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Application Proof of

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

(the "**Company**")

(Incorporated in the Cayman Islands with limited liability)

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

(Incorporated in the Cayman Islands with limited liability)

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The [**REDACTED**] (for themselves and on behalf of the [**REDACTED**]), with our consent, may reduce the number of [**REDACTED**] being [**REDACTED**] under the [**REDACTED**] and/or the indicative [**REDACTED**] range stated in this Document at any time on or prior to the morning of the last day for lodging [**REDACTED**] under the [**REDACTED**]. In such a case, an announcement will be published on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **66nao.cn** and the [**REDACTED**] will be canceled and relaunched at the revised number of [**REDACTED**] and/or the revised [**REDACTED**] range and the requirements under Rule 11.13 of the Listing Rules (which include the issue of a supplemental [**REDACTED**] or a new [**REDACTED**] (as appropriate)), as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging [**REDACTED**] under the [**REDACTED**]. Details of the arrangement will then be announced by us as soon as practicable. For further information, see "Structure of the [**REDACTED**]" and "How to Apply for the [**REDACTED**]."

The obligations of the [**REDACTED**] under the [**REDACTED**] are subject to termination by [**REDACTED**] (for themselves and on behalf of the [**REDACTED**]) if certain grounds arise prior to 8:00 a.m. on the [**REDACTED**]. See "[**REDACTED**]."

IMPORTANT

[**REDACTED**]

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[**REDACTED**]

EXPECTED TIMETABLE[1]

[**REDACTED**]

EXPECTED TIMETABLE[1]

[**REDACTED**]

EXPECTED TIMETABLE[1]

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SUMMARY

This summary aims to give you an overview of the information contained in this Document. As this is a summary, it does not contain all the information that may be important to you. You should read the entire document before you decide to [**REDACTED**] *in the* [**REDACTED**].

There are risks associated with any [**REDACTED**]. *Some of the particular risks in* [**REDACTED**] *in the* [**REDACTED**] *are set out in "Risk Factors" of this document. In particular, we are a biotechnology company seeking to* [**REDACTED**] *on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules on the basis that we are unable to meet the requirements under Rules 8.05(1), (2) and (3) of the Listing Rules. You should read that section carefully before you decide to* [**REDACTED**] *in the* [**REDACTED**].

OVERVIEW

We were founded in 2012. 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, the Brain Function Information Management Platform Software System (the "**System**" or the "**Core Product**"), has been commercialized for eight indications from four major types of cognitive impairment and is under development for additional 21 cognitive impairment indications as of the Latest Practicable Date. As of the Latest Practicable Date, we had three other products that had received regulatory approval in China, the Basic Cognitive Ability Testing Software (the "**BCAT**"), the Cognitive Ability Supplemental Screening and Assessment Software (the "**SAS**") and the Dyslexia Supplemental Screening and Assessment Software (the "**DSS**") and one other product that had received regulatory approval in the EU, the Cognitive Impairment Treatment Software, as well as five product candidates under different stages of preclinical and clinical development. We enjoy global rights with respect to our products and product candidates.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET THE SYSTEM WITH NEW INDICATIONS SUCCESSFULLY, AND CERTAIN AI-POWERED TECHNOLOGIES RELATED TO OUR PRODUCTS ARE STILL IN EARLY DEVELOPMENT STAGE.

We are a commercial stage company. As of the Latest Practicable Date, the System had been included in the provincial health insurance reimbursement lists of 30 provinces in China. We are also the first organizer of a project initiated by the NHC, according to Frost & Sullivan, under which we are tasked with helping hospitals to establish cognitive centers in over 2,100 public hospitals across China and promoting the development of cognitive impairment DTx market in China. We also collaborate with hospitals to establish cognitive centers outside of the NHC project to help us build long-term business relationship with the participating hospitals. We invest in this strategy by providing the System, the hardware on which the System operates, as well as the funding for renovating the cognitive center premises. As of the Latest Practical

Date, we had helped more than 80 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 have also been deeply involved in the publications of the first four expert consensus in the field of DTx in China. In March 2023, we co-authored the "Chinese expert consensus on digital therapeutics for cognitive impairment (2023 edition)" (《認知數字療法中國專家共識(2023)》), which for the first time in China systematically defined cognitive impairment DTx, and has earned us widespread recognition by top hospitals and medical professionals in China, according to Frost & Sullivan. We are committed to making achievements in the brain scientific research to DTx products that benefit cognitive impairment patients globally.

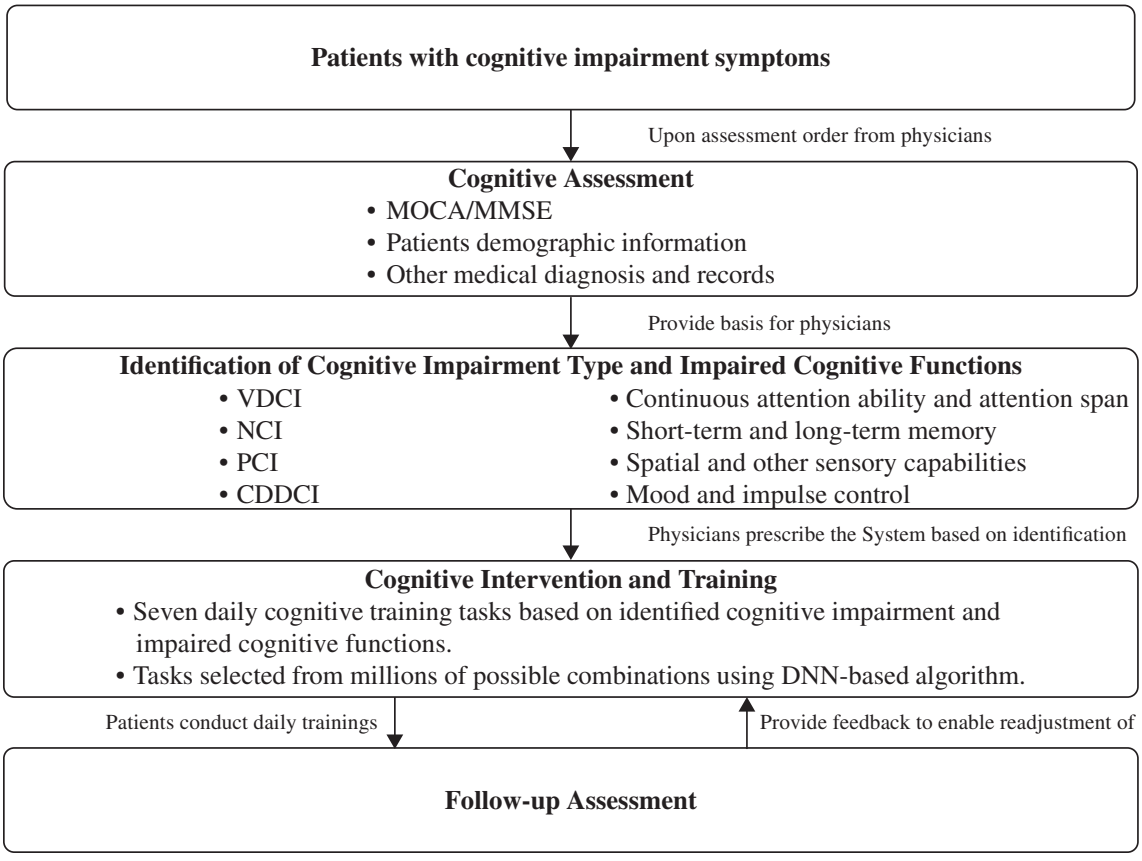
Overview of Our Core Product

Our Core Product, the System, is an evidence-based, medical-grade DTx product, and the first cognitive impairment DTx product in China that has received regulatory approval. The System is software that combines clinical experience in brain science with deep neural networks (the "**DNN**") algorithms, a powerful category of machine learning (the "**ML**") 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. Key components of the System include the virtual human technology and psychometric scale bank for initial assessment, a library of training tasks based on psychological paradigms and a DNN-based recommendation algorithm to tailor training to the patient's cognitive deficit and treatment progress.

How the System Provides Clinical Assessment and Intervention

Patients with cognitive impairment symptoms begin their journey with the System with consultations with physicians, who may decide to conduct cognitive assessment using the System. Physicians then identify the types of the patients' cognitive functions that are impaired with the assistance of the System and then direct the System to assign the relevant cognitive training tasks. Patients' training results each day are fed into the DNN model to determine the training tasks for the next day. After a certain period of time of conducting the cognitive trainings, patients undergo follow-up cognitive assessment to evaluate whether the impaired cognitive functions experienced any improvements and provide feedback to enable readjustment of training tasks in order to further improve cognitive training efficacy. The following diagram sets forth a flowchart setting forth the different stages of how the System serves patients.

SUMMARY



The System provides a library of over 300 training tasks designed to stimulate specific aspects of cognitive function based on various psychological paradigms. These tasks target specific neural networks and brain regions associated with cognitive function. At the identification stage, physicians are able to determine the patients' specific cognitive impairment indications. This leads to differences in how the training tasks are assigned to provide tailored medical solutions to patients suffering from different indications. Specifically, our DNN-based algorithms use the type of patient cognitive impairment as a critical input in determining what training task combinations are optimal for patient treatment. See "Business—Cognitive Intervention and Training" for details on the underlying brain science theories and the mechanism of this recommendation process.

The following screenshot demonstrates the functioning of the River Crossing Training Task, one of the over 300 training tasks from the System's library designed to target specific cognitive impairment.

River Crossing Training Task

To enhance treatment effectiveness, the System uses a DNN-based recommendation algorithm to personalize the training program for each patient. This algorithm takes into account individual differences in cognitive impairment and sensitivity to training tasks. By dynamically adapting training scenarios, the System improves training effectiveness and facilitates cognitive improvement in patients. See "—Our Core Product" and "Business—Core Product: Brain Function Information Management Platform Software System—Mechanism of Action" for more detail.

OUR PIPELINE

The following chart summarizes the development status of the System under various indications, as well as other products and product candidates in our pipeline as of the Latest Practicable Date.

Product	Disease Area	Indication	Assessment/ Intervention	Phase	Upcoming Milestone	Estimated and Actual Time of Commercialization	Commercialization Country/Region
				Preclinical / Clinical Trial / Registration / Commercialization			
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		2024 Q4 Clinical Trial Completion	2025	China
		Hypertension induced cognitive impairment	Assessment + Intervention		2024 Q4 Clinical Trial Completion	2025	China
		Coronary heart disease induced cognitive impairment	Assessment + Intervention		2024 Q4 Clinical Trial Completion	2025	China
		Post-cardiac surgery rehabilitation	Assessment + Intervention		2024 Q2 Clinical Trial Initiation	2026	China
		Heart failure induced cognitive impairment	Assessment + Intervention		2024 Q2 Clinical Trial Initiation	2028	China
	Neurodegenerative disease induced cognitive impairment	Alzheimer's disease	Assessment + Intervention			June 2020	China
		Amnestic mild cognitive impairment	Assessment + Intervention		2024 Q3 Data Analysis Completion	2025	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		2024 Q4 Clinical Trial Initiation	Late 2025	China

Product	Disease Area	Indication	Assessment/ Intervention	Phase				Upcoming Milestone	Estimated and Actual Time of Commercialization	Commercialization Country/Region
				Preclinical	Clinical Trial	Registration	Commercialization			
	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					2024 Q4 Clinical Trial Initiation	2025	China
	Other disorders	Epilepsy	Assessment + Intervention					2025 Q2 Clinical Trial Initiation	2026	China
		Bone fracture induced pain	Assessment + Intervention					2024 Q4 Clinical Trial Completion	2026	China
		Diabetes	Assessment + Intervention					2024 Q2 Clinical Trial Initiation	2026	China
		Phenylketonuria induced cognitive impairment	Assessment + Intervention					2024 Q2 Clinical Trial Initiation	2027	China
		Kidney disease induced cognitive impairment	Assessment + Intervention					2024 Q2 Clinical Trial Initiation	2026	China
		Multiple sclerosis	Assessment + Intervention					2025 Q1 Clinical Trial Initiation	2026	China
		Hepatic encephalopathy	Assessment + Intervention					2025 Q3 Clinical Trial Initiation	2026	China
		Post-breast cancer surgery rehabilitation	Assessment + Intervention					2024 Q2 Clinical Trial Initiation	2027	China
		Post-lung cancer surgery rehabilitation	Assessment + Intervention					2024 Q2 Clinical Trial Initiation	2027	China
		Drug addiction	Assessment + Intervention					2024 Q2 Clinical Trial Initiation	2027	China

SUMMARY

Product	Disease Area	Indication	Assessment/ Intervention	Phase				Upcoming Milestone	Estimated and Actual Time of Commercialization	Commercialization Country/Region
				Preclinical	Clinical Trial	Registration	Commercialization			
Basic Cognitive Ability Testing Software		Cognitive impairment	Assessment					2024 Q2 Commencement of Commercialization	2024	China
Cognitive Ability Supplemental Screening and Assessment Software		Cognitive impairment	Assessment					2024 H2 Commencement of Commercialization	2024	China
Dyslexia Supplemental Screening and Assessment Software	Child development deficiency induced cognitive impairment	Dyslexia	Assessment					2024 H2 Commencement of Commercialization	2024	China
Covid-19 Induced Cognitive Impairment Assessment and Recovery Training Software	Other disorders	Covid-19 induced cognitive impairment	Assessment + Intervention					2024 Q2 Registration Submission	2024	China
Attention Deficit Hyperactivity Disorder Assessment and Treatment Software	Child development deficiency induced cognitive impairment	Attention deficit hyperactivity disorder	Assessment + Intervention					2024 Q4 Clinical Trial Initiation	2025	China
Quantitative Cognitive Assessment Software for Depression	Psychiatric disorders	Depression	Assessment					2024 Q4 Clinical Trial Completion	2025	China
Depression Treatment Software	Psychiatric disorders	Depression	Intervention					2024 H1 Clinical Trial Initiation	2026	China
Cognitive Impairment Assessment Software		Cognitive impairment	Assessment					2025 Registration Submission	2026	EU
								2024 H2 Registration Submission	2025	US
Cognitive Impairment Treatment Software		Cognitive impairment	Intervention					2025 Commencement of Commercialization	2025	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

We have built end-to-end capabilities ranging from R&D to commercialization.

- *R&D and Technology*. We have assembled a dedicated and multi-disciplinary R&D team of 126 members with 28 holding a masters degree and three holding PhDs as of the Latest Practicable Date. The team closely tracks the medical data and information from patients generated by the System and our other products and updates the underlying algorithms and AI technology to adjust and customize training tasks based on patients' specific conditions and stage of recovery. Our extensive technological capabilities enable us to flexibly and rapidly expand the indications coverage of our System, as well as to develop other assessment and intervention DTx products, in a cost-effective manner. Our strong R&D capabilities have resulted in a rich intellectual property portfolio. As of the Latest Practicable Date, we held 36 patents and 75 patent applications in China and eight pending patent applications overseas. We have developed two core underlying technologies, namely the virtual human technology and AI technology, which serve as the foundation of our System and other products and product candidates. Our virtual human technology can perform medical assessment and communicate with a large number of patients at once. Our AI technology enables our System and other products and product candidates to analyze patient information and diagnose patients. When applied to our intervention products, our AI-based adaptive collaborative intervention model uses the information collected from patients, including their historical training performance scores and performance details from previous training tasks of varying difficulty levels, to dynamically adjust the content of the training sessions to achieve personalized interventions. The adaptive collaborative intervention model accomplishes this by selecting from millions of possible module combinations, enabled by our library of over 300 training modules, to design the optimal training session to activate the appropriate brain regions for the best therapeutic effect.

- *Commercialization*. We believe our commercialization capabilities are largely attributable to our achievements in evidence-based academic and scientific research in the fields of cognitive impairment, and the performance of our System and other products, which have gained us wide recognition by customers and accelerated the commercialization of our System and other products. The completion of our evidence-based research contributed to high credibility and acceptance of our products among hospitals and physicians, paving the way for nation-wide adoption and commercialization of our products. We have established an experienced sales and marketing team dedicated to academic promotion to further enhance our market position. As a testimony of our strong commercialization capabilities, our revenue has experienced rapid growth from RMB11.3 million in 2022 to RMB67.2 million in 2023.

We believe that our diversified product portfolio, together with our end-to-end capabilities across R&D to commercialization, will create high entry barriers, solidify our industry position and fuel a strong growth trajectory.

OUR CORE PRODUCT

Our Core Product, the System, is an evidence-based, medical-grade DTx product, and the first cognitive impairment DTx product in China that has received regulatory approval. In September 2018, we obtained the initial Class II medical device registration certificate (the "**2018 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 (vascular cognitive impairment, aphasia, Alzheimer's disease, depression, schizophrenia, sleep disorders, Attention Deficient Hyperactivity Disorder (the "**ADHD**"), and autism), making it possible for us to commercialize the System in China. The 2020 Amended Certificate and the 2018 Certificate are the same certificate with revised scope descriptions. 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.

The System is software that combines clinical experience in brain science with DNN algorithms, a powerful category of ML 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.

Competitive Advantages

Supported by our core technologies of virtual human and AI, our System features two primary competitive advantages in terms of assessment efficiency and treatment efficacy.

- *Assessment Efficiency.* Our virtual human technology can perform medical assessment and communicate with a large number of patients at once, greatly improving their assessment efficiency. Our AI technology enables physicians to perform assessment and intervention in a streamlined and user-friendly manner.

- *Treatment Efficacy.* By dynamically identifying and recommending the most suitable training out of millions of different possible combinations, our DNN algorithms enable the System to offer self-adaptive and personalized trainings that lead to more favorable

enhancement of cognitive functions for patients who use the System together with drug therapies compared to patients under drug therapies alone, as measured by patients' response time, accuracy rate, improvement in training performance scores and length of user stay.

Key Indications

Our System targets a variety of cognitive impairment indications, covering the assessment and intervention of four major types of cognitive impairment, namely VDCI, NCI, PCI and CDDCI, with eight commercialized indications in four major types of cognitive impairment. We also have 21 other indications under development, including atrial fibrillation, hypertension-related cognitive impairment, coronary artery disease-related cognitive impairment, and amnestic mild cognitive impairment, among others.

We are pursuing further development and commercialization of these key indications by conducting or planning to conduct clinical trials with the goal of obtaining regulatory approval and achieving commercialization. We also plan to work to integrate these new indications into our System and to actively promote these new capabilities to our collaborating hospitals and new hospital customers who may be looking for an assessment and/or intervention option for these new indications. As part of our key indication expansion efforts, we are collaborating with the Anzhen hospital and multiple other hospitals and clinical trial institutions to evaluate our System in application to cognitive impairment induced by various different conditions. This includes atrial fibrillation (Trial Registration: NCT05374642), coronary heart disease (Trial Registration: NCT05735041) and hypertension (Trial Registration: NCT05704270). For more information on the future development plan of our Core Product, see "Business—Core Product: Brain Function Information Management Platform Software System—Future Development Plans for Our System." For additional details on our planned use of [**REDACTED**] in relation to the future development of these indications, see "Future Plans and Use of [**REDACTED**]—Use of [**REDACTED**]."

OUR KEY PRODUCTS AND PRODUCT CANDIDATES

As of the Latest Practicable Date, four of our products besides the System had obtained regulatory approval in China or abroad, including, among others, the Basic Cognitive Ability Testing software (the "**BCAT**"), the Cognitive Ability Supplemental Screening and Assessment software (the "**SAS**") and the Dyslexia Supplemental Screening and Assessment Software (the "**DSS**"). All three of these products were developed based on the technology framework of the assessment function of the System. We also conducted additional R&D on the BCAT and the SAS to make cognitive impairment assessment by physicians more accurate and efficient.

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 from the Hunan MPA for the BCAT in October 2022. The BCAT can improve the efficiency of medical assessment by medical professionals, promote cost-efficient diagnostic paradigms and improve patient's treatment experience.

SAS

SAS is designed to facilitate healthcare professionals' assessment of patients' cognitive capacity by enabling patients to self-administer the Mini-Mental State Examination (the "**MMSE**") and Montreal Cognitive Assessment (the "**MoCA**") 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. Though the SAS is no substitute for human judgement and cannot on its own automatically derive diagnostic conclusions, it can improve the efficiency of medical assessment by medical professionals, promote cost-efficient diagnostic paradigms and improve patient's treatment experience.

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.

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 are collaborating with Xuanwu Hospital on a clinical trial focused on cognitive decline due to COVID-19 infection, commonly referred to as "COVID-19 brain fog." We have completed the clinical trial and expect to submit Class II medical device registration by the second quarter of 2024.

- *ADHD Assessment and Treatment Software:* We are currently under preclinical development of the ADHD assessment and treatment software (the "**ADHD Software**"). We intend to initiate clinical trial for our ADHD Software by the fourth quarter of 2024.

- *Quantitative Cognitive Assessment Software for Depression:* We are currently under clinical development 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. We expect to complete the trial by the fourth quarter of 2024.

- *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 (the "**CCBT**") to improve the symptoms related to depression. The software aims at deepening patients' understanding about emotional rationalization and interpersonal skills in an interest-inspiring way. We expect to initiate clinical trial in the first half of 2024.

- *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 in 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 allows its commercialization in Europe that is expected to commence in April 2025. 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).

OUR COMPETITIVE STRENGTHS

We believe the following strengths have contributed to our success and differentiated us from our competitors:

- Seasoned player in China's cognitive impairment DTx market with significant market opportunities;

- Comprehensive coverage of cognitive impairment indications with rapid pipeline expansion;

- R&D capabilities and core technologies supported by multidisciplinary team;

- Strong commercialization capabilities and accelerated commercialization momentum propelled by academic and industry achievements; and

- Visionary management team with rich experience in brain sciences, AI technologies, and business development.

OUR STRATEGIES

We plan to execute the following strategies to achieve our mission and drive our future growth:

- Continue indication expansion of the System and development of other product candidates to further solidify our position in China's cognitive impairment DTx market;
- Accelerate commercialization of the System and other products and enhance market penetration;
- Further improve our research and development capabilities;
- Expand our international footprint and build global influence; and
- Strategically seek merger and acquisition opportunities.

OUR BUSINESS MODEL

We offer the System to hospitals which enable hospitals to provide assessment and intervention to their cognitive impairment patients utilizing the System (and potentially our other products and product candidates). We generate revenue from hospitals which pay us based on the amount of in-hospital use of the System integral software solutions by patients and the pricing based on negotiations between the hospitals and us with reference to the provincial health insurance reimbursement lists. To a lesser extent, we also provide the System integral software solutions directly to individual patients out of hospitals who pay us periodic subscription fees during the period they use the System. In addition to selling the System to hospitals and individual patients, we also offer research projects services by providing the System as well as technical and operational support services to help universities, hospitals and research institutions conduct research projects. We also began offering training facilitation service in 2023 where we assist our customer and the organizer of the training sessions in performing the organizational and logistical groundwork. The customer and organizer is a public institution dedicated to advancing the knowledge and capabilities of physicians and other medical professionals in China. We charge service fees from attendees. The service fee from each training is based on the type and number of training attendees when they sign up for the training. We record training facilitation service revenue at the completion of each training. Historically, we also sold hardware equipment with our System pre-installed together with user accounts which enable customers to use the System on the hardware equipment.

Business Sustainability and Commercialization Strategies

We believe the long-term sustainability of our product commercialization can be substantiated by the following strategies and trends:

- *Further helping hospitals establish cognitive centers:* We became the first organizer of a project initiated by the NHC, according to Frost & Sullivan, under which we are tasked with helping to establish cognitive centers in over 2,100 public hospitals across China and promoting the development of cognitive impairment DTx market in China over the next five years. We intend to continue to help hospitals establish cognitive centers, and fully capitalize on the commercialization potential of our System in new cognitive centers in these hospitals, which we believe will provide us sustainable growth in our business and revenue scale.

- *Enhanced brand and product awareness:* We intend to recruit more talents with academic and professional experiences in the field of cognitive impairment DTx to expand our commercialization team and enhance the team's academic and marketing capabilities in order to further promote our brand and product awareness.

- *Product innovation and indication expansion:* We plan to accelerate the development, registration, and commercialization processes to expand our System to more cognitive impairment indications by developing upgraded versions of the System or developing new products.

- *Growing industry trend demonstrating strong market demand:* We believe we are well-positioned to capture the rapid growth in the global and China cognitive impairment DTx markets, and achieve sustainable business and revenue growth. The global and China cognitive impairment DTx market has been growing rapidly as a result of strong market demands. According to Frost & Sullivan, the global cognitive impairment DTx market size reached US$2.1 billion in 2022 and is expected to grow to US$4.2 billion in 2025 and US$7.0 billion in 2030, representing CAGRs of 25.5% and 10.7%, respectively. In China, the growth potential is even greater: according to Frost & Sullivan, the market size of the cognitive impairment DTx in China reached RMB149.4 million in 2022 and is expected to increase to RMB1,952.2 million in 2025 and RMB9,568.2 million in 2030, representing CAGRs of 135.5% and 37.4%, respectively.

See "Business—Business Sustainability and Commercialization Strategies" for more detailed descriptions of our strategies to achieve long-term sustainability of our product commercialization.

MARKET OPPORTUNITIES AND COMPETITION

The global cognitive impairment DTx market size reached US$2.1 billion in 2022 and is expected to grow to US$4.2 billion in 2025 and US$7.0 billion in 2030, representing CAGRs of 25.5% and 10.7%, respectively. The market size of the cognitive impairment DTx in China reached RMB149.4 million in 2022 and is expected to increase to RMB1,952.2 million in 2025 and RMB9,568.2 million in 2030, representing CAGRs of 135.5% and 37.4%, respectively.

Key players in the global cognitive impairment DTx market (outside China) include companies that offer cognitive training interactive games, cognitive behavioral therapies, health monitoring systems and other types of cognitive impairment DTx products. As of the Latest Practicable Date, there were approximately nine FDA-approved products by approximately six key global players covering cognitive impairment induced by various indications.

In China, as of the Latest Practicable Date, approximately 30 cognitive impairment DTx products by approximately 25 players, including our Company, had been approved by the NMPA or its local counterparts, and at least 15 cognitive impairment DTx products by approximately 15 players are currently in the process of clinical trials and obtaining relevant medical device registration certificates, as of the Latest Practicable Date, according to Frost & Sullivan. We are the first company in China that has developed a medical-grade DTx product for cognitive impairment. We have a 25.0% market share in China's cognitive impairment DTx market and 91.6% market share in China's medical-grade cognitive impairment DTx market in terms of revenue in 2023, according to Frost & Sullivan. For more information, see "Industry Overview—Cognitive Impairment DTx Market—Competitive Landscape of Cognitive Impairment DTx."

Our System targets a variety of cognitive impairment indications, covering the assessment and intervention of four major types of cognitive impairment: vascular disease induced cognitive impairment (the "**VDCI**"), Neurodegenerative disease induced cognitive impairment (the "**NCI**"), Psychiatric disorder induced cognitive impairment (the "**PCI**"), and Child development deficiency induced cognitive impairment (the "**CDDCI**").

Key players in the global VDCI DTx market (outside China) include one company that offers at least two FDA-approved VDCI DTx products. In China, a total of approximately 22 VDCI DTx products by approximately 20 players, including our Company, had been approved by the NMPA or its local counterparts, and at least five VDCI DTx products by five players were in the process of clinical trials and obtaining relevant medical device registration certificates, as of the Latest Practicable Date, according to Frost & Sullivan.

Key players in the global NCI DTx market (outside China) include at least one player that offers at least two FDA-approved NCI DTx products. In China, a total of approximately 22 NCI DTx products by approximately 20 players, including our Company, had been approved by the NMPA or its local counterparts, and at least ten more NCI DTx products by at least ten players were in the process of clinical trials and obtaining relevant medical device registration certificates, as of the Latest Practicable Date, according to Frost & Sullivan.

Key players in the global PCI DTx market (outside China) include six companies that offer at least eleven FDA-approved PCI DTx products. In China, a total of approximately 20 PCI DTx products by approximately 18 players, including our Company, have been approved by the NMPA or its local counterparts, and at least three additional PCI DTx products by at least three players are currently in the process of clinical trials and obtaining relevant medical device registration certificates, as of the Latest Practicable Date, according to Frost & Sullivan.

Key players in the global CDDCI DTx market (outside China) include at least two companies that offer at least two FDA-approved CDDCI DTx products. In China, a total of approximately 14 CDDCI DTx products by at least 12 players, including our Company, have been approved by the NMPA or its local counterparts, and at least ten CDDCI DTx products by at least ten players are currently in the process of clinical trials and obtaining relevant medical device registration certificates, as of the Latest Practicable Date according to Frost & Sullivan.

RESEARCH AND DEVELOPMENT

We focus our R&D efforts on developing innovative cognitive impairment medical technologies and solutions to assess and intervene in patients' cognitive impairment caused by a variety of diseases. We have devoted significant resources to building up our R&D capabilities and technological infrastructure, enabling us to stay abreast of the latest technology trend in the DTx industry, provide clinically advanced new products and enhance the efficacy, ease of use, safety and reliability of our products, as well as expand their applications, as appropriate.

As a result of our investment in our R&D capabilities, we have independently developed critical components of the System including the underlying AI models that power the System comprising (i) the adaptive collaborative intervention model, which combines different AI models to give optimal treatment recommendations for patients and is designed to ensure that the training content stimulates the appropriate neural networks; and (ii) the large language model, which is designed to perform semantic analysis and response interpretation to allow the System to better understand patient input, and is the result of our adaptation of an open-source large language model. We are also independently developing our multimodal cognitive computing model, which uses various data such as a patient's speech, movement, and appearance to understand cognitive impairments and improve diagnosis and our multimodal affective computing model, which is designed to capture and analyze patients' changes in emotions and moods when responding to assessment questions or when conducting cognitive trainings. In terms of our virtual human technology, we have independently developed the critical technology components of speech correction, intention recognition and automated assessment and analysis.

We are also investing in integrating new advances in AI technology with traditional medical care, such as pursuing the multimodal cognitive computing model that are based on task-based assessment, which requires a technology to detect abnormalities within a few hundred milliseconds. As a result of our efforts, we have built AI-based DNN algorithms,

which enable the System to become highly self-adaptive. 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. We believe this dynamic and self-adaptive training leads to more personalized treatment and more favorable enhancement of cognitive functions for patients than traditional drug therapies, as measured by the MoCA scores and patients' response time, accuracy rate, improvement in training performance scores and length of user stay.

Virtual human technology automates patient interaction and other processes that were traditionally performed by physicians with patients on a one-on-one basis, which enables physicians to assess a large number of patients at once. Our virtual human technology comprises a series of technological capabilities obtained from third parties or independently developed by us. These capabilities include (i) speech recognition and correction; (ii) intention recognition; and (iii) automated assessment and analysis. As a result of the abovementioned automated processes, our virtual human technology breaks through the constraints of traditional clinical assessment standards such as the MMSE and MoCA. These traditional standards typically require medical professionals to personally conduct one-on-one assessments, which lack efficiency as medical professionals can only ask, record and explain assessment questions and responses one patient at a time. In terms of virtual human technology, we have developed the key operative technology components of the virtual human technology, namely speech correction, intention recognition and automated assessment and analysis technologies.

These R&D efforts also help us maintain the advantages of the System and facilitate the development of other products and product candidates. In particular, these efforts (i) will enable us to expand the use of the System to other indications, thereby increasing the versatility of the System compared to other cognitive DTx products; and (ii) have the potential to improve the user experience of our products by facilitating more genuine human-machine interactions, more accurate assessment and more personalized intervention, thereby helping us to maintain the System's advantage and facilitate further expansion of our product pipelines.

Our exceptional R&D capability has earned the recognition of various industry authorities. For example, in January 2024, the Chinese Medical Association (中華醫學會) awarded us the 2023 Chinese Medical Science and Technology Prize-First Place (2023年中華醫學科技獎-一等獎) a prestigious award that recognizes advances in various categories of medical science and technology for innovation related to our System. For a list of our other awards, see "Business—Awards and Recognitions."

SALES AND MARKETING

We had commercialized our System for eight indications and obtained regulatory approvals for three additional products as of the Latest Practicable Date. For details of our commercialized products, see "Business—Our Product Pipeline."

Our Marketing Model

We focus our selling and distribution efforts on establishing relationships with hospitals, which were our primary customers during the Track Record Period. We seek to raise the profile of our technologies and products in the medical community and encourage their adoption, primarily through (i) collaborations with top hospitals and research institutions; (ii) collaborations with key opinion leader(s) (the "**KOL(s)**"); (iii) regular organization and participation in various academic conferences and (iv) promotional efforts to individual patients who have experienced our products in hospitals and may wish to continue purchasing our products for use in their homes. We did not engage distributors for the selling and distributions of our services and products during the Track Record Period.

Collaborations with Top Hospitals and Research Institutions

As of the Latest Practical Date, we had helped more than 80 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. In addition, our collaborations with hospitals, universities and other research institutions are critical in our ability to offer research projects services. We provide the System as well as technical and operational support services to customers to facilitate their cognitive impairment research projects.

Collaborations with KOLs

We rely on KOLs, in particular, those who have used our products, to introduce and recommend our products to physicians and hospitals through academic events. When selecting KOLs for such events, we consider factors such as the participating physicians' vocational affiliation, the purpose and scale of the event, as well as the KOL candidate's academic and professional backgrounds, medical specialties and reputation in the industry. We also consider whether they have participated in clinical studies or published academic articles related to our products and technologies. All of our KOLs are Independent Third Parties. We provide these KOLs with detailed information of our products and help them make independent comparisons among competing products in the market.

Academic Conferences

We regularly organize and participate in various academic conferences, which include international and provincial conferences, regional conferences, as well as smaller events for specific hospital departments, to continuously enhance our brand recognition.

Promotion Efforts on Individual Patients

We have also ramped up our promotional efforts to individual patients who have experienced our products in hospitals and may wish to continue purchasing our products for use in their homes. Through patient marketing campaign designed to reach consumers who are aware of their medical condition and are either currently being treated or looking at medical options, we seek to empower these consumers through patient engagement to have a say in their treatment by giving them direct access to information about relevant products or services.

Pricing

The prices we charge hospitals for provision of the System integral software solutions in hospitals are primarily determined by the pricing based on negotiations between the hospitals and us with reference to the relevant provincial health insurance reimbursement lists. We invoice the hospitals periodically based on the number of times our products are used by these hospitals to assess and treat patients during the period. As of the Latest Practicable Date, our System had been included in the health insurance reimbursement lists in 30 provinces in China. For patients who purchase our System integral software solutions out of hospitals, we charge a subscription fee which enables them to access and train with our System and receive related support services for a certain period of time from the comfort of their own homes. As of the Latest Practicable Date, the price for cognitive training in hospitals ranges from approximately RMB10.0 to RMB930.0 per session, depending on the training content and number of training sessions actually received by the patient. The prices for out-of-hospital subscription range from approximately RMB480.0 to RMB5,600.0 with subscription periods of one month to one year. For our research projects services, we charge our customers on a cost-plus basis, taking into account the amount of staff resources and other costs of providing data analytics and system development services, plus a margin determined on an individual basis depending on characteristics of each project, such as (i) the degree to which our customers rely on our System to conduct research projects; (ii) the level of labor intensity of a project; and (iii) case-by-case negotiations with customers. Due to the tailored nature of research project services, the price we charge for research project services can range from approximately RMB50,000 to RMB10.0 million. For our sale of integrated equipment and user accounts, the typical selling price for each equipment alone was approximately RMB3,000, and the typical selling price for each user account is approximately RMB1,000, which is primarily determined by costs plus a reasonable margin acceptable to customers. For our training facilitation service, we charge approximately RMB2,000 to RMB3,000 service fee per attendee based on the type of training attendees when they sign up for the training.

CUSTOMERS

Our customers primarily include (i) hospitals from which we generate revenue for provision of the System integral software solutions in hospitals; (ii) individual patients from whom we generate revenue for provision of the System integral software solutions out of hospitals; and (iii) hospitals, universities, and other research institutions from which we generate research project revenue. See "Financial Information—Description of Selected Components of Statements of Profit or Loss—Revenue" for more details. As of the Latest Practicable Date, we had generated sales revenue for the System from 122 hospitals. The total revenue generated from our top five customers was RMB8.3 million and RMB50.8 million in 2022 and 2023, respectively, accounting for 73.1% and 75.6%, respectively, of our total revenue during the same periods. Revenue from our largest customer was RMB4.4 million and RMB26.8 million in 2022 and 2023, respectively, accounting for 39.1% and 39.9%, respectively, of our total revenue during the same periods.

SUPPLIERS

Our major suppliers primarily provide us (i) certain research and development services; (ii) operational support provided to cognitive centers on our behalf; (iii) suppliers of certain hardware on which our products run; and (iv) marketing and promotion service providers. Our suppliers are primarily located in China. We have established stable relationships with many of our key suppliers.

The total purchases from our top five suppliers were RMB13.8 million and RMB39.2 million in 2022 and 2023, respectively, accounting for 46.4% and 43.9%, respectively, of our total purchases during the same periods. Purchases from our largest supplier were RMB3.8 million and RMB16.7 million in 2022 and 2023, respectively, accounting for 12.7% and 18.7%, respectively, of our total purchases during the same periods.

MANUFACTURING

We have third-party vendors who manufacture the hardware on which our products run. We do not own or operate any manufacturing facilities.

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we had 177 registered trademarks, 36 granted patents, 75 registered software copyrights and filed 75 patent applications in China, as well as eight pending patent applications overseas.

As of the Latest Practicable Date, in relation to the System, we had 29 granted patents and 33 filed patent applications. Our Directors believe that such patent and patent applications have covered all the key characteristics of the System and the possibilities of us failing to operate and commercialize the System in China due to any objection or claim from other market players concerning similar technologies or features underlying their registered patents or patent applications is remote. As of the Latest Practicable Date, to our best knowledge, there was no pending opposition by any third party against, nor any other circumstances which has any material adverse effect on, our patent applications filed in China.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the [**REDACTED**] and the [**REDACTED**] (on the basis that all the Preferred Shares are converted into Shares on a one-to-one basis and assuming that the [**REDACTED**] is not exercised), Mr. Tan and Dr. Wang, acting in concert pursuant to the Offshore AIC Agreement, will together control the voting rights of approximately [**REDACTED**]% of the total issued share capital of our Company, including:

(i) the voting rights of such Shares, representing approximately [**REDACTED**]% of the total issued share capital of our Company, held by ZTan Limited, a BVI company wholly-owned by Mr. Tan;

(ii) the voting rights of such Shares, representing approximately [**REDACTED**]% of the total issued share capital of our Company, held by Wispirits Limited, a BVI company wholly-owned by Dr. Wang;

(iii) the voting rights of such Shares, representing approximately [**REDACTED**]% of the total issued share capital of our Company, held by Wiseforward Limited, a BVI company and a close associate of Dr. Wang, in which Dr. Wang controls all voting rights through (a) direct shareholding as to 17.61% in Wiseforward Limited, and (b) proxy of the voting rights of all remaining shares of Wiseforward Limited granted by the relevant shareholders thereof to Dr. Wang since Wiseforward Limited first became a Shareholder;

(iv) the voting rights of such Shares, representing approximately [**REDACTED**]% of the total issued share capital of our Company, held by Neurobright Limited, a BVI company and a close associate of Dr. Wang, in which Dr. Wang controls all voting rights through (a) direct shareholding as to 32.82% in Neurobright Limited, and (b) proxy of the voting rights of all remaining shares of Neurobright Limited granted by the relevant shareholders thereof to Dr. Wang since the date when Neurobright Limited first became a Shareholder; and

(v) pursuant to the Voting Proxy Agreements (as summarized below), the voting rights of such Shares, representing approximately [**REDACTED**]% in aggregate of the voting rights of our Company, which include [**REDACTED**]%, and [**REDACTED**]%, held by the Proxy Grantors, being (a) Healthblooming Limited and (b) Integriness Limited, respectively.

Accordingly, Mr. Tan and Dr. Wang, together with their respective close associates, namely ZTan Limited, Wispirits Limited, Wiseforward Limited and Neurobright Limited, are the Controlling Shareholders of our Company.

For the background of our Controlling Shareholders, see the sections headed "Directors and Senior Management" and "History, Reorganization and Corporate Structure".

Offshore AIC Agreement

Pursuant to the Offshore AIC Agreement, and not taking into account the voting rights of the Proxy Grantors entrusted through the Voting Proxy Agreements, Mr. Tan and Dr. Wang will together control the voting rights of approximately [**REDACTED**]% of the total issued share capital of our Company, being the aggregate voting rights controlled by the Offshore AIC Parties immediately after the completion of the [**REDACTED**] and the [**REDACTED**] (on the basis that all the Preferred Shares are converted into Shares on a one-to-one basis and assuming the [**REDACTED**] is not exercised). For the details of the Offshore AIC Agreement, see the section headed "History, Reorganization and Corporate Structure — Acting in Concert Arrangements — Offshore AIC Agreement."

Voting Proxy Agreements

Following the initial investments in our Group by the onshore affiliates of the respective Proxy Grantors prior to the Reorganization, and taking into account the increase in the value of their investments thereafter attributable to the sustained business development of the Group, each of the Proxy Grantors, being Healthblooming Limited and Integriness Limited, has developed confidence in the management of the Group under the supervision of Mr. Tan. Accordingly, to (i) further affirm the Proxy Grantors' support and faith in the commercial direction and guidance of Mr. Tan to act in a manner that is aligned with the interests of our Group (including attaining our long-term business prospects and strategic objectives) and our Shareholders as a whole; (ii) reflect the importance of Mr. Tan's vision and leadership in our Group's continued growth; and (iii) enable Mr. Tan to further consolidate his control in our Group and continue to drive the Group's development, the Proxy Grantors entered into the Voting Proxy Agreements dated August 6, 2023, with Mr. Tan. Pursuant to the Voting Proxy Agreements dated August 6, 2023, Mr. Tan is entitled to exercise, in his sole discretion, all rights as the Shareholders of our Company on behalf of the Proxy Grantors, in relation to the Shares representing approximately [**REDACTED**]% of the total issued share capital of our Company held by the Proxy Grantors immediately after the completion of the [**REDACTED**] and the [**REDACTED**] (on the basis that all the Preferred Shares are converted into Shares on a one-to-one basis and assuming the [**REDACTED**] is not exercised), according to the applicable laws and rules with respect to corporate governance, including but not limited to the voting rights of Shareholders at shareholder meetings.

The Voting Proxy Agreements took immediate effect upon the date thereof and shall continue in force so long as each of the Proxy Grantors holds any Share in our Company subject to the relevant Voting Proxy Agreement.

As a result of the arrangements set out above, Mr. Tan and Dr. Wang are entitled to control approximately [**REDACTED**]% in aggregate of the voting rights of our Company, being the aggregate voting rights held by the Proxy Grantors, immediately after the completion of the [**REDACTED**] and the [**REDACTED**] (on the basis that all the Preferred Shares are converted into Shares on a one-to-one basis and assuming the [**REDACTED**] is not exercised).

OUR [REDACTED] INVESTORS

Since the establishment of our Group, we have entered into several rounds of financing agreements with our [**REDACTED**] Investors, which include professional investors principally engaged in equity investments in the healthcare sector. Among our [**REDACTED**] Investors, Northern Light Strategic Fund IV L.P., Northern Light Venture Fund IV L.P. and Northern Light Partners Fund IV L.P. are Sophisticated Investors having made meaningful third-party investment in our Company. For further details of the identity and background of our [**REDACTED**] Investors, and the principal terms of the [**REDACTED**] Investments, see the section headed "History, Reorganization and Corporate Structure — [**REDACTED**] Investments."

SUMMARY OF KEY FINANCIAL INFORMATION

This summary historical data of financial information set forth below have been derived from, and should be read in conjunction with, our consolidated financial statements, including the accompanying notes, set forth in the Accountants' Report set out in Appendix I to this Document, as well as the information set forth in "Financial Information" of this Document. Our financial information was prepared in accordance with IFRS.

Description of Selected Components of Statements of Profit or Loss

The following table sets forth our consolidated statements of profit or loss and other comprehensive income with line items in absolute amounts and as percentages of our revenue for the periods indicated, which are derived from our consolidated statements of profit or loss and other comprehensive income set out in the Accountants' Report included in Appendix I to this Document:

	For the year ended December 31,	
	2022	**2023**
	RMB'000	*RMB'000*
Revenue	11,291	67,200
Cost of sales	(7,994)	(35,136)
Gross profit	**3,297**	**32,064**
Other income	3,915	2,079
Other gains and losses, net	3,098	2,318
Fair value loss of financial liabilities at fair value through profit or loss ("FVTPL")	(385,886)	(165,216)
Impairment loss under expected credit loss ("ECL") model, net of reversal	(50)	(848)
Selling and distribution expenses	(11,928)	(38,399)
Administrative expenses	(27,762)	(54,398)
Research and development expenses	(67,627)	(90,733)
Finance costs	(19,223)	(20,216)
[**REDACTED**] expenses	[**REDACTED**]	[**REDACTED**]
Other expenses	(295)	–
Loss before tax	(502,461)	(359,116)
Income tax expense	–	–
Loss and total comprehensive expense for the year	**(502,461)**	**(359,116)**
Loss for the year attributable to:		
Owners of the Company	(502,452)	(359,083)
Non-controlling interests	(9)	(33)

The following table sets forth a breakdown of our revenue, gross profit and gross margin by types of solutions and services during the periods indicated.

	For the year ended December 31,					
	2022			2023		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
	RMB'000	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*
Provision of the System integral software solutions						
In hospitals	4,075	686	16.8	41,224	20,399	49.5
Out of hospitals	1,095	470	42.9	5,723	3,333	58.2
Subtotal	**5,170**	**1,156**	**22.4**	**46,947**	**23,732**	**50.6**
Research projects	5,993	2,035	34.0	14,290	4,784	33.5
Training facilitation service	–	–	–	5,085	2,891	56.9
Others	128	106	82.8	878	657	74.8
Total/overall	**11,291**	**3,297**	**29.2**	**67,200**	**32,064**	**47.7**

The increases in our revenue and gross margin are primarily due to (i) an increase in the number of hospitals to which we provided the System integral software solutions, as well as the number of times the System integral software solution was utilized by patients in hospitals and out of hospitals; (ii) an increase in research projects we undertook; and (iii) our launch of training facilitation service in 2023. See "Financial Information–Period-to-Period Comparison" for an explanation of fluctuations of our revenue, gross profit and gross margin, among other items.

Non-IFRS Measures

To supplement our consolidated statements 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 [**REDACTED**] 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 [**REDACTED**]; 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.

The following table reconciles adjusted net loss (non-IFRS measure) for the years/periods 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,	
	2022	**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	(502,461)	(359,083)
Add:		
Fair value loss of financial liabilities at FVTPL	385,886	165,216
Share-based payments	–	44,873
Adjusted net loss (non-IFRS measure)	**(116,575)**	**(148,994)**

Our loss and total comprehensive expense for the year decreased from RMB502.5 million in 2022 to RMB359.1 million in 2023, primarily due to an RMB165.2 million decrease in fair value loss of financial liabilities at FVTPL, partially offset by an increase in operating expenses and finance costs as we expanded the scale of our operations.

Description of Selected Components of Statements of Financial Position

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated, which have been extracted from the Accountants' Report set out in Appendix I to this Document:

	As of December 31,	
	2022	**2023**
	RMB'000	*RMB'000*
Total non-current assets	110,914	92,130
Total current assets	307,174	302,724
Total assets	**418,088**	**394,854**
Total current liabilities	35,621	392,884
Net current assets/(liabilities)	**271,553**	**(90,120)**
Total non-current liabilities	1,476,710	334,191
Total liabilities	**1,512,331**	**731,080**
Net liabilities	**(1,094,243)**	**(332,181)**

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

	As of December 31,		As of January 31,
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Current assets			
Contract costs	251	4,094	6,292
Trade and other receivables and prepayments	19,674	76,053	89,998
Amounts due from related parties	29	–	–
Financial assets at FVTPL	228,789	–	–
Restricted bank deposit	–	165,000	173,000
Term deposits	30,180	–	–
Bank balances and cash	28,251	57,577	48,462
Total current assets	**307,174**	**302,724**	**317,752**

	As of December 31,		As of January 31,
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Current liabilities			
Trade and other payables	17,746	43,261	51,464
Contract liabilities	1,023	3,804	6,568
Amounts due to related parties	2,364	–	–
Lease liabilities	7,523	7,927	7,771
Bank and other borrowings	6,965	22,083	22,553
Deferred Income	–	225	225
Financial liabilities at FVTPL	–	315,544	319,589
Total current liabilities	**35,621**	**392,844**	**408,170**
Net current assets/(liabilities)	**271,553**	**(90,120)**	**(90,193)**

We had net current assets of RMB271.6 million as of December 31, 2022, and had net current liabilities of RMB90.1 million as of December 31, 2023. The change was primarily due to (i) an RMB315.5 million increase in current portion of financial liabilities at FVTPL in relation to the issuance of Series A-1 Preferred Shares in July 2023 in exchange for termination of preferential rights of certain investor; and (ii) an RMB228.8 million decrease in financial assets at FVTPL resulting from our redemption of financial products; partially offset by an RMB165.0 million increase in restricted bank deposits.

Our net current liabilities remained relatively stable at RMB90.2 million as of January 31, 2024.

Net Liabilities

Our net liabilities decreased from RMB1,094.2 million as of December 31, 2022 to RMB332.2 million as of December 31, 2023, primarily due to (i) an RMB1,012.3 million reclassification from financial liabilities at FVTPL to equity when preferential rights for certain [**REDACTED**] investors were terminated; and (ii) an RMB64.0 million capital injection from our financing transactions in 2023, which is partially offset by an RMB359.1 million in loss and total comprehensive expense for the year.

Upon [**REDACTED**], our preferred shares will be re-designated from liabilities to equity as a result of the automatic conversion into ordinary shares at [**REDACTED**], which we expect will turn our net liabilities position into net assets position.

Selected Data of Consolidated Statements of Cash Flows

The following table sets forth selected data from our consolidated statements of our cash flows for the periods indicated:

	For the year ended December 31,	
	2022	**2023**
	RMB'000	*RMB'000*
Net cash used in operating activities	(100,680)	(136,872)
Net cash (used in)/from investing activities	(334,462)	102,553
Net cash from financing activities	139,647	63,527
Net (decrease)/increase in cash and cash equivalents	(295,495)	29,208
Cash and cash equivalents at the beginning of the year	323,740	28,251
Cash and cash equivalents at the end of the year	28,251	46,315

In 2023, our net cash used in operating activities was RMB136.9 million, which was primarily attributable to loss before tax of RMB359.1 million, adjusted for non-cash and non-operating items. Positive adjustments for non-cash and non-operating items primarily include fair value loss of financial liabilities at FVTPL of RMB165.2 million, recognition of equity-settled share-based payments of RMB44.9 million, finance costs of RMB20.2 million, depreciation of property, plant and equipment of RMB13.8 million and depreciation of right-of-use assets of RMB7.0 million; and negative adjustments for non-cash and non-operating items include fair value gains on financial assets at FVTPL of RMB2.7 million and interest income of RMB2.1 million. The amount was then adjusted by changes in working capital, primarily including increase in trade and other receivables and prepayments of RMB48.0 million and an increase in trade and other payables of RMB23.4 million.

In 2022, our net cash used in operating activities was RMB100.7 million, which was primarily attributable to loss before tax of RMB502.5 million, adjusted for non-cash and non-operating item. Positive adjustments for non-cash and non-operating items primarily include fair value loss of financial liabilities at FVTPL of RMB385.9 million, finance costs of RMB19.2 million, depreciation of right-of-use assets of RMB6.6 million, and depreciation of property, plant and equipment of RMB5.7 million; and negative adjustments for non-cash and non-operating items include interest income of RMB3.9 million and fair value gains on financial assets at FVTPL of RMB3.2 million. The amount was then adjusted by changes in working capital, primarily including increase in trade and other receivables and prepayments of RMB11.8 million and increase in trade and other payables of RMB2.1 million.

WORKING CAPITAL

The Directors are of the opinion that, taking into account of the following financial resources available to us described below, we have sufficient working capital to cover at least 125% of our costs, including R&D expenses, selling and distribution expenses, administrative expenses, finance costs and other expenses for at least the next 12 months from the date of this Document:

- our future operating cash flows;
- our cash and cash equivalents as of the Latest Practicable Date;
- available equity and debt financing; and
- the estimated net [**REDACTED**] from the [**REDACTED**].

Our cash burn rate refers to the average monthly (i) net cash used in operating activities, which includes research and development expenses, and (ii) capital expenditures. We had bank balances and cash of RMB57.6 million as of December 31, 2023. We estimate that we will receive net [**REDACTED**] of approximately HK$[**REDACTED**] million after deducting the [**REDACTED**] fees and expenses payable by us in the [**REDACTED**], assuming no [**REDACTED**] is exercised and assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], being the mid-point of the indicative [**REDACTED**] range of HK$[**REDACTED**] to HK$[**REDACTED**] per [**REDACTED**] in this Document. Assuming an average cash burn rate going forward of the level in 2023, we estimate that our cash and cash equivalents, the current portion of restricted bank deposits and the current portion of financial assets as of December 31, 2023 will be able to maintain our financial viability for at least [**REDACTED**] or, if we also take into account the estimated net [**REDACTED**] from the [**REDACTED**], for at least [**REDACTED**]. We will continue to monitor our cash flows from operations closely and expect to raise our next round of financing.

KEY FINANCIAL RATIOS

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

	For the year ended/ As of December 31,	
	2022	**2023**
Gross margin	29.2%	47.7%
Current ratio[(1)]	8.6	0.8
Average trade payables turnover days[(2)]	43.8	52.0
Average trade receivables turnover days[(3)]	153.3	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 365 days.

(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 365 days.

Our gross margin was 29.2% and 47.7% in 2022 and 2023, respectively. See "Financial Information—Period-to-Period Comparison" for more details.

Our current ratio decreased significantly from 8.6 as of December 31, 2022 to 0.8 as of December 31, 2023, primarily due to the significant increase of the current portion of the financial liabilities at FVTPL. See "Financial Information—Net Current Assets" for further detailed explanations on current assets and current liabilities.

The average trade payables turnover days were 43.8 days in 2022 and 52.0 days in 2023. The increase in average trade payables turnover days from 2022 to 2023 was primarily due to longer payment settlement periods with respect to suppliers.

The average trade receivables turnover days were 153.3 days in 2022 and 160.7 days in 2023. The increase in average trade receivables turnover days from 2022 to 2023 was primarily due to the significant increase in trade receivables in 2023 as we served more cognitive centers.

[REDACTED]

SUMMARY

[**REDACTED**]

[**REDACTED**]

DIVIDEND

No dividend has been proposed, paid or declared by our Company since our incorporation till the Latest Practicable Date.

We are a holding company incorporated in the Cayman Islands. We may need dividends and other distributions on equity from our PRC subsidiaries to satisfy our liquidity requirements. Current PRC regulations permit our PRC subsidiaries to pay dividends to us only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, our PRC subsidiaries are required to set aside at least 10.0% of their respective accumulated profits each year, if any, to fund certain reserve funds until the total amount set aside reaches 50.0% of their respective registered capital. Our PRC subsidiaries may also allocate a portion of its after-tax profits based on PRC accounting standards to employee welfare and bonus funds at their discretion. These reserves are not distributable as cash dividends. Furthermore, if our PRC subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us.

We currently expect to retain all future earnings for use in the operation and expansion of our business and do not anticipate paying cash dividends in the foreseeable future. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Act. The declaration and payment of any dividends in the future may be determined by our Board as it thinks fit, and will depend on a number of factors, including our earnings, capital requirements, overall financial condition and contractual restrictions. Our shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. As advised by our Cayman counsel, under the Cayman Companies Act a Cayman Islands company may pay a dividend out of either profits or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. In light of our accumulated losses as disclosed in this Document, it is unlikely that we will be eligible to pay a dividend out of our profits in the foreseeable future. We may, however, pay a dividend out of our share premium account unless the payment of such a dividend would result in our Company being unable to pay our debts as they fall due in the ordinary course of business. There is no assurance that dividends of any amount will be declared to be distributed in any year.

FUTURE PLANS AND USE OF [REDACTED]

We estimate that we will receive net [**REDACTED**] from the [**REDACTED**] of approximately HK$[**REDACTED**] million, after deducting [**REDACTED**] commissions, fees and estimated expenses payable by us in connection with the [**REDACTED**], assuming no [**REDACTED**] is exercised and assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the mid-point of the indicative [**REDACTED**] in this Document. Assuming an [**REDACTED**] at the mid-point of the indicative [**REDACTED**] range, we intend to use the net [**REDACTED**] we will receive from this [**REDACTED**] for the following purposes, subject to changes in light of our evolving business needs and changing market conditions:

- approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**] million, is expected to be used for conducting further research and development activities, advancing clinical trials for more indications, and advancing selling and distribution activities of our Core Product, the System;

- approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**] million, 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;

- approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**] million, is expected to be used for strengthening our capabilities in AI and related technologies;

- approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**] million, is expected to be used for accelerating the research, development and commercialization of other product candidates in and beyond our current product pipeline;

- approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**] million, is expected to be used for brain science and DTx research centers in collaboration with academic institutions and hospitals; and

- approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**] million, is expected to be used for our working capital and other general corporate purposes.

For further details, see "Future Plans and Use of [**REDACTED**]."

RISK FACTORS

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. These risks are set out in "Risk Factors" in this Document. Some of the major risks we face include:

- Our future growth depends substantially on the successful development of our product portfolio. 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. The success of our products and product candidates will depend on several factors, such as successful patient enrollment, favorable data, obtaining necessary regulatory approvals, satisfactory performances by third parties, among other factors. If we are not successful in one or more of these factors in a timely manner, or at all, we could experience significant delays or be unable to obtain the necessary approval for and/or to successfully expand commercialized indications of our System or to commercialize our other product candidates, which may have a materially adverse effect on our business and may result in us not being able to generate sufficient revenue and cash flow to continue our research, development and general business operations.

- DTx industry is developing rapidly. 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. We cannot assure you that we will be able to successfully identify new technological opportunities, enhance or adapt to new technologies and methodologies, develop new products, or improve or expand the indication coverage of our existing products in a timely manner. Our products and relevant technologies may be rendered obsolete or less competitive due to changing customer preferences or the introduction by our competitors of products with newer technologies or features or other factors.

- 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, including incurring additional costs, experiencing delays in completing, or ultimately being unable to complete the development and commercialization of our product if clinical trials fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities.

- 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. If our algorithms cannot access abundant and accurate information input to enable it to train and iterate properly, or if our DNN or other algorithms cannot achieve the intended training and iteration, the efficiency and efficacy of our System may be lower due to suboptimal task recommendation and poorly personalized training sessions, which could materially adversely affect our business operations and results of operations.

- We have relatively limited experience in marketing and sales of our products, and rely on our in-house marketing force to promote our products. 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. In addition, we plan to continue to strengthen our cooperative relationship with hospitals and physicians for enhancing our product awareness in the market. However, such promotional activities may not be as effective as we expected, or may be impeded by unanticipated events, which may cause a decline of our sales revenue, and have a material adverse effect on our business, financial condition and results of operations.

- We mainly derived our revenue from services provided through our System. 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, including downward pricing pressure caused by changes in medical insurance coverage, binding pricing guidance, market competition, expiration of patent protection, introduction of substitute products marketed by our competitors, disruptions in sales, issues with respect to product quality or severe adverse events incurred, and disputes over intellectual property or other matters with third parties. Failure to achieve the anticipated revenue of the System may have a material adverse impact on our business and results of operations.

- The regulatory framework for DTx products is constantly evolving. Increasingly stringent regulatory requirements could create barriers to our development and introduction of new products. Conversely, in the event that regulatory requirements are lowered, competitors could potentially enter the DTx market and compete against us more easily. If the DTx regulation in China no longer grants Class II or Class III medical device classification to DTx products, and the accompanying clinical validation of DTx safety and efficacy is no longer required for such regulatory approval, it may significantly lower our competitive advantages and entry barriers for potential players to launch products that may compete with ours.

- We have been in a net loss position since our inception and may continue to incur net losses for the foreseeable future, and you may lose substantially all your [**REDACTED**] in us given the high risks and uncertainties associated with our business operations and the cognitive impairment DTx industry.

- Our results of operations, financial condition, and prospects may be adversely affected by fair value changes in our financial liabilities at FVTPL.

- The permit, filing or other requirements of the CSRC or other PRC government authorities in relation to our proposed [**REDACTED**] or further capital raising activities may be required under PRC laws. We cannot assure you that we could meet the relevant requirements, obtain necessary permit from the relevant government authorities, or complete such filing in a timely manner or at all. Any failure may restrict our ability to complete the proposed [**REDACTED**] or any future capital raising activities, which would have a material adverse effect on our business and financial positions.

- 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.

[**REDACTED**] EXPENSES

The total [**REDACTED**] expenses payable by our Company are estimated to be approximately HK$[**REDACTED**] representing [**REDACTED**]% of the total gross [**REDACTED**] from the [**REDACTED**], assuming the [**REDACTED**] is not exercised and based on an [**REDACTED**] of HK$[**REDACTED**] (being the mid-point of our [**REDACTED**] range of HK$[**REDACTED**] to HK$[**REDACTED**] per [**REDACTED**]). These [**REDACTED**] expenses mainly comprise legal and other professional fees paid and payable to the professional parties, commissions payable to the [**REDACTED**], and printing and other expenses for their services rendered in relation to the [**REDACTED**] and the [**REDACTED**].

Approximately HK$[**REDACTED**] of such [**REDACTED**] expenses is expected to be charged to our consolidated statements of profit or loss, and approximately HK$[**REDACTED**] of which is expected to be deducted from equity (relating to [**REDACTED**] expenses directly attributable to the issue of shares).

The following table sets forth a breakdown of the [**REDACTED**] expenses for the [**REDACTED**] based on the mid-point [**REDACTED**] of HK$[**REDACTED**].

[**REDACTED**] **Expenses**	**Based on an [REDACTED] of HK$[REDACTED]** *HK$ '000*
[**REDACTED**] related expenses	
Legal and audit expenses	[**REDACTED**]
Other expenses	[**REDACTED**]
[**REDACTED**] related expenses	[**REDACTED**]
Total	[**REDACTED**]

During the Track Record Period, the amount of the [**REDACTED**] expenses charged to our consolidated statements of profit or loss was [**REDACTED**] and RMB[**REDACTED**] in 2022 and 2023, respectively, and the amount of the [**REDACTED**] expenses charged to prepayment which will be deducted in equity upon [**REDACTED**] was [**REDACTED**] and RMB[**REDACTED**] in 2022 and 2023, respectively.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that up to the date of this Document, there has been no material adverse change in our financial, operational or trading positions or prospects since December 31, 2023, being the end of the period reported on as set out in the Accountants' Report included in Appendix I to this Document.

In this Document, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed "Glossary of Technical Terms" in this Document.

"510(k)" or "Section 510(k)" or "510(k) clearance process"	Section 510(k) of the Food, Drug and Cosmetic Act (21 CFR 807), which establishes the FDA's premarket notification requirements for demonstrating that a medical device is safe and effective before it is marketed in the United States
"Accountants' Report"	the accountants' report prepared by Deloitte Touche Tohmatsu, details of which are set out in Appendix I
"affiliate(s)"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	Accounting and Financial Reporting Council (會計及財務匯報局)
"Anding Hospital"	Beijing Anding Hospital of Capital Medical University (首都醫科大學附屬北京安定醫院)
"Anzhen Hospital"	Beijing Anzhen Hospital of Capital Medical University (首都醫科大學附屬北京安貞醫院)
"Articles of Association" or "Articles"	the third amended and restated articles of association of our Company adopted by special resolution on [●], 2024, with effect upon the [**REDACTED**], a summary of which is set out in "Summary of the Constitution of our Company and Cayman Companies Act" in Appendix III
"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 [**REDACTED**] Share Award Scheme
"Awarded Share(s)"	the Shares awarded by our Company pursuant to the [**REDACTED**] Share Award Scheme

"Beijing Children's Hospital"	Beijing Children's Hospital of Capital Medical University (首都醫科大學附屬北京兒童醫院)
"Beijing Zhijingling"	Beijing Zhijingling Technology Co., Ltd. (北京智精靈科技有限公司), a limited liability company established in the PRC on September 23, 2014 and wholly owned by BrainAurora Zhejiang, being one of our Major Subsidiaries
"Board," "Board of Directors" or "our Board"	the board of Directors
"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
"Business Day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI Subsidiary"	BrainAurora Limited, a business company with limited liability incorporated in the British Virgin Islands on April 28, 2023 and directly wholly owned by our Company
"CAGR"	compound annual growth rate

[**REDACTED**]

"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC

"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant

[**REDACTED**]

"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Operational Procedures"	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operation and functions of CCASS as from time to time in force
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CEO"	chief executive officer of our Company
"CFO"	chief financial officer of our Company

"Changsha Zhijingling"	Changsha Zhijingling Education Technology Co., Ltd. (長沙智精靈教育科技有限公司), a limited liability company established in the PRC on August 11, 2017 and wholly owned by BrainAurora Zhejiang, being one of our Major Subsidiaries
"Chaoyang Hospital"	Affiliated Beijing Chaoyang Hospital of Capital Medical University (首都醫科大學附屬北京朝陽醫院)
"China" or "PRC"	the People's Republic of China, but for the purpose of this Document and for geographical reference only and except where the context requires, excluding the Hong Kong Special Administrative Region, the Macao Special Administrative Region and the Taiwan region
"Circular 37"	the Notice of the SAFE on Issues Concerning Foreign Exchange Administration of the Overseas Investment and Financing and the Round-Tripping Investment Made by Domestic Residents through Special-Purpose Companies (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》)
"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 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company," "our Company" or "the 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, as further detailed in the section headed "Relationship with Our Controlling Shareholders"
"Core Product"	has the meaning ascribed thereto under Chapter 18A of the Listing Rules, and for the Company, means the System
"CSRC"	the China Securities Regulatory Commission
"De novo" or "De Novo Classification Request"	a process which allows a company to request that a new product classification be established without the company first submitting a 510(k) notification for the device
"Director(s)"	the directors of our Company
"Dr. Wang"	Dr. Wang Xiaoyi (王曉怡), an executive Director, CEO, chief research officer of the Company and a Controlling Shareholder
"EIT"	the PRC enterprise income tax
"EIT Law"	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》), as amended, supplemented or otherwise modified from time to time
"EUA" or "Emergency Use Authorization"	FDA approval under section 564 of the Federal Food, Drug, and Cosmetic Act of unapproved medical products or unapproved uses of approved medical products for emergency use to diagnose, treat, or prevent serious or life-threatening diseases or conditions caused by chemical, biological, radiological, or nuclear threat agents

"Extreme Condition(s)"	the occurrence of "extreme conditions" as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below
"FDA"	the Food and Drug Administration of the U.S.

[**REDACTED**]

"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an Independent Third Party
"Frost & Sullivan Report"	an independent market research report commissioned by us and prepared by Frost & Sullivan for the purpose of this Document

[**REDACTED**]

"Group," "our Group, "our," "we" or "us"	the Company and its subsidiaries from time to time or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"Guide for New Listing Applicants"	the Guide for New Listing Applicants issued by the Hong Kong Stock Exchange effective from January 1, 2024
"HK$" or "Hong Kong Dollars" or "HK Dollars" and "HK cents"	Hong Kong dollars, the lawful currency of Hong Kong

[**REDACTED**]

[**REDACTED**]

"HK Subsidiary"	BrainAurora (HK) Medical Technology Limited, a limited company incorporated in Hong Kong on May 11, 2023 and directly wholly owned by BVI Subsidiary
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

[**REDACTED**]

"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Takeovers Code" or "Takeover Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time

[**REDACTED**]

"Hunan MPA"	Hunan Medical Products Administration
"Independent Third Party(ies)"	any entity or person, to the best of our Directors' knowledge, information and belief having made all reasonable enquiries, who is not a connected person of our Company within the meaning ascribed to it under the Listing Rules

[**REDACTED**]

[**REDACTED**]

"Latest Practicable Date"	March 20, 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this Document prior to its publication
	[**REDACTED**]
"Listing Committee"	the listing committee of the Hong Kong Stock Exchange
	[**REDACTED**]
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"M&A Rules"	the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》)
"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

"Major Subsidiary(ies)"	collectively and individually, BrainAurora Zhejiang, Beijing Zhijingling and Changsha Zhijingling, as set out in "History, Reorganization and Corporate Structure — Our Major Subsidiaries"
"Memorandum" or "Memorandum of Association"	the third amended and restated memorandum of association of our Company adopted by special resolution on [●], 2024, with effect upon the [**REDACTED**], a summary of which is set out in "Appendix III — Summary of the Constitution of our Company and Cayman Companies Act"
"MOFCOM" or "Ministry of Commerce"	the Ministry of Commerce of the PRC (中華人民共和國商務部) (formerly known as the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外經濟貿易部))
"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
"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"	the National Medical Products Administration of China (國家藥品監督管理局) or, where the context so requires, its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局), or CFDA
"Nomination Committee"	the nomination committee of the Board
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)

[**REDACTED**]

[**REDACTED**]

"Offshore AIC Agreement"	the acting in concert agreement dated August 6, 2023 entered into between Mr. Tan, Dr. Wang, ZTan Limited and Wispirit Limited
"Offshore AIC Parties"	Mr. Tan, Dr. Wang, ZTan Limited and Wispirit Limited
"Onshore AIC Agreement"	the acting in concert agreement dated December 20, 2020 entered into between Mr. Tan, Dr. Wang, Shuhui LP, and Zhipan LP
"Onshore AIC Parties"	Mr. Tan, Dr. Wang, Shuhui LP, and Zhipan LP

[**REDACTED**]

"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC Legal Advisor"	Commerce & Finance Law Offices, our legal advisor on PRC laws in connection with the [**REDACTED**]
"[**REDACTED**] Share Award Scheme"	the share award scheme adopted by the Company on July 30, 2023, the principal terms of which are set out in "Statutory and General Information – Further Information about Our Company – [**REDACTED**] Share Award Scheme" in Appendix IV
"[**REDACTED**] Investment(s)"	the investment(s) in our Company undertaken by the [**REDACTED**] Investors prior to this [**REDACTED**], the details of which are set out in "History, Reorganization, and Corporate Structure"

[**REDACTED**]

"Document"	this document being issued in connection with the [**REDACTED**]
"province"	province in China refers to the highest level of local administrative areas under the direct jurisdiction of the Central People's Government, and there are currently provinces, autonomous regions, municipalities directly under the central government, and special administrative regions
"Proxy Grantors"	Healthblooming Limited and Integriness Limited, being the grantors of voting proxy pursuant to the Voting Proxy Agreements
"QIB"	a qualified institutional buyer within the meaning of Rule 144A
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), which has now been merged into the SAMR

"SAMR"	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
"SAT"	the State Taxation Administration of the PRC (中華人民共和國國家税務總局)
"Series A Preferred Shares" or "Preferred Shares"	series A preferred shares in the share capital of our Company with a par value of US$0.0001 each, consisting of the Series A-1 Preferred Shares and the Series A-2 Preferred Shares
"Series A-1 Preferred Shares"	series A-1 preferred shares in the share capital of our Company with a par value of US$0.0001 each
"Series A-2 Preferred Shares"	series A-2 preferred shares in the share capital of our Company with a par value of US$0.0001 each
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	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)"	ordinary shares in the share capital of our Company with a par value of US$0.0001 each
"Shareholder(s)"	holder(s) of our Share(s)
"Shenzhen BrainAurora"	Shenzhen BrainAurora Medical Technology Co., Ltd. (深圳腦動極光醫療科技有限公司), a limited liability company established in the PRC on October 17, 2023 and wholly owned by BrainAurora Zhejiang, being one of our subsidiaries
"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

"Sophisticated Investor(s)"	has the meaning ascribed to it under Chapter 2.3 of the Guide for New Listing Applicants issued by the Stock Exchange and, for the Company, means Northern Light Strategic Fund IV L.P., Northern Light Venture Fund IV L.P. and Northern Light Partners Fund IV L.P.
	[**REDACTED**]
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"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
"Track Record Period"	the period comprising two financial years ended December 31, 2022 and 2023
"U.S. Government"	the federal government of the United States, including its executive, legislative and judicial branches
"U.S. persons"	U.S. persons as defined in Regulation S
"U.S. Securities Act"	United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
	[**REDACTED**]
"United States," "USA" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"VAT"	value-added tax
"Voting Proxy Agreements"	the voting proxy agreements entered into between each of Healthblooming Limited and Integriness Limited with Mr. Tan, respectively, each dated August 6, 2023

"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 Trial"	the randomized controlled trial we initiated in December 2015 in cooperation with Xuanwu Hospital (one of the best hospital in neurology in China)
"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

Unless otherwise specified, all references in this Document to any shareholdings in our Company following the completion of the [**REDACTED**] *and the* [**REDACTED**] *assuming that the* [**REDACTED**] *is not exercised.*

For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in the Document in both the Chinese and English languages and in the event of any inconsistency, the Chinese version shall prevail. English translations of company names and other terms from the Chinese language are provided for identification purposes only.

Certain amounts and percentage figures included in the Document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

GLOSSARY OF TECHNICAL TERMS

This glossary contains definitions of certain terms used in this Document in connection with our Company and our business.

These terms and their definitions may not correspond to any industry standard definitions, and may not be directly comparable to similarly titled terms adopted by other companies operating in the same industries as our Company.

"active control group"	the group in a clinical research study that receives the other interventions being tested
"ADHD"	Attention Deficient Hyperactivity Disorder, one of the most common neurodevelopmental disorders in children, which is characterized by symptoms such as difficulty paying attention, difficulty controlling impulsive behavior and being overly active
"ADHD Software"	Attention Deficit Hyperactivity Disorder Assessment and Treatment Software
"ADHD RS-IV"	tests based on ADHD Rating Scale – IV
"AD" or "Alzheimer"	Alzheimer's disease, caused by the accumulation of abnormal protein structures in the brain, which leads to the death of brain cells and the shrinking of brain tissue, affecting patients' memory and thinking skills
"A&D Journal"	Alzheimer's & Dementia, a leading peer-reviewed journal representing a high academic level of clinical studies in cognitive impairment
"AI"	artificial intelligence
"AMCI trial"	Amnestic Mild Cognitive Impairment trial
"aphasia"	a language disorder caused by damage to parts of the brain that control speech and understanding of language
"assessment and intervention"	core activities that guide supports that a social worker provides to help service user in social work
"AQ"	the Aphasia Quotient, a summary score that indicates overall severity of language impairment

"atrial fibrillations"	an irregular and rapid heart rhythm that can lead to blood clots in the heart, increasing the risk of stroke, heart failure and other heart-related complications
"atrial fibrillation induced cognitive impairment"	cognitive impairment caused by atrial fibrillation through different mechanisms, like cerebral infarcts, decreased brain volume, and cerebral microbleeds
"autism"	a neurobiological condition caused by differences in the way the brains of individuals with Autism are wired and function. Such differences can affect the way individuals with Autism process and respond to information, leading to difficulties with communication, social interaction, and behavior
"BCAT"	Basic Cognitive Ability Testing software, 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
"BNT"	the Boston Naming Test
"causal-based adaptive collaborative intervention model"	a type of algorithm that adjusts the content of the training sessions to achieve personalized interventions and improve the System it is applied to
"CBT"	cognitive-behavioral therapy
"CCBT"	Computerized Cognitive Behavioral Therapy
"CDDCI"	Child development deficiency induced cognitive impairment, which is present at birth, and is caused by genetic conditions or brain damage that occurs during pregnancy or childbirth. Examples include Attention Deficient Hyperactivity Disorder, dyslexia and autism
"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

"CE registration certificate"	a certificate of compliance verifies certain products are safe for sale and use in the European Economic Area
"CHD"	Coronary heart disease, affecting the blood vessels of the heart, with increased risk of cognitive impairment, which can lead to a decline in cognitive function and an increased risk of death
"CI"	Confidence Interval, a range of estimates for an unknown parameter, referring the probability that a population parameter will fall between a set of values for a certain proportion of times
"Class II Medical Device"	devices that have a moderate to high risk to the patient and/or user
"ClinicalTrials.gov"	a public database containing information about clinical trials for an array of diseases and conditions around the world
"cognitive development"	the emergence of children's ability to consciously cognize, understand, and articulate their understanding in adult terms
"cognitive center"	the center we help hospital customers establish within the hospital premises where the hospitals maintain or improve patients' cognitive abilities by using our System for the medical assessment and intervention of various types of cognitive impairment
"COVID-19"	coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2
"DD"	developmental dyslexia
"Diagnostic and Statistical Manual of Mental Disorders Fifth Edition" or "DSM-5"	provides detailed descriptions, classifications, and diagnostic criteria for mental disorders.
"DNN"	Deep neural networks

"doubleblind"	the way used in clinical trial in which neither the participants nor the researchers know which treatment or intervention participants are receiving until the clinical trial is over
"DSS"	Dyslexia Supplemental Screening and Assessment Software, designed to facilitate the assessment of risk of developmental dyslexia in children
"DTx"	digital therapeutics, the delivery of medical therapies directly to patients using evidence-based, clinically evaluated software for the assessment and intervention of a wide range of diseases and disorders
"dyslexia"	a learning disorder that involves difficulty reading due to problems identifying speech sounds and learning how they relate to letters and words
"effect size"	a quantitative measure of the magnitude of the experimental effect
"electroencephalography"	a technique of electrical activity in the brain using small, metal discs attached to the scalp
"episodic memory"	a neurocognitive capability that enables individuals to remember past experiences
"executive control"	a set of cognitive processes enable individuals to plan, monitor, and successfully execute their goals
"expert consensus"	the collective opinions of an expert panel on a clinical topic
"first-line treatments"	the initial, or first treatment recommended for a disease or illness
"GCP"	good clinical practice, an international ethical and scientific quality standard for the performance of a clinical trial on medicinal products involving humans
"Hypertension"	high blood pressure, a blood pressure reading of 130/80 millimeters of mercury (mm Hg) or higher

"ICH GCP"	first produced in June 1996, the International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (ICH) Guideline for Good Clinical Practice (GCP) is an internationally agreed standard that ensures ethical and scientific quality in designing, recording and reporting trials that involve human subjects.
"Image processing"	the process of transforming an image into a digital form and performing certain operations to get some useful information from it
"indications"	a sign that something exists, is true, or is likely to happen
"International Classification of Diseases" or "ICD"	published by the World Health Organization and used worldwide in medical research to ensure consistent disease statistics and diagnostic standards
"intervention group"	the group in a clinical research study that receives treatments or other intervention being tested
"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
"KOL(s)"	key opinion leader(s), person(s) who have expert knowledge and influence in a respective field
"large language model"	a deep learning algorithm that can perform a variety of natural language processing tasks, using massive datasets, which enables it to recognize, translate, predict, or generate text or other content
"learning disorder"	brain takes in and works with information in a way that is not typical, causing difficulty in one or more areas of learning, even when overall intelligence or motivation is not affected
"long-term memory"	the transfer of information from short-term memory into long-term storage in order to create enduring memories

"medical-grade DTx"	digital therapeutic that are typically required to undergo rigorous evidence-based clinical evaluation processes to demonstrate safety and efficacy in clinical trials
"ML"	machine learning
"MoCA"	Montreal Cognitive Assessment is a rapid screening tool for mild cognitive impairment. It assesses many different cognitive domains, including visuospatial and executive functioning, naming, immediate recall, attention, language, abstract thinking, delayed recall and orientation
"monotherapy"	the use of a single drug to treat a particular disorder or disease
"MMSE"	the Mini-Mental State Examination, which provides a rapid, comprehensive, and accurate assessment of an individual's intellectual functioning and cognitive decline. The MMSE evaluates orientation, immediate recall, attention and processing, delayed recall, naming, retelling, reading, 3-step instructions, writing, and structuring information through a series of questions
"multiple sclerosis"	a condition that can affect the brain and spinal cord, causing a wide range of potential symptoms, including problems with vision, arm or leg movement, sensation or balance
"natural language processing"	a branch of artificial intelligence that enables computers to comprehend, generate, and manipulate human language
"NCI"	Neurodegenerative disease induced cognitive impairment
"neuroplasticity"	the ability of the nervous system to change its activity in response to intrinsic or extrinsic stimuli by reorganizing its structure, functions or connections
"NRDP journal"	Nature Reviews Disease Primers, an internationally leading academic journal

"One-Belt-One-Road"	a strategy initiated by PRC to connect Asia with Africa and Europe via land and maritime networks with the aim of improving regional integration, increasing trade and stimulating economic growth
"parallel-designed"	clinical study where two groups of treatments, A and B, are given so that one group receives only A while another group receives only B
"PCI"	Psychiatric disorder induced cognitive impairment, caused by psychiatric disorders like depression and anxiety
"PD" or "Parkinson's disease"	Parkinson's disease, with symptoms like tremors, stiffness, and problems with balance and coordination, is caused by the death of dopamine-producing neurons in the brain, resulting in a lack of dopamine, a neurotransmitter that helps regulate movement
"prevalence"	the number of disease cases present in a particular population at a given time
"processing speed"	the ability to identify, discriminate, integrate, make a decision or respond to visual and verbal information once receiving it
"PTSD"	Symptoms of post-traumatic stress disorder, caused by traumatic events with symptoms of flashbacks, nightmares, severe anxiety, as well as uncontrollable thoughts about the event
"randomized controlled trial" or "randomized controlled clinical trial"	a research study for validating or finding the therapeutic effects and side effects of a treatment in order to determine the therapeutic value and safety of such treatment, which typically compares a proposed new treatment against an existing standard of care, and the population receiving the program or policy intervention is chosen at random from the eligible population
"SAS"	Cognitive Ability Supplemental Screening and Assessment Software, designed to facilitate healthcare professionals' assessment of patients' cognitive capacity by enabling patients to self-administer MMSE and MoCA tests

"schizophrenia"	a chronic brain disorder, includes delusions, hallucinations, disorganized speech, trouble with thinking and lack of motivation
"SCI Impact Factor"	Science Journal Impact Factor, a measure of the citations published within a given journal over a fixed time period
"sq.m."	square meter, a unit of area
"the System"	our Core Product, the Brain Function Information Management Platform Software System
"TMT B-A"	the Trail Making Test B-A which is a psychological test of executive function
"VDCI"	vascular disease induced cognitive impairment, typically caused by brain damages due to impaired blood flow to the brain, whose symptoms include confusion, attention deficiency, difficulty with organization, unsteady gait and memory problems, among others
"VCI"	vascular cognitive impairment, which is a type of vascular disease induced cognitive impairment
"VCIND"	vascular cognitive impairment, no dementia, which is a mild stage of vascular cognitive impairment
"VR"	Virtual reality
"WAB"	Western Aphasia Battery
"WMS"	the Wechsler Memory Scale, a neuropsychological test designed to measure different memory functions in a person
"working memory"	a cognitive system with a limited capacity to hold information temporarily

We have included in this Document forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

This Document contains certain forward-looking statements and information relating to our Company, our subsidiaries and consolidated affiliated entities that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this Document, the words "aim," "anticipate," "believe," "could," "expect," "going forward," "intend," "may," "ought to," "plan," "project," "seek," "should," "will," "would" and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this Document. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospects;
- our financial condition and operating results and performance;
- industry trends and competition;
- our product candidates under development or planning;
- the timing and outcome of the applications for registration of our products with the NMPA and other regulators;
- our strategies, plans, objectives and goals and our ability to successfully implement these strategies, plans, objectives and goals;
- our ability to attract customers and build our brand image;
- general political and economic conditions;
- future developments of the COVID-19 outbreak in the PRC and globally;
- changes to regulatory and operating conditions in the industry and markets in which we operate; and
- the amount and nature of, and potential for, future development of our business.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this Document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Document might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this Document are qualified by reference to the cautionary statements in this section.

In this Document, statements of or references to our intentions or those of our Directors are made as of the date of this Document. Any such information may change in light of future developments.

An* [REDACTED] *in our Shares involves significant risks. You should carefully consider all of the information in this Document, including the risks and uncertainties described below, as well as our financial statements and the related notes, and the "Financial Information" section, before deciding to* [REDACTED] *in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition, results of operations and growth prospects. In any such an event, the* [REDACTED] *of our Shares could decline, and you may lose all or part of your* [REDACTED]. *Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is subject to the cautionary statements in the section headed "Forward Looking Statements" in this Document.

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and industry, consisting of (a) risks relating to the development of our product candidates, (b) risks relating to commercialization of our product candidates; (c) risks relating to extensive government regulation; (d) risks relating to our intellectual property rights, and (e) risks relating to our reliance on third parties; (ii) risks relating to our financial position and need for additional capital; (iii) risks relating to our general operations; and (iv) risks relating to the [**REDACTED**].

Additional risks and uncertainties that are presently not known to us or not expressed or implied below or that we currently deem immaterial could also have a material adverse effect on our business, financial condition and operating results. You should consider our business and prospects in light of the challenges we face, including the ones discussed in this section.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Risks Relating to Development of Our Product Candidates

Our future growth depends substantially on the successful development of our product portfolio. 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.

Our business substantially depends on the successful development, obtaining and maintaining the necessary regulatory approvals and commercialization of our current and future product candidates. As of the Latest Practicable Date, we had commercialized the Brain Function Information Management Platform Software System (the "**System**") for application

in the assessment and treatment of cognitive impairment induced by vascular diseases, aphasia, Alzheimer's disease, depression, schizophrenia, sleeping disorder, Attention Deficient Hyperactivity Disorder (the "**ADHD**") and autism. Our System was under development for 21 cognitive impairment indications in addition to the eight commercialized indications; we also had three additional products with regulatory approvals and six additional product candidates under different stages of preclinical and clinical development as of the Latest Practicable Date. See "Business—Our Product Pipeline" for more details on our complete product pipeline. We have invested a significant portion of our time and financial resources towards the development and commercialization of our products and product candidates. We incurred research and development expenses of RMB67.6 million and RMB90.7 million in 2022 and 2023, respectively. We incurred loss and total comprehensive expense for the year of RMB502.5 million and RMB359.1 million in 2022 and 2023, respectively. Whether we can generate profit from our operating activities largely depends on the successful commercialization of our System to more indications and of our other products candidates under development.

The success of our products and product candidates will depend on several factors, including but not limited to:

- successful enrollment of trial participants in, and completion of, clinical trials, as well as completion of preclinical studies;
- favorable safety and efficacy data resulting from our clinical trials and preclinical studies;
- obtaining and maintaining the necessary regulatory approvals, commercialization authorizations and successfully launching our product candidates effectively in target markets, if and when approved, in a timely manner;
- the performance by any third parties we may retain in a manner that complies with our protocols and applicable laws and that protects the integrity of the resulting data;
- obtaining and maintaining patent, trade secret and other intellectual property protection and regulatory exclusivity;
- ensuring we do not infringe, misappropriate or otherwise violate the patent, trade secret and/or other intellectual property rights of third parties;
- appropriately pricing our products and timely collecting payments;
- enhancing our marketing and distribution capabilities in an efficient and cost-effective manner;
- market and pricing competition with other cognitive impairment digital therapeutics (the "**DTx**") products;

- keeping up with industry and technology developments; and

- continued acceptable safety profile and efficacy of our products and product candidates following regulatory approval, if and when received.

If we are not successful in one or more of these factors in a timely manner, or at all, we could experience significant delays or be unable to obtain the necessary approval for and/or to successfully expand commercialized indications of our System or to commercialize our other product candidates, which may have a materially adverse effect on our business and may result in us not being able to generate sufficient revenue and cash flow to continue our research, development and general business operations.

DTx industry is developing rapidly. 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.

DTx industry is new and rapidly evolving, and it is uncertain whether it will achieve and sustain high levels of demand and market adoption. Our future financial performance will depend on growth in this market and on our ability to adapt to emerging demands of our customers. It is difficult to predict the future growth rate and size of our target markets. The DTx industry is characterized by rapid technological change, frequent new product introductions and enhancements, changing customer demands, and evolving industry standards. Social trends and political policies on the DTx industry (including but not limited to ESG related matters over the industry) may further evolve, which could lead to changes in need for our products and the need for us to adapt our business model and our product pipelines. Our success therefore depends on our ability to accurately forecast the industry trends and continuously identify, develop and market more advanced products in a timely manner that address unmet clinical needs. Product designs can change with market conditions, as well as demand and preferences of hospitals and medical professionals. We cannot assure you that we will be able to successfully identify new technological opportunities, enhance or adapt to new technologies and methodologies, develop new products, or improve or expand the indication coverage of our existing products in a timely manner. Even if we develop new or improve our existing technologies and products, our ability to market our products could be limited by the need for regulatory clearance or approval, restrictions imposed on approved indications, entrenched patterns of clinical practice, uncertainty over third-party reimbursement, or other obstacles.

Technological innovations often entail great uncertainty. A successful innovation cannot be a linear and regular method; rather, it has to take into account the randomness of the process and the industry participants' partial knowledge of the domain. We may not succeed in developing, marketing and delivering in a timely and cost-effective manner enhancements or improvements to our commercialized products or any new products that respond to continued changes in market demands, new customer requirements or achieve market acceptance. The

timetable for the release of new products and enhancements to existing products is difficult to predict due to complexity in product development, and we may not offer new products and updates as rapidly as our users require or expect. Any new products that we develop or acquire may not be introduced in a timely or cost-effective manner, may contain errors or defects, or may not achieve the broad market acceptance necessary to generate significant or any revenue. In addition, technological innovations often require substantial time and investment before we can determine their commercial viability. We devote significant financial and other resources to our research and development activities, while our research and development efforts may not lead to new or improved technologies or products that will be commercially successful. Furthermore, we may not have the financial resources necessary to fund future projects. Even if we are able to successfully develop new products or improve or expand the indication coverage of existing products, we may not generate revenue in excess of the costs of development and procurement, or achieve the desired financial return. These products and relevant technologies may be rendered obsolete or less competitive due to changing customer preferences or the introduction by our competitors of products with newer technologies or features or other factors.

The introduction of new products by competitors, the development of entirely new technologies to replace existing DTx offerings or shifts in healthcare benefits trends could make our products obsolete or materially and adversely affect our business, financial condition and results of operations. We may experience difficulties with software development, industry standards, design or marketing that could delay or prevent our development, introduction or implementation of new products, indication coverage, additional features or capabilities. If patients and healthcare providers do not widely adopt our products, we may not be able to realize a return on our investment. If we do not accurately anticipate patient and physician demands or we are unable to develop, license or acquire new features and capabilities on a timely and cost-effective basis, or if such enhancements do not achieve market acceptance, it could result in adverse publicity, loss of revenue or market acceptance or claims by patients or healthcare providers brought against us, each of which could have a material and adverse effect on our reputation, business, results of operations and financial condition.

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, including incurring additional costs, experiencing delays in completing, or ultimately being unable to complete the development and commercialization of our product if clinical trials fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities.

According to a catalog issued by the NMPA, medical devices are classified into three different categories, Class I, Class II and Class III medical device registration certificate, depending on the degree of risk associated with a particular medical device and the extent of control needed to ensure the safety and efficacy of such medical device. Our System has received its initial Class II Certificate from the Hunan MPA in September 2018. In June 2020, the System obtained an amended Class II medical device registration certificate from the Hunan MPA which includes the specific types of cognitive impairment covered by the System,

making it possible for us to commercialize the System in China. In 2023, we successfully renewed the Class II medical device registration certificate which now expires in 2028. To obtain medical device registrations of Class II medical devices for commercialization in a particular indication, we need to conduct, at our own expense, adequate and well-controlled clinical trials to demonstrate the safety and efficacy of our products.

Some of our current and future products may be classified or reclassified as Class III medical devices under relevant PRC laws and regulations. See "Regulatory Overview—PRC Regulatory Overview—Regulation Relating to Medical Devices—Registration and Record-Filing of Medical Devices" for more details. If this occurs, there may be more extensive regulatory requirements for the approval, manufacture, distribution and supervision of such products. These requirements may include additional clinical trials conducted under more stringent protocols than those required for Class II certifications, the need to obtain licenses to manufacture and distribute Class III medical devices and the establishment of an information management system to ensure traceability of all Class III medical devices that we manufacture and sell. Complying with the additional regulatory requirements for a Class III medical device may increase our research and development, regulatory, manufacturing and distribution costs, delay our research and development and commercialization timelines and have a material adverse effect on our business prospects, results of operations and financial condition.

Successful preclinical studies and early clinical trials do not necessarily mean that later clinical trials will also result in data that replicate the results of prior trials and preclinical studies and ultimately lead to regulatory approval. Our System was under development for 21 cognitive impairment indications in addition to the eight commercialized indications; we also had three additional products with regulatory approvals and six additional product candidates under different stages of preclinical and clinical development as of the Latest Practicable Date. See "Business—Our Product Pipeline" for a detailed description of the development stages of our products and product candidates. We may experience numerous unexpected events during, or as a result of, clinical trials that could delay or prevent our ability to obtain the necessary regulatory approval or commercialize our product candidates, including but not limited to:

- regulators or institutional review boards ("**IRB**s," also known as independent ethics committees) may not authorize us or our investigators to commence or conduct a clinical trial at a prospective trial site;

- unanticipated protracted negotiations or an inability to agree on reasonable contractual terms with prospective CROs and hospitals for the provision of trial centers, which may lead to delayed commencement (if at all) of clinical studies for regulatory approvals;

- failure of our product to demonstrate superior results than competing or alternative products, if applicable;

- clinical trials of our product candidates may fail to demonstrate the primary or secondary endpoints as anticipated, and we may decide, or regulators may require us, to conduct additional clinical trials or abandon product development programs;

- the number of subjects required for clinical trials of our product candidates may be larger than we anticipate, enrollment may be insufficient or slower than we anticipate or subjects may drop out at a higher rate than we anticipate;

- our third-party contractors in connection with our clinical studies may fail to comply with regulatory requirements or meet their contractual obligations to us in a timely manner, or at all;

- we might have to suspend or terminate clinical trials of our product candidates for various reasons, including a finding of a lack of clinical response or other unexpected characteristics; and

- the initial or interim results of the clinical trial may not be predictive of the final results; interim, "topline" and preliminary data from clinical trials of our product candidates under different indications may change as more patient data becomes available and are subject to confirmation, audit, and verification procedures that could result in material changes in the final data.

There can be no assurance that the ongoing or planned clinical trials will be completed in a timely or cost-effective manner or result in a commercially viable product. If we experience delays in the completion of, or the termination of, a clinical trial of any of our product candidates, the commercial prospects of that product candidate may be impacted, and our ability to generate revenue from any of those product candidates may be delayed. In addition, any delays in completing our clinical trials may increase our costs, slow down our product candidate development process and approval process, and jeopardize our ability to commercialize that product candidate. This may have a material adverse effect on business and financial condition. Clinical trials of our product candidates may produce negative or inconclusive results. Our future clinical trial results may not be favorable. Even if our future clinical trial results show favorable efficacy, not all users may benefit. We cannot assure you that our product candidates are able to suit the conditions of each clinical trial participant.

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.

Our algorithms and methodologies are crucial to our various types of DTx products. We feed training data into our algorithms, which typically include patient demographic information, clinical assessment information, and information collected when patients conduct training sessions at different difficulty levels, such as patient's performances, on, types of, and difficulty levels of previous training sessions. Leveraging such information, our neural networks (the "**DNN**") algorithms are constantly iterated and trained to timely adjust training

session content in the System and introduce the appropriate training for patients' next-step intervention, in order to improve patients' cognitive functions. We cannot guarantee that the above working mechanism of our algorithms can function properly as designed. If our algorithms cannot access abundant and accurate information input to enable it to train and iterate properly, or if our DNN or other algorithms cannot achieve the intended training and iteration, the efficiency and efficacy of our System may be lower due to suboptimal task recommendation and poorly personalized training sessions, which could materially adversely affect our business operations and results of operations.

If we encounter difficulties enrolling participants in our clinical trials, our clinical development activities could be delayed, result in increased costs and longer development periods, or otherwise adversely affected.

Identifying, screening and enrolling of clinical trial participants are critical to our success. We may not be able to identify and enroll a sufficient number of trial participants with the required or desired characteristics in accordance with the eligibility criteria defined in our protocols to complete our clinical trials in a timely manner. The timing of our clinical trials depends on our ability to recruit participants to participate and remain in the trials until conclusion, as well as to complete follow-up periods, when required.

Our clinical trials will likely compete with other clinical trials for comparable product candidates. This competition will reduce the number and types of trial participants available to us. For example, some trial participants who might have opted to enroll in our trials may instead opt to enroll in a trial being conducted by one of our competitors. In addition, because the number of qualified clinical investigators and clinical trial sites is limited, we expect to conduct some of our clinical trials at the same clinical trial sites that some of our competitors use, which will reduce the number of trial participants available for our clinical trials at such clinical trial sites.

Any delays in enrolling trial participants in our planned clinical trials could result in increased costs, or may affect the timing or outcome of the planned clinical trials, which could prevent completion of these trials and adversely affect our ability to advance the development of our product candidates or indication expansions of existing products.

If we experience delays in enrolling a sufficient number of participants in our clinical trials to meet relevant regulatory requirements or to generate meaningful statistical data, our clinical trial costs may increase or our clinical trial phases may not be completed on time, which may adversely affect our ability to advance the development of our product candidates and obtain the necessary regulatory approvals in accordance with our current planned timeline.

Our product candidates may cause undesirable side effects or have other properties that could delay or prevent their regulatory approval, or result in significant negative consequences following regulatory approval, if any.

Although our products and current product candidates are mainly digital software systems that are unlikely to cause physical harm to human body, there is a possibility that the patients may suffer mental and emotional distress while using our products, even in a manner instructed by qualified physicians. Some patients may suffer from anxiety or sleeping disorder when and after using our System. If we or others identify undesirable side effects directly or indirectly caused by our products, a number of potentially significant negative consequences could result, including:

- regulatory authorities may withdraw clearance, authorization, or approvals of such product;
- regulatory authorities may require additional warnings for the product;
- we may be required to issue safety communications to patients or healthcare providers that outline the risks of such side effects;
- we could be sued and held liable for harm caused to patients; and
- our reputation may suffer.

Any of these events could prevent us from achieving or maintaining market acceptance of the particular product or product candidate and, as a result of negative impacts to our reputation, our other products or product candidates and could significantly harm our business, results of operations and prospects.

Risks Relating to Commercialization of Our Product Candidates

We have relatively limited experience in marketing and sales of our products, and rely on our in-house marketing force to promote our products. 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.

We have relatively limited experience in launching, commercialization and marketing of our System. We started to commercialize the System in June 2020 when we amended the medical device registration certificate to include eight commercialized indications for the System. We rely on our in-house sales and marketing team and third-party service providers to market and promote our products. We incurred selling and distribution expenses of RMB11.9 million and RMB38.4 million in 2022 and 2023, respectively. The success of our marketing efforts depends on our ability to maintain and expand our relationships with qualified service providers, and our ability to attract, motivate and retain qualified and professional employees in our selling and distribution teams who have, among other things, the sufficient expertise in

brain sciences, virtual human and AI technology, and clinical trials, and are able to communicate effectively with medical professionals. Competition for experienced selling and distribution personnel is intense. However, we would have little or no control over the selling and distribution efforts of third-party service providers. There can be no assurance that we will be able to develop and successfully maintain our in-house sales and commercial distribution capabilities or establish or maintain relationships with physicians, hospitals and other third parties to successfully commercialize our products. 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.

In addition, we plan to continue to strengthen our cooperative relationship with hospitals and physicians for enhancing our product awareness in the market. However, such promotional activities may not be as effective as we expected, or may be impeded by unanticipated events, which may cause a decline of our sales revenue, and have a material adverse effect on our business, financial condition and results of operations.

We mainly derived our revenue from services provided through our System. Failure to achieve the anticipated revenue related to the System may have a material adverse impact on our business and results of operations.

During the Track Record Period, a significant portion of our revenue was derived from services that allow customers to use our System. We expect that the System will continue to significantly contribute to our total revenue in the future. However, we cannot assure you that demand for our System and other DTx products and services will continue to grow as anticipated. 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, including downward pricing pressure caused by changes in medical insurance coverage, binding pricing guidance, market competition, expiration of patent protection, introduction of substitute products marketed by our competitors, disruptions in sales, issues with respect to product quality or severe adverse events incurred, and disputes over intellectual property or other matters with third parties. If we are unable to maintain the sales volumes, pricing levels or profit margin of our medical products, our business, financial condition and results of operations may be materially and adversely affected.

The DTx market is relatively new. Failure to achieve broad market acceptance or maintain good reputation among physicians, hospitals, patients and other customers could have a material adverse impact on our business, results of operations and prospects.

If our products and any future approved product candidates fail to gain sufficient market acceptance by hospitals, physicians, patients and third-party payors, among others, the sales of our products may be adversely affected. In addition, hospitals, physicians, patients and third-party payors may prefer other novel products to ours. If our products do not achieve an adequate level of acceptance, we may not generate significant revenue and we may not become profitable. The degree of market acceptance of our products and product candidates, if approved for commercial sale, will depend on a number of factors, including:

- the clinical indications for which our products and product candidates are approved;
- perception by physicians, patients and hospitals of our products and product candidates as safe and effective, and physicians' willingness to recommend our products for the assessment and intervention of cognitive impairment patients;
- the actual and perceived advantages of our products and product candidates over alternative products;
- the prevalence and severity of any adverse effects or complications;
- the timing of market introduction of our products and product candidates as well as competitive products;
- the cost of our products in relation to alternatives;
- the availability of adequate coverage, reimbursement and pricing by third-party payors and government authorities;
- the willingness of patients to pay out-of-pocket in the absence of coverage and reimbursement by third-party payors and government authorities;
- the effectiveness of our sales and marketing efforts; and
- the operation smoothness of our System.

If any products that we commercialize fail to achieve market acceptance or if we fail to maintain good relationships with customers or potential customers, we will not be able to generate significant revenue. Even if our products achieve market acceptance, we may not be able to maintain that market acceptance over time if new products or technologies introduced are more favorably accepted by the market, more cost effective or render our products obsolete. In addition, the operations of our System and other DTx products and product candidates may encounter technical obstacles, and it is possible that we may discover additional technical

glitches that prevent System from operating properly. If our System does not function reliably or fails to achieve expectations of our customers in terms of performance, we may be required to divert resources allocated for other business purposes to address these issues, may suffer reputational harm, lose or fail to grow our customer base, and may be subject to liability claims.

We believe that enhancing and maintaining awareness of our "BrainAu" brand is critical to achieving widespread acceptance of our cognitive impairment DTx products, gaining trust for our various products and related support services, strengthening our relationships with our existing customers and attracting new ones. Successful promotion of our brand depends largely on the quality of the Systems and our other products and product candidates and services and the effectiveness of our branding and marketing efforts. We expect that our branding and marketing efforts will require us to incur significant expenses and devote substantial resources. We cannot assure that our sales and marketing efforts will be successful. Brand promotion activities may not lead to increased revenue in the near term, and, even if they do, any revenue increases may not offset the expenses we incur to promote our brand. Our failure to establish and promote our brand and any damage to our reputation will hinder our growth. In addition, our reputation may be undermined as a result of the negative publicity about our Company or our industry in general.

Our sales may be affected by the level of medical insurance reimbursement patients receive.

Our ability to sell our services which grant customers access to use the System may be affected by the then available medical insurance coverage in China. The relevant governmental insurance coverage or reimbursement level in China varies from region to region, as local government approvals for such coverage must be obtained in each geographic region in China. In line with market practice, we make our System available for cognitive impairment patients to use primarily in hospitals. The prices we charge is largely dependent on the amount charged by hospitals, which is in turn determined by the price level set by the local provincial health insurance reimbursement lists. In addition, the PRC government may change, reduce or eliminate the governmental insurance coverage then available for DTx. As of the Latest Practicable Date, our System had entered the health insurance reimbursement lists of 30 provinces in China. We cannot assure you that we can expand the number of provinces in China where our System or other products or product candidates enter the provincial health insurance reimbursement lists. To the extent that our products are not included in the medical insurance reimbursement list or if any such insurance schemes are changed or cancelled which result in any removal of our products from the medical insurance reimbursement list, patients may choose, and hospitals may recommend, alternative options.

In the absence of sufficient medical insurance coverage, market demand for DTx may drop, which could in turn materially and adversely affect our business, financial condition and results of operations. Moreover, we may need to lower the prices of our products to have the use of our products included in the then available medical insurance reimbursement list, and such price cut and reimbursement may not necessarily lead to any increase in our sales and our results of operations may be adversely affected.

Guidelines, recommendations and studies published by various organizations could disfavor our product candidates.

Influential recommendations, guidelines and quality metrics issued by various organizations and government authorities may significantly affect customers' willingness to purchase our products and services. For example, we have been deeply involved in the publications of the first four expert consensus in the field of cognitive impairment DTx in China. In particular, in March 2023, we co-authored the "Chinese expert consensus on digital therapeutics for cognitive impairment (2023 edition)" (《認知數字療法中國專家共識(2023)》) which for the first time in China systematically defined cognitive impairment DTx, according to Frost & Sullivan. In addition, three expert consensus and one guideline published from 2021 to 2023 have referenced our article published on "Alzheimer's & Dementia" (the "**A&D Journal**") in 2019. If any such recommendations, guidelines and quality metrics that are currently favorable to us are later updated, overturned or modified, or otherwise interpreted in a manner unfavorable to us, our results of operations and prospects may be adversely affected.

Our commercialization efforts to date have focused primarily on China. Our ability to enter other foreign markets will depend, among other things, on our ability to navigate various regulatory regimes with which we do not have experience, which could delay or prevent the growth of our operations outside of China.

To date, our commercialization efforts have focused primarily on China. Expanding our business to attract customers in other countries and regions is an element of our long-term business strategy. Our ability to continue to expand our business and to attract talented employees and customers in various international markets will require considerable management attention and resources and is subject to the particular challenges of supporting a rapidly growing business in an environment of multiple languages, cultures, customs, legal systems, alternative dispute resolution systems, regulatory systems and commercial infrastructures. Entering new international markets will be expensive, our ability to successfully gain market acceptance in any particular market is uncertain and the distraction of our senior management team could harm our business, financial condition and results of operation.

Sales of our products outside of China are subject to foreign regulatory requirements that vary widely from country to country. In addition, while the regulations of some countries may not impose barriers to marketing and selling our products or only require notification, others require that we obtain the marketing authorization of a specified regulatory body. Complying with foreign regulatory requirements, including obtaining registrations or marketing authorizations, can be expensive and time-consuming, and we may not receive regulatory authorizations, clearances or approvals in each country in which we may plan to market our products or we may be unable to do so on a timely basis. The time required to obtain registrations or marketing authorizations, if required by other countries, may be longer than that required for NMPA clearance, authorization, or approval, and requirements for such registrations and marketing authorizations may significantly differ from NMPA requirements.

If we modify our products, we may need to apply for additional regulatory authorizations before we are permitted to sell the modified product. In addition, we may not continue to meet the quality and safety standards required to maintain the authorizations that we have received. If we are unable to maintain our authorizations in a particular country, we may no longer be able to sell the applicable product in that country. A failure or delay in obtaining registration or marketing authorization in one country may have a negative effect on the regulatory process in others.

Doing business internationally also involves a number of additional risks, including:

- multiple, conflicting and changing laws and regulations such as tax laws, privacy and data protection laws and regulations, export and import restrictions, employment laws, regulatory requirements and other governmental approvals, permits and licenses;

- requirements to maintain data and the processing of that data on servers located within such countries;

- protecting and enforcing our intellectual property rights;

- converting our products as well as the accompanying instructional and marketing materials to conform to the language and customs of different countries;

- complexities associated with managing multiple payor reimbursement regimes and government payors;

- competition from companies with significant market share in our market and with a better understanding of user preferences;

- financial risks, such as longer payment cycles, difficulty collecting accounts receivable, the effect of local and regional financial pressures on demand and payment for our products and services and exposure to foreign currency exchange rate fluctuations;

- natural disasters, political and economic instability, including wars, terrorism, political unrest, outbreak of disease (including the recent coronavirus outbreak), boycotts, curtailment of trade, and other market restrictions; and

- regulatory and compliance risks that relate to maintaining accurate information and control over activities subject to regulation under the U.S. Foreign Corrupt Practices Act (the "**FCPA**"), and comparable laws and regulations in other countries.

These risks and uncertainties may impact our ability to enter foreign markets, which could delay or prevent the growth of our operations overseas, and have a material adverse effect on our business, prospects, results of operations and financial condition.

The actual market size of our products and product candidates may be smaller than we anticipate, which could render them ultimately unprofitable even if commercialized.

Our spending on our cognitive impairment DTx product portfolio may not yield any additional commercially viable products, since the actual market size for them may be smaller than we anticipate. For example, the DTx market in China is emerging and our products and product candidates are considered as relatively novel. In addition, there may be other available treatment methods for our target market, and other players developing similar DTx treatment methods in the target markets that may be more competitive than us, which may further limit the market opportunities of our products. As such, the target markets for our products and product candidates may not consist of as many market opportunities as we expect, which could have a material adverse effect on the profitability of our product candidates even if commercialized.

Risks Relating to Extensive Government Regulation

All material aspects of the research, development and commercialization of our products are heavily regulated.

All jurisdictions in which we conduct our research, development and commercialization activities regulate these activities in great depth and detail. We intend to focus our activities in the major markets of China, the EU and the United States. These jurisdictions all have strict regulations on medical devices, and in doing so they employ broadly similar regulatory strategies, including regulation of product development, approval, manufacturing, sales and marketing and distribution of medical devices. However, there are differences in the regulatory regimes in different jurisdictions, which makes regulatory compliance more complex and costly for companies like ours that plan to commercialize our products in each of these jurisdictions.

The process of obtaining regulatory approvals and compliance with appropriate laws and regulations require substantial time and financial resources. The NMPA, EMA, FDA or a comparable regulatory authority may require more information, including additional preclinical or clinical data, to support approval, which may delay or prevent approval and our commercialization plans. Even if we were to obtain approval, regulatory authorities may approve any of our product candidates for fewer or more limited indications than we request, grant approval contingent on the performance of costly post-marketing clinical trials, or approve a product candidate with an indication that is not desirable for the successful commercialization of that candidate. Legislative and regulatory proposals may also, from time to time, be made to expand existing requirements.

The regulatory approval processes of the NMPA, its local counterparts and other comparable regulatory authorities are lengthy, time-consuming and inherently unpredictable. The denial or delay of any such approval would delay development and commercialization of our System and other product candidates and adversely impact our potential to generate revenue, our business and our results of operations.

The process to develop and obtain regulatory approval for and commercialize medical device product candidates is long, complex and costly in China and overseas.

In China, before obtaining regulatory approvals for the commercial sale of our products for a specific indication, we must demonstrate in preclinical studies and well-controlled clinical trials, and, to the satisfaction of the NMPA or its local counterparts, that the product is safe and effective for use for that indication. We are also required to report any serious or potentially serious incidents involving our products to the NMPA or its local counterparts. We cannot be certain that any submissions will be accepted for filing and review by the NMPA or its local counterparts, and the review timeline may be subject to uncertainty.

Our product candidates could fail to receive regulatory approval for many reasons, including:

- failure to begin or complete clinical trials due to various factors, including disagreements with regulatory authorities;
- failure to demonstrate that a product candidate is safe and effective;
- failure to deliver clinical trial results that meet the level of statistical significance required for approval;
- data integrity issues related to our clinical trials;
- regulatory authority's disagreement with our interpretation of data from preclinical studies or clinical trials;
- changes in approval policies or regulations that render our preclinical and clinical data insufficient for approval or require us to amend our clinical trial protocols;
- regulatory requests for additional analysis, reports, data, nonclinical studies and clinical trials, or questions regarding our interpretation of data and results and the emergence of new information regarding our product candidates;
- our failure to conduct a clinical trial in accordance with regulatory requirements or our clinical trial protocols; and/or
- clinical sites, investigators or other participants in our clinical trials deviating from a trial protocol, failing to conduct the trial in accordance with regulatory requirements, or dropping out of a trial;

Comparably, regulatory authorities outside of China also have requirements for approval of medical devices for commercial sale with which we must comply prior to marketing in those jurisdictions. However, regulatory requirements can vary widely from jurisdiction to jurisdiction. Obtaining regulatory approval in one jurisdiction does not mean that the regulatory approval will be obtained in any other jurisdiction. Approval processes vary among jurisdictions and can involve additional product testing and validation, and additional administrative review periods. Seeking foreign regulatory approval may include all of the risks associated with obtaining NMPA approval (and its local counterparts), and could require additional nonclinical studies or clinical trials. For these reasons, we may incur substantial time and financial resources to bring our products to overseas markets in compliance with different regulatory processes. The introduction of our product candidates in these markets could be delayed or prevented, as we may not obtain relevant regulatory approvals on a timely basis, or at all.

In addition, changes in regulatory requirements and guidance may also occur. We may need to amend clinical trial protocols submitted to applicable regulatory authorities to reflect these changes. Amendments may impact the costs, timing or successful completion of a clinical trial.

Even if our product candidates were to successfully obtain approval from the regulatory authorities, any approval might significantly limit the approved indications for use, or require that precautions, contraindications or warnings be provided to users, or require expensive and time-consuming post-approval clinical trials or surveillance as conditions of approval. Following an approval for commercial sale of our product candidates, certain changes, such as changes in design, may be required by the NMPA and/or comparable regulatory authorities. Regulatory approvals for any of our product candidates may also be withdrawn.

If we are unable to obtain regulatory approval for our product candidates in one or more jurisdictions, or any approval contains significant limitations, our target market will be reduced and our ability to realize the full market potential of our product candidates will be harmed. Furthermore, we may not be able to generate sufficient revenue and cash flows or obtain sufficient funding to continue the development of any other product candidates in the future.

Our product as applied under existing and expanded indications will continue to remain subject to ongoing or additional regulatory obligations and continued regulatory review, which may result in significant additional expenses, and we may be subject to penalties if we experience unanticipated problems with our future approved systems.

Our products and any additional product candidates that are approved by the regulators are and will be subject to ongoing regulatory requirements with respect to advertising, promotion, sampling, record-keeping, post-market studies, submission of safety, efficacy, and other post-market information, and other requirements of regulatory authorities in China, the EU, the United States, and/or other jurisdictions where we may market or sell our products. We are and will be subject to continual review and inspections by the regulators to assess our compliance with applicable laws, requirements, and adherence to commitments we made in any application materials with the NMPA or other comparable regulatory authorities. Accordingly, we must continue to devote time, money and effort to all areas of regulatory compliance.

If problems occur after our products reach the market, the NMPA or other comparable regulatory authorities may seek to impose a consent decree or withdraw marketing approval. Later discovery of previously unknown problems with our products or product candidates may result in requirements to conduct post-market studies or clinical studies to assess new safety risks or the imposition of distribution restrictions or other restrictions. Other potential consequences include, among other things:

- restrictions on the marketing or commercialization of our products, withdrawal of the products from the market, or voluntary or mandatory product recalls;
- fines, untitled or warning letters, or holds on clinical trials;
- refusal by the NMPA or comparable regulatory authorities to approve pending indications or applications or supplements to approved indications or applications filed by us or suspension or reduce the scope of previously issued medical device registration certificate;
- product seizure or detention, or refusal to permit the import or export of our products and product candidates; and/or
- injunctions or the imposition of civil, administrative or criminal penalties.

We cannot predict the likelihood, nature or extent of governmental policies or regulations that may arise from future legislation or administrative actions in all relevant jurisdictions. If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are unable to maintain regulatory compliance, we may lose any regulatory approval that we have obtained and we may not achieve or sustain profitability.

The regulatory framework for DTx products is constantly evolving. Increasingly stringent regulatory requirements could create barriers to our development and introduction of new products. Conversely, in the event that regulatory requirements are lowered, competitors could potentially enter the DTx market and compete against us more easily.

Our DTx products are novel and represent a new category of therapeutics for which the regulatory framework continues to evolve. Our ability to expand indications for existing products or to seek renewal of existing market authorizations will depend, in part, on our ability to comply with these complex requirements, which include regulations related to product design and development, clinical trials, pre-market clearance, authorization, approval, and marketing, sales and distribution. Maintaining compliance under such evolving framework is highly technical and complex, and may consume significant management and financial resources. Increasing regulatory requirements could lead to higher spending and development barrier in our efforts to introduce new products to market, which could materially adversely affect our business, results of operations and financial condition. If, however, the regulatory framework for DTx products simplifies and the requirements that we and others are required to comply with are lowered, it could result in the increased competition

and the introduction by competitors of products that are or claim to be superior to our products. For example, if the DTx regulation in China no longer grants Class II or Class III medical device classification to DTx products, and the accompanying clinical validation of DTx safety and efficacy is no longer required for such regulatory approval, it may significantly lower our competitive advantages and entry barriers for potential players to launch products that may compete with ours.

Recently enacted and future legislation may increase the difficulty and cost for us to obtain regulatory approval of and commercialize new product candidates or existing ones under expanded indications and affect the prices we may be able to charge.

In China, the EU, the United States, and some other jurisdictions, a number of legislative and regulatory changes and proposed changes regarding healthcare could prevent or delay regulatory approval of our product candidates, restrict or regulate post-approval activities and affect our ability to profitably sell our products and any product candidates for which we obtain regulatory approval. In recent years, there have been and will likely continue to be efforts to enact administrative or legislative changes to healthcare laws and policies, including measures that may result in more rigorous coverage criteria and downward pressure on the price we receive for any approved product. Any reduction in reimbursement from government programs may result in a similar reduction in payments from private payors. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to commercialize our products, generate revenue, or attain profitability.

Legislative and regulatory proposals have been made to expand post-approval requirements and restrict sales and promotional activities for medical devices. We cannot be sure whether additional legislative changes will be enacted, or whether NMPA, EMA, FDA or other comparable regulatory agency's regulations, guidance or interpretations will be changed, or what the impact of such changes on the regulatory approvals of our product candidates, if any, may be. For example, according to the Regulations on the Supervision and Administration of Medical Devices (2021 Revision) (《醫療器械監督管理條例(2021修訂)》) effective on June 1, 2021, medical device companies are required to establish a quality management system and monitor and evaluate post-approval risks and adverse events caused by the products. In addition, laws and regulations in China, including those regulating DTx products and medical devices, may be amended from time to time. Changes in these areas could impose more stringent requirements on us and increase our compliance and other operating costs, and we may not be able to achieve or sustain profitability.

Privacy and data protection laws and regulations could have an implication on our reputation and customer preference.

In recent years, privacy and data protection has become an increasing regulatory focus of government authorities across the world. In China, where we operate substantially all our businesses, the PRC government has enacted a series of laws and regulations on the protection of personal data in the past few years. For example, regulatory authorities in China are considering a number of legislative and regulatory proposals concerning data protection. The

PRC Data Security Law (《中華人民共和國數據安全法》), or the Data Security Law, which was promulgated by the Standing Committee of the National People's Congress on June 10, 2021 and came into effect on September 1, 2021, outlines the regulatory framework of data security protection. The Opinions on Strictly Cracking Down on Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》), which were issued by the General Office of the State Council on July 6, 2021, require to speed up the revision of legislation on strengthening the confidentiality and archives coordination between regulators related to overseas issuance and listing of securities, and improvement to the legislation on data security, cross-border data flow, and management of confidential information.

When conducting our business, we may have access to certain patient data. The personal information of patients or participants for our clinical trials and other clinical and business activities is highly sensitive and we are subject to strict requirements under the applicable data privacy and protection regulations. Accordingly, we have adopted various security policies and measures to ensure legal compliance regarding privacy and data protection. Our Directors are of the view that, during the Track Record Period and up to the Latest Practicable Date, we were in compliance with all applicable PRC laws and regulations with respect to privacy and personal data protection in all material respects. For details, see "Business—Data Privacy and Protection." While we have adopted these measures to protect our proprietary data and patients' privacy, privacy leakage incidents might not be avoided due to human error, employee misconduct or system breakdown. In addition, we cooperate with third parties, including principal investigators, hospitals, CROs, and other related parties, for our clinical trials. Any leakage or abuse of patient and customer data by our third-party partners may be perceived by the patients and customer as a result of our failure. Furthermore, we may be required by business partners from time to time to upgrade our products to help them comply with such laws and regulations.

The laws and regulations regarding privacy and data protection in China as well as other jurisdictions are generally complex and evolving, with uncertainty as to the interpretation and application thereof. Maintaining compliance under such complex and evolving framework is crucial to maintaining our reputation and business customers' preference for our products. However, maintaining such compliance is highly technical and complex, and may consume significant management and financial resources.

We may be restricted from transferring our scientific data abroad.

We may in the future conduct clinical trials, registration and post-market surveillance of our products and product candidates in different jurisdictions, which involve the collection and storage of personal health information for scientific purposes, and it may require cross-border transfer of personal or scientific data, which subjects us to relevant laws and regulations. Our transfer of data may be limited or even restricted if the information is considered of national security interest in certain jurisdictions in which case, our business may be adversely affected as a result.

On March 17, 2018, the General Office of the State Council promulgated the Measures for the Management of Scientific Data (《科學數據管理辦法》), or the Scientific Data Measures, which provide a broad definition of scientific data and relevant rules for the management of scientific data. According to the Scientific Data Measures, enterprises in China must seek governmental approval before any scientific data involving a state secret may be transferred abroad or to foreign parties. Further, any researcher conducting research funded at least in part by the Chinese government is required to submit relevant scientific data for management by the entity to which such researcher is affiliated before such data may be published in any foreign academic journal. To the extent our R&D of our DTx product candidates are subject to the Scientific Data Measures and any subsequent laws as required by the relevant government authorities, if we are unable to obtain necessary approvals in a timely manner, or at all, our R&D of product candidates may be hindered, which may materially and adversely affect our business, operations, financial conditions and prospects. If the relevant government authorities consider the transmission of our scientific data to be in violation of the requirements under the Scientific Data Measures, we may be subject to fines and other administrative penalties imposed by those government authorities. Moreover, Cyberspace Administration of China issued the Measures on Security Assessment of the Cross-border Transfer of Personal Information (Draft for Comment) (《個人信息出境安全評估辦法(徵求意見稿)》) in June 2019, pursuant to which, any cross-border transfer of information that may endanger national security, damage public interest, or fail to offer effective protection of personal information security, as assessed by relevant regulatory bodies, will be prohibited. It is unclear if and the extent to which our clinical data will be considered as an endangerment to national or personal information security, if the regulation becomes effective. On July 7, 2022, the CAC published the Measures for the Security Assessment of Outbound Data Transmission (《數據出境安全評估辦法》) which took effect on September 1, 2022. It specifies the circumstances in which data processors providing data outbound shall apply for outbound data transfer security assessment with the Cyberspace Administration, including, among others, the exit data contains important data. There remain uncertainties whether we would be subject to the outbound data transfer security assessment.

Cross-border data transfer from other jurisdictions may also be limited. For example, cross-border data transfer from the EU to abroad is governed by the General Data Protection Regulation. Also, cross-border transfer of personal data by its nature is subject to general data privacy regulations in various jurisdictions, and may lead to a restriction of transferring our data across different jurisdictions.

The permit, filing or other requirements of the CSRC or other PRC government authorities in relation to our proposed* [REDACTED] *or further capital raising activities may be required under PRC laws.

On July 6, 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly issued the Opinions on Strictly Cracking Down on Illegal Securities Activities (《關於依法從嚴打擊證券違法活動的意見》), which emphasized the need to strengthen the administration over illegal securities activities, and the supervision over overseas listings by domestic companies. Stringent measures aimed

at establishing a robust regulatory system are expected to be taken to deal with the risks associated with overseas listed companies based in or having significant operations in China, and to tackle any related cybersecurity and data security, cross-border data transmission, and confidential information management, among other matters.

Further, on February 17, 2023, the CSRC released the Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) and five ancillary interpretive guidelines (collectively, the "Overseas Listing Trial Measures"), which apply to overseas offerings and listing by domestic companies of equity shares, depository receipts, corporate bonds convertible to equity shares, and other equity securities, and will come into effect on March 31, 2023. According to the Overseas Listing Trial Measures, overseas offering and listing by domestic companies shall be made in strict compliance with relevant laws, administrative regulations and rules concerning national security in spheres of foreign investment, cybersecurity, data security and etc., and duly fulfill their obligations to protect national security, and the domestic companies may be required to rectify, make certain commitment, divest business or assets, or take any other measures as per the competent authorities' requirements, so as to eliminate or avert any impact of national security resulting from such overseas offering and listing. No overseas offering and listing shall be made under any of the following circumstances: (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law, among other scenarios. The Overseas Listing Trial Measures provide that if an issuer meets both of the following conditions, the overseas securities offering and listing conducted by such issuer will be determined as an indirect overseas offering and listing subject to the filing procedure set forth under the Overseas Listing Trial Measures: (i) 50% or more of the issuer's operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements over the same period for the most recent accounting year is accounted for by domestic companies; and (ii) the main parts of the issuer's business activities are conducted in the Chinese Mainland, or its main places of business are located in the Chinese Mainland, or the senior managers in charge of its business operation and management are mostly Chinese citizens or domiciled in the Chinese Mainland. For an initial public offering and listing in an overseas market, the issuer shall designate a major domestic operating entity to file with the CSRC within 3 working days after the relevant application is submitted overseas. Based on the foregoing, we will be required to complete the filing procedures with the CSRC in connection with the proposed [**REDACTED**] pursuant to the Overseas Listing Trial Measures.

We cannot assure you that we could meet such requirements, obtain such permit from the relevant government authorities, or complete such filing in a timely manner or at all. Any failure may restrict our ability to complete the proposed [**REDACTED**] or any future capital raising activities, which would have a material adverse effect on our business and financial positions.

Risks Relating to Our Intellectual Property Rights

If we and our current or future collaboration partners are unable to protect our intellectual property rights throughout the world, or if the scope of such intellectual property rights obtained is not sufficiently broad, third parties may compete directly against us and our ability to successfully commercialize our products and product candidates may be adversely affected.

Our success depends in large part on our ability to protect our proprietary technology, products and product candidates from competition by obtaining, maintaining and enforcing our intellectual property rights, including patent rights and trade secrets. We seek to protect the technology, products and product candidates that we consider commercially important by filing patent applications in China, the U.S., the EU and other jurisdictions, relying on trade secrets or medical regulatory protection or employing a combination of these methods. This process is expensive and time-consuming, and we may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. We may also fail to identify patentable aspects of our research and development output before it is too late to obtain patent protection. As a result, we may not be able to prevent competitors from developing and commercializing competitive products in all such fields and territories through intellectual property protection.

Patents may be invalidated and patent applications may not be granted for a number of reasons, including known or unknown prior deficiencies in the patent application or the lack of novelty or inventiveness of the underlying invention or technology. We may also fail to identify patentable aspects of our research and development output in time to obtain patent protection. Although we enter into nondisclosure and confidentiality agreements or include such provisions in our relevant agreements with parties who have access to confidential or patentable aspects of our research and development output, such as our employees, consultants, advisors, hospitals, and other third parties, any of these parties may breach such agreements and disclose such output before a patent application is filed, jeopardizing our ability to seek patent protection. In addition, publications of discoveries in the scientific literature often lag behind the actual discoveries. Patent applications in China and other jurisdictions are typically not published until 18 months after filing, or in some cases, not at all. Under the Patent Law of the PRC (《中華人民共和國專利法》) promulgated by the Standing Committee of the National People's Congress (the "NPC") of the PRC, as amended, patent applications are generally maintained in confidence until their publication at the end of 18 months from the filing date. The publication of discoveries in the scientific or patent literature frequently occurs substantially later than the date on which the underlying discoveries were made and the date on which patent applications were filed. Therefore, we cannot be certain that we were the first to make the inventions claimed in our patents or pending patent applications or that we were the first to file for patent protection of such inventions.

Furthermore, the PRC has adopted the "first-to-file" system under which whoever first files a patent application will be awarded the patent if all other patentability requirements are met. The United States also moved to this "first-to-file" system in early 2013 through the America Invents Act that was enacted in 2011. Under the first-to-file system, even after reasonable investigation we may be unable to determine with certainty whether any of our products, processes, technologies, inventions, improvement and other related matters have infringed upon the intellectual property rights of others, because such third party may have filed a patent application without our knowledge while we are still developing that product, and the term of patent protection starts from the date the patent was filed, instead of the date it was issued. Therefore, the validity of issued patents, patentability of pending patent applications and applicability of any of them to our product development programs may be lower in priority than third-party patents issued on a later date if the application for such patents was filed prior to ours and the technologies underlying such patents are the same or substantially similar to ours. In addition, we may be involved in claims and disputes of intellectual property infringement in other jurisdictions (for example, in the United States). In addition, under PRC patent law, any organization or individual that applies for a patent in a foreign country for an invention or utility model accomplished in China is required to report to the China National Intellectual Property Administration (the "**CNIPA**") for confidentiality examination. Otherwise, if an application is later filed in China, the patent right will not be granted.

The coverage claimed in a patent application can be significantly reduced before the patent is issued, and its scope can be reinterpreted after issuance. Even if patent applications we own currently, or we may own or license in the future, are to be issued as patents, they may not be issued in a form that will provide us with any meaningful protection, prevent competitors or other third parties from competing with us, or otherwise provide us with any competitive advantage. In addition, the patent position of medical device companies generally is highly uncertain, involves complex legal and factual questions, and has been the subject of much litigation in recent years. As a result, the issuance, scope, validity, enforceability and commercial value of our patent rights are highly uncertain.

The issuance of a patent is not conclusive as to its inventorship, scope, validity or enforceability, and our patents may be challenged in the courts or patent offices in the PRC, the United States and other jurisdictions. We may be subject to a third-party preissuance submission of prior art to the CNIPA, the United States Patent and Trademark Office (the "**USPTO**") or other related intellectual property offices, or become involved in post-grant proceedings such as opposition, derivation, revocation, invalidation and re-examination, or inter partes review, or interference proceedings or similar proceedings in foreign jurisdictions challenging our patent rights or the patent rights of others. An adverse determination in any such submission, proceeding or litigation could reduce the scope of, or invalidate, our patent rights, allow third parties to commercialize our technology, products or product candidates and compete directly with us without payment to us, or result in our inability to develop or commercialize products and product candidates without infringing, misappropriating or otherwise violating third-party patent rights. Moreover, we may have to participate in interference proceedings declared by the USPTO or other related intellectual property offices to determine priority of invention or in post-grant challenge proceedings, such as invalidation

in the CNIPA or oppositions in a foreign patent office, that challenge the priority of our invention or other features of patentability of our patents and patent applications. Such challenges may result in loss of patent rights, loss of exclusivity, or in patent claims being narrowed, invalidated, or held unenforceable, which could limit our ability to stop others from using or commercializing similar or identical technology and products, or limit the duration of the patent protection of our technology, products and product candidates. Such proceedings also may result in substantial costs and require significant time from our scientific, technical and management personnel, even if the eventual outcome is favorable to us. Consequently, we do not know whether any of our technologies, products or product candidates will be protectable or remain protected by valid and enforceable patents. Our competitors or other third parties may be able to circumvent our patents by developing similar or alternative technologies or products in a non-infringing manner.

Furthermore, though various extensions may be available, the life of a patent and the protection it affords is limited. We may face competition for any approved product candidates even if we successfully obtain patent protection once the patent life has expired for the product. The issued patents and pending patent applications, if issued, for our products and product candidates are expected to expire on various dates as described in "Business—Intellectual Property Rights." Upon the expiration of our issued patents or patents that may be issued from our pending patent applications, we will not be able to assert such patent rights against potential competitors and our business and results of operations may be adversely affected.

Given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such product candidates might expire before or shortly after such product candidates are commercialized. As a result, our patents and patent applications may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours. Moreover, some of our patents and patent applications are, and may in the future be, co-owned with third parties. If we are unable to obtain an exclusive license to any such third-party co-owners' interest in such patents or patent applications, such co-owners may be able to license their rights to other third parties, including our competitors, and our competitors could market competing products and technology. In addition, we may need the cooperation of any such co-owners of our patents to enforce such patents against third parties, and such cooperation may not be provided to us. Any of the foregoing could have a material adverse effect on our competitive position, business, financial conditions, results of operations and prospects.

Claims that our System or the sale or use of our future products infringes, misappropriates or otherwise violates the patent or other intellectual rights of third parties could result in costly litigation with an uncertain outcome, or could have material adverse effects on our reputation and result in additional expense and distraction of our personnel, even if litigation is avoided.

Our commercial success depends in part on our avoiding infringement upon, misappropriating, or otherwise violating the patents and other intellectual property rights of third parties. We are aware of numerous issued patents and pending patent applications belonging to third parties that exist in fields in which we are developing our product candidates.

We may also be unaware of third-party patents or patent applications, and given the dynamic area in which we operate, additional patents are likely to be issued that relate to aspects of our business. There are a substantial amount of litigation and other claims and proceedings involving patent and other intellectual property rights in the medical device industry generally. As the medical device industry expands and more patents are issued, the risk increases that our product candidates may give rise to claims of infringement of the patent rights of others.

Third parties may assert that we are using technology in violation of their patent or other proprietary rights. Even in the absence of litigation, we may seek to obtain licenses from third parties to avoid the risks of litigation, and if a license is available, it could impose costly royalty and other fees and expenses on us. If third parties bring successful claims against us for infringement of their intellectual property rights, we may be subject to injunctive or other equitable relief, which could prevent us from developing and commercializing one or more of our product candidates or expanding the indication coverage of our products. Defense of these claims, regardless of their merit, would involve substantial litigation expense and would substantially divert attention of our scientific, technical and management personnel and consume other resources. In the event of a successful claim against us of infringement or misappropriation, or a settlement by us of any such claims, we may have to pay substantial damages, such as treble damages, and attorneys' fees in the case of willful infringement, pay royalties or redesign our infringing product candidates, which may be impossible or require substantial time and cost. In the event of an adverse result in any such litigation, or even in the absence of litigation, we may need to obtain licenses from third parties to advance our research or allow commercialization of our product candidates. Any such license might not be available on reasonable terms, or at all. If we are unable to obtain such a license, we would be unable to further develop and commercialize one or more of our product candidates, which could harm our business significantly. We may also elect to enter into license agreements to settle patent infringement claims or to resolve disputes prior to litigation, and any such license agreements may require us to pay royalties and other fees that could significantly harm our business.

In particular, we in-license the speech recognition technology to support our virtual human technology. See "Business—Our Technologies—Virtual Human" for more details. If the in-licensed technology infringes upon, or receives allegation that it infringes upon, the intellectual property rights of others, or leads to violation of data privacy and protection laws and regulations, we may be involved in litigation, government investigations and/or other legal proceedings, and be found liable for such infringements and/or violations. Even if the licensor is ultimately responsible, we may be nevertheless responsible to pay fines, damages, incur substantial legal costs, and have to divert significant managerial resources during the process, and may not be able to ultimately seek and obtain full indemnification from the licensor.

Even if litigation or other proceedings are resolved in our favor, there could be public announcements of the results of hearings, motions or other interim proceedings or developments, and if securities analysts or [**REDACTED**] perceive these results to be negative, this could have a substantial adverse effect on the [**REDACTED**] of our Shares. Such litigation or proceedings could substantially increase our operating losses and reduce the resources available for development activities or any future sales, marketing or distribution activities. We may not have sufficient financial or other resources to adequately conduct such litigation or proceedings. Some of our competitors may be able to sustain the costs of such litigation or proceedings more effectively than we can because of their greater financial resources. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we were not involved in any proceedings in respect of intellectual property right infringement claims against us or initiated by us. However, there can be no assurance that we would not be involved in such proceedings in the future. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could have a material adverse effect on our ability to compete in the marketplace.

Patent terms are limited and thus may be inadequate to protect our competitive position on our products and product candidates for an adequate amount of time.

In most jurisdictions in which we plan to file applications for patents, the term of a granted patent is generally 10 to 20 years from the earliest claimed filing date of a non-provisional patent application in the applicable jurisdictions. Although various extensions may be available, the life of a patent and the protection it affords are limited. Even if patents covering our services and products are obtained, we may be open to competition from other companies once our patent rights expire.

As of the Latest Practicable Date, we had been granted 36 patents. Our granted patents have expiration dates ranging from 2036 to 2042. We also had 42 pending patent applications in China and eight pending patent applications overseas as of the Latest Practicable Date. If patents are granted based on these pending patent applications, the resulting patents will be expected to expire ranging from 2041 to 2043, excluding any potential patent term extension or adjustment. Upon expiration of our issued patent or patents that may issue from our pending patent application, and without patent term extensions, we will not be able to assert such patent rights against potential competitors and our business and results of operation may be adversely affected.

Changes in patent law may reduce the value of patents in general, thereby impairing our ability to protect our products candidates.

Depending on decisions by the NPC and the CNIPA, the laws and regulations governing patents could change in a way that would weaken our ability to obtain new patents or to enforce our existing patents and patents that we might obtain in the future. The United States has enacted and is currently implementing wide-ranging patent reform legislation. Recent U.S. Supreme Court rulings have narrowed the scope of patent protection available in certain circumstances and weakened the rights of patent owners in certain situations. There could be similar changes in the laws of other jurisdictions that may impact the value of our patent rights or our other intellectual property rights. In addition to increasing uncertainty with regard to our ability to obtain patents in the future, this combination of events has created uncertainty with respect to the value of patents once obtained, if any.

Our intellectual property may be subject to further priority or ownership disputes and similar proceedings. Should we be unsuccessful in any of these proceedings, we might be required to obtain licenses from third parties, in terms not necessarily commercially reasonable to us, or to cease the development and commercialization of one or more of our product candidates under different indications, which could have a material adverse impact on our business.

We or our licensors may be subject to claims that former employees, collaborators or other third parties have an interest in our owned or in-licensed patents or other intellectual property as an inventor or co-inventor. If we or our potential future licensors are unsuccessful in any interference proceedings or other priority or validity disputes (including any patent oppositions) to which we or they are subject, we may lose valuable intellectual property rights through the loss of one or more patents owned or licensed or our owned or licensed patent claims may be narrowed, invalidated, or held unenforceable. In addition, if we or our potential future licensors are unsuccessful in any inventorship disputes to which we or they are subject, we may lose valuable intellectual property rights, such as exclusive ownership of, or the exclusive right to use, our owned or in-licensed patents. If we or potential licensors are unsuccessful in any interference proceeding or other priority or inventorship dispute, we may be required to obtain and maintain licenses from third parties, including parties involved in any such interference proceedings or other priority or inventorship disputes. Such licenses may not be available on commercially reasonable terms or at all or may be non-exclusive. If we are unable to obtain and maintain such licenses, we may need to modify or cease the development and commercialization of one or more of our product candidates or cease indication expansion of our products. The loss of exclusivity or the narrowing of our owned and licensed patent claims could limit our ability to stop others from using or commercializing similar DTx products.

Any of the foregoing could result in a material adverse effect on our business, financial condition, results of operations, or prospects. Even if we are successful in an interference proceeding or other similar priority or inventorship disputes, it could result in substantial costs and be a distraction to our management and other employees.

If we are unable to protect the confidentiality of our trade secrets, or if third parties assert that our employees, consultants, collaborators or partners have wrongfully used or disclosed confidential information or misappropriated trade secrets, our business and competitive position would be materially adversely affected.

In addition to our granted patent and pending patent applications, we rely on trade secrets, including unpatented know-how, technology and other proprietary information, to maintain our competitive position and to protect our products and product candidates. We seek to protect these trade secrets, in part, by entering into non-disclosure and confidentiality agreements or include such undertakings in the agreement with parties that have access to them, such as our employees, hospitals, consultants, advisors and other third parties. We also enter into employment agreements or consulting agreements with our employees and consultants that includes undertakings regarding assignment of inventions and discoveries. However, nondisclosure agreements with employees, consultants, hospitals and other parties may not adequately prevent disclosures of our trade secrets and other proprietary information. Any of these parties may breach such agreements and disclose our proprietary information, and we may not be able to obtain adequate remedies for such breaches. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret can be difficult, expensive and time consuming, and the outcome is unpredictable. If any of our trade secrets were lawfully obtained or independently developed by a competitor, we would have no right to prevent them from using that technology or information to compete with us and our competitive position would be harmed.

Although we try to ensure that our employees do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or these employees have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such employee's former employer. We are not aware of any material threatened or pending claims related to these matters or concerning the agreements with our management team, but in the future litigation may be necessary to defend against such claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management.

In addition, while we typically require our employees, consultants and third parties involved in the development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who in fact develops intellectual property that we regard as our own, which may result in claims by or against us related to the ownership of such intellectual property. If we fail in prosecuting or defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights. Even if we are successful in prosecuting or defending against such claims, litigation could result in substantial costs and be a distraction to our scientific, technical and management personnel.

Some of our products utilize third-party open-source data and software, and any failure to comply with the terms of one or more of these open-source software licenses could have a material adverse effect on our business, prospects, results of operations and financial condition, subject us to litigation, or create potential liability.

We have chosen, and we may choose in the future, to use open-source software in our products. We use various software composition tools which are designed to monitor risks related to licenses and vulnerabilities related to open-source software. Use and distribution of open-source software may entail greater risks than use of third-party commercial software, as open-source licensors generally do not provide warranties or other contractual protections regarding infringement claims or the quality of the code. Some open-source licenses may contain requirements that we make available source code for modifications or derivative works we create based upon the type of open-source software we use. If we combine our proprietary software with open-source software in a certain manner, we could, under certain open-source licenses, be required to release the source code of our proprietary software to the public. This would allow our competitors to create similar products with less development effort and time and ultimately could result in a loss of business opportunities.

Although we intend to monitor any use of open-source software to avoid subjecting our products to conditions we do not intend, the terms of many open-source licenses may impose unanticipated conditions or restrictions on our ability to commercialize our products. Moreover, there is no assurance that our processes for controlling our use of open-source software in our products will be effective. If we are held to have breached the terms of an open-source software license, we could be required to seek licenses from third parties to continue offering our products on terms that are not economically feasible, to re-engineer our products, to discontinue the sale of our products if re-engineering could not be accomplished on a timely basis, or to make generally available, in source code form, our proprietary code, any of which could materially and adversely affect our business, operating results and financial condition.

We may co-own patents or other intellectual property rights with our collaboration partners, which may limit our ability to effectively capitalize on these intellectual property rights.

We may co-own patents or other intellectual property rights with our collaboration partners. If we are unable to obtain an exclusive license to any such third-party co-owners' interest in such patents or patent applications, such co-owners may be able to license their rights to other third parties, including our competitors, and our competitors could market competing products and technology. In addition, we may need the cooperation of any such co-owners of our patents to enforce such patents against third parties, and such cooperation may not be provided to us. Any of the foregoing could have a material adverse effect on our competitive position, business, financial conditions, results of operations and prospects.

We may enter into collaborations, in-licensing arrangements, joint ventures, or strategic alliances with third parties that may not result in the development of commercially viable products or the generation of significant or any future revenue.

In the ordinary course of our business, we may enter into collaborations, in-licensing arrangements, joint ventures, or strategic alliances to develop new indications for existing DTx products, develop new DTx products and to expand into new markets. Proposing, negotiating, and implementing collaborations, in-licensing arrangements, joint ventures, and strategic alliances may be a lengthy and complex process. Other companies, including those with substantially greater financial, marketing, sales, technology or other business resources, may compete with us for these opportunities or arrangements. We may not identify, secure or complete any such transactions or arrangements in a timely manner, on a cost-effective basis, on acceptable terms, or at all. We have limited institutional knowledge and experience with respect to these business development activities, and we may also not realize the anticipated benefits of any such transaction or arrangement. In particular, these collaborations may not result in the development of products that achieve commercial success or result in significant revenue and could be terminated prior to developing any products.

Additionally, we may not be in a position to exercise sole decision-making authority regarding the transaction or arrangement, which could create the potential risk of creating impasses on decisions, and our collaborators may have economic or business interests or goals that are, or that may become, inconsistent with our business interests or goals. It is possible that conflicts may arise with our collaborators, such as conflicts concerning the achievement of performance milestones, or the interpretation of significant terms under any agreement, such as those related to financial obligations or the ownership or control of intellectual property developed during the collaboration. If any conflicts arise with our current or future collaborators, they may act in their self-interest, which may be adverse to our best interest, and they may breach their obligations to us. In addition, we have limited control over the amount and timing of resources that our current collaborators or any future collaborators devote to our collaborators' or our future products. Disputes between us and our collaborators may result in litigation or arbitration which would increase our expenses and divert the attention of our management. Further, these transactions and arrangements are contractual in nature and may be terminated or dissolved under the terms of the applicable agreements and, in such event, we may not continue to have rights to the products relating to such transaction or arrangement or may need to purchase such rights at a premium.

If our trademarks and trade names are not adequately protected, then we may not be able to build name recognition in our markets of interest and our business may be adversely affected.

We currently hold registered trademarks and have trademark applications pending, any of which may be the subject of a governmental or third-party objection, which could prevent the registration or maintenance of the same. If we are unsuccessful in obtaining trademark protection for our primary brands, we may be required to change our brand names, which could materially adversely affect our business. Moreover, as our products mature, our reliance on our

trademarks to differentiate us from our competitors will increase, and as a result, if we are unable to prevent third parties from adopting, registering or using trademarks and trade dress that infringe, dilute or otherwise violate our trademark rights, or engaging in any conduct that constitutes unfair competition, defamation or other violation of our rights, our business could be materially adversely affected.

Our trademarks or trade names may be challenged, infringed, circumvented or declared generic or determined to be infringing on other marks. We may not be able to protect our rights to these trademarks and trade names, which we need to build name recognition among potential partners or customers in our markets of interest. At times, competitors or other third parties may adopt trade names or trademarks similar to ours, thereby impeding our ability to build brand identity and possibly leading to market confusion. In addition, there could be potential trade name or trademark infringement claims brought by owners of other registered trademarks or trademarks that incorporate variations of our registered or unregistered trademarks or trade names. Over the long term, if we are unable to establish name recognition based on our trademarks and trade names, then we may not be able to compete effectively and our business may be adversely affected.

We may become involved in lawsuits to protect or enforce our intellectual property, which could be expensive, time-consuming and unsuccessful. Our patent rights relating to our product and product candidates could be found invalid or unenforceable if being challenged in courts or before the CNIPA, the courts or related intellectual property agencies in other jurisdictions.

Competitors may infringe our patent rights or misappropriate or otherwise violate our intellectual property rights. To counter infringement or unauthorized use, litigation may be necessary in the future to enforce or defend our intellectual property rights, to protect our trade secrets or to determine the validity and scope of our own intellectual property rights or the proprietary rights of others. This can be expensive and time consuming. Any claims that we assert against perceived infringers could also provoke these parties to assert counterclaims against us alleging that we infringe their intellectual property rights. Many of our current and potential competitors have the ability to dedicate substantially greater resources to enforce and/or defend their intellectual property rights than we can. Accordingly, despite our efforts, we may not be able to prevent third parties from infringing or misappropriating our intellectual property rights. An adverse result in any litigation proceeding could put our patents, as well as any patents that may issue in the future from our pending patent applications, at risk of being invalidated, held unenforceable or interpreted narrowly. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, some of our confidential information could be compromised by disclosure during this type of litigation.

Defendant counterclaims alleging invalidity or unenforceability are commonplace, a third party can assert invalidity or unenforceability of a patent on numerous grounds. Third parties may also raise similar claims before administrative bodies in China, the United States, the EU or other jurisdictions, even outside the context of litigation. Such proceedings could result in revocation or amendment to our patents in such a way that they no longer cover and protect our products or product candidates. The outcome following legal assertions of invalidity and unenforceability is unpredictable. With respect to the validity of our patents, for example, we, our patent counsel, and the patent examiner could be unaware of invalidating prior art during prosecution. If a defendant were to prevail on a legal assertion of invalidity and/or unenforceability, we would lose at least part, and perhaps all, of the patent protection on our products or product candidates. Such a loss of patent protection could have a material adverse impact on our business.

Conversely, we may choose to challenge the patentability of claims in a third party's patents. For example, with respect to a third party's U.S. patent, we may request that the USPTO review the patent claims in re-examination, post-grant review, inter partes review, interference proceedings and derivation proceedings. In the EU and other jurisdictions, we may choose to challenge, third party patents in patent opposition proceedings in the European Patent Office (the "**EPO**") or other foreign patent offices. However, even if successful, such proceedings may produce substantial costs, and may consume our time or other resources. If we fail to obtain favorable results at the USPTO, EPO or other foreign patent offices, we may be exposed to litigation by third parties alleging that our products or product candidates infringed their patents.

We may not be able to prevent misappropriation of our trade secrets or confidential information, particularly in countries where the laws may not protect those rights as fully as we expect. Our efforts to enforce or protect our proprietary rights related to trademarks, trade secrets, domain names, copyrights or other intellectual property may be ineffective and could result in substantial costs and diversion of resources and could adversely affect our business, financial condition, results of operations and prospects.

Obtaining and maintaining our patent protection depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.

Periodic maintenance fees on any issued patent are due to be paid to the CNIPA, the USPTO and other patent agencies in several stages over the lifetime of the patent. The CNIPA, the USPTO and various governmental patent agencies require compliance with a number of procedural, documentary, fee payment, and other similar provisions during the patent application process. Although an inadvertent lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, non-compliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. Non-compliance events could result in abandonment or lapse of a patent or patent application include failure to respond to official

actions within prescribed time limits, nonpayment of fees, and failure to properly legalize and submit formal documents. In any such event, our competitors might be able to enter the market, which would have a material adverse effect on our business.

Intellectual property rights do not necessarily address all potential threats.

The degree of future protection afforded by our intellectual property rights is uncertain because intellectual property rights have limitations, and may not adequately protect our business, or permit us to maintain our competitive advantage. The following examples are illustrative:

- others may be able to independently develop similar or alternative technologies or designs that are similar to our services and products but that are not covered by the claims of the patents that we own or have exclusively licensed;

- we might not have been the first to make the inventions covered by the issued patents or pending patent applications that we own or may in the future exclusively license, which could result in the patent applications not issuing or being invalidated after issuing;

- we might not have been the first to file patent applications covering certain of our inventions, which could result in the patent applications not issuing or being invalidated after issuing;

- our competitors might conduct research and development activities in countries where we do not have patent rights and then use the information learned from such activities to develop competitive services and products for commercialization in our major markets;

- we may fail to apply for or obtain adequate intellectual property protection in all the jurisdictions in which we operate; and

- the patents of others may have an adverse effect on our business, for example by preventing us from commercializing additional products or applications in more indications of our existing products.

Any of the aforementioned threats to our competitive advantage could have a material adverse effect on our business.

Risks Relating to Our Reliance on Third Parties

We may be unable to develop our product candidates or expand indication coverage of existing products as anticipated if the third parties with which we cooperate for clinical trials do not perform in an acceptable manner or if these third parties do not successfully carry out their duties or meet expected deadlines.

We cooperate with third parties, primarily hospitals, to assist us in designing, implementing and monitoring our preclinical research and conducting clinical trials. As of the Latest Practicable Date, we had helped more than 80 hospitals establish cognitive centers in China. If any of these parties terminates their cooperation with us, the development of indication expansion of our System and of our other product candidates could be substantially delayed. In addition, these third parties may not successfully carry out their responsibilities under the cooperation, meet expected deadlines or follow regulatory requirements, including clinical and laboratory guidelines. Our reliance on these third parties may result in delays in completing, or in failing to complete, these studies if they fail to perform in accordance with the contractual arrangements. Furthermore, if any of these parties fail to perform their obligations under our agreements with them in the manner specified in those agreements, the NMPA and/or other comparable regulatory authorities may not accept the data generated by those studies, which would increase the cost of and the development time for the relevant product candidate. If any of the preclinical studies or clinical trials of our product candidates is affected by any of the above-mentioned reasons, we will be unable to meet our anticipated development or commercialization timelines, which would have a material adverse effect on our business and prospects.

We may engage CROs and other third-party partners in our research and development process. Our research and development timeline may be delayed if these third parties do not successfully carry out their contractual duties or meet expected deadlines in accordance with regulatory requirements; if there are disagreements between us and such parties; or if such parties are unable to expand capacities. These third parties may also be affected by natural disasters, such as floods or fire, health epidemics, including the ongoing COVID-19 pandemic, or geopolitical developments. These third parties could face production issues, such as contamination or regulatory concerns following a regulatory inspection of their facilities. In such instances, we may need to locate an appropriate replacement third-party facility and establish a contractual relationship, which may not be readily available or on acceptable terms, which would cause additional delay and increased expense and may have a material adverse effect on our business.

In addition, we may collaborate with CROs and other third parties to monitor and manage data for some of our clinical programs and control only certain aspects of their activities. If any of our CROs or other third parties do not perform to our standards in terms of data accuracy or completeness, data from those preclinical and clinical trials may be compromised as a result, and our reliance on these parties does not relieve us of our regulatory responsibilities.

The clinical development, marketing and sale of our products require us to maintain close relationships with physicians upon whom we rely on to provide considerable knowledge and experience. These physicians may assist us as researchers, marketing consultants, and as public speakers. If we fail to develop, maintain our relationships with them or to continue to receive their advice and input, the development and marketing of our products could suffer, which could have a material adverse effect on our business, financial condition, and results of operations.

We engage third party providers for cloud-based infrastructure. Any disruption in the operations of these third-party providers, limitations on capacity or interference with our use could have a material adverse effect on our business, prospects, results of operations and financial condition.

Our technological infrastructure is implemented using third-party hosting services. We have no control over any of these third parties, and we cannot guarantee that such third-party providers will not experience system interruptions, outages or delays, or deterioration in their performance. We need to be able to access our computational platform at any time, without interruption or degradation of performance. Our hosted platform depends on protecting the virtual cloud infrastructure hosted by third-party hosting services by maintaining our configuration, architecture, features, and interconnection specifications, as well as protecting the information stored in these virtual data centers, which is transmitted by third-party Internet service providers. We may experience interruptions, delays and outages in service and availability from time to time due to a variety of factors, including infrastructure changes, human or software errors, hosting disruptions and capacity constraints. Any limitation on the capacity of our third-party hosting services could adversely affect our business, financial condition, and results of operations. In addition, any incident affecting our third-party hosting services' infrastructure, which may be caused by cyberattacks, natural disasters, fire, flood, severe storm, earthquake, power loss, telecommunications failures, terrorist or other attacks, and other disruptive events beyond our control, could negatively affect our cloud-based solutions. A prolonged service disruption affecting our cloud-based solutions could damage our reputation or otherwise harm our business. We may also incur significant costs for using alternative equipment or taking other actions in preparation for, or in reaction to, events that damage the third-party hosting services we use.

In the event that our service agreements with our third-party hosting services are terminated, or there is a lapse of service, elimination of services or features that we utilize, interruption of Internet service provider connectivity, or damage to such facilities, we could experience interruptions in access to our infrastructure as well as significant delays and additional expense in arranging or creating new facilities and services and/or re-architecting our hosted software solutions for deployment on a different cloud infrastructure service provider, which could have a material adverse effect on our business, prospects, results of operations and financial condition.

We rely on providers of marketing and promotional services and operational service provider to promote and market our products and product candidates. If any of them fail to perform their contractual obligations to us in a timely manner, or encounter any operational difficulties, we may be unable to commercialize our products and product candidates as anticipated.

We rely on both our in-house marketing team and third-party provider of marketing and promotional services to market and promote our products. We incurred selling and distribution expenses of RMB11.9 million and RMB38.4 million in 2022 and 2023, respectively. We also cooperate with an operational service provider which led to business opportunities with certain hospitals. See "Business—Sales and Marketing—Our Marketing Model—Collaboration with Top Hospitals and Research Institutions" for more details on this arrangement. The success of our marketing activities in part depends on our ability to maintain and enhance our relationships with qualified service providers and our ability to attract, motivate and retain qualified and professional employees in our marketing and sales teams. However, we have limited control over these service providers. If any of these service providers fail to adequately perform their obligations to market and promote our products and product candidates, either due to breaches of their duties or due to their insolvency or other operational difficulties, we may not be able to timely find replacement service providers, and the promotion and commercialization efforts of our products and product candidates may be hindered, and our business operations, results of operations, and financial condition could be materially adversely affected.

A limited number of customers accounted for a substantial portion of our revenue during the Track Record Period, and any decreases in our future sales to them could adversely affect our financial condition and results of operations.

In 2022 and 2023, the aggregate sales to our five largest customers were RMB8.3 million and RMB50.8 million, respectively, representing approximately 73.1% and 75.6% of our revenue during the same periods, respectively. In 2022 and 2023, the aggregate sales to our largest customer were RMB4.4 million and RMB26.8 million, respectively, representing approximately 39.1% and 39.9% of our revenue during the same periods, respectively. The percentage of revenue from single largest and five largest customers both presented an increasing trend from 2022 to 2023, and we cannot assure you that we can reverse such trends in future years or periods. It is likely that we will continue to be dependent upon a limited number of customers for a significant portion of our revenue for the foreseeable future. The loss of one or more major customers or a reduction in purchase from any major customer may reduce our revenue.

RISKS RELATING TO OUR FINANCIAL POSITION AND NEED FOR ADDITIONAL CAPITAL

We have been in a net loss position since our inception and may continue to incur net losses for the foreseeable future, and you may lose substantially all your* [REDACTED] *in us given the high risks and uncertainties associated with our business operations and the cognitive impairment DTx industry.

Cognitive impairment DTx industry is relatively new with limited track record of profitability. Investment in the development of DTx is highly speculative. It entails substantial upfront capital expenditures and significant risks that a product candidate may fail to complete clinical trials, gain regulatory approval or become commercially viable. We incurred significant expenses related to our product and product candidates and our ongoing operations. As a result, we incurred loss and total comprehensive expense of RMB502.5 million and RMB359.1 million in 2022 and 2023, respectively. Substantially all of our operating losses resulted from expenses incurred in connection with our research and development programs, selling and distribution, as well as administrative expenses associated with our operations.

We may continue to incur losses in the foreseeable future, and the losses may increase as we expand our development of, and seek regulatory approvals for, our product candidates, and commercialize our products. We will also incur costs in support of our growth. The size of our future net losses will depend, in part, on the number and scope of our product development programs and the associated costs of those programs, the cost of commercializing any approved products and our ability to generate revenue. We are unable to predict when, or whether, we will be able to achieve or maintain profitability. In addition, we may encounter unforeseen expenses, difficulties, complications, delays and other unknown situations, all of which may result in our failure in some or all of our development efforts. For example, if the clinical trial results of our System for expanded indications or other products or product candidates are not satisfactory, we may be unable to successfully expand our System to additional indications, or to launch our other product candidates as expected. High and increasing labor costs could also affect our profitability, and may result from, among other things, labor shortages that require us to increase salaries in order to attract employees, higher employee health insurance costs, and labor disruptions by our employees. Even if we do succeed in all of the above activities, we may not be able to generate revenue that are significant or sufficient enough to achieve profitability. In addition, we will start incurring costs associated with being a [**REDACTED**] in Hong Kong after the [**REDACTED**]. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods. Our failure to become and remain profitable may impact [**REDACTED**]' perception of the potential value of our Group and could impair our ability to raise capital, maintain our research and development efforts, expand our business or continue our operations.

The amount of our future losses or potential profits is uncertain, and our annual operating results may fluctuate significantly or fall below the expectations of* [REDACTED] *or securities analysts, each of which may cause our stock* [REDACTED] *to fluctuate or decline.

Our results of operations may fluctuate significantly in the future due to a variety of factors, many of which are outside of our control and may be difficult to predict, including the following:

- the timing and success or failure of clinical trials for the System and our other products and product candidates or competing product candidates, or any other change in the competitive landscape of our industry;
- our ability to successfully recruit and retain subjects for clinical trials, and any delays caused by difficulties in such efforts;
- our ability to obtain marketing authorization for our product candidates and the timing and scope of any such marketing authorizations we may receive;
- the timing and cost of, and level of investment in, research and development activities relating to our System and other products and product candidates, which may change from time to time;
- our ability to attract, hire and retain qualified personnel;
- expenditures that we will or may incur to develop additional product candidates;
- the level of demand for the System and our other products and product candidates should such product candidates receive marketing authorizations, which may vary significantly;
- the risk/benefit profile, cost and reimbursement policies with respect to the System and our other products and product candidates, if granted marketing authorization, and existing and potential future therapeutics that compete with our product candidates;
- the changing and volatile Chinese and global economic environments including global inflationary pressures; and
- future accounting pronouncements or changes in our accounting policies.

We had net operating cash outflows throughout the Track Record Period. We will need substantial additional financing to fund our operations, and if we are unable to raise capital when needed or on terms favorable to us, our business, financial condition and results of operations could be materially and adversely affected.

We need to devote significant financial resources on clinical development, regulatory registration and approvals, marketing and commercialization, among other investments, before we can generate revenue from expanded indications of our System or from other products and product candidates. Our net cash used in operating activities amounted to RMB100.7 million and RMB136.9 million in 2022 and 2023, respectively. Sales of our System have contributed to a portion of our cash flow during the Track Record Period. However, we cannot assure that we will be able to leverage other revenue-generating sources to generate positive cash flows from operating activities in the future. Our liquidity and financial condition may be materially and adversely affected by negative net cash flows, and we cannot assure that we will generate sufficient cash flows from other sources to fund our operations. If we continue to have negative operating cash flows in the future, our liquidity and financial condition may be materially and adversely affected.

We expect to continue to spend substantial amounts on research and development, advancing the clinical development of our product candidates, commercializing our products and launching and commercializing any product candidates for which we receive regulatory approval, including building our own commercial organization to address China and other markets. Our existing cash and cash equivalents may not be sufficient to enable us to complete all global development or commercially launch all our current product candidates for the anticipated indications and to invest in additional programs. Accordingly, we will require further funding through public or private offerings, debt financing, among other methods of financing. We cannot assure you that our financial resources will be adequate to support our operations. Adequate additional funding may not be available to us on acceptable terms, or at all. If we are unable to raise capital when needed or on favorable or reasonable terms, we would be forced to delay, reduce or eliminate our research and development programs or future commercialization efforts.

As we are investing heavily in our research and development efforts, our profitability and operating cash flows in the short term may continue to be impacted and we may not generate the results we expect to achieve.

Our technological capabilities and infrastructure are critical to our success. We have been investing heavily in our research and development efforts. We incurred research and development expenses of RMB67.6 million and RMB90.7 million in 2022 and 2023, respectively. The industry in which we operate is evolving rapidly in terms of technological innovation. We need to invest significant resources, including financial resources, in research and development to lead technological advances in order to make our products innovative and competitive in the market. As a result, we expect that our research and development expenses will continue to increase. Furthermore, development activities are inherently uncertain, and we might encounter practical difficulties in commercializing our development results. Our

significant expenditures on research and development may not generate corresponding benefits. Given the fast pace at which technologies have been and will continue to be developed, we may not be able to timely upgrade our technologies in an efficient and cost-effective manner, or at all. New technologies in our industries could render our technologies, our technological infrastructure or products that we are developing or expect to develop in the future obsolete or unattractive, thereby limiting our ability to recover related product development costs, which could result in a decline in our revenue, profitability and market share.

Our results of operations, financial condition, and prospects may be adversely affected by fair value changes in our financial liabilities at FVTPL, which could be uncertain due to the use of unobservable inputs.

During the Track Record Period, we issued redeemable preferred shares which are designated as financial liabilities at fair value through profit or loss. As of December 31, 2022 and 2023, our financial liabilities at FVTPL was RMB1,162.6 million and RMB315.5 million, respectively. In 2022 and 2023, we recorded fair value loss of financial liabilities at FVTPL of RMB385.9 million and RMB165.2 million, respectively, which were primarily driven by fair value changes of the redeemable preferred shares we issued, which could be subject to uncertainty due to use unobservable inputs. Such changes may continue to affect our financial performance until the [**REDACTED**]. The automatic conversion of redeemable preferred shares into ordinary shares upon the [**REDACTED**] is expected to ameliorate our net liabilities position. Moreover, we do not expect to recognize any further loss or gain on fair value changes from the redeemable preferred shares in the future. If we continue to incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected.

The preferred shares we issued are redeemable preferred shares designated as financial liabilities at FVTPL. For details, please see Note 27 to the Accountants' Report in Appendix I to this Document. The fair value measurement of our preferred shares involves estimates and assumptions that are subject to significant uncertainties and risks. Valuation techniques are certified by an independent qualified professional valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Valuation models established by the valuer make the maximum use of market inputs and rely as little as possible on our specific data. However, some significant unobservable inputs, such as fair value of our ordinary shares, possibilities under different scenarios such as initial public offering, liquidation and redemption, and discount for lack of marketability, require management estimates. Management estimates and assumptions are reviewed periodically and are adjusted when necessary. Should any of the estimates and assumptions change, it may lead to changes in the fair value of financial liabilities at FVTPL. In addition, the valuation methodologies may involve a significant degree of management judgment and are inherently uncertain, which may result in material adjustment to the carrying amounts of certain liabilities and in turn may materially and adversely affect our results of operations.

Our results of operations are exposed to the impact of fair value changes for financial assets at FVTPL.

Financial assets at FVTPL primarily consist of short-term Level II structured deposits and wealth management products we purchased from reputable commercial banks in China. We recorded RMB228.8 million and nil in financial assets at FVTPL as of December 31, 2022 and 2023, respectively. Our financial assets at FVTPL are measured at fair value with any fair value gains or losses recognized under "other gains and losses, net" of our results of operations. We recorded fair value gains on financial assets at FVTPL of RMB3.2 million and RMB2.7 million in 2022 and 2023, respectively. However, we cannot assure you that we will continue to record such gains on financial assets at FVTPL in the future. If we have any financial assets at FVTPL in the future, and their fair value decreases in future periods after impairment assessment under ECL, we may need to record fair value losses on financial asset at FVTPL, which could materially and adversely affect our results of operations and financial condition.

We had net liabilities position in the past and may not be able to achieve or maintain net assets and net current assets position in the future.

As of December 31, 2022 and 2023, we had net liabilities of RMB1,094.2 million and RMB332.2 million, respectively. Although the financial liabilities at FVTPL will cease to be classified as liability, and will be reclassified as equity upon the completion of the [**REDACTED**], there is no assurance that we will not record net liabilities in the future. Having significant net liabilities could constrain our operational flexibility and adversely affect our ability to expand our business. If we do not generate sufficient cash flow from our operations to meet our present and future liquidity needs, we may need to rely on additional external borrowings for funding. If adequate funds are not available, whether on satisfactory terms or at all, we may be forced to delay or abandon our growth plans, and our business, financial condition and results of operations may be materially and adversely affected.

We are exposed to credit risk when collecting trade receivables from our customers. If we experience delays in collecting payments from our customers with regards to trade receivables, and from other parties with regards to other receivables, our cash flows and operations could be adversely affected.

Our business and financial results are dependent on the timely payments and credit worthiness of our customers. We typically grant customers credit terms that range from 30 to 180 days. As of December 31, 2022 and 2023, our trade receivables were RMB8.4 million and RMB50.7 million, respectively. The average turnover days of our trade receivables was 153.3 days and 160.7 days in 2022 and 2023, respectively. If our customers' cash flows, working capital, financial condition or operations deteriorate, they may be unable, or they may otherwise be unwilling, to make payments owed to us promptly or at all. Any substantial defaults or delays could materially and adversely affect our cash flows, and we could be required to terminate our relationships with customers in a manner that will impair the effective distribution of our products or provision of services. In addition, we may be unable to enforce our contractual rights and collect outstanding payments due to complexities of the procedures

in different jurisdictions where we operate. If one or more customers default on their payment obligations to us, and the scale of such defaults is significant, our business, financial condition and results of operations may be materially and adversely affected.

Raising additional capital may cause dilution to our shareholders, restrict our operations or require us to relinquish rights to our technologies or products.

We may seek additional funding through a combination of equity offerings, debt financings, collaborations, and licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, your ownership interests will be diluted, and the terms may include liquidation or other preferences that adversely affect your rights as a holder of our Shares. The incurrence of additional indebtedness or the issuance of certain equity securities could result in increased fixed payment obligations and could also result in certain additional restrictive covenants, such as limitations on our ability to incur additional debt or issue additional equity, limitations on our ability to acquire or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. In addition, issuance of additional equity securities, or the possibility of such issuance, may cause the [**REDACTED**] of our Shares to decline.

In the event that we enter into collaborations or licensing arrangements in order to raise capital, we may be required to accept unfavorable terms, including relinquishing or licensing to a third party on unfavorable terms our rights to technologies or product candidates that we otherwise would seek to develop or commercialize ourselves or potentially reserve for future potential arrangements when we might be able to achieve more favorable terms.

Share-based compensation could result in dilution of existing shareholders' equity and have a material adverse effect on our financial performance.

We may issue options, shares or other share-based compensation for the benefit of our employees (including directors) as remuneration for their services provided to us to incentivize and reward the eligible persons who have contributed to the success of our Company. Issuance of additional Shares with respect to such share-based payment may dilute the shareholding percentage of our existing Shareholders. Expenses incurred by our Company with respect to such share-based payment may also reduce the earnings of our Company, resulting in the dilution of our Company's earnings-per-share and therefore have a material and adverse effect on our reported profit.

We rely on assumptions, estimates, internally developed software and data from third parties to deliver timely and accurate information in order to accurately report our financial results in the timeframe and manner required by law.

We need to receive timely, accurate, and complete information from our internal company data that has not been independently verified utilizing internally developed software and third party software in order to accurately report our financial results on a timely basis. If the information that we receive is not accurate, our consolidated financial statements may be

materially incorrect and may require restatement. While these numbers are based on what we believe to be reasonable calculations for the applicable period of measurement, there are inherent challenges in measuring such information. In addition, our measurement of certain metrics may differ from estimates published by third parties or from similarly-titled metrics of our competitors due to differences in methodology and as a result our results may not be comparable to our competitors. As a result, we may have difficulty completing accurate and timely financial disclosures, which could have an adverse effect on our business.

RISKS RELATING TO OUR GENERAL OPERATIONS

Our historical rapid growth may not be indicative of our future growth and, if we continue to grow rapidly, we may not be able to manage our growth effectively.

If we are not successful in managing our growth or executing our strategies effectively, our business, operations, financial condition and future growth may be adversely affected. For example, as part of our growth strategies, we plan to continue our research and development in expanding the indication coverage of our System, as well as in other products and product candidates. As certain jurisdictions we operate or plan to enter, such as China, are large and diverse market, industry trends and clinical demands may vary significantly by regions. Our experience in collaborations with certain partners in major cities may not be applicable in other cities or local regions. As a result, we may not be able to leverage our experience to expand into local or regional markets. Any failure to effectively manage our growth or execute our strategies may have an adverse impact on our business and prospects.

As our development and commercialization plans and strategies evolve, we need to recruit a significant number of additional managerial, operational, sales, marketing, financial and other personnel. Our recent growth and any future growth will impose significant added responsibilities on members of management, including:

- identifying, recruiting, integrating, maintaining and motivating additional employees;

- managing our internal development efforts effectively, including the clinical and regulatory authority review process for our product candidates, while complying with our contractual obligations to contractors and other third parties; and

- improving our operational, financial and management controls, reporting systems and procedures.

Our future financial performance and our ability to commercialize our products will depend, in part, on our ability to effectively manage our recent growth and any future growth, and our management may also have to divert a disproportionate amount of its attention away from day-to-day activities in order to devote a substantial amount of time to managing these growth activities.

If we are not able to effectively manage our growth and further expand our organization by hiring new employees and expanding our groups of consultants and collaborating partners as needed, we may not be able to successfully implement the tasks necessary to further develop and commercialize our current and future products and services and, accordingly, may not achieve our research, development and commercialization goals.

Our competitors may develop or commercialize competing products before or more successfully than we do, or respond and adapt to the market changes more quickly and effectively.

The development and commercialization of new medical devices is highly competitive. We face competition from other major companies focusing on the development of DTx products worldwide. Our business opportunities could be reduced or eliminated if our competitors develop and commercialize products that have higher accuracy rates, are less expensive or are more convenient than any products that we commercialize or are developing. Our competitors in the global market may also apply for regulatory approvals in China or other countries for products with the same intended use as our products and product candidates. The capacity of the relevant authorities, such as the NMPA, to concurrently review multiple commercialization applications for the same type of medical device may be limited, therefore such authorities' schedule to review our product candidates may be delayed when our product candidates are under the authorities' concurrent review with our competitors' products, and the registration process of our product may be prolonged. Moreover, our competitors may obtain approvals from the NMPA or its local counterparts and other comparable regulatory authorities more rapidly than we do, which may allow our competitors to establish a strong market position before we are able to enter the market.

Many of our competitors have significantly greater financial resources and expertise and experience in research and development, conducting preclinical studies and clinical trials, obtaining regulatory approvals and marketing than we do, and are more capable than us to respond and adapt to the market changes in a timely and effective manner. Our inability to adequately respond to market changes could have a material adverse effect on our market position, and our reputation may be materially and adversely affected, which could adversely affect our relationships with physicians and hospitals and our long-term ability to effectively market and sell our products or conduct clinical trials for our new products. In this regard, our business, financial condition and results of operation may be materially and adversely affected.

Mergers and acquisitions in the medical device industries may result in even more resources being concentrated among a small number of our competitors. Smaller and other early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These third parties compete with us in recruiting and retaining qualified scientific, management and marketing personnel, establishing clinical trial sites and trial participant registration for clinical trials, as well as acquiring technologies complementary to, or necessary for, our product development programs. Our inability to compete effectively could reduce our revenue and current market share, impair our ability to achieve our targeted market share in future periods, cause a decline in our growth rates, and harm our position in the DTx industry, and our business, financial condition, results of operation and return on capital expenditures may be materially and adversely affected.

Our future success depends on our ability to retain key executives and key personnel in our R&D team, sale and marketing team, and our ability to attract, train, retain and motivate qualified and highly skilled personnel especially R&D, clinical related, sales and marketing staff.

Our business and growth depend on the continued service of our senior management and personnel in our R&D team to develop product candidates, as well as our sales and marketing team to promote our products and services. Although we have formal employment agreements with each of our employees, these agreements do not prevent them from terminating their employment with us at any time. The loss of the services of any of these people could impede the achievement of our research, development and commercialization objectives.

To retain valuable employees, in addition to salary and cash incentives, we have provided share awards to our employees. The value to employees of these equity grants may be significantly affected by movements in the Share [**REDACTED**] that are beyond our control, and may at any time be insufficient to counteract more lucrative offers from other companies.

In addition, we rely on consultants and advisors, including scientific and clinical advisors, to assist us in formulating our discovery, clinical development and commercialization strategy. The loss of the services of our executive officers or other key employees and consultants could impede the achievement of our research, development and commercialization objectives and impact our ability to successfully implement our business strategy.

Furthermore, replacing executive officers, key employees or consultants may be difficult and may take an extended period of time because of the limited number of individuals in our industry with the breadth of skills and experience required to successfully develop, gain regulatory approval of and commercialize products or services. Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain or motivate these key personnel or consultants on acceptable terms given the competition among numerous medical device companies for similar personnel.

We also experience competition for the recruiting of R&D (including but not limited to talents in the fields of AI and algorithms) and clinical personnel from universities and research institutions. Our consultants and advisors may be engaged by our competitors and may have commitments under consulting or advisory contracts with other entities that may limit their availability to us. If we are unable to continue to attract and retain high quality personnel, our ability to pursue our growth strategy may be impacted.

If we fail to effectively expand our overseas clinical development and initiate international commercialization, our business prospects may be adversely affected.

We have proprietary rights in respect of our products and product candidates in China and other selected overseas jurisdictions through patent registration and protection over proprietary technologies. To grow our business, we intend to expand our business operations internationally.

We plan to broaden our sales and expand our presence globally, especially in the United States and the EU. However, our limited experience in overseas markets may expose us to risks and uncertainties. Our success in expanding our business and providing services internationally, and competing in international markets is subject to our ability to manage various risks and difficulties, including, but not limited to:

- our ability to effectively manage and coordinate our employees across different geographic locations;
- our ability to develop and maintain relationships with customers, suppliers and other local stakeholders;
- the ability to provide sufficient levels of technical support in different locations;
- obtaining the necessary approvals for registering and selling our products in additional countries;
- reliance on overseas partners for the development, commercialization or marketing of our products, which may incur additional costs;
- commercializing our products in new markets where we have limited experience and no sales and marketing infrastructure;
- product and professional liability litigation and regulatory scrutiny arising from the marketing and sale of products in overseas markets and the costs incurred dealing with such procedures, as well as our ability to obtain insurance to adequately protect us from any resulting liabilities;

- dealing with regulatory regimes, regulatory bodies and government policies which may differ materially from those in the PRC or with which we may be unfamiliar;
- variations and changes in laws applicable to our operations in different jurisdictions, including enforceability of intellectual property and contractual rights;
- our ability to obtain and renew licenses that may be needed in overseas locations to support operations;
- trade restrictions, political changes, disruptions in financial markets, and deterioration of economic conditions, particularly the relations between China and the United States;
- foreign investment restrictions;
- changes in tariffs, taxes and foreign currency exchange rates, which could result in increased operating expenses and reduced revenue;
- the effects of applicable foreign tax structures and potentially adverse tax consequences;
- economic weakness and inflation;
- workforce uncertainty and labor unrest; and
- business interruptions resulting from geo-political actions, including war and terrorism, or natural disasters, including earthquakes, volcanoes, typhoons, floods, hurricanes and fires.

Our profitability and ability to implement our business strategies, maintain our market share and compete successfully in international markets may be compromised if we are unable to manage the foregoing risks and other international risks successfully.

Our business significantly depends on our reputation and customer perception of us, and any negative publicity on us or failure to maintain and enhance our recognition and reputation may materially adversely affect our business, financial condition and results of operations.

Our reputation and customer perception of our brand are critical to our business. Maintaining and enhancing our reputation and recognition depend primarily on the quality and consistency of our products, as well as continued promotion efforts. Because our products and product candidates are considered relatively new and novel therapeutic approaches, our success will depend upon physicians who specialize in the treatment of cognitive impairment targeted by our products and product candidates and may choose to prescribe potential treatments that involve the use of our products and product candidates in lieu of, or in addition to, existing treatments with which they are more familiar and for which greater clinical data may be

available. Access will also depend on consumer acceptance and adoption of products that are commercialized. Our promotion efforts may be expensive and ineffective. In addition, our reputation and customer perception of us could suffer in events that:

- our products fail to gain acceptance by hospitals, physicians and patients;
- our products are defective or malfunction;
- lawsuits or regulatory investigations are instituted against us or relating to our products or industry;
- we provide poor or ineffective customer service; or
- we are subject to product liability claims.

Negative publicity concerning our products or the DTx market as a whole, could limit market acceptance of our products and product candidates. If patients and healthcare providers have a negative perception of DTx, then a market for our products and product candidates may not develop at all, or it may develop more slowly than we expect. Our success will depend to a substantial extent on the willingness of healthcare providers to prescribe our products, the extent to which coverage and adequate reimbursement for these products and product candidates and related treatments will be available from government health administration authorities, private health insurers and other organizations and our ability to demonstrate the value of our products and product candidates to existing and potential patients and physicians. Similarly, negative publicity regarding patient confidentiality and privacy in the context of technology-enabled healthcare or concerns experienced by our competitors could limit market acceptance of DTx.

If we are unable to maintain and further enhance our reputation and recognition, our ability to attract and retain customers may be impeded and our business prospects may be materially adversely affected. Any negative incident or negative publicity concerning us, our products, our management and our employees, regardless of its veracity, could harm our image and diminish the trust from our customers and the market, which could in turn result in decreased sales of our products and materially and adversely affect our business. As a result, we may be required to spend significant time and incur substantial costs in response to allegations and negative publicity, and may not be able to diffuse them to the satisfaction of our investors and customers.

Any failure to offer high quality patient support may adversely affect our relationships with our existing and prospective patients, and in turn our business, results of operations and financial condition.

Our patients will depend on our patient support to properly use and upgrade our DTx products resolve issues in a timely manner. We may be unable to respond quickly enough to accommodate short-term increases in demand for patient support. Increased patient demand for support could increase costs and adversely affect our results of operations and financial condition. Any failure to maintain high-quality patient support, or the market perception that we do not maintain high quality patient support, could adversely affect patient satisfaction and their willingness to continue to use our products or the willingness of physicians to prescribe our products, which in turn could harm our business, results of operations and financial condition.

If we fail to maintain effective internal controls, we may not be able to accurately report our financial results or prevent fraud, and our business, financial condition, results of operations and reputation could be materially and adversely affected.

We will become a [**REDACTED**] upon completion of the [**REDACTED**], and our internal controls will be essential to the integrity of our business and financial results. Our [**REDACTED**] reporting obligations are expected to place a strain on our managerial, operational and financial resources and systems in the foreseeable future. To address our internal controls issues and to generally enhance our internal controls and compliance environment, we have taken various measures to improve our internal controls and procedures including establishing a compliance program, adopting new policies, and providing extensive and ongoing training on our controls, procedures and policies to our employees. The violation of or deviation from these internal controls and procedures by any of our employees could adversely affect our reputation, financial position and current and future business relationships. If one or more of our employees or former employees were to engage in misconduct or were to be accused of such misconduct, our businesses and our reputation could be adversely affected.

In addition, in preparation for the [**REDACTED**], we have implemented other measures to further enhance our internal controls, and plan to take steps to further improve our internal controls. If we encounter difficulties in improving our internal controls and management information systems, we may incur additional costs and management time in meeting our improvement goals. We cannot assure you that the measures taken to improve our internal controls will be effective. If we fail to maintain effective internal controls in the future, our business, financial condition, results of operation and reputation may be materially and adversely affected.

Our technology infrastructure may experience unexpected system failure, interruption, inadequacy, security breaches or cyberattacks.

Despite the implementation of security measures, our internal computer systems are vulnerable to damage from computer viruses and unauthorized access. Although to our knowledge we have not experienced any material system failure or security breach to date, if such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our development programs and our business operations.

Our internal computer systems store a wide variety of business-critical information including research and development information, commercial information and business and financial information. Because information systems, networks and other technologies are critical to many of our operating activities, shutdowns or service disruptions at our company or vendors that provide information systems, networks, or other services to us pose increasing risks. Such disruptions may be caused by events such as computer hacking, phishing attacks, ransomware, dissemination of computer viruses, worms and other destructive or disruptive software, denial of service attacks and other malicious activity, as well as power outages, natural disasters (including extreme weather), terrorist attacks or other similar events. Such events could have an adverse impact on us and our business, including loss of data and damage to equipment and data. In addition, system redundancy may be ineffective or inadequate, and our disaster recovery planning may not be sufficient to cover all eventualities. Significant events could result in a disruption of our operations, damage to our reputation or a loss of revenue. In addition, we may not have adequate insurance coverage to compensate for any losses associated with such events.

We could be subject to risks caused by misappropriation, misuse, leakage, falsification or intentional or accidental release or loss of information maintained in the information systems and networks of our company and our vendors, including personal information of our employees and patients. In addition, outside parties may attempt to penetrate our systems or those of our vendors or fraudulently induce our personnel or the personnel of our vendors to disclose sensitive information to gain access to our data and/or systems. Like other companies, we may experience, threats to our data and systems, including malicious codes and viruses, phishing, and other cyberattacks. The number and complexity of these threats continue to increase over time. If a material breach of our information technology systems or those of our vendors occurs, the market perception of the effectiveness of our security measures could be harmed and our reputation and credibility could be damaged. We could be required to expend significant amounts of money and other resources to repair or replace information systems or networks. In addition, we could be subject to regulatory actions and/or claims made by individuals and groups in private litigation involving privacy issues related to data collection and use practices and other data privacy laws and regulations, including claims for misuse or inappropriate disclosure of data, as well as unfair or deceptive practices. Although we develop and maintain systems and controls designed to prevent these events from occurring, and we have a process to identify and mitigate threats, the development and maintenance of these systems, controls and processes is costly and requires ongoing monitoring and updating as technologies change and efforts to overcome security measures become increasingly

sophisticated. Moreover, despite our efforts, the possibility of these events occurring cannot be eliminated entirely. As we outsource more of our information systems to vendors, engage in more electronic transactions with payors and patients, and rely more on cloud-based information systems, the related security risks will increase and we will need to expend additional resources to protect our technology and information systems.

Security breaches, ransomware attacks, loss of data and other disruptions could compromise sensitive information related to our patients or business or prevent us from accessing critical information and expose us to liability, which could have a material adverse effect on our reputation, business, prospects, results of operations and financial condition.

We depend on our information technology for a significant portion of our operations. Our information technology systems store and process a variety of sensitive data, including but not limited to, legally protected personal health information, personally identifiable information about our employees, intellectual property, and proprietary business information. We also manage and maintain our applications and data utilizing on-site and cloud-based systems. These applications and data encompass a wide variety of business-critical information including R&D information, commercial information and business and financial information. Thus, it is essential that our information technology infrastructure remains secure and is perceived by hospitals, patients and our research partners to be secure. We seek to preserve the security of our information technology infrastructure by maintaining physical security of our premises and physical and electronic security of our information technology systems by measures such as installing antivirus software, establishing firewalls, backing up data on a stand-alone workstation with password protection, and saving physical copy of data when appropriate. Despite our security measures, our information and other technology systems are vulnerable to damage from a variety of sources, such as telecommunications or network failures, phishing attacks, ransomware, dissemination of computer viruses, worms and other destructive or disruptive software, denial of service attacks and other malicious activity, as well as power outages, natural disasters (including extreme weather), terrorist attacks or other similar events. Our servers are also vulnerable to physical break-ins, employee errors and similar disruptive problems.

We cannot assure that it would not happen in the future. Failures or significant downtime of our information technology or telecommunications systems or those used by our third-party service providers could prevent us from serving patients and physicians, billing customers, collecting revenue, handling inquiries from our customers, conducting research and development activities, deploying our products and services and managing the administrative aspects of our business. Any disruption or loss of information technology or telecommunications systems on which critical aspects of our operations depend could have an adverse effect on our business, reputation, and expose us to significant financial liabilities. In addition, we may not have adequate insurance coverage to compensate for any losses associated with such events.

We do not own any real estate with respect to our current principal place of operation and may be exposed to risks associated with leased properties. For example, we may be subject to fines due to the lack of registration of our leases.

We do not own any real property for our operations. As of the Latest Practicable Date, we leased an aggregate GFA of approximately 8,800 square meters in China. Some of our lessors were not able to provide property ownership certificates, while the right of certain other lessors to lease out properties had already expired when leasing the properties to us. This has led to uncertainties in our abilities to maintain the relevant leasehold relationships. We also used certain of our leased properties for purpose inconsistent with those set forth in the relevant lease agreements. If we fail to maintain such leases or otherwise continue to use any of our leased property as a result of the above, we may need to seek an alternative location and incur expenses related to such relocation, and our operation and businesses may also be disrupted or even suspended if we are not able to complete the relocation, including the reconstruction of relevant facilities in the new location, in a timely manner.

As advised by our PRC Legal Advisor, our right to use the mortgaged properties are subordinate to the rights of mortgages relating to the relevant properties, which may affect our use of leased properties. In case such properties we leased are transferred due to the enforcement of mortgages, which had been set before the properties were leased to us, we may be required to relocate. As of the Latest Practicable Date, we had not been aware of any enforcement of the mortgages of the above-mentioned properties. We cannot assure that in the future, we may not encounter such challenges. In addition, in the event of relocation, we may incur additional costs, which could adversely affect our daily operation and cause an impact on our financial condition.

As of the Latest Practicable Date, the lease agreements with respect to the 16 properties we leased in the PRC for our business operations had not been registered and filed with the relevant PRC government authorities. As advised by our PRC Legal Advisor, failure to register such lease agreements with the relevant PRC government authorities does not affect the validity and enforceability of the relevant lease agreements but the relevant PRC government authorities may order us or the lessors to, within a prescribed time limit, register the lease agreements. Failure to do so with the time limit may subject us to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease. During the Track Record Period and as of the Latest Practicable Date, we had not received any such request or suffered any such fine from the relevant PRC government authorities. For details, see "Business—Our Properties."

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.

Anti-bribery laws, anti-kickback, false claims laws, doctors' payment transparency laws, fraud and abuse laws or similar healthcare and security laws and regulations could expose us to sanctions, penalties, contractual damages or reputational damages that would have a material adverse effect on our business, financial conditions and operations.

We are subject to the anti-bribery laws of various jurisdictions. As our business expands, the applicability of the applicable anti-bribery laws to our operations has increased. Our procedures and controls to monitor compliance with anti-bribery law may fail to protect us from reckless or criminal acts committed by our employees or agents. If we fail to comply with the applicable anti-bribery laws due to either our own deliberate or inadvertent acts or those of others, our reputation could be damaged and we could incur criminal or civil penalties, other sanctions and/or expenses, which would have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects.

In addition, healthcare providers, doctors and others play a primary role in the recommendation and prescription of any products for which we obtain regulatory approval. Our operations are subject to various applicable anti-kickback, false claims laws, doctor payment transparency laws, fraud and abuse laws or similar healthcare and security laws and regulations in China and other jurisdictions where we operate. These laws may impact, among other things, our proposed sales, marketing and education programs. In addition, we may be subject to personal privacy regulation. Violations of fraud and abuse laws may be punishable by criminal and/or civil sanctions, including penalties, fines and/or exclusion or suspension from governmental healthcare programs and debarment from contracting with the governments of the jurisdictions where we operate, which will result in diminished profits and future earnings. Furthermore, there are ambiguities as to what is required to comply with certain requirements, and if we fail to comply with an applicable law requirement, we could be subject to penalties. If any of the doctors or other providers or entities with whom we do business are found to be not in compliance with applicable laws, they may be subject to criminal, civil or administrative sanctions, including exclusions from government funded healthcare programs, which may also adversely affect our business.

Physicians and other healthcare service providers play a primary role in the recommendation and use of any products for which we obtain regulatory approval. Our operations are subject to various applicable anti-kickback laws, false claims laws, physician payment transparency laws, fraud and abuse laws or similar healthcare and security laws and regulations in China, including, without limitation, Criminal Law of the PRC, Regulation on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) and the Administrative Measures for the Registration and Record Filing of Medical Devices (《醫療器械註冊與備案管理辦法》). Violations of fraud and abuse laws may be punishable by criminal and/or civil sanctions, including penalties, fines and/or exclusion or suspension from governmental healthcare programs and debarment from contracting with the PRC government.

Efforts to ensure that our business arrangements with third parties comply with applicable healthcare laws and regulations will involve substantial costs. Governmental authorities could conclude that our business practices may not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of civil, criminal and administrative penalties, damages, disgorgement, monetary fines, possible exclusion from participation in governmental healthcare programs, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of our operations, any of which could adversely affect our ability to operate our business and our results of operations.

We help hospitals build cognitive centers to establish relationships with hospitals and market our products. We also sponsor academic conferences to promote the awareness of our products among the medical community. However, we, our employees or our collaborating partners may be subject to allegations that the above activities constitute or relate to corruption and bribery. Such allegations and any related investigations, litigations and other legal proceedings could harm our reputation, and the costs of defending against such allegations could be substantial and could divert our resources and harm our results of operations.

We may be involved in lawsuits, claims, administrative proceedings or other legal proceedings against us, which could adversely affect our business, financial conditions, results of operations and reputation.

We face an inherent risk of product and professional liability as a result of the commercialization of our products, the provision of our services, and any future commercialization of our product candidates in China and globally. For example, we may be sued if our products or product candidates cause or are perceived to cause injury, or fail to deliver favorable results in improving patients' cognitive functions as intended. Any such product and professional liability claims may include allegations of defects in design, a failure to warn of dangers inherent in the DTx product, negligence, strict liability or a breach of warranties. Claims could also be asserted under applicable consumer protection acts. During the Track Record Period, we had not been subject to any product or professional liability claim. Responding to such claims could significantly divert our management's attention from our general business operations. If we cannot successfully defend ourselves against or obtain indemnification from our collaborators for product and professional liability claims, we may incur substantial liabilities or be required to limit commercialization of our products and product candidates and provision of our services. Even successful defense would require significant financial and management resources. Regardless of the merits or eventual outcome, liability claims may result in:

- decreased demand for our products;
- injury to our reputation;

- withdrawal of clinical trial participants and inability to continue clinical trials;
- initiation of investigations by regulators;
- costs to defend the related litigation;
- a diversion of management's time and our resources;
- substantial monetary awards to trial participants or subjects, product recalls, withdrawals, marketing or promotional restrictions;
- loss of revenue;
- exhaustion of any available insurance and our capital resources;
- the inability to commercialize any product candidate; and/or
- a decline in our Share [**REDACTED**].

If we are unable to obtain sufficient product and professional liability insurance at an acceptable cost, potential product and professional liability claims could prevent or inhibit the commercialization of our products and product candidates. Our insurance policies may also have various exclusions, and we may be subject to a product and professional liability claim for which we have no coverage. We may have to pay any amounts awarded by a court or negotiated in a settlement that exceed our coverage limitations or that are not covered by our insurance, and we may not have, or be able to obtain, sufficient capital to pay such amounts. Even if our agreements with any future collaborators entitle us to indemnification against losses, such indemnification may not be available or adequate should any claim arise.

Our insurance coverage may not completely cover the risks related to our business and operations, which could expose us to significant costs and business interruptions.

Our operations are subject to hazards and risks associated with our research and development, as well as other aspects of our operations, which may cause significant harm to persons or damage to properties. We maintain different types of insurance policies, including social insurance for all of our employees and personal accident insurance. For details, see "Business—Insurance." However, there is no assurance that our insurance policies will be adequate to cover all losses incurred. Losses incurred and associated liabilities may have a material adverse effect on our results of operation if such losses or liabilities are not covered by our insurance policies.

If we engage in acquisitions, joint ventures or strategic alliances, this may increase our capital requirements, dilute our shareholders, cause us to incur debt or assume contingent liabilities, may have a material adverse effect on our ability to manage our business and may not result in the development of commercially viable products or the generation of significant or any future revenue.

From time to time, we may evaluate various acquisitions and strategic partnerships, including licensing or acquiring complementary products, intellectual property rights, technologies or businesses. Any completed, ongoing or potential acquisition or strategic partnership may entail numerous risks, including:

- increased operating expenses and cash requirements;
- the assumption of additional indebtedness or contingent or unforeseen liabilities;
- the issuance of our equity securities;
- assimilation of operations, intellectual property and products of an acquired company, including difficulties associated with integrating new personnel;
- the diversion of our management's attention from our existing product programs and initiatives in pursuing such a strategic merger or acquisition;
- retention of key employees, the loss of key personnel, and uncertainties in our ability to maintain key business relationships;
- risks and uncertainties associated with the other party to such a transaction, including the prospects of that party and their existing products and product candidates and regulatory approvals; and/or
- our inability to generate revenue from acquired technology and/or products sufficient to meet our objectives in undertaking the acquisition or even to offset the associated acquisition and maintenance costs.

If we undertake acquisitions, we may issue dilutive securities, assume or incur debt obligations, incur large one-time expenses and acquire intangible assets that could result in significant future amortization expense. In addition, we may not be able to integrate any future acquisition targets to achieve the expected synergies with our existing operations and to fulfill the contemplated purposes of these acquisitions. We may not achieve the operational or economic synergies expected from such acquisitions. These synergies are inherently uncertain, and are subject to significant business, economic and competitive uncertainties and contingencies, many of which are difficult to predict and are beyond our control. If we achieve the expected benefits, they may not be achieved within the anticipated time frame. Also, the

synergies from our acquisitions may be offset by costs incurred in the acquisition, increases in other expenses, operating losses or problems in the business unrelated to our collaboration. As a result, there can be no assurance that these synergies will be achieved.

Furthermore, our future acquisition targets may not provide us with the intellectual property rights, technology, R&D capability, production capacity or sales and marketing infrastructure we had anticipated, or they may be subject to unforeseen liabilities. We may be unable to successfully increase the efficiencies of the acquired businesses in the manner we contemplated or devote more resources and management attention than desirable to the integration and management of the acquired businesses. Hence, there can be no guarantee that we will be able to enhance our post-acquisition performance or grow our business through our recent or future acquisitions.

We face risks related to natural disasters, health epidemics, civil and social disruption and other outbreaks, which could significantly disrupt our operations.

An outbreak of a respiratory disease COVID-19 was first reported in December 2019 and continues to expand across China and globally. In March 2020, the World Health Organization characterized the COVID- 19 outbreak as a global pandemic. Significant rises in COVID-19 cases have been reported since then, causing governments around the world to implement unprecedented measures such as city lockdowns, travel restrictions, quarantines and business shutdowns. In May 2023, the WHO declared that COVID-19 is now an established and ongoing health issue which no longer constitutes a public health emergency of international concern.

The COVID-19 outbreak has caused and may continue to cause a long-term adverse impact on the economy and social conditions in the PRC and other affected countries, which may have an indirect impact on our industry and have a material adverse effect on our business, financial condition and operations.

In addition, any future occurrence of force majeure events, natural disasters or outbreaks of other epidemics and contagious diseases, including avian influenza, severe acute respiratory syndrome, swine influenza caused by the H1N1 virus or the Ebola virus disease, may materially and adversely affect our business, financial condition and operations. Any future occurrence of severe natural disasters in the PRC or other overseas jurisdictions may materially and adversely affect their economy and our business.

Damage or extended periods of interruption to our corporate, development and research and development facilities due to fire, natural disaster, power loss, communications failure, unauthorized entry or other events could cause us to delay or cease development or commercialization of some or all of our product candidates. Our insurance might not cover all losses under such circumstances and our business may be impacted by delays and interruptions. We cannot assure that any future occurrence of natural disasters or outbreaks of epidemics and contagious diseases or the measures taken by the governments of the jurisdictions where we

operate or plan to enter in response to such contagious diseases will not seriously disrupt our operations or those of our customers, which may materially and adversely affect our business, financial condition and operations.

Changes in the political and economic policies may materially and adversely affect our business, financial condition, results of operations and prospects.

Due to our extensive business operations in the PRC, our business, results of operations, financial condition and prospects may be influenced to a significant degree by economic, political, legal and social conditions in China. Our growth prospect is in part affected by the overall economic growth in China, which is in turn influenced by the governmental regulations and policies in relation to resource allocation, monetary policies, regulations of financial services and institutions, preferential treatment to particular industries or companies and others. Any of the foregoing would affect our business, financial condition, results of operations and prospects.

Failure to pay the social insurance and housing provident funds on behalf of our employees in accordance with the Labor Contract Law or comply with other PRC regulations may have an adverse impact on our financial conditions and results of operation.

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) implemented on December 29, 2018 and other applicable PRC regulations, any employer operating in China must open social insurance registration accounts and contribute social insurance premium for its employees. Any failure to make timely and adequate contribution of social insurance premium for its employees may trigger an order of correction from competent authority requiring the employer to make up the full contribution of such overdue social insurance premium within a specified period of time, and the competent authority may further impose fines or penalties.

In the future, we may not apply for social insurance registrations and housing provident fund payment and deposit registrations in a timely manner, and we may not be able to make full contribution to the social insurance and housing provident funds for our employees in the future in accordance with the relevant PRC laws and regulations. As a result, we may be required by competent authorities to pay the outstanding amount and could be subject to late payment penalties or enforcement application made to the court. As of the Latest Practicable Date, no competent government authorities had imposed administrative action, fine or penalty to us with respect to any non-compliance incident nor had any competent government authorities required us to settle any outstanding amount of social insurance payments and housing provident fund contributions. We will continue to make full contributions or pay any historical shortfall within a prescribed time period if demanded by the relevant government authorities. Our Directors, having consulted our PRC Legal Advisor, are of the opinion that such non-compliance will not have a material adverse effect on our business.

***We, including but not limited to our HK subsidiary, may be deemed to be a PRC tax resident enterprise under the EIT Law, which could result in unfavorable tax consequences to us, and may materially and adversely affect our profitability and the value of your* [REDACTED].**

We are a company incorporated under the laws of the Cayman Islands. Pursuant to the EIT Law and its implementation rules, if an enterprise incorporated outside the PRC has its "de facto management bodies" within the PRC, such enterprise would generally be deemed a "PRC resident enterprise" for tax purposes and be subject to an EIT rate of 25% on its global income. "De facto management bodies" is defined as the body that has actual overall management and control over the business, personnel, accounts and properties of an enterprise. In April 2009, July 2011 and January 2014, the SAT issued several circulars, as amended from time to time, to clarify certain criteria for the determination of the "de facto management bodies" for foreign enterprises controlled by the PRC enterprises. However, there have been no official implementation rules regarding the determination of the "de facto management bodies" for foreign enterprises not controlled by PRC enterprises (including companies like ourselves). We are currently not regarded as a PRC tax resident enterprise. Nevertheless, if we are regarded as a PRC tax resident enterprise by the PRC tax authorities, we would have to pay PRC EIT at a rate of 25% for our entire global income, which may materially and adversely affect our profits and hence our retained profit available for distribution to our Shareholders.

You may be subject to PRC withholding tax on dividends from us and PRC income tax on any gain realized on the transfer of our Shares.

Under the EIT law and its implementation rules, PRC withholding tax at a rate of 10% is normally applicable to dividends from a PRC source paid to investors that are "non-resident enterprises," which do not have an establishment or place of business in the PRC, or which have such an establishment or place of business but whose relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such non-resident enterprise investors is generally subject to a 10% PRC income tax if such gain is regarded as income derived from sources within the PRC.

Under the PRC EIT Law and its implementation rules, dividends from sources within the PRC paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors on the transfer of shares are generally subject to PRC income tax at a rate of 20% for individuals.

Any PRC tax may be reduced or exempted under applicable tax treaties or similar arrangements. However, it is unclear whether non-PRC resident investors would in practice be able to obtain the benefits of any tax treaties between their country of tax residence and the PRC in the event that a company incorporated outside the PRC is deemed to be a PRC resident enterprise.

If we are treated as a PRC resident enterprise, dividends we pay with respect to our Shares, or the gain realized from the transfer of our Shares, may be treated as income derived from sources within the PRC and as a result be subject to the PRC income taxes described above. If PRC income tax is imposed on gains realized through the transfer of our Shares or on dividends paid to our non-resident [**REDACTED**], the value of your [**REDACTED**] in our Shares may be materially and adversely affected.

Our use of proceeds from business operations may be subject to currency exchange laws and regulations.

The conversion of RMB into foreign currencies and, in certain cases, the remittance of currency out of China, are subject to PRC regulations and approvals. A substantial portion of our revenue is denominated in RMB. Shortages in availability of foreign currency may then restrict our ability to remit sufficient foreign currency to our offshore entities for our offshore entities to pay dividends or make other payments or otherwise to satisfy our foreign currency denominated obligations. The RMB is currently convertible under the "current account," which includes dividends, trade and service-related foreign exchange transactions, but not under the "capital account," which includes foreign direct investment and loans, including loans we may secure from our onshore subsidiaries. Currently, we and our PRC subsidiaries may purchase foreign currency for settlement of "current account transactions," including payment of dividends to us, without the approval of SAFE by complying with certain procedural requirements. However, we may not obtain such approvals. Since our revenue is denominated in RMB, any existing and future restrictions on currency exchange may limit our ability to utilize revenue generated in RMB to fund our business activities outside of the PRC or pay dividends in foreign currencies to holders of our Shares. Foreign exchange transactions under the capital account remain subject to limitations and require approvals from, or registration with, SAFE and other relevant PRC governmental authorities. This could affect our ability to obtain foreign currency through debt or equity financing for our subsidiaries.

Changes in international trade policies may affect our business operations.

Any unfavorable government policies on international trade, such as capital controls or tariffs, may adversely affect our business, financial condition, results of operations, cash flows and prospects. The current and former United States administrations have called for substantial changes to U.S. foreign trade policy with respect to China and other countries, including the possibility of imposing greater restrictions on international trade and significant increases in tariffs on goods imported into the United States. China has responded by imposing, and proposing to impose additional, new, or higher tariffs on certain products imported from the United States. Following mutual retaliatory actions for months, on January 15, 2020, the United States and China entered into the Economic and Trade Agreement as a phase one trade deal, effective on February 14, 2020. It remains unclear what additional actions, if any, will be taken by the United States or other governments with respect to international trade, tax policy related to international commerce, or other trade matters. If any new tariffs, legislation and regulations are implemented, or if existing trade agreements are renegotiated, such changes could have an adverse effect on our business, financial condition and results of operations.

Any failure by the Shareholders or beneficial owners of our shares to comply with PRC foreign exchange or other regulations relating to offshore investment activities could restrict our ability to distribute profits, restrict our overseas and cross-border investment activities and subject us to liability under PRC laws.

The Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) ("**SAFE Circular 37**"), which was promulgated by SAFE and became effective on July 4, 2014, requires PRC residents to register with banks designated by local branches of SAFE in connection with their Direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle."

If the shareholders of an offshore holding company who are PRC residents fail to fulfill their required registration with the local SAFE branches, the PRC subsidiaries of the offshore holding company may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to the offshore company, and the offshore company may be restricted in its ability to contribute additional capital to its PRC subsidiaries. Furthermore, failure to comply with the SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

We have requested 41 persons, being the PRC residents who we know hold interest in us to make the necessary applications, filings and amendments as required under SAFE Circular 37 and other related rules. We may not be fully informed of the identities of all our shareholders or beneficial owners who are PRC residents to ensure their compliance with SAFE Circular 37 or other related rules. In addition, we cannot provide any assurance that all of our shareholders and beneficial owners who are PRC residents will comply with our request to make, obtain or update any applicable registrations or comply with other requirements required by SAFE Circular 37 or other related rules in a timely manner. Even if our shareholders and beneficial owners who are PRC residents comply with such request, we cannot provide any assurance that they will successfully obtain or update any registration required by Circular 37 or other related rules in a timely manner due to many factors, including those beyond our and their control. Any failure by our PRC residents shareholders or beneficial owners to register with SAFE or update their SAFE registrations in a timely manner pursuant to SAFE Circular 37 and subsequent implementation rules, or the failure of our future shareholders or beneficial owners who are PRC residents to comply with the registration requirements set forth in SAFE Circular 37 and subsequent implementation rules may result in penalties and limit our PRC subsidiaries' ability to make distributions, pay dividends or other payments to us or affect our ownership structure and restrict our cross-border investment activities, which could adversely affect our business, financial condition and results of operations.

PRC laws and regulations impose significant regulatory approvals and scrutiny requirements that may make it more difficult for us to grow through acquisitions in China.

PRC laws and regulations, such as the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者並購境內企業的規定》) (the "M&A Rules") which came into effect on September 8, 2006 and was amended on June 22, 2009, established procedures and requirements that are expected to make merger and acquisition activities in China by foreign investors subject to requirements in some instances that MOFCOM be notified in advance of any change of control transaction in which a foreign investor takes control of a PRC domestic enterprise, or that the approval from MOFCOM be obtained in circumstances where overseas companies established or controlled by PRC enterprises or residents acquire affiliated domestic companies. PRC laws and regulations also require certain merger and acquisition transactions to be subject to merger control review or security review.

***Fluctuations in exchange rates could result in foreign currency exchange losses and could materially reduce the value of your* [REDACTED].**

Our revenue and expenses are substantially denominated in Renminbi. A portion of the revenue must be converted into other currencies in order to meet our foreign currency obligations. For example, we will need to obtain foreign currency to make payments of declared dividends, if any, on our Shares. In addition, our [**REDACTED**] from the [**REDACTED**] will be denominated in Hong Kong dollars. The change in the value of currencies may fluctuate and is affected by, among other things, changes of the relevant political and economic conditions and foreign exchange policies. Any significant change in the related exchange rates may adversely affect the value of and any dividends payable on, our Shares in Hong Kong dollars.

Any failure to comply with PRC regulations regarding the registration requirements for employee stock incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies (《關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (the "**SAFE Circular 7**"), replacing the previous rules issued by SAFE in March 2007. Under the SAFE Circular 7 and other relevant rules and regulations, PRC residents who participate in a stock incentive plan in an overseas publicly-listed company are required to register with SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests

and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. Also, SAFE Circular 37 stipulates that PRC residents who participate in a share incentive plan of an overseas non-publicly-listed special purpose company may register with SAFE or its local branches before they exercise the share options. We and our PRC employees who have been granted share options will be subject to these regulations upon the completion of this [**REDACTED**]. Failure of our PRC share option holders to complete their SAFE registrations may subject these PRC residents to fines of up to RMB300,000 for entities and up to RMB50,000 for individuals, and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to distribute dividends to us, or otherwise materially and adversely affect our business.

The STA has also issued relevant rules and regulations concerning employee share incentives. Under these rules and regulations, our employees working in the PRC will be subject to PRC individual income tax upon exercise of the share options. Our PRC subsidiaries have obligations to file documents with respect to the granted share options or restricted shares with relevant tax authorities and to withhold individual income taxes for their employees upon exercise of the share options or grant of the restricted shares. If our employees fail to pay or we fail to withhold their individual income taxes according to relevant rules and regulations, we may face sanctions imposed by the competent governmental authorities.

RISKS RELATING TO THE [REDACTED]

No public market currently exists for our Shares, and an active* [REDACTED] *market for our Shares may not develop and the* [REDACTED] *for our Shares may decline or became volatile.

No public market currently exists for our Shares. The initial [**REDACTED**] for our Shares to the [**REDACTED**] will be the result of negotiations between our Company and the Joint Sponsors, and the [**REDACTED**] may differ significantly from the [**REDACTED**] of the Shares following the [**REDACTED**]. We have applied to the Stock Exchange for the [**REDACTED**] of, and permission to [**REDACTED**], the Shares. A [**REDACTED**] on the Stock Exchange, however, does not guarantee that an active and liquid [**REDACTED**] for our Shares will develop, or if it does develop, that it will be sustained following the [**REDACTED**] or that the [**REDACTED**] of the Shares will rise following the [**REDACTED**].

***The* [REDACTED] *and* [REDACTED] *of our Shares may be volatile, which could lead to substantial losses to* [REDACTED].**

The [**REDACTED**] and [**REDACTED**] of our Shares may be subject to significant volatility in response to various factors beyond our control, including the general market conditions of the securities in Hong Kong and elsewhere in the world. In particular, the business and performance and the market [**REDACTED**] of the shares of other companies engaging in similar business may affect the [**REDACTED**] and [**REDACTED**] of our Shares. In addition to market and industry factors, the [**REDACTED**] and [**REDACTED**] of our Shares may be highly volatile for specific business reasons, such as the results of clinical trials

of our product candidates, the results of our applications for approval of our product candidates, regulatory developments affecting our industry, business model, or corporate structure, healthcare, health insurance and other related matters, fluctuations in our revenue, earnings, cash flows, investments and expenditures, relationships with our suppliers, movements or activities of key personnel, or actions taken by competitors or ourselves. Moreover, shares of other companies listed on the Stock Exchange with significant operations and assets in China have experienced price volatility in the past, and our Shares may be subject to changes in [**REDACTED**] not directly related to our performance.

Future sales or perceived sales of a substantial number of our Shares in the [**REDACTED**] ***following the*** [**REDACTED**] ***could materially and adversely affect the*** [**REDACTED**] ***of our Shares and our ability to raise additional capital in the future and may result in dilution of your shareholding.***

Prior to the [**REDACTED**], there has not been a [**REDACTED**] market for our Shares. Future sales or perceived sales by our existing Shareholders of our Shares after the [**REDACTED**] could result in a significant decrease in the prevailing [**REDACTED**] of our Shares. Only a limited number of the Shares currently outstanding will be available for sale or issuance immediately after the [**REDACTED**] due to contractual and regulatory restrictions on disposal and new issuance. Nevertheless, after these restrictions lapse or if they are waived, future sales of significant amounts of our Shares in the [**REDACTED**] or the perception that these sales may occur could significantly decrease the prevailing [**REDACTED**] of our Shares and our ability to raise equity capital in the future.

In addition, our Shareholders would experience dilution in their shareholdings upon [**REDACTED**] or sale of additional share capital or share capital-linked securities by our Company in future offerings. If additional funds are raised through our issuance of new share capital or share capital-linked securities other than on a *pro rata* basis to existing Shareholders, the shareholdings of such Shareholders may be reduced and such new securities may confer rights and privileges that take priority over those conferred by the [**REDACTED**].

As the [**REDACTED**] ***of our*** [**REDACTED**] ***is higher than our net tangible book value per share,*** [**REDACTED**] ***of our Shares in the*** [**REDACTED**] ***may experience immediate dilution upon such purchases.*** [**REDACTED**] ***of Shares may also experience further dilution in shareholdings if we issue additional Shares in the future.***

The [**REDACTED**] of the [**REDACTED**] is higher than the net tangible asset value per Share immediately prior to the [**REDACTED**]. Therefore, [**REDACTED**] of the [**REDACTED**] in the [**REDACTED**] will experience an immediate dilution in [**REDACTED**] net tangible asset value, and our existing Shareholders will receive an increase in the [**REDACTED**] adjusted consolidated net tangible assets per Share of their Shares. In order to expand our business, we may consider offering and issuing additional Shares in the future. [**REDACTED**] of the [**REDACTED**] may also experience dilution in the net tangible asset value per share of their Shares if we issue additional Shares in the future at a price that is lower than the net tangible asset value per Share at that time.

Our Controlling Shareholders may have substantial influence over our Company and their interests may not be aligned with the interests of our other Shareholders.

Immediately following the completion of the [**REDACTED**], our Controlling Shareholders will hold in aggregate approximately [**REDACTED**]% of the voting power at general meetings of our Company, assuming the [**REDACTED**] is not exercised. Our Controlling Shareholders will, through their voting power at the Shareholders meetings and their delegates on the Board, have significant influence over our business and affairs, including decisions in respect of mergers or other business combinations, acquisition or disposition of assets, issuance of additional shares or other equity securities, timing and amount of dividend payments, and our management. Our Controlling Shareholders may not act in the best interests of our minority Shareholders. In addition, without the consent of our Controlling Shareholders, we could be prevented from entering into transactions that could be beneficial to us. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for the Shares as part of a sale of our Company and may significantly reduce the [**REDACTED**] of our Shares.

We cannot assure you that we will declare and distribute any amount of dividends in the future.

We intend to retain most, if not all, of our available funds and any future earnings after the [**REDACTED**] to fund the commercialization of our products, the research and development activities of our product candidates and to expand our product portfolio. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an [**REDACTED**] in our Shares as a source for any future dividend income.

Our Board has complete discretion as to whether to distribute dividends. Even if our Board declares and pays dividends, the timing, amount and form of future dividends, if any, will depend on our future operations and cash flow, our capital requirements and surplus, the amount of distributions (if any) received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our Board. Accordingly, the return on your [**REDACTED**] in our Shares will likely depend entirely upon any future price appreciation of our Shares. There is no guarantee that our Shares will appreciate in value after the [**REDACTED**] or even maintain the [**REDACTED**] at which you [**REDACTED**] the Shares. You may not realize a [**REDACTED**] on your [**REDACTED**] in our Shares and you may even lose your entire [**REDACTED**] in our Shares.

We have significant discretion as to how we will use the net [**REDACTED**] ***of the*** [**REDACTED**]***, and you may not necessarily agree with how we use them.***

Our management may spend the net [**REDACTED**] from the [**REDACTED**] in ways with which you may or may not agree or which do not yield a favorable return to our shareholders. See "Future Plans and Use of [**REDACTED**]—Use of [**REDACTED**]."

However, our management has complete discretion as to the actual application of our net [**REDACTED**]. You are entrusting your [**REDACTED**] to our management, whose judgment you must depend on, for the specific uses we will make of the net [**REDACTED**] from this [**REDACTED**].

We cannot guarantee that our Shares will remain* [REDACTED] *on the Stock Exchange.

Although we currently intend to retain the [**REDACTED**] of our Shares on the Stock Exchange, there is no guarantee of the continued [**REDACTED**] of the Shares. Among other factors, our Shares may also fail to satisfy the [**REDACTED**] requirements of the Stock Exchange. Accordingly, Shareholders will not be able to sell their Shares through [**REDACTED**] on the Stock Exchange if the Shares are no longer [**REDACTED**] on the Stock Exchange.

We cannot make fundamental changes to our business without the consent of the Stock Exchange.

On April 30, 2018, the Stock Exchange adopted new rules under Chapter 18A of the Listing Rules. Under the new rules, without the prior consent of the Stock Exchange, we will not be able to effect any acquisition, disposal or other transaction or arrangement or a series of acquisitions, disposals or other transactions or arrangements, which would result in a fundamental change in our principal business activities as set forth in this Document. As a result, we may be unable to take advantage of certain strategic transactions that we might otherwise choose to pursue in the absence of Chapter 18A of the Listing Rules. Were any of our competitors that are not listed on the Stock Exchange to take advantage of such opportunities, we may be placed at a competitive disadvantage, which could have a material adverse effect on our business, financial condition and results of operations.

The industry facts, statistics and forecasts in the document obtained from various government publications and the industry report have not been independently verified.

Facts, forecasts and statistics in this Document relating to the DTx industry are obtained from various sources that we believe are reliable, including official government publications as well as a report prepared by Frost & Sullivan that we commissioned. However, we cannot guarantee the quality or reliability of these sources. Neither we, the Joint Sponsors, [**REDACTED**] nor our or their respective affiliates or advisers have verified the facts, forecasts and statistics nor ascertained the underlying economic assumptions relied upon in those facts, forecasts and statistics obtained from these sources. Due to possibly flawed or ineffective collection methods or discrepancies between published information and factual information and other problems, the industry statistics in this Document may be inaccurate and you should not place undue reliance on it. We make no representation as to the accuracy of such facts, forecasts and statistics obtained from various sources. Moreover, these facts, forecasts and statistics involve risk and uncertainties and are subject to change based on various factors and should not be unduly relied upon.

***You should read the entire document carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the* [REDACTED].**

Subsequent to the date of this document but prior to the completion of the [**REDACTED**], there may be press and media coverage regarding us and the [**REDACTED**], which may contain, among other things, certain financial information, projections, valuations and other forward-looking information about us and the [**REDACTED**]. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this Document, we disclaim responsibility for them. Accordingly, prospective [**REDACTED**] are cautioned to make their [**REDACTED**] decisions on the basis of the information contained in this Document only and should not rely on any other information.

You should rely solely upon the information contained in this Document, the [**REDACTED**] and any formal announcements made by us in Hong Kong in making your [**REDACTED**] decision regarding our Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Shares, the [**REDACTED**] or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective [**REDACTED**] should not rely on any such information, reports or publications in making their decisions as to whether to [**REDACTED**] in our [**REDACTED**]. By applying to [**REDACTED**] our Shares in the [**REDACTED**], you will be deemed to have agreed that you will not rely on any information other than that contained in this Document and the [**REDACTED**].

In preparation for the [**REDACTED**], our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and certificate of exemption from strict compliance with the relevant provisions of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, our Company must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. We do not have a sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules. The Joint Sponsors have applied, on behalf of our Company, for a waiver from strict compliance with Rule 8.12 of the Listing Rules primarily on the basis that, as our headquarters and principal business operations are located in the PRC, our management members are best able to attend to their function by being primarily based in the PRC. As such, the Joint Sponsors have applied, on behalf of our Company, to the Stock Exchange for, and the Stock Exchange [has granted] us a waiver from strict compliance with Rule 8.12 of the Listing Rules subject to, among others, the following conditions:

(a) pursuant to Rule 3.05 of the Listing Rules, we have appointed two authorized representatives, who will act as our principal channel of communication with the Stock Exchange. The two authorized representatives appointed are Mr. Tan, the chairman of the Board, executive Director and chief strategy officer, and Ms. Sham Ying Man (岑影文) ("**Ms. Sham**"), our joint company secretary. Ms. Sham is based in Hong Kong and will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange. Both of our authorized representatives will be readily contactable by telephone and email to deal promptly with enquiries from the Stock Exchange;

(b) pursuant to Rule 3.20 of the Listing Rules, each Director has provided his or her mobile phone number, office phone number and email address and fax number, if applicable, to the authorized representatives of our Company and the Stock Exchange. This will ensure that the Stock Exchange and the authorized representatives should have means for contacting all Directors promptly at all times as and when required. In the event that a Director expects to travel or is otherwise out of office, he or she will endeavor to provide his or her phone number of the place of his or her accommodation to the authorized representatives or maintain an open line of communication via his or her mobile phone;

(c) each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable time frame;

(d) pursuant to Rule 3A.19 of the Listing Rules, we have appointed SPDB International Capital Limited as the Compliance Adviser, which will have access at all times to our authorized representatives, Directors, senior management and other officers of our Company, and will act as an additional channel of communication between the Stock Exchange and us;

(e) meetings between the Stock Exchange and our Directors could be arranged through our authorized representatives or the Compliance Adviser, or directly with our Directors within a reasonable time frame. Our Company will promptly inform the Stock Exchange of any changes of our authorized representatives and/or the Compliance Adviser;

(f) we will appoint other professional advisors (including legal advisors in Hong Kong) after the [**REDACTED**] to assist us in dealing with any questions which may be raised by the Stock Exchange and to ensure that there will be prompt and effective communication with the Stock Exchange; and

(g) our Company has designated staff members as the communication officers at our headquarters after the [**REDACTED**] who will be responsible for maintaining day-to-day communication with Ms. Sham, our joint company secretary, and our Company's professional advisors in Hong Kong, including our legal advisors in Hong Kong and the Compliance Adviser, to keep abreast of any correspondences and/or enquiries from the Stock Exchange and report to our executive Directors to further facilitate communications between the Stock Exchange and our Company.

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules and Chapter 3.10 of the Guide for New Listing Applicants, the company secretary must be an individual who, by virtue of his or her academic or professional qualifications or relevant experiences, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary.

Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable: (i) a member of The Hong Kong Chartered Governance Institute; (ii) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); or (iii) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing "relevant experience," the Stock Exchange will consider the individual's: (i) length of employment with the issuer and other issuers and the roles they played; (ii) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, Companies Ordinance,

Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code; (iii) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and (iv) professional qualifications in other jurisdictions.

Our Company appointed Mr. Wang Junjie (王俊傑) ("**Mr. Wang**") and Ms. Sham as joint company secretaries. See "Directors and Senior Management — Senior Management" and "Directors and Senior Management — Joint Company Secretaries" for their biographies.

Ms. Sham 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, and therefore meets the qualification requirements under Note 1 to Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules.

As set out in Code Provision C.6 in Part 2 of the Corporate Governance Code under Appendix C1 to the Listing Rules, the company secretary should be an employee of the Company and have day-to-day knowledge of the Company's affairs. The Company's principal business activities are outside Hong Kong. There are practical difficulties finding persons who possesses day-to-day knowledge of the Company's affairs in the way that Mr. Wang does, as the CFO of the Company, while also having the academic and professional qualifications required. The Company believes that Mr. Wang, by virtue of his knowledge and past experience in handling corporate administrative matters of the Company, is capable of discharging the functions of a joint company secretary. Further, the Company believes that it would be in the best interests of the Company and the corporate governance of the Group to have as its joint company secretary a person such as Mr. Wang, who is an employee of the Company and who has day-to-day knowledge of the Company's affairs. Mr. Wang has the necessary nexus to the Board and close working relationship with management of the Company in order to perform the function of a joint company secretary and take the necessary actions in the most effective and efficient manner.

Accordingly, while Mr. Wang does not possess the formal qualifications required of a company secretary, the Joint Sponsors have applied, on behalf of our Company, for, and the Stock Exchange [has granted], a waiver for an initial period of three years from the [**REDACTED**] and from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules, on the following two conditions pursuant to Chapter 3.10 of the Guide for New Listing Applicants issued by the Stock Exchange:

(a) Mr. Wang must be assisted by Ms. Sham, who possesses all the requisite qualifications and experience required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the three-year waiver period after the [**REDACTED**]; and

(b) the waiver will be revoked if there are material breaches of the Listing Rules by our Company.

Prior to the end of the three-year period, the qualifications and experience of Mr. Wang and the need for on-going assistance of Ms. Sham will be further evaluated by our Company and our Company will liaise with the Stock Exchange to enable us to assess whether Mr. Wang, having benefited from the assistance of Ms. Sham for the preceding three years, will have acquired the skills necessary to carry out the duties of company secretary and the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

EXEMPTION IN RESPECT OF FINANCIAL STATEMENTS IN THIS DOCUMENT

Section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires all prospectuses to include matters specified in Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance (the "**Third Schedule**"), and set out the reports specified in Part II of the Third Schedule.

Paragraph 27 of Part I of the Third Schedule requires a company to include in its prospectus a statement as to the gross trading income or sales turnover (as the case may be) of the company during each of the three financial years immediately preceding the issue of the prospectus, including an explanation of the method used for the computation of such income or turnover and a reasonable breakdown between the more important trading activities.

Paragraph 31 of Part II of the Third Schedule further requires a company to include in its prospectus a report by the auditors of the company with respect to (i) the profits and losses of the company for each of the three financial years immediately preceding the issue of the prospectus and (ii) the assets and liabilities of the company of each of the three financial years immediately preceding the issue of the prospectus.

Section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance provides that the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from the compliance with the relevant requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interest of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or would otherwise be unnecessary or inappropriate.

Rule 4.04(1) of the Listing Rules requires that the consolidated results of the issuer and its subsidiaries in respect of each of the three financial years immediately preceding the issue of the listing document or such shorter period as may be acceptable to the Stock Exchange be included in the accountants' report to the prospectus.

Our Company is a Biotech Company as defined under Chapter 18A of the Listing Rules and is seeking a [**REDACTED**] under Chapter 18A of the Listing Rules. Rule 18A.03(3) of the Listing Rules requires that a Biotech Company must have been in operation in its current line of business for at least two financial years prior to listing under substantially the same management. Rule 18A.06 of the Listing Rules requires that a Biotech Company must comply with Rule 4.04 of the Listing Rules modified so that references to "three financial years" or "three years" in Rule 4.04 of the Listing Rules shall instead be references to "two financial years" or "two years," as the case may be. Further, pursuant to Rule 8.06 of the Listing Rules, the latest financial period reported on by the reporting accountants for a new applicant must not have ended more than six months from the date of the listing document.

In compliance with the abovementioned requirements under the Listing Rules, the Accountants' Report set out in Appendix I is currently prepared to cover the two financial years ended December 31, 2023. As such, the Joint Sponsors have applied, on behalf of our Company, to the SFC for a certificate of exemption from strict compliance with section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the requirements of paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule regarding the inclusion of the Accountants' Report covering the full three financial years immediately preceding the issue of this Document on the following grounds:

(a) our Company is primarily engaged in research and development of medical-grade digital therapeutics (DTx) product for cognitive impairment, and falls within the scope of Biotech Company as defined under Chapter 18A of the Listing Rules. Our Company will fulfill the additional conditions for [**REDACTED**] required under Chapter 18A of the Listing Rules;

(b) given that our Company is only required to disclose its financial results for each of two financial years ended December 31, 2023 under Chapter 18A of the Listing Rules, strict compliance with section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the requirements of paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule would be unduly burdensome for our Company;

(c) during the Track Record Period, the Group generated revenue of RMB11.3 million and RMB67.2 million for the financial years ended December 31, 2022 and 2023 respectively. In addition, the Group has conducted various rounds of financing since its establishment, details of which have been fully disclosed in "History, Reorganization and Corporate Structure – [**REDACTED**] Investments";

(d) notwithstanding that the financial results set out in this Document are only for two financial years ended December 31, 2023 in accordance with Chapter 18A of the Listing Rules, other information required to be disclosed under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance has been adequately disclosed in this Document pursuant to the relevant requirements; and

(e) the Accountants' Report covering two financial years ended December 31, 2023 (as set out in Appendix I), together with other disclosures in this Document, have already provided adequate and reasonable up-to-date information in the circumstances for the potential [**REDACTED**] to make an informed assessment of the business, assets and liabilities, financial position, management and prospects and to form a view on the track record of our Company. Therefore, the exemption would not prejudice the interest of the [**REDACTED**] public.

The SFC [has granted] us a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with section 342(1)(b) in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule on the condition that particulars of the exemption are set out in this Document and that this Document will be issued on or before [**REDACTED**].

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[**REDACTED**]

DIRECTORS

Name	Address	Nationality
Executive Directors		
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Dr. Wang Xiaoyi (王曉怡)	304, 3/F, Building 7, Sunny View No. 23 Huangsi Street Xicheng District Beijing China	Chinese
Non-executive Directors		
Mr. Li Sirui (李思睿)	No. 704, Gate 1, Building 2 Jinyue Garden Tingjiang Road, Pudong Street Beichen District Tianjin China	Chinese
Ms. Li Mingqiu (李明秋)	No. 502, Building 416, Kapok Garden No. 3 Island, Haihua Island, Paipu Town Danzhou City Hainan Province China	Chinese
Mr. Deng Feng	51 Laburnum Rd Atherton, CA 94027 United States	American

Independent Non-executive Directors

Mr. Lam Yiu Por (林曉波)	Flat D, 8/F, Tower 3 Ocean Shores, Tseung Kwan O New Territories Hong Kong	Chinese (Hong Kong)
Dr. Duan Tao (段濤)	801, Building 5, Yanlord Park Century Lane 88 Yinrong Road Pudong New Area Shanghai China	Chinese
Mr. Li Yuezhong (李月中)	Room 1181, 11/F, Block 14 Hong Kong Parkview 88 Tai Tam, Reservoir Road Repulse Bay Hong Kong	Chinese (Hong Kong)

Please see the section headed "Directors and Senior Management" for further details of our Directors.

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[REDACTED]

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Auditor and Reporting Accountants	**Deloitte Touche Tohmatsu** *Certified Public Accountants and Registered Public Interest Entity Auditor* 35/F, One Pacific Place 88 Queensway Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Room 2504-2505 Wheelock Square 1717 Nanjing West Road Shanghai PRC
Compliance Adviser	**SPDB International Capital Limited** 33/F SPD Bank Tower One Hennessy 1 Hennessy Road Hong Kong

[**REDACTED**]

CORPORATE INFORMATION

Registered Office	3-212 Governors Square 23 Lime Tree Bay Avenue P.O. Box 30746, Seven Mile Beach Grand Cayman KY1-1203 Cayman Islands
Headquarter and Principal Place of Business in the PRC	Room 1301, 13/F, Building 3, Shaoxing Shuimuwan District Science Park No. 2 Pingjiang Road Yuecheng District, Shaoxing City Zhejiang Province PRC
Principal Place of Business in Hong Kong	5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
Company's Website	**66nao.cn** *(the information contained on this website does not form part of this Document)*
Joint Company Secretaries	**Mr. Wang Junjie (王俊傑)** 0804, Unit 3, Building 01, No. 1 Courtyard Tian Ying Road Hengda Yujing Bay Chaoyang District Beijing China **Ms. Sham Ying Man (岑影文)** *(chartered secretary, chartered governance professional and associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)* 5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong

CORPORATE INFORMATION

Authorized Representatives	**Mr. Tan Zheng (譚錚)** Room 108, Building 6, Lihua Yuan Vanke City Garden Konggang Industrial Zone, Shunyi District Beijing China **Ms. Sham Ying Man (岑影文)** 5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
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)

[**REDACTED**]

Principal Banks

Agricultural Bank of China Shaoxing Paojiang Branch
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Zhejiang Province
China

China Merchants Bank Co., Ltd. Beijing Beiyuan Road Science and Technology Finance Branch
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Beijing
China

The information and statistics set out in this section and other sections of this Document were extracted from the report prepared by Frost & Sullivan, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the [**REDACTED**]. *The information from official government sources has not been independently verified by us, the Joint Sponsors,* [**REDACTED**]*, any of their respective directors and advisers, or any other persons or parties involved in the* [**REDACTED**]*, and no representation is given as to its accuracy.*

DIGITAL THERAPEUTICS MARKET

Overview of the Digital Therapeutics Market

Digital therapeutics (the "**DTx**") refer 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. It is a subset of digital medicine, which is a part of digital health. Digital health is an umbrella term that encompasses various types of technology used in healthcare to manage the health of both patients and healthy individuals. Although still a relatively new field, DTx market shows promise for improving patient outcomes and reducing healthcare costs.

The value chain of China's cognitive impairment DTx industry primarily involves (i) upstream suppliers of DTx products (such as our Company) and health management platforms; (ii) midstream service providers that promote DTx products in the relevant markets and connect upstream suppliers of DTx products with downstream users and customers; and (iii) downstream users and customers, such as hospitals and patients. See "Business—Our Strategies" for details of our strategies to capture market demand.

Classification of DTx Products

DTx is a type of healthcare assessment and intervention tool that uses digital technologies to prevent, diagnose, manage and treat diseases. There are two main categories of DTx: non-medical-grade DTx and medical-grade DTx.

- Non-medical-grade DTx refers to applications designed to help individuals maintain wellness and prevent diseases by providing DTx-based preventive care with a focus on cognitive and mental health. The safety and efficacy of non-medical-grade DTx

are typically not validated through rigorous evidence-based clinical processes. Non-medical-grade DTx includes applications for health promotion, disease prevention, self-diagnosis, management, rehabilitation, palliative care and epidemic or pandemic care.

- Medical-grade DTx are typically required to undergo rigorous evidence-based clinical evaluation processes to demonstrate safety and efficacy in clinical trials and can be prescribed as effective first-line treatments without the side effects associated with conventional drugs. In contrast to non-medical-grade DTx, medical-grade DTx can provide diseases assessment and intervention either as monotherapy or in combination with existing drugs and other therapies. Because of the accessible nature of DTx, medical-grade DTx provide convenient and clinically validated therapeutic options that are appropriate for patients with chronic conditions that require ongoing treatment and monitoring and are consistent with government goals to promote access to healthcare in rural or underserved areas worldwide.

DTx Development History

DTx is an emerging field of healthcare technology that uses software-driven medical tools to assess patient conditions and deliver therapeutic interventions that prevent, treat, and manage various types of diseases. The development of DTx has rapidly gained momentum worldwide, with more than 40 FDA-approved applications currently available. In 2015, the first FDA-approved DTx emerged to test and monitor blood glucose. In 2017, reSET became the first interactive FDA-cleared DTx for cognitive behavioral therapy, which marked a shift from the use of DTx for purely assessment purposes to their use for interventional and therapeutic purposes. In the same year, the Digital Therapeutics Alliance (the "**DTA**"), a global non-profit organization, was founded to promote the adoption of DTx. This collaboration aimed to accelerate the development and adoption of DTx, and to establish standards for the industry. In 2020, the FDA launched the Digital Health Center of Excellence. This center is dedicated to advancing digital health technologies and ensuring the safety and efficacy of DTx, suggesting that DTx will continue to play an increasingly important role in healthcare.

Despite a late start, China has made rapid progress in the development and adoption of DTx to meet the growing healthcare needs of its population. The focus on innovation and modernization is reflected in a number of milestones that have marked the development of DTx in China. In 2018, the General Office of the State Council introduced a policy of "internet plus healthcare,"which laid the groundwork for the industry's growth. In 2018, the NMPA granted our Company the country's first medical device registration certificate for cognitive impairment DTx on the assessment and intervention of cognitive impairment, according to Frost & Sullivan. In addition, the National Informatization Plan for the 14th Five-Year Plan, which was released in 2022, emphasizes the promotion of digital health development, including the development of DTx. This plan is expected to boost the industry by demonstrating the government's commitment to supporting the development of innovative digital health solutions. Overall, these milestones indicate a positive trajectory for DTx in China, as the industry gains recognition and support from both the private and public sectors.

In March 2023, we co-authored the "Chinese expert consensus on digital therapeutics for cognitive impairment (2023 edition)" (《認知數字療法中國專家共識(2023)》), which systematically defined cognitive impairment DTx for the first time in China, according to Frost & Sullivan.

Advantages of DTx

DTx represents a new approach to healthcare that offers numerous advantages over traditional therapies and complements them to create value for patients and healthcare providers.

- *For patients*. DTx serves as an effective therapy for a variety of indications which traditional drug therapies cannot address on its own, or at all, DTx also reduces barriers to care by enabling patients to use digital solutions from the comfort of their own homes, reducing the cost of care and the need for travel, while enabling the delivery of personalized treatment plans tailored to each patient's symptoms, progress and demographics.

- *For healthcare providers*. DTx also improves the efficiency and reach of healthcare providers. DTx assists physicians to interact with, obtain information from and conduct medical assessment on multiple patients at the same time, which increases the physicians' assessment efficiency. Some DTx products could also utilize AI to offer highly customized and self-adaptive trainings for patients based on their specific conditions and stage of recovery, which could significantly increase intervention efficacy. In addition, DTx enables healthcare providers to extend patient care beyond the hospital by reaching patients in remote areas or outside of normal working hours, which is especially valuable where physicians and medical resources are in short supply.

Global DTx Competitive Landscape

The global DTx market is fragmented and consists of many players offering a wide range of medical-grade and non-medical-grade products. There are around 40 players in the global DTx market with FDA-approved DTx products, including companies that offer cognitive training interactive games, cognitive behavioral therapies, health monitoring systems and other types of DTx covering indications such as attention deficient hyperactivity disorder (the "**ADHD**"), diabetes, hypertension, insomnia and anxiety, as well as cognitive impairment induced by various indications.

Current Development and Future Trends

AI and Future DTx Development

The integration of artificial intelligence (the "**AI**") technologies is a major trend within the DTx industry. DTx products are software-based and therefore compatible with advances in AI technologies. As a result, the DTx industry has invested heavily in advanced AI technologies to enhance the capabilities of DTx products.

A major potential of AI as applied in DTx is to improve assessment efficiency and produce more accurate diagnostic results. Another promising application of AI in DTx is virtual health coaching designed to help patient navigate through the course of treatment and improve patient adherence to treatment plans, ultimately leading to better treatment outcomes. AI technologies such as natural language processing and sentiment analysis can be used to enhance the functions of DTx by better understanding the emotional context of patient feedback and improving the patient experience. AI technology and algorithms in DTx products can also enhance the intervention efficacy of DTx by offering treatment plans that are more personalized based on the patient's background.

With the continued development of AI technologies and big data processing methods, the DTx industry is well-positioned to create even more innovative and effective products that can improve patient outcomes and contribute to the advancement of healthcare.

Future Trends of the DTx Market

- *Movement towards evidence-based therapeutics*. Evidence-based therapeutics is the foundation of digital therapeutics. Digital therapeutics use systematic and scientific methods to analyze and apply patient data to improve healthcare decision-making. An emphasis on evidence-based therapeutics ensures that they meet rigorous scientific standards, paving the way for their integration into the healthcare system.

- *Increasing acceptance by patients*. In the future, there is likely to be a significant shift in patient attitudes toward DTx, with patients increasingly willing to pay for these therapies as they seek complementary or alternative approaches to traditional treatments. This shift will be driven by the desire for greater control over patient health outcomes and the convenience of remote access to therapy. The trend toward the use of DTx represents a promising future for the field.

- *Shifting business model*. In certain markets, such as China, the DTx business model is likely to shift to a business-to-hospital approach, with healthcare institutions and hospitals becoming the primary adopters and providers of DTx. This trend will improve the overall safety and efficacy of DTx products while raising the barrier to entry. This shift represents the integration of digital therapeutics into mainstream healthcare systems, resulting in higher patient uptake when DTx are recommended by physicians, with lower associated risk due to physician guidance.

Entry Barriers of the DTx Market

DTx is a new and rapidly evolving industry that requires a high level of technical expertise, access to high-quality clinical information, collaborative relationship with industry participants and the ability to navigate an evolving regulatory landscape. Potential entrants face the following barriers to enter the DTx market.

- *Technology*. New DTx products integrate advanced AI technologies, making them more accurate, standardized and effective. However, optimizing AI and machine learning (the "**ML**") algorithms requires first-hand experience from medical, engineering and algorithmic scientists. The ability to create new AI and ML algorithms pose as a high entry barrier for potential entrants.

- *Information*. DTx face barriers to entry related to the collection and use of sufficient, high-quality clinical information. In particular, interventional DTx products require large amounts of diverse and representative patient information to train and refine algorithms. However, regulatory requirements can significantly impede information collection, which involves collaboration with healthcare providers and patients in order to obtain consent and ensure data privacy and security, which can be a significant challenge for emerging DTx companies.

- *Collaborations with healthcare providers*. DTx players in certain markets, such as China, need to cooperate with healthcare providers, primarily hospitals, to commercialize their products. The ability to establish such cooperation with healthcare providers poses as a significant entry barrier for new players in cognitive impairment DTx market. New players would need to expend significant efforts and costs to integrate its DTx product into a hospital's system before the products can reach patients.

- *Evolving regulatory environment*. The regulatory environment on DTx in most markets is constantly evolving. Market participants must have the ability to accurately interpret and adapt to the ever-changing regulatory environment to ensure compliance and capitalize on regulations or policies that favor the growth of the global DTx market.

COGNITIVE IMPAIRMENT DTx MARKET

Overview of Cognitive Impairment

Cognitive impairment refers to deficits in neurocognitive domains, such as complex attention, executive function, perceptual-motor and learning and memory, that lead to a decline in cognition function. Cognitive impairment can vary from mild to severe. Mild cases involve changes in cognitive functions, but the individual is still able to perform everyday activities. Mid-term cases may include increased forgetfulness, especially of recent events, difficulty in communication, and the inability to live alone, leading to aimless wandering. Severe cases involve the inability to recognize friends and family, incontinence and increasingly abnormal behavior.

Types of Cognitive Impairment

The causes of cognitive impairment primarily include the following: vascular diseases, neurodegenerative diseases, psychiatric disorders and child development deficiency. Each category 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.

Vascular disease induced cognitive impairment

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

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

Psychiatric disorder induced cognitive impairment

Psychiatric disorder induced cognitive impairment (the "**PCI**") is caused by psychiatric disorders, such as depression and anxiety, that can affect the brain's ability to process information, leading to problems with memory, attention and decision-making. Psychiatric disorders are characterized by a clinically significant disturbance in an individual's cognition, emotional regulation or behavior. These disorders are highly prevalent, affecting one in eight people worldwide, with anxiety and depressive disorders being the most common, according to Frost & Sullivan. A number of factors can contribute to or trigger psychiatric disorders, such as genetics, family history, life experiences, use of alcohol or recreational drugs and other biological factors. Treatment for psychiatric disorders typically involve a combination of drug therapy and psychotherapy and alternative therapies and brain stimulation therapies may also be useful.

Child development deficiency induced cognitive impairment

Child development deficiency induced cognitive impairment (the "**CDDCI**"). are structural or functional abnormalities present at birth or during the growth and development of children that interfere with their normal physiological or psychological development. These defects can result in deficiencies in many areas of cognitive development, including intelligence, language, perceptual-motor, and can be caused by a variety of factors, including genetics, environment, medications, brain injury and immunodeficiency. Examples of CDDCI include ADHD, dyslexia and autism.

Other applications

Cognitive impairment can also arise from other diseases, and cognitive training can serve as an effective treatment option. For example, cognitive impairment is a chronic complication of diabetes, which leads to decreased memory and comprehension and spatial positioning impairment, seriously affecting the quality of life of patients. In particular, diabetes can cause insulin resistance, hyperglycemia, hypoglycemia, vascular lesions in the brain, and other psychological factors, which could lead to vascular cognitive impairment, Alzheimer's disease, and other types of cognitive impairment. Treatment for such cognitive impairments primarily involve (i) cognitive and memory training and medications for dementia, which are dedicated to treating cognitive impairment induced by diabetes; and (ii) lifestyle modification (dieting, exercising, among others) and glucose-lowering treatment, which are dedicated to treating the underlying diabetes.

In addition to diabetes, cancer could also lead to cognitive impairments. Prevailing cancer treatment therapies include chemotherapy, radiation, endocrine, and surgery (with the use of anesthesia), which could have a negative impact on patients' memory, attention, concentration, anxiety and depression, and could in turn lead to cancer-related cognitive impairment. Cognitive training products and services for the above indications are still under development, and is expected to work in tandem with drug and other therapies that are targeted on training cognitive impairments as well as on the underlying diseases.

Current Treatment Paradigm and Unmet Clinical Needs of Cognitive Impairment

Cognitive impairment is an active area of research, but there is currently no standard treatment therapy. Clinical trials are underway to better understand cognitive impairments and to find treatments that may improve symptoms or prevent or delay dementia.

If the cognitive impairment is caused by underlying reversible causes, treating those causes may alleviate the cognitive impairment. For example, if the cognitive impairment is caused by side effects of certain medications which could affect thinking capabilities, such as benzodiazepines, anticholinergics, antihistamines, opioids and proton pump inhibitors, such impairments typically disappear when the patients stop taking the medications. Other neurological and physiological conditions, such as hypertension, depression and sleep apnea, can cause mild cognitive impairment. Treatment of these underlying conditions may improve patient's memory and overall mental function. Available drug treatments primarily involve medications such as cholinesterase inhibitors, Aricept, Razadyne, Exelon and Memantine. However, the effectiveness of such treatment may be limited to improving the conditions of patients suffering from cognitive impairments induced by neurodegenerative diseases such as AD or Parkinson's disease (the "**PD**").

Cognitive Impairment DTx

Cognitive impairment is common in patients with vascular diseases, neurodegenerative diseases, psychiatric diseases, and child development deficiencies, among others, and traditional drug therapies may not be effective or available for cognitive impairments induced by these diseases. Cognitive impairment DTx products leverage cutting-edge technology to deliver solutions that can be tailored to the specific needs of individual patients. According to Frost & Sullivan, 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.

Cognitive impairment DTx serves as both an assessment and intervention tool for cognitive impairment patients.

Assessment

Cognitive impairment DTx can provide a comprehensive assessment of cognitive function and psychiatric behavioral symptoms, as well as social and daily living skills. It can be used in a variety of scenarios, including clinical diagnosis, large-scale cognitive screening, and community health promotion. Cognitive impairment DTx can also be combined with other technologies, such as virtual reality (the "**VR**"), speech recognition and eye-tracking devices, to provide more accurate and efficient assessments. Compared to traditional assessment methods where physicians can only assess one patient at a time using non-digitized assessment tools, cognitive impairment DTx can provide comparable results while reducing medical costs and improving the efficiency of disease diagnosis and treatment accessibility.

The mechanism of action for DTx assessment of cognitive impairment involves the development of a cognitive computing model as well as the application of existing medical principles, guidance and standards in collaboration with medical experts. Once this model is developed and validated, it can be used to assess a patient's cognitive status by analyzing information collected from the patient. This includes age, gender, behavioral records from family and friends, and medical history. Cognitive tests, information from the patient's interaction with an AI chatbot, data from cognitive assessment scales, and information collected from human-computer interactions during a DTx training session, including the patient's behavioral patterns, word choices, voice patterns, and facial expressions, can all be used. From this data, AI can extract biomarkers of cognitive decline, such as a decline in language function. AI then uses this data to perform an analysis and generate a screening report which serve as a critical basis for medical professionals' diagnosis.

Intervention

Cognitive impairment DTx offers an innovative approach to treatment and helps to produce compensatory, transferable and long-lasting treatment effects. Cognitive impairment DTx can also be combined with pharmaceutical and non-pharmaceutical methods for maximum effect. In addition, cognitive impairment DTx offers a promising approach to improving treatment efficacy, optimizing treatment protocols and providing an interactive intervention process for patients where real-time monitoring of treatment outcomes promotes effective hospital-patient linkage.

Cognitive impairment DTx harnesses neuroplasticity, practices brain functions, and continuously strengthens brain function. This is achieved through self-adaptive interventions in multiple cognitive domains, including memory, reasoning, planning and concentration problems. Cognitive impairment DTx also incorporates bridging, which helps patients apply their training to real-life scenarios, and monitoring, which helps patients identify cognitive levels and exercises. By combining these elements, cognitive impairment DTx can effectively improve patients' cognitive functions.

Advantages of Cognitive Impairment DTx over Traditional Options

Assessment

According to Frost & Sullivan, cognitive impairment has become a significant public health issue among the elderly population, requiring large-scale early detection. However, traditional assessment options such as diagnostic scales, evaluation of medical history, neurological examination and examination of bio-markers are complex and time-consuming. In contrast, cognitive impairment DTx can computerize some of the work and perform it without the involvement of professionals. This makes the process more efficient and suitable for large-scale use. Cognitive impairment DTx allows people to closely monitor their cognitive functions so they do not miss the optimal treatment window, which is critical for effective treatment.

Intervention

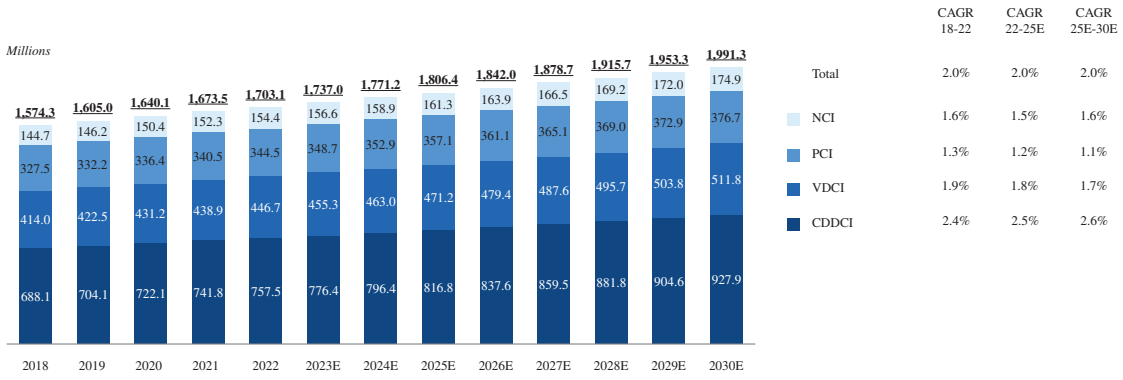
Traditional treatments for cognitive impairment have limitations due to the unclear mechanisms of many cognitive disorders. As a result, these treatments can only delay disease progression to a certain extent. Non-pharmacological interventions, such as mental health therapy, are also limited by the scarcity of healthcare providers, making them expensive and inconvenient for patients. Cognitive impairment DTx offers a promising alternative. By combining cutting-edge technologies such as AI and VR, cognitive impairment DTx can deliver interventions that have the potential to be more effective. Cognitive impairment DTx can also provide one-to-many therapy and unsupervised cognitive training, making interventions more accessible and reducing the need for medical staff.

Prevalence of Cognitive Impairment

Global

The global prevalence of the four major types of cognitive impairment increased from 1,574.3 million in 2018 to 1,703.1 million in 2022, representing a CAGR of 2.0% and is expected to reach 1,806.4 million in 2025 and further to 1,991.3 million in 2030, representing CAGRs of 2.0% and 2.0%, respectively. The following graph sets forth the global prevalence of the four major types of cognitive impairment during the years indicated, as well as CAGRs during the indicated years.

Global Prevalence of the Four Major Types of Cognitive Impairment, 2018-2030E



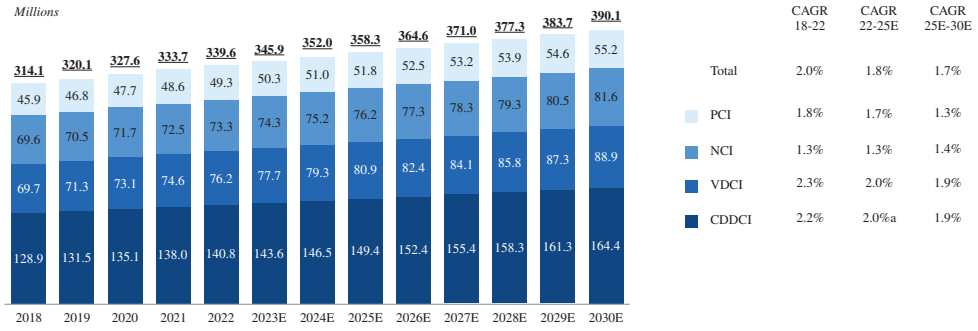
Note: The overall prevalence and prevalence in each major type cognitive impairment include patients with comorbidities.

Source: Frost & Sullivan Analysis

China

The prevalence of the four major types of cognitive impairment in China increased from 314.1 million in 2018 to 339.6 million in 2022, representing a CAGR of 2.0% and is expected to reach 358.3 million in 2025 and further to 390.1 million in 2030, representing CAGRs of 1.8% and 1.7%, respectively. The following graph sets forth the prevalence of the four major types of cognitive impairment in China during the years indicated, as well as CAGRs during the indicated years.

Prevalence of the Four Major Types of Cognitive Impairment in China, 2018-2030E



Note: The overall prevalence and prevalence in each major type of cognitive impairment include patients with comorbidities.

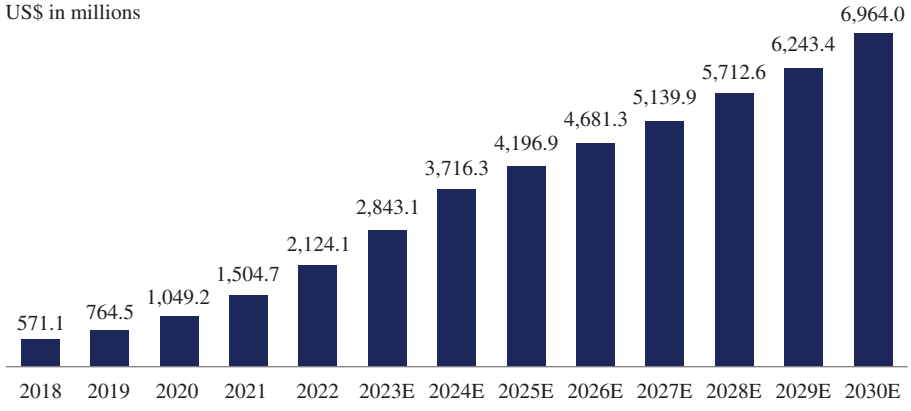
Source: Frost & Sullivan Analysis

Market Size of Cognitive Impairment DTx

The global cognitive impairment DTx market size reached US$2.1 billion in 2022 and is expected to grow to US$4.2 billion in 2025 and US$7.0 billion in 2030, representing CAGRs of 25.5% and 10.7%, respectively. The following graph sets forth the historical and expected global cognitive impairment DTx market size in the years indicated, as well as CAGRs during the indicated years.

Global Cognitive Impairment DTx Market Size, 2018-2030E

Years	CAGRs
2018-2022	38.9%
2022-2025E	25.5%
2025E-2030E	10.7%

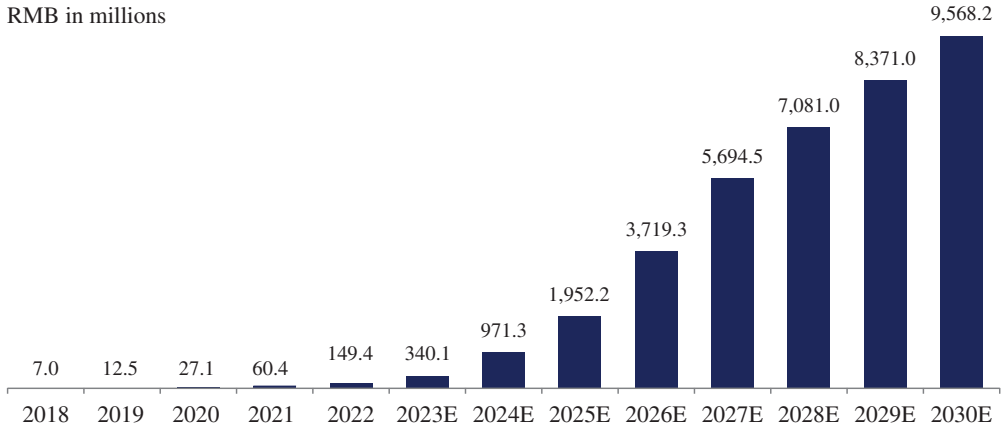


Source: Frost & Sullivan Analysis

The market size of the cognitive impairment DTx in China reached RMB149.4 million in 2022 and is expected to increase to RMB1,952.2 million in 2025 and RMB9,568.2 million in 2030, representing CAGRs of 135.5% and 37.4%, respectively. The following graph sets forth the historical and expected cognitive impairment DTx market size in China in the years indicated, as well as CAGRs during the indicated years. In 2023, BrainAurora Zhejiang held 25.0% of the total cognitive impairment DTx market in China by revenue.

Cognitive Impairment DTx Market Size in China, 2018-2030E

Years	CAGRs
2018-2022	115.3%
2022-2025E	135.5%
2025E-2030E	37.4%



Source: Frost & Sullivan Analysis

The key assumptions and market policies used by Frost & Sullivan to estimate the above market size of the cognitive impairment DTx in China are as follows.

- *Increasing prevalence.* After surveying the relevant scientific literature and conducting expert interviews, Frost & Sullivan believes that the overall prevalence of the four major types of cognitive impairment in China is increasing as a result of a growing aging population. The prevalence of the four major types of cognitive impairment in China is expected to reach 358.3 million in 2025 and 390.1 million in 2030. This represents a large patient base, which is expected to generate large clinical demands and contribute to the growth of the cognitive impairment DTx market size from 2023 to 2030.

- *New market opportunities.* The market is expected to diversify with products targeting more cognitive impairment indications, thereby creating new market growth opportunities in the future.

- *Expected increase in market penetration.* According to expert interviews, the medical community is increasingly recognizing DTx as a viable therapy for cognitive impairment, as DTx offers numerous advantages and can complement traditional therapies to create value for patients and healthcare providers. As a result, the market penetration of DTx for cognitive impairment is expected to increase.

- *Government policy support.* Market growth is also driven by policies to promote digital health and cognitive health. In recent years, the State Council and local governments have issued policies to promote the development of DTx. For example, in February 2022, the National Development and Reform Commission (the "NDRC"), issued The 14th Five-Year Plan for the Development of the Bioeconomy (《"十四五"生物經濟發展規劃》), which aims to expand the clinical application of advanced therapeutic technologies such as intelligent surgical robots, particle radiotherapy and DTx. In December 2023, the NDRC issued the Overall Program of Construction of Guangdong-Macao In-Depth Cooperation Zone (《橫琴粵澳深度合作區建設總體方案》), which emphasizes support for the development of mobile healthcare and DTx in the cooperation zone. At the local government level, in November 2021, the Beijing Municipal People's Government issued the Plan for the Construction of an International Science and Technology Innovation Center in Beijing (《北京市"十四五"時期國際科技創新中心建設規劃》), which states that Beijing will support the technological research and development of DTx. Similarly, in October 2022, the Hainan Provincial People's Government issued Several Measures to Accelerate the Development of Digital Therapeutics Industry in Hainan Province (《海南省加快推進數字療法產業發展的若干措施》), which puts forward a total of 21 initiatives to promote the adoption and growth of DTx, including building the nation's leading clinical research capabilities for DTx and accelerating the registration and approval process of DTx. In addition, China has made increasing efforts in large-scale early assessment and intervention for various cognitive impairments. These initiatives are helping to build a supportive ecosystem for cognitive impairment DTx, paving the way for its sustainable and high-quality development, which will also increase the market penetration and size of cognitive impairment DTx.

Competitive Landscape of Cognitive Impairment DTx

Key players in the global cognitive impairment DTx market (outside China) include companies that offer cognitive training interactive games, cognitive behavioral therapies, health monitoring systems and other types of cognitive impairment DTx products. As of December 31, 2023, there were approximately nine FDA-approved products covering cognitive impairment induced by various indications by approximately six key global players. In China, as of December 31, 2023, approximately 30 cognitive impairment DTx products by approximately 25 players, including our Company, had been approved by the NMPA or its local counterparts, and at least 15 cognitive impairment DTx products by 15 players are currently in the process of clinical trials and obtaining relevant medical device registration certificates, according to Frost & Sullivan. We have a 25.0% market share in China's cognitive impairment DTx market and 91.6% market share in China's medical-grade cognitive impairment DTx market in terms of revenue in 2023, according to Frost & Sullivan. The following table sets forth the market share and background information of the top players in the cognitive impairment DTx market in China in the year indicated who are in direct competition with our Company according to Frost & Sullivan, as well as the key distinctions in target customers and usage scenario.

Company	Our Company	Company A	Company B	Company C	Company D
Background	Founded in 2012, a company that provides a broad range of cognitive impairment assessment and Intervention DTx products.	Founded in 2016, a company that provides assessment and intervention DTx products for early cognitive impairment.	Founded in 2016, a company that provides VR DTx solutions focusing on the field of psychology.	Founded in 2020, a company that provides digital screening and diagnosis systems, digital drugs, and digital vaccines for brain diseases.	Founded in 2018, a company that provides assessment and intervention DTx products in the field of psychology.
Market Share, 2023[1]	25.0%	33.5%	3.2%	1.5%	0.4%
Medical Grade Market Share, 2023[2]	91.6%	6.1%	1.2%	1.1%	0.0%
Targeted Customers	People with cognitive impairment, the elderly, children and adolescents	Elderly people with cognitive impairment	People with anxiety and insomnia, children with ADHD, autism, drug and alcohol addicted people	People with cognitive impairment, people with anxiety and depression	People with mental illness, children and adolescents People in drug rehabilitation, specific occupational groups
Usage Scenario	Hospital & Medical institution: Digital interventions for cognitive impairment	Individual & Community: Early screening and intervention treatment for Alzheimer's Disease	Hospital & Medical institution: Mental illness interventions	Individual & Community: Early screening for Alzheimer's Disease and digital interventions for others mental illness	Hospital & Medical institution: Mental illness interventions

Note:

(1) Market Share measured by percentage of 2023 cognitive impairment DTx revenue in China. Total size of China's cognitive impairment DTx market as measured by 2023 revenue was RMB268.6 million.

(2) Market share measured by percentage of 2023 medical-grade cognitive impairment DTx revenue in China. Total size of China's medical-grade cognitive impairment DTx market as measured by 2023 revenue was RMB73.4 million.

(3) Data for Companies A, B, C and D and total market size data were not derived from audited financials; rather, they were prepared by Frost & Sullivan based on non-public searches and reasonable professional estimates.

Source: Frost & Sullivan Analysis

Growth Drivers of the Cognitive Impairment DTx Market

The development of the cognitive impairment DTx market is expected to be driven primarily by increasing demand for cognitive impairment treatment, advances in innovative technologies, supportive regulatory measures and growing awareness of cognitive impairment DTx as a therapeutic option.

- *High demand and large market potential.* Driven by an aging population and an increasing focus on cognitive health, the number of patients seeking treatment for cognitive impairment is increasing globally. Compared to traditional treatment options, cognitive impairment DTx offers a more personalized and cost-effective approach to managing these conditions. With more than 70% of the Chinese population having access to the Internet and mobile phones, cognitive impairment DTx can reach a population comparable to or potentially larger than traditional hospitals.

- *Advances in innovative technologies.* Innovative technologies are driving the development of cognitive impairment DTx. Advances in AI are being used to improve patient treatment outcomes by providing clinically valid assessment and intervention products that are personalized based on patient data. In addition, technologies such as VR can create an immersive and engaging environment for patients to train their cognitive functions and apply their newly acquired skills to real-life situations, thereby increasing treatment adherence and overall effectiveness. These innovative technologies are expected to drive the adoption of cognitive impairment DTx.

- *Measures to support the development of cognitive impairment DTx.* DTx is gaining official recognition and support. In recent years, the PRC government has issued policies to promote DTx, such as the 14th Five-Year Plan for National Informatization (《"十四五"國家信息化規劃》) and the Guiding Principles for Defining the Categorization of Digital Therapy Software Products in the Rehabilitation Category (Draft for Comments) (《康復類數字療法軟件產品分類界定指導原則(徵求意見稿)》). Similarly, the U.S. has established the Digital Health Center of Excellence to promote digital health innovation. In addition, cognitive impairment and dementia have become a global public health priority. To address this issue, WHO has launched the Global Action Plan on the Public Health Response to Dementia 2017-2025. Several governments have also emphasized the importance of early screening and intervention for cognitive impairment. This increased focus on cognitive impairment will drive the development and adoption of cognitive impairment DTx.

- *Growing recognition of cognitive impairment DTx.* Public awareness of cognitive impairment DTx has grown steadily in recent years. In 2023, the Chinese Expert Consensus on Cognitive Digital Therapeutics (《認知數字療法中國專家共識(2023)》) was published, representing the growing recognition of cognitive impairment DTx by the medical community. More and more medical institutions, including hospitals and rehabilitation centers, are beginning to use cognitive impairment DTx to treat cognitive impairment. Leading cognitive impairment DTx companies are also beginning to participate in the establishment of cognitive centers in hospitals.

Barriers to Entry of the Cognitive Impairment DTx Market

- *Early entrant opportunities.* Cognitive impairment DTx is an emerging field. Early entrants can take advantage of the formative years of the cognitive impairment DTx industry to influence guidelines and expert consensus and help set industry standards. They can also establish collaborations with researchers and hospitals for publications and research opportunities.

- *Challenges to achieving evidence-based medicine.* Future medical-grade cognitive impairment DTx products will need to undergo various clinical trials and real-world studies to verify their efficacy in order to achieve medical-grade safety and efficacy, and gain consumer confidence and regulatory approval. However, due to the cost and time required for clinical trials, conducting enough clinical trials and obtaining sufficient real-world data comparable to existing players is a significant barrier for new market entrants.

- *Data access.* cognitive impairment DTx can be enhanced with AI capabilities and become more effective by improving its algorithm with real-world patient information. As usage increases, cognitive impairment DTx can collect more patient information and continually update the algorithms to improve the efficacy of assessment and intervention. For new entrants with a smaller user base, obtaining enough patient information to train and improve their AI algorithms is a significant barrier.

- *Customer lock-in.* Cognitive impairment DTx typically requires patients to undergo diagnosis, intervention and feedback in sequential steps over a period of time. As a result, it is difficult to change therapy mid-stream. Because different cognitive impairment DTx for cognitive impairment may use different treatment modalities and intervention exercises, healthcare providers and patients may become accustomed to certain products, making it difficult to convince them to change and adopt new products.

VDCI DTx MARKET

Overview of VDCI

VDCI encompasses a broad spectrum of syndromes ranging from mild cognitive impairment to dementia. Risk factors for VDCI include age, atherosclerosis, smoking, obesity, high cholesterol, hypertension, diabetes and a history of heart attack or stroke.

VCI and VCIND

Vascular cognitive impairment (the "**VCI**") is a type of VDCI. Vascular cognitive impairment no dementia (the "**VCIND**") is a mild stage of VCI. It is characterized by mild impairment of concentration and executive function that does not rise to the level of dementia. Some patients with VCIND may go on to develop vascular dementia, while others may return to a healthy state of cognitive function. There is currently no approved treatment for VCIND, but clinical studies have shown that cognitive training through VDCI DTx may be helpful in improving cognitive function.

Aphasia

Aphasia is a type of cognitive impairment defined as a language disorder that affects the production or understanding of speech and the ability to read or write. Aphasia usually occurs suddenly after a stroke or head injury, but it can also develop gradually from a slow-growing brain tumor or a disease that causes progressive, permanent damage. The severity of aphasia depends on a number of things, including the cause and extent of the brain damage.

Atrial Fibrillation Induced Cognitive Impairment

Atrial fibrillation (the "**AF**") is a common type of heart arrhythmia that occurs when the normal sinus rhythm of the atria is replaced by irregular and often rapid electrical depolarizations. Numerous observational studies over the past 10 years, including several meta-analyses, provide increasing evidence that AF is associated with cognitive impairment. AF could lead to cognitive impairment through several mechanisms: cerebral infarcts, reduced brain volume and cerebral microbleeding. Genetic factors and common risk factors may contribute to both AF and the associated cognitive impairment.

Hypertension Induced Cognitive Impairment

Hypertension, or high blood pressure, is a common disease affecting a significant proportion of the world's population. Prospective cohort studies have reported a positive association between hypertension and the risk of cognitive impairment. Most of the vascular changes induced by hypertension contribute to cognitive impairment by causing hypoperfusion, ischemic and hemorrhagic stroke and white matter injury. No definitive studies have shown which antihypertensive agents and treatment regimens are optimal for maintaining cognitive health. There is a need to improve the detection of hypertension in the general population to reduce the global burden of cognitive impairment.

Coronary Heart Disease Induced Cognitive Impairment

Coronary heart disease (the "**CHD**") is closely associated with cognitive impairment, especially in severe cases of heart failure. Patients with cognitive impairment in combination with coronary artery disease have a more rapid decline in cognitive function and a significantly increased risk of death. An impaired cardiac systolic function may play a key role in the relationship between CHD and cognitive impairment among patients with pre-heart failure conditions.

Treatment Paradigm and Unmet Clinical Needs of VDCI

Currently there is no standard diagnostic scale for the assessment of VDCI. The current assessment paradigm involves a combination of reviewing the patient's medical history, performing neurological exams, and conducting laboratory tests such as blood pressure, cholesterol, and blood sugar. Brain imaging tests such as magnetic resonance imaging or computed tomography scans may also be used to diagnose the condition. In addition, neuropsychiatric tests can assess cognitive function and identify impairments. VDCI DTx can be a complementary or substitute method to traditional diagnostic methods for VDCI. VDCI DTx can use big data and AI to tailor the assessment to the patient's unique characteristics, such as age, medical history, and education level, resulting in a more accurate neuropsychological diagnosis. This approach provides a better assessment of disease state and can improve the accuracy of VDCI diagnosis, leading to better treatment and care for patients.

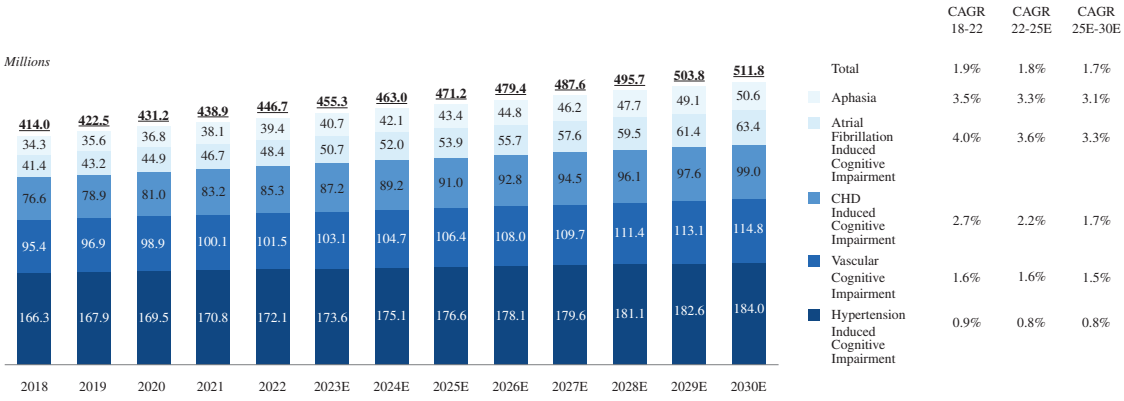
Once diagnosed, the interventional therapies for VDCI often focus on managing the risk factors that contribute to the condition. This includes (i) lowering blood pressure, cholesterol, and blood sugar levels; (ii) preventing blood clots; and (iii) controlling diabetes. These interventions can slow or in some cases prevent further cognitive decline. In addition, medications are often used as a treatment options but are limited in their scope and effectiveness. As such, VDCI DTx is a promising intervention tool for many aspects of VDCI. VDCI DTx uses computerized, multi-domain, adaptive training to practice impaired functions and improve cognitive functions. This type of cognitive remediation therapy improves brain function by practicing specific cognitive domains, which can help treat VDCI. By practicing these specific brain functions, the corresponding brain areas can improve and restore network connections between neurons, generate new nerve fibers, regulate trophic factors and consolidate neuronal remodeling. This results in the construction of specific synaptic connectivity patterns for specific cognitive functions, thereby improving overall cognitive abilities for patients with VDCI.

Prevalence of the Major Types of VDCI

Global

The global prevalence of the major types of VDCI increased from 414.0 million in 2018 to 446.7 million in 2022, representing a CAGR of 1.9% and is expected to reach 471.2 million in 2025 and further to 511.8 million in 2030, representing CAGRs of 1.8% and 1.7%. The following graph sets forth the global prevalence of the major types of VDCI during the years indicated, as well as CAGRs during the indicated years.

Global Prevalence of the Major Types of VDCI, 2018-2030E



Notes:

(1) The overall prevalence of the major types of VDCI includes patients with comorbidities.

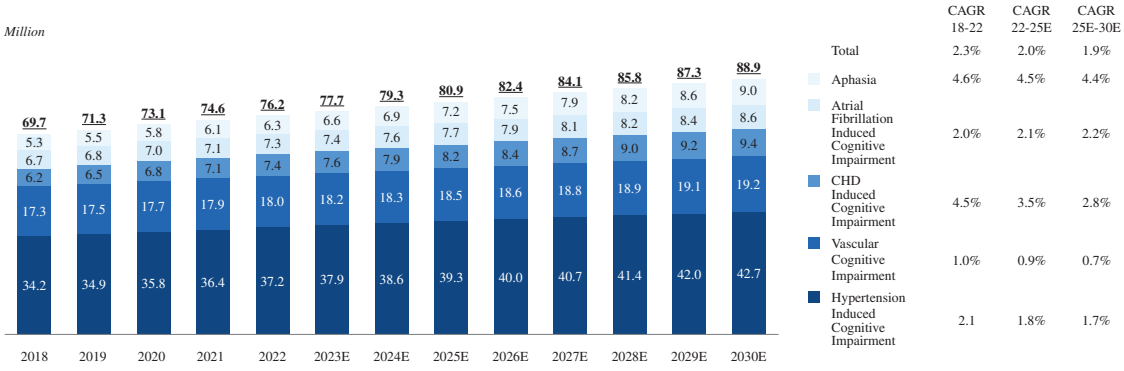
(2) Aphasia is a type of cognitive impairment.

Source: Frost & Sullivan Analysis

China

The prevalence of the major types of VDCI in China increased from 69.7 million in 2018 to 76.2 million in 2022, representing a CAGR of 2.3% and is expected to reach 80.9 million in 2025 and further to 88.9 million in 2030, representing CAGRs of 2.0% and 1.9%. The following graph sets forth the prevalence of the major types of VDCI in China during the years indicated, as well as CAGRs during the indicated years.

Prevalence of the Major Types of VDCI in China, 2018-2030E



Notes:

(1) The overall prevalence of the major types of VDCI includes patients with comorbidities.

(2) Aphasia is a type of cognitive impairment.

Source: Frost & Sullivan Analysis

Competitive Landscape of VDCI DTx

Key players in the global VDCI DTx market (outside China) include at least one company with two FDA-approved VDCI DTx products as of the Latest Practicable Date. The following table provides an overview of the FDA-approved VDCI DTx products.

FDA-approved VDCI DTx Products

	Product Name	Company	Indication	Pathway	Approval Year
1	MindMotion® GO	MindMaze	Neurorehabilitation Neurological conditions such as stroke, brain injury, and neurodegenerative diseases	510(k)	2018
2	MindMotion® PRO				2017

Source: FDA, Frost & Sullivan Analysis

In China, a total of approximately 23 VDCI DTx products by approximately 20 players, including our Company, had been approved by the NMPA or its local counterparts, and at least five VDCI DTx products by five players were in the process of clinical trials and obtaining relevant medical device registration certificates, as of the Latest Practicable Date, according to Frost & Sullivan. The following table provides an overview of the NMPA-approved VDCI DTx products as of the Latest Practicable Date, all of which are classified as Class II medical device.

NMPA-approved VDCI DTx Products

	Product Name	Company	Indication*	Approval Year
1	Cognitive Ability Supplemental Screening and Assessment Software	Changsha Zhijingling	Cognitive Function	2022
2	Basic Cognitive Ability Testing Software		Cognitive Function	2022
3	Brain Function Information Management Platform Software System		Clinical Diagnosis, Treatment and Assessment	2018**
4	Cognitive Rehabilitation Training and Assessment Software	Changsha Longzhijie Technology Co., Ltd	Cognitive Impairment Due to Brain Function Injury or Stroke	2023
5	VR Cognitive Assessment and Training Software	Hunan Xinjing Medical Equipment Co., Ltd	Brain Dysfunction in Cognition, Speech, and Psychosomatic Functions Due to Brain Injury Disorders	2023
6	Cognitive Dysfunction Assessment and Training Software	Hunan Wanwu Chengli Medical Technology Co., Ltd	Cognitive Impairment	2023
7	VR Rehabilitation Software for Cognitive Function	Hunan Saionsi Medical Device Co., Ltd	Cognitive Impairment Due to Brain Function Injury or Stroke	2023
8	Cognitive Function Assessment Training Software	Changsha Braingine Network Technology Co., Ltd	Mild Cognitive Impairment	2023
9	Speech Cognition Rehabilitation Training System	Shanghai University of Traditional	Verbal Cognitive Dysfunction Due to Brain Stroke	2023
10	Cognitive Rehabilitation Training System	Chinese Medicine Asset Management Co., Ltd	Cognitive Impairment Due to Brain Stroke	2023
11	Cognitive Impairment Rehabilitation Assessment and Training System	Henan Xiangyu Medical Equipment Co., Ltd	Cognitive Impairment Due to Brain Stroke	2023
12	VR Cognitive Rehabilitation Software	Hunan Ludian Medical Technology Equipment Co., Ltd	Cognitive Impairment Due to Brain Function Injury or Stroke	2023
13	Adult Cognitive Testing and Training Instrument	Changzhou Qianjing Rehabilitation Co., Ltd	Mental retardation, Memory impairment, Cognitive Disorders Due to Brain-injury Disorders	2022
14	Cognitive Ability Testing and Training System	Alite (Hunan) Medical Technology Co., Ltd	Linguistic Cognitive Ability	2022
15	Cognitive Dysfunction Assessment and Training Software	Nanjing Weisi Medical Technology Co., Ltd	Mild Cognitive Impairment	2022
16	Cognitive Dysfunction Examination and Correction Software	Hunan Xinkang Medical Technology Co., Ltd	Mild Cognitive Impairment	2022
17	Cognitive Impairment Assessment of Rehabilitation Software	Guilin Yikang Electronic Technology Co., Ltd	Mild Cognitive Impairment	2022
18	Cognitive Function Assessment and Training Software	Changsha Zhisong Technology Co., Ltd	Mild Cognitive Impairment	2022
19	Cognitive Function Assessment and Training Software	Nanjing JianbrainHealth Technology Co., Ltd	Cognitive Impairment Due to Brain Function Injury	2022
20	Rehabilitation Training for Cognitive Impairment and the EEG Stimulation Treatment System	Jiangxi Huaheng Jingxing Medical Technology Co., Ltd	Cognitive Impairment, Motor Dysfunction, Language Disorders (Aphasia), Swallowing Disorders, and Symptoms of Insomnia, Depression, and Mood Disorders In Adults and Children	2022
21	Cognitive Rehabilitation Training and Assessment Software	Hangzhou Jizhi Medical Technology Co., Ltd	Cognitive Impairment Due to Brain Function Injury or Stroke	2019
22	Cognitive Ability Test and Training Apparatus	Guangzhou Kangze Medical Technology Co., Ltd	Adult Cognitive Impairment Due to Brain-injurious Diseases	2019
23	Cognitive Dysfunction Treatment Software	Nanjing Weisi Medical Technology Co., Ltd	Mild Cognitive Impairment	2018

Note: All indication descriptions are extracted from the NMPA website and their scopes are related to VDCI.

* *Represents the year in which the System first received regulatory approval for use of the System as a tool of "assistance of doctors in clinical diagnosis and treatment of patients with brain function impairments caused by various types of brain damages and diseases, assessment of brain function, and comprehensive management of medical information and brain function data."*

Source: NMPA, Frost & Sullivan Analysis

NCI DTx MARKET

Overview Of NCI

AD

AD is a neurodegenerative disease that usually starts with mild symptoms that gradually deteriorate. Approximately 60-70% of cases of dementia were caused by AD. Like other chronic diseases, AD is not caused by a single factor but is often the result of a combination of risk factors. Advanced age is the greatest risk factor for AD.

AMCI

AMCI is the most common form of mild cognitive impairment. Its main symptoms are subtle changes in memory and thinking. People with AMCI have memory problems that are more severe than normal for their age and education, but not severe enough to interfere with daily life. The causes of AMCI are not completely understood. Experts believe that many, but not all, cases result from brain changes that occur in the very early stages of Alzheimer's disease or other neurodegenerative diseases that cause dementia.

Treatment Paradigm and Unmet Clinical Needs of NCI

Assessment

Current paradigm for the assessment of NCI involves detecting the underlying neurodegenerative disease causing the NCI. However, this leaves open significant the unmet medical needs of as most neurodegenerative diseases lacks a good early-stage assessment option. Using specific biomarkers, NCI DTx can help physicians accurately diagnose neurodegenerative diseases or alert patients to seek help. In addition, DTx can also help physicians speed up the screening process, enabling efficient, large-scale early detection.

Intervention

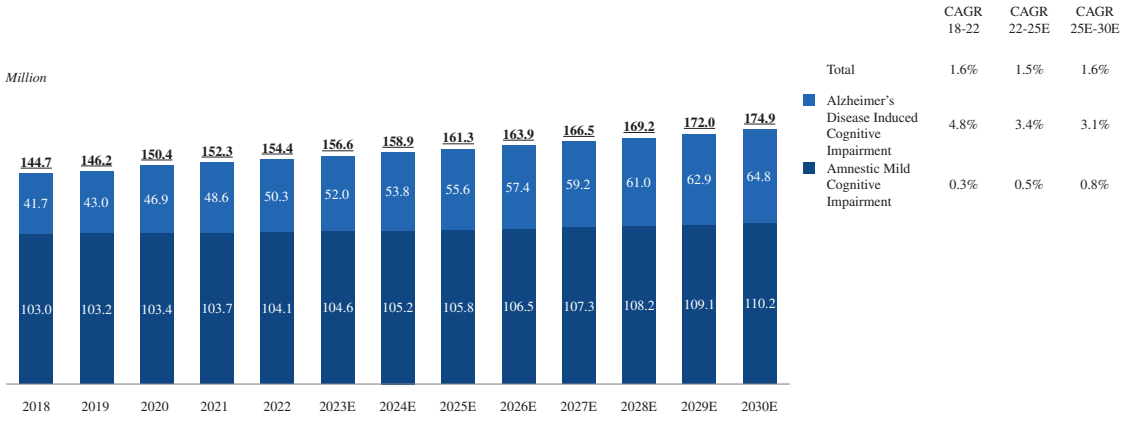
There are currently no treatments available to stop the progression of the underlying neurodegenerative disease that causes NCI. Current paradigm for the intervention of NCI involves the treatment of the underlying neurodegenerative diseases. NCI DTx can provide cognitive training and help manage risk factors to delay disease progression, making it an effective complement to medication. NCI DTx has the potential to become a treatment option that targets specific brain functions to improve cognition and prevent disease progression based on the principle of neuroplasticity.

Prevalence of the Major Types of NCI

Global

The global prevalence of the major types of NCI increased from 144.7 million in 2018 to 154.4 million in 2022, representing a CAGR of 1.6% and is expected to reach 161.3 million in 2025 and further to 174.9 million in 2030, representing CAGRs of 1.5% and 1.6%. The following graph sets forth the global prevalence of the major types of NCI during the years indicated, as well as CAGRs during the indicated years.

Global Prevalence of the Major Types of NCI, 2018-2030E



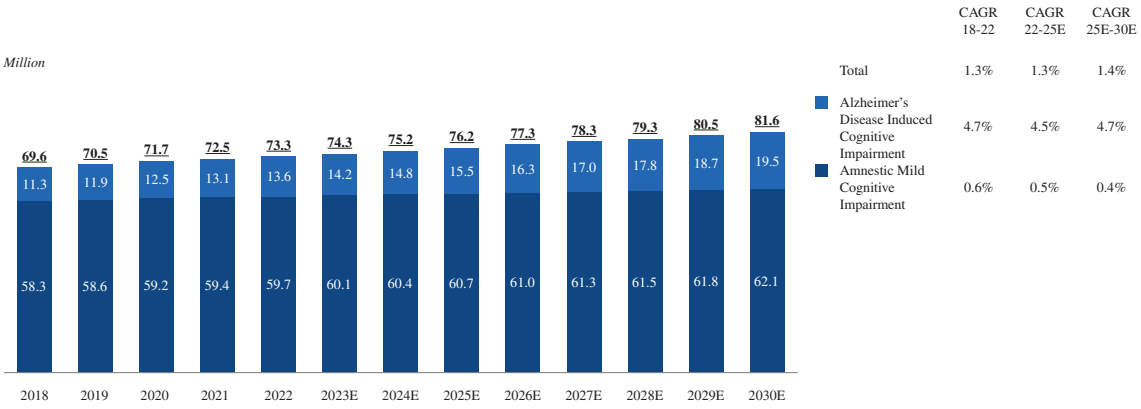
Note: The overall prevalence of the major types of NCI includes patients with comorbidities

Source: Frost & Sullivan Analysis

China

The prevalence of the major types of NCI in China increased from 69.6 million in 2018 to 73.3 million in 2022, representing a CAGR of 1.3% and is expected to reach 76.2 million in 2025 and further to 81.6 million in 2030, representing CAGRs of 1.3% and 1.4%. The following graph sets forth the prevalence of the major types of NCI in China during the years indicated, as well as CAGRs during the indicated years.

Prevalence of the Major Types of NCI in China, 2018-2030E



Note: The overall prevalence of the major types of NCI includes patients with comorbidities

Source: Frost & Sullivan Analysis

Competitive Landscape of the NCI DTx Market

Key players in the global NCI DTx market (outside China) include at least one company that offers at least two FDA-approved NCI DTx products as of the Latest Practicable Date. The following table provides an overview of the FDA-approved NCI DTx products.

FDA-approved NCI DTx Products

	Product Name	Company	Indication	Pathway	Approval Year
1	MindMotion® GO	MindMaze	Neurorehabilitation Neurological conditions such as stroke, brain injury, and neurodegenerative diseases	510(k)	2018
2	MindMotion® PRO				2017

Source: FDA, Frost & Sullivan Analysis

In China, a total of approximately 22 NCI DTx products by approximately 20 players, including our Company, had been approved by the NMPA or its local counterparts, and at least ten more NCI DTx products by at least ten players were in the process of clinical trials and obtaining relevant medical device registration certificates, as of the Latest Practicable Date, according to Frost & Sullivan. The following table provides an overview of the NMPA-approved NCI DTx products, all of which are classified as Class II medical device.

NMPA-approved NCI DTx Products

	Product Name	Company	Indication*	Approval Year
1	Cognitive Ability Supplemental Screening and Assessment Software	Changsha Zhijingling	Cognitive Function	2022
2	Basic Cognitive Ability Testing Software		Cognitive Function	2022
3	Brain Function Information Management Platform Software System		Clinical Diagnosis, Treatment and Assessment	2018**
4	Cognitive Dysfunction Assessment and Training Software	Hunan WanwuChengli Medical Technology Co., Ltd	Cognitive Impairment	2023
5	Cognitive Assessment and Training Software	Changsha Shudan Medical Technology Co., Ltd	Cognitive Impairment	2023
6	Cognitive function assessment and training software	Changsha Jisi Mingzhi Technology Co.,Ltd	Cognitive Disorders, Schizophrenia, Bipolar Disorder, Depression, Anxiety, Alzheimer's Disease, Sleep Disorders, Autism, ADHD	2023
7	Cognitive Rehabilitation Software	Changsha Aidi Biotechnology Co., Ltd	Mild Cognitive Impairment	2023
8	Cognitive function assessment and training software	Shenzhen Heling Medical Technology Co., Ltd	Cognitive Function	2023
9	VR Cognitive Assessment and Training Software	Hunan Xinjing Medical Equipment Co., Ltd	Brain Dysfunction in Cognition, Speech, and Psychosomatic Functions Due to Brain Injury Disorders	2023
10	Cognitive Digital Rehabilitation Software	Changsha Lixin Medical Technology Co., Ltd	Mild Cognitive Impairment	2023
11	Cognitive Dysfunction Rehabilitation Software	Hunan Boke Medical Technology Co., Ltd	Mild Cognitive Impairment	2023
12	Cognitive Function Assessment Training Software	Changsha Braingine Network Technology Co., Ltd	Mild Cognitive Impairment	2023
13	Brain Physiology and Cognitive Function Assessment System	Chengdu Jisi Mingzhi Technology Co	Mild Cognitive Impairment	2023
14	Digital Cognitive Function Training Software	Changsha Hejia Jiannao Intelligent Technology Co., Ltd	Mild Cognitive Impairment	2023
15	Cognitive Function Assessment and Training Software	Changsha Zhisong Technology Co., Ltd	Mild Cognitive Impairment	2022
16	Rehabilitation Training Software for Cognitive Dysfunction	Hunan Aze Medical Technology Co., Ltd	Cognitive Impairment, Schizophrenia, Bipolar Disorder, Depression, Anxiety, Alzheimer's Disease, Sleep Disorders, Autism, ADHD	2022
17	Cognitive Dysfunction Examination and Correction Software	Hunan Xinkang Medical Technology Co., Ltd	Mild Cognitive Impairment	2022
18	Cognitive Function Assessment and Training Software	Changsha Best Covered Cognitive Technology Co., Ltd	Cognitive Impairment	2022
19	Cognitive Dysfunction Treatment Software	Hunan Wangli Medical Technology Co., Ltd	Mild Cognitive Impairment	2022
20	Cognitive Dysfunction Assessment and Training Software	Nanjing Weisi Medical Technology Co., Ltd	Mild Cognitive Impairment	2022
21	Cognitive Impairment Assessment of Rehabilitation Software	Guilin Yikang Electronic Technology Co., Ltd	Mild Cognitive Impairment	2022
22	Rehabilitation Training for Cognitive Impairment and the EEG Stimulation Treatment System	Jiangxi Huaheng Jingxing Medical Technology Co., Ltd	Cognitive Impairment, Motor Dysfunction, Language Disorders (Aphasia), Swallowing Disorders, and Symptoms of Insomnia, Depression, and Mood Disorders In Adults and Children	2022

Note: All indication descriptions are extracted from the NMPA website and their scopes are related to NCI.

* *As shown on the NMPA website.*

** *Represents the year in which the System first received regulatory approval for use of the System as a tool of "assistance of doctors in clinical diagnosis and treatment of patients with brain function impairments caused by various types of brain damages and diseases, assessment of brain function, and comprehensive management of medical information and brain function data."*

Source: NMPA, Frost & Sullivan Analysis

PCI DTx MARKET

Overview of PCI

Psychiatric disorders 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. Treatment for cognitive impairments induced by psychiatric disorders varies depending on the type and severity of the disorder and often involves a combination of medication and psychotherapy. In addition to traditional treatment methods, alternative therapies and brain stimulation therapies have been shown to be effective in treating cognitive impairments induced by psychiatric disorders.

Depression

Depression is a common mental disorder characterized by a long-term depressed mood, loss of pleasure or interest in activities. In addition to affecting mood and emotions, depression can alter brain function. Cognitive impairment is a common feature of depression, including executive dysfunction, impaired learning and memory, decreased attention and concentration, and reduced processing speed. Cognitive deficits often persist even after other symptoms of depression have resolved, significantly impacting a patient's ability to function.

Schizophrenia

Schizophrenia is a chronic and severe mental disorder that affects the way a person thinks, behaves, expresses emotions, perceives reality and interacts with others. Cognitive impairment is a central feature of schizophrenia and results in moderate to severe deficits in several areas, including attention, working memory, verbal learning and memory, and executive functioning. Cognitive impairment is one of the major barriers to clinical and functional recovery in schizophrenia. Antipsychotic medications have little effect on cognitive impairment in schizophrenia. Current antipsychotics not only fail to reverse cognitive dysfunction but may directly or indirectly worsen it.

Sleep disorders

Sleep disorders involve difficulties with the quality, duration, and quantity of sleep that can lead to daytime distress and impaired functioning. Sleep disorders are associated with cognitive impairment. Reduced sleep duration may also cause cognitive decline by promoting hippocampal degeneration through several pathways, including changes in neuronal excitability, reduced synaptic plasticity and decreased neurogenesis.

Treatment Paradigm and Unmet Clinical Needs of PCI

There is currently no available treatment for PCI and it is typically addressed by treating the underlying psychiatric disorder. A commonly prescribed method of treating psychiatric disorder is cognitive-behavioral therapy (the "**CBT**"). Traditional CBT helps patients become aware of and respond more effectively to negative thinking and behavior patterns. PCI DTx provides a digitized version of CBT with additional benefits. For example, patients can access CBT remotely, providing the same benefits as traditional CBT but saving time and costs. In addition, virtual human technology can address patients' needs and collect feedbacks from patients on behalf of patients, allowing patients to seek help regardless of time or location and allowing physicians to serve multiple patients at once. Virtual human technology can also linguistically map psychological problems, and through linguistic analysis, AI can provide effective interventions tailored to the patient's needs.

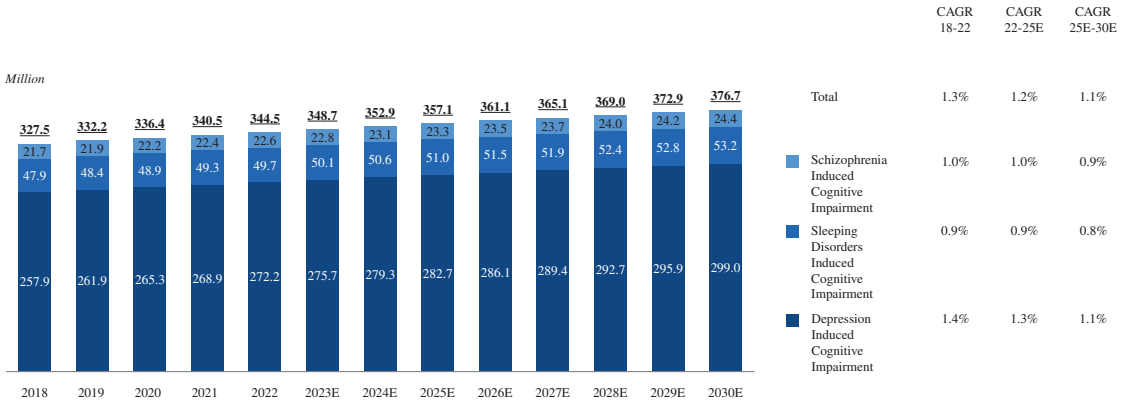
Typically, the assessment of cognitive function in patients with psychiatric disorders using PCI DTx involves the construction of a model using clinical data and consultation with medical experts. The models are typically fed with data from two methods of data collection: patient completion of scales and paradigms to assess global cognitive level and various cognitive modules, and collection of patient conversations, voice patterns, and facial expressions through human-computer interaction using AI technology. The collected data, along with the patient's own information such as age and gender, is fed into the model to generate a risk report. The results of the AI analysis are then compared with the physician's final diagnosis to continuously improve the PCI DTx model and increase diagnostic accuracy.

Prevalence of the major types of PCI

Global

The global prevalence of the major types of PCI increased from 327.5 million in 2018 to 344.5 million in 2022, representing a CAGR of 1.3% and is expected to reach 357.1 million in 2025 and further to 376.7 million in 2030, representing CAGRs of 1.2% and 1.1%. The following graph sets forth the global prevalence of the major types of PCI during the years indicated, as well as CAGRs during the indicated years.

Global Prevalence of the Major Types of PCI, 2018-2030E



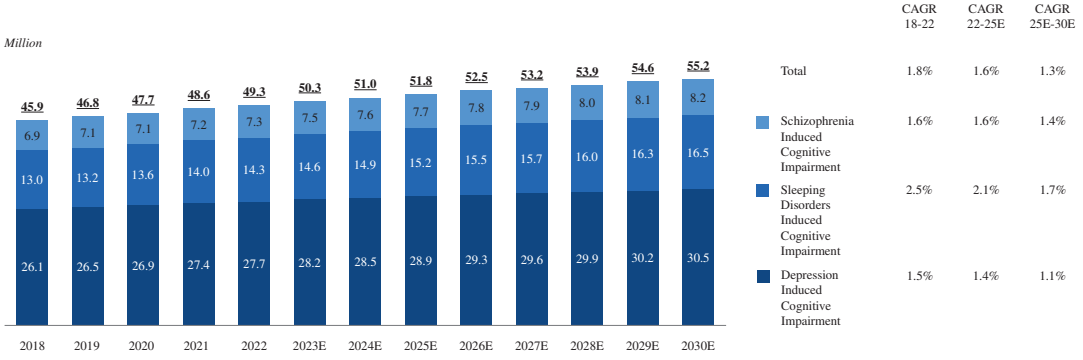
Note: The overall prevalence of the major types of PCI includes patients with comorbidities.

Source: Frost & Sullivan Analysis

China

The prevalence of the major types of PCI in China increased from 45.9 million in 2018 to 49.3 million in 2022, representing a CAGR of 1.8% and is expected to reach 51.8 million in 2025 and further to 55.2 million in 2030, representing CAGRs of 1.6% and 1.3%. The following graph sets forth the prevalence of the major types of PCI in China during the years indicated, as well as CAGRs during the indicated years.

Prevalence of the Major Types of PCI in China, 2018-2030E



Note: The overall prevalence of the major types of PCI includes patients with comorbidities.

Source: Frost & Sullivan Analysis

Competitive Landscape of PCI DTx Market

Key players in the global PCI DTx market (outside China) include at least six companies that offer at least eleven FDA-approved PCI DTx products as of the Latest Practicable Date. The following table provides an overview of the FDA-approved PCI DTx products.

FDA-approved PCI DTx Products

	Product Name	Company	Indication	Pathway	Approval Year
1	Sleepio	Big Health	Insomnia	EUA	2023
2	Daylight		Anxiety	EUA	2023
3	01 Depression	Feel Therapeutics	MDD (Major Depressive Disorder)	EUA	2023
4	02 Anxiety		GAD (Generalized Anxiety Disorder)	EUA	2023
5	SparkRx	Limbix	Adolescent depression	EUA	2021
6	Ensemble	Happify Health	Depression & Anxiety	EUA	2021
7	LIMBIX SparkRx	Limbix	Depression & Anxiety	EUA	2021
8	Somryst (SHUTi)	Pear Therapeutics	Chronic insomnia	510(k)	2020
9	Deprexis	Orexo, GAIA AG	Depression	510(k)	2020
10	reSET-O	Pear Therapeutics	Opioid use disorder	510(k)	2018
11	ReSet		Substance use disorders	De novo	2017

Source: FDA, Frost & Sullivan Analysis

In China, a total of approximately 20 PCI DTx products by approximately 18 players, including our Company, have been approved by the NMPA or its local counterparts, and at least three additional PCI DTx products by at least three players are currently in the process of clinical trials and obtaining relevant medical device registration certificates, as of the Latest Practicable Date, according to Frost & Sullivan. The following table provides an overview of the NMPA-approved PCI DTx products, all of which are classified as Class II medical device.

NMPA-approved PCI DTx Products

	Product Name	Company	Indication*	Approval Year
1	Cognitive Ability Supplemental Screening and Assessment Software	Changsha Zhijingling	Cognitive Function	2022
2	Basic Cognitive Ability Testing Software		Cognitive Function	2022
3	Brain Function Information Management Platform Software System		Mild Cognitive Impairment	2018**
4	Cognitive Dysfunction Assessment and Training Software	Hunan Wanwu Chengli Medical Technology Co., Ltd	Cognitive Impairment	2023
5	Cognitive Impairment Assessment Software	Hunan Hongjun Intelligent Technology Co., Ltd	Mild Cognitive Impairment	2023
6	Psychometric and Cognitive Assessment Software	Hunan Kaesman Technology Co., Ltd	Mental and Psychological Condition	2023
7	Cognitive impairment rehabilitation training software	Hunan Aiyun Digital Medical Technology Co., Ltd	Cognitive Function	2023
8	Cognitive function assessment and training software	Changsha Jisi Mingzhi Technology Co., Ltd	Cognitive Disorders, Schizophrenia, Bipolar Disorder, Depression, Anxiety, Alzheimer's Disease, Sleep Disorders, Autism, ADHD	2023
9	Cognitive function assessment and training software	Shenzhen Heling Medical Technology Co., Ltd	Cognitive Function	2023
10	VR Cognitive Assessment and Training Software	Hunan Xinjing Medical Equipment Co., Ltd	Brain Dysfunction in Cognition, Speech, and Psychosomatic Functions Due to Brain Injury Disorders	2023
11	Clinical Management Software for Cognitive Behavioral Therapy for Insomnia	Hunan Fujie Digital Medical Technology Co., Ltd	Sleeping disorders	2023
12	Cognitive dysfunction rehabilitation training software	Xidike (Zhengzhou) Intelligent Rehabilitation Equipment Co., Ltd	Cognitive Impairment due to Brain-Injuring diseases	2023
13	Cognitive Dysfunction Assessment and Training Software	Nanjing Weisi Medical Technology Co., Ltd	Mild Cognitive Impairment	2022
14	Cognitive Dysfunction Examination and Correction Software	Hunan Xinkang Medical Technology Co., Ltd	Mild Cognitive Impairment	2022
15	Rehabilitation Training Software for Cognitive Dysfunction	Hunan Aze Medical Technology Co., Ltd	Cognitive Impairment, Schizophrenia, Bipolar Disorder, Depression, Anxiety, Alzheimer's Disease, Sleep Disorders, Autism, ADHD	2022
16	Cognitive Dysfunction Treatment Software	Hunan Wangli Medical Technology Co., Ltd	Mild Cognitive Impairment	2022
17	Cognitive Impairment Assessment of Rehabilitation Software	Guilin Yikang Electronic Technology Co., Ltd	Mild Cognitive Impairment	2022
18	Rehabilitation Training for Cognitive Impairment and the EEG Stimulation Treatment System	Jiangxi Huaheng Jingxing Medical Technology Co., Ltd	Cognitive Impairment, Motor Dysfunction, Language Disorders (Aphasia), Swallowing Disorders, and Symptoms of Insomnia, Depression, and Mood Disorders In Adults and Children	2022
19	Cognitive Function Assessment and Training Software	Changsha Zhisong Technology Co., Ltd	Mild Cognitive Impairment	2022
20	Rehabilitation Software for Cognitive Function	Hangzhou Yikang Medical Technology Co., Ltd	Schizophrenia, Schizotypal Disorder, Mood Disorders	2020

Note: All indication descriptions are extracted from the NMPA website and their scopes are related to PCI.

* *As shown on the NMPA website.*

** *Represents the year in which the System first received regulatory approval for use of the System as a tool of "assistance of doctors in clinical diagnosis and treatment of patients with brain function impairments caused by various types of brain damages and diseases, assessment of brain function, and comprehensive management of medical information and brain function data."*

Source: NMPA, Frost & Sullivan Analysis

CDDCI DTx MARKETS

Overview Of CDDCI

CDDCI is present at birth and are caused by genetic conditions or brain damage that occurs during pregnancy or childbirth. Examples include ADHD, dyslexia and autism.

ADHD

ADHD is one of the most common neurodevelopmental disorders in children. The disorder is characterized by symptoms such as difficulty paying attention, difficulty controlling impulsive behavior and being overly active. There is no single test to diagnose ADHD; diagnosis is usually based on hearing and vision tests, information about the patient and family or ADHD rating scales or psychometric tests. Treatment options for ADHD primarily include behavioral therapy and drug therapy. Early intervention is important, and the best treatment plans involve close monitoring, follow-up assessments, and therapy adjustments over time.

Autism

Autism is a neurodevelopmental condition caused by differences in the way the brains of individuals with Autism are wired and function. These neurodevelopmental differences can affect the way individuals with Autism process and respond to information, leading to difficulties with communication, social interaction, and behavior. While the exact nature of these differences is not fully understood, research suggests that they may be related to a combination of genetic and environmental factors. People with Autism often have problems with social communication and interaction, restricted or repetitive behaviors, and different ways of learning and moving. Doctors look at a child's developmental history and behavior to make a diagnosis, which can be made as early as 18 months of age. However, many children do not receive a final diagnosis until they are much older. Treatments for Autism primarily include behavioral, developmental, educational, social-relational, pharmacological, psychological and complementary and alternative therapies.

Dyslexia

Dyslexia is also referred to as reading disability. It is a learning disorder that involves difficulty reading due to problems identifying speech sounds and learning how they relate to letters and words. Dyslexia is not a problem of intelligence, hearing or vision, but a result of individual differences in areas of the brain that process language. Dyslexia appears to be linked to certain genes that affect how the brain processes reading and language and tends to run in families. Dyslexia can have negative long-term impact on a child's educational social development.

Treatment Paradigm and Unmet Clinical Needs of CDDCI

The assessment of CDDCI in China is constrained by (i) a lack of education and training for healthcare providers to inform parents about developmental disorders; (ii) a lack of resources and difficulty in finding specialists; (iii) long waiting times for diagnosis due to lengthy diagnostic processes; (iv) multiple required doctor visits; and (v) risk of misdiagnosis. Furthermore, many patients in China have difficulty accessing quality medical resources because such resources are typically concentrated in large cities. This lack of access can lead to poor patient compliance and a significant financial burden on families. In addition, interventional therapies often require a high level of treatment environment, faculty, and standardization, making them difficult to implement at scale and resulting in low prevalence of institutional interventions.

CDDCI DTx incorporates AI to detect human behavior and speech information in images, videos and games. AI analyzes early behavioral warning signs and characteristics and compares them to screening guidelines and physician clinical data. The mechanism generates risk screening reports to aid in diagnosis.

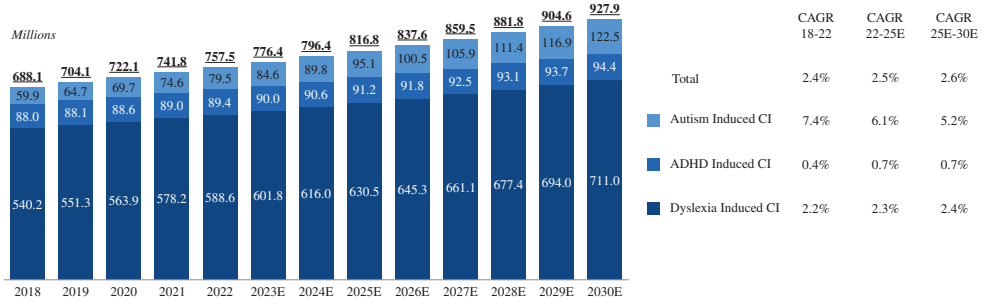
There is currently no available treatment for CDDCI which is typically addressed by treating the underlying child development deficiency. A commonly used treatment method for child development deficiency is Applied Behavior Analysis (the "**ABA**"). It focuses on teaching children specific skills in areas such as socialization, academics, communication and hygiene. Digitizing ABA is possible with CDDCI DTx through the implementation of AI and VR or augmented reality (the "**AR**") technologies that can guide patients remotely, provide feedback to therapists and support individualized treatment plans. In addition, CDDCI DTx can provide a platform to connect patients and their families to support intervention programs and outcomes analysis through online patient communities. CDDCI DTx can also increase parents' awareness of developmental disorders through educational materials based on clinical research.

Prevalence of the Major Types of CDDCI

Global

The global prevalence of the major types of CDDCI increased from 688.1 million in 2018 to 757.5 million in 2022, representing a CAGR of 2.4% and is expected to reach 816.8 million in 2025 and further to 927.9 million in 2030, representing CAGRs of 2.5% and 2.6%, respectively. The following graph sets forth the global prevalence of the major types of CDDCI during the years indicated, as well as CAGRs during the indicated years.

Global Prevalence of the Major Types of CDDCI, 2018-2030E



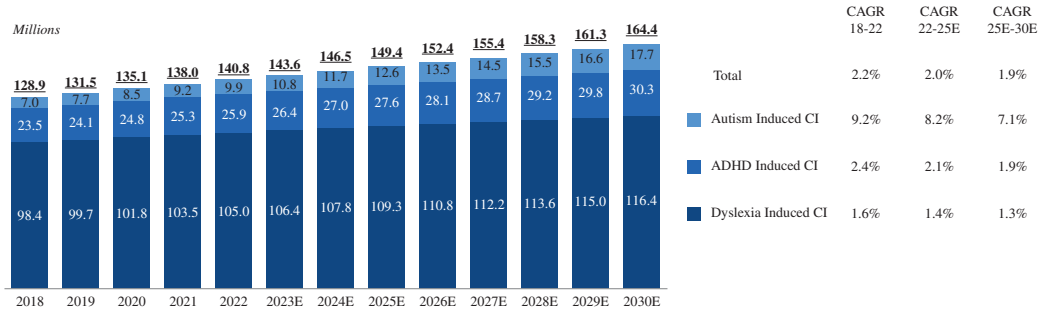
Note: The overall prevalence of the major types of CDDCI includes patients with comorbidities.

Source: Frost & Sullivan Analysis

China

The following graph sets forth the prevalence of the major types of CDDCI in China in the years indicated, as well as CAGRs during the indicated years.

Prevalence of the Major Types of CDDCI in China, 2018-2030E



Note: The overall prevalence of the major types of CDDCI includes patients with comorbidities.

Source: Frost & Sullivan Analysis

Competitive Landscape of CDDCI DTx Market

Key players in the global CDDCI DTx market (outside China) include two players that offer at least two FDA-approved CDDCI DTx products as of the Latest Practicable Date. The following table provides an overview of the FDA-approved CDDCI DTx products.

FDA-approved CDDCI DTx Products

	Product Name	Company	Indication	Pathway	Approval Year
1	EndeavorRx	Akili Interactive Labs	ADHD	De novo	2020
2	TALi Train	TALI Digital	Attention impairment	510(k) exempt	2018

Source: FDA, Frost & Sullivan analysis

In China, a total of approximately 14 CDDCI DTx products by at least 12 players, including our Company, have been approved by the NMPA or its local counterparts, and at least ten CDDCI DTx products by at least ten players are currently in the process of clinical trials and obtaining relevant medical device registration certificates, as of the Latest Practicable Date according to Frost & Sullivan. The following table provides an overview of the NMPA-approved CDDCI DTx products, all of which are classified as Class II medical device.

NMPA-approved CDDCI DTx Products

	Product Name	Company	Indication*	Approval Year
1	Basic Cognitive Ability Testing Software	Changsha Zhijingling	Cognitive function	2022
2	Brain Function Information Management Platform Software System		Clinical diagnosis, treatment and assessment	2018**
3	Dyslexia Supplemental Screening and Assessment Software		Dyslexia	2023
4	Cognitive dysfunction assessment and training software	Hunan Wanwu Chengli Medical Technology Co., Ltd	Cognitive impairment	2023
5	Cognitive function assessment training software	Changsha Braingine Network Technology Co., Ltd	Mild cognitive impairment	2023
6	Cognitive function assessment and training software	Changsha Zhisong Technology Co., Ltd	Mild cognitive impairment	2022
7	Early screening and assessment of children's cognitive behavior ability software	Changsha Kang'an Qiyuan Medical Technology Co., Ltd	Childhood cognitive disorders, developmental delays, ASD, ADHD, speech and language disorders, learning disabilities	2022
8	Rehabilitation training software for cognitive dysfunction	Hunan Aze Medical Technology Co., Ltd	Cognitive impairment, schizophrenia, bipolar disorder, depression, anxiety, Alzheimer's disease, sleep disorders, autism, ADHD	2022
9	Cognitive dysfunction examination and correction software	Hunan Xinkang Medical Technology Co., Ltd	Mild cognitive impairment	2022
10	Cognitive ability testing and training system	Allite (Hunan) Medical Technology Co., Ltd	Linguistic cognitive ability	2022
11	Cognitive dysfunction assessment and training software	Nanjing Weisi Medical Technology Co., Ltd	Mild cognitive impairment	2022
12	Cognitive impairment assessment of rehabilitation software	Guilin Yikang Electronic Technology Co., Ltd	Mild cognitive impairment	2022
13	Rehabilitation training for cognitive impairment and the EEG stimulation treatment system	Jiangxi Huaheng Jingxing Medical Technology Co., Ltd	Cognitive impairment, motor dysfunction, language disorders (aphasia), swallowing disorders, and symptoms of insomnia, depression, and mood disorders in adults and children	2022
14	Children's Cognitive Behavioral Ability Assessment Software	Beijing Peking University Medical Brain Health Technology Co., Ltd. Liuyang Rongbo Branch	Mild cognitive impairment	2022

Note: All indication descriptions are extracted from the NMPA website and their scopes are related to CDDCI.

* *As shown on the NMPA website.*

** *Represents the year in which the System first received regulatory approval for use of the System as a tool of "assistance of doctors in clinical diagnosis and treatment of patients with brain function impairments caused by various types of brain damages and diseases, assessment of brain function, and comprehensive management of medical information and brain function data."*

Source: NMPA, Frost & Sullivan analysis

REPORT COMMISSIONED BY FROST & SULLIVAN

In connection with the [**REDACTED**], we have engaged Frost & Sullivan to conduct a detailed analysis and to prepare an industry report on the DTx market. Frost & Sullivan is an independent global market research and consulting company founded in 1961 and is based in the United States. Services provided by Frost & Sullivan include market assessments, competitive benchmarking, and strategic and market planning for a variety of industries.

We have included certain information from the Frost & Sullivan Report in this Document because we believe such information facilitates an understanding of the DTx market for potential [**REDACTED**]. Frost & Sullivan prepared its report based on its in-house database, independent third-party reports and publicly available data from reputable industry organizations. Where necessary, Frost & Sullivan contacts companies operating in the industry to gather and synthesize information in relation to the market, prices and other relevant

information. Frost & Sullivan believes that the basic assumptions used in preparing the Frost & Sullivan Report, including those used to make future projections, are factual, correct and not misleading. Frost & Sullivan has independently analyzed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. Frost & Sullivan research may be affected by the accuracy of these assumptions and the choice of these primary and secondary sources.

We have agreed to pay Frost & Sullivan a fee of RMB580.0 thousand for the preparation of the Frost & Sullivan Report. The payment of such amount was not contingent upon our successful [**REDACTED**] or on the content of the Frost & Sullivan Report. Except for the Frost & Sullivan Report, we did not commission any other industry report in connection with the [**REDACTED**].

Our Directors confirm that after taking reasonable care, there has been no adverse change in the market information since the date of the report prepared by Frost & Sullivan which may qualify, contradict or have an impact on the information set forth in this section in any material respect.

PRC REGULATORY OVERVIEW

Our business operations are subject to the laws, regulations and policies of the PRC and extensive supervision by the Chinese government. The following descriptions set out the relevant PRC laws, regulations and policies we must comply with:

Regulation Relating To Medical Devices

Definition of Medical Devices

In accordance with Regulation on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》), the term "medical devices" shall refer to the instruments, equipment, appliances, in vitro diagnostic reagents and calibrators, materials and other similar or relevant articles directly or indirectly used on the human body, including computer software needed.

As advised by our PRC Legal Advisor, the System has been characterized as a stand-alone medical device on the Class II medical device registration certificate issued by the Hunan MPA in 2018 and renewed in 2023. For details of our communications with the Hunan MPA, see "Business—Core Product: Brain Function Information Management Platform Software System—Material Communications with Competent Authorities."

Classification of Medical Devices

According to the Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》), promulgated by the State Council on January 4, 2000, and effective from April 1, 2000, last amended on February 9, 2021 and came into effect on June 1, 2021, the NMPA shall be responsible for the supervision of medical devices within the territory of the PRC. All relevant departments of the State Council shall be responsible for the supervision of medical devices according to their respective mandate. The NMPA at the county level and above are responsible for the supervision of medical devices within their own administrative jurisdictions. The relevant departments of the local people's governments at the county level and above are responsible for supervising medical devices according to their respective mandates.

Medical devices in the PRC are categorized into three groups based on their degree of risk. Class I medical devices pose a low degree of risk and is safe for routine use while maintain their efficacy. Class II medical devices pose a moderate degree of risk and whose safety and efficacy should be ensured through strict control and administration. Class III medical devices pose a high degree of risk and must be ensured through strict control and administration by special measures to ensure safety and efficacy.

Classification of AI Medical Software Products

Pursuant to Guiding Principles for the Classification of AI-based Medical Software Products (《人工智能醫用軟件產品分類界定指導原則》, the "**Principles**") promulgated by the NMPA and came into effect on July 1, 2021, AI-based medical software refers to standalone software whose medical use is achieved based on the data of a medical device and using AI technologies. The Principles may apply mutatis mutandis to the classification and definition of medical devices containing components of AI software. AI-based medical software with well developed algorithms in medical applications (meaning software whose safety and efficacy has been fully validated) shall be categorized pursuant to the effective Medical Device Catalog (《醫療器械分類目錄》). While the currently effective Medical Device Catalog does not explicitly categorize DTx products as Class I, II or III, a vast majority of software medical devices (apart from a few types with mechanism of actions unrelated to DTx) are classified as either Class II or Class III medical devices. The key factor in judging whether a software product should be regulated as a medical device is its intended purpose. If the subject of software product is medical device data, and the product's core function is the processing, measurement, model calculation, analysis, etc. of medical device data, and the product is used for medical purposes, it falls within the definition of medical device under the Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》), and shall be regulated as such. If the subject of the software product is non-medical device data (such as main complaint of patients or other information, examination and test reports and conclusions), or the product's core function is not to process, measure, perform model calculation or analyze medical device data, or the product is not used for medical purposes, such software product shall not be regulated as a medical device.

Registration and Record-Filing of Medical Devices

According to the Administrative Measures on the Registration and Record-filing of Medical Devices (《醫療器械註冊與備案管理辦法》), promulgated by the SAMR on August 26, 2021 and came into effect on October 1, 2021, the NMPA is responsible for the nationwide administration of medical device registration and record-filing.

In the PRC, record-filing is required for Class I medical devices and registration is required for Class II and Class III medical devices. Record-filing parties of domestic Class I medical devices shall submit record-filing materials to the drug regulatory authorities at cities with municipal districts. Domestic Class II medical devices shall be examined by the drug regulatory authorities of provinces which shall issue the medical device registration certificate upon approval. Domestic Class III medical devices shall be examined by the NMPA which shall issue the medical device registration certificate upon approval.

In accordance with Administrative Measures on the Registration and Record-filing of Medical Devices (《醫療器械註冊與備案管理辦法》), for a Class II or III medical device that has been registered, in the event that there are material changes to the design, raw materials, production process, scope of application and method of use thereof, which might affect the safety and effectiveness of the medical device, the registrant of such medical device shall apply to the original registration authority for modification of registration; in the event of other changes, the registrant shall file the changes for record with the original registration authority within 30 days as of the date of change.

For an application for modification of registration, the technical review agency under the NMPA shall mainly review the modified part and give review opinions on whether the modified product is safe, effective and of controllable quality. Document on modification of registration of a medical device shall be used together with the original medical device registration certificate, and its expiry date shall be the same as that of the original medical device registration certificate.

The Deep Learning Assisted Decision Making Medical Device Software Review Highlights (《深度學習輔助決策醫療器械軟件審評要點》), promulgated by the Center for Medical Device Evaluation of the NMPA on July 3, 2019, is applicable to the registration declaration of deep-learning assisted decision-making medical device software, including standalone software and software components. It employs a risk-based, full life-cycle management approach to address software technical review requirements. This encompasses aspects such as requirement analysis, data collection, algorithm design, validation and verification, software updates, including requirements for algorithm performance assessment, clinical evaluation, and network and data security.

Potential Reclassification of DTx Medical Devices from Class II to Class III

As of the Latest Practicable Date, there are three recommendations from Chinese regulatory authorities regarding the reclassification of DTx medical devices from Class II to Class III, none of which affects the System. According to the recommendation of the NMPA's First Medical Device Classification Summary of 2023 (《2023年第一次醫療器械產品分類界定結果匯總》, or the "**2023 First Summary**"), software for the assessment and treatment of cognitive impairment that acquires data through magnetic resonance imaging of the brain ("**Brain MRI**") as well as neurological and psychological assessment of patients was recommended for classification as a Class III medical device. In addition, based on the recommendation of the NMPA's Second Medical Device Classification Summary of 2023 (《2023年第二次醫療器械產品分類界定結果匯總》, or the "**2023 Second Summary**"), supplemental depression assessment software used in conjunction with functional near-infrared spectroscopy ("**fNIRS**") should be classified as a Class III medical device.

Lastly, according to the recommendation of the NMPA's Third Medical Device Classification Summary of 2023 (《2023年第三次醫療器械產品分類界定結果匯總》, or the "**2023 Third Summary**"), software that provides intervention measures such as cognitive behavioral therapy, mindfulness therapy and exercise therapy should be classified as a Class III medical device.

As advised by the PRC Legal Advisor, the 2023 First Summary, 2023 Second Summary and 2023 Third Summary represent advice from the relevant experts nationwide and are not the binding regulations on medical device classification, as of the Latest Practicable Date. As advised by our PRC Legal Advisor, as of the Latest Practicable Date, in accordance with applicable PRC laws and regulations and taking into account the recommendations of the 2023 First Summary, 2023 Second Summary and 2023 Third Summary, our Directors are of the view that, with the exception of the Depression Treatment Software, the likelihood our products, namely the System, the Basic Cognitive Ability Testing Software, Cognitive Ability Supplemental Screening and Assessment Software, Dyslexia Supplemental Screening and Assessment Software, Covid-19 Induced Cognitive Impairment Assessment and Recovery Training Software, Attention Deficit Hyperactivity Disorder Assessment and Treatment Software as well as Quantitative Cognitive Assessment Software for Depression, will be reclassified from Class II into Class III is relatively low. In contrast, our Depression Treatment Software has a relatively high possibility of being reclassified from Class II into Class III.

According to the Regulation on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》), Class III medical devices are those devices that pose such a high degree of risk to users that the safety and effectiveness of the medical device can only be ensured through strict control and supervision of special measures. In line with this view, the Administrative Measures on the Registration and Record-filing of Medical Devices (《醫療器械註冊與備案管理辦法》) requires Class III medical devices to be examined by the NMPA, which shall issue the medical device registration certificate only after examination and approval. Similarly, according to the Measures for the Supervision and Administration of Medical Devices Manufacture (《醫療器械生產監督管理辦法》), those who intend to engage in the manufacture of Class III medical devices must first be approved by the drug regulatory authority of a province where they are located and obtain a medical device manufacturing permit in accordance with law.

Digital Health Guiding Principles System

On March 7, 2022, the Center for Medical Device Evaluation of NMPA issued Guiding Principles for the Technical Review of Medical Device Software Registration (《醫療器械軟件註冊審查指導原則》) (the "**Software Guiding Principles**"), Guiding Principles for the Technical Review of Medical Device Cybersecurity Registration (《醫療器械網路安全註冊審查指導原則》) (the "**Cybersecurity Guiding Principles**") and Guiding Principles for the Technical Review of AI Medical Device Registration (《人工智能醫療器械註冊審查指導原則》) (the "**AI Guiding Principles**"). The abovementioned three guiding principles are integral components of the digital health guiding principles system.

In terms of the interrelationships among the abovementioned guiding principles, (i) Software Guiding Principles is the foundational guiding principle of the digital health guiding principle system and also serves as the general guiding principle for medical device software, which aims to provide guidance to applicants for medical device software registration on the standardized life cycle processes and the preparation of registration application materials for medical device software; (ii) Cybersecurity Guiding Principles is the general guiding principle

for medical device cybersecurity, which aims to provide direction to applicants for the standardization of the life cycle processes of medical device cybersecurity and the preparation of registration application materials for medical device cybersecurity; (iii) and AI Guiding Principles is the general guiding principle for AI medical device, which aims to provide instruction to applicants in establishing the life cycle processes of AI-based medical devices and the preparation of registration application materials for such devices.

In accordance with the Software Guiding Principles, a standalone software shall comply with the requirements of medical device registration declaration documents and pay special attention to the following requirements: (i) the product name shall conform to the generic naming conventions for standalone software that disclose details related to input data, core functions and intended use; (ii) the registrant shall submit self-developed software research report, external software environment assessment report (if applicable), and GB/T 25000.51 self-testing report; (iii) the technical requirements for standalone software products shall clearly specify the software's name, model specifications, release version and version naming conventions; and (iv) the user manual for the medical device shall comply with relevant laws, regulatory documents, national standards and industry standards.

In accordance with Cybersecurity Guiding Principles, the registration declaration materials shall comply with the requirements of medical device registration declaration documents, Software Guiding Principles and additionally pay special attention to requirements of (i) separately submitting a research report on the network security of the self-developed software; and (ii) include within the manual network security instructions and usage guidelines.

In accordance with AI Guiding Principles, the registration declaration materials shall comply with the requirements of medical device registration declaration documents, Software Guiding Principles, Cybersecurity Guiding Principles and also pay special attention to the following requirements: (i) AI standalone software shall conform to generic naming conventions that disclose details such as input data, target diseases and intended use; (ii) for novel products with medium or high levels of software security, the software research materials and algorithm-based reports for each AI algorithm or algorithm combination shall be submitted; (iii) for products with a high level of software security and intended for use by patients or in primary healthcare institutions, a separate user training plan shall be provided in principle; (iv) if the product's technical requirements include performance metrics based on evaluation database testing, the basic information of the evaluation database must be specified; (v) for decision-support products, the user manual must provide a clear summary of the algorithm performance evaluation for the AI algorithm.

The Guidelines for the Naming of Common Names for Medical Software (《醫用軟件通用名稱命名指導原則》), promulgated by the NMPA on July 12, 2021, directs the formulation of generic names for medical software products. It is applicable to standalone medical software medical devices, excluding software components (non-independent software).

The Medical Device Software — Software Life Cycle Processes (《醫療器械軟件–軟件生存周期過程》), promulgated by the NMPA on September 27, 2020 and came into effect on September 1, 2021, is applicable to the development and maintenance of medical device software, encompassing software that is a medical device itself or that constitutes embedded or integral parts of the final medical devices. It provides the expected processes for software that can be executed on a processor or run through other software (such as interpreters) operating on a processor.

The AI Medical Devices — Quality Requirements and Evaluation (《人工智能醫療器械–質量要求和評價》), promulgated by the NMPA on July 1, 2022 and came into effect on July 1, 2023, includes provisions on (i) terminology for the quality assessment of artificial intelligence medical devices; (ii) proposing general quality requirements and evaluation methods for datasets; (iii) introducing quality requirements and evaluation methods for data annotation processes; (iv) proposing general requirements and evaluation methods for the traceability of AI medical devices; (v) standardizing safety requirements and evaluation methods for AI algorithms used in medical devices; (vi) specifying environmental conditions for the operation of AI medical devices; (vii) strengthening the ability to protect subjects' privacy; and (viii) achieving ethical requirements for AI at a technical level, and safeguard human rights.

Good Clinical Trial Practice for Medical Devices

The Good Clinical Trial Practice for Medical Device (《醫療器械臨床試驗質量管理規范》), which was promulgated jointly by the NMPA and the NHC on March 24, 2022 and came into effect on May 1, 2022, governs the entire medical device clinical trial process, including protocol design, implementation, monitoring, auditing and inspection, as well as data collection, recording, storage, analysis, summary and reporting. Clinical trials of medical devices shall be carried out in clinical trial institutions and only for medical devices that meet the corresponding conditions and have gone through requisite record-filing processes. Clinical trials of medical devices are required to be approved by an ethics committee. For Class III medical devices, the approval of the NMPA is also required, and the clinical trial shall be carried out in a qualified Class III Grade A medical institution.

The sponsor of a medical device clinical trial shall establish a quality management system covering the whole process of the clinical trial of medical device to ensure the clinical trial complies with relevant laws and regulations and protect the rights and interests and safety of subjects.

Research and Clinical Evaluation of Medical Devices

In accordance with Regulation on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) and Administrative Measures on the Registration and Record-filing of Medical Devices (《醫療器械註冊與備案管理辦法》),the research and development and experiments of medical devices shall be in compliance with the relevant laws, regulations and mandatory standards of China.

According to the Administrative Measures on the Registration and Record-filing of Medical Devices (《醫療器械註冊與備案管理辦法》), promulgated by the SAMR on August 26, 2021 and came into effect on October 1, 2021, clinical evaluation shall be conducted for the registration or record-filing of medical devices, and clinical evaluation materials shall be submitted when applying for the registration of medical devices. Clinical evaluation of medical devices may be carried out through clinical trials or analysis and evaluation of clinical literature materials and clinical data of medical devices of the same kind to prove the safety and effectiveness of medical devices in light of product characteristics, clinical risks, existing clinical data and other circumstances. Clinical trials shall be carried out for medical devices for which the existing clinical literature materials and clinical data are insufficient to confirm their safety and effectiveness in the clinical evaluation of medical devices. Clinical trials for medical devices shall be conducted in clinical trial institutions for medical devices that meet the corresponding conditions and have been filed for record as required by the good clinical practice (GCP) for medical devices.

However, clinical evaluation of a medical device may be exempted when: (1) the medical device has a clear mechanism of action, a finalized design and a mature production process, and the medical devices of the same type have been used in clinical use for years without record of serious adverse events, and the new medical device does not deviate from the general purpose of the medical device with an established clinical record; or (2) if the safety and efficacy of the medical device can be proved through non-clinical evaluation. Where clinical evaluation is exempted, a submission of clinical evaluation materials is not required. The catalogue of medical devices exempted from clinical evaluation shall be formulated, adjusted and published by the NMPA.

The Guidelines for the Clinical Evaluation Techniques for Medical Devices (《醫療器械臨床評價技術指導原則》), promulgated by the NMPA on September 18, 2021, primarily introduces the concepts of clinical assessment and clinical evidence, elucidating the relationships among clinical trials, clinical data, clinical assessment, and clinical evidence. It guides applicants on how to conduct clinical evaluations, compile associated documentation, and incorporate them as integral components of the conformity assessment, as well as aims to instruct regulatory authorities on how to assess the clinical evidence submitted by applicants.

The Hunan MPA, being the relevant authority that reviewed and approved the medical device registration applications of the System, further clarified the requirements for adding new indications under development to existing medical device registration certificates in a July 2023 consultation (the "**2023 Consultation**") and stated that where clinical literature materials and clinical data of medical devices of the same kind are not available to evaluate the safety and efficacy of a medical device for certain indications, the applicant must complete clinical trials on those indications before applying for modification of the medical device registration certificate to include such indications.

Production of Medical Devices

According to the Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) and the Measures on the Supervision and Administration of Medical Devices Production (《醫療器械生產監督管理辦法》), which was promulgated by the SAMR on and effective from July 20, 2004, latest amended on March 10, 2022 and came into effect on May 1, 2022, in order to engage in the production of medical devices, an entity shall meet the following conditions: (1) having the production site, environmental conditions, production equipment and professional technicians that meet the needs of the medical devices to be produced; (2) having the facility or full-time personnel and testing equipment capable of testing the quality of the medical devices to be produced; (3) having a system of internal control that can ensure the quality of medical devices; (4) having the after-sale service capabilities that meet the needs of the medical devices to be produced; and (5) having the capability to meet the requirements as prescribed in the documents on product research and development and production techniques.

To engage in the production of Class II and Class III medical devices, an entity shall apply for a manufacturing licensing to the drug regulatory department of the people's government of the province where it is located and submit the relevant materials and the registration certificate of the medical devices to be produced. The manufacturing permit for medical devices is valid for five years. When it is necessary to renew the permit upon its expiration, the formalities for renewal shall be completed in accordance with the relevant laws on administrative licensing.

In accordance with Appendix to Good Manufacturing Practices for Standalone Software as Medical Devices (《醫療器械生產質量管理規範附錄-獨立軟件》, the "**Appendix**") the manufacturing quality management system for standalone software as medical devices shall meet the requirements, including but not limited to personnel, equipment, design development, procurement, manufacturing management, quality control, sales and after-sales service, of the Good Manufacturing Practice for Medical Devices (《醫療器械生產質量管理規範》) and the Appendix.

The Medical Devices — Application of Usability Engineering to Medical Device (《醫療器械可用性工程對醫療器械的應用》), promulgated by the NMPA on January 26, 2016 and came into effect on January 1, 2017, delineates the manufacturer's procedural framework for the analysis, determination, design, validation, and confirmation of usability that has a direct bearing on the safety of medical devices. The usability engineering process is deployed to assess and mitigate risks associated with normal usage, encompassing both correct and incorrect utilization. It serves the purpose of identifying, though not actively addressing, risks related to abnormal usage.

The Medical Devices — Application of Risk Management to Medical Device (《醫療器械–風險管理對醫療器械的應用》), promulgated by the SAMR on October 12, 2022 and came into effect on November 1, 2023, prescribes the terminology, principles, and procedures governing the risk management of medical devices, encompassing both medical device

software and *in vitro* diagnostic medical devices. The delineated processes within this document are structured to aid manufacturers of medical devices in the identification of hazards associated with such devices, the estimation and assessment of pertinent risks, the implementation of risk controls, and the ongoing monitoring of the efficacy of these controls.

Operation of Medical Devices

According to the Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) and the Measures for the Supervision and Administration of Medical Devices Operation (《醫療器械經營監督管理辦法》), promulgated by the SAMR on July 30, 2014 and effective from October 1, 2014, latest amended on March 10, 2022 and came into effect on May 1, 2022, a business operator shall file for record with the drug regulatory department of the government for the business operation of Class II medical devices and apply for operation licensing for the business operation of Class III medical devices. Furthermore, no business operator or using entity of medical devices may operate or use medical devices that have not been registered or filed for record in accordance with the law, or medical devices without conformity certificates, or expired, invalidated or obsolete. The valid period of the operating permit for medical devices is five years. Where it is necessary to renew the permit upon its expiration, the formalities for renewal shall be observed in accordance with the provisions of relevant laws on administrative licensing.

Post-marketing Responsibility about Medical Devices

In accordance with Regulation on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》), a registrant or record-filing party of medical devices shall establish a monitoring system for adverse events of medical devices (醫療器械不良事件監測體系), be equipped with a monitoring body and personnel for adverse events suitable for its products, take the initiative to monitor adverse events of its products, and report the information on investigation, analysis, evaluation and product risk control to the technical monitoring agency for adverse events of medical devices in accordance with the provisions of the drug regulatory department under the State Council. The manufacturers or business operators and using entities of medical devices shall assist the registrant or record-filing party of medical devices in monitoring adverse events of the medical devices produced, operated or used by them; if any adverse event of medical devices or suspicious adverse event is found, it shall be reported to the technical monitoring agency for adverse events of medical devices in accordance with the provisions of the drug regulatory department under the State Council.

In accordance with Administrative Measures on the Registration and Record-filing of Medical Devices (《醫療器械註冊與備案管理辦法》), a registrant of medical devices shall take the initiative to carry out post-marketing research, further confirm the safety, effectiveness and quality controllability of the medical devices and strengthen the continuous management of the medical devices on the market.

Price Controls

Pursuant to the Notice of Issuing the Opinions on Reform of Pricing System of Pharmaceuticals and Medical Services (《關於印發改革藥品和醫療服務價格形成機制的意見的通知》), which was jointly promulgated by the National Development and Reform Commission (the "**NDRC**"), the Ministry of Health of the PRC and the Ministry of Human Resources and Social Security of the PRC and came into effect on November 9, 2009, the management on the pricing of medical devices will be strengthened. For high value medical devices, especially for implantable and interventional medical devices, more reasonable pricing can be achieved by measures such as limiting price differentiation of the product in circulation and publishing market price information.

Advertisements of Medical Devices

Pursuant to the Interim Administrative Measures for the Review of Advertisements for Drugs, Medical Devices, Health Food and Formula Food for Special Medical Purposes (《藥品、醫療器械、保健食品、特殊醫學用途配方食品廣告審查管理暫行辦法》), which was promulgated by the SAMR on December 24, 2019 and came into effect on March 1, 2020, advertisements for medical devices shall not be released without being reviewed by the relevant administration for market regulation and drug administration of a province or other authorized administrative authorities. In addition, advertisers shall be responsible for the veracity and legitimacy of the contents of advertisements for medical devices.

The contents of a medical device advertisement shall be based on the contents of the registration certificate or filing certificate approved by the drug administrations, or the registered or filed product instructions. Where the medical device advertisement involves the name, scope of application, functional mechanism or structure or composition, etc. of the medical device, the scopes of the registration certificate or filing certificate, or registered or filed product instruction shall not be exceeded.

All advertisements for medical devices recommended for personal use must prominently display a disclaimer stating, "Please read the product instructions carefully or purchase and use the product as directed by a health care professional." If the product registration certificate of the medical device stipulates any contraindications or precautions, the advertisement shall include a disclaimer in a prominent position stating, "for contraindications and precautions, please refer to the instructions for details."

Regulation Relating to Cybersecurity and Artificial Intelligence

AI Algorithms and Deep Synthesis Technology

According to the "Recommended Algorithm Management Provisions for Internet Information Services" (《互聯網信息服務算法推薦管理規定》) and "Guiding Opinions on Strengthening the Comprehensive Governance of Algorithms in Internet Information Services" (《關於加強互聯網信息服務算法綜合治理的指導意見》), algorithm-based recommendation

service providers are responsible for the security of their algorithms. They must have a management system that includes measures for auditing, ethical review, fraud prevention, security assessment and data security emergency response. They must also have dedicated personnel and technical measures. Service providers should regularly review and evaluate their algorithmic mechanisms, models, data and results, and notify users when an algorithm-based recommendation service is active and provide effective channels for user complaints and reports. Service providers should also label content generated or edited by deep synthesis technology in accordance with the Administrative Provisions on Deep Synthesis in Internet Information Services (《互聯網信息服務深度合成管理規定》).

Data Collection

According to the Data Security Law (《數據安全法》), data processors must collect data in a legal and lawful manner and use it only for the purposes and within the limits established by law or agreed with the user. They may not obtain data by illegal means. The Personal Data Protection Law (《個人信息保護法》) outlines the lawful means and basis for processing personal data, which include obtaining the individual's consent, fulfilling a contract, complying with a legal obligation, responding to public health emergencies, conducting news reporting for the public interest, and protecting the life, health or property safety of individuals under emergency circumstances. Before collecting personal information, processors must inform individuals of various matters, such as the name and contact information of the processor, the purpose and method of processing the information, and individuals' rights under the Personal Information Protection Act. This must be done through a stand-alone notice in clear and easily understandable language. Individuals must be notified of any changes to this notice.

Data Integrity and Accuracy

According to the Cybersecurity Law (《網絡安全法》), a person who constructs, operates, or provides services through a network must take technical and other necessary measures to ensure cybersecurity and operational stability, effectively respond to cybersecurity incidents, prevent cybercrimes and unlawful activities, and maintain the integrity, confidentiality, and usability of online data, in accordance with the provisions of laws, administrative regulations, and mandatory requirements of national standards.

Furthermore, according to the Personal Information Protection Law, handling of personal information must ensure the quality of personal information and avoid adverse effects on the rights and interests of individuals due to inaccurate and incomplete personal information.

Entrusted Data Processing

The Personal Information Protection Law provides that a trustee entrusted with the processing of personal information shall, in accordance with relevant laws and administrative regulations, take necessary measures to ensure the security of personal information and assist the personal information processor in fulfilling its obligations under the law.

When a personal information processor entrusts personal information to another party for processing, they must agree on the purpose, time period, processing method, type of personal information, protection measures, and the rights and obligations of both parties. The personal information processor must also supervise the other party's activities in processing personal information.

Co-processing of Personal Information

According to the Personal Information Protection Law, when two or more personal information processors jointly handle personal information, they must agree on their respective rights and obligations. However, this agreement does not affect an individual's right to demand the exercise of his or her rights under the Personal Information Protection Law. If a personal information processor jointly handles personal information and violates an individual's rights, they shall be jointly and severally liable according to law.

Provision of Information to Other Processors

In accordance with the Personal Information Protection Law, when a personal information processor provides personal information to other processors, it shall inform the individual of the name and contact information of the recipient, purposes and methods of processing, and categories of personal information, and obtain the individual's separate consent or have other lawful grounds.

Monetization of Public and User-derived Data

Pursuant to the Provisions on the Administration of Medical Records of Medical Institutions (2013 Edition) (《醫療機構病歷管理規定(2013年版)》), which was jointly promulgated by the National Health and Family Planning Commission (the "**NHFPC**") and the National Administration of Traditional Chinese Medicine (the "**NATCM**") and came into effect on January 1, 2014, medical institutions and their staff shall strictly protect the privacy of patients and are prohibited from disclosing any of the patient's medical records for purposes other than medical treatment, teaching or research.

In addition, pursuant to the Administrative Measures for Population Health Information (for Trial Implementation) (《人口健康信息管理辦法(試行)》) promulgated by the NHFPC on and effective from 5 May 2014, Population Health Information shall be used for the purpose of improving the quality of medical research, scientific decision-making and public services. Any confidential information and personal privacy information shall not be provided to other processors.

Furthermore, pursuant to the Personal Information Protection Law (《個人信息保護法》) which came into effect on November 1, 2021, individuals shall be informed if their personal information is used for direct or indirect monetization (such as improving products and services, researching and developing new products and providing personal information to other processors). In addition, the provision of personal information to other processors requires the individuals' separate consent.

According to our data security consultant, as of October 17, 2023, we are not involved in the unauthorized disclosure of patient data for any purpose other than medical, educational, or research purposes, nor are we involved in the sale or trade of patient data. We have informed our users and obtained their consent through our privacy policy when we use DTx data to improve our products and services and to develop new products. We therefore comply with the relevant regulatory requirements described above.

Proposed Draft Cybersecurity Regulations

On November 14, 2021, the Draft Cyber Data Security Administrative Regulations (《網絡數據安全管理條例(徵求意見稿)》) ("**Draft Regulation**") was released by the Cyberspace Administration of China (the "**CAC**"). As of the Latest Practicable Date, the Draft Regulation is still a draft, and it is not clear when an effective version will be issued.

The Draft Regulation covers a wide range of cybersecurity issues. Most of the regulatory details under the Draft Regulation have already been embodied in the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》), the Data Security Law of the PRC (《中華人民共和國數據安全法》) and the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》). New requirements proposed by the Draft Regulations primarily deal with filing and security assessment.

According to our data security consultant, we have adopted comprehensive data compliance measures covering multiple aspects and processes of our business and services in accordance with the relevant requirements of cybersecurity and data compliance laws and regulations within the PRC. As of the Latest Practicable Date, we are in compliance with all material aspects of the proposed requirements under the Draft Regulation. Therefore, subject to material changes in the Draft Regulations, the implementation of the Draft Regulation upon its final promulgation is unlikely to have a material adverse impact on our business operations or the proposed [**REDACTED**].

On 28 December 2021, the CAC promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》) (the "**Cybersecurity Review Measures**"), which came into effect on February 15, 2022. According to the Cybersecurity Review Measures, there are two mechanisms to trigger cybersecurity review:

(a) Voluntary declarations by enterprises: any (i) critical information infrastructure operators that intend to purchase network products and services; and (ii) a network platform operator possessing the personal information of more than one million people and intends to be listed overseas, may submit for voluntary cybersecurity review.

(b) Regulatory authority initiated review: If the relevant regulatory authority set up under the Cybersecurity Review Measures believes that any network product or service or data processing activity affects or is likely to affect national security, the Office of Cybersecurity Review shall report such circumstance to the Office of the

Central Cyberspace Affairs Commission for approval, and conduct a review upon approval. With respect to the review of voluntary declarations by enterprises, we have consulted with the China Cybersecurity Review Technology and Certification Center (the "**CCRC**"), the organization commissioned by the Office of Cybersecurity Review of CAC to undertake specific cybersecurity reviews, regarding its proposed [**REDACTED**], which confirmed that we do not need to take the initiative to report to the regulatory authorities for cybersecurity review.

Whether a cybersecurity review will be initiated by the regulatory authorities depends on the interpretation of Article 2 of the Cybersecurity Review Measures, specifically the impact or potential impact of the data processing activities of network platform operators on national security. National security is defined as the condition in which the state power, sovereignty, unity, territorial integrity, people's welfare, sustainable economic and social development and other vital state interests are not threatened internally or externally. The Cybersecurity Review Measures also outline various national security risk factors in the area of cybersecurity, including:

(i) The risk that the use of products and services could result in the unlawful control of, disruption to, or destruction of critical information infrastructure ("**CII**");

(ii) The harm to the business continuity of CII due to disruptions in the delivery of products and services;

(iii) The security, openness, transparency, and diversity of sources of products and services, the reliability of supply channels and the risk of supply disruptions due to political, diplomatic and trade factors;

(iv) Product and service providers' compliance with laws, administrative regulations and departmental rules of the PRC;

(v) The risk that core data, important data or large amounts of personal information will be stolen, leaked, corrupted or illegally used or illegally exported;

(vi) The risk that CII, core data, important data or large amounts of personal information will be influenced, controlled or maliciously used by foreign governments as a result of the listing; and

(vii) Other factors that may affect the security of CII, cybersecurity and data security.

As of the Latest Practicable Date, we had not received any notice from any competent authority within the industry or any regulatory department requiring us to perform a cybersecurity review.

According to our data security consultant, although the possibility that our data processing activities have an impact on national security cannot be completely ruled out, it is unlikely for the regulatory authorities to initiate a cybersecurity review against us given the type, nature, purpose, scale and other characteristics of our business operations. Therefore the Cybersecurity Review Measures is unlikely to have a material adverse impact on our business operations or the proposed [**REDACTED**].

Laws and Regulations on Bribery and Corruption

In accordance with the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) and the Interim Regulations of the State Administration for Industry and Commerce on Prohibition of Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》), the business operator shall not provide or promise to provide economic benefits (including cash, other property or by other means) to a counter-party in a transaction or a third party that may be able to influence the transaction, in order to entice such party to secure a transactional opportunity or competitive advantages for the business operator. Any business operator breaching the relevant anti-bribery rules abovementioned may be subject to administrative punishment or criminal liability depending on the seriousness of the cases.

In accordance with the Criminal Law (《中華人民共和國刑法》), whoever gives any property to a staff member of a company, enterprise or other entity for any improper benefit, if the amount is relatively huge, shall be sentenced to fixed-term imprisonment of not more than 3 years or criminal detention and shall be fined; if the amount is huge, he shall be sentenced to fixed-term imprisonment from 3 to 10 years and shall be fined. Where any entity commits a crime as provided for in the preceding paragraph, it shall be fined, and its person directly in charge and other directly liable persons shall be penalized according to the provision of the above. In accordance with the Regulations on the Establishment of Adverse Records with Respect to Commercial Briberies in the Medicine Purchase and Sales Industry (《關於建立醫藥購銷領域商業賄賂不良記錄的規定》), where a manufacturer of drugs, medical devices and medical disposables, an enterprise, an agency or an individual offers staff of a medical institution any items of value or other benefits, the enterprise should be listed in the adverse records with respect to commercial bribery if relevant circumstances exist.

In accordance with the Notice on Promulgation of the Key Points for the Work of Correcting Malpractice in the Medicine Purchase and Sales Field and Medical Services in 2023 (《關於印發2023年糾正醫藥購銷領域和醫療服務中不正之風工作要點的通知》), it demands (i) rectifying the problems of malpractice in industrial organizations, especially the disguised apportionment in the name of donation, academic activities, holding or participation in conferences, etc., providing platforms for illegal tunneling, and illegal receipt of donations and funding; (ii) rectifying the malpractice in the purchase and sales of medical products, especially giving rebates to the practitioners of medical institutions, and tunneling to relevant institutions in the guise of various forms.

REGULATION RELATING TO PRODUCT QUALITY AND PRODUCTION SAFETY

Product Quality

The Product Quality Law of the PRC (《中華人民共和國產品質量法》), as amended by the Standing Committee of the National People's Congress (the "**SCNPC**") and effective as of December 29, 2018, applies to all production and sale activities in the PRC. Pursuant to the Product Quality Law of the PRC, products offered for sale must satisfy relevant quality and safety standards. Violations of state or industrial standards for health and safety and any other related violations may result in civil liabilities and administrative penalties, such as compensation for damages, fines, suspension or shutdown of business, as well as confiscation of products illegally produced and sold and the proceeds from such sales. Severe violations may subject the responsible individual or enterprise to criminal liabilities. Where a defective product causes physical injury to a person or damage to another person's property, the victim may claim compensation from the manufacturer or the seller of the product. Where the responsibility for product defects lies with the manufacturer, the seller, after compensating the victim, is entitled to recover such compensation from the manufacturer, and vice versa.

Pursuant to the PRC Civil Code (Part VII Liability for Tort) (《中華人民共和國民法典》(第七編侵權責任)) which was promulgated by the National People's Congress (the "**NPC**") on May 28, 2020 and came into effect on January 1, 2021, a patient may make claims against a medical institution or manufacturer of medical devices for any damage arising from a medical device defect. For any claim made by a patient, the medical institution is entitled to make claims against the manufacturer of medical devices after the settlement of the compensation payable to the patient.

Production Safety

Pursuant to the Production Safety Law of the PRC (《中華人民共和國安全生產法》), promulgated by the SCNPC on June 29, 2002, latest amended by on June 10, 2021 and came into effect on September 1, 2021, the market entities shall (1) comply with this law and other laws and regulations on safety production, strengthen the management of safety production, enhance accountability for safe production for all employees and strengthen rule-makings on safety production; (2) increase the investment and guarantee of safety production funds, materials, technologies, and personnel, improve safety production conditions, and boost safety production standardization and informatization; (3) establish a dual prevention mechanism for safety risk classification and control, and for the investigation and treatment of hidden dangers, and improve the risk prevention and resolution mechanism to improve production safety standards and ensure production safety. Any entity that fails to provide required production safety conditions is prohibited from engaging in production activities.

Regulation Relating To Foreign Investment

The establishment, operation and management of corporate entities in the PRC are governed by the Company Law of PRC (《中華人民共和國公司法》), or the Company Law, which was promulgated by the SCNPC on December 29, 1993 and latest amended and became effective on October 26, 2018. A foreign-invested company is also subject to the Company Law unless otherwise provided by the foreign investment laws.

On March 15, 2019, the NPC promulgated the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), or the Foreign Investment Law, which became effective on January 1, 2020 and replaced the major former laws and regulations governing foreign investment in the PRC. Pursuant to the Foreign Investment Law, "foreign investments" refer to investment activities conducted by foreign investors directly or indirectly in the PRC.

The Foreign Investment Law of the PRC and its implementing rules created a system of pre-entry national treatment and a negative list with respect to foreign investment administration. The pre-entry national treatment refers to granting to foreign investors and their investments, in the stage of investment access, the treatment no less favorable than that granted to domestic investors and their investments. The negative list refers to special administrative measures for access of foreign investment in specific fields as stipulated by the State. Foreign investors shall not invest in the prohibited industries, and must satisfy certain conditions stipulated in the negative list for investment in the restricted industries. The current industry entry clearance requirements governing investment activities in the PRC by foreign investors are set out mainly in the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 version) (《外商投資准入特別管理措施(負面清單)(2021年版)》) and the Encouraged Industry Catalog for Foreign Investment (2022 version) (《鼓勵外商投資產業目錄(2022年版)》). Industries not listed in these two categories are generally deemed "permitted" for foreign investment unless otherwise restricted by other PRC laws.

On December 30, 2019, the MOFCOM and the SAMR jointly promulgated the Measures for Information Reporting on Foreign Investment (《外商投資信息報告辦法》), effective on January 1, 2020, pursuant to which, where a foreign investor directly or indirectly carries out investment activities in China, the foreign investor or the foreign-invested enterprise shall submit the investment related information to the competent commerce authority through the enterprise registration system and the national enterprise credit information publicity system for further handling.

Regulations Relating To The Merger And Acquisition Of Domestic Enterprises By Foreign Investors And Overseas Listings

According to the Provisions on Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**") which were jointly promulgated by the MOFCOM, the State Administration of Foreign Exchange (the "**SAFE**") and four other ministries on August 8, 2006, took effect on September 8, 2006 and amended on June 22, 2009, "mergers and acquisitions of domestic enterprises by foreign

investors" refers to: (1) a foreign investor converting a non-foreign invested enterprise (domestic company) to a foreign invested enterprise by purchasing the equity interest from the shareholder of such domestic company or subscribing for the increased capital of the domestic company (the "**Equity Merger and Acquisition**"); or (2) a foreign investor establishing a foreign invested enterprise to purchase the assets from a domestic enterprise by agreement and operates the assets therefrom; or (3) a foreign investor purchasing the assets of a domestic enterprise by agreement and uses these assets to establish a foreign invested enterprise for the purpose of operating such assets ((2) and (3) collectively as the "**Assets Merger and Acquisition**").

The M&A Rules provides that mergers and acquisitions of domestic enterprises by foreign investors shall be subject to the approval of the MOFCOM or its delegates at provincial level. For instance, the approval from MOFCOM shall be obtained in circumstances where overseas companies established or controlled by PRC enterprises or residents acquire affiliated domestic companies. Any circumvention of the rules including through the domestic re-investment of a foreign invested enterprise is not allowed.

Regulation Relating To Overseas Listing

The CSRC promulgated Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Overseas Listing Trial Measure**s") and five relevant guidelines on February 17, 2023, which has become effective on March 31, 2023. The Overseas Listing Trial Measures regulates both direct and indirect overseas offering and listing by PRC domestic companies' by adopting a filing-based regulatory regime.

According to the Overseas Listing Trial Measures, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to complete the filing procedure with the CSRC and report relevant information. The Overseas Listing Trial Measures provides that no overseas offering and listing shall be made when: (1) such securities offering and listing is explicitly prohibited by provisions in the laws, administrative regulations and relevant state rules; (2) the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with the laws; (3) the domestic company intending to make the securities offering and listing, its controlling shareholder or its actual controller, have committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the past three years; (4) the domestic company intending to make the securities offering and listing is currently under investigation for suspected criminal offenses or alleged serious violations of laws and regulations, and no conclusion has yet been made thereof; or (5) there are material ownership disputes over equity held by the domestic company's controlling shareholder and/or by other shareholder controlled by the controlling shareholder and/or the actual controller.

The Overseas Listing Trial Measures also provides that if the issuer meets both of the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as indirect overseas offering subject to the filing procedure set forth under the Overseas Listing Trial Measures: (1) 50% or more of the issuer's operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year is accounted for by domestic companies; and (2) the issuer conducts a substantial part of its business activities within Mainland China, or its principal place of business are located in Mainland China, or the senior managers in charge of its business operations and management are mostly Chinese citizens or domiciled in Mainland China. Where an issuer applies for an initial public offering with the competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted to relevant overseas authorities. The Overseas Listing Trial Measures also requires subsequent reports to be filed with the CSRC on material events, such as change of control or voluntary or forced delisting of issuer who have completed overseas offerings and listings.

Regulation Relating To Information Security And Privacy Protection

On June 10, 2021, the SCNPC promulgated the Data Security Law of the PRC (《中華人民共和國數據安全法》), which took effect on September 1, 2021. The Data Security Law sets forth the regulatory framework, the responsibilities of relevant governmental authorities in regulating data security and the duties of data processors. On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》), which took effect on November 1, 2021 and aims to protect personal information rights and interests, regulate the processing of personal information, ensure the orderly and free flow of personal information and promote reasonable use of personal information.

Regulation Relating To Intellectual Property Rights

Patent

The Patent Law of the PRC (《中華人民共和國專利法》) (the "**Patent Law**") has been further amended by the SCNPC on October 17, 2020 and came into effect on June 1, 2021. According to the current Patent Law, when the invention or utility model patent is granted, unless otherwise stipulated in the Patent Law, without the approval of the patent owner, no entity or person shall implement the relevant patent, that is, manufacture, use, offer to sell, sell or import the patented products for business purpose, or use the patented method and use, offer to sell, sell or import the products directly obtained with the patented method. Implementing the patent without the approval of the patent owner constitutes the infringement of patent rights. Any dispute in connection with this shall be resolved by the relevant parties through negotiation. If the relevant parties refuse to negotiate or the negotiation fails, the patent owner or the relevant stakeholders may file a lawsuit in the people's court or turn to the patent administration authorities for handling.

Copyright

Copyright in the PRC, including copyrighted software, is principally protected under the Copyright Law of the PRC (《中華人民共和國著作權法》) and related rules and regulations. Under the Copyright Law of the PRC, the term of protection for copyrighted software is 50 years. On November 11, 2020, the SCNPC promulgated the newly amended Copyright Law, or the New Copyright Law, which took effect on June 1, 2021. The New Copyright Law increased the cost of infringement violations and expanded its protection coverage. The Regulation on the Protection of the Right to Information Network Communication (《信息網絡傳播權保護條例》), which was latest amended on January 30, 2013, provides specific rules on fair use, statutory license, and a safe harbor for use of copyrights and copyright management technology and specifies the liabilities of various entities for violations, including copyright holders, libraries and Internet service providers. In order to further implement the Regulations on the Protection of Computer Software (《計算機軟件保護條例》) promulgated by the State Council on June 4, 1991, lastly amended on January 30, 2013 and came into effect on March 1, 2013, the State Copyright Bureau issued the Registration of Computer Software Copyright Procedures (《計算機軟件著作權登記辦法》) on February 20, 2002, which applies to software copyright registration, license contract registration and transfer contract registration with respect to software copyright.

Trademark

Registered trademarks are protected under the Trademark Law of the PRC (《中華人民共和國商標法》), promulgated by the SCNPC on April 23, 2019 and effective on November 1, 2019, and related rules and regulations. Trademarks are registered with the State Intellectual Property Office, formerly the Trademark Office of the SAIC. Where registration is sought for a trademark that is identical or similar to another trademark that has already been registered or given preliminary examination and approval for use in the same or similar category of commodities or services, the application for registration of this trademark may be rejected. Trademark registrations are effective for a renewable ten-year period unless otherwise revoked.

Domain Name

Domain names are protected under the Administrative Measures on Internet Domain Names (《互聯網域名管理辦法》) promulgated by the MIIT on August 24, 2017 and effective as of November 1, 2017. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and applicants become domain name holders upon successful registration. The domain name registration also follows the principle of "first file, first registration."

Regulation Relating To Tax

Enterprise Income Tax

The PRC enterprise income tax, or EIT, is calculated based on the taxable income determined under the applicable EIT Law of the PRC (《中華人民共和國企業所得税法》) (the "**EIT Law**") and its implementation rules, both of which became effective on January 1, 2008 and were latest amended by the SCNPC on December 29, 2018 and April 23, 2019, respectively. The EIT Law generally imposes a uniform enterprise income tax rate of 25% on all resident enterprises in China, including foreign-invested enterprises. The EIT Law and its implementation rules permit certain High and New Technologies Enterprises, or the HNTEs, to enjoy a reduced 15% enterprise income tax rate if they meet certain criteria and are officially acknowledged.

Value Added Tax

On March 23, 2016, the MOF and the STA jointly issued the Notice on the Pilot Program for Overall Implementation of the Collection of VAT Instead of Business Tax (《關於全面推開營業税改徵增值税試點的通知》), or the Circular 36, which took effect on May 1, 2016. Pursuant to the Circular 36, all of the companies operating in construction, real estate, finance, modern service or other sectors which were required to pay business tax are required to pay value-added tax, or VAT, in lieu of business tax. A VAT rate of 6% applies to revenue derived from the provision of certain services. Unlike a business tax, a taxpayer is allowed to offset the qualified input VAT paid on taxable purchases against the output VAT payable on the revenue from services provided.

On March 20, 2019, the MOF, the STA and the General Administration of Customs issued the Announcement on Policies for Deepening the VAT Reform (《關於深化增值税改革有關政策的公告》), or the Announcement 39, which came into effect on April 1, 2019, to further slash VAT rates. According to the Announcement 39, (1) the 16% or 10% VAT previously imposed on sales and imports by general VAT taxpayers is reduced to 13% or 9% respectively; (2) the 10% purchase VAT credit rate allowed for the procured agricultural products is reduced to 9%; (3) the 13% purchase VAT credit rate allowed for the agricultural products procured for production or commissioned processing is reduced to 10%; and (4) the 16% or 10% export VAT refund rate previously granted to the exportation of goods or labor services is reduced to 13% or 9%, respectively.

Regulation Relating To Foreign Exchange And Dividend Distribution

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Control Regulations of the PRC (《中華人民共和國外匯管理條例》), or the Foreign Exchange Regulations, promulgated by the State Council on January 29, 1996 and latest revised and effective on August 5, 2008. Under the Foreign Exchange Regulations and other PRC rules and regulations on a currency conversion, Renminbi is freely convertible for payments of current account items, such as trade and service-related foreign exchange

transactions and dividend payments, but not freely convertible for capital account items, such as direct investment, loan or investment in securities outside China unless prior approval of the SAFE or its local counterpart is obtained.

The SAFE promulgated the Circular on Further Simplifying and Improving Foreign Exchange Administration Policies of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) on February 13, 2015, which was amended on December 30, 2019, which prescribed that the bank instead of SAFE can directly handle the foreign exchange registration and approval under foreign direct investment while SAFE and its branches indirectly supervise the foreign exchange registration and approval under foreign direct investment through the bank.

The SAFE promulgated the Circular on Reforming the Management Approach regarding the Foreign Exchange Settlement of Capital of Foreign-invested Enterprise (《關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the "**SAFE Circular 19**") on March 30, 2015, which was last amended on December 30, 2019, and further issued the Circular on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《關於改革和規範資本項目結匯管理政策的通知》) (the "**SAFE Circular 16**") on June 9, 2016. Pursuant to the SAFE Circular 19 and the SAFE Circular 16, the flow and use of the Renminbi capital converted from foreign currency denominated registered capital of a foreign-invested company shall not be used for purpose beyond its business scope, or to provide loans to persons other than affiliates unless otherwise permitted under its business scope.

On October 23, 2019, the SAFE released the Circular on Further Promoting Cross-border Trade and Investment Facilitation (《關於進一步促進跨境貿易投資便利化的通知》), which allows non-investment foreign-invested enterprises to use their capital funds to make equity investments in China, provided that such investments do not violate the negative list and the target investment projects are genuine and in compliance with the laws.

According to the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (《關於優化外匯管理支持涉外業務發展的通知》) issued by the SAFE on April 10, 2020, under the prerequisite of ensuring true and compliant use of funds and compliance and complying with the prevailing administrative provisions on use of income from capital projects, enterprises which satisfy the criteria are allowed to use income under the capital account, such as capital funds, foreign debt and overseas listing, etc., for domestic payment, without the need to provide proof of veracity to the bank beforehand for each transaction.

Regulation Relating To Safe Circular 37

SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or the SAFE Circular 37, on July 4, 2014, which replaced the

former circular commonly known as the "SAFE Circular 75" (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) promulgated by SAFE on October 21, 2005. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, referred to in SAFE Circular 37 as a "special purpose vehicle," for the purpose of overseas investment and financing, with their legally owned assets or equity interests in domestic enterprises or offshore assets or interests. SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiary of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls. On February 13, 2015, SAFE released "SAFE Circular 13" (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), under which qualified local banks will examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration, from June 1, 2015.

Regulation Relating To Labor Laws And Social Insurance

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》), promulgated by the SCNPC on July 5, 1994 and amended and came into effect on December 29, 2018 and the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) promulgated by the SCNPC on June 29, 2007 and amended on December 28, 2012 and came into effect on July 1, 2013 and the Implementation Rules of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) promulgated by the State Council and came into effect on September 18, 2008, employers shall establish and improve labor rules and regulations according to the laws and regulations and shall strictly comply with the national standards, provide training to its employees, protect their labor rights and perform its labor obligations. Employers shall execute written labor contracts with full-time employees. Labor contracts shall be categorized into labor contracts with fixed term, labor contracts without fixed term and labor contracts to be expired upon completion of certain tasks. All employers must comply with local minimum wage standards. Violations of the Labor Contract Law of the PRC and/or the Labor Law of the PRC may result in the imposition of fines and/or other administrative and criminal liability in the case of serious violations.

In addition, according to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) promulgated by the SCNPC on October 28, 2010, amended and came into effect on December 29, 2018 and the Regulations on the Administration of Housing Funds (《住房公積金管理條例》) amended by the State Council and came into effect on March 24, 2019 and the Provisional Regulations on Collection and Payment of Social Insurance Premiums (《社會保

險費徵繳暫行條例》) amended by the State Council and came into effect on March 24, 2019, employers in China shall pay premium for basic pension plans, medical insurance, unemployment insurance, maternity insurance, work-related injury insurance, and housing funds for their employees at the applicable rates based on the amounts stipulated by the laws. If they fail to pay required amount of premiums to local administrative authorities on time or in full, they may be required to settle the overdue amount, subject to fine or be compulsory enforced by the court.

Regulation Relating To Anti-Bribery

According to the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) promulgated by SCNPC, as amended and effective as of April 23, 2019, and the Interim Provisions on the Prohibition of Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》) promulgated by the SAIC on November 15, 1996, any business operator shall not provide or promise to provide economic benefits (including cash, other property or by other means) to a counter-party in a transaction or a third party that may be able to influence the transaction, in order to entice such party to secure a transactional opportunity or competitive advantages for the business operator. Any business operator breaching the relevant anti-bribery rules above-mentioned may be subject to administrative punishment or criminal liability depending on the seriousness of the cases.

U.S. REGULATORY OVERVIEW

Regulations Relating to Medical Devices

In the United States, the FDCA, FDA regulations and other federal and state statutes and regulations govern, among other things, medical device design and development, preclinical and clinical testing, premarket clearance or approval, registration and listing, manufacturing, labeling, storage, advertising and promotion, sales and distribution, export and import, and post-market surveillance. The FDA regulates the design, manufacturing, servicing, sale and distribution of medical devices, including molecular diagnostic test kits and instrumentation systems. Failure to comply with applicable U.S. requirements may subject a company to a variety of administrative or judicial sanctions, such as FDA refusal to approve pending applications, warning letters, product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, civil penalties and criminal prosecution.

Unless an exemption applies, each medical device we wish to distribute commercially in the United States will require marketing authorization from the FDA prior to distribution. The two primary types of FDA marketing authorization applicable to a device are premarket notification, also called 510(k) clearance, and premarket approval, also called PMA approval. The type of marketing authorization is generally linked to the classification of the device. The FDA classifies medical devices into one of three classes (Class I, II or III) based on the degree of risk the FDA determines to be associated with a device and the level of regulatory control deemed necessary to ensure the device's safety and effectiveness. Devices requiring fewer controls because they are deemed to pose lower risk are placed in Class I or II. Class I devices

are deemed to pose the least risk and are subject only to general controls applicable to all devices, such as requirements for device labeling, premarket notification and adherence to the FDA's current Good Manufacturing Practices, or cGMP, known as the Quality System Regulations, or QSR. Class II devices are intermediate risk devices that are subject to general controls and may also be subject to special controls such as performance standards, product-specific guidance documents, special labeling requirements, patient registries or post-market surveillance. Class III devices are those for which insufficient information exists to assure safety and effectiveness solely through general or special controls and include life sustaining, life-supporting or implantable devices, devices of substantial importance in preventing impairment of human health, or which present a potential, unreasonable risk of illness or injury.

Most Class I devices and some Class II devices are exempted by regulation from the 510(k) clearance requirement and can be marketed without prior authorization from the FDA. Some Class I devices that have not been so exempted and Class II devices are eligible for marketing through the 510(k) clearance pathway. By contrast, devices placed in Class III require PMA approval prior to commercial marketing. The PMA approval process is more stringent, time-consuming and expensive than the 510(k) clearance process, however, the 510(k) clearance process has also become increasingly stringent and expensive.

If FDA has not issued a regulation classifying a particular type of device as Class I, and if there is no known predicate for a device, the device is automatically Class III, regardless of the risk the device poses. If a device is automatically/statutorily classified into Class III in this manner, a company can petition FDA to reclassify the category of devices into Class II or Class I via a process known as the De Novo Classification Request process. This direct De Novo process allows a company to request that a new product classification be established without the company first submitting a 510(k) notification for the device. When FDA agrees that the device is Class II or Class I and grants a De Novo Request, the device may then be marketed under the FDCA and can serve as a predicate for future 510(k) submissions.

EUROPEAN UNION REGULATORY OVERVIEW

Regulation Relating to Medical Devices

The EU consists of member states residing in the European Union and has a coordinated system for the authorization of medical devices. As of May 26, 2021, the EU has adopted Regulation (EU) 2017/745 of the European Parliament and of the Council of 5 April 2017 on medical devices, amending Directive 2001/83/EC, Regulation (EC) No 178/2002 and Regulation (EC) No 1223/2009. The Medical Device Regulation 2017/745, or EU MDR repeals Directive 93/42/EEC, which concerns medical devices, and Directive 90/385/EEC, which concerns active implantable medical devices, as of 26 May 2021. The EU allows a transition period from Directive 93/42/EEC and Directive 90/385/EEC to Regulation (EU) 2017/745, that will end 26 May 2024.

The EU MDR aims to ensure the smooth functioning of the internal market as regards medical devices, taking as a base a high level of protection of health for patients and users, and considering the small- and medium-sized enterprises that are active in this sector. At the same time, this Regulation sets high standards of quality and safety for medical devices in order to meet common safety concerns as regards such products. Both objectives are being pursued simultaneously and are inseparably linked whilst one not being secondary to the other. As regards Article 114 of the Treaty on the Functioning of the European Union (the "**TFEU**"), this Regulation harmonizes the rules for the placing on the market and putting into service of medical devices and their accessories on the Union market thus allowing them to benefit from the principle of free movement of goods. As regards Article 168(4)(c) TFEU, this Regulation sets high standards of quality and safety for medical devices by ensuring, among other things, that data generated in clinical investigations are reliable and robust and that the safety of the subjects participating in a clinical investigation is protected.

The system of regulating medical devices operates by way of a certification for each medical device. Each certificated device is marked with CE mark which shows that the device has a Certificat de Conformité. There are national bodies known as Competent Authorities in each member state which oversee the implementation of the EU MDR within their jurisdiction. The means for achieving the requirements for CE mark varies according to the nature of the device. Devices are classified in accordance with their perceived risks, similarly to the U.S. system. The class of a product determines the requirements to be fulfilled before CE mark can be placed on a product, known as a conformity assessment. Each member state can appoint Notified Bodies within its jurisdiction. If a Notified Body of one member state has issued a Certificat de Conformité, the device can be sold throughout the European Union without further conformance tests being required in other member states.

OVERVIEW

Our Group commenced business operations in September 2012 through BrainAurora Zhejiang, a limited liability company established in the PRC by a group of individuals, including science experts and initial investors interested in the field of brain science. For details of the establishment of BrainAurora Zhejiang, see "Establishment and Major Shareholding Changes of our Group — 1. Establishment of BrainAurora Zhejiang" below.

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on April 25, 2023. In preparation for the [**REDACTED**], we conducted the Reorganization, after which our Company became the holding company of our Group. Details of the Reorganization are set out in "Reorganization" below.

After years of development, we have built up our business to its current form as we have become a seasoned player in China's cognitive impairment DTx market and the first company in China that has developed a medical-grade DTx product for cognitive impairment, combining brain science with advanced artificial intelligence technologies, according to Frost & Sullivan. For details, please refer to the section headed "Business."

KEY MILESTONES

The following table summarizes the key business development milestones of our Group:

Year	Event
2012	BrainAurora Zhejiang was founded in the PRC.
2014	We cooperated with Chinese Health Information Association (中國衛生信息學會) in relation to qualification training sessions for cognitive training.
2017	We cooperated with Xuanwu Hospital in relation to conducting research on cognitive training clinics.
2018	We obtained the initial Class II medical device registration certificate for the Brain Function Information Management Platform Software System, our Core Product, from the Hunan MPA.
2020	We extended the scope of the medical device registration certificate for our Core Product to include eight indications, including vascular cognitive impairment, Alzheimer's disease, aphasia, depression, schizophrenia, sleep disorder, ADHD and autism. We cooperated with Chaoyang Hospital to help establish the first cognitive center adopting DTx in China.

Year	Event
2021	We cooperated with National Health Commission Capacity Building and Continuing Education Center (國家衛生健康委能力建設和繼續教育中心) in relation to cognitive disorder diagnosis and treatment specialist capacity building.
2022	We obtained a Class II medical device registration certificate for the Cognitive Ability Supplemental Screening and Assessment Software from the Hunan MPA.
	We obtained CE mark for our Cognitive Impairment Treatment Software in the EU.
	We obtained a Class II medical device registration certificate for the Basic Cognitive Capability Assessment Testing Software from the Hunan MPA.
2023	We obtained a Class II medical device registration certificate for Dyslexia Supplemental Screening and Assessment Software from the Hunan MPA.

OUR MAJOR SUBSIDIARIES

The principal business activities, place and date of establishment of each of our Major Subsidiaries that made a material contribution to our results of operations during the Track Record Period are shown below:

Name of Subsidiary	Place of Establishment	Date of Establishment and Commencement of Business	Principal Business Activities
BrainAurora Zhejiang	PRC	September 21, 2012	Provision of training and technology services for cognitive impairment digital therapeutics
Beijing Zhijingling	PRC	September 23, 2014	Research, development, commercialization and provision of technology services for cognitive impairment digital therapeutics
Changsha Zhijingling	PRC	August 11, 2017	Provision of technology services for cognitive impairment digital therapeutics

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

During the Track Record Period and up to the Latest Practicable Date, we did not conduct any acquisitions, disposals or mergers that we consider to be material to us.

ESTABLISHMENT AND MAJOR SHAREHOLDING CHANGES OF OUR GROUP

1. Establishment of BrainAurora Zhejiang

BrainAurora Zhejiang was established in the PRC on September 21, 2012 as a limited liability company by a group of individuals, including science experts and initial investors who were interested in the field of brain science and became acquainted with each other through an online community related to brain science research in 2011. Upon establishment, the beneficial ownership of BrainAurora Zhejiang was as follows:

Name of Beneficial Owner[(1)]	**Amount of Registered Capital** *(RMB)*	**Approximate Beneficial Ownership Percentage**
Dr. Wang[(1)]	340,800	33.91%
Dr. Xiang Huadong (向華東) ("**Dr. Xiang**")[(1)(2)]	294,500	29.30%
Ms. Ye Baiyuan (葉佰園) ("**Ms. Ye**")[(1)]	160,300	15.95%
Ms. Yuan Yi (袁藝) ("**Ms. Yuan**")[(1)]	139,800	13.91%
Ms. Gao Yuli (高玉立) ("**Ms. Gao**")[(1)]	40,200	4.00%
Mr. Wang Qingquan (Mr. Wang Qingquan, together with Ms. Ye, Ms. Yuan and Ms. Gao, the "**Initial Investors**")[(1)]	29,400	2.93%
Total	**1,005,000**	**100%**

Notes:

1. Upon the establishment of BrainAurora Zhejiang, in order to facilitate business development and simplify corporate governance, voting and approval procedures of the Group, each of Dr. Wang and the Initial Investors entrusted the registered capital of BrainAurora Zhejiang they beneficially owned to Dr. Xiang as a nominee except for the registered capital of RMB5,000 (0.50%) directly held by Dr. Wang. Each of the Initial Investors is an Independent Third Party. All amounts of registered capital of BrainAurora Zhejiang were fully paid up upon its establishment in the forms of cash and in-kind contributions by Dr. Xiang, Dr. Wang, and the Initial Investors, using their own respective funds sourced from remuneration from employment, and investments and savings and Dr. Xiang's non-patented intellectual property rights (as the case may be).

   By December 2020, Dr. Xiang had transferred all his direct shareholding in BrainAurora Zhejiang to Shuhui LP and all entrustment arrangements described above had been unwounded. Immediately following the unwinding of such entrustment arrangements, (i) Dr. Wang held certain of his interests in BrainAurora Zhejiang directly and his remaining interests indirectly as a limited partner of each of Shuhui LP and Zhipan LP, and (ii) each of Dr. Xiang and the Initial Investors held their interests in BrainAurora Zhejiang indirectly as limited partners of Shuhui LP.

2. Dr. Xiang is a scholar in the field of brain science and the former general manager of our Group and the chairman of the board of directors and the legal representative of BrainAurora Zhejiang who resigned in July 2020 ("**Dr. Xiang's Resignations**"). Dr. Xiang ceased to hold any position in our Group after his resignation on his own accord to pursue an alternative career path to focus on non-medical-grade DTx products. To facilitate his pursuit of such alternative career path following his resignation, in July 31, 2020, Dr. Wang and Dr. Xiang entered into an equity adjustment agreement pursuant to which the parties agreed on, among others, the transfer of the entire equity interests of BrainAurora Zhejiang in its then wholly-owned subsidiary, Nanjing Yunzhong Ruihai Biotechnology Co., Ltd. (南京雲中瑞海生物科技有限公司), a company primarily engaged in the provision of non-medical services to residential communities, elderly nursing care organization customers, and certain individual customers, to Dr. Xiang, at nil purchase price (the "**Yunzhong Ruihai Share Transfer**"). The commercial rationale for the Yunzhong Ruihai Share Transfer is that (i) Yunzhong Ruihai had not commenced substantial business operation at the material time; (ii) Dr. Xiang's Resignations were agreed; (iii) Dr. Xiang further agreed to transfer, at nil purchase price, all of his then direct shareholding in BrainAurora Zhejiang to Shuhui LP as detailed in Note 1 above; and (iv) Dr. Xiang's past contributions to the Group. To the best knowledge of our Directors, Yunzhong Ruihai was not involved in any material non-compliant incidents, claims or litigations in all material respects since its inception and up to the date of Yunzhong Ruihai Share Transfer, and the Yunzhong Ruihai Share Transfer complied with the relevant PRC laws and requirements.

   As of the Latest Practicable Date, Dr. Xiang is a minority shareholder of Neurobright Limited, which in turn held 2.80% of the total issued share capital of our Company.

2. Initial Shareholding Changes, Series Angel and Series A [REDACTED] Investments in BrainAurora Zhejiang

From May 2014 to June 2016, BrainAurora Zhejiang underwent a series of initial shareholding changes, including conducting the Series Angel and Series A [**REDACTED**] Investments through the subscription of its increased registered capital by certain [**REDACTED**] Investors. For details, see "[**REDACTED**] Investments" below.

3. Further [REDACTED] Investments in BrainAurora Zhejiang by Mr. Tan and other [REDACTED] Investors

From December 2020 to April 2023, BrainAurora Zhejiang conducted several rounds of further [**REDACTED**] Investments through the subscription of its increased registered capital and acquisition of equity interests from existing shareholders by certain [**REDACTED**] Investors. For details, see "[**REDACTED**] Investments" below.

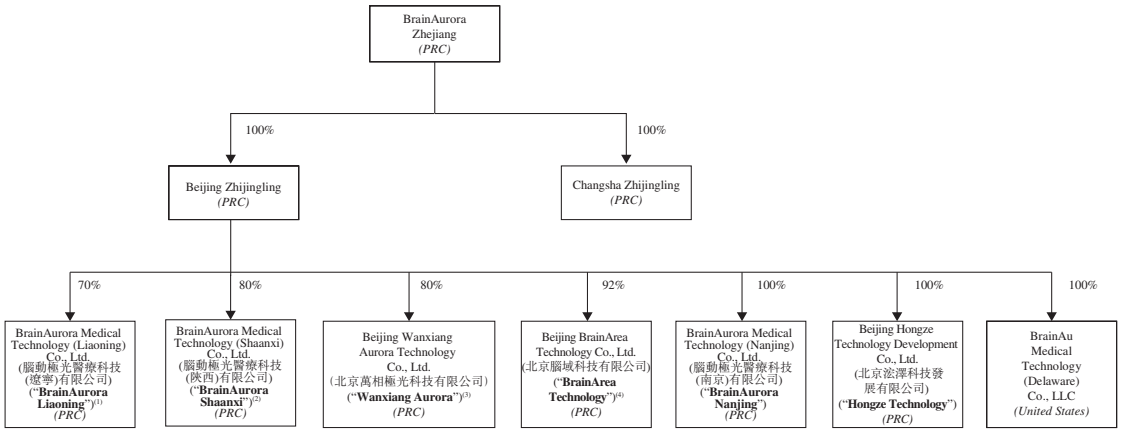
In particular, Mr. Tan, who became acquainted with Dr. Wang and acquired initial knowledge of our Company's products in May 2020 through the introduction by a partnering hospital of our Company and envisaged market potential in the cognitive impairment digital therapeutics market. After further understanding the Group's business and research and development, and analyzing such information using his industry experience and insights accumulated in the healthcare and medical field through working with various pharmaceutical companies in the past 20 years, he decided to (i) invest in our Group as a [**REDACTED**] Investor in the Series B financing of BrainAurora Zhejiang from December 2020 to September 2021 with his own funds sourced primarily from his remuneration from employment and personal investment and (ii) actively participate in the management of our Company leveraging

on his wealth of management experience as an executive director and chairman of the board of a company listed on the Stock Exchange, namely Immunotech. For details of the investments in BrainAurora Zhejiang made by Mr. Tan, see "[**REDACTED**] Investments" below.

Since investing in our Group as a [**REDACTED**] Investor, Mr. Tan has proactively taken a leading role in the management and operation of the Group in collaboration with Dr. Wang. In October 2020, to further leverage Mr. Tan's knowledge and resources in healthcare sectors, Dr. Wang, through Shuhui LP, transferred his beneficial interests in BrainAurora Zhejiang representing registered capital of RMB1,383,803 in BrainAurora Zhejiang to Mr. Tan at a cash consideration of RMB4,500,000. Mr. Tan is currently our chairman of the Board, executive Director and chief strategy officer. See "Directors and Senior Management — Directors" for details of Mr. Tan's positions and responsibilities in our Group.

REORGANIZATION

The following chart sets out a simplified corporate structure of our Group immediately prior to the commencement of the Reorganization:



Notes:

1. As of the date of this Document, BrainAurora Liaoning is owned as to (i) 70% by Beijing Zhijingling, an indirectly wholly-owned subsidiary of the Company, and (ii) 30% 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 (王甯寧). 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. As of the date of this Document, 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. Immediately prior to the commencement of the Reorganization, Wanxiang Aurora is owned as to (i) 80% by Beijing Zhijingling, an indirectly wholly-owned subsidiary of the Company, and (ii) 20% 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. As of the Latest Practicable Date, Wanxiang Aurora is owned as to approximately (i) 70% by Beijing Zhijingling, and (ii) 30% by Beijing Ruian Enzhuo Biotechnology Co., Ltd. (北京瑞安恩卓生物科技有限公司). For details, please refer to "— Our Corporate Structure — Corporate Structure Immediately Before the Completion of the [**REDACTED**] and the [**REDACTED**]".

4. As of the date of this Document, BrainArea Technology is owned as to (i) 92% by Beijing Zhijingling, an indirectly wholly-owned subsidiary of the Company, and (ii) 8% by Congji Beijing Technology Co., Ltd. (叢基(北京)科技有限公司), which is wholly owned by Chen Huarong (陳華榮). To the best knowledge of our Directors, each of Congji Beijing Technology Co., Ltd. and Chen Huarong is an Independent Third Party, and not a connected person at the subsidiary level, taking into account that BrainArea Technology is an insignificant subsidiary for the purpose of Rule 14A.09 of the Listing Rules.

a. Establishment of the Beijing Yihui

On April 18, 2023, Beijing Yihui Technology Co. Ltd. (北京益慧科技有限公司) ("**Beijing Yihui**") was established by certain then shareholders of BrainAurora Zhejiang in preparation for Group's future business development. As of the Latest Practicable Date, Beijing Yihui has not commenced any business.

Upon its establishment, Beijing Yihui has an initial registered capital of RMB1 million, and was owned as to 38.59%, 16.17%, 14.27%, 12.97%, 5.82%, 5.28%, 3.98%, 1.46%, 0.98% and 0.48% by Mr. Tan, Tianjin Tianjian, Dr. Wang, Tianjin Kangsheng, Zhipan LP, Tianjin Chengye, Shuhui LP, Anji Shundian, Ms. Li Qing and Ms. Wang Jie, respectively.

b. Incorporation of our Company, BVI Subsidiary, HK Subsidiary and WFOE

On April 25, 2023, our Company was incorporated in the Cayman Islands as an exempted company with limited liability and the ultimate holding company of our Group. Upon incorporation, our Company had an authorized share capital of US$50,000 divided into 500,000,000 ordinary Shares of a par value of US$0.0001 each. On the date of incorporation, our Company allotted and issued one ordinary Share to ICS Corporate Services (Cayman) Limited, our then registered office services provider and an Independent Third Party, which was then transferred to ZTan Limited, a BVI business company wholly owned by Mr. Tan, at par value.

On April 28, 2023, the BVI Subsidiary was incorporated as company incorporated in the British Virgin Islands as a direct wholly-owned subsidiary of our Company.

On May 11, 2023, the HK Subsidiary was incorporated as a limited company in Hong Kong as a direct wholly-owned subsidiary of the BVI Subsidiary.

On June 16, 2023, WFOE was established as a limited liability company in the PRC and became a direct wholly-owned subsidiary of the HK Subsidiary.

c. Increase of Beijing Yihui's registered capital subscribed by BrainAurora Zhejiang

On June 14, 2023, BrainAurora Zhejiang subscribed for the increased registered capital of Beijing Yihui in the amount of RMB50,000,000 at a consideration of RMB50,000,000, which was fully paid on August 7, 2023. Upon completion of such increase of Beijing Yihui's registered capital, Beijing Yihui was owned as to approximately 98.04%, 0.76%, 0.32%, 0.28%, 0.25%, 0.11%, 0.10%, 0.08%, 0.03%, 0.02% and 0.01% by BrainAurora Zhejiang, Mr. Tan, Tianjin Tianjian, Dr. Wang, Tianjin Kangsheng, Zhipan LP, Tianjin Chengye, Shuhui LP, Anji Shundian, Ms. Li Qing and Ms. Wang Jie, respectively, and thus became a subsidiary of BrainAurora Zhejiang.

d. Allotment and Issuance of Shares of Our Company to Pre-Reorganization Shareholders of BrainAurora Zhejiang

In order to reflect and mirror the shareholding structure of BrainAurora Zhejiang prior to the Reorganization at the offshore level, our Company allotted and issued to the then shareholders of BrainAurora Zhejiang (the "**Pre-Reorganization Shareholders**") or their affiliates, a total of 1,000,000 Shares to the Pre-Reorganization Shareholders or their affiliates between April 2023 and August 2023.

The following table sets out the shareholding structure of (i) BrainAurora Zhejiang immediately before the Reorganization, and (ii) our Company immediately after the Reorganization.

Shareholding structure of BrainAurora Zhejiang Immediately before the Reorganization			Shareholding structure of Our Company Immediately after the Reorganization			
Name of the Pre-Reorganization Shareholder	Number of the Registered Capital *(RMB)*	Ownership Percentage	Name of the Shareholder (being a Pre-Reorganization Shareholder or its affiliate, whichever applicable)	Class of Shares	Number of Shares	Ownership Percentage
Controlling Shareholders						
Mr. Tan[(1)(5)]	4,391,561	29.49%	Mr. Tan: ZTan Limited[(1)(6)]	Ordinary Shares	294,912	29.49%
Dr. Wang[(2)(5)]	1,623,901	10.91%	Dr. Wang: Wispirits Limited[(2)(6)]	Ordinary Shares	109,052	10.91%
Zhipan LP[(3)(5)]	662,695	4.45%	Wiseforward Limited[(3)]	Ordinary Shares	44,503	4.45%
Shuhui LP[(4)(5)]	452,681.4	3.04%	Neurobright Limited[(4)]	Ordinary Shares	30,400	3.04%

Shareholding structure of BrainAurora Zhejiang Immediately before the Reorganization			Shareholding structure of Our Company Immediately after the Reorganization			
Name of the Pre-Reorganization Shareholder	**Number of the Registered Capital** *(RMB)*	**Ownership Percentage**	**Name of the Shareholder (being a Pre-Reorganization Shareholder or its affiliate, whichever applicable)**	**Class of Shares**	**Number of Shares**	**Ownership Percentage**
[REDACTED] Investors						
Tianjin Tianjian Medical Technology Co. Ltd. (天津天鍵醫療科技有限公司) ("**Tianjin Tianjian**")[7]	1,839,456	12.35%	Crusky Limited[7]	Ordinary Shares	123,527	12.35%
Hainan Synthesis Medical Information Consulting Co. Ltd. (海南合成醫療信息諮詢有限公司) ("**Hainan Synthesis**")[8]	1,044,499	7.01%	China Frontier Capital Holding Limited (中國方大資本控股有限公司) ("**CFCH**")[8]	Ordinary Shares	70,143	7.01%
Tianjin Kangsheng Management Consulting Partnership (Limited Partnership) (天津康盛管理諮詢合夥企業(有限合夥)) ("**Tianjin Kangsheng**")[9]	1,475,764	9.91%	Healthblooming Limited[9]	Ordinary Shares	99,104	9.91%
Tianjin Chengye Information Consulting Partnership (Limited Partnership) (天津誠業信息諮詢合夥企業(有限合夥)) ("**Tianjin Chengye**")[10]	600,515	4.03%	Integriness Limited[10]	Ordinary Shares	40,327	4.03%
Anji Shundian Equity Investment Partnership (Limited Partnership) (安吉舜佃股權投資合夥企業(有限合夥)) ("**Anji Shundian**")[11]	166,041	1.12%	Anji Shundian Limited[11]	Ordinary Shares	11,150	1.12%
Ms. Li Qing[12]	111,718	0.75%	Ambertech Limited[12]	Ordinary Shares	7,502	0.75%
Ms. Wang Jie[13]	54,664	0.37%	Jenny Wang Limited[13]	Ordinary Shares	3,671	0.37%
Mr. Huang Guangwei	111,718	0.75%	Mr. Huang Guangwei	Ordinary Shares	7,502	0.75%

Shareholding structure of BrainAurora Zhejiang Immediately before the Reorganization			Shareholding structure of Our Company Immediately after the Reorganization			
Name of the Pre-Reorganization Shareholder	**Number of the Registered Capital** *(RMB)*	**Ownership Percentage**	**Name of the Shareholder (being a Pre-Reorganization Shareholder or its affiliate, whichever applicable)**	**Class of Shares**	**Number of Shares**	**Ownership Percentage**
Shanghai Pegasus Equity Investment Center (Limited Partnership) (上海飛馬旅股權投資中心(有限合夥)) ("**Shanghai Pegasus**")[14]	256,260	1.72%	Beijing Pegasus Travel Star Enterprise Management Center (Limited Partnership) (北京飛馬旅之星企業管理中心(有限合夥)) ("**Beijing Pegasus**")[14]	Ordinary Shares	17,209	1.72%
Shenzhen Fengrui Dingxing Equity Investment Fund Partnership (Limited Partnership) (深圳澧瑞鼎興股權投資基金合夥企業(有限合夥)) ("**Shenzhen Fengrui**")	210,623	1.41%	Shenzhen Fengrui	Ordinary Shares	14,144	1.41%
IMMENSE VANTAGE LIMITED[15]	1,889,000.6	12.69%	Northern Light Strategic Fund IV L.P. ("**NLSF**")[15]	Series A-1 Preferred Shares	7,191	0.72%
				Series A-2 Preferred Shares	2,323	0.23%
			Northern Light Venture Fund IV L.P. ("**NLVF**")[15]	Series A-1 Preferred Shares	87,469	8.75%
				Series A-2 Preferred Shares	28,260	2.83%
			Northern Light Partners Fund IV L.P. ("**NLPF**")[15]	Series A-1 Preferred Shares	1,218	0.12%
				Series A-2 Preferred Shares	393	0.04%
Total	**14,891,097**	**100%**	**Total**		**1,000,000**	**100%**

Notes:

1. ZTan Limited is a BVI company which is wholly-owned by Mr. Tan.

2. Wispirits Limited is a BVI company which is wholly-owned by Dr. Wang.

3. Zhipan LP is a limited partnership established in the PRC, of which (i) 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) ("**Liuhui Biotech**")), a wholly-owned company of Dr. Wang, is the general partner; and (ii) Dr. Wang, Mr. Jin Yedong (金葉東) and Mr. Guan Song (管嵩) are the limited partners thereof. Each of Mr. Jin Yedong and Mr. Guan Song is an Independent Third Party.

   Wiseforward Limited is a BVI company held by Dr. Wang, Mr. Jin Yedong and Mr. Guan Song in the same proportion of beneficial interests as those they respectively held in Zhipan LP. Dr. Wang controls all voting rights in Wiseforward Limited through (a) direct shareholding in Wiseforward Limited, and (b) proxy of the voting rights of all remaining shares of Wiseforward Limited granted by the remaining shareholders thereof to Dr. Wang.

4. Shuhui LP is a limited partnership established in the PRC, of which (i) Liuhui Biotech, a wholly-owned company of Dr. Wang, is the general partner; and (ii) Dr. Wang, Dr. Xiang, Mr. Lin Xiang (林翔), Mr. Wang Qingquan and Mr. Wang Sen (王森) are the limited partners thereof. Mr. Lin Xiang and Mr. Wang Sen, each an Independent Third Party, invested in Shuhui LP in December 2020.

   Neurobright Limited is a BVI company held by Dr. Wang, Dr. Xiang, Mr. Lin Xiang, Mr. Wang Qingquan and Mr. Wang Sen in the same proportion of beneficial interests as those they respectively held in Shuhui LP. Dr. Wang controls all voting rights in Neurobright Limited through (a) direct shareholding in Neurobright Limited, and (b) proxy of the voting rights of all remaining shares of Neurobright Limited granted by the remaining shareholders thereof to Dr. Wang.

5. Prior to the Reorganization, Mr. Tan, Dr. Wang, Shuhui LP and Zhipan LP were acting in concert at the board and general meeting of BrainAurora Zhejiang pursuant to the Onshore AIC Agreement, details of which are set out in "Acting in Concert Arrangements — Onshore AIC Agreement" below.

6. Since the commencement of the Reorganization, Mr. Tan, Dr. Wang, ZTan Limited and Wispirits Limited have been acting in concert at the board and general meeting of our Company pursuant to the Offshore AIC Agreement are set out in "Acting in Concert Arrangements — Offshore AIC Agreement" below.

7. Crusky Limited is wholly owned by one of our non-executive Directors, namely Ms. Li Mingqiu, the sole shareholder of Tianjin Tianjian.

8. CFCH is a BVI company with limited liability, which indirectly wholly owns Hainan Synthesis.

9. Mr. Zhao Yujie (趙宇傑), Mr. Zhang Ben (張奔), Mr. Fu Rong (傅榮), Ms. Zhang Xueting (張雪婷), Ms. Xing Dan (邢丹), Ms. He Dingjuan (何定娟), Mr. Guo Xiaohua (郭曉華), Ms. Sun Fan (孫凡) and Mr. Chen Shuwang (陳書旺), being the limited partners of Tianjin Kangsheng, an institutional investor established in the PRC and an Independent Third Party (including its general and limited partners), which became acquainted with and decided to make onshore investments in BrainAurora Zhejiang through the introduction by Mr. Tan and other investors, incorporated Healthblooming Limited in the BVI, to reflect their respective beneficial interests in Tianjin Kangsheng. Mr. Zhao Yujie, being the largest limited partner of Tianjin Kangsheng, holds 39.96% of the registered capital therein, and no other limited partner holds more than 20% of the registered capital therein. Mr. Jin Yedong (金葉東), holding less than 10% of the registered capital therein, is the general partner of Tianjin Kangsheng. Pursuant to the Voting Proxy Agreements dated August 6, 2023, Mr. Tan is entitled to exercise, in his sole discretion, all rights as the shareholders of the Company on behalf of Healthblooming Limited. See "Relationship with Our Controlling Shareholders — Our Controlling Shareholders — Voting Proxy Agreements" for details of the Voting Proxy Agreements.

10. Integriness Limited is an affiliate of Tianjin Chengye, an institutional investor established in the PRC and an Independent Third Party (including its general and limited partners), which became acquainted with and decided to make onshore investments in BrainAurora Zhejiang through the introduction by Mr. Tan and other investors therein. There are 17 limited partners of Tianjin Chengye with two of them, namely Mr. Shu Fang (束放) and Mr. Song Lei (宋壘), being the largest limited partners thereof, each holding 18.43% of the

registered capital therein and no other limited partners thereof holds more than 10% of the registered capital therein. Ms. Su Xiaohang (蘇曉航), holding less than 10% of the registered capital therein, is the general partner of Tianjin Chengye. Pursuant to the Voting Proxy Agreements dated August 6, 2023, Mr. Tan is entitled to exercise, in his sole discretion, all rights as the shareholders of the Company on behalf of Integriness Limited. See "Relationship with Our Controlling Shareholders — Our Controlling Shareholders — Voting Proxy Agreements" for details of the Voting Proxy Agreements.

11. Anji Shundian Limited is an affiliate of Anji Shundian.

12. Ambertech Limited is wholly owned by Ms. Li Qing.

13. Jenny Wang Limited is wholly owned by Ms. Wang Jie.

14. Beijing Pegasus is the affiliate of Shanghai Pegasus, details of which are set out in "[**REDACTED**] Investments — Information about Our [**REDACTED**] Investors" below.

15. NLSF, NLVF and NLPF (together, the "**NLVC Shareholders**"), each a limited partnership established in the Cayman Islands, own as to approximately 7.50%, 91.23% and 1.27% equity interests in IMMENSE VANTAGE LIMITED respectively. See "[**REDACTED**] Investments — Information about Our [**REDACTED**] Investors" below for details of the NLVC Shareholders.

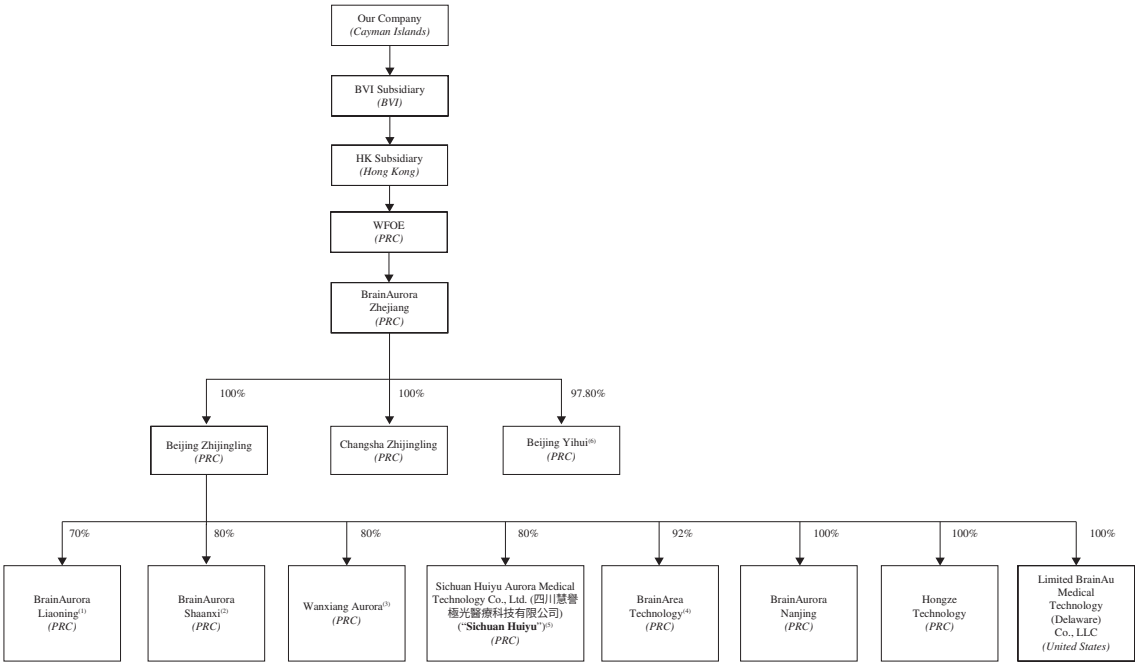
e. Increase of BrainAurora Zhejiang's Registered Capital Subscribed by and Transfer of BrainAurora Zhejiang to the WFOE

On June 27, 2023, WFOE subscribed for RMB1,654,566 of the increased registered capital of BrainAurora Zhejiang, representing 10% of the enlarged registered capital of BrainAurora Zhejiang, at a consideration determined based on the net asset value of the Group as of April 30, 2023.

On June 30, 2023, WFOE acquired the remaining 90% of the registered capital of BrainAurora Zhejiang from the then shareholders of the BrainAurora Zhejiang, at a consideration determined based on the net asset of the Group as of April 30, 2023.

Upon completion of such subscription and transfer of registered capital, BrainAurora Zhejiang became wholly-owned by WFOE, and thus an indirectly wholly-owned subsidiary of our Company.

The following chart sets forth our Group's corporate and shareholding structure immediately following the completion of the Reorganization:



Notes:

1-4. Please refer to the notes to the table under "Reorganization" on page 216 above.

5. Sichuan Huiyu is a limited liability company established in the PRC on May 22, 2023. As of the date of this Document, 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 into that Sichuan Huiyu is an insignificant subsidiary for purpose of Rule 14A.09 of the Listing Rules.

6. In July 2023, each of Mr. Tan, Tianjin Tianjian, Dr. Wang, Tianjin Kangsheng, Hainan Synthesis, Zhipan LP, Tianjin Chengye, Shuhui LP, Anji Shundian, Ms. Li Qing and Ms. Wang Jie subscribed for RMB44,680, RMB18,715, RMB16,522, RMB15,014, RMB10,627, RMB6,742, RMB6,110, RMB4,606, RMB1,689, RMB1,137 and RMB556 of the increase registered capital of Beijing Yihui respectively, for a cash considerations of RMB26,282,198.12, RMB11,008,575.74, RMB9,718,581.37, RMB8,832,027.73, RMB6,251,058.70, RMB3,966,053.14, RMB3,593,982.22, RMB2,709,121.84, RMB993,674.41, RMB668,569.10 and RMB327,155.06 respectively, which were fully paid on August 7, 2023. As of the date of this Document, Beijing Yihui is owned as to approximately (i) 97.80% by the Company, (ii) 0.84% by Mr. Tan, the chairman of the Board, an executive Director and chief research officer, (iii) 0.35% by Tianjin Tianjian, (iv) 0.31% by Dr. Wang, our founder, an executive Director, CEO and chief research officer, (v) 0.28% by Tianjin Kangsheng, (vi) 0.13% by Zhipan LP, a company controlled by Dr. Wang, (vii) 0.12% by Tianjin Chengye, (viii) 0.09% by Shuhui LP, a company controlled by Dr. Wang, (ix) 0.03% by Anji Shundian, (x) 0.02% by Ms. Li Qing, (xi) 0.02% by Hainan Synthesis and (xii) 0.01% by Ms. Wang Jie. Save for Mr. Tan, Dr. Wang, Zhipan LP and Shuhui LP, other minority shareholders of Beijing Yihui are Independent Third Parties.

As advised by our PRC Legal Advisor, all required regulatory approvals or filings in relation to the Reorganization in the PRC described above have been obtained in accordance with the PRC laws and regulations. Our PRC Legal Advisor further advised that the equity transfers and capital increases in the PRC as described above have been properly and legally completed in accordance with PRC Laws.

[REDACTED] INVESTMENTS

Overview

Our Group has conducted multiple rounds of [**REDACTED**] Investments, which are summarized below:

Relevant [REDACTED] Investors	Method of acquisition of registered capital of BrainAurora Zhejiang or Shares (whichever applicable)	Registered capital of BrainAurora Zhejiang or Shares acquired or subscribed (whichever applicable)	Date of the subscription/ transfer agreement	Date on which the consideration was fully and irrevocably settled	Date of completion of PRC filing formalities (where applicable)	Amount of consideration paid	Post-money valuation after each round of financing or transfer of Shares (whichever applicable) (approximation)[1]	Cost per unit of registered capital paid or Cost per Share paid (whichever applicable) (approximation)[2]	Discount to the [REDACTED][3]
Series Angel[4]									
Shanghai Pegasus	Subscription of increased registered capital of BrainAurora Zhejiang	RMB163,605	March 2, 2015	March 18, 2015	June 24, 2015	RMB2,564,000	RMB36,628,504[6]	RMB15.67	[**REDACTED**]
Zhongwei Growth (Shanghai) Venture Capital Partnership (Limited Partnership) (中衛成長(上海)創業投資合夥企業(有限合夥)) ("**Zhongwei Growth**")	Subscription of increased registered capital of BrainAurora Zhejiang	RMB163,605	March 2, 2015	April 1, 2015	June 24, 2015	RMB2,564,000		RMB15.67	[**REDACTED**]

Relevant [REDACTED] Investors	Method of acquisition of registered capital of BrainAurora Zhejiang or Shares (whichever applicable)	Registered capital of BrainAurora Zhejiang or Shares acquired or subscribed (whichever applicable)	Date of the subscription/ transfer agreement	Date on which the consideration was fully and irrevocably settled	Date of completion of PRC filing formalities (where applicable)	Amount of consideration paid	Post-money valuation after each round of financing or transfer of Shares (whichever applicable) (approximation)[1]	Cost per unit of registered capital paid or Cost per Share paid (whichever applicable) (approximation)[2]	Discount to the [REDACTED][3]
Series A[5]									
IMMENSE VANTAGE LIMITED	Subscription of increased registered capital of BrainAurora Zhejiang	RMB1,427,733	June 21, 2016	August 18, 2016	August 9, 2016	US$3,000,000	RMB128,785,914[6][8]	RMB13.96[5]	[REDACTED]
Explorer Three Limited	Subscription of increased registered capital of BrainAurora Zhejiang	RMB475,911	June 21, 2016	August 24, 2016	August 9, 2016	US$1,000,000		RMB13.96[5]	[REDACTED]
Series B[7]									
Mr. Tan	Subscription of increased registered capital of BrainAurora Zhejiang	RMB1,537,559	December 18, 2020	July 25, 2022[20]	June 29, 2021	RMB50,000,000	RMB399,999,922[8][10]	RMB32.52	[REDACTED]
Tianjin No. 7 No. 8 Artificial Intelligence Medical Technology Co. Ltd. (天津七號八號人工智慧醫療科技有限公司) ("**Tianjin No. 7 No. 8**")	Subscription of increased registered capital of BrainAurora Zhejiang	RMB1,537,559	December 18, 2020	February 1, 2021	June 29, 2021	RMB50,000,000		RMB32.52	[REDACTED]

Relevant [REDACTED] Investors	Method of acquisition of registered capital of BrainAurora Zhejiang or Shares (whichever applicable)	Registered capital of BrainAurora Zhejiang or Shares acquired or subscribed (whichever applicable)	Date of the subscription/ transfer agreement	Date on which the consideration was fully and irrevocably settled	Date of completion of PRC filing formalities (where applicable)	Amount of consideration paid	Post-money valuation after each round of financing or transfer of Shares (whichever applicable) (approximation)[1]	Cost per unit of registered capital paid or Cost per Share paid (whichever applicable) (approximation)[2]	Discount to the [REDACTED][3]
IMMENSE VANTAGE LIMITED	Acquisition of registered capital of BrainAurora Zhejiang from Shuhui LP	RMB461,268	December 18, 2020	August 25, 2022[21]	June 29, 2021	RMB10,500,000		RMB22.76	[REDACTED]
Mr. Tan	Acquisition of registered capital of BrainAurora Zhejiang from Explorer Three Limited	RMB475,911	December 18, 2020	September 6, 2022[21]	June 29, 2021	RMB11,607,075		RMB24.39	[REDACTED]
Mr. Tan	Acquisition of registered capital of BrainAurora Zhejiang from Shanghai Pegasus	RMB256,260	December 18, 2020	April 5, 2021	June 29, 2021	RMB6,250,050		RMB24.39	[REDACTED]
Mr. Tan	Acquisition of registered capital of BrainAurora Zhejiang from Shuhui LP	RMB738,028	September 8, 2021	March 11, 2022	December 30, 2021	RMB18,000,000		RMB24.39	[REDACTED]

Relevant [REDACTED] Investors	Method of acquisition of registered capital of BrainAurora Zhejiang or Shares (whichever applicable)	Registered capital of BrainAurora Zhejiang or Shares acquired or subscribed (whichever applicable)	Date of the subscription/ transfer agreement	Date on which the consideration was fully and irrevocably settled	Date of completion of PRC filing formalities (where applicable)	Amount of consideration paid	Post-money valuation after each round of financing or transfer of Shares (whichever applicable) (approximation)[1]	Cost per unit of registered capital paid or Cost per Share paid (whichever applicable) (approximation)[2]	Discount to the [REDACTED][3]
Series B+[9]									
Hainan Synthesis	Acquisition of registered capital of BrainAurora Zhejiang from Shuhui LP	RMB904,084	September 8, 2021	February 25, 2022	December 30, 2021	RMB21,045,000		RMB23.28	[REDACTED]
Shenzhen Fengrui	Subscription of increased registered capital of BrainAurora Zhejiang	RMB210,623	September 8, 2021	December 17, 2021	January 26, 2022	RMB7,705,421	RMB513,739,243[10][22]	RMB36.59	[REDACTED]
Tianjin Kangsheng	Subscription of increased registered capital of BrainAurora Zhejiang	RMB1,475,764	September 8, 2021	December 24, 2021	January 26, 2022	RMB53,989,317		RMB36.59	[REDACTED]
Ms. Wang Jie	Subscription of increased registered capital of BrainAurora Zhejiang	RMB54,664	September 8, 2021	December 13, 2021	January 26, 2022	RMB2,000,000		RMB36.59	[REDACTED]

Relevant [REDACTED] Investors	Method of acquisition of registered capital of BrainAurora Zhejiang or Shares (whichever applicable)	Registered capital of BrainAurora Zhejiang or Shares acquired or subscribed (whichever applicable)	Date of the subscription/ transfer agreement	Date on which the consideration was fully and irrevocably settled	Date of completion of PRC filing formalities (where applicable)	Amount of consideration paid	Post-money valuation after each round of financing or transfer of Shares (whichever applicable) (approximation)[1]	Cost per unit of registered capital paid or Cost per Share paid (whichever applicable) (approximation)[2]	Discount to the [REDACTED][3]
Series B++[11]									
Tianjin Tianjian	Acquisition of registered capital of BrainAurora Zhejiang from Tianjin No. 7 No. 8	RMB1,537,559	September 8, 2021	December 13, 2021	December 30, 2021	RMB60,000,000		RMB39.02	[REDACTED]
Hainan Synthesis	Acquisition of registered capital of BrainAurora Zhejiang from Zhongwei Growth	RMB140,415	January 28, 2022[11]	March 9, 2022	April 15, 2022	RMB5,287,600	RMB528,764,225[22][14]	RMB37.66	[REDACTED]
Tianjin Tianjian	Acquisition of registered capital of BrainAurora Zhejiang from Zhongwei Growth	RMB372,105	January 28, 2022[11]	March 9, 2022	April 15, 2022	RMB14,012,400		RMB37.66	[REDACTED]
Mr. Huang Guangwei	Acquisition of registered capital of BrainAurora Zhejiang from Tianjin Tianjian	RMB70,208	January 28, 2022[11]	December 29, 2022[23]	April 15, 2022	RMB2,643,836		RMB37.66	[REDACTED]

Relevant [REDACTED] Investors	Method of acquisition of registered capital of BrainAurora Zhejiang or Shares (whichever applicable)	Registered capital of BrainAurora Zhejiang or Shares acquired or subscribed (whichever applicable)	Date of the subscription/ transfer agreement	Date on which the consideration was fully and irrevocably settled	Date of completion of PRC filing formalities (where applicable)	Amount of consideration paid	Post-money valuation after each round of financing or transfer of Shares (whichever applicable) (approximation)[1]	Cost per unit of registered capital paid or Cost per Share paid (whichever applicable) (approximation)[2]	Discount to the [REDACTED][3]
Ms. Li Qing	Acquisition of registered capital of BrainAurora Zhejiang from Zhipan LP	RMB70,208	January 28, 2022[11]	May 6, 2022	April 15, 2022	RMB2,643,836		RMB37.66	[REDACTED]
Series C[12]									
Anji Shundian	Subscription of increased registered capital of BrainAurora Zhejiang	RMB332,082	March 18, 2022	June 7, 2022	May 19, 2022	RMB60,000,000[13]	RMB2,675,013,671[14][16]	RMB180.68	[REDACTED]
Tianjin Chengye	Subscription of increased registered capital of BrainAurora Zhejiang	RMB348,686	March 18, 2022	March 29, 2023	May 19, 2022	RMB63,000,000		RMB180.68	[REDACTED]
Mr. Huang Guangwei	Subscription of increased registered capital of BrainAurora Zhejiang	RMB41,510	March 18, 2022	April 3, 2023	May 19, 2022	RMB7,500,000		RMB180.68	[REDACTED]
Ms. Li Qing	Subscription of increased registered capital of BrainAurora Zhejiang	RMB41,510	March 18, 2022	April 27, 2022	May 19, 2022	RMB7,500,000		RMB180.68	[REDACTED]

Relevant [REDACTED] Investors	Method of acquisition of registered capital of BrainAurora Zhejiang or Shares (whichever applicable)	Registered capital of BrainAurora Zhejiang or Shares acquired or subscribed (whichever applicable)	Date of the subscription/ transfer agreement	Date on which the consideration was fully and irrevocably settled	Date of completion of PRC filing formalities (where applicable)	Amount of consideration paid	Post-money valuation after each round of financing or transfer of Shares (whichever applicable) (approximation)[1]	Cost per unit of registered capital paid or Cost per Share paid (whichever applicable) (approximation)[2]	Discount to the [REDACTED][3]
Series C+[15]									
Tianjin Chengye	Subscription of increased registered capital of BrainAurora Zhejiang	RMB85,788	February 15, 2023	March 31, 2023	April 11, 2023	RMB15,500,000	RMB2,690,513,792[16]	RMB180.68	[REDACTED]
Tianjin Chengye	Acquisition of registered capital from Anji Shundian of BrainAurora Zhejiang	RMB166,041	February 15, 2023	March 31, 2023	April 11, 2023	RMB30,000,000		RMB180.68	[REDACTED]
Transfer of Shares from ZTan Limited to CICC Healthcare[17]									
CICC Healthcare Investment Fund, L.P. ("**CICC Healthcare**")	Acquisition of Shares from ZTan Limited	19,444 ordinary Shares[19]	August 4, 2023	August 7, 2023	Not applicable	US$7,000,000	US$390,668,690[17][18]	US$360.01	[REDACTED]

Notes:

1. The post-money valuation for each round of financing (except for the Transfer of Shares from ZTan Limited to CICC Healthcare which took place after the Reorganization) represents the total number of registered capital of BrainAurora Zhejiang immediately upon completion of such round of financing multiplies the cost per unit of the increased registered capital of BrainAurora Zhejiang paid during such round of financing.

2. The cost per unit of registered capital paid is calculated by dividing the total investment amount by the unit of registered capital of BrainAurora Zhejiang subscribed (except for the Transfer of Shares from ZTan Limited to CICC Healthcare which took place after the Reorganization).

3. The discount to the [**REDACTED**] is calculated based on (i) the assumption that the [**REDACTED**] is HK$[**REDACTED**] per Share, being the mid-point of the indicative [**REDACTED**] range, assuming the conversion of each of the Series A Preferred Shares into ordinary Shares on a one-to-one basis immediately prior to the completion of the [**REDACTED**], and (ii) the exchange rate as set out in the section headed "Information about this Document and the [**REDACTED**]."

4. On March 2, 2015, BrainAurora Zhejiang entered into an investment agreement with Shanghai Pegasus, Zhongwei Growth and the then shareholders of BrainAurora Zhejiang, pursuant to which each of Shanghai Pegasus and Zhongwei Growth each agreed to subscribe for RMB163,605 increased registered capital of BrainAurora Zhejiang at a cash consideration of RMB2,564,000.

5. On June 21, 2016, BrainAurora Zhejiang entered into a capital increase agreement with IMMENSE VANTAGE LIMITED, Explorer Three Limited, among others, and the then shareholders of BrainAurora Zhejiang, pursuant to which IMMENSE VANTAGE LIMITED and Explorer Three Limited agreed to subscribe for RMB1,427,733 and RMB475,911 increased registered capital of BrainAurora Zhejiang respectively, at cash considerations of US$3 million and US$1 million respectively. The cost per share paid of series A financing is calculated (i) based on the exchange rate on the date on which the series A financing was fully settled, and (ii) taking consideration of our capital reserve conversion in 2016, through which the amount of registered capital each of the then shareholders of BrainAurora Zhejiang held enlarged proportionally through a conversion of capital reserve of BrainAurora Zhejiang, resulting in a decrease of cost per unit of registered capital of BrainAurora Zhejiang.

6. The valuation of the Company increased significantly during the period between our Series Angel financing and Series A financing, primarily based on the significant progress of preclinical trials of the System, our Core Product, and market interest in the digital health industry.

7. On December 18, 2020, BrainAurora Zhejiang entered into a capital increase agreement with Mr. Tan, Tianjin No. 7 No. 8 and the then shareholders of BrainAurora Zhejiang, pursuant to which Mr. Tan and Tianjin No. 7 No. 8 each agreed to subscribe for RMB1,537,559 increased registered capital of BrainAurora Zhejiang, at a cash consideration of RMB50 million.

   On the same day, IMMENSE VANTAGE LIMITED entered into a capital transfer agreement with Shuhui LP, pursuant to which IMMENSE VANTAGE LIMITED agreed to acquire RMB461,268 registered capital of BrainAurora Zhejiang from Shuhui LP at a cash consideration of RMB10.5 million.

   On the same day, Mr. Tan entered into capital transfer agreements with Explorer Three Limited and Shanghai Pegasus respectively, pursuant to which, Mr. Tan agreed to acquire RMB475,911 and RMB256,260 registered capital of BrainAurora Zhejiang from Explorer Three Limited and Shanghai Pegasus respectively, at cash considerations of RMB11,607,075 and RMB6,250,050 respectively.

8. The valuation of the Company increased significantly during the period between our Series A financing and Series B financing, primarily because the System received Class II medical device registration certificate from the Hunan MPA, and in May 2019, we published the clinical trial data of the trial on the effectiveness of the System on a leading peer-reviewed journal on cognitive impairment clinical research, the A&D Journal, which sets forth a comprehensive analysis on its safety and effectiveness.

9. On September 8, 2021, BrainAurora Zhejiang entered into a capital increase agreement with Shenzhen Fengrui, Tianjin Kangsheng, Ms. Wang Jie and the then shareholders of BrainAurora Zhejiang, pursuant to which Shenzhen Fengrui, Tianjin Kangsheng and Ms. Wang Jie agreed to subscribe for RMB210,623, RMB1,475,764 and RMB54,664 increased registered capital of BrainAurora Zhejiang, respectively, at cash considerations of RMB7,705,421, RMB53,989,317 and RMB2,000,000, respectively.

   On the same day, Shuhui LP entered into capital transfer agreements with Mr. Tan and Hainan Synthesis respectively, pursuant to which Mr. Tan and Hainan Synthesis agreed to acquire RMB738,028 and RMB904,084 registered capital of BrainAurora Zhejiang from Shuhui LP respectively, at cash considerations of RMB18 million and RMB21.045 million respectively.

   On the same day, Tianjin Tianjian entered into a capital transfer agreement with Tianjin No. 7 No. 8, pursuant to which Tianjin Tianjian agreed to acquire RMB1,537,559 of BrainAurora Zhejiang's registered capital from Tianjin No. 7 No. 8, at a cash consideration of RMB60 million.

10. The valuation of the Company increased significantly during the period between our Series B financing and Series B+ financing, primarily because of the commencement of commercialization of the System in several leading hospitals in China, including Anzhen Hospital.

11. On January 28, 2022, Zhongwei Growth entered into capital transfer agreements with Hainan Synthesis and Tianjin Tianjian respectively, pursuant to which Hainan Synthesis and Tianjin Tianjian agreed to acquire RMB140,415 and RMB372,105 registered capital of BrainAurora Zhejiang from Zhongwei Growth respectively, at cash considerations of RMB5,287,600 and RMB14,012,400 respectively.

    On the same day, Tianjin Tianjian and Zhipan LP entered into capital transfer agreements with Mr. Huang Guangwei and Ms. Li Qing respectively, pursuant to which Mr. Huang Guangwei and Ms. Li Qing agreed to acquire RMB70,208 and RMB70,208 registered capital of BrainAurora Zhejiang from Tianjin Tianjian and Zhipan LP respectively, at cash considerations of RMB2,643,836 and RMB2,643,836 respectively.

    The major commercial terms (including the cost per unit of registered capital) of Series B++ financing were agreed between the relevant parties to the above transactions in September 2021, which was around the dates of the investment agreements with the [**REDACTED**] Investors under the Series B+ financing. Such major commercial terms were formally documented by the agreements with Hainan Synthesis, Tianjin Tianjian, Mr. Huang Guangwei and Ms. Li Qing in January 2022 due to administrative filing formalities.

12. On March 18, 2022, BrainAurora Zhejiang entered into a capital increase agreement with Anji Shundian, Tianjin Chengye, Mr. Huang Guangwei, Ms. Li Qing and the then shareholders of BrainAurora Zhejiang, pursuant to which Anji Shundian, Tianjin Chengye, Mr. Huang Guangwei and Ms. Li Qing agreed to subscribe for RMB332,082, RMB348,686, RMB41,510, and RMB41,510 increased registered capital of BrainAurora Zhejiang respectively, at cash considerations of RMB60 million, RMB63 million, RMB7.5 million and RMB7.5 million respectively.

13. Among the total consideration of RMB60,000,000, RMB30,000,000 was paid by Anji Shundian on June 7, 2022, and the remaining RMB30,000,000 was paid by Tianjin Chengye after RMB166,041 registered capital of BrainAurora was transferred from Anji Shundian to Tianjin Chengye. See note 15 below for details of such transfer of registered capital of BrainAurora Zhejiang.

14. The valuation of the Company increased significantly during the period between our Series B++ financing and Series C financing, primarily because, at the material time, we have (i) laid down the foundation of our business model by having cooperated with more than 10 medical institutions on technology services relating to cognitive digital therapies to market our products, (ii) attained significant increase of the Group's revenue despite the disruptions of Covid-19, and (iii) by serving as the organizer of the NHC project, obtained the opportunity to reach more hospitals by helping them establish cognitive centers, primarily for the purpose of promoting awareness of DTx as a viable solution to the assessment and intervention of cognitive impairments among China's medical community and expanding the potential customer base for our Company's cognitive impairment DTx products.

15. On February 15, 2023, BrainAurora Zhejiang entered into a capital increase agreement with the then shareholders of BrainAurora Zhejiang, pursuant to which Tianjin Chengye agreed to subscribe for RMB85,788 increased registered capital of BrainAurora Zhejiang, at a cash consideration of RMB15,500,000.

On the same day, Tianjin Chengye entered into a capital transfer agreement with Anji Shundian, pursuant to which Tianjin Chengye agreed to acquire RMB166,041 of BrainAurora Zhejian's unpaid registered capital from Anji Shundian at nil consideration, and Tianjin Chengye agreed to pay RMB30,000,000 to BrainAurora Zhejiang for such unpaid registered capital.

16. The difference of the post money valuation between Series C financing and Series C+ financing denotes the sum of the consideration paid during the Series C+ financing.

17. On August 4, 2023, CICC Healthcare entered into a share purchase agreement with Mr. Tan and ZTan Limited, pursuant to which CICC Healthcare agreed to acquire 19,444 ordinary Shares from ZTan Limited, at a cash consideration of US$7,000,000. The consideration of the aforementioned transfer of existing Shares was determined based on arm' length negotiations between the parties thereof with references to the strategical and reputational advantages that CICC Healthcare will bring about to our Group's Shareholder profile. Given CICC Healthcare's unique position and renowned reputation (as the healthcare investment division of China International Capital Corporation Limited (中國國際金融股份有限公司)) in the PRC capital markets, it is expected that its inclusion in our Shareholder profile would help facilitate our capital and business expansion, through improving our marketing and branding awareness, and helping to secure confidence of [**REDACTED**] in our Company. For details of CICC Healthcare as a [**REDACTED**] Investor, see "History, Reorganization and Corporate Structure — Information about our [**REDACTED**] Investors".

18. The difference of the valuation of our Company for the transfer of Shares from ZTan Limited to CICC Healthcare and the [**REDACTED**] was primarily due to the following business breakthroughs and favorable expectations to be materialized before or shortly after the [**REDACTED**]:

    (i) an expected increase in indication coverage by the System: we are planning to submit application to expand the scope of our 2023 Renewed Certificate to include amnestic mild cognitive impairment in the third quarter of 2024;

    (ii) attaining significant progress of research and development of other products, including but not limited to:

        • COVID-19 Induced Cognitive Impairment Assessment and Recovery Training Software: we have completed the clinical trial and expect to submit Class II medical device registration by the second quarter of 2024; and

        • Quantitative Cognitive Assessment Software for Depression: we have initiated a clinical trial to evaluate the safety and efficacy of Quantitative Cognitive Assessment Software for Depression on the assessment of cognitive impairment induced by depression in cooperation with Anding Hospital, and expect to complete the trial by the fourth quarter of 2024; and

    (iii) expected breakthroughs in commercializing our approved products including but not limited to:

        • products in relation to child development deficiencies: in September 2023, we have entered into a business partnership with a children's hospital in China in relation to establishment of cognitive center, which has commenced operation in October 2023; and

    (iv) communication and expected cooperations with hospitals, taking into account the rapid growth in the number of the cooperated hospitals. By the end of February 2024, we have cooperated with nearly 100 hospitals, representing an approximately 140% growth from March 31, 2023, showing our ability to expand our cooperation network among hospitals.

19. The Transfer of Shares took place after the Reorganization. The subject of the Transfer of Shares was 19,444 ordinary shares of the Company, being a Cayman company to which the concept of "registered capital" is not applicable.

20. Pursuant to a statement of capital contribution made by Mr. Tan and BrainAurora Zhejiang, it was mutually agreed between the parties that the considerations for the relevant investment shall be settled by Mr. Tan no later than the completion of the Series C financing.

21. Amid COVID-19 interruptions, BrainAurora Zhejiang initiated the relocation of its registered office from Nanjing city, PRC to Shaoxing city, PRC, in early 2021, and completed the relevant regulatory filing formalities in September 2021. Following the completion of the filing of the aforementioned formalities, the ensuing filing of the foreign exchange business registration for the settlement of consideration involving a foreign registered entity as a transaction party was completed in March 2022. The consideration was then irrevocably settled thereafter upon the banks of both the payor and the payee had completed the relevant internal approval process.

22. The difference of the post money valuation between Series B+ financing and Series B++ financing denotes the valuation of BrainAurora Zhejiang at the material time as agreed between [**REDACTED**] investors of Series B++ financing for transfers of existing registered capital therein.

23. The date of settlement of consideration reflects the additional requirements relating to PRC regulatory filing formalities involving Mr. Huang as a Hong Kong citizen.

Principal terms of the [REDACTED] Investments and [REDACTED] Investors' rights

Basis of determining the consideration paid	The consideration for each round of the [**REDACTED**] Investments was determined based on arm's length negotiations between our Company and the [**REDACTED**] Investors on the one hand (with respect to subscriptions of increased registered capital), and between the [**REDACTED**] Investors on the other hand (with respect to transfer of registered capital or Shares between [**REDACTED**] Investors), after taking into consideration factors including, among others, the timing of the relevant [**REDACTED**] Investments, our valuation when the investment agreement was entered into and the business operations and financial performance of our Group.
Lock-up period	The [**REDACTED**] Investors are not subject to lock-up arrangement under the relevant agreements in relation to the [**REDACTED**] Investments.
Use of proceeds from the [REDACTED] Investments	We utilized the proceeds for clinical development, commercialization, R&D, business development and general operation. As of the Latest Practicable Date, approximately 93% of the net proceeds from the [**REDACTED**] Investments has been utilized.
Strategic benefit from the [REDACTED] Investments to our Group	At the time of each of the [**REDACTED**] Investments, our Directors were of the view that our Company could benefit from the [**REDACTED**] Investors' investment knowledge and experience in healthcare sectors and the [**REDACTED**] Investments demonstrated the [**REDACTED**] Investors' confidence in the operation and development of our Group.

Special Rights of the [REDACTED] Investors

Pursuant to the Shareholders Agreement entered into between, among others, our Company and the [**REDACTED**] Investors (the "**Shareholders Agreement**"), and the memorandum of association and articles of association of our Company currently in effect, special rights are enjoyed by certain Shareholders, including the following:

(i) NLVC Shareholders, as the holders of Series A Preferred Shares, have, among other rights, redemption rights, director appointment rights, veto rights on certain important corporate matters, rights of first refusal, co-sale rights, information and inspection rights, anti-dilution rights, liquidation rights and etc.; and

(ii) the Controlling Shareholders have, among other rights, director appointment rights and veto rights on certain important corporate matters.

All special rights granted shall be automatically terminated upon [**REDACTED**], except for the redemption rights granted to NLVC Shareholders, which shall be automatically terminated upon the first submission of the Company's [**REDACTED**], provided that such rights shall be automatically and immediately reinstated and restored upon the earlier of (i) the date when the Company's [**REDACTED**] is withdrawn by the Company; (ii) the [**REDACTED**] is not consummated on a date falling within 16 calendar months after the first submission of the Company's [**REDACTED**] to the Stock Exchange; (iii) the rejection, return and/or termination of the Company's [**REDACTED**] and/or the [**REDACTED**] by the Stock Exchange and/or the CSRC (as the case may be); and (iv) the [**REDACTED**] is not consummated on or before December 31, 2025.

Compliance with [REDACTED] Investment Guidance

The last round of the [**REDACTED**] Investments was completed on August 7, 2023. On the basis that (i) the [**REDACTED**], being the first day of trading of the Shares on the Stock Exchange, will take place no earlier than 120 clear days after completion of the [**REDACTED**] Investments, and (ii) all special rights granted to the [**REDACTED**] Investors will be terminated upon completion of the [**REDACTED**], the Joint Sponsors confirm that the [**REDACTED**] Investments are in compliance with the guidance in Chapter 4.2 of the Guide for New Listing Applicants.

Information about our [REDACTED] Investors

Our [**REDACTED**] Investors include Sophisticated Investors identified pursuant to Chapter 2.3 of the Guide for New Listing Applicants issued by the Stock Exchange, namely the NLVC Shareholders. The background information of our [**REDACTED**] Investors is set out below.

NLVC Shareholders

Each of NLVC Shareholders is an exempted limited partnership established in the Cayman Islands, whose general partner is Northern Light Partners IV L.P. ("**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. NLSF has 4 limited partners, including (i) Greylock XIV Limited Partnership holding 59.40% of its partnership interests, (ii) New Enterprise Associates 15, L.P. holding 33.00% of its partnership interests, and (iii) other two limited partners, each holding 3.30% of its partnership interests. NLVF has 26 limited partners, none of which holds more than 30% of its partnership interests. NLPF has 8 limited partners, including (i) The D & H Family Trust Dated December 7th, 2001 holding 53.38% of its partnership interests, and (ii) other 7 limited partners, each holding less than 30% of its partnership interests. Each of NLVC Shareholders is managed by Northern Light Venture Capital ("**NLVC**"), a venture capital firm with several funds in USD and RMB targeting early stage opportunities in enterprise, healthcare, and consumer sectors. The assets under management of NLVC was approximately HK$33.62 billion as at December 31, 2022. We became acquainted with NLVC in 2016 through the roadshow of our [**REDACTED**] financing. NLVC has made meaningful investments in our Company since 2019, and will be interested in approximately [**REDACTED**]% of the total issued share capital of our Company through NLVC Shareholders immediately after completion of the [**REDACTED**] and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised). The portfolio companies of NLVC include but are not limited to, iRay Technology Company Limited, a biotech company listed on the Shanghai Stock Exchange (stock code: 688301), Anji Microelectronics Tech (Shanghai) Co., Ltd., an advanced technology company listed on the Shanghai Stock Exchange (stock code: 688019), Thunder Software Technology Co., Ltd., an advanced technology company listed on the Shenzhen Stock Exchange (stock code: 300496), Meituan Dianping, a retail technology company listed on the Stock Exchange (stock code: 03690), and Zhejiang He Chuan Technology Corporation Limited (浙江禾川科技股份有限公司), an advanced technology company listed on the Shanghai Stock Exchange (stock code: 688320). Therefore, NLVC Shareholders are considered Sophisticated Investors of the Company.

Crusky Limited

Crusky Limited is a company incorporated in the British Virgin Islands with limited liability on April 20, 2023, primarily engaging in equity investments. Crusky Limited is wholly owned, and thus ultimately beneficially owned, by Ms. Li Mingqiu, our non-executive Director. We became acquainted with Ms. Li Mingqiu in June 2021 through the introduction of Tianjin No. 7 No. 8, a previous shareholder of BrainAurora Zhejiang which invested in our Group during Series B financing.

Healthblooming Limited

Healthblooming Limited, having the identical shareholder base and percentage of holdings as those of its onshore counterpart prior to the completion of the Reorganization, namely Tianjin Kangsheng, is a company incorporated in the British Virgin Islands with limited liability on April 20, 2023, primarily engaging in equity investments. As of the Latest Practicable Date, the Company is the sole investee of Healthblooming Limited, and Beijing Yihui is the sole investee of Tianjin Kangsheng. We became acquainted with Tianjin Kangsheng, being the affiliate of Healthblooming Limited investing in BrainAurora Zhejiang before the Reorganization, in June 2021 through the introduction of Mr. Tan and other investors. Healthblooming Limited is owned as to approximately (i) 39.96% by Mr. Zhao Yujie (趙宇傑), an Independent Third Party, and (ii) 60.04% by nine individual minority shareholders collectively, each holding less than 20% equity interests in Healthblooming Limited respectively who are all Independent Third Parties. Pursuant to the Voting Proxy Agreements dated August 6, 2023, Mr. Tan is entitled to exercise, in his sole discretion, all rights as the Shareholders of the Company on behalf of Healthblooming Limited. See "Relationship with Our Controlling Shareholders — Our Controlling Shareholders — Voting Proxy Agreements" for details of the Voting Proxy Agreements.

CFCH

CFCH is a company incorporated in British Virgin Islands with limited liability, primarily engaging in equity investments. We became acquainted with Hainan Synthesis, being the affiliate of CFCH investing in BrainAurora Zhejiang before the Reorganization, in 2020 through the introduction of Mr. Tan. CFCH is wholly owned by Mr. Lv Yajun (呂亞軍). To the best knowledge of our Directors, each of CFCH and Mr. Lv Yajun is an Independent Third Party.

Integriness Limited

Integriness Limited, having the identical shareholder base and percentage of holdings as those of its onshore counterpart prior to the completion of the Reorganization, namely Tianjin Chengye, is a company incorporated in the British Virgin Islands with limited liability on April 26, 2023, primarily engaging in equity investments. As of the Latest Practicable Date, the Company is the sole investee of Integriness Limited, and Beijing Yihui is the sole investee of Tianjin Chengye. We became acquainted with Tianjin Chengye, being the affiliate of Integriness Limited investing in BrainAurora Zhejiang before the Reorganization, in February 2022 through the introduction of Mr. Tan and other investors. Integriness Limited has 18 shareholders, including 12 individual shareholders and six corporate shareholders, and none of them holds more than 20% of its equity interests and all of them (including their respective ultimate beneficial owner in the case of a corporate shareholder) are Independent Third Parties. Pursuant to the Voting Proxy Agreements dated August 6, 2023, Mr. Tan is entitled to exercise, in his sole discretion, all rights as the Shareholders of the Company on behalf of Integriness Limited. See "Relationship with Our Controlling Shareholders — Our Controlling Shareholders — Voting Proxy Agreements" for details of the Voting Proxy Agreements.

Beijing Pegasus

Beijing Pegasus is a limited partnership established in the PRC primarily engaging in equity investments. We became acquainted with Shanghai Pegasus, being the affiliate of Beijing Pegasus investing in BrainAurora Zhejiang before the Reorganization, in the roadshow of our [**REDACTED**] financing in 2015. Beijing Pegasus is owned as to 99% by Shanghai Pegasus as its limited partner, and 1% by Shanghai East Pegasus as its general partner. Shanghai Pegasus is a limited partnership established in the PRC, which is owned as to approximately (i) 0.90% by its general partner Shanghai East Pegasus, and (ii) 99.10% by 10 limited partners, none of which owns more than 30% partnership interests. Shanghai East Pegasus is a limited partnership established in the PRC, which is owned as to (i) 1% by its general partner, Shanghai Yuanyang Investment Management Co., Ltd. (上海袁楊投資管理公司) ("**Shanghai Yuanyang**"), and (ii) 33% by each of Yuan Yue (袁岳), Zhang Fengying (張鳳英), and Yang Zhenyu (楊振宇) respectively. Shanghai Yuanyang is owned as to 50% by each Yuan Yue and Yang Zhenyu respectively. To the best knowledge of our Directors, each of Beijing Pegasus, Shanghai Pegasus, Shanghai East Pegasus, Shanghai Yuanyang, Yuan Yue, Zhang Fengying, and Yang Zhenyu is an Independent Third Party.

The shares held by Beijing Pegasus were previously held by Beijing Pegasus Travel Star Enterprise Management Co., Ltd. (北京飛馬旅之星企業管理有限公司) ("**Beijing Pegasus Travel Star**"). Due to the internal corporate restructuring of Shanghai Pegasus, the shares held by Beijing Pegasus Travel Star were transferred to Beijing Pegasus on August 29, 2023. The ownership structure and ultimate beneficial owners of Beijing Pegasus are identical to those of Beijing Pegasus Travel Star.

Shenzhen Fengrui

Shenzhen Fengrui is a limited partnership established in the PRC primarily engaging in equity investments. We became acquainted with Shenzhen Fengrui in 2021 through the introduction of the lessor of the office we leased back then. Shenzhen Fengrui is owned as to approximately (i) 0.15% by its general partner, Shenzhen Ruisheng Equity Investment Fund Partnership (Limited Partnership) (深圳瑞昇股權投資基金合夥企業(有限合夥)) ("**Shenzhen Ruisheng**"), (ii) 75.01% by its largest limited partner, Beijing Shunyuan Investment Management Co., Ltd. (北京順源投資管理有限公司) ("**Beijing Shunyuan**"), and (iii) 24.84% by one minority limited partner. Shenzhen Ruisheng is a limited partnership established in the PRC, which is owned as to approximately (i) 25.42% by its general partner, Beijing Zhongzhi Ronghui Investment Consulting Co., Ltd. (北京眾智融匯投資顧問有限公司) ("**Beijing Zhongzhi**"), and (ii) 74.58% by its limited partner, Hainan Jizhi Enterprise Management Consulting Partnership (Limited Partnership) (海南吉智企業管理諮詢合夥企業(有限合夥)) ("**Hainan Jizhi**"). Beijing Zhongzhi is ultimately controlled Li Xueying (李雪瑩). To the best knowledge of our Directors, each of Shenzhen Fengrui, Shenzhen Ruisheng, Beijing Shunyuan, Beijing Zhongzhi, Hainan Jizhi and Li Xueying is an Independent Third Party.

Anji Shundian Limited

Anji Shundian Limited is a company incorporated in the British Virgin Islands with limited liability on April 24, 2023, primarily engaging in equity investments. We became acquainted with Anji Shundian, being the affiliate of Anji Shundian Limited investing in BrainAurora Zhejiang before the Reorganization, in the roadshow of our [**REDACTED**] financing in January 2022. Anji Shundian Limited is wholly owned by Anjispring Limited. Anjispring Limited is owned as to approximately (i) 61.80% by Mr. Guo Jianan (郭建南), (ii) 35.18% by Mr. Liang Guanfei (梁關飛), and (iii) 3.03% by two minority shareholders. To the best knowledge of our Directors, each of Anji Shundian Limited, Mr. Guo Jianan and Mr. Liang Guanfei is an Independent Third Party.

Ambertech Limited

Ambertech Limited is a company incorporated in the British Virgin Islands with limited liability on April 20, 2023, primarily engaging in equity investments. Ambertech Limited is wholly owned, by Ms. Li Qing, an Independent Third Party. We became acquainted with Ms. Li Qing in 2021 through the introduction of our existing investor.

Mr. Huang Guangwei

Mr. Huang Guangwei is an individual investor of our Company and an Independent Third Party. As of the Latest Practicable Date, Mr. Huang is the owner of a private company engaged in the property management and lease business in the PRC. He also makes investments with his own funds in certain primary equity markets. We became acquainted with Mr. Huang Guangwei in September 2021 through the introduction of Mr. Deng Feng, an non-executive Director who controls the NLVC Shareholders.

Jenny Wang Limited

Jenny Wang Limited is a company incorporated in the British Virgin Islands with limited liability on April 20, 2023, primarily engaging in equity investments. Jenny Wang Limited is wholly owned, and thus ultimately beneficially owned, by Ms. Wang Jie, an Independent Third Party. We became acquainted with Ms. Wang Jie in September 2021 through the introduction of our existing investor.

CICC Healthcare

CICC Healthcare is an investment fund established in the Cayman Islands with more than US$300 million capital commitment and focusing on equity investment opportunities in core industries such as new medical technologies, new healthcare models and innovative medicines. The investment portfolio of CICC Healthcare includes public companies specialised in the healthcare industry, such as MicroPort Scientific Corporation (stock code: 00853), Giant Biogene Holding Co., Ltd (stock code: 2367), JD Health International Inc. (stock code: 6618) and others. CICC Healthcare's general partner is CICC Healthcare Investment Management

Limited ("**CICC Healthcare Limited**"). CICC Healthcare Limited is indirectly wholly owned by CICC Capital (Cayman) Limited, an indirect subsidiary of China International Capital Corporation Limited (中國國際金融股份有限公司) ("**CICC Limited**"), whose shares are listed on the Shanghai Stock Exchange (stock code: 601995) and the Stock Exchange (stock code: 3908). To the best knowledge of our Directors, each of CICC Healthcare, CICC Healthcare Limited and CICC Limited is an Independent Third Party.

ACTING IN CONCERT ARRANGEMENTS

To streamline and optimize the shareholding structure and to ensure the stable ownership and business development of our Group, Mr. Tan and Dr. Wang, together with their respective controlled entities, entered into acting-in-concert agreements before and after the Reorganization.

Onshore AIC Agreement

On December 20, 2020, the Onshore AIC Parties, namely Mr. Tan, Dr. Wang, Shuhui LP and Zhipan LP, entered into the Onshore AIC Agreement, pursuant to which, among others, the Onshore AIC Parties agreed to (i) act in concert for so long as they remain interested in the shares of BrainAurora Zhejiang; (ii) consult each other and reach a consensus before voting at the board meetings and shareholders' meetings of BrainAurora Zhejiang; and (iii) in case the parties fail to reach a consensus, vote based on the opinion of Mr. Tan.

Offshore AIC Agreement

On August 6, 2023, the Offshore AIC Parties, namely Mr. Tan, Dr. Wang, ZTan Limited and Wispirit Limited, entered into the Offshore AIC 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 our Group prior to the Reorganization and with respect to the management of our Company since it became the holding company of our Group after the Reorganization; and (ii) agreed to act in concert for so long as they remain interested in the Shares of our Company, consult each other and reach a consensus before voting at the board meetings and Shareholders' meetings of our Company, and in case the parties fail to reach a consensus, vote based on the opinion of Mr. Tan.

SHARE CONVERSION AND AUTHORISED CAPITAL INCREASE

Pursuant to the written resolutions of our Shareholders passed on [●], 2024, upon [**REDACTED**], each issued and unissued Series A Preferred Shares will be automatically converted into ordinary Shares on a 1:1 basis by way of re-designation upon the [**REDACTED**] becoming unconditional (the "**Share Conversion**"), and the authorised share capital of the Company will be increased from US$50,000 divided into 500,000,000 Shares of US$0.0001 par value each to US$150,000 divided into 1,500,000,000 Shares of US$0.0001 par value each (the "**Authorised Capital Increase**"). Upon completion of the Share Conversion

and Authorised Capital Increase, the authorised share capital of the Company will be changed from US$50,000 divided into 499,873,146 ordinary Shares, 95,878 Series A-1 Preferred Shares and 30,976 Series A-2 Preferred Shares of US$0.0001 par value each to US$150,000 divided into 1,500,000,000 ordinary Shares of US$0.0001 par value each.

[**REDACTED**]

PUBLIC FLOAT

Upon completion of the [**REDACTED**] and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), Shares held by certain of our Shareholders will not be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules. Details of these Shareholders and their respective shareholding upon completion of the [**REDACTED**] and the [**REDACTED**] (assuming [**REDACTED**] is not exercised) are set out below:

- ZTan Limited, a Controlling Shareholder and a BVI company wholly owned by Mr. Tan, an executive Director, chairman of the Board and chief strategy officer of our Company, holding [**REDACTED**]% of the total issued Shares;

- Wispirits Limited, a Controlling Shareholder and a BVI company wholly owned by Dr. Wang, an executive Director, CEO and chief research officer of our Company, holding [**REDACTED**]% of the total issued Shares;

- Healthblooming Limited and Integriness Limited, each a Proxy Grantor having granted voting rights in our Company to Mr. Tan pursuant to the Voting Proxy Agreements, holding [**REDACTED**]% and [**REDACTED**]% of the total issued Shares, respectively;

- Wiseforward Limited and Neurobright Limited, each a close associate of Dr. Wang, an executive Director, CEO and chief research officer of our Company, holding [**REDACTED**]%, and [**REDACTED**]% of the total issued Shares respectively;

- Wisdomspirit Holding Limited, a wholly owned entity of Trident Trust Company (HK) Limited, the trustee of the trust established pursuant to the [**REDACTED**] Share Award Scheme of which Mr. Tan and Dr. Wang is each a beneficiary, holding [**REDACTED**]% of the total issued Shares;

- Crusky Limited, a company wholly owned by Ms. Li Mingqiu, our non-executive Director, holding [**REDACTED**]% of the total issued Shares; and

- NLVC Shareholders, each a company ultimately controlled by Mr. Deng Feng, our non-executive Director, holding [**REDACTED**]% of the total issued Shares in aggregate.

Accordingly, upon completion of the [**REDACTED**] and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), the public float of the Company will be [**REDACTED**]%, details of which are set out below:

Shareholders to be counted towards public float	**Number of Shares upon completion of the [REDACTED] and the [REDACTED]**[(1)]	**Shareholding percentage upon completion of the [REDACTED] and the [REDACTED]**[(1)]
CFCH	[**REDACTED**]	[**REDACTED**]
CICC Healthcare	[**REDACTED**]	[**REDACTED**]
Beijing Pegasus	[**REDACTED**]	[**REDACTED**]
Shenzhen Fengrui	[**REDACTED**]	[**REDACTED**]
Anji Shundian Limited	[**REDACTED**]	[**REDACTED**]
Ambertech Limited	[**REDACTED**]	[**REDACTED**]
Mr. Huang Guangwei	[**REDACTED**]	[**REDACTED**]
Jenny Wang Limited	[**REDACTED**]	[**REDACTED**]
Other investors taking part in the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Total	[**REDACTED**]	[**REDACTED**]

Note:

1. Based on the assumption that each of the Series A Preferred Shares will be converted into ordinary Shares on a one-to-one basis immediately before the completion of the [**REDACTED**] and the [**REDACTED**].

Therefore, over 25% of our Company's total issued Shares with a market capitalization of substantially over HK$375 million will be held by the public upon completion of the [**REDACTED**] and the [**REDACTED**] in accordance with Rules 8.08(1)(a) and 18A.07, respectively, of the Listing Rules.

CAPITALIZATION

The below table summarizes the capitalization of our Company as of the date of this Document, and immediately prior to the [**REDACTED**], and immediately upon completion of the [**REDACTED**] and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised).

	Number of Shares as of the date of this Document			Shareholding percentage as of the date of this Document and immediately prior to the [REDACTED] and the [REDACTED]	Total number of Shares upon completion of the [REDACTED] and the [REDACTED][(1)]	Shareholding percentage upon completion of the [REDACTED] and the [REDACTED][(1)]
Shareholders	**Ordinary Shares**	**Series A-1 Preferred Shares**	**Series A-2 Preferred Shares**			
ZTan Limited	275,468	–	–	25.38%	[**REDACTED**]	[**REDACTED**]
Crusky Limited	123,527	–	–	11.38%	[**REDACTED**]	[**REDACTED**]
Wispirits Limited	109,052	–	–	10.05%	[**REDACTED**]	[**REDACTED**]
Healthblooming Limited	99,104	–	–	9.13%	[**REDACTED**]	[**REDACTED**]
Wisdomspirit Holding Limited	85,166	–	–	7.85%	[**REDACTED**]	[**REDACTED**]
CFCH	70,143	–	–	6.47%	[**REDACTED**]	[**REDACTED**]
Wiseforward Limited	44,503	–	–	4.10%	[**REDACTED**]	[**REDACTED**]
Integriness Limited	40,327	–	–	3.72%	[**REDACTED**]	[**REDACTED**]
Neurobright Limited	30,400	–	–	2.80%	[**REDACTED**]	[**REDACTED**]
CICC Healthcare	19,444	–	–	1.79%	[**REDACTED**]	[**REDACTED**]
Beijing Pegasus	17,209	–	–	1.59%	[**REDACTED**]	[**REDACTED**]
Shenzhen Fengrui	14,144	–	–	1.31%	[**REDACTED**]	[**REDACTED**]
Anji Shundian Limited	11,150	–	–	1.03%	[**REDACTED**]	[**REDACTED**]
Ambertech Limited	7,502	–	–	0.69%	[**REDACTED**]	[**REDACTED**]
Mr. Huang Guangwei	7,502	–	–	0.69%	[**REDACTED**]	[**REDACTED**]
Jenny Wang Limited	3,671	–	–	0.34%	[**REDACTED**]	[**REDACTED**]
NLSF	–	7,191	2,323	0.88%	[**REDACTED**]	[**REDACTED**]
NLVF	–	87,469	28,260	10.66%	[**REDACTED**]	[**REDACTED**]
NLPF	–	1,218	393	0.15%	[**REDACTED**]	[**REDACTED**]
Other investors taking part in the [**REDACTED**]	–	–	–	–	[**REDACTED**]	[**REDACTED**]
Total	**958,312**	**95,878**	**30,976**	**100.00%**	[**REDACTED**]	[**REDACTED**]

Note:

1. Based on the assumption that (i) each of the Series A Preferred Shares will be converted into ordinary Shares on a one-to-one basis immediately before the completion of the [**REDACTED**] and the [**REDACTED**], and (ii) the [**REDACTED**] is not exercised.

[REDACTED] SHARE AWARD SCHEME

Our Company adopted the [**REDACTED**] Share Award Scheme on July 30, 2023. The purpose of the [**REDACTED**] Share Award Scheme is to recognise 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. See "Appendix IV — Statutory and General Information — [**REDACTED**] Share Award Scheme" for details.

As of the date of this Document, a total of 85,166 Shares (to be adjusted to [**REDACTED**] pursuant to [**REDACTED**]), representing approximately 7.85% of the issued share capital of our Company, have been allotted and issued to Wisdomspirit Holding Limited, a company wholly owned by Trident Trust Company (HK) Limited ("**Trident**"), the trustee of the trust set up by the Company to facilitate the administration of the [**REDACTED**] Share Award Scheme, of which the Company is the settlor. Such number of Shares correspond to awards granted to specific participants of the [**REDACTED**] Share Award Scheme prior to the [**REDACTED**], and no further grant will be made under the [**REDACTED**] Share Award Scheme after the [**REDACTED**].

PRC REGULATORY REQUIREMENTS

M&A Rules

The Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) ("**M&A Rules**") jointly issued by MOFCOM, the SASAC, the STA, the CSRC, the SAIC (currently known as the SAMR) and the SAFE on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009 with immediate effect, require that a special purpose vehicle, formed for overseas listing purposes and controlled directly or indirectly by PRC companies or individuals through acquisitions of shares of or equity interests in PRC domestic companies, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange.

Unless new laws and regulations are enacted or the MOFCOM, the CSRC or other government authorities publish new provisions or interpretations on the M&A Rules to the contrary in the future, our PRC Legal Advisor are of the view that our [**REDACTED**] is not subject to approval from the MOFCOM or the CSRC under the M&A rules.

SAFE Registration

Pursuant to the Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) ("**SAFE Circular 37**"), promulgated by SAFE on July 4, 2014 and which replaced the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-Raising and Round-Trip Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies (關於境內居民通過境外特殊目的公司融資及返程投資外

匯管理有關問題的通知) ("**SAFE Circular 75**"), (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests to an overseas special purpose vehicle (the "**Overseas SPV**") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of Overseas SPV's PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular 37, failure to comply with these registration procedures may result in penalties.

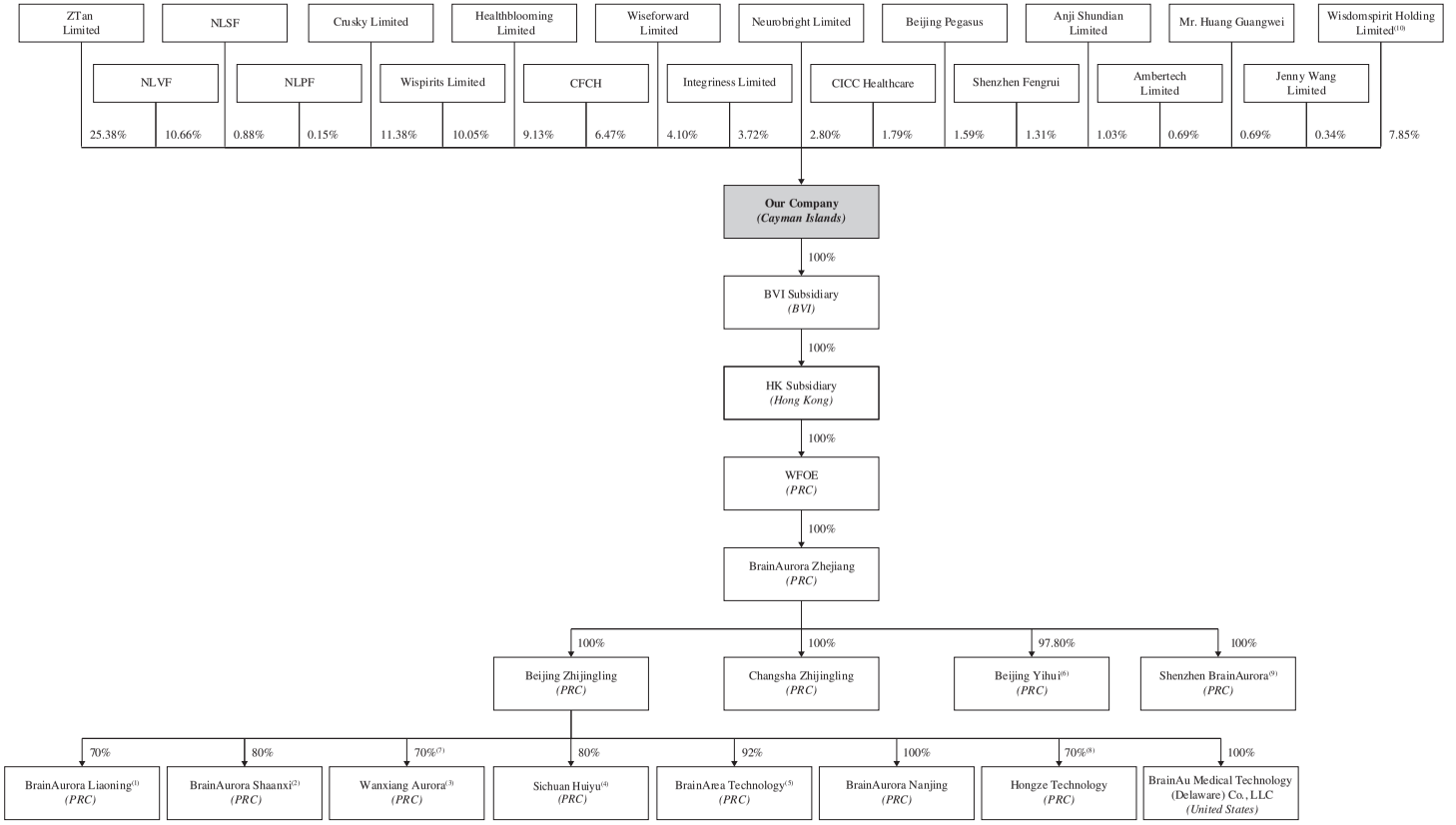
Pursuant to the Circular of the SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知) **("SAFE Circular 13**"), promulgated by SAFE on February 13, 2015 and became effective from June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interests in the domestic entity are located.

As advised by our PRC Legal Advisor, Mr. Tan and Dr. Wang have completed registrations under the SAFE Circular 37 and SAFE Circular 13 as of the Latest Practicable Date.

OUR CORPORATE STRUCTURE

Corporate Structure Immediately Before the Completion of the [REDACTED] and the [REDACTED]

The following chart sets forth our Group's corporate structure immediately prior to the completion of the [**REDACTED**] and the [**REDACTED**], assuming that all of the Series A Preferred Shares have been converted to ordinary Shares on a one-to-one basis:



Notes:

(1)-(6) Please refer to the notes to the table under "Reorganization" on page 216 above.

(7) Subsequent to the completion of the Reorganization, on August 3, 2023, Beijing Zhijingling transferred its RMB0.1 million equity interests of Wanxiang Aurora to Beijing Ruian Enzhuo Biotechnology Co., Ltd. (北京瑞安恩卓生物科技有限公司). Accordingly, and as of the date of this Document, Wanxiang Aurora is owned as to (i) 70% by Beijing Zhijingling, and (ii) 30% by Beijing Ruian Enzhuo Biotechnology Co., Ltd. (北京瑞安恩卓生物科技有限公司).

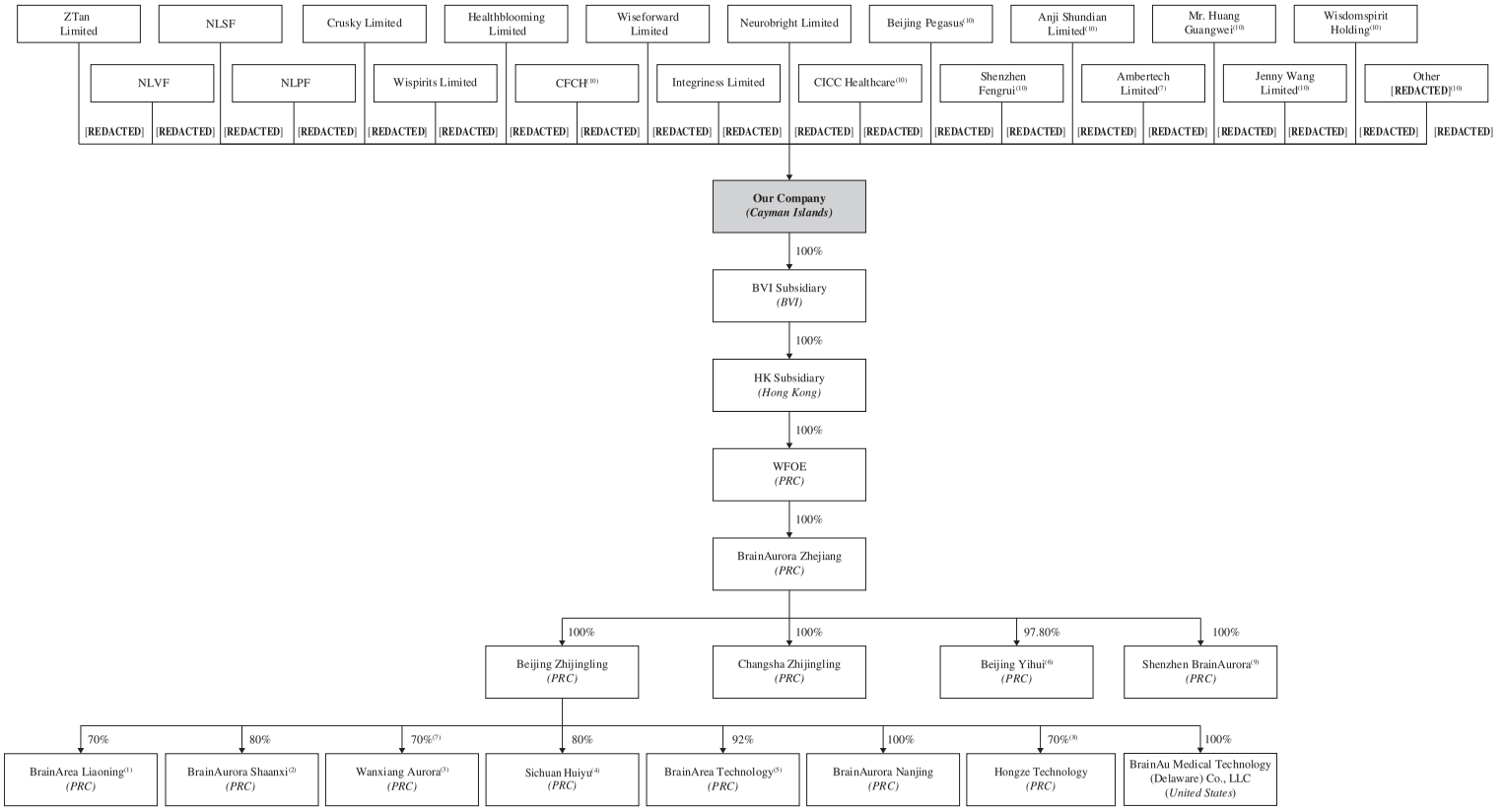
(8) Subsequent to the completion of the Reorganization, on September 12, 2023, the registered share capital of Hongze Technology increased by RMB428,600 from RMB1 million to RMB1.4286 million, which is subscribed by Beijing Anyi Huidong Medical Technology Co., Ltd. (北京安醫匯動醫學科技有限公司). Accordingly, following the subscription, and as of the date of this Document, 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, Beijing Anyi Huidong Medical Technology Co., Ltd. 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 Rule.

(9) Shenzhen BrainAurora was established in the PRC on October 17, 2023.

(10) On August 2, 2023, a total of 85,166 Shares (to be adjusted to [**REDACTED**] Shares pursuant to [**REDACTED**]) were allotted and issued to Wisdomspirit Holding Limited, a company wholly owned by Trident, the trustee of trust set up by the Company to facilitate the administration of the [**REDACTED**] Share Award Scheme. See "History, Reorganization and Corporate Structure — [**REDACTED**] Share Award Scheme" and "Appendix IV — Statutory and General Information — [**REDACTED**] Share Award Scheme" for details.

Corporate Structure Immediately Following the Completion of the [REDACTED] and the [REDACTED]

The following chart sets forth our Group's corporate structure immediately following the completion of the [**REDACTED**] and the [**REDACTED**], assuming that (i) all of the Series A Preferred Shares have been converted to ordinary Shares on a one-to-one basis, and (ii) the [**REDACTED**] is not exercised:



Notes:

(1) to (9) For details of these subsidiaries, see "Corporate and Shareholding Structure Immediately Before the Completion of the [**REDACTED**] and the [**REDACTED**]" in this section.

(10) Shares held by these Shareholders will be counted towards public float. For details, see "Public Float" in this section.

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, according to Frost & Sullivan. 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 is the first cognitive impairment DTx product that has obtained regulatory approval in China, according to Frost & Sullivan. As a testimony of our breakthrough achievement, we published the clinical trial results of the Brain Function Information Management Platform Software System (the "**System**") in May 2019 on "Alzheimer's & Dementia" (the "**A&D Journal**"), a leading peer-reviewed journal of clinical studies in cognitive impairment. The article was the first one worldwide to demonstrate the effectiveness of DTx on vascular cognitive impairment no dementia (the "**VCIND**") through evidence-based data from randomized controlled clinical trials, according to Frost & Sullivan. We have also been deeply involved in the publications of the first four expert consensus in the field of DTx in China. In March 2023, we co-authored the "Chinese expert consensus on digital therapeutics for cognitive impairment (2023 edition)" (《認知數字療法中國專家共識(2023)》), which for the first time in China systematically defined cognitive impairment DTx, and has earned us widespread recognition by top hospitals and medical professionals in China, according to Frost & Sullivan. We believe our market position and expertise in DTx research and development have created high entry barriers for potential competitors.

We are a commercial stage company. As of the Latest Practicable Date, the System had been included in the provincial health insurance reimbursement lists of 30 provinces in China. We are also the first organizer of a project initiated by the NHC, according to Frost & Sullivan, under which we are tasked with helping hospitals to establish cognitive centers in over 2,100 public hospitals across China and promoting the development of cognitive impairment DTx market in China. We also collaborate with hospitals to establish cognitive centers outside of the NHC project to help us build long-term business relationship with the participating hospitals. We invest in this strategy by providing the System, the hardware on which the System operates, as well as the funding for renovating the cognitive center premises. As of the Latest Practical Date, we had helped more than 80 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 globally.

We have established a broad DTx product pipeline. The System had been commercialized for eight indications from four major types of cognitive impairment and is under development for additional 21 cognitive impairment indications as of the Latest Practicable Date. We had four other products with regulatory approvals in China and the EU and five product candidates under different stages of preclinical and clinical development as of the Latest Practicable Date. We enjoy global rights with respect to our products and product candidates.

OUR PIPELINE

The following chart summarizes the development status of the System under various indications, as well as other products and product candidates in our pipeline as of the Latest Practicable Date.

Product	Disease Area	Indication	Assessment/ Intervention	Phase	Upcoming Milestone	Estimated and Actual Time of Commercialization	Commercialization Country/Region
				Preclinical / Clinical Trial / Registration / Commercialization			
Brain Function Information Management Platform Software System ★	Vascular disease induced cognitive impairment	Vascular cognitive impairment	Assessment + Intervention	Commercialization		June 2020	China
		Aphasia	Assessment + Intervention	Registration		June 2020	China
		Atrial fibrillation induced cognitive impairment	Assessment + Intervention	Clinical Trial	2024 Q4 Clinical Trial Completion	2025	China
		Hypertension induced cognitive impairment	Assessment + Intervention	Clinical Trial	2024 Q4 Clinical Trial Completion	2025	China
		Coronary heart disease induced cognitive impairment	Assessment + Intervention	Clinical Trial	2024 Q4 Clinical Trial Completion	2025	China
		Post-cardiac surgery rehabilitation	Assessment + Intervention	Preclinical	2024 Q2 Clinical Trial Initiation	2026	China
		Heart failure induced cognitive impairment	Assessment + Intervention	Preclinical	2024 Q2 Clinical Trial Initiation	2028	China
	Neurodegenerative disease induced cognitive impairment	Alzheimer's disease	Assessment + Intervention	Commercialization		June 2020	China
		Amnestic mild cognitive impairment	Assessment + Intervention	Registration	2024 Q3 Data Analysis Completion	2025	China
		Parkinson's disease	Assessment + Intervention	Preclinical	2026 Q2 Clinical Trial Initiation	2027	China
	Psychiatric disorder induced cognitive impairment	Depression	Assessment + Intervention	Commercialization		June 2020	China
		Schizophrenia	Assessment + Intervention	Commercialization		June 2020	China
		Sleep disorders	Assessment + Intervention	Commercialization		June 2020	China
		Anxiety	Assessment + Intervention	Preclinical	2024 Q4 Clinical Trial Initiation	Late 2025	China

Product	Disease Area	Indication	Assessment/ Intervention	Phase				Upcoming Milestone	Estimated and Actual Time of Commercialization	Commercialization Country/Region
				Preclinical	Clinical Trial	Registration	Commercialization			
	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					2024 Q4 Clinical Trial Initiation	2025	China
	Other disorders	Epilepsy	Assessment + Intervention					2025 Q2 Clinical Trial Initiation	2026	China
		Bone fracture induced pain	Assessment + Intervention					2024 Q4 Clinical Trial Completion	2026	China
		Diabetes	Assessment + Intervention					2024 Q2 Clinical Trial Initiation	2026	China
		Phenylketonuria induced cognitive impairment	Assessment + Intervention					2024 Q2 Clinical Trial Initiation	2027	China
		Kidney disease induced cognitive impairment	Assessment + Intervention					2024 Q2 Clinical Trial Initiation	2026	China
		Multiple sclerosis	Assessment + Intervention					2025 Q1 Clinical Trial Initiation	2026	China
		Hepatic encephalopathy	Assessment + Intervention					2025 Q3 Clinical Trial Initiation	2026	China
		Post-breast cancer surgery rehabilitation	Assessment + Intervention					2024 Q2 Clinical Trial Initiation	2027	China
		Post-lung cancer surgery rehabilitation	Assessment + Intervention					2024 Q2 Clinical Trial Initiation	2027	China
		Drug addiction	Assessment + Intervention					2024 Q2 Clinical Trial Initiation	2027	China

Product	Disease Area	Indication	Assessment/ Intervention	Phase				Upcoming Milestone	Estimated and Actual Time of Commercialization	Commercialization Country/Region
				Preclinical	Clinical Trial	Registration	Commercialization			
Basic Cognitive Ability Testing Software		Cognitive impairment	Assessment					2024 Q2 Commencement of Commercialization	2024	China
Cognitive Ability Supplemental Screening and Assessment Software		Cognitive impairment	Assessment					2024 H2 Commencