limited.

(5) The letter "L" denotes the person's long position in the Shares.

DIRECTORS' REPORT

Interest in associated corporations

Name of Director	Nature of interest	Associated corporations	Amount of registered capital/shares held	Approximate percentage of interest in the associated corporation
Mr. Tan[(1)]	Beneficial owner	Beijing Yihui Technology Co. Ltd. (北京益慧科技有限公司) ("**Beijing Yihui**")	RMB385,936 registered capital	0.76%
Dr. Wang[(2)]	Beneficial owner	Beijing Yihui	RMB142,712 registered capital	0.28%
	Interest in controlled corporation	Beijing Yihui	RMB98,021 registered capital[(1)]	0.19%
			RMB240,733 registered capital	0.47%
Ms. Li Mingqiu	Interest in controlled corporation	Beijing Yihui	RMB161,653 registered capital[(2)]	0.32%

Notes:

(1) Shuhui LP and Zhipan LP are limited partnerships whose general partner is Liuhui Biotech, which is wholly owned by Dr. Wang. Therefore, Dr. Wang is deemed to be interested in RMB39,782 and RMB58,239 registered capital of Beijing Yihui held by Shuhui LP and Zhipan LP respectively.

(2) Tianjin Tianjian Medical Technology Co. Ltd. (天津天鍵醫療科技有限公司) ("**Tianjin Tianjian**") is wholly owned by Ms. Li Mingqiu. Therefore, Ms. Li Mingqiu is deemed to be interested in RMB161,653 registered capital of Beijing Yihui held by Tianjin Tianjian.

Save as disclosed in this annual report and to the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company has any interests and/or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As the Company has not been listed on the Main Board of the Stock Exchange as at December 31, 2024, Divisions 2 and 3 of Part XV and section 336 of SFO are not applicable to the Directors and chief executive of the Company as at December 31, 2024.

As at the Latest Practicable Date, the following persons (other than the Directors and chief executives whose interests have been disclosed in this report), had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Interest in our Company

Name of Substantial Shareholder	Capacity/Nature of interest	Number of Shares held(1)	Approximate percentage of shareholding(2)
ZTan Limited(3)	Beneficial owner(3)	275,468,000(L)	21.75%
Mr. Tan(3)(4)(5)	Interest in controlled corporation(3)	275,468,000(L)	21.75%
	Interest held through voting powers entrusted by other persons(4)	99,104,000(L)	7.83%
	Beneficial owner(5)	27,129,000(L)	2.14%
		401,701,000(L)	31.72%
Wispirits Limited(6)	Beneficial owner(6)	109,052,000(L)	8.61%
Dr. Wang(6)(7)	Interest in controlled corporation(6)	183,955,000(L)	14.53%
	Beneficial owner(7)	26,946,000(L)	2.13%
		210,901,000(L)	16.66%
Northern Light Venture Fund IV L.P. ("**NLVF**")(8)	Beneficial owner(8)	115,729,000(L)	9.14%
Northern Light Partners IV L.P. ("**NL Partners**")(8)	Interest in controlled corporation(8)	126,854,000(L)	10.02%
Northern Light Venture Capital IV, Ltd.(8)	Interest in controlled corporation(8)	126,854,000(L)	10.02%
Mr. Deng Feng(8)	Interest in controlled corporation(8)	126,854,000(L)	10.02%
Crusky Limited(9)	Beneficial owner(9)	123,527,000(L)	9.76%
Ms. Li Mingqiu (李明秋)(9)	Interest in controlled corporation(9)	123,527,000(L)	9.76%
Healthblooming Limited(10)	Beneficial owner(10)	99,104,000(L)	7.83%
Mr. Zhao Yujie (趙宇傑) ("**Mr. Zhao**")(10)	Interest in controlled corporation(10)	99,104,000(L)	7.83%
Wisdomspirit Holding Limited(11)	Beneficial owner(11)	85,166,000(L)	6.73%
Trident Trust Company (HK) Limited ("**Trident**")(11)	Interest in controlled corporation(11)	85,166,000(L)	6.73%

DIRECTORS' REPORT

Name of Substantial Shareholder	Capacity/Nature of interest	Number of Shares held[(1)]	Approximate percentage of shareholding[(2)]
Suzhou Ceyuan Fuhai Enterprise Management Partnership (Limited Partnership)* (蘇州策源扶海企業管理合夥企業(有限合夥)) ("**Suzhou Ceyuan**")[(12)]	Beneficial owner[(12)]	70,525,000(L)	5.57%
Youchan Equity Investment Fund Partnership (Limited Partnership)* (成都高新策源優產股權投資基金合夥企業(有限合夥)) ("**Orinno Investment**")[(12)]	Interest in controlled corporation[(12)]	70,525,000(L)	5.57%
Chengdu High-tech Jicui Technology Co., Limited* (成都高新集萃科技有限公司) ("**Chengdu High-tech Jicui**")[(12)]	Interest in controlled corporation[(12)]	70,525,000(L)	5.57%
Chengdu High-tech Investment Group Co., Ltd.* (成都高新投資集團有限公司) ("**Chengdu High-tech Investment**")[(12)]	Interest in controlled corporation[(12)]	70,525,000(L)	5.57%
Chengdu High-tech Industrial Development Zone Finance Bureau* (成都高新技術產業開發區國資金融局) ("**Chengdu Hightech Industrial**")[(12)]	Interest in controlled corporation[(12)]	70,525,000(L)	5.57%
CFCH[(13)]	Beneficial owner[(13)]	70,143,000(L)	5.54%
Mr. Lv Yajun (呂亞軍)[(13)] ("**Mr. Lv**")	Interest in controlled corporation[(13)]	70,143,000(L)	5.54%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) As at the Latest Practicable Date, the Company has a total of 1,266,278,000 Shares in issue.

(3) ZTan Limited was wholly owned by Mr. Tan. Therefore, Mr. Tan is deemed to be interested in the Shares held by ZTan Limited under the SFO.

DIRECTORS' REPORT

(4) Pursuant to the Voting Proxy Agreement, Mr. Tan is entitled to exercise the voting rights of the Shares held by Healthblooming Limited. Therefore, Mr. Tan is deemed to be interested in the Shares held by Healthblooming Limited under the SFO.

(5) Mr. Tan was granted Awards to acquire 27,129,000 Shares under the Pre-IPO Share Award Scheme.

(6) Wispirits Limited was wholly owned by Dr. Wang. Therefore, Dr. Wang is deemed to be interested in the Shares held by Wispirits Limited under the SFO.

Each of the shareholders of Wiseforward Limited entered into proxy arrangement with Dr. Wang respectively, to allow Dr. Wang to have control over the entire voting power thereof, and as such Wiseforward Limited is a controlled corporation of Dr. Wang. Therefore, Dr. Wang is deemed to be interested in all the interests of Wiseforward Limited in our Company under the SFO.

Neurobright Limited was owned as to approximately by 32.82% by Dr. Wang, and each of the shareholders of Neurobright Limited entered into proxy arrangement with Dr. Wang respectively, to allow Dr. Wang to have control over the entire voting power thereof, and as such Neurobright Limited is a controlled corporation of Dr. Wang. Therefore, Dr. Wang is deemed to be interested in all the interests of Neurobright Limited in our Company under the SFO.

(7) Dr. Wang was granted Awards to acquire 26,946,000 Shares under the Pre-IPO Share Award Scheme.

(8) Each of Northern Light Strategic Fund IV L.P. ("**NLSF**"), NLVF and Northern Light Partners Fund IV L.P. ("**NLPF**") is an exempted limited partnership established in the Cayman Islands, whose general partner is NL Partners. NL Partners is an exempted limited partnership established in the Cayman Islands, whose general partner is Northern Light Venture Capital IV, Ltd., a company controlled by Mr. Deng Feng, our non-executive Director. Therefore, each of NL Partners, Northern Light Venture Capital IV, Ltd. and Mr. Deng Feng is deemed to be interested in the Shares held by NLSF, NLVF and NLPF.

(9) Crusky Limited was wholly owned by Ms. Li Mingqiu. Therefore, Ms. Li Mingqiu is deemed to be interested in the Shares held by Crusky Limited under the SFO.

(10) Healthblooming Limited was owned as to approximately by 39.96% by Mr. Zhao. No other shareholder of Healthblooming Limited held one-third or more of the voting power therein. Therefore, Mr. Zhao is deemed to be interested in the Shares held by Healthblooming Limited under the SFO.

(11) Wisdomspirit Holding Limited is a company wholly owned by Trident, the trustee of the trust set up by the Company to facilitate the administration of the Pre-IPO Share Award Scheme, of which the Company is the settlor. Therefore, Trident is deemed to be interested in the Shares held by Wisdomspirit Holding Limited under the SFO.

(12) Suzhou Ceyuan will hold 5.57% in the Company. Orinno Investment is the sole limited partner which controls Suzhou Ceyuan, owning 99.99995% therein. Orinno Investment is in turn owned as to (i) 50% by Chengdu High-tech Jicui as a limited partner, a wholly-owned subsidiary of Chengdu High-tech Industrial, and (ii) 44% by Chengdu High-tech Investment as a limited partner, which is in turn owned as to 90% by Chengdu High-tech Industrial. Therefore, each of Orinno Investment, Chengdu High-tech Jicui, Chengdu High-tech Industrial and Chengdu High-tech Investment is deemed to be interested in the Shares held by Suzhou Ceyuan.

(13) CFCH was wholly owned by Mr. Lv. Therefore, Mr. Lv is deemed to be interested in the Shares held by CFCH under the SFO.

DIRECTORS' REPORT

Interest in Members of our Group

Name	Nature of Interest	Name of member of our Group	Amount of registered capital held (RMB)	Approximate percentage of interest in the member of our Group (%)
Shenyang Youyang Future Technology Co., Ltd. (瀋陽優陽未來科技有限公司)[1]	Beneficial owner	Brain Aurora Medical Technology (Liaoning) Co., Ltd. (腦動極光醫療科技(遼寧)有限公司) ("**BrainAurora Liaoning**")[1]	150,000	15%
Wang Ningning (王寧寧)[1]	Interest in controlled corporation	BrainAurora Liaoning[1]	150,000	15%
Zhang Zhiwei (張志偉)[2]	Beneficial owner	Brain Aurora Medical Technology (Shaanxi) Co., Ltd. ("**BrainAurora Shaanxi**") (腦動極光醫療科技(陝西)有限公司)[2]	200,000	20%
Beijing Ruian Enzhuo Biotechnology Co., Ltd. (北京瑞安恩卓生物科技有限公司)[3]	Beneficial owner	Beijing Wanxiang Aurora Technology Co., Ltd. (北京萬相極光科技有限公司) ("**Wanxiang Aurora**")[3]	300,000	30%
Beijing Fanhai Wanxiang Technology Co., Ltd. (北京泛海萬象科技有限公司)[3]	Interest in controlled corporation	Wanxiang Aurora[3]	300,000	30%
Li Deming (李德名)[3]	Interest in controlled corporation	Wanxiang Aurora[3]	300,000	30%
Chengdu Kerui Dite Enterprise Management Co., Ltd. (成都克瑞帝特企業管理有限公司)[4]	Beneficial owner	Sichuan Huiyu Aurora Medical Technology Co., Ltd. (四川慧譽極光醫療科技有限公司) ("**Sichuan Huiyu**")[4]	200,000	20%
Cao Jiaxuan (曹家宣)[4]	Interest in controlled corporation	Sichuan Huiyu[4]	200,000	20%
Wang Xiumin (王秀敏)[4]	Interest in controlled corporation	Sichuan Huiyu[4]	200,000	20%
Beijing Anyi Huidong Medical Technology Co., Ltd. (北京安醫匯動醫學科技有限公司)[5]	Beneficial owner	Beijing Hongze Technology Development Co., Ltd. (北京浤澤科技發展有限公司) ("**Hongze Technology**")[5]	428,600	30%
Shoudu Huizhi Medical Technology Outcome Transformation Academy (首都匯智醫療科技成果轉化研究院)[5]	Interest in controlled corporation	Hongze Technology[5]	428,600	30%

DIRECTORS' REPORT

Notes:

(1) BrainAurora Liaoning is owned as to (i) 85% by Beijing Zhijingling, an indirectly wholly-owned subsidiary of the Company, and (ii) 15% by Shenyang Youyang Future Technology Co., Ltd. (瀋陽優陽未來科技有限公司), which is controlled by Wang Ningning (王寧寧). To the best knowledge of our Directors, each of Shenyang Youyang Future Technology Co., Ltd. and Wang Ningning is an Independent Third Party and not a connected person at the subsidiary level, taking into account that BrainAurora Liaoning is an insignificant subsidiary for the purpose of Rule 14A.09 of the Listing Rules.

(2) BrainAurora Shaanxi is owned as to (i) 80% by Beijing Zhijingling, an indirectly wholly-owned subsidiary of the Company, and (ii) 20% by Zhang Zhiwei (張志偉). To the best knowledge of our Directors, Zhang Zhiwei is an Independent Third Party, and not a connected person at the subsidiary level, taking into account that BrainAurora Shaanxi is an insignificant subsidiary for the purpose of Rule 14A.09 of the Listing Rules.

(3) Wanxiang Aurora is owned as to (i) 70% by Beijing Zhijingling, an indirectly wholly-owned subsidiary of the Company, and (ii) 30% by Beijing Ruian Enzhuo Biotechnology Co., Ltd. (北京瑞安恩卓生物科技有限公司), which is wholly owned by Beijing Fanhai Wanxiang Technology Co., Ltd. (北京泛海萬象科技有限公司), and thus in turn controlled by Li Deming (李德名). To the best knowledge of our Directors, each of Beijing Ruian Enzhuo Biotechnology Co., Ltd. and Li Deming is an Independent Third Party, and not a connected person at the subsidiary level, taking into account that Wanxiang Aurora is an insignificant subsidiary for the purpose of Rule 14A.09 of the Listing Rules.

(4) Sichuan Huiyu is a limited liability company established in the PRC on May 22, 2023. As of the Latest Practicable Date, it is owned as to (i) 80% by Beijing Zhijingling, an indirectly wholly-owned subsidiary of the Company, and (ii) 20% by Chengdu Kerui Dite Enterprise Management Co., Ltd. (成都克瑞帝特企業管理有限公司), a company owned as to 50% and 50% by Cao Jiaxuan (曹家宣) and Wang Xiumin (王秀敏) respectively. To the best knowledge of our Directors, each of Chengdu Kerui Dite Enterprise Management Co., Ltd., Cao Jiaxuan and Wang Xiumin is an Independent Third Party, taking consideration that Sichuan Huiyu is an insignificant subsidiary for purpose of Rule 14A.09 of the Listing Rules.

(5) Hongze Technology is owned as to approximately (i) 70% by Beijing Zhijingling, an indirectly wholly-owned subsidiary of the Company, and (ii) 30% by Beijing Anyi Huidong Medical Technology Co., Ltd. (北京安醫匯動醫學科技有限公司), which is wholly owned by Shoudu Huizhi Medical Technology Outcome Transformation Academy (首都匯智醫療科技成果轉化研究院), a social institute under the authority of Beijing Municipal Health Commission, a PRC government body. To the best knowledge of our Directors, Shoudu Huizhi Medical Technology Outcome Transformation Academy and its ultimate beneficial owner is an Independent Third Party, and not a connected person at the subsidiary level, taking into account that Hongze Technology is an insignificant subsidiary for the purpose of Rule 14A.09 of the Listing Rules.

Save as disclosed above, as at the Latest Practicable Date, no person, other than the Directors and chief executives whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares and Debentures of the Company or any of its Associated Corporations" had an interest or short position in the Shares or underlying Shares which would fall to be recorded in the registry required to be kept by the Company pursuant to Section 336 of the SFO.

INCENTIVE PLANS ADOPTED BY THE COMPANY

Pre-IPO Share Award Scheme

The Pre-IPO Share Award Scheme was adopted by the Company and took effect on July 30, 2023 (the "**Adoption Date**"). The terms of the Pre-IPO Share Award Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve any grant of awards by our Company to subscribe for new Shares after the Listing. All Awarded Shares available for grant have been granted to specific individuals under the Pre-IPO Share Award Scheme, and no further grant will be made under the Pre-IPO Share Award Scheme after the Listing. All the Shares underlying the Awards granted under the Pre-IPO Share Award have been issued to Wisdomspirit Holding Limited to hold on behalf and for the benefit of the specified grantees thereunder. The following is a summary of the principal terms of the Pre-IPO Share Award.

(a) Purpose

The specific objectives of the Pre-IPO Share Award Scheme aims to (i) recognise and reward the contributions of certain eligible employees of the Group; and (ii) incentivize them for their future contribution to the continual operation and development of the Company.

(b) Eligibility

Any individual(s) being an employee (including without limitation any executive director) (other than any employee(s) who is resident in a place where the grant of the Awards and/or the vesting and transfer of the Awards pursuant to the terms of the Pre-IPO Share Award Scheme is not permitted under the laws or regulations of such place or where in the view of the Board, compliance with applicable laws or regulations in such place makes it necessary or expedient to exclude such employee (the "**Excluded Employee**")) of any member of the Group at any time during the trust period.

(c) Duration

Subject to any early termination as may be determined by the Board, the Pre-IPO Share Award Scheme shall be valid and effective for a term of ten (10) years commencing on the Adoption Date.

(d) Maximum Number of Shares

Under the Pre-IPO Share Award Scheme, the maximum number of Awards that may be granted under the Pre-IPO Share Award Scheme in aggregate (excluding the Awards that have lapsed or been cancelled in accordance with the rules of the Pre-IPO Share Award Scheme) shall be 85,166,000, held or to be held by Wisdomspirit Holding Limited (the "**HoldCo**") for the purpose of the Pre-IPO Share Award Scheme representing 6.73% of the total share capital of the Company as at the Latest Practicable Date.

DIRECTORS' REPORT

(e) Administration

The Pre-IPO Share Award Scheme shall be subject to the administration of the Board in accordance with the rules of the Pre-IPO Share Award Scheme. The Board will make all determination in relation to the Pre-IPO Share Award Scheme. The Board may delegate the authority to administer this Pre-IPO Share Award Scheme to any committee thereof or any third party duly appointed thereby, including without limitation third party service providers and professional trustees (collectively, the "**Authorized Administrators**"). Any decision of the Board with respect to any matter arising under the Pre-IPO Share Award Scheme (including the interpretation of any provision) shall be final and binding on all parties.

(f) Price

Subject to the provisions of the Pre-IPO Share Award Scheme, the Board may, from time to time, at its absolute discretion select any employee (other than any Excluded Employee) for participation in the Pre-IPO Share Award Scheme as a selected employee (the "**Selected Employee**"), and grant such number of Awards to any Selected Employee at a consideration as the Board may determine from time to time and in such number and on and subject to such terms and conditions as it may in its absolute discretion determine.

(g) Vesting

Unless the Board determines otherwise, the Awards shall be vested according to the following schedule (the "**Vesting Schedule**"):

(i) 30% of such Awards shall be vested on the date of the first anniversary of the Listing;

(ii) 30% of such Awards shall be vested on the date of the second anniversary of the Listing; and

(iii) 40% of such Awards shall be vested on the date of the third anniversary of the Listing.

Upon the vesting of the Awards, (i) the Board may decide at its absolute discretion to send the Selected Employees (with a copy to the Trident Trust Company (HK) Limited (the "**Trustee**")), within a reasonable time, a vesting notice (the "**Vesting Notice**") together with such prescribed transfer documents which require the Selected Employee to execute to effect the vesting and transfer of the Awards and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those the Shares underlying the Awards, as the case may be, subject to the Selected Employees paying all tax, stamp duty, levies and charges applicable to such transfer to the Trustee or as the Trustee directs and complying with all the applicable laws and regulations. The Selected Employees shall be responsible for conducting all necessary filings, registration or other administrative proceedings as required by applicable laws, rules or regulations, including but not limited to foreign exchange registration, for their obtaining of the Awards; (ii) upon receipt of the Vesting Notice, the Selected Employee (or his legal representative or lawful successor, as the case may be) is required to return to the Board the reply slip attached to the Vesting Notice to confirm the securities account details, together with the relevant duly signed transfer documents. In the event that the Board does not receive the reply slip and the transfer form from the Selected Employee within the period stipulated in the Vesting Notice, the Awards which would have otherwise vested in such Selected Employee shall be automatically forfeited and remain as part of the trust fund and be held by the Trustee or HoldCo. The Trustee may, under the Board's instructions re-allocate or procure the HoldCo to re-allocate such Shares underlying the Awards granted to other Selected Employees, or in case no other Selected Employees can be identified, reallocate such Shares underlying the Awards granted to any other person designated by the Company; and (iii) subject to the receipt by the Trustee of (a) the reply slip to the Vesting Notice and transfer documents prescribed by the Trustee and duly signed by the Selected Employee within the period stipulated in the Vesting Notice, (b) a confirmation from the Board that all vesting conditions having been fulfilled, and (c) certified copies of the identification documents of the Selected Employee and/or the special purpose vehicle wholly owned by the Employee(s) established for the purpose of holding the Awards (the "**SPV**") at least ten (10) business days prior to the Vesting Date, the Trustee shall or procure the HoldCo to transfer the relevant Awards to the relevant Selected Employee or the SPV as designated by the Selected Employee as soon as practicable on or after the Vesting Date and in any event not later than ten (10) business days after the Vesting Date.

The Board may at its discretion, with or without further conditions, grant additional Shares out of the trust fund (including but not limited to the cash or non-cash income, dividends or distributions and/or the cash income or net proceeds of sale of non-cash and non-scrip distribution) declared by the Company or derived from such Shares underlying the Awards granted during the period from the grant date to the Vesting Date to a Selected Employee upon the vesting of any Awards. In such case the Board shall deliver a grant notice to the Selected Employee and the Trustee specifying the number of additional Shares and cash amount to be granted to the Selected Employee. The Trustee shall or shall procure the HoldCo to transfer the specified number of additional Shares, together with the Shares underlying the Awards granted, to the Selected Employee or the SPV as designated by the Selected Employee on the Vesting Date.

The Board and/or the Authorised Administrator have absolute discretion in determining whether the vesting conditions applicable to a Selected Employee are satisfied. The vesting conditions include but not limited to: (i) the Selected Employee shall remain an employee of the Group on the relevant vesting dates; (ii) there shall be no occurrence of any triggering events for the surrender of the Awards; and (iii) the Selected Employee and his associate(s) shall not be employed by or operate or invest in any entity, during the period from the grant date to the relevant Vesting Dates, the business of which competes with the core business of the Group.

(h) Disqualification of Selected Employee

In the event that prior to or on the Vesting Date, a Selected Employee is found to be an Excluded Employee or is deemed to cease to be an Employee, the relevant grant made to such Selected Employee shall automatically lapse forthwith and the relevant Awards shall not vest on the relevant Vesting Date but shall remain part of the trust fund and be held by the Trustee or the HoldCo.

Unless the Board determines otherwise, the unvested Awards will be deemed to have been surrendered by a Selected Employee upon the occurrence of any of the following events: (i) termination of employment with or without any cause; (ii) unsatisfactory performance leading to demotion; (iii) failure to meet performance appraisal rating for the previous year according to the performance appraisal rating policy of the Company (as amended from time to time); (iv) no renewal of the employment contract upon the expiration; or (v) any other event to be determined by the Board.

DIRECTORS' REPORT

(i) Voting Rights

A Selected Employee shall not have the voting rights or any interest or rights (including the right to receive dividends or other distributions) in respect of the Awards prior to the Vesting Date. The Trustee shall not exercise the voting rights in respect of any Shares held by it under the Trust.

All the Awards available for granting under the Pre-IPO Share Award Scheme have been granted before the Listing and there are no further awards available for grant pursuant to the Pre-IPO Share Award Scheme since the Listing. During the Reporting Period, details of the movements in the Awards granted under the Pre-IPO Share Award Scheme are as follows pursuant to Rule 17.12 of the Listing Rules.

	Number of Shares underlying the relevant Awards								
Name of grantee	Number of outstanding Shares underlying the Awards granted as at January 1, 2024	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding Awards as at December 31, 2024[2]	Date of grant	Vesting period	Approximate percentage in the issued Shares immediately
1. Directors, Chief executive and our Substantial Shareholders[1]		–	–	–	–				
Mr. Tan	27,129	–	–	–	–	27,129	July 31, 2023	Note (3)	2.14%
Dr. Wang	26,946	–	–	–	–	26,946	July 31, 2023	Note (3)	2.13%
Subtotal of Directors, Chief executive and our Substantial Shareholders	54,075	–	–	–	–	54,075			4.27%
2. Employees	31,091	–	–	–	–	31,091	July 31, 2023	Note (3)	2.46%
Total	**85,166**	**–**	**–**	**–**	**–**	**85,166**			**6.73%**

Notes:

(1) Mr. Tan is our executive Director and one of our Substantial Shareholders. Dr. Wang is our executive Director, CEO, as well as one of our Substantial Shareholders.

(2) After the Share Subdivision and the global offering, each such Share was split into 1,000 Shares.

(3) The Awarded Shares granted shall vest in the following manner:

(i) 30% of such Awarded Shares shall be vested on the date of the first anniversary of the Listing;

(ii) 30% of such Awarded Shares shall be vested on the date of the second anniversary of the Listing; and

(iii) 40% of such Awarded Shares shall be vested on the date of the third anniversary of the Listing.

COMPENSATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST PAY

The Directors receive compensation in the form of fees, salaries, bonuses, other allowances, benefits in kind, contribution to the pension scheme and other share-based compensation. We determine the compensation of our Directors based on each Director's responsibilities, qualification, position and seniority.

The emolument of executive Directors, non-executive Directors, independent non-executive Directors and senior management of the Group were recommended by the Remuneration Committee and approved by the Board.

Details of the Directors' emoluments and emoluments of the five highest paid individuals in the Group are set out in Note 12 and Note 13 to the financial statements.

For the year ended December 31, 2024, no emoluments were paid by the Group to or receivable by any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office and no consideration was paid by the Group to any third parties for making available Directors' services. None of the Directors has waived or agreed to waive any emoluments for the year ended December 31, 2024.

Except as disclosed above, no other payments have been made or are payable, for the year ended December 31, 2024, by the Group to or on behalf of any of the Directors.

CONTRACTS WITH CONTROLLING SHAREHOLDERS AND PLEDGING OF SHARES BY CONTROLLING SHAREHOLDERS

As at December 31, 2024, (i) there was no pledge of Shares to secure the Company's debts or to secure guarantees or other support of their obligations, (ii) there was no loan agreement with covenants relating to specific performance of Controlling Shareholder, and (iii) no contract of significance has been entered into among the Company or any of its subsidiaries and the Controlling Shareholders during the year ended December 31, 2024 or subsisted at the end of the Reporting Period.

MANAGEMENT CONTRACTS

No contract, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the Reporting Period.

MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceeding during the Reporting Period.

DIRECTORS' REPORT

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

AUDITOR

Since the Listing Date, the auditor of the Company has not changed. The consolidated financial statements for the year ended December 31, 2024 have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants and Registered Public Interest Entity Auditor, who are proposed for reappointment at the forthcoming annual general meeting of the Company.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this annual report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

On January 8, 2025, the Company's shares were listed on the Main Board of the Stock Exchange, where 1,266,278,000 shares were issued and subscribed at an offer price of HK$3.22 per share by way of IPO to Hong Kong and overseas investors. Net proceeds from these issues amounted to approximately HK$501.32 million.

Save as disclosed above, as of the date of this report, the Group had no significant events after the Reporting Period.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The total net proceeds from the issue of the Company's shares by the Company in its listing on the Stock Exchange amounted to approximately HK$501.3 million, after deducting the underwriting fees and expenses payable by the Company in connection with the global offering. There was no change in the intended use of net proceeds as previously disclosed in the Prospectus. The net proceeds from the global offering will be utilized in that same manner, proportion and the expected timeframe as set out in the Prospectus under the section headed "Future Plans and Use of Proceeds".

DIRECTORS' REPORT

The following table sets forth a summary of the intended use of net proceeds and their expected timeline of full utilization. Since the Company was listed on January 8, 2025, details of the utilization of net proceeds from the global offering was not available during the Reporting Period.

	Use of proceeds in the same manner and proportion as stated in the Prospectus *HK$ in million*	**Expected timeframe for utilizing the remaining unutilized net proceeds**
Approximately 40.0% of the net proceeds is expected to be used for conducting further R&D activities, advancing clinical trials for more indications, and advancing selling and distribution activities of our Core Product, the System;	200.5	Expected to be fully utilized by the end of 2027
Approximately 16.5% of the net proceeds is expected to be used for helping establish new cognitive centers for more hospitals across China through which hospitals can use our products to diagnose and treat patients with cognitive impairment and/or other disorders;	82.7	Expected to be fully utilized by the end of 2027
Approximately 15.0% of the net proceeds is expected to be used for strengthening our capabilities in AI and related technologies;	75.2	Expected to be fully utilized by the end of 2026
Approximately 5.0% of the net proceeds is expected to be used for accelerating the research, development and commercialization of other product candidates in and beyond our current product pipeline;	25.1	Expected to be fully utilized by the end of 2026
Approximately 15.0% of the net proceeds is expected to be used for brain science and DTx research centers in collaboration with academic institutions and hospitals;	75.2	Expected to be fully utilized by the end of 2027
Approximately 8.5% of the net proceeds is expected to be used for our working capital and other general corporate purposes.	42.6	Expected to be fully utilized by the end of 2026
Total	**501.3**	

By Order of the Board
BrainAurora Medical Technology Limited
Mr. Tan Zheng
Chairman and Executive Director

Hong Kong, April 28, 2025

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

As of the date of this annual report, our Board of Directors comprised eight Directors, including two executive Directors, three non-executive Directors and three independent non-executive Directors.

Executive Directors

Mr. Tan Zheng (譚錚), aged 47, was appointed as our Director in April 2023 and the chief strategy officer of our Group in December 2020, and was re-designated as the chairman of the Board and our executive Director in July 2023. He is also the chairman of Nomination Committee. Mr. Tan joined our Group in December 2020 and was appointed as a director of BrainAurora Zhejiang in the same time. Since then, Mr. Tan has made significant contributions to the Group's business development by leveraging on his investment insights and business development capabilities, including (i) making judgment calls to screen and seize promising market opportunities relating to the System; (ii) identifying pathways for and overseeing the Group's commercialization initiatives; and (iii) introducing and securing new investments in the Group from certain other Pre-IPO Investors.

Mr. Tan has served managerial positions at our subsidiaries, including those as set out below:

Name of Company	Position	Period of Service
Zhejiang Zhiling Ruidong Medical Technology Co., Ltd. (浙江智靈睿動醫療科技有限公司)	Chairman of the board	Since June 2023
Zhejiang BrainAurora Medical Technology Co., Ltd. (浙江腦動極光醫療科技有限公司)	Chairman of the board	Since December 2020

Through working with various pharmaceutical companies, Mr. Tan has over 20 years of experience in health and medical field. From June 1998 to June 2004, he worked at Shaanxi Buchang Pharmaceutical Co., Ltd. (陝西步長製藥有限公司), a company in China principally engaged in the development and manufacturing of medical drugs, where his last position was an office supervisor at their Tianjin office. From June 2004 to January 2013, Mr. Tan served as an office supervisor at the Beijing office of Shaanxi Kanghui Pharmaceutical Co., Ltd.* (陝西康惠控股有限公司), a company principally engaged in the research, development and production of pharmaceuticals products. Between January 2013 and August 2015, Mr. Tan worked at Wuhan Heer Medical Technology Development Co., Ltd. (武漢呵爾醫療科技發展有限公司), a company in China engaged in, among other things, the development and manufacture of cancer screening and analysis systems, first as an office supervisor at the Beijing office and subsequently as a deputy general manager, where he was responsible for sales, supervision and management of daily matters. Since September 2015 and March 2018, Mr. Tan has been serving as a director and the chairman of the board of directors, respectively, of Immunotech Applied Science Limited (北京永泰生物製品有限公司), a wholly-owned subsidiary of Immunotech Biopharm Ltd (永泰生物製藥有限公司) ("Immunotech"), a company listed on the Stock Exchange (stock code: 06978.HK). Since August 2019, Mr. Tan also has been serving as an executive director and the chairman of the board of directors in Immunotech.

Mr. Tan is currently pursuing an executive master's degree in business administration from United Business Institutes China.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Wang Xiaoyi (王曉怡), aged 47, was appointed as our Director in April 2023 and was re-designated as our executive Director in July, 2023. Dr. Wang has been serving as our CEO and chief research officer of our Group since June 2020.

Dr. Wang has served managerial positions at our subsidiaries, including those as set out below:

Name of Company	Position	Period of Service
Zhejiang Zhiling Ruidong Medical Technology Co., Ltd. (浙江智靈睿動醫療科技有限公司)	Director, manager	Since June 2023
Zhejiang BrainAurora Medical Technology Co., Ltd. (浙江腦動極光醫療科技有限公司)	General manager, director	Since September 2012
Shenzhen BrainAurora Medical Technology Co., Ltd. (深圳腦動極光醫療科技有限公司)	General manager, executive director	Since October 2023

Dr. Wang has over 15-year of experience in medical and health field. Between August 2009 and September 2010, Dr. Wang worked as a contractor in the radiology department in Xuanwu Hospital. From September 2010 to February 2013, Dr. Wang worked in Xuanwu Hospital as an employee engineer. Dr. Wang also has been serving as a member of the standing committee in China Society of Rehabilitation Medicine Special Committee on Telerehabilitation (中國康復醫學會遠程康復專委會) from December 2017 to December 2021, China Rehabilitation Medical Association Special Committee on AD and Cognitive Disorders Rehabilitation (中國康復醫學會AD與認知障礙康復專委會) since July 2021 and China Association of Gerontology and Geriatrics Nursing and Caregiving Branch (中國老年學與老年醫學學會護理與照護分會) since October 2018.

Specifically on the development of DTx products, including the System, our Company has been relying on Dr. Wang's leadership and supervision leveraged on his wealth of relevant experience and expertise as he has been dedicated to the fields of cognitive impairment screening, assessment, training and management for over ten years. He has also been involved in national level research and development projects organized under the 13th Five-Year Plan for Economic and Social Development of the People's Republic of China (中華人民共和國國民經濟和社會發展第十三個五年規劃), such as the 2017 Cerebrovascular Disease Exercise and Cognitive Rehabilitation System Management Program and the 2019 Major Chronic Non – Communicable Disease Prevention and Control Research Program. He also participated in the Regional Science Foundation Projects (地區自然科學基金項目), such as the 2019 Beijing Brain Program Major Project on the Development of Mobilized Targeted Intervention Technology for Schizophrenia Based on Comprehensive Cognitive Function Assessment. Dr. Wang's involvement in these major projects and his long-term research in the treatment of cognitive impairment provide him with the industry experience necessary to guide our cognitive impairment DTx research and development.

Dr. Wang obtained a bachelor's degree in biology from College of Life Sciences, Beijing Normal University (北京師範大學生命科學學院) in China, in July 2000 and graduated from the Institute of Psychology, Chinese Academy of Sciences (中國科學研究院心理研究所) in China where he majored in applied psychology, in July 2005. Dr. Wang also obtained a doctor's degree in basic psychology from State Key Laboratory of Cognitive Neuroscience and Learning, Beijing Normal University (北京師範大學認知神經科學與學習國家重點實驗室) in China, in June 2009.

DIRECTORS AND SENIOR MANAGEMENT

Non-executive Directors

Mr. Li Sirui (李思睿), aged 42, was appointed as a Director in April 2023 and was re-designated as our non-executive Director in July, 2023.

Mr. Li has approximately 15-year of experience in investment. He served as the vice president and general manager of strategic planning in Huajing (Tianjin) Investment Management Co., Ltd. (華金(天津)投資管理有限公司) from May 2012 to January 2016. Mr. Li has served as the analyst of Shenzhen Chongshi Private Equity Fund Management Co., Ltd. (深圳崇石私募股權投資基金管理有限公司) from September 2007 to May 2012. He has been serving as the director of strategic investment department in Tasly Pharmaceutical Group Co., Ltd (天士力醫藥集團股份有限公司), a company listed on the Shanghai Stock Exchange (Stock code: 600535) since April 2024, and the general manager of strategy development center at Tasly Bio-Medicine Industry Group Co., Ltd. (天士力生物醫藥產業集團有限公司) (formerly known as Tasly Holding Group Co., Ltd. (天士力控股集團有限公司)) since July 2020. He also served as the executive vice president and then the general manager of Juzhida Health Technology Services Group Co., Ltd. (聚智大健康科技服務集團有限公司) since March 2020.

Mr. Li obtained a bachelor's degree in pharmaceutical engineering from Tianjin University (天津大學) in China, in June 2005. He obtained a master's degree in business administration from Nankai University in China, in December 2014. Mr. Li has been a member of China Institute of Internal Audit (CIIA) since March 2011.

Ms. Li Mingqiu (李明秋), aged 42, was appointed as our Director in July 2023 and was re-designated as our non-executive Director on July 30, 2023.

Since January 2022, Ms. Li has been serving as the insurance business manager in Taiping Life Insurance Company Limited Liaoning Branch (太平人壽保險有限公司遼寧分公司). She also served as the executive director in Tianjin Tianjian Medical Technology Co. Ltd. (天津天鍵醫療科技有限公司).

Ms. Li obtained bachelor's degree in software engineering from University of Science and Technology Anshan (鞍山科技大學) (currently known as University of Science and Technology Liaoning (遼寧科技大學)) in China in July 2006.

Mr. Deng Feng, aged 62, has served as our director since April 2023 and was re-designated as our non-executive Director on July 30, 2023.

Mr. Deng has over 22 years of experience in venture capital, computer engineering and telecommunication industry. He founded Northern Light Venture Capital in January 2006 and served as its founding managing partner, focusing on investment in high technology, internet, consumption and healthcare sectors. He obtained a bachelor's and a master's degree in electronic engineering from Tsinghua University in China in July 1986 and December 1988, respectively, a master's degree in computer engineering from the University of Southern California in U.S. in August 1993, and a master of business administration degree from the Wharton Business School of the University of Pennsylvania in U.S. in May 2005. Mr. Deng served as a director in New Hope Group (新希望集團有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000876.SZ), from September 2016 to May 2022. Mr. Deng also served as a director in iRay Technology Company Limited (上海奕瑞光電子科技股份有限公司) from July 2017 to March 2022. Mr. Deng has been serving as a director in Burning Rock Biotech Ltd., a company listed on Nasdaq (stock ticker: BNR) since August 2016. He also served as a director in Hillstone Network Communication Technology Co. (山石網科通信技術股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 688030.SH), from December 2018 to January 2022. From August 2018 to June 2022, he served as a director in Cytek Biosciences Inc., a company listed on Nasdaq (stock ticker: CTKB).

DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Mr. Lam Yiu Por (林曉波), aged 48, has been appointed as an independent non-executive Director on the Listing Date. He is primarily responsible for supervising and providing independent advice on the operations and management of the Group. He is also the chairman of the Audit Committee and a member of the Remuneration Committee.

Mr. Lam has been serving as an independent non-executive director in JNBY Design Limited (江南布衣有限公司), a company listed on the Stock Exchange (stock code: 03306.HK) since October 13, 2016, and an independent non-executive director in Xiamen Yan Palace Bird's Nest Industry Co., Ltd. (廈門燕之屋燕窩產業股份有限公司), a company listed on the Stock Exchange (stock code: 01497.HK), since November 20, 2023. He has also been serving as an independent non-executive director of Herbs Generation Group Holdings Limited (草姬集團控股有限公司), a company listed on the Stock Exchange (stock code: 02593.HK), since December 19, 2024. Since January 2021, Mr. Lam has been serving as the chief financial officer and joint company secretary of Dingdang Health Technology Group Ltd. (叮噹健康科技集團有限公司), a company listed on the Stock Exchange (stock code: 09886.HK). He served as the vice president and chief financial officer of Greentech Technology International Limited (綠科科技國際有限公司), a company listed on the Stock Exchange (stock code: 00195.HK), from November 2013 to July 2020. He served as an independent non-executive director of Tian Ge Interactive Holdings Limited (天鴿互動控股有限公司), a company listed on the Stock Exchange (stock code: 01980.HK), from January 2021 to June 2022. From December 2014 to March 2016, Mr. Lam served as an independent non-executive director of Yat Sing Holdings Limited (日成控股有限公司), a company listed on the Stock Exchange (stock code: 03708.HK, currently known as China Supply Chain Holdings Limited (中國供應鏈產業集團有限公司)). From April 2015 to May 2017, Mr. Lam served as a non-executive director of Zhong Ao Home Group Limited (中奧到家集團有限公司), a company listed on the Stock Exchange (stock code: 01538.HK). From October 2015 to June 2020, Mr. Lam served as an independent non-executive director of Denox Environmental & Technology Holdings Limited (迪諾斯環保科技控股有限公司), a company listed on the Stock Exchange (stock code: 01452.HK). From November 2016 to November 2018, Mr. Lam served as an independent non-executive director of China Tontine Wines Group Limited (中國通天酒業集團有限公司), a company listed on the Stock Exchange (stock code: 00389.HK). From June 2012 to February 2014, he was an independent non-executive director and chairman of the audit committee of GR Properties Limited (國銳地產有限公司), a company listed on the Stock Exchange (stock code: 00108.HK, formerly known as Buildmore International Limited). Mr. Lam also served as the chief financial officer and company secretary of Lijun International Pharmaceutical (Holding) Co., Ltd. (利君國際醫藥(控股)有限公司) (currently known as SSY Group Limited (石四藥集團有限公司)), a company listed on the Stock Exchange (stock code: 2005) from December 2005 to May 2008 and the chief financial officer and qualified accountant of Zhongtian International Holdings Limited (中天國際控股有限公司) (currently known as China Clean Energy Technology Group Limited (中國清潔能源科技集團有限公司)), a company listed on the Stock Exchange (stock code: 2379) from July 2004 to December 2005.

Mr. Lam received his bachelor's degree of arts in accountancy from the Hong Kong Polytechnic University (香港理工大學) in November 1997. Mr. Lam is a member of the Hong Kong Institute of Certified Public Accountants, an associate of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries), a chartered financial analyst of the CFA Institute, and a fellow of the Association of Chartered Certified Accountants.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Duan Tao (段濤), aged 61, has been appointed as an independent non-executive Director on the Listing Date. He is primarily responsible for supervising and providing independent advice on the operations and management of the Group. He is also a member of the Audit Committee, Remuneration Committee and Nomination Committee.

Since August 2000, Dr. Duan has been serving as the vice president and then the president Shanghai First Maternity and Infant Health Hospital of Tongji University (同濟大學附屬上海市第一婦嬰保健院). Dr. Duan has served as the project leader of the National Key Research and Development Program (國家重點研發計劃項目負責人) from July 2018 to December 2020 for "Research and Development of New Technologies for Intrauterine Diagnosis and Treatment of Major Fetal Diseases (重大胎兒疾病宮內診斷和治療新技術研發)." He has been awarded as the Shanghai Excellent Discipline Leader (上海市優秀學術帶頭人) for the year of 2014 and Shanghai Medical Leader (上海市醫學領軍人才) for the year of 2015.

Dr. Duan graduated from Shandong Medical University (山東醫科大學, currently known as Shandong University Cheeloo College of Medicine (山東大學齊魯醫學院)) and majored in medicine in China in July 1987. He obtained a doctor's degree of medicine in Shanghai Medical University (上海醫科大學) (currently known as Shanghai Medical College of Fudan University (復旦大學上海醫學院)) in China in July 1992.

Mr. Li Yuezhong (李月中), aged 55, has been appointed as an independent non-executive Director on the Listing Date. He is primarily responsible for supervising and providing independent advice on the operations and management of the Group. He is also the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee.

From May 2000 to July 2005, Mr. Li was an executive director at UB China Business Management Co. Ltd. (友聯中國業務管理有限公司), a subsidiary of Industrial and Commercial Bank of China (Asia) Limited ("ICBC (Asia)"), a company listed on the Stock Exchange (stock code: 01398.HK), engaging in the management of the impaired loan portfolio of ICBC (Asia) in the PRC. From July 2005 to May 2009, he was an assistant general manager at China Merchants China Investment Management Limited (招商局中國投資管理有限公司), a fund management company incorporated in Hong Kong, where he was responsible for supervising project investment and management. From June 2009 to February 2019, he was a joint managing director at CCB International Asset Management Limited (建銀國際資產管理有限公司), an asset management company established in Hong Kong. From February 2019 to June 2021, he has been a joint general manager of Greater Bay Area Development Fund Management Limited (大灣區發展基金管理有限公司), a Hong Kong company that provides fund investment financing services to professional investors, where he is responsible (along with other managers and responsible officers) for managing Greater Bay Area Development Fund Management Limited's role as the investment manager of Greater Bay Area Homeland Development Fund LP. Mr. Li also served as a non-executive director of Immunotech Biopharm Ltd (永泰生物製藥有限公司), a company listed on the Stock Exchange (stock code: 06978.HK) from August 2019 to August 2021. Since January 2022, Mr. Li has been serving as a director in Beijing Boru Xincheng Investment Management Co., Ltd. (北京博儒信誠投資管理有限公司). Since May 2022, he has been serving as an independent director in Guizhou Guotai Intelligent Liquor Group Co., Ltd. (貴州國台數智酒業集團股份有限公司) (formerly known as Guizhou Guotai Liquor Group Co., Ltd. (貴州國台酒業集團股份有限公司)).

In June 1993, Mr. Li obtained a bachelor's degree in finance from Hunan University of Finance and Economics (湖南財經學院), (currently known as Hunan University (湖南大學)) in the PRC. In December 2005, he received a master's degree in finance from University of Hong Kong.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Tan Zheng (譚錚) aged 47, is the chairman of the Board, executive Director and chief strategy officer. For details of his biography, see subsection headed "—Directors — Executive Directors" above.

Dr. Wang Xiaoyi (王曉怡), aged 47, is an executive Director, CEO and chief research officer. For details of her biography, see subsection headed "—Directors — Executive Directors" above.

Mr. Cai Longjun (蔡龍軍), aged 41, was appointed as our chief technology officer and chief operating officer in January 2022. Mr. Cai is responsible for developing technology strategies.

Mr. Cai has approximately 15 years of experience in computer science. Mr. Cai has served as the software developer in International Commercial Machine (China) Investment Co., Ltd. (國際商業機器(中國)投資有限公司), the subsidiary of International Business Machines Corporation, a company listed on Nasdaq (stock ticker: IBM) from July 2008 to October 2012. From September 2012 to October 2016, he served as a scientist in Beijing Qiyi Century Technology Co., Ltd. (北京奇藝世紀科技有限公司), the subsidiary of iQIYI, Inc., a company listed on Nasdaq (stock ticker: IQ). From February 2017 to January 2022, he served as a senior algorithm expert in the branch of Youku Network Technology (Beijing) Co., Ltd. (優酷網絡技術(北京)有限公司), the subsidiary of Alibaba Group Holding Limited, a company listed on the Stock Exchange (stock code: 09988.HK) and the Nasdaq (stock ticker: BABA).

The above various managerial and technical roles which Mr. Cai has assumed in such major international internet companies provide him the skills, experience and expertise in the files of big data, algorithms, internet technologies, and project development. These are transferable and necessary to him discharging the roles as our chief technology officer and chief operating officer which, among others, require him to have acquired deep insights and necessary technological know-hows in the DTx industry that heavily involves the above-mentioned technologies as well.

Mr. Cai obtained a bachelor's degree in Beijing Jiaotong University (北京交通大學) in China in July 2006 and also a master's degree in Beijing Jiaotong University in June 2008.

Mr. Wang Junjie (王俊傑), aged 38, was appointed as our financial director in September 2021. Mr. Wang is responsible for overseeing the financial affairs of the Group.

Mr. Wang has over 10 years of experience in finance and investment. He served as an auditor and senior auditor from October 2009 to May 2012 and an audit manager, from February 2014 to February 2017 in Beijing branch of Deloitte Touche Tohmatsu. From November 2012 to February 2014, he served as an investment manager in Beijing Xingliancheng Investment Management Co. Ltd. (北京星聯程投資管理有限公司). Mr. Wang also served as the financial director in Beijing YingYan Network Technology Co. Ltd. (北京盈衍網絡科技有限公司), from March 2017 to August 2018. From November 2019 to March 2020, Mr. Wang served as the head of internal audit in China Submarine Co., Ltd. (中潛股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300526.SZ) previously and delisted in July 2023. He also served as the financial director in Beijing Jing Shi Hongru Education Technology Co., Ltd. (北京京師鴻儒教育科技有限公司), from May 2020 to August 2021.

Mr. Wang obtained a bachelor's degree in management from Peking University (北京大學) in China, in July 2009. He is also a member of non-practicing certified public accountants in China (中國非執業註冊會計師).

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lai Zhiyuan (賴知遠), aged 41, was appointed as our vice president of market and operation in October 2021. He is responsible for management of sales and customer service, and daily operation.

Mr. Lai served as the general manager of business affairs department in Beijing Chunyu Tianxia Software Co., Ltd. (北京春雨天下軟件有限公司), from February 2014 to June 2017. He also served as senior vice president in Dingdang Fast Medicine Technology Group Co., Ltd. (叮噹快藥科技集團有限公司), from May 2017 to May 2018. From June 2018 to June 2019, he served as general manager of health management center in Ransheng Health Industry Investment Co. Ltd. (冉盛健康產業投資有限公司). Mr. Lai also served as the joint founder and general manager in Jiangsu Xijie Biotechnology Co., Ltd. (江蘇稀捷生物科技有限公司), from August 2019 to September 2021.

Mr. Lai obtained a bachelor's degree in acupuncture in Chinese medicine from Fujian College of Traditional Chinese Medicine (福建中醫學院) (currently known as Fujian University of Traditional Chinese Medicine (福建中醫藥大學)) in China, in July 2007.

JOINT COMPANY SECRETARIES

Mr. Wang Junjie (王俊傑) was appointed as a joint company secretary of our Company on July 30, 2023. For details of his biography, see subsection headed "Senior Management" above.

Ms. Sham Ying Man (岑影文) was appointed as a joint company secretary of our Company on July 30, 2023. Ms. Sham is a manager of Company Secretarial Services of Tricor Services Limited, a member of Vistra Group and a global professional services provider specializing in integrated business, corporate and investor services. She has over 25 years of experience in the corporate secretarial field.

Ms. Sham obtained a bachelor's degree of business administration from Lingnan College (now known as Lingnan University). She is a Chartered Secretary, a Chartered Governance Professional and an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom, respectively.

CHANGES TO DIRECTORS' INFORMATION

Save as disclosed in this annual report, since the Listing Date up to the Latest Practicable Date, there has been no change to the information of the Directors which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CORPORATE GOVERNANCE REPORT

The Board is pleased to report to the Shareholders on the corporate governance of the Company for the year ended December 31, 2024.

CORPORATE GOVERNANCE CULTURE AND VALUE

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that Shareholder wealth will be maximised in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

– satisfactory and sustainable returns to Shareholders;

– that the interests of those who deal with the Company are safeguarded;

– that overall business risk is understood and managed appropriately;

– the delivery of high-quality products and services to the satisfaction of customers; and

– that high standards of ethics are maintained.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions in Part 2 of the CG Code as the basis of the Company's corporate governance practices.

As the Company's Shares had not been listed on the Stock Exchange as of December 31, 2024, the CG Code was not applicable to the Company during the Reporting Period. The Board is of the view that the Company has complied with all applicable code provisions as set out in Part 2 of the CG Code throughout the period from the Listing Date and up to the date of this report.

CORPORATE GOVERNANCE REPORT

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "Model Code") as its own code of conduct regarding the transactions of securities of the Company by the Directors and the relevant employees who would likely possess inside information of the Company.

As the Company's Shares had not been listed on the Stock Exchange as of December 31, 2024, the Model Code was not applicable to the Company during the Reporting Period. However, specific enquiry has been made of all the Directors and all of them have confirmed that they have complied with the Model Code throughout the period from the Listing Date and up to the date of this report.

BOARD OF DIRECTORS

The Company is headed by an effective Board which assumes responsibility for its leadership and control and be collectively responsible for promoting the Company's success by directing and supervising the Company's affairs. Directors take decisions objectively in the best interests of the Company.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and regularly reviews the contribution required from a Director to perform his/her responsibilities to the Company and whether the Director is spending sufficient time performing them that are commensurate with their role and the Board responsibilities. The Board includes a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

The Directors have agreed to disclose to the Company in a timely manner for any changes of the number and nature of offices held in public companies or organizations and other significant commitments, as well as the identity of such public companies or organizations and an indication of the time involved, as required by the code provision under the CG Code.

Board Composition

The Board currently comprises the following Directors:

Executive Directors
Mr. Tan Zheng *(Chairman of the Board and chief strategy officer)*
Dr. Wang Xiaoyi *(CEO and chief research officer)*

Non-executive Directors
Mr. Li Sirui
Ms. Li Mingqiu
Mr. Deng Feng

Independent Non-executive Directors
Mr. Lam Yiu Por
Dr. Duan Tao
Mr. Li Yuezhong

CORPORATE GOVERNANCE REPORT

Each of the Directors has confirmed he or she obtained the legal advice referred to in Rule 3.09D of the Listing Rules as regards the requirements under the Listing Rules that are applicable to him or her as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange on July 30, 2023, and they have confirmed they understood his or her obligations as a director of a listed issuer under the Listing Rules.

The biographical information of the Directors is set out in the section headed "Biographies of Directors and Senior Management" of this Annual Report. The relationships between the Directors are disclosed in the respective Director's biography under the section "Biographies of Directors and Senior Management" of this Annual Report. Save as disclosed above, there is no relationships (including financial, business, family or other material/relevant relationship(s)) between the Board members.

Board Meetings and Directors' Attendance Records

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

The agenda and accompanying Board papers are dispatched at least three days before the intended Board meetings or Board committee meetings to ensure that the Directors have sufficient time to review the papers and be adequately prepared for the meetings. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting.

Minutes of Board meetings and Board committee meetings are maintained by our company secretary and are open for inspection at any reasonable time on reasonable notice by all Directors. Minutes of the Board meetings and Board committee meetings are recorded in sufficient detail on the matters considered by the Board and the Board committees and the decisions reached, including any concerns raised by the Directors or dissenting views expressed. Draft and final versions of these meeting minutes have been and will be sent to all Directors for their comments and records respectively, within a reasonable time after the Board meeting is held.

As the Shares were listed on the Stock Exchange on January 8, 2025, the attendance record of the Directors at Board meetings and general meetings will be disclosed in accordance with the Listing Rules in subsequent annual reports of our Company.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, approves and monitors all notifiable and connected transactions of the Group in accordance with the Listing Rules, and ensures that sound internal control and risk management systems are in place.

CORPORATE GOVERNANCE REPORT

All Directors, including non-executive Director and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgment on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

Chairman and Chief Executive Officer

The positions of Chairman and Chief Executive Officer are held by Mr. Tan Zheng and Dr. Wang Xiaoyi respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and daily management and operations generally.

Independent Non-executive Directors

From the Listing Date to the date of this report, the Board has met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Board Independence Evaluation

The shares of the Company were listed on the Stock Exchange on January 8, 2025. The Company would establish a Board Independence Evaluation Mechanism which sets out the processes and procedures to ensure a strong independent element on the Board, which allows the Board effectively exercises independent judgment to better safeguard Shareholders' interests.

Appointment and Re-election of Directors

All Directors are appointed for an initial term of three years from the Listing Date, subject to renewal after the expiry of the then current term.

CORPORATE GOVERNANCE REPORT

All the Directors are subject to retirement by rotation and re-election at the annual general meetings. Under the Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three of a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting by rotation at least once every three years. The Company's Articles of Association also provides that all Directors appointed to fill a casual vacancy or as an addition Director shall hold office only until the first annual general meeting after appointment. The retiring Directors shall be eligible for re-election.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board's composition, and for making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant. The Company has updated all Directors on any material changes in the Listing Rules and corporate governance practices from time to time.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction shall be supplemented by visits to the Company's key plant sites and meetings with senior management of the Company.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the Reporting Period and prior to the Listing, all Directors have participated in continuous professional development by attending training course or external seminars to develop and refresh their knowledge and skills in relation to their contribution to the Board.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are posted on the websites of the Company and the Stock Exchange and are available to Shareholders upon request.

CORPORATE GOVERNANCE REPORT

Audit Committee

We have established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code set out in Appendix C1 to the Listing Rules.

The Audit Committee consists of three members, namely Mr. Lam Yiu Por, Dr. Duan Tao and Mr. Li Yuezhong. Mr. Lam Yiu Por is the chairperson of the Audit Committee who has appropriate related financial management expertise as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the Company's financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

As our Company's shares were listed on the Stock Exchange on January 8, 2025, no meetings of the Audit Committee were held during the Reporting Period.

Remuneration Committee

We have established a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code set out in Appendix C1 to the Listing Rules.

The Remuneration Committee consists of three members, namely Mr. Lam Yiu Por, Dr. Duan Tao and Mr. Li Yuezhong. Mr. Li Yuezhong is the chairperson of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include making recommendations to the Board on the remuneration packages of individual executive and non-executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration as well as reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules.

As our Company's shares were listed on the Stock Exchange on January 8, 2025, no meetings of the Remuneration Committee were held during the Reporting Period.

CORPORATE GOVERNANCE REPORT

Pursuant to code provision in Part 2 of the CG Code, details of the remuneration of the senior management (including two executive Directors), whose biographical details are included in section headed "Biographies of Directors and Senior Management" of this Annual Report by bands for the Reporting Period is set out below:

Remuneration level (RMB)	Number of employees
500,001 to 1,000,000	3
1,000,001 to 1,500,000	2

The Company's remuneration policy is to ensure that the remuneration offered to employees, including Directors and senior management, is based on skill, knowledge, responsibilities and involvement in the Company's affairs. The remuneration packages of Directors are also determined with reference to the relevant Director's experience and qualifications, level of responsibility, performance and the time devoted to our business, and the prevailing market conditions.

Nomination Committee

We have established a nomination committee with written terms of reference in compliance with Rule 3.27A of the Listing Rules and the CG Code set out in Appendix C1 to the Listing Rules.

The Nomination Committee consists of three members, namely Mr. Tan Zheng, Dr. Duan Tao and Mr. Li Yuezhong. Mr. Tan Zheng is the chairperson of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, reviewing the Board Diversity Policy and assessing the independence of Independent Non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

As our Company's shares were listed on the Stock Exchange on January 8, 2025, no meetings of the Nomination Committee were held during the Reporting Period.

CORPORATE GOVERNANCE REPORT

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve and maintain diversity of the Board in order to enhance the effectiveness of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee reviews regularly the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

The Company recognize the particular importance of gender diversity. The Board currently comprises nine Directors, including two female Directors. The Company have taken and will continue to take steps to promote and enhance gender diversity at all levels of the Company, including but without limitation at the Board and senior management levels. The Board Diversity Policy provides that the Board shall take opportunities when selecting and making recommendations on suitable candidates for the Board appointments with the aim to maintain the proportion of female members after Listing. The Company will also ensure that there is gender diversity when recruiting staff at mid to senior level, as well as engage more resources in training more female staff with the aim of providing a pipeline of female senior management and potential successors to our Board going forward. It is the Company's objective to maintain an appropriate balance of gender diversity with reference to the stakeholders' expectation and international and local recommended best practices.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Nomination Committee and the Board considered that the current composition of Board is sufficiently diverse and the Board has not set any measurable objectives.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

CORPORATE GOVERNANCE REPORT

Gender Diversity

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as at the date of this report:

	Female	Male
Board	12.50%	87.50%
Senior Management (as listed in the "Directors and Senior Management" section)	0%	100%
Other employees	51%	49%
Overall workforce	52%	48%

The Board considers that the above current gender diversity is satisfactory.

Director Nomination Policy

The Board has adopted a Director Nomination Policy which sets out selection criteria and nomination process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The nomination process set out in the Director Nomination Policy is as follows:

Appointment of New Director

(i) The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents.

(ii) The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

(iii) If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

(iv) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.

(v) For any person that is nominated by a Shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendation to Shareholders in respect of the proposed election of Director at the general meeting.

CORPORATE GOVERNANCE REPORT

Re-election of Director at General Meeting

(i) The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring Director and the level of participation and performance on the Board.

(ii) The Nomination Committee and/or the Board should also review and determine whether the retiring Director continues to meet the criteria as set out above.

(iii) The Nomination Committee and/or the Board should then make recommendation to Shareholders in respect of the proposed re-election of Director at the general meeting.

Where the Board proposes a resolution to elect or re-elect a candidate as Director at the general meeting, the relevant information of the candidate will be disclosed in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

The Director Nomination Policy sets out the criteria for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;

- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;

- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;

- Requirements of Independent Non-executive Directors on the Board and independence of the proposed Independent Non-executive Directors in accordance with the Listing Rules; and

- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company

Throughout the period from the Listing Date to the date of this report, there was no change in the composition of the Board.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

CORPORATE GOVERNANCE REPORT

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

The Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing the design, implementation and monitoring of the risk management and internal control systems.

The Company have devoted to establishing and maintaining risk management and internal control systems consisting of policies and procedures that the Company consider to be appropriate for the Company's business operations, and the Company is dedicated to continuously improving these systems. The Company have adopted and implemented comprehensive risk management policies in various aspects of our business operations as set out below.

Risk Management

We recognize that risk management is critical to the success of our business operation. Key operational risks faced by us include changes in general market conditions and the regulatory environment of the Chinese and global DTx markets, our ability to develop, manufacture and commercialize our products, and our ability to compete with other DTx products. See "Risk Factors" for a discussion of various risks and uncertainties we face. We also face various market risks. In particular, we are exposed to credit, liquidity and currency risks that arise in the normal course of our business. See Note 32 to the consolidated financial statements for details regarding these risks. We have adopted a series of risk management policies which set out a risk management framework to identify, assess, evaluate and monitor key risks associated with our strategic objectives on an ongoing basis. The following key principles outline our approach to risk management:

- The relevant departments in our Company, including but not limited to the finance department and the human resources department, are responsible for implementing our risk management policy and carrying out our day-to-day risk management practice. Each department is responsible for identifying and evaluating risks associated with its working scope. In order to standardize risk management across our Group and set a common level of transparency and risk management performance, the relevant departments will (i) identify the source of the risks and potential impact, (ii) monitor the development of such risks, and (iii) prepare risk management reports periodically for our management's review.

CORPORATE GOVERNANCE REPORT

- Our internal control department will coordinate, oversee and manage the overall risks associated with our business operations and quality control mainly including (i) reviewing our corporate risk in light of our corporate risk tolerance, (ii) maintaining a key risk list and leading corresponding risk management activities, and (iii) organizing revision and update of the key risk list.

- Our management and internal control department will be responsible for carrying out the risk prevention and management activities with relevant department, internal audit department and security department will conduct irregular reviews.

- Our management will be responsible for (i) reviewing the risk management information collected by our internal control department every six months, (ii) reviewing annual risk management report of our Company, and (iii) overseeing internal control department and conducting annual risk evaluations.

Internal Control

Our Board of Directors is responsible for establishing and ensuring effective internal controls to safeguard our Shareholder's investment at all times. Our internal control policies set out a framework to identify, assess, evaluate and monitor key risks associated with our strategic objectives on an ongoing basis. Below is a summary of the internal control policies, measures and procedures we have implemented or plan to implement:

- We have adopted various measures and procedures regarding each aspect of our business operation, such as related party transaction, risk management, protection of intellectual property, environmental protection and occupational health and safety. For more information, see "—Intellectual Property" and "—Environmental, Workplace Safety and Social Responsibility Matters." We plan to provide periodic training about these measures and procedures to our employees as part of our employee training program. Our internal audit department conducts audit field work to monitor the implementation of our internal control policies, reports the weakness identified to our management and audit committee and follows up on the rectification actions.

- Our Directors (who are responsible for monitoring the corporate governance of our Group) with help from our legal advisers, will also periodically review our compliance status with all relevant laws and regulations after the Listing.

- We have established an audit committee which (i) makes recommendations to our Directors on the appointment and removal of external auditors, and (ii) reviews the financial statements and renders advice in respect of financial reporting as well as oversees internal control procedures of our Group.

- We have engaged SPDB International Capital Limited as our compliance adviser to provide advice to our Directors and management team until the end of the first fiscal year after the Listing regarding matters relating to the Listing Rules. Our compliance adviser is expected to ensure our use of funding complies with the section headed "Future Plans and Use of Proceeds" in this Prospectus after the Listing, as well as to provide support and advice regarding requirements of relevant regulatory authorities in a timely fashion.

- We plan to engage a PRC law firm to advise us on and keep us abreast with PRC laws and regulations after the Listing. We will continue to arrange various trainings to be provided by external legal advisers from time to time when necessary and/or any appropriate accredited institution to update our Directors, senior management, and relevant employees on the latest PRC laws and regulations.

CORPORATE GOVERNANCE REPORT

- We plan to seek advice from law firms in the United States, the European Union and other jurisdictions where we currently operate or may operate in the future to keep us abreast of applicable local laws and regulations after the Listing. We will continue to arrange various trainings to be provided by external legal advisors from time to time when necessary and/or any appropriate accredited institution to update our Directors, senior management, and relevant employees on the latest laws and regulations in the jurisdictions in which we currently operate or may operate in the future.

- We maintain strict confidentiality and privacy policies regarding the collection, analysis, storage and transmission of the data of our subjects and clinical trial results. Our project manager and data manager prepare and review study protocols to ensure compliance with GCP requirements, including confidentiality and privacy requirements. We will monitor project progress continuously against the guidelines of ICH GCP and China GCP and make corrections as needed. Our IT team are responsible for, from technical perspective, ensuring the usage, maintenance and protection of preclinical and clinical data to comply with our internal policies and applicable laws and regulations.

The Company has in place the Whistle Blowing Policy of the Company that serves the purpose of establishing whistleblowing procedures for employees and other relevant external parties of our Group, in order to report and escalate any suspicious misconducts.

The Company has also in place the Anti-Corruption Policy to promote an ethical culture within our Group and have zero-tolerance for bribery and any kind of corrupt activities. In accordance with the policy, we protect all whistleblowers from any kind of retaliation. All the information provided by the whistleblowers will be strictly confidential.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements with the support of the accounting and finance team.

The Directors have prepared the financial statements in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board. Appropriate accounting policies have also been used and applied consistently except the adoption of revised standards, amendments to standards and interpretation.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The financial statements of the Company are prepared on a going concern basis, the Directors are of the view that they give a true and fair view of the financial position, performance and cash flow of the Group for the year ended December 31, 2024, and the disclosure of other financial information and report therein complies with relevant legal requirements.

CORPORATE GOVERNANCE REPORT

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 75 to 76 of this annual report.

AUDITORS' REMUNERATION

An analysis of the remuneration paid/payable to the external auditors of the Company in respect of audit services and non-audit services for the year ended December 31, 2024 is set out below:

Service Category	**Fees Paid/Payable** RMB'000
Audit Service	1,800
Non-audit Service	74
TOTAL	1,874

JOINT COMPANY SECRETARIES

Mr. Wang Junjie and Ms. Sham Ying Man are the joint company secretaries of the Company.

Ms. Sham Ying Man is a manager of Corporate Services of Tricor Services Limited, a member of Vistra Group and a global professional services provider specializing in integrated Business, Corporate and Investor Services. The primary contact person at the Company is Mr. Wang Junjie, joint company secretary of the Company.

The Company was not listed on the Stock Exchange for the year ended December 31, 2024. The joint company secretaries of the Company will receive no less than 15 hours of relevant professional training annually pursuant to the requirements of Rule 3.29 of the Listing Rules.

All Directors may have access to the advice and services of the joint company secretaries on corporate governance and routine Board matters.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Convening an Extraordinary General Meeting

Pursuant to the Article 64 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the voting rights, on a one vote per Share basis in the share capital of the Company. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) themself (themselves) may convene a physical meeting at only one location which will be the principal meeting place, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company. The requisitionist(s) may add resolutions to the agenda of a general meeting requisitioned under this article.

Putting Forward Proposals at General Meetings

There are no provisions in the Company's Articles of Association or the Cayman Islands Companies Law for Shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	No. 2 Pingjiang Road, Yuecheng District, Shaoxing City, Zhejiang Province, PRC
Telephone Number:	010-62965575
Email:	ir@66nao.com

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company is endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries

To safeguard Shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Shareholders' Communication Policy

The Company has in place a policy on shareholders' communication. The policy aims at promoting effective communication with Shareholders and other stakeholders, encouraging Shareholders to engage actively with the Company and enabling Shareholders to exercise their rights as Shareholders effectively. The Board reviewed the implementation and effectiveness of the Shareholders' Communication Policy and the results were satisfactory.

The Company has established a number of channels for maintaining an on-going dialogue with its Shareholders as follows:

(a) Corporate Communication

"Corporate Communication" as defined under the Listing Rules refers to any document issued or to be issued by the Company for the information or action of holders of any of its securities, including but not limited to the following documents of the Company: (a) the Directors' report, annual accounts together with a copy of the auditor's report and, where applicable, its summary financial report; (b) the interim report and, where applicable, its summary interim report; (c) a notice of meeting; (d) a listing document; (e) a circular; and (f) a proxy form. The Corporate Communication of the Company will be published on the Stock Exchange's website (www.hkex.com.hk) in a timely manner as required by the Listing Rules. Corporate Communication will be provided to Shareholders and non-registered holders of the Company's securities in both English and Chinese versions or where permitted, in a single language, in a timely manner as required by the Listing Rules.

(b) Announcements and Other Documents pursuant to the Listing Rules

The Company shall publish announcements (on inside information, corporate actions and transactions etc.) and other documents (e.g. Memorandum and Articles of Association) on the Stock Exchange's website in a timely manner in accordance with the Listing Rules.

(c) Corporate Website

Any information or documents of the Company posted on the Stock Exchange's website will also be published on the Company's website (66nao.cn).

(d) Shareholders' Meetings

The annual general meeting and other general meetings of the Company are primary forum for communication between the Company and its Shareholders. The Company shall provide Shareholders with relevant information on the resolutions(s) proposed at a general meeting in a timely manner in accordance with the Listing Rules. The information provided shall be reasonably necessary to enable Shareholders to make an informed decision on the proposed resolution(s). Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at the meetings for and on their behalf if they are unable to attend the meetings. Where appropriate or required, the Chairman of the Board and other Board members, the chairmen of board committees or their delegates, and the external auditors should attend general meetings of the Company to answer Shareholders' questions (if any).

(e) Shareholders' Enquiries

Enquiries about Shareholdings

Shareholders should direct their enquiries about their shareholdings to the Company's share registrar, Tricor Investor Services Limited, by email: is-enquiries@vistra.com, or call its hotline at +852 2980 1333, or go in person to its public counter at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

Enquiries about Corporate Governance or Other Matters to be put to the Board and the Company

The Company will not normally deal with verbal or anonymous enquiries. Shareholders may send any enquiries to the Company by post to Room 1301, 13/F, Building 3, Shaoxing Shuimuwan District Science Park, No. 2 Pingjiang Road, Yuecheng District, Shaoxing City, Zhejiang Province, PRC (For the attention of the Board).

Amendments to Constitutional Documents

The Company did not make any amendments to its Articles of Association since the Listing Date. The latest version of the Articles of Association of our Company is also posted on the website of the Company and the website of the Stock Exchange.

Dividend Policy

The Company has adopted a Dividend Policy on payment of dividends. The Company do not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the Shareholders' approval.

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

To the Shareholders of BrainAurora Medical Technology Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of BrainAurora Medical Technology Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 77 to 159, which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

INDEPENDENT AUDITOR'S REPORT

Key audit matter

Expected credit loss allowances for trade receivables

We identified expected credit loss ("ECL") for trade receivables as a key audit matter due to the significance of trade receivables to the Group's consolidated financial position and the involvement of subjective judgement and management estimation in evaluating the ECL of the Group's trade receivables at the end of the reporting period.

As disclosed in Note 19 to the consolidated financial statements, the Group's gross carrying amount of trade receivables amounted to approximately RMB105.31 million, against which an allowance of RMB12.37 million for ECL was recorded as at December 31, 2024.

As disclosed in Notes 5 and 32 to the consolidated financial statements, trade receivables with credit-impaired are assessed for ECL individually while for the remaining balances, collective assessment is adopted. Management of the Group estimates the amount of lifetime ECL of trade receivables based on collective assessment through grouping of various debtors that have similar loss patterns, after considering aging, internal credit ratings of trade debtors and repayment history of respective trade receivables. Estimated loss rates are based on default rates over the expected life of the debtors and are adjusted for forward-looking information.

How our audit addressed the key audit matter

Our procedures in relation to the impairment assessment of trade receivables included:

- Evaluating the design and implementation of key internal controls on how management estimates the loss allowance for trade receivables;

- Evaluating the independent valuer's objectivity, qualifications and competence;

- Challenging management's basis and judgement in determining loss allowance on trade receivables as at December 31, 2024, including their identification of credit-impaired trade receivables, the reasonableness of management's grouping of the remaining trade debtors into different categories on the collective basis, and the basis of estimated loss rates applied in each category in the collective basis (with reference to default rates and forward-looking information);

- Engaging our internal valuation specialists to assess the rationality and appropriateness of the Group's ECL model, including the valuation techniques, certain model inputs and calculation in compliance with IFRS 9; and

- Performing the retrospective analysis to update our risk assessment conclusion regarding appropriateness of the ECL policy.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Mak Chi Lung.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
March 28, 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2024

	NOTES	For the year ended December 31, 2024 RMB'000	For the year ended December 31, 2023 RMB'000
Revenue	6	122,311	67,200
Cost of sales		(68,298)	(35,136)
Gross profit		54,013	32,064
Other income	7	1,710	2,079
Other expenses and other gains and losses, net	8	3,326	2,318
Fair value gain (loss) of financial liabilities at fair value through profit or loss ("FVTPL")	27	30,116	(165,216)
Impairment loss under expected credit loss ("ECL") model, net of reversal		(11,480)	(848)
Selling and distribution expenses		(48,017)	(38,399)
Administrative expenses		(59,925)	(54,398)
Research and development expenses		(119,424)	(90,733)
Finance costs	9	(22,025)	(20,216)
Listing expenses		(26,852)	(25,767)
Loss before tax		(198,558)	(359,116)
Income tax expense	10	(52)	–
Loss and total comprehensive expense for the year	11	(198,610)	(359,116)
Loss for the year attributable to:			
Owners of the Company		(198,282)	(359,083)
Non-controlling interests		(328)	(33)
		(198,610)	(359,116)
Loss per share (RMB)	15		
Basic		(0.22)	(0.62)
Diluted		(0.23)	(0.62)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2024

	NOTES	As at December 31, 2024 RMB'000	As at December 31, 2023 RMB'000
Non-current assets			
Property, plant and equipment	16	23,386	23,503
Right-of-use assets	17	21,039	13,155
Intangible assets	18	2,909	4,222
Prepayments and other receivables	19	4,029	2,009
Restricted bank deposit	20	–	49,241
		51,363	92,130
Current assets			
Contract costs		534	4,094
Trade and other receivables and prepayments	19	134,221	76,053
Restricted bank deposit	20	69,495	165,000
Bank balances and cash	21	343,882	57,577
		548,132	302,724
Current liabilities			
Trade and other payables	22	56,090	43,261
Contract liabilities	25	10,075	3,804
Receipts in advance from cornerstone investors	41	320,971	–
Lease liabilities	24	11,823	7,927
Bank and other borrowings	26	21,261	22,083
Deferred income		1,696	225
Long-term bond – due within one year	23	74,663	–
Financial liabilities at FVTPL	27	285,428	315,544
		782,007	392,844
Net current liabilities		(233,875)	(90,120)
Total assets less current liabilities		(182,512)	2,010

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2024

	NOTES	As at December 31, 2024 RMB'000	As at December 31, 2023 RMB'000
Non-current liabilities			
Contract liabilities	*25*	–	126
Lease liabilities	*24*	8,918	4,627
Long-term bond	*23*	271,617	329,438
Deferred income		977	–
		281,512	334,191
Net liabilities		(464,024)	(332,181)
Capital and reserves			
Share capital	*28*	1	1
Reserves		(463,654)	(332,139)
Equity attributable to owners of the Company		(463,653)	(332,138)
Non-controlling interests		(371)	(43)
Total deficits		(464,024)	(332,181)

The consolidated financial statements on pages 77 to 159 were approved and authorized for issue by the board of directors on March 28, 2025 and are signed on its behalf by:

Mr. Tan Zheng
DIRECTOR

Dr. Wang Xiaoyi
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2024

	Attributable to owners of the Company									
	Paid-in capital/ share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Share-based payments reserve RMB'000	Other reserve RMB'000 *(Note iii)*	Shares held under Pre-IPO Share Award Scheme RMB'000	Accumulated losses RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At January 1, 2023	4,430	–	150,959	–	28,938	–	(1,278,560)	(1,094,233)	(10)	(1,094,243)
Loss and total comprehensive expense for the year	–	–	–	–	–	–	(359,083)	(359,083)	(33)	(359,116)
Capital injection (Note i)	354	–	63,646	–	–	–	–	64,000	–	64,000
Recognition of equity-settled share-based payments (Note 31)	–	–	–	44,873	–	–	–	44,873	–	44,873
Reclassification from financial liabilities at FVTPL (Note 27)	10,107	–	1,002,197	–	–	–	–	1,012,304	–	1,012,304
Adjustment arising from the Reorganization (Note ii)	(14,891)	–	8,668	–	–	–	–	(6,223)	–	(6,223)
Issue of Ordinary Shares (as defined in Note 2) (Note 28)	1	6,223	–	–	–	–	–	6,224	–	6,224
Issue of Awarded Shares (Note iv)	–*	–	–	–	–	–*	–	–	–	–
At December 31, 2023	1	6,223	1,225,470	44,873	28,938	–*	(1,637,643)	(332,138)	(43)	(332,181)
Loss and total comprehensive expense for the year	–	–	–	–	–	–	(198,282)	(198,282)	(328)	(198,610)
Recognition of equity-settled share-based payments (Note 31)	–	–	–	66,767	–	–	–	66,767	–	66,767
At December 31, 2024	1	6,223	1,225,470	111,640	28,938	–	(1,835,925)	(463,653)	(371)	(464,024)

* The amount represents 85,166 shares of BrainAurora Medical Technology Limited (the "Company") with a par value of USD0.0001 each, issued at an amount of USD8.5 (equivalent to RMB61) during the year ended December 31, 2023.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2024

Notes:

i. On March 20, 2022, Zhejiang BrainAurora Medical Technology Co., Ltd.* (浙江腦動極光醫療科技有限公司)("BrainAurora Zhejiang") entered into an investment agreement (the "Series C Financing") with two independent investors and two of its existing shareholders (collectively as the "Series C Investors"), pursuant to which Series C Investors shall make total investments of RMB138,000,000 to subscribe new paid-in capital of RMB764,000 in BrainAurora Zhejiang (representing 5.16% equity interests in BrainAurora Zhejiang), out of which RMB89,500,000 was settled in 2022. The remaining consideration of RMB48,500,000 of Series C Financing was settled in March 2023. The excess of RMB48,232,000 between the cash consideration of RMB48,500,000 and the new paid-in capital of RMB268,000 was recorded in capital reserve.

Besides, on February 15, 2023, BrainAurora Zhejiang entered into an additional investment agreement with one of the Series C Investors, pursuant to which the investor shall make additional investments of RMB15,500,000 to subscribe new paid-in capital of RMB86,000 in BrainAurora Zhejiang (representing 0.58% equity interests in BrainAurora Zhejiang). The consideration was fully settled in March 2023. The excess of RMB15,414,000 between the cash consideration of RMB15,500,000 and the new paid-in capital of RMB86,000 was recorded in capital reserve.

ii. On June 30, 2023, as part of the group reorganization as set out in Note 2 to the consolidated financial statements, Zhejiang Zhiling Ruidong Medical Technology Co., Ltd.* (浙江智靈睿動醫療科技有限公司) ("Zhiling Ruidong"), a subsidiary of the Company, acquired the then shareholders' respective equity interests in BrainAurora Zhejiang for an aggregate cash consideration of RMB89,119,000. Included in the total consideration of RMB89,119,000, (i) consideration of RMB74,351,000 will be contributed to a subsidiary of Zhiling Ruidong, (ii) consideration of RMB6,223,000 will be invested to the Company's Ordinary Shares (as defined in Note 2) which will be recognized as share capital and share premium and debited to capital reserve and (iii) consideration of RMB8,545,000 will be invested to the Company's Series A-1 Preferred Shares (as defined in Note 2). The paid-in capital of BrainAurora Zhejiang of RMB14,891,000 was transferred to capital reserve upon the completion of the reorganization.

iii. Other reserve represents the balance of equity-settled share-based payments transferred from share-based payments reserve upon vesting.

iv. On August 2, 2023, a total of 85,166 shares (the "Awarded Shares") of the Company had been allotted and issued to Wisdomspirit Holding Limited ("HoldCo"), a company wholly owned by Trident Trust Company (HK) Limited ("Trident"), to facilitate the administration of the Pre-IPO Share Award Scheme as defined in Note 31. The Award Shares will be held in the HoldCo for the relevant selected participants until such Awarded Shares are vested. Based on the arrangements among the Company and Trident, the Company is able to control Trident and its subsidiary HoldCo. Therefore, the Group (as defined in Note 1) accounts for Trident and HoldCo as consolidated structured entities. The ordinary shares of the Company held by HoldCo are accounted for as a debit to the Group's reserve and are presented under the heading of "Shares held under Pre-IPO Share Award Scheme" in the consolidated statement of changes in equity.

* *English name is for identification purpose only.*

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2024

	For the year ended December 31, 2024 RMB'000	For the year ended December 31, 2023 RMB'000
OPERATING ACTIVITIES		
Loss before tax	**(198,558)**	(359,116)
Adjustment for:		
Fair value gains on financial assets at FVTPL	**(5)**	(2,672)
Net foreign exchange loss	**15**	–
Depreciation of property, plant and equipment	**16,847**	13,779
Depreciation of right-of-use assets	**8,718**	6,994
Amortization of intangible assets	**1,580**	493
Release of deferred income	**(1,083)**	–
Impairment loss under ECL model, net of reversal	**11,480**	848
(Gains) losses on disposal of property, plant and equipment	**(2)**	64
Interest income	**(627)**	(2,079)
Losses on lease modifications and lease terminations	**9**	223
Finance costs	**22,025**	20,216
Fair value (gain) loss of financial liabilities at FVTPL	**(30,116)**	165,216
Gain on re-estimated repayments of long-term bond	**(4,161)**	–
Recognition of equity-settled share-based payments	**66,767**	44,873
Operating cash flows before movements in working capital	**(107,111)**	(111,161)
Decrease (increase) in contract costs	**3,560**	(3,843)
Increase in trade and other receivables	**(64,448)**	(48,010)
Increase in trade and other payables	**12,334**	23,437
Increase in contract liabilities	**6,145**	2,480
Increase in deferred income	**3,531**	225
Cash used in operations	**(145,989)**	(136,872)
Income taxes paid	**(52)**	–
NET CASH USED IN OPERATING ACTIVITIES	**(146,041)**	(136,872)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2024

	For the year ended December 31, 2024 RMB'000	For the year ended December 31, 2023 RMB'000
INVESTING ACTIVITIES		
Interest received	264	2,918
Purchases of property, plant and equipment	(17,326)	(15,966)
Payments for right-of-use assets	(111)	(110)
Proceeds from disposal of property, plant and equipment	65	248
Payments for rental deposits	(1,249)	(1,474)
Refund of rental deposit	1,001	–
Purchases of financial assets at FVTPL	(1,000)	(559,011)
Proceeds from disposal of financial assets at FVTPL	1,005	790,472
Placement of restricted bank deposit	–	(414,100)
Withdrawal of restricted bank deposit	145,000	200,100
Placements of term deposits with original maturity over three months	–	(20,000)
Disposal of term deposits with original maturity over three months	–	122,000
Payments for intangible assets	(367)	(2,053)
Loans to third parties	(6,900)	(500)
Loan to a related party	(7,000)	–
Advance to related parties	–	(5,918)
Repayment of loan from a related party	7,000	29
Repayment of loan from third parties	3,000	–
Repayment of advance from related parties	–	5,918
NET CASH FROM INVESTING ACTIVITIES	123,382	102,553

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2024

	Notes	For the year ended December 31, 2024 RMB'000	For the year ended December 31, 2023 RMB'000
FINANCING ACTIVITIES			
Capital injection		–	64,000
Proceeds from bank borrowings		14,072	15,000
Issue of Ordinary Shares		–	6,224
Payments to shareholders in relation to the group reorganization	2	–	(89,119)
Receipts from shareholders in relation to the group reorganization		–	82,896
Receipts in advance from cornerstone investors	41(b)	320,971	–
Repayment of bank borrowings		(15,000)	–
Payments of share issue costs		(1,955)	(4,531)
Interest paid		(1,022)	(633)
Repayment of lease liabilities		(8,261)	(7,946)
Repayment to related parties		–	(2,364)
NET CASH FROM FINANCING ACTIVITIES		308,805	63,527
NET INCREASE IN CASH AND CASH EQUIVALENTS		286,146	29,208
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		57,577	28,251
Effect of foreign exchange rate changes		159	118
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	21	343,882	57,577

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

1. GENERAL INFORMATION

BrainAurora Medical Technology Limited ("the Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law section 165 of the Cayman Islands on April 25, 2023. The address of the Company's registered office is at 3-212 Governors Square, 23 Lime Tree Bay Avenue, P.O. Box 30746, Seven Mile Beach, Grand Cayman KY1-1203, Cayman Islands. The principal place of business of the Company is Block A, Dongsheng Science and Technology Park & Fengyeyuan Digital Industry Economic Park, Zhongguancun, 135 Qinghe Road, Haidian District, Beijing, the People's Republic of China (the "PRC").

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from January 8, 2025.

On August 6, 2023, the acting in concert parties, namely Mr. Tan Zheng, Dr. Wang Xiaoyi, ZTan Limited, a company wholly owned by Mr. Tan Zheng, and Wispirits Limited, a company wholly owned by Dr. Wang Xiaoyi (collectively referred to as the "the Offshore AIC Parties"), entered into another acting in concert agreement, pursuant to which, among others, the Offshore AIC Parties (i) acknowledged and confirmed that, the Offshore AIC Parties have acted in concert with respect to the management of BrainAurora Zhejiang during the period when BrainAurora Zhejiang was the holding company of the Group and with respect to the management of the Company since it became the holding company of the Group; and (ii) agreed to act in concert for so long as they remain interested in the shares of the Company, consult each other and reach a consensus before voting at the board meetings and shareholders' meetings of the Company, and in case the parties fail to reach a consensus, vote based on the opinion of Mr. Tan Zheng.

The Company is an investment holding company. Its subsidiaries are principally engaged to offer cognitive impairment digital therapeutics ("DTx") integral software solutions in the PRC. The Company and its subsidiaries are hereinafter collectively referred to as the "Group".

The consolidated financial statements for the year ended December 31, 2024 are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. GROUP REORGANIZATION, BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

Prior to the group reorganization, the operations of the Group were mainly carried out by BrainAurora Zhejiang and its subsidiaries in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

2. GROUP REORGANIZATION, BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the purpose of the proposed listing on the Stock Exchange, the Group underwent the reorganization which comprised the following steps (the "Reorganization"):

1. The Company was incorporated as an exempted company with limited liability in the Cayman Islands on April 25, 2023 with an authorized share capital of United States Dollars ("USD") 50,000 divided into 500,000,000 ordinary shares of USD0.0001 each.

2. On April 28, 2023, BrainAurora Limited was incorporated in the British Virgin Islands with an authorized share capital of USD50,000 divided into 50,000 ordinary shares of USD1 each, which were issued to the Company on incorporation. BrainAurora Limited is wholly-owned by the Company.

3. On May 11, 2023, BrainAurora (HK) Medical Technology Limited ("BrainAurora (HK) ") was incorporated in Hong Kong as a direct wholly-owned subsidiary of BrainAurora Limited.

4. On June 16, 2023, Zhiling Ruidong was established in the PRC with a registered capital of RMB100,000,000. Zhiling Ruidong is wholly-owned by BrainAurora (HK).

5. Between April 2023 and July 2023, the Company issued a total of 1,000,000 shares, consisted of 873,146 ordinary shares, 95,878 series A-1 preferred shares ("Series A-1 Preferred Shares") and 30,976 series A-2 preferred shares ("Series A-2 Preferred Shares") ("Series A-1 Preferred Shares" and "Series A-2 Preferred Shares" are collectively referred to as "Series A Preferred Shares"), for a subscription price of USD0.0001 per share proportionately to companies owned by the then shareholders of BrainAurora Zhejiang. The preferential rights for Series A-1 Preferred Shares and Series A-2 Preferred Shares are detailed in Note 27. The Company's ordinary shares and Series A-2 Preferred Shares are collectively referred to as "Ordinary Shares".

6. On June 15, 2023, Zhiling Ruidong entered into capital injection agreements to make aggregate capital injection of RMB20,000,000 to BrainAurora Zhejiang to subscribe new paid-in capital of RMB1,655,000 of BrainAurora Zhejiang. The cash consideration was settled in August 2023.

7. On June 30, 2023, Zhiling Ruidong entered into equity transfer agreements with the then shareholders of BrainAurora Zhejiang, pursuant to which Zhiling Ruidong acquired the then shareholders' respective interest in BrainAurora Zhejiang for an aggregate cash consideration of RMB89,119,000. After the transfer, BrainAurora Zhejiang became a wholly-owned subsidiary of Zhiling Ruidong.

Upon completion of the Reorganization, the Company has become the holding company of the companies now comprising the Group by interspersing the Company, BrainAurora, BrainAurora (HK) and Zhiling Ruidong between BrainAurora Zhejiang and its then shareholders. The Group comprising of the Company and its subsidiaries resulting from the Reorganization is regarded as a continuing entity, and accordingly, the consolidated financial statements for the year ended December 31, 2023 have been prepared as if the Company had always been the holding company of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

2. GROUP REORGANIZATION, BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year ended December 31, 2023 are prepared using the then carrying amounts in the financial statements of the companies comprising the Group as if the current group structure had been in existence throughout the year ended December 31, 2023 or since their respective dates of incorporation or acquisition, where there is a shorter period.

The Group was in net current liabilities position of RMB233,875,000 mainly due to the balance of financial liabilities at FVTPL, i.e. Series A-1 Preferred Shares, of RMB285,428,000 as at December 31, 2024. The Series A-1 Preferred Shares have been converted to ordinary shares upon listing on January 8, 2025. After taking into account of the Group's cashflow projection and the proceeds from initial public offering ("IPO"), the management of the Group is satisfied that the Group is able to meet in full its financial obligations as and when they fall due in the foreseeable future and it is appropriate to prepare the consolidated financial statements for the year ended December 31, 2024 on a going concern basis.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

For the purpose of preparing and presenting the consolidated financial statements for the years ended December 31, 2024 and 2023, the Group has consistently applied the accounting policies which conform with IFRSs, which are effective for the accounting period beginning on January 1, 2024, throughout year 2024 and 2023.

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

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

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

Except as described below, the directors of the Company (the "Directors") anticipate that the application of the above amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

3. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS (CONTINUED)

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 *Presentation of Financial Statements*. This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Minor amendments to IAS 7 *Statement of Cash Flows* and IAS 33 *Earnings per Share* are also made.

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

4. MATERIAL ACCOUNTING POLICY INFORMATION

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Basis of consolidation (Continued)

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in Note 6.

Leases

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

The Group as lessee

Right-of-use assets

The cost of right-of-use assets includes:

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Leases (Continued)

The Group as lessee (Continued)

Refundable rental deposits

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

Lease liabilities

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

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

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

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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.

Employee benefits

Retirement benefit costs

Payments to state-managed retirement benefit scheme are recognized as an expense when employees have rendered services entitling them to the contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Employee benefits (Continued)

Short-term employee benefits

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

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

Share-based payments

Equity-settled share-based payment transactions

Shares granted to employees

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

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is 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 shares granted are vested, the amount previously recognized in share-based payments reserve will be transferred to other reserve.

Taxation

Income tax expense represents the sum of current and deferred income tax expenses.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Taxation (Continued)

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. The Group will recognize a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

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

Current and deferred tax are recognized in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Property, plant and equipment

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

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalized, in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

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

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

Intangible assets

Intangible assets acquired separately

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

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Intangible assets (Continued)

Internally-generated intangible assets – research and development expenditure (Continued)

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Impairment on property, plant and equipment, intangible assets, right-of-use assets and contract costs

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Impairment on property, plant and equipment, intangible assets, right-of-use assets and contract costs (Continued)

Before the Group recognizes an impairment loss for assets capitalized as contract costs under IFRS 15 *Revenue from Contracts with Customers*, the Group assesses and recognizes any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalized as contract costs is recognized to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognized as expenses. The assets capitalized as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

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. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. 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 instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

All other financial assets of the Group are subsequently measured at fair value.

Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below).

Impairment of financial assets

The Group performs impairment assessment under ECL on financial assets (including bank balances, restricted bank deposit and trade and other receivables) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

The Group always recognizes lifetime ECL for trade receivables.

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

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

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

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

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

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(iii) Credit-impaired financial assets

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

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

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

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

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

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL (Continued)

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

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

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

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

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

Derecognition of financial assets

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

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

Financial liabilities and equity

Classification as debt or equity

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Equity instruments

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

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 IFRS 3 *Business Combinations* applies, (ii) held for trading or (iii) designated as at FVTPL.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire consolidated contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated losses upon derecognition of the financial liability.

The Group's Series A-1 Preferred Shares include counterparty conversion options that do not meet equity instruments classification by applying IAS 32 *Financial Instruments: Presentation.* When determining the classification of Series A-1 Preferred Shares as current or non-current, the Group considers both the redemption through cash settlement and the transfer of the Group's own equity instruments as a result of exercise of conversion options by holders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities at amortized cost

Financial liabilities including trade and other payables, bank and other borrowings and long-term bond are subsequently measured at amortized cost, using the effective interest method.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in the 'Other expenses and other gains and losses, net' line item in profit or loss as part of net foreign exchange gains (losses) for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognized in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

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

Modification of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Any adjustment to the carrying amount of the financial liability is recognized in profit or loss at the date of modification.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are 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.

Critical judgment in applying accounting policies

The following is the critical judgment, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Research and development expenditures

Development costs incurred on the Group's digital therapy for cognitive impairment are capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group's intention to complete and use or sell the asset, how the asset will generate probable future economic benefits, the availability of adequate technical, financial and other resources to complete the pipeline, the Group's ability to use or sell the asset and the ability to measure reliably the expenditure during the development. Development costs which do not meet these criteria are expensed when incurred.

The Directors assess the progress of each of the research and development projects and determine whether the criteria are met for capitalization. During the years ended December 31, 2024 and 2023, all development costs are expensed when incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty

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

Provision of ECL for trade receivables

Trade receivables with credit-impaired are assessed for ECL individually while for the remaining balances, collective assessment is adopted. Management of the Group estimates the amount of lifetime ECL of trade receivables based on collective assessment through grouping of various debtors that have similar loss patterns, after considering aging, internal credit ratings of trade debtors and repayment history of respective trade receivables. Estimated loss rates are based on default rates over the expected life of the debtors and are adjusted for forward-looking information..

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Notes 19 and 32.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

6. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue

	For the year ended December 31, 2024 RMB'000	For the year ended December 31, 2023 RMB'000
Provision of the brain function information management platform software system (the "System") integral software solutions		
In hospitals	**79,316**	41,224
Out of hospitals	**26,789**	5,723
	106,105	46,947
Research projects	**15,942**	14,290
Training facilitation service *(Note i)*	**–**	5,085
Others *(Note ii)*	**264**	878
Total	**122,311**	67,200

Notes:

i The Group signed a three-year contract with the customer in October 2023 for training facilitation service and suspended it in January 2024 as requested by the customer. In April 2024, the Group and the customer entered into a termination agreement in relation to the training facilitation service.

ii Others are mainly generated from sales of software systems and sales of electronic equipment with software systems.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(i) Disaggregation of revenue (Continued)

	For the year ended December 31, 2024 RMB'000	For the year ended December 31, 2023 RMB'000
Timing of recognition		
At a point in time	95,311	56,118
Over time	27,000	11,082
	122,311	67,200
Geographical market		
Mainland China	122,311	67,200

(ii) Performance obligations for contracts with customers and revenue recognition policies

Revenue from provision of the System integral software solutions in hospitals and out of hospitals, and research projects, are principal activities from which the Group generated its revenue during the years ended December 31, 2024 and 2023.

(a) Provision of the System integral software solutions

The Group earns revenue by (i) provision of the System integral software solutions through the Group's core product, the System in hospitals which enable hospitals to offer assessment and intervention to their cognitive impairment patients; (ii) provision of the System integral software solutions out of hospitals to individual patients. Revenue relating to provision of the System integral software solutions in hospitals is recognized at a point in time when performance obligation is completed and the Group has a present right to collect payment for the services performed. The revenue relating to provision of the System integral software solutions out of hospitals is generated from subscription contracts under which a prepayment was received from a customer for unlimited number of services provided during the subscription period. The revenue relating to provision of the System integral software solutions out of hospitals is recognized over time and prepayment received is recognized as a contract liability and is released on a straight-line basis over the period of services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(ii) Performance obligations for contracts with customers and revenue recognition policies (Continued)

(b) Research projects

The Group provide software development and data analysis service according to the customer's requirements.

Revenue relating to most of the research projects is recognized at a point in time when the software development or the data analysis report is completed and accepted by customers. The Group incurs costs to fulfil a contract in such research projects. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognizes an asset for these costs only if they meet all of the following criteria: (a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify; (b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (c) the costs are expected to be recovered. The asset so recognized is subsequently amortized to profit or loss when the research project is completed and the relevant software or data analysis report is accepted by customers. The asset is subject to impairment review.

Revenue from certain research projects is recognized over time as performance obligation is satisfied, because the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognize revenue on the basis of the Group's actual costs incurred on the relevant projects relative to the total expected costs to the completion of the research projects, that best depict the Group's performance in transferring control of research services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

For the services related to provision of the System integral software solutions in hospitals, the Group is entitled to bill a fixed amount for each time of the assessment and intervention provided. The Group elected to apply the practical expedient by recognizing revenue in the amount to which the Group has right to invoice. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Provision of the System integral software solutions out of hospitals and most of research projects are for periods of one year or less. As permitted by IFRS 15, the transaction price allocated to these unsatisfied performance obligations is not disclosed.

The transaction price of research projects for the period over one year allocated to the remaining performance obligations and the expected timing of recognizing revenue are as follows:

	As at December 31, 2024 RMB'000	As at December 31, 2023 RMB'000
Within one year	**2,186**	7,723
More than one year but not more than two years	**–**	435
Total	**2,186**	8,158

(iv) Segment information

Information reported to the executive directors, being the chief operating decision makers (the "CODM") for the purpose of resources allocation and assessment of segment performance, focuses on types of goods or services delivered or provided. During the years ended December 31, 2024 and 2023, the CODM assesses the operating performance and allocates resources of the Group as a whole, as all of the Group's activities are considered to be primarily the provision of cognitive impairment DTx integral software solutions. Accordingly, the executive directors consider there is only one operating segment under the requirements of IFRS 8 *Operating Segments*. In this regard, no segment information is presented.

No geographic information is presented as the revenue, non-current assets and operations of the Group are all derived from its activities in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

6. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(v) Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	For the year ended December 31, 2024 RMB'000	For the year ended December 31, 2023 RMB'000
Customer A	**31,303**	26,821
Customer B	**N/A***	10,970
Customer C	**N/A***	6,821

The revenue from customer A and customer B included revenue from provision of the System integral software solutions in hospitals and research projects. The revenue from customer C included revenue from research projects.

* During the year ended December 31, 2024, revenue from customer B and customer C contributed less than 10% of the total revenue of the Group.

7. OTHER INCOME

	For the year ended December 31, 2024 RMB'000	For the year ended December 31, 2023 RMB'000
Interest income on bank balances, term deposits and restricted bank deposit	**518**	1,973
Interest income from rental deposits	**109**	106
Government grants related to research and development activities	**1,083**	–
Total	**1,710**	2,079

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

8. OTHER EXPENSES AND OTHER GAINS AND LOSSES, NET

	For the year ended December 31, 2024 RMB'000	For the year ended December 31, 2023 RMB'000
Fair value gains on financial assets at FVTPL	**5**	2,672
Gain on re-estimated repayments of long-term bond *(Note)*	**4,161**	–
Gains (losses) on disposal of property, plant and equipment	**2**	(64)
Losses on lease modifications and lease terminations	**(9)**	(223)
Net foreign exchange loss	**(328)**	(67)
Others	**(505)**	–
Total	**3,326**	2,318

Note: The repayments of long-term bond are re-estimated according to the expected listing date as the long-term bond will mature on the fifth anniversary of a qualified IPO (as detailed in Note 23).

9. FINANCE COSTS

	For the year ended December 31, 2024 RMB'000	For the year ended December 31, 2023 RMB'000
Interest on bank borrowings	**517**	212
Interest expense on long-term bond	**21,003**	19,583
Interest on lease liabilities	**505**	421
Total	**22,025**	20,216

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

10. INCOME TAX EXPENSE AND DEFERRED TAXATION

Income tax expense

	For the year ended December 31, 2024 RMB'000	For the year ended December 31, 2023 RMB'000
Current tax:		
PRC Enterprise Income Tax	4	–
Under provision in respect of prior year:		
PRC Enterprise Income Tax	48	–
Total	52	–

The Company was incorporated in the Cayman Islands and is exempted from income tax.

No Hong Kong profit tax was provided for as there was no estimated assessable profit of the Group's Hong Kong subsidiary that was subject to Hong Kong profit tax during the year ended December 31, 2024 (2023: nil).

Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and implementation regulations of the EIT Law, the statutory tax rate of the PRC subsidiaries is 25%.

Beijing Zhijingling Technology Co., Ltd.* (北京智精靈科技有限公司) ("Beijing Zhijingling") have been accredited as a High-New Technology Enterprise (the "HNTE") by the Science and Technology Bureau of Beijing and relevant authorities in December 2019 for a term of three years ended December, 2021. The HNTE qualification of Beijing Zhijingling was further renewed and extended to December 2025. Beijing Zhijingling was subject to a preferential income tax rate of 15% from year 2019 to 2024. Pursuant to the notice of the Ministry of Finance and the State Administration of Taxation on extending the loss carrying forward period of HNTE and high-tech small and medium enterprises (Cai Shui 2018 No. 76), with effect from January 1, 2018, for qualified HNTE and high-tech small and medium enterprises, the unutilized tax losses incurred in the previous 5 years can be utilized in 10 years from the year of loss. The unutilized tax losses of Beijing Zhijingling incurred since year 2014 will be expired in 10 years from the year of loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

10. INCOME TAX EXPENSE AND DEFERRED TAXATION (CONTINUED)

Income tax expense (Continued)

Income tax expense can be reconciled to loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	For the year ended December 31, 2024 RMB'000	For the year ended December 31, 2023 RMB'000
Loss before tax	**(198,558)**	(359,116)
Tax at the statutory tax rate of 25%	**(49,640)**	(89,779)
Effect of preferential tax rates	**13,651**	12,240
Tax effect of expenses not deductible for tax purpose *(Note i)*	**12,953**	58,810
Under provision in respect of prior year	**48**	–
Tax effect of super deduction for research and development expenses *(Note ii)*	**(10,280)**	(7,400)
Tax effect of deductible temporary differences not recognized	**2,014**	125
Tax effect of tax losses not recognized and utilization of tax losses not recognized previously	**31,306**	26,004
	52	–

Notes:

i. Tax effect of expenses not deductible for tax purpose mainly includes fair value loss of financial liabilities at FVTPL, share-based payments and the listing expenses of the Company.

ii. Pursuant to Caishui 2023 circular No. 7, BrainAurora Zhejiang and all its PRC subsidiaries enjoy accelerated deduction of 200% on qualifying research and development expenses from January 1, 2023.

* *English name is for identification purpose only.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

10. INCOME TAX EXPENSE AND DEFERRED TAXATION (CONTINUED)

Deferred taxation

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at December 31, 2024 RMB'000	As at December 31, 2023 RMB'000
Deferred tax assets	3,363	3,237
Deferred tax liabilities	(3,363)	(3,237)
	–	–

The followings are the deferred tax liabilities and assets recognized and movements thereon:

	Tax losses RMB'000	Right-of-use assets RMB'000	Lease liabilities RMB'000	Total RMB'000
At January 1, 2023	8	(2,728)	2,720	–
Credit (charge) to profit or loss	90	(509)	419	–
At December 31, 2023	98	(3,237)	3,139	–
(Charge) credit to profit or loss	(94)	(126)	220	–
At December 31, 2024	4	(3,363)	3,359	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

10. INCOME TAX EXPENSE AND DEFERRED TAXATION (CONTINUED)

As at December 31, 2024, the Group had estimated unused tax losses of approximately RMB563,980,000 (2023: RMB385,186,000), respectively, which are available for offset against future profits. Deferred tax asset has been recognized in respect of approximately RMB16,000 of such losses as at December 31, 2024 (2023: RMB392,000). No deferred tax asset has been recognized in respect of the remaining approximately RMB563,964,000 due to the unpredictability of future profit streams as at December 31, 2024 (2023: RMB384,794,000).

The unrecognized tax losses with expiry dates are disclosed in the following table:

	As at December 31, 2024 RMB'000	As at December 31, 2023 RMB'000
2026	1,877	1,877
2027	3,575	3,575
2028	42,502	42,502
2029	47,121	2,818
2030	3,282	3,282
2031	63,785	63,785
2032	146,218	146,218
2033	120,737	120,737
2034	134,867	–
Total	563,964	384,794

As at December 31, 2024, the Group has deductible temporary differences of RMB13,352,000 (2023: RMB891,000) in relation to the impairment loss under ECL model and certain expenses. No deferred tax asset has been recognized in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilized.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

11. LOSS FOR THE YEAR

	For the year ended December 31, 2024 RMB'000	For the year ended December 31, 2023 RMB'000
Loss for the year has been arrived at after charging:		
Staff costs, including directors' remuneration		
– salaries and other allowances	70,937	69,079
– retirement benefits	7,219	6,301
– equity-settled share-based payments included in selling and distribution expenses	12,382	8,127
– equity-settled share-based payments included in administrative expenses	27,273	17,921
– equity-settled share-based payments included in research and development expenses	27,112	18,825
Total staff costs	144,923	120,253
Auditor's remuneration	1,800	13
Listing expenses	26,852	25,767
Depreciation of property, plant and equipment	16,847	13,779
Depreciation of right-of-use assets	8,718	6,994
Amortization of intangible assets	1,580	493
Total depreciation and amortization	27,145	21,266
Short-term lease expense	97	102
Sub-contracting costs in relation to clinical trials included in research and development expenses	1,912	7,049

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

12. DIRECTORS', CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to the directors and chief executive of the Company (including emoluments for the services as employee of the group entities prior to becoming directors of the Company), during the years ended December 31, 2024 and 2023 disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance are as follows:

Year ended December 31, 2024

	Salaries and other allowances RMB'000	Performance related bonuses RMB'000	Retirement benefits RMB'000	Equity Settled Share-based payments RMB'000	Total RMB'000
Executive directors:					
Mr. Tan Zheng *(Note a)*	1,022	–	47	22,538	23,607
Dr. Wang Xiaoyi *(Note b)*	818	60	68	22,386	23,332
Sub-total	1,840	60	115	44,924	46,939
Non-executive directors:					
Mr. Li Sirui *(Note c)*	–	–	–	–	–
Ms. Li Mingqiu *(Note c)*	–	–	–	–	–
Mr. Deng Feng *(Note c)*	–	–	–	–	–
Sub-total	–	–	–	–	–
Independent non-executive directors:					
Mr. Lam Yiu Por *(Note d)*	–	–	–	–	–
Dr. Duan Tao *(Note d)*	–	–	–	–	–
Mr. Li Yuezhong *(Note d)*	–	–	–	–	–
Sub-total	–	–	–	–	–
Total	1,840	60	115	44,924	46,939

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

12. DIRECTORS', CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

Year ended December 31, 2023

	Salaries and other allowances RMB'000	Retirement benefits RMB'000	Equity settled share-based payments RMB'000	Total RMB'000
Executive directors:				
Mr. Tan Zheng *(Note a)*	2,649	37	14,785	17,471
Dr. Wang Xiaoyi *(Note b)*	4,739	65	14,685	19,489
Sub-total	7,388	102	29,470	36,960
Non-executive directors:				
Mr. Li Sirui *(Note c)*	–	–	–	–
Ms. Li Mingqiu *(Note c)*	–	–	–	–
Mr. Deng Feng *(Note c)*	–	–	–	–
Sub-total	–	–	–	–
Total	7,388	102	29,470	36,960

Notes:

a. Mr. Tan Zheng was appointed as a director of the Company in April 2023 and was re-designated as the chairman and an executive director in July 2023.

b. Dr. Wang Xiaoyi was appointed as chief executive officer and chief research officer of the Group since June 2020. Dr. Wang Xiaoyi was appointed as a director of the Company in April 2023 and was re-designated as an executive director in July 2023.

c. Mr. Li Sirui, Ms. Li Mingqiu and Mr. Deng Feng were appointed as non-executive directors of the Company on July 30, 2023.

d. Mr. Lam Yiu Por, Dr. Duan Tao and Mr. Li Yuezhong were appointed as independent non-executive directors on December 19, 2024.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Group.

Mr. Tan Zheng and Dr. Wang Xiaoyi were granted equity interest in the Company at a discount to the fair value, in respect of their services to the Group, of which details are set out in Note 31.

There was no arrangement under which a director of the Company or the chief executive of the Group waived or agreed to waive any remuneration during the year ended December 31, 2024 (2023: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group included two directors for the year ended December and 2024 (2023: two), respectively, details of whose remuneration are set out in Note 12 above. Details of the remuneration for the remaining three employees who are not a director of the Company or chief executive of the Group for the year ended December 31, 2024 (2023: three) were as follows:

	For the year ended December 31, 2024 RMB'000	For the year ended December 31, 2023 RMB'000
Salaries and other allowances	**3,119**	3,614
Performance related bonuses	**180**	–
Retirement benefits	**204**	195
Equity-settled share-based payments	**12,873**	6,937
Total	**16,376**	10,746

The number of the highest paid employees who are not the directors of the Company or chief executive of the Group whose remuneration fell within the following bands is as follows:

	For the year ended December 31, 2024 No. of employees	For the year ended December 31, 2023 No. of employees
Hong Kong dollar ("HKD")1,500,001 to HKD2,000,000	**–**	2
HKD2,000,001 to HKD2,500,000	**2**	–
HKD8,000,001 to HKD8,500,000	**–**	1
HKD13,500,001 to HKD14,000,000	**1**	–
Total	**3**	3

During the year ended December 31, 2024, no emoluments were paid by the Group to the directors of the Company or the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office (2023: nil).

14. DIVIDENDS

No dividend has been paid or declared by the Company during the year ended December 31, 2024, nor has any dividend declaration been proposed since the end of the reporting period (2023: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

15. LOSS PER SHARE

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

	For the year ended December 31, 2024 RMB'000	For the year ended December 31, 2023 RMB'000
Loss		
Loss for the purpose of basic loss per share	(198,282)	(359,083)
Effect of dilutive potential ordinary shares:		
Adjustment of fair value gain on Series A-1 Preferred Shares	(30,116)	–
Loss for the purpose of diluted loss per share	(228,398)	(359,083)

	For the year ended December 31, 2024 Shares ('000)	For the year ended December 31, 2023 Shares ('000)
Number of shares		
Weighted average number of Ordinary Shares for the purpose of basic loss per share	904,122	583,796
Effect of dilutive potential ordinary shares:		
Conversion of Series A-1 Preferred Shares	95,878	–
Weighted average number of ordinary shares for the purpose of diluted loss per share	1,000,000	583,796

The weighted average number of Ordinary Shares for the purpose of calculating basic loss per share for the years ended December 31, 2024 and 2023 has been determined on the assumptions that the Share Subdivision as set out in Note 41 had been effective since January 1, 2023 and the Series A-1 Preferred Shares and the ordinary shares issued to HoldCo are not treated as outstanding Ordinary Shares and excluded in the calculation of basic loss per share.

For the purpose of calculation of diluted loss per share for the year ended December 31, 2024, it did not take into account the effect of the share awards of the Company since the assumed vesting would result in a decrease in loss per share. For the purpose of calculation of diluted loss per share for the year ended December 31, 2023, it did not assume the conversion of Series A-1 Preferred Shares and did not take into account the effect of the share awards of the Company since the assumed conversion and the assumed vesting would result in a decrease in loss per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

16. PROPERTY, PLANT AND EQUIPMENT

	Office equipment RMB'000	Machineries RMB'000	Vehicles RMB'000	Leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At January 1, 2023	6,298	5,182	442	16,276	879	29,077
Additions	2,335	4,966	700	–	6,772	14,773
Transfer	752	–	–	6,427	(7,179)	–
Disposals	–	(381)	–	–	–	(381)
At December 31, 2023	9,385	9,767	1,142	22,703	472	43,469
Additions	5,626	4,657	733	–	5,777	16,793
Transfer	–	–	–	3,479	(3,479)	–
Disposals	(35)	(41)	–	–	–	(76)
At December 31, 2024	14,976	14,383	1,875	26,182	2,770	60,186
ACCUMULATED DEPRECIATION						
At January 1, 2023	1,989	834	22	3,411	–	6,256
Provided for the year	2,000	2,289	88	9,402	–	13,779
Disposals	–	(69)	–	–	–	(69)
At December 31, 2023	3,989	3,054	110	12,813	–	19,966
Provided for the year	3,246	4,044	137	9,420	–	16,847
Disposals	(7)	(6)	–	–	–	(13)
At December 31, 2024	7,228	7,092	247	22,233	–	36,800
CARRYING VALUES						
At December 31, 2024	7,748	7,291	1,628	3,949	2,770	23,386
At December 31, 2023	5,396	6,713	1,032	9,890	472	23,503

Property, plant and equipment other than construction in progress are depreciated using the straight-line method after taking into account of their estimated residual values with the following useful lives:

Office equipment	3 years to 5 years
Machineries	3 years
Vehicles	5 years
Leasehold improvement	Shorter of lease terms or cooperation terms with hospitals and 5 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

17. RIGHT-OF-USE ASSETS

	Leasehold properties RMB'000
COST	
At January 1, 2023	18,657
Additions	10,286
Lease modified	(500)
Early termination of a lease *(Note i)*	(5,797)
At December 31, 2023	22,646
Additions	8,316
Early termination of a lease *(Note i)*	(1,891)
Reduction of the leased space *(Note ii)*	(2,673)
Lease modified *(Note iii)*	10,786
At December 31, 2024	**37,184**
ACCUMULATED DEPRECIATION	
At January 1, 2023	7,569
Charge for the year	6,994
Early termination of a lease *(Note i)*	(5,072)
At December 31, 2023	9,491
Charge for the year	8,718
Early termination of a lease *(Note i)*	(806)
Reduction of the leased space *(Note ii)*	(1,258)
At December 31, 2024	**16,145**
CARRYING VALUES	
At December 31, 2024	**21,039**
At December 31, 2023	13,155

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

17. RIGHT-OF-USE ASSETS (CONTINUED)

Notes:

i. In November 2024, the Group early terminated a lease with the lessor and derecognized the right-of-use assets of RMB1,085,000 and lease liabilities of RMB1,203,000, resulting in a loss of RMB2,000 in profit or loss after consideration of withhold of rental deposits by the lessor.

In September 2023, the Group early terminated a lease with the lessor and derecognized the right-of-use assets of RMB725,000 and lease liabilities of RMB495,000, resulting in a loss of RMB223,000 in profit or loss after consideration of refund of rental deposits.

ii. In January 2024, the Group reduced certain leased space. The Group reduced lease liabilities of RMB1,408,000 and right-of-use assets of RMB1,415,000 resulting in a loss of RMB7,000 in profit or loss.

iii. In September 2024, the Group remeasured the lease liabilities of RMB10,786,000 due to a lease modification and made corresponding adjustment of RMB10,786,000 to the right-of-use assets.

	For the year ended December 31, 2024 RMB'000	For the year ended December 31, 2023 RMB'000
Short-term lease expense	**97**	102
Total cash outflow for leases	**8,948**	8,660

Right-of-use assets are depreciated on a straight-line basis over the lease terms.

The Group leases properties to operate its business. These leases are made for fixed terms of 2 to 5 years. Lease terms are negotiated on an individual basis and contain different payment terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group's lease agreements do not contain any contingent rent nor any extension, termination option or purchase option for lessee. The lease agreements do not impose any covenants other than the security interests in the leased properties that are held by the lessor. Leased properties may not be used as security for borrowing purposes.

The Group regularly entered into short-term leases for properties. As at December 31, 2024 and 2023, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense is disclosed in Note 11.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

18. INTANGIBLE ASSETS

	Software RMB'000	Patent RMB'000	Others RMB'000	Total RMB'000
COST				
At January 1, 2023	1,283	–	–	1,283
Addition	1,953	2,000	200	4,153
At December 31, 2023	3,236	2,000	200	5,436
Additions	267	–	–	267
At December 31, 2024	**3,503**	**2,000**	**200**	**5,703**
AMORTIZATION				
At January 1, 2023	721	–	–	721
Charge for the year	265	128	100	493
At December 31, 2023	986	128	100	1,214
Charge for the year	880	600	100	1,580
At December 31, 2024	**1,866**	**728**	**200**	**2,794**
CARRYING VALUE				
At December 31, 2024	**1,637**	**1,272**	**–**	**2,909**
At December 31, 2023	2,250	1,872	100	4,222

The above intangible assets have finite useful lives, and are amortized on a straight-line basis over the following periods:

Software	3 years to 10 years
Patent	5 years
Others	2 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

19. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at December 31, 2024 RMB'000	As at December 31, 2023 RMB'000
Trade receivables	**105,312**	50,740
Less: allowance for credit losses	**(12,371)**	(891)
	92,941	49,849
Prepayments to suppliers and service providers	**19,453**	11,742
Deferred share issue costs	**8,206**	7,689
Rental deposits	**4,117**	3,880
Short-term loan receivables *(Note)*	**4,400**	500
Receivables from third party payment platforms	**2,879**	1,005
Advances to a related party	**2,059**	–
Value added tax recoverable	**1,541**	1,649
Prepayments for purchase of property, plant and equipment	**1,146**	18
Other deposits	**616**	107
Prepayments for listing expenses	**2**	318
Others	**890**	1,305
Total	**138,250**	78,062
Analyzed as:		
Non-current	**4,029**	2,009
Current	**134,221**	76,053
Total	**138,250**	78,062

Note: These receivables were short-term loans to non-related parties, with fixed interest rates from nil to 4.5%, and repayable within one year. The amount of RMB3,000,000 is secured by third parties and the remaining is unsecured.

As at January 1, 2023, trade receivables from contracts with customers amounted to RMB8,359,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

19. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. The Group allows a credit period of 30 to 180 days to its customers. The following is an aged analysis of trade receivables, net of allowance for credit losses, presented based on the respective revenue recognition dates at the end of the reporting period:

	As at December 31, 2024 RMB'000	As at December 31, 2023 RMB'000
Trade receivables		
0~90 days	33,425	22,906
91~180 days	18,545	10,577
181~270 days	14,654	5,093
271~360 days	10,546	6,370
361~720 days	15,771	4,903
Total	92,941	49,849

As at December 31, 2024, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB78,845,000 (2023: RMB42,265,000) which are past due as at the reporting date. Out of the past due balances, RMB51,094,000 (2023: RMB17,393,000) has been past due 90 days or more and is not considered as in default because the customers are mainly state-owned hospitals or state-owned universities which are with high credit ratings and frequently repay after due dates but usually settle the amounts in full and the amounts are still considered recoverable.

Details of impairment assessment of trade and other receivables are set out in Note 32.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

20. RESTRICTED BANK DEPOSIT

	As at December 31, 2024 RMB'000	As at December 31, 2023 RMB'000
Restricted bank deposit	**69,495**	214,241
Analyzed as:		
Non-current	**–**	49,241
Current	**69,495**	165,000
	69,495	214,241

The restricted bank deposit carries interest at prevailing market rate of 0.10% per annum as at December 31, 2024 (2023: 0.25%) and withdrawal from the account is subject to endorsement of Shaoxing Binhai New Area Biomedical Industry Equity Investment Fund Partnership (LP)* (紹興濱海新區生物醫藥產業股權投資基金合夥企業(有限合夥)) ("Shaoxing Fund"), the details of which is set out in Note 23. The restriction of withdrawal endorsement was waived on January 14, 2025.

* *English names are for identification purpose only.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

21. BANK BALANCES AND CASH

	As at December 31, 2024 RMB'000	As at December 31, 2023 RMB'000
Cash on hand	**3**	11
Bank balances	**343,879**	57,566
	343,882	57,577
Bank balances and cash denominated in:		
RMB	**22,742**	46,950
USD	**321,140**	10,627
	343,882	57,577

Cash and cash equivalents comprise cash on hand and bank balances carry interest at prevailing market rate of nil to 1.05% per annum as at December 31, 2024 (2023: 0.01% to 0.35% per annum).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

22. TRADE AND OTHER PAYABLES

	As at December 31, 2024 RMB'000	As at December 31, 2023 RMB'000
Trade payables	**3,419**	8,251
Accrued salaries and other allowances	**10,259**	8,927
Refund payables *(Note)*	**3,242**	5,222
Deposits for the hardware for cognitive training out of hospital	**7,043**	1,879
Payables for acquisition of property, plant and equipment	**1,265**	670
Accrued listing expenses and share issue costs	**25,255**	12,622
Other tax payables	**1,860**	2,761
Payables for research and development activities	**1,353**	1,026
Others	**2,394**	1,903
	56,090	43,261
Trade and other payables denominated in:		
USD	**19,717**	9,202
HKD	**378**	315
RMB	**35,995**	33,744
	56,090	43,261

Note: In December 2020, the Group terminated certain contracts relate to sales of the System with distributors and a contract relate to service for software development. These balances represent refundable prepayments received from distributors and customer and agreed compensation for the early termination of contracts.

The credit period granted by service providers is generally within 30 days. The following is an aged analysis of trade payables based on the date when service provided at the end of the reporting period:

	As at December 31, 2024 RMB'000	As at December 31, 2023 RMB'000
Trade payables		
within 1 year	**3,419**	6,514
over 1 year	**–**	1,737
Total	**3,419**	8,251

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

23. LONG-TERM BOND

	As at December 31, 2024 RMB'000	As at December 31, 2023 RMB'000
Carrying amounts repayable:		
Within one year	**74,663**	–
Between one to two years	**–**	70,216
More than five years	**271,617**	259,222
	346,280	329,438
Less: Amounts due within one year shown under current liabilities	**(74,663)**	–
Amounts shown under non-current liabilities	**271,617**	329,438

In July 2021, BrainAurora Zhejiang entered into a long-term bond subscription agreement and a supplementary agreement with Shaoxing Fund. The aggregate subscription amount was RMB300 million. The long-term bond carries nominal interests of 6% per annum and will mature on the fifth anniversary of a qualified IPO of the Group. BrainAurora Zhejiang shall pay the nominal interest of 6% per annum calculated on a simple basis up to December 31, 2025 no later than December 31, 2025. The principal and the interest from January 1, 2026 to the maturity date shall be settled within seven working days from the maturity date. The total subscription amount of RMB300 million was received in August 2021. The Shaoxing Fund may exercise its conversion option in relation to the long-term bond of no more than RMB100 million before the submission of the listing application with no later than December 31, 2025 and the conversion price is subject to further negotiation between the Shaoxing Fund and BrainAurora Zhejiang. The long-term bond includes conversion option that do not meet equity instrument classification by applying IAS 32 *Financial Instruments: Presentation*. The host debt component is measured at amortized cost and the derivative component of the conversion option is measured at fair value. Since there is no specific conversion price in the agreement, the fair value of the conversion option is considered nil. Therefore, the financial liability is measured at amortized cost and the effective interest rate calculated after taking into account of nominal interest rate and other directly related issue costs is 6.23%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

23. LONG-TERM BOND (CONTINUED)

In respect of the long-term bond, the Group is required to comply with the following financial covenants as long as long-term bond is outstanding. The repayment on demand clauses mainly include:

- the investment of the Group to Binhai New Area, Shaoxing city is not lower than RMB50 million until the first anniversary of the subscription amount received; (the "First Year Investment")

- the investment of the Group to Binhai New Area, Shaoxing city is not lower than RMB100 million until the second anniversary of the subscription amount received; (the "Second Year Investment")

- the investment of the Group to Binhai New Area, Shaoxing city is not lower than RMB360 million until the third anniversary of the subscription amount received; (the "Third Year Investment")

- the subscription amount is limited to be used for certain purposes, such as the Group's ordinary operation, capital expenditure and working Capital (the "Usage Limitation").

If the First Year Investment or Second Year Investment is lower than the abovementioned amounts, a grace period of 12 months will be given. If the Third Year Investment is lower than RMB360 million, Shaoxing Fund has the right to demand immediate payment of the long-term bond with nominal interests of 8% per annum. If the Group violates the Usage Limitation, Shaoxing Fund has the right to demand immediate repayment of the long-term bond with nominal interests of 6% per annum.

The abovementioned terms are collectively referred to as the "Repayment on Demand Clauses."

The Group has complied with these covenants since the year ended December 31, 2022. The long-term bond was guaranteed by certain shareholders and their close family members and friends.

In June 2023, the Group and Shaoxing Fund signed a supplementary agreement, pursuant to which the conversion right, Repayment on Demand Clauses and the original guarantee obligation of certain shareholders and their close family members and friends were cancelled. Furthermore, if the Group fails to complete its IPO before December 31, 2025, the Repayment on Demand Clauses (not including Usage Limitation) and the original guarantee obligation will be restored.

The Group set up a new bank account and made deposits of RMB300,000,000 to this account as at June 30, 2023 according to above supplementary agreement and the withdrawal from the account is subject to approval of Shaoxing Fund. From July to December 2023, the Group withdrew RMB186,000,000 and placed back RMB100,000,000 of restricted bank deposit, and the restricted bank deposit was RMB214,000,000 without considering the interest as at December 31, 2023. During the year ended December 31, 2024, the Group withdrew RMB145,000,000 restricted bank deposit, and the restricted bank deposit was RMB69,000,000 without considering the interest as at December 31, 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

24. LEASE LIABILITIES

The exposure of the Group's lease liabilities are as follows:

	As at December 31, 2024 RMB'000	As at December 31, 2023 RMB'000
Lease liabilities payable:		
Within one year	**11,823**	7,927
Within a period of more than one year but not more than two years	**6,255**	3,707
More than two years, but not exceeding five years	**2,663**	920
	20,741	12,554
Less: Amount due for settlement with 12 months shown under current liabilities	**(11,823)**	(7,927)
Amount due for settlement after 12 months shown under non-current liabilities	**8,918**	4,627

The lease liabilities are measured at the present value of the lease payments that are not yet paid. The incremental borrowing rates applied to lease liabilities range from 3.50% to 4.00% per annum as at December 31, 2024 (2023: 4.00% to 4.85% per annum).

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

25. CONTRACT LIABILITIES

	As at December 31, 2024 RMB'000	As at December 31, 2023 RMB'000
Research projects	1,099	967
Provision of the System integral software solutions in hospitals	168	401
Provision of the System integral software solutions out of hospitals	8,697	2,254
Other sales	111	308
	10,075	3,930
Current	10,075	3,804
Non-current	–	126
	10,075	3,930

As at January 1, 2023, contract liabilities from customers amounted to RMB1,450,000.

Revenue recognized during the year ended December 31, 2024 related to contract liabilities balance at the beginning of the period amounted to RMB3,804,000 (2023: RMB1,023,000), respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

26. BANK AND OTHER BORROWINGS

	As at December 31, 2024 RMB'000	As at December 31, 2023 RMB'000
Other borrowing *(Note i)*	**7,189**	7,083
Bank borrowings *(Note ii)*	**14,072**	15,000
	21,261	22,083
Bank and other borrowings denominated in:		
USD	**7,189**	7,083
RMB	**14,072**	15,000
	21,261	22,083

Notes:

i. In December 2022, BrainAu Medical Technology (Delaware) Co., LLC ("BrainAu (Delaware)"), a subsidiary of the Group, entered into a financing agreement with China Frontier Capital Holding Ltd., a shareholder of the Group. According to the original financing agreement, the borrowing amounted to USD1 million and is interest free and is due after the U.S. Food and Drug Administration approves the Section 510(k) registration for the Cognitive Impairment Assessment Software and Cognitive Impairment Treatment Software in the United States of America. During the current year, the payment term of the borrowing has been modified to payable within three months upon listing.

ii. In 2024, the Group obtained two new bank borrowings of RMB10,000,000 and RMB4,072,000 which will be matured in 2025. The borrowings carry fixed interest of 5.00% and 3.00% per annum, respectively.

In 2023, the Group obtained two new bank borrowings of RMB15,000,000 which were matured and repaid in 2024. The borrowings carry fixed interest of 5.50% per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

27. FINANCIAL LIABILITIES AT FVTPL

	As at December 31, 2024 RMB'000	As at December 31, 2023 RMB'000
Series A-1 Preferred Shares	**285,428**	315,544

Subscribe new paid-in capital with certain preferential rights in BrainAurora Zhejiang

In 2015, 2016 and 2020, BrainAurora Zhejiang entered into series angel financing agreement with two independent investors (collectively as the "Series Angel Investors"), series A financing agreement with two independent investors (collectively as the "Series A Investors") and series B financing agreement with two independent investors (collectively as the "Series B Investors"), respectively. According to these financing agreements, the preferential rights for the Series Angel Investors, Series A Investors and Series B Investors included liquidation preferences, anti-dilution right and redemption right.

Termination of preferential rights in BrainAurora Zhejiang and preferred shares issued by the Company

On July 17, 2023, BrainAurora Zhejiang entered into an agreement with Series Angel Investors, Series A Investors and Series B Investors, pursuant to which the preferential rights for all these pre-IPO investors were terminated ("Termination Agreement"). Upon signing of the Termination Agreement, the Series Angel Investors, Series A Investors and Series B Investors terminated all their preferential rights in BrainAurora Zhejiang except for one of the Series A Investors, Immense Vantage Limited ("IVL"), whose preferential rights in BrainAurora Zhejiang would be taken over by Series A-1 Preferred Shares to be issued by the Company. Hence, the paid-in capital subscribed by Series Angel Investors, Series A Investors (excluding IVL) and Series B Investors meet the definition of equity as the Group has no contractual obligation to deliver cash or a variable number of shares and therefore were reclassified from financial liabilities to equity at their fair value of RMB1,012,304,000, resulting in an increase of paid-in capital of RMB10,107,000 and an increase of capital reserve of RMB1,002,197,000.

On July 30, 2023, as part of the Reorganization, the Company issued 95,878 Series A-1 Preferred Shares and 30,976 Series A-2 Preferred Shares to three affiliates of IVL (IVL and its three affiliates are collectively referred to as "IVL Shareholders") to mirror the paid-in capital with preferential rights of IVL in BrainAurora Zhejiang and paid-in capital of IVL in BrainAurora Zhejiang respectively. The fair value of Series A-1 Preferred Shares issued by the Company as at July 30, 2023 was RMB317,033,000, and the fair value of paid-in capital with preferential rights of IVL in BrainAurora being taken over by Series A-1 Preferred Shares was RMB313,871,000 and fair value change of RMB3,162,000 was recognized.

The shareholders of Series A Preferred Shares (the "Series A Preferred Shareholders") have the rights to convert their respective Series A Preferred Shares into ordinary shares at any time after the date of issuance of such Series A Preferred Shares. Series A Preferred Shares shall be automatically converted into ordinary shares upon the closing of the listing. The conversion ratio for Series A Preferred Shares to ordinary shares is 1:1. The shareholders of Series A-2 Preferred Shares have priority to sell shares to new investors. The Group has no contractual obligation to deliver cash or a variable number of shares to shareholders of Series A-2 Preferred Shares and thus the Series A-2 Preferred Shares meet the definition of equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

27. FINANCIAL LIABILITIES AT FVTPL (CONTINUED)

Termination of preferential rights in BrainAurora Zhejiang and preferred shares issued by the Company (Continued)

The key terms of preferential rights for Series A-1 Preferred Shares are summarized as follows:

(a) *Liquidation preferences*

In the event of any liquidation including deemed liquidation, dissolution or winding up of the Company, the shareholders of Series A-1 Preferred Shares ("Series A-1 Preferred Shareholders") shall be entitled to receive the amount equal to USD3 million principal investment plus interest of 12% per annum calculated on a simple basis from the issue date of the Series A Financing and no greater than USD6 million.

(b) *Anti-dilution right*

If without the prior written consent of the Series A-1 Preferred Shareholders, the Company issues new share(s) at a price less than Series A-1 Preferred Shareholders (except for the price of shares pursuant to or in connection with the global offering under the listing, restructuring, and employee share incentive plan), the Series A-1 Preferred Shareholders shall have the right to request for the Company or founder parties ("Founder Parties") including ZTan Limited, Wispirits Limited, Wiseforward Limited or Neurobright Limited (companies wholly owned by or controlled by Mr. Tan Zheng or Dr. Wang Xiaoyi) to compensate in cash, so that the amount paid by the Series A-1 Preferred Shareholders divided by the total shares obtained is not higher than the price of the newly issued shares.

(c) *Redemption right*

The investment from the Series A-1 Preferred Shareholders shall be redeemed by the Company and/or the Founder Parties, at the option of the Series A-1 Preferred Shareholders if the Company failed to complete a qualified IPO before December 31, 2024, which was extended to December 31, 2025 in March 2024 and was further extended to June 30, 2026 in October 2024, and/or upon the occurrence of certain contingent events. The Series A-1 Preferred Shareholders shall be entitled to receive the redemption amount equal to the USD3 million principal investment plus interest of 12% per annum or 20% per annum calculated on a simple basis.

Presentation and classification

The paid-in capital subscribed by Series Angel Investors, Series A Investors and Series B Investors are collectively referred to as BrainAurora Zhejiang Preference Shares. BrainAurora Zhejiang Preference Shares and Series A-1 Preferred Shares are collectively referred to as Preference Shares.

The Group has designated Preference Shares which contain redemption features and other embedded derivatives as financial liabilities at FVTPL on initial recognition.

The fair value change of Preference Shares is recognized to profit or loss except for the portion attributable to credit risk change which shall be recognized to other comprehensive income, if any. The Directors considered that the credit risk change on the financial liabilities that drive the fair value change of the financial liabilities during the years ended December 31, 2024 and 2023 is immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

27. FINANCIAL LIABILITIES AT FVTPL (CONTINUED)

Presentation and classification (Continued)

The movements in the financial liabilities at FVTPL are as follows:

	BrainAurora Zhejiang Preferred Shares RMB'000	Series A-1 Preferred Shares RMB'000	Total RMB'000
At January 1, 2023	1,162,632	–	1,162,632
Change in fair value	163,543	1,673	165,216
Termination of preferential rights in BrainAurora Zhejiang and partially exchange with issue of Series A-1 Preferred Shares	(1,326,175)	313,871	(1,012,304)
At December 31, 2023	–	315,544	315,544
Change in fair value	–	(30,116)	(30,116)
At December 31, 2024	–	285,428	285,428

The fair value of the Series A-1 Preferred Shares at December 31, 2024 was determined with reference to the offer price in the prospectus of the Company dated December 30, 2024.

The fair value of the Series A-1 Preferred Shares at December 31, 2023 was valued by the Directors with the assistance of an independent qualified professional valuer, which is not connected to the Group and has appropriate qualifications and experiences in valuation of similar instruments. Discounted cash flow model was used to determine the underlying equity value of the Company as at December 31, 2023.

Hybrid method was adopted to allocate the equity value amongst different classes of securities of BrainAurora Zhejiang or the Company at the end of each reporting period. The hybrid method is a hybrid between the probability-weighted expected return method ("PWERM") and the option pricing method ("OPM"), estimating the probability-weighted value across multiple scenarios while using the OPM to estimate the allocation of value within one or more of those scenarios.

Under a PWERM, the values of various classes of securities are estimated based on an analysis of future values for the enterprise, assuming various future outcomes, and on the probability-weighted present value of expected future investment returns, considering each of the possible future outcomes available to the enterprise, as well as the rights of each class of securities. Common future outcomes model might include IPO, liquidation or redemption.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

27. FINANCIAL LIABILITIES AT FVTPL (CONTINUED)

Presentation and classification (Continued)

The OPM treats the rights of Series A-1 Preferred Shares and ordinary paid-in capital as equivalent to that of call options on the Group's equity value, with strike prices based on the liquidation preferences and redemption provisions of Series A-1 Preferred Shares. Thus, the equity value of the ordinary paid-in capital can be determined by estimating the value of its portion of each of these call option rights.

Key valuation assumptions used to determine the fair value of Series A-1 Preferred Shares are as follows:

	As at December 31, 2023
Time to IPO	0.25
Time to liquidation	1.00
Risk-free interest rate	4.79%
Discount for lack of marketability	10.00%
Discount rate	16.00%
Volatility	87.91%
Dividend yield	–
Possibilities under liquidation scenario	20.00%
Possibilities under IPO scenario	60.00%
Possibilities under redemption scenario	20.00%

Risk-free interest rate was estimated based on the yield of US treasury bonds with maturity matching to the expected exit period as at December 31, 2023.

The discount for lack of marketability was estimated based on the Finnerty model with reference to the comparable companies in the same industry.

Discount rate was estimated by weighted average cost of capital with reference to the comparable companies in the same industry.

Volatility was estimated on the valuation date based on average of historical volatilities of the comparable companies in the same industry for a period from the valuation date to expected liquidation or redemption dates, where applicable.

The Series A-1 Preferred Shares have been converted to 95,878,000 ordinary shares upon listing on January 8, 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

28. SHARE CAPITAL

	Number of shares	Share capital USD
Ordinary Shares		
Ordinary Shares of USD0.0001 each		
Authorized		
As at April 25, 2023 (date of incorporation)	500,000,000	50,000
Reclassification and re-designation on issuance of Series A-1 Preferred Shares	(95,878)	(10)
As at December 31, 2023 and December 31, 2024	499,904,122	49,990
Issued and fully paid		
Issue of Ordinary Shares for the Reorganization (Note)	904,122	90
Issue of ordinary shares to HoldCo (Note)	85,166	9
As at December 31, 2023 and 2024	989,288	99

	As at December 31, 2024 RMB'000	As at December 31, 2023 RMB'000
Presented as	1	1

Note: During the year ended December 31, 2023, the Company issued 904,122 Ordinary Shares with a par value of USD0.0001 each at total consideration of RMB6,224,000 to its shareholders, which are entities owned by the then shareholders or beneficial owners of BrainAurora Zhejiang as part of the Reorganization. The difference of RMB6,223,000 between the total consideration of RMB6,224,000 and the par value of Ordinary Shares issued of USD90 (equivalent to RMB626) is credited to share premium.

On August 2, 2023, the Company issued 85,166 ordinary shares with a par value of USD0.0001 each at total consideration of USD8.5 (equivalent to RMB61) to HoldCo for the Pre-IPO Share Award Scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

29. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

Beijing Hongze Technology Development Co., Ltd.* (北京浤澤科技發展有限公司) ("Beijing Hongze") was established on December 16, 2001 by two individual equity holders who are non-related to the Group. On February 21, 2023, BrainAurora Zhejiang acquired 100% equity interest of Beijing Hongze at consideration of RMB700,000.

At the time of acquisition of Beijing Hongze, Beijing Hongze did not carry out any business activities nor did Beijing Hongze have any assets or liabilities except for holding two vehicles with licence plates of Beijing city. The acquisition of Beijing Hongze is regarded as an asset acquisition.

* *English name is for identification purpose only.*

30. RETIREMENT BENEFITS PLANS

The PRC employees of the Group are members of a state-managed retirement benefits plan operated by the government of the PRC. BrainAurora Zhejiang and its PRC subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefits plan to fund the employee benefits. The only obligation of the Group with respect to the retirement benefits plan is to make the specified contributions. The retirement benefits cost charged to profit or loss for the year ended December 31, 2024 amounted to RMB7,219,000 (2023: RMB6,301,000). As at December 31, 2024, contributions of RMB602,000 (2023: RMB596,000) due in respect of the year ended December 31, 2024 had not been paid over to the plans. The amounts were paid subsequent to the end of the reporting period.

31. SHARE-BASED PAYMENT TRANSACTIONS

On July 30, 2023 (the "Adoption Date"), the Company adopted a pre-IPO share award scheme (the "Pre-IPO Share Award Scheme") to recognize and reward the contributions of certain eligible employees of the Group, and incentivize them for their future contribution to the continual operation and development of the Company. Subject to any early termination as may be determined by the board of directors, the Pre-IPO Share Award Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date.

Under the Pre-IPO Share Award Scheme, the maximum number of awards that may be granted under the Pre-IPO Share Award Scheme in aggregate (excluding the awards that have lapsed or been cancelled in accordance with the rules of the Pre-IPO Share Award Scheme) shall be 85,166 shares held or to be held by HoldCo for the purpose of the Pre-IPO Share Award Scheme.

On July 31, 2023, the Company granted 85,166 Awarded Shares under the Pre-IPO Share Award Scheme to 46 grantees (including directors, members of the senior management, and other employees of the Group) (the "Pre-IPO Share Award"). Included in the Pre-IPO Share Award, 27,129 Awarded Shares were granted to Mr. Tan Zheng, 26,946 Awarded Shares were granted to Dr. Wang Xiaoyi, 15,163 Awarded Shares were granted to the other three senior managements and the remaining 15,928 Awarded Shares were granted to other employees. Subject to the consummation of the listing of the Company's shares (the "Listing") and if certain performance and service conditions are met, the Awarded Shares granted shall vest in the following manner: 30% of such Awarded Shares shall be vested on the date of the first anniversary of the Listing; 30% of such Awarded Shares shall be vested on the date of the second anniversary of the Listing; and 40% of such Awarded Shares shall be vested on the date of the third anniversary of the Listing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

31. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

The following table discloses movements of the Pre-IPO Share Award Scheme:

Category	Outstanding as at January 1, 2023	Granted during the year	Forfeited during the year	Outstanding as at December 31, 2023
Pre-IPO Share Award Scheme	–	85,166	–	85,166

Category	**Outstanding as at January 1, 2024**	**Granted during the year**	**Forfeited during the year**	**Outstanding as at December 31, 2024**
Pre-IPO Share Award Scheme	**85,166**	**–**	**(1,195)**	**83,971**

The fair value of each Award Share was RMB3,222.98 which was determined based on the price of the Company's ordinary shares at the grant date.

The Group recognized a share award expense of RMB66,767,000 in respect of the Pre-IPO Share Award during the year ended December 31, 2024 (2023: RMB44,873,000).

32. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at December 31, 2024 RMB'000	As at December 31, 2023 RMB'000
Financial assets		
Amortized cost	**521,175**	328,352
Financial liabilities		
Amortized cost	**732,483**	383,094
Financial liabilities at FVTPL	**285,428**	315,544
	1,017,911	698,638
Lease liabilities	**20,741**	12,554

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances, restricted bank deposit, trade and other payables, receipts in advance from cornerstone investors, lease liabilities, bank and other borrowings, long-term bond and financial liabilities at FVTPL. Details of these financial instruments are disclosed in the respective notes.

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

Market risk

(i) Currency risk

As at the end of each reporting period, the Group had the following monetary assets and monetary liabilities denominated in currencies other than RMB.

	As at December 31, 2024 RMB'000	As at December 31, 2023 RMB'000
Assets		
USD	321,140	10,627
HKD	842	–
Liabilities		
USD	633,305	331,829
HKD	3,341	315

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

The Group was primarily subject to foreign currency risk from the movement of the exchange rates between RMB against USD. At the end of each reporting period, if the exchange rate of RMB had been weaken against USD by 5% and all other variables were held constant, the Group's post-tax loss for the reporting period would increase as follows. For a 5% strengthening of RMB against USD, there would be an opposite impact on the post-tax loss for the year.

	Increase in post-tax loss	
	For the year ended December 31, 2024 RMB'000	For the year ended December 31, 2023 RMB'000
USD	**15,608**	16,060

(ii) Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate lease liabilities (Note 24), fixed-rate long-term bond (Note 23), fixed-rate bank borrowings (Note 26) and fixed-rate Series A-1 Preferred Shares (Note 27). The Group is also exposed to cash flow interest risk in relation to variable-rate bank balances (Note 21) which carry prevailing market interests. The Company's fair value interest rate risk relates primarily to fixed-rate Series A-1 Preferred Shares (Note 27). The Group currently does not have a specified policy to manage its interest rate risk but will closely monitor their interest rate risk exposure in the future. No sensitivity analysis on cash flow interest rate risk is presented as the management considers the sensitivity on interest rate risk on bank balances is insignificant.

(iii) Other price risk

The Group is exposed to other price risk through Series A-1 Preferred Shares.

Sensitivity analyses for Series A-1 Preferred Shares were disclosed in Note 33.

Credit risk and impairment assessment

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets (including bank balances, restricted bank deposit and trade and other receivables). The Group do not hold any collaterals or other credit enhancement to cover the credit risks associated with its financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

In order to minimize the credit risk, the Group monitor the exposure to credit risk on an on-going basis. The Group assessed the ECL on its financial assets measured at amortized cost at the end of reporting period. The Group's internal credit risk grading assessment comprises the following categories:

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts or the counterparty frequently repays after due dates but usually settle the amounts in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group and the Company have no realistic prospect of recovery	Amount is written off	Amount is written off

Trade receivables, receivables from third party payment platforms, short-term loan receivables and other receivables

In order to minimize credit risk, the Group has tasked its credit management team to develop and maintain the credit risk grading for the Group's trade receivables, receivables from third party payment platforms, short-term loan receivables and other receivables and to categorize exposures according to their degree of risk of default. The credit management team uses publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Trade receivables, receivables from third party payment platforms, short-term loan receivables and other receivables (Continued)

The Group engages a provider of operations services during the years ended December 31, 2024 and 2023 to facilitate the sales to a hospital. The management of the Group is of the view that the credit period of public hospitals are normally longer, as the internal procedures of public hospitals regarding decision making and approval, and reconciliation and settlement typically take a longer period of time and thus would affect the collection of trade receivables of hospitals and the provider of operations services from the hospital and in turn affect the collection of trade receivables.

The Group assessed the ECL for its receivables from third party payment platforms, short-term loan receivables and other receivables individually based on internal credit rating which, in the opinion the management of the Group, there is no significant increase in credit risk since initial recognition. No 12m ECL was made for receivables from third party payment platforms, short-term loan receivables and other receivables, the estimated loss rates are limited as the historical observed default rates of counterparties above are minimal, therefore the Group assessed the ECL for receivables from third party payment platforms, short-term loan receivables and other receivables are insignificant.

The Group has concentration risk with approximately 33.97%, 18.92% and 15.60% of the Group's account receivables placed with customer A, customer C and the provider of operations services relate to customer B respectively at December 31, 2024 (December 31, 2023: with approximately 35.60%, 25.59% and 15.05% of the Group's account receivables placed with customer A, the provider of operations services relate to customer B and customer C respectively).

Bank balances and restricted bank deposit

The Group's bank balances and restricted bank deposit are placed with state-owned banks or commercial banks with high credit ratings in the Mainland China, Hong Kong, and the United States of America. The management of the Group considers that the credit risk on bank balances and restricted bank deposit is insignificant and no loss allowance was recognized.

The Group has concentration risk with approximately 77.65% of the Group's bank balances placed with bank A at December 31, 2024 (December 31, 2023: approximately 79.15% of the Group's bank balances and restricted bank deposit placed with bank B).

Other than the concentration of credit risks of trade receivables and bank balances and restricted bank deposit mentioned above, the Group does not have any other significant concentration of credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment upon application of IFRS 9:

	Notes			Gross carrying amount As at December 31 2024 RMB'000	 As at December 31 2023 RMB'000
Financial assets at amortized cost					
Trade receivables	*19*	Low risk	Lifetime ECL (not credit-impaired)	**47,274**	50,740
		Doubtful	Lifetime ECL (not credit-impaired)	**50,315**	–
		Loss	Lifetime ECL credit-impaired)	**7,723**	–
Receivables from third party payment platforms, short-term loan receivables and other receivables	*19*	Low risk	12m ECL	**14,860**	6,696
Restricted bank deposit	*20*	Low risk	12m ECL	**69,495**	214,241
Bank balances	*21*	Low risk	12m ECL	**343,879**	57,566

The management of the Group estimates the amount of lifetime ECL of trade receivables based on provision matrix through grouping of various debtors that have similar loss patterns, after considering aging, internal credit ratings of trade debtors and repayment history of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. In addition, trade receivables with credit-impaired are assessed for ECL individually.

On that basis, the average loss rates as at December 31, 2024 were 4.76% (2023: 1.76%), respectively which were assessed on a collective basis by using provision matrix within lifetime ECL (not credit-impaired).

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For the year ended December 31, 2024

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The following table shows the movement in lifetime ECL that has been recognized for trade receivables under the simplified approach:

	Year ended December 31, 2024 RMB'000	Year ended December 31, 2023 RMB'000
Beginning balance	**891**	63
– Loss allowance recognized, net	**11,480**	848
– Write-offs	**–**	(20)
Closing balance	**12,371**	891

As at December 31, 2024, included in the above balance was RMB7,723,000 (2023: nil) related to the loss allowance recognized for credit-impaired trade receivables. During the year, loss allowance on credit impaired balance of nil (2023: RMB20,000) was written off.

Liquidity risk

In management of the liquidity risk, the Group monitor and maintain levels of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on long-term bond, Series A-1 Preferred Shares and shareholders' investment as a significant source of liquidity.

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For the year ended December 31, 2024

32. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

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

	Interest rates %	On demand RMB'000	within 1 year RMB'000	1-2 years RMB'000	2-5 years RMB'000	>5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At December 31, 2024								
Trade and other payables	–	3,242	40,729	–	–	–	43,971	43,971
Receipts in advance from cornerstone investors	–	–	320,971	–	–	–	320,971	320,971
Series A-1 Preferred Shares	12.00	–	45,834	–	–	–	45,834	285,428
Bank and other borrowings	0.00-5.00	–	21,569	–	–	–	21,569	21,261
Long-term bond	6.23	–	79,447	–	–	372,444	451,891	346,280
		3,242	508,550	–	–	372,444	884,236	1,017,911
Lease liabilities	3.50-4.00	–	12,005	6,636	3,932	–	22,573	20,741

	Interest rates %	On demand RMB'000	within 1 year RMB'000	1-2 years RMB'000	2-5 years RMB'000	>5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At December 31, 2023								
Trade and other payables	–	5,222	26,351	–	–	–	31,573	31,573
Series A-1 Preferred Shares	12.00	–	42,610	–	–	–	42,610	315,544
Bank and other borrowings	0.00-5.50	–	22,530	–	–	–	22,530	22,083
Long-term bond	6.23	–	–	–	79,447	354,049	433,496	329,438
		5,222	91,491	–	79,447	354,049	530,209	698,638
Lease liabilities	4.00-4.85	–	8,095	5,480	1,132	–	14,707	12,554

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

33. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the management of the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the management of the Group determines the appropriate valuation techniques and inputs for fair value measurements and works closely with the qualified valuer to establish the appropriate valuation techniques and inputs to the model.

Except for financial liabilities at FVTPL as set out below, there is no financial instrument measured at fair value on a recurring basis.

Financial liabilities

	Note	Fair value as at December 31, 2024 RMB'000	Fair value as at December 31, 2023 RMB'000	Fair value hierarchy	Valuation techniques	Significant unobservable inputs	Relationships of unobservable inputs to fair value
Series A-1 Preferred Shares	*27*	–	315,544	Level 3	Discounted cash flow model, PWERM and OPM	Discount rate	The higher the discount rate, the lower the fair value, and vice versa *(Note ii)*
		285,428	–	Level 2	Market approach, based on recent transaction price *(Note i)*	N/A	N/A

Notes:

i. In estimating the fair value, the Directors adopted the valuation technique which maximizes the use of observable data to the extent it is available and minimizes the use of unobservable inputs. The fair value of the Series A-1 Preferred Shares at December 31, 2024 was determined with reference to the offer price in the prospectus of the Company dated December 30, 2024.

ii. If the discount rate was 1% higher to 17.00% or 1% lower to 15.00% while holding all other variables constant, the carrying amount of financial liabilities at FVTPL would decrease by RMB39,375,000 or increase by RMB46,479,000 as at December 31, 2023.

Details of reconciliation of Level 3 fair value measurement for the financial liabilities at FVTPL are set out in Note 27.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their respective fair values at the end of reporting period except for the long-term bond, of which the fair value is expected to be less than the carrying amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Lease liabilities RMB'000	Financial liabilities at FVTPL RMB'000	Long-term bond RMB'000	Bank and other borrowings RMB'000	Amounts due to related parties RMB'0000	Accrued share issue costs RMB'000	Total RMB'000
At January 1, 2023	11,319	1,162,632	309,855	6,965	2,364	–	1,493,135
Financing cash flows	(8,367)	–	–	14,788	(2,364)	(4,531)	(474)
Interest expenses recognized	421	–	19,583	212	–	–	20,216
Effect of foreign exchange rate changes	–	–	–	118	–	–	118
Deferred share issue costs	–	–	–	–	–	7,689	7,689
Fair value changes	–	165,216	–	–	–	–	165,216
Commencement of lease	10,176	–	–	–	–	–	10,176
Lease modification	(500)	–	–	–	–	–	(500)
Early termination of a lease	(495)	–	–	–	–	–	(495)
Reclassification from financial liabilities at FVTPL	–	(1,012,304)	–	–	–	–	(1,012,304)
At December 31, 2023	12,554	315,544	329,438	22,083	–	3,158	682,777
Financing cash flows	(8,766)	–	–	(1,445)	–	(1,955)	(12,166)
Interest expenses recognized	505	–	21,003	517	–	–	22,025
Gain on adjustment of estimation of the repayments of long-term bond	–	–	(4,161)	–	–	–	(4,161)
Effect of foreign exchange rate changes	68	–	–	106	–	–	174
Deferred share issue costs	–	–	–	–	–	2,390	2,390
Fair value changes	–	(30,116)	–	–	–	–	(30,116)
Commencement of lease	8,205	–	–	–	–	–	8,205
Lease modification	10,786	–	–	–	–	–	10,786
Reduction of the leased space	(1,408)	–	–	–	–	–	(1,408)
Early termination of a lease	(1,203)	–	–	–	–	–	(1,203)
At December 31, 2024	20,741	285,428	346,280	21,261	–	3,593	677,303

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

35. MAJOR NON-CASH TRANSACTIONS

During the year ended December 31, 2024, the Group reduced the lease liabilities by RMB1,408,000 and right-of-use assets by RMB1,415,000 due to a reduction of the leased space and recognized the difference of RMB7,000 in profit or loss. The Group also derecognized the lease liabilities of RMB1,203,000 and right-of-use assets of RMB1,085,000 due to early termination of a lease and recognized the difference of RMB2,000 in profit or loss after consideration of withhold of rental deposits by the lessor.

The Group also remeasured the lease liabilities by RMB10,786,000 due to a lease modification and made a corresponding adjustment of RMB10,786,000 to the right-of-use assets. In addition, the Group entered into two new lease agreements for the use of leased property, with a term of 2 years and 3 years and recognized right-of-use assets and lease liabilities of RMB8,205,000 and RMB8,205,000 on the lease commencement.

During the year ended December 31, 2023, the Group remeasured the lease liabilities by RMB500,000 due to a lease modification and made a corresponding adjustment of RMB500,000 to the right-of-use assets and the Group entered into two new lease agreements for the use of leased property for 2 years and 3 years and recognized right-of-use assets and lease liabilities of RMB10,176,000 and RMB10,176,000 on the lease commencements.

36. RELATED PARTY BALANCES AND TRANSACTIONS

a. Names and relationships

Names	**Relationships**
Dr. Wang Xiaoyi	The Chief Executive Officer
Mr. Tan Zheng	Executive Director of the Company
Nanjing Zhipan Information Consulting Partnership (Limited Partnership)* (南京智盼信息諮詢合夥企業(有限合夥)) ("Zhipan LP")	Entity controlled by Dr. Wang Xiaoyi
Tianjin Shuhui Information Consulting Partnership (Limited Partnership)* (天津樞慧信息諮詢合夥企業(有限合夥)) ("Shuhui LP")	Entity controlled by Dr. Wang Xiaoyi

* *English name is for identification purpose only.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

36. RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

b. The Group had the following related party transactions and related parties balance during the years ended December 31, 2024 and 2023:

Loan to a related party

	For the year ended December 31, 2024 RMB'000	For the year ended December 31, 2023 RMB'000
Non-trade nature		
Dr. Wang Xiaoyi	7,000	–

Advance to related parties

	For the year ended December 31, 2024 RMB'000	For the year ended December 31, 2023 RMB'000
Non-trade nature		
Shuhui LP	–	3,718
Dr. Wang Xiaoyi	–	2,200
Mr. Tan Zheng	2,059	–
	2,059	5,918

Repayment of loan from a related party

	For the year ended December 31, 2024 RMB'000	For the year ended December 31, 2023 RMB'000
Non-trade nature		
Dr. Wang Xiaoyi	7,000	29

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

36. RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

b. The Group had the following related party transactions and related parties balance during the years ended December 31, 2024 and 2023: (Continued)

Repayment of advance from related parties

	For the year ended December 31, 2024 RMB'000	For the year ended December 31, 2023 RMB'000
Non-trade nature		
Shuhui LP	–	3,718
Dr. Wang Xiaoyi	–	2,200
	–	5,918

Repayment to related parties

	For the year ended December 31, 2024 RMB'000	For the year ended December 31, 2023 RMB'000
Non-trade nature		
Shuhui LP	–	2,267
Dr. Wang Xiaoyi	–	97
	–	2,364

	As at December 31, 2024 RMB'000	As at December 31, 2023 RMB'000
Advances to a related party		
Non-trade nature		
Mr. Tan Zheng	2,059	–

The maximum amount outstanding during the years ended December 31, 2024 was RMB2,059,000. Advances to a related party are unsecured, interest free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

36. RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

c. Compensation of key management personnel

The emoluments of key management during the reporting period are as follows:

	For the year ended December 31, 2024 RMB'000	For the year ended December 31, 2023 RMB'000
Short-term employee benefits	4,258	9,787
Performance related bonuses	200	–
Retirement benefits	319	297
Equity-settled share-based payments	58,275	36,980
	63,052	47,064

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below:

Name of the subsidiaries	Place of establishment/ operation	Issued and fully paid registered capital	Equity interest attributable to the Company December 31, 2024	2023	Principal activities
BrainAurora limited	British Virgin Islands	Registered capital of USD50,000 and issued and paid share capital of nil	100%	N/A	Investment holding
BrainAurora (HK)	Hong Kong	Registered capital of HKD50,000 and issued and paid share capital of nil	100%	N/A	Investment holding
Zhiling Ruidong *(Note)*	PRC	Registered capital of RMB100,000,000 and issued and paid share capital of RMB3,000,000	100%	100%	Investment holding
BrainAurora Zhejiang	PRC	Registered capital of RMB16,546,000 and paid-in capital of RMB16,546,000	100%	100%	Cognitive impairment DTx
Changsha Zhijingling	PRC	Registered capital of RMB1,000,000 and issued and paid share capital of RMB690,000	100%	100%	Cognitive impairment DTx
Beijing Zhijingling	PRC	Registered capital of RMB2,000,000 and issued and paid share capital of RMB500,000	100%	100%	Cognitive impairment DTx
Beijing Yihui Technology Co., Ltd.* (北京益慧科技有限公司)	PRC	Registered capital of RMB51,126,000 and issued and paid share capital of RMB50,126,000	98%	98%	Inactive

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (CONTINUED)

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below: (Continued)

Name of the subsidiaries	Place of establishment/ operation	Issued and fully paid registered capital	Equity interest attributable to the Company December 31, 2024	2023	Principal activities
BrainAu Medical Technology (Shaanxi) Co., Ltd.* (腦動極光醫療科技(陝西)有限公司)	PRC	Registered capital of RMB1,000,000 and issued and paid share capital of nil	**80%**	80%	Marketing
BrainAu Medical Technology (Liaoning) Co., Ltd.* (腦動極光醫療科技(遼寧)有限公司)	PRC	Registered capital of RMB1,000,000 and issued and paid share capital of nil	**85%**	85%	Marketing
Beijing Naoyu Technology Co., Ltd.* (北京腦域科技有限公司)	PRC	Registered capital of RMB1,000,000 and issued and paid share capital of nil	**92%**	92%	Marketing
BrainAu Medical Technology (Nanjing) Co., Ltd.* (腦動極光醫療科技(南京)有限公司)	PRC	Registered capital of RMB1,000,000 and issued and paid share capital of nil	**100%**	100%	Marketing
Beijing Wanxiang Aurora Technology Co., Ltd.* (北京萬相極光科技有限公司)	PRC	Registered capital of RMB1,000,000 and issued and paid share capital of nil	**70%**	70%	Marketing
Beijing Hongze *(Note 29)*	PRC	Registered capital of RMB1,428,600 and issued and paid share capital of RMB1,428,600	**70%**	70%	Marketing
Sichuan Huiyu Aurora Medical Technology Co., Ltd.* (四川慧譽極光醫療科技有限公司)	PRC	Registered capital of RMB1,000,000 and issued and paid share capital of nil	**80%**	80%	Marketing

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (CONTINUED)

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below: (Continued)

Name of the subsidiaries	Place of establishment/ operation	Issued and fully paid registered capital	Equity interest attributable to the Company December 31, 2024	2023	Principal activities
BrainAu (Delaware)	United States of America	Registered capital of USD50,000 and issued and paid share capital of nil	100%	100%	Inactive
Shenzhen BrainAu Medical Technology Co., Ltd.* (深圳腦動極光醫療科技有限公司)	PRC	Registered capital of RMB1,000,000 and issued and paid share capital of nil	100%	100%	Marketing
Sichuan BrainAu Medical Technology Co., Ltd.* (四川腦動極光醫療科技有限公司)	PRC	Registered capital of RMB100,000,000 and issued and paid share capital of nil	100%	100%	Cognitive impairment DTx
Luzhou BrainAu Medical Technology Co., Ltd.* (瀘州腦動極光醫療科技有限公司)	PRC	Registered capital of RMB1,000,000 and issued and paid share capital of nil	100%	N/A	Inactive
BrainAu Medical Technology (Hebei) Co., Ltd.* (腦動極光(河北)醫療科技有限公司)	PRC	Registered capital of RMB3,000,000 and issued and paid share capital of nil	100%	N/A	Marketing
Jiangsu BrainAu Medical Technology Co., Ltd.* (江蘇腦動極光醫療科技有限公司)	PRC	Registered capital of RMB36,500,000 and issued and paid share capital of nil	100%	N/A	Cognitive impairment DTx

* *English name is for identification purpose only.*

Note: Zhiling Ruidong is a wholly foreign owned enterprise established in the PRC.

None of the subsidiaries had issued any debt securities at the end of the year except for BrainAurora Zhejiang which issued long-term bond as disclosed in Note 23.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

38. CAPITAL RISK MANAGEMENT

As at December 31, 2024, the Group had net current liabilities of RMB233,875,000 and net liabilities of RMB464,024,000. The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the long-term bond, lease liabilities, bank and other borrowings and financial liabilities at FVTPL as disclosed in Notes 23, 24, 26 and 27, net of cash and cash equivalents and equity attributable to owners of the Group, comprising share capital and reserves.

The Directors review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through new share issues as well as the issue of new debts.

39. CAPITAL COMMITMENTS

	As at December 31, 2024 RMB'000	As at December 31, 2023 RMB'000
Capital expenditure contracted but not provided for in respect of acquisition of equipment and machineries and leasehold improvements	**860**	678

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

40. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Information about the financial position of the Company at the end of the reporting period includes:

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
NON-CURRENT ASSET		
Investments in subsidiaries	**425,155**	353,361
CURRENT ASSETS		
Other receivables and prepayments	**8,208**	8,007
Bank balances and cash	**321,083**	15,584
	329,291	23,591
CURRENT LIABILITIES		
Other payables	**25,305**	12,673
Amount due to a subsidiary	**7,117**	7,012
Receipts in advance from cornerstone investors	**320,971**	–
Financial liabilities at FVTPL	**285,428**	315,544
	638,821	335,229
NET CURRENT LIABILITIES	**(309,530)**	(311,638)
TOTAL ASSETS LESS CURRENT LIABILITIES	**115,625**	41,723
NET ASSETS	**115,625**	41,723
CAPITAL AND RESERVES		
Share capital	**1**	1
Reserves	**115,624**	41,722
TOTAL EQUITY	**115,625**	41,723

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

40. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

Movements in reserves

	Share premium RMB'000	Share-based payments reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At the date of incorporation	–	–	–	–
Issue of Ordinary Shares	6,223	–	–	6,223
Loss and total comprehensive expense for the year	–	–	(9,374)	(9,374)
Recognition of equity-settled share-based payments *(Note 31)*	–	44,873	–	44,873
At December 31, 2023	6,223	44,873	(9,374)	41,722
Profit and total comprehensive income for the year	**–**	**–**	**7,135**	**7,135**
Recognition of equity-settled share-based payments *(Note 31)*	**–**	**66,767**	**–**	**66,767**
At December 31, 2024	**6,223**	**111,640**	**(2,239)**	**115,624**

41. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in Notes 20 and 27 in the consolidated financial statements, events and transactions took place subsequent to December 31, 2024 are detailed as below:

a. Pursuant to the written resolutions of all shareholders of the Company passed on December 24, 2024, each share in the then issued and unissued share capital with par value of USD0.0001 each has been split into 1,000 shares of the corresponding class with nominal value of USD0.0000001 each effective upon listing (the "Share Subdivision").

b. On January 8, 2025, the shares of the Company have been listed on the Main Board of the Stock Exchange following the completion of issue of 181,112,000 new shares at par value of US$0.0000001 each at the offer price of HKD3.22 per share. The gross proceeds arising from the IPO amounted to approximately HKD583 million. The Company received the IPO funds of USD44,651,000 (equivalent to RMB320,971,000) in advance from certain cornerstone investors in December 2024, which was reclassified to equity on January 8, 2025 by issue of 106,747,000 new shares of the Company.

DEFINITIONS

In this annual report, the following expressions have the meanings set out below unless the context requires otherwise.

"ADHD"	attention deficit hyperactivity disorder
"ADHD Software"	Attention Deficit Hyperactivity Disorder Assessment and Treatment Software
"AI"	artificial intelligence
"Articles of Association" or "Articles"	the third amended and restated articles of association of our Company adopted by special resolution on December 24, 2024, with effect upon the Listing Date, as amended from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Award(s)"	an award of the Awarded Shares by the Board pursuant to the Pre-IPO Share Award Scheme
"Awarded Share(s)"	the Shares awarded by our Company pursuant to the Pre-IPO Share Award Scheme
"BCAT"	Basic Cognitive Testing Software
"Board" or "Board of Directors"	the board of directors of our Company
"BrainAurora Zhejiang"	Zhejiang BrainAurora Medical Technology Co., Ltd. (浙江腦動極光醫療科技有限公司), a limited liability company established in the PRC on September 21, 2012 and directly wholly owned by WFOE, being one of our Major Subsidiaries
"CCBT"	Computerized Cognitive Behavioral Therapy
"CDDCI"	Child development deficiency induced cognitive impairment
"CE mark"	the mark appears on products signify that products sold in the European Economic Area have been assessed to meet high safety, health, and environmental protection requirements
"CEO"	chief executive officer of our Company
"CG Code"	the "Corporate Governance Code" as contained in Appendix C1 to the Listing Rules

DEFINITIONS

"China", "Mainland China" or "PRC"	People's Republic of China, but for the purpose of this annual report and for geographical reference only and except where the context requires otherwise, references in this annual report to "China" and the "PRC" do not apply to Hong Kong, Macau and Taiwan
"Class II Medical Device"	devices that have a moderate to high risk to the patient and/or user
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Companies Act" or "Cayman Companies Act"	the Companies Act, Cap. 22 (As Revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	BrainAurora Medical Technology Limited (脑动极光医疗科技有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on April 25, 2023
"Compliance Adviser"	SPDB International Capital Limited, our compliance adviser
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"connected transaction(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Tan, Dr. Wang, together with their respective close associates, namely ZTan Limited, Wispirits Limited, Wiseforward Limited and Neurobright Limited
"core connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Core Product"	has the meaning ascribed to it in Chapter 18A of the Listing Rules; for the purpose of this annual report, our Core Product refers to the System
"DD"	Developmental dyslexia
"Director(s)" or "our Director(s)"	the directors of our Company, including all executive, non-executive and independent non-executive Directors

DEFINITIONS

"DNN"	deep neutral networks
"Dr. Wang"	Dr. Wang Xiaoyi (王曉怡), an executive Director, CEO, chief research officer of the Company and a Controlling Shareholder
"DSS"	Dyslexia Supplemental Screening and Assessment Software
"DTx"	digital therapeutics
"ESG"	environmental, social and governance; a collection of corporate performance evaluation criteria that assess the robustness of a company's governance mechanisms and its ability to effectively manage its environmental and social impacts
"Group," "our Group, "our," "we" or "us"	our Company and all of our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hunan MPA"	Hunan Medical Products Administration
"ISO 13485"	a set of requirements for a quality management system where an organization needs to demonstrate its ability to provide medical devices and related services that consistently meet customer and applicable regulatory requirements
"KOLs"	key opinion leaders
"Latest Practicable Date"	April 15, 2025, being the latest practicable date prior to the printing of this annual report for the purpose of ascertaining certain information contained in this report
"Listing"	the listing of our Shares on the Main Board
"Listing Date"	January 8, 2025, the date on which dealings in the Shares first commence on the Main Board

DEFINITIONS

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Liuhui Biotech"	Tianjin Liuhui Biotechnology Co., Ltd (天津六慧生物科技有限公司) (formerly known as Shanghai Liuhui Biotechnology Co., Ltd. (上海六慧生物科技有限公司) a limited liability company incorporated in the PRC on 29 April 2016 and is wholly-owned company of Dr. Wang
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
"ML"	machine learning
"MMSE"	Mini-Mental State Examination
"MoCA"	Montreal Cognitive Assessment
"Mr. Tan"	Mr. Tan Zheng (譚錚), the chairman of the Board, an executive Director, chief strategy officer of the Company and a Controlling Shareholder
"Nanchang Fusion"	Nanchang Fusion Therapeutics, Ltd. (南昌福藥生物技術有限公司), a limited liability company established in the PRC on November 29, 2021, a wholly-owned subsidiary of our Company
"NCI"	Neurodegenerative disease induced cognitive impairment
"NHC"	the National Health Commission of the PRC (中華人民共和國國家衛生健康委員會)
"NMPA"	National Medical Products Administration (國家藥品監督管理局) and its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局) from 2013 to 2018 and the State Food and Drug Administration (國家食品藥品監督管理局) from 2003 to 2013
"Nomination Committee"	the nomination committee of the Board
"PCI"	Psychiatric disorder induced cognitive impairment
"Pre-IPO Share Award Scheme"	the share award scheme adopted by the Company on July 30, 2023
"Prospectus"	the prospectus of the Company dated December 30, 2024
"Remuneration Committee"	the remuneration committee of the Board

DEFINITIONS

"Reporting Period"	the year ended December 31, 2024
"RMB"	the lawful currency of the PRC
"SAS"	Cognitive Ability Supplemental Screening and Assessment software
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Share(s)" or "Ordinary Share(s)"	ordinary share(s) in the share capital our Company, with a nominal value of US$0.0001 each prior to the Share Subdivision or US$0.0000001 each upon the completion of the Share Subdivision
"Shareholder(s)"	holder(s) of our Share(s)
"Shuhui LP"	Tianjin Shuhui Information Consulting Partnership (Limited Partnership) (天津樞慧信息諮詢合夥企業(有限合夥), formerly known as Shanghai Shuhui Business Information Consulting Center (Limited Partnership) (上海樞慧商務信息諮詢中心(有限合夥)), a limited partnership established in the PRC on May 17, 2016 and ultimately controlled by Dr. Wang
"subsidiary(ies)"	has the meaning ascribed to it in Section 15 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"System"	Brain Function Information Management Platform Software System
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"UDCA"	ursodeoxycholic acid, a secondary bile acid approved by the FDA as first-line treatment for PBC, and widely used off-label to treat PSC
"ULN"	upper limit of normal, the 95th percentile of the target population
"US$"	United States dollars, the lawful currency of the United States
"VDCI"	Vascular disease induced cognitive impairment
"we", "us" or "our"	the Company or the Group, as the context requires

DEFINITIONS

"WFOE"	Zhejiang Zhiling Ruidong Medical Technology Co., Ltd. (浙江智靈睿動醫療科技有限公司), a limited liability company established in the PRC on June 16, 2023 and directly wholly owned by HK Subsidiary
"Xuanwu Hospital"	Xuanwu Hospital Capital Medical University (首都醫科大學宣武醫院)
"Zhipan LP"	Nanjing Zhipan Information Consulting Partnership (Limited Partnership) (南京智盼信息諮詢合夥企業(有限合夥), formerly known as Shanghai Zhipan Business Information Consulting Center (Limited Partnership) (上海智盼商務信息諮詢中心(有限合夥)) and Tianjin Zhipan Information Consulting Partnership (Limited Partnership) (天津智盼信息諮詢合夥企業(有限合夥)), a limited partnership established in the PRC on May 17, 2016 and ultimately controlled by Dr. Wang
"%"	per cent

* *For identification purposes only*

THREE-YEAR FINANCIAL SUMMARY

FINANCIAL HIGHLIGHTS FOR THE LAST THREE YEARS ENDED DECEMBER 31, 2024

	Year ended December 31		
	2024	2023	2022
	RMB'000	RMB'000	RMB'000
Revenue	**122,311**	67,200	11,291
Cost of sales	**(68,298)**	(35,136)	(7,994)
Gross profit	**54,013**	32,064	3,297
Other income	**1,710**	2,079	3,915
Other expenses and other gains and losses, net	**3,326**	2,318	2,803
Fair value gain (loss) of financial liabilities at FVTPL	**30,116**	(165,216)	(385,886)
Impairment loss under ECL model, net of reversal	**(11,480)**	(848)	(50)
Selling and distribution expenses	**(48,017)**	(38,399)	(11,928)
Administrative expenses	**(59,925)**	(54,398)	(27,762)
Research and development expenses	**(119,424)**	(90,733)	(67,627)
Finance costs	**(22,025)**	(20,216)	(19,223)
Listing expenses	**(26,852)**	(25,767)	–
Loss before tax	**(198,558)**	(359,116)	(502,461)
Income tax expense	**(52)**	–	–
Loss and total comprehensive expense for the year	**(198,610)**	**(359,116)**	**(502,461)**
Loss for the year attributable to:			
Owners of the Company	**(198,282)**	(359,083)	(502,452)
Non-controlling interests	**(328)**	(33)	(9)
Loss per share (RMB)			
Basic	**(0.22)**	(0.62)	(1.79)
Diluted	**(0.23)**	(0.62)	(1.79)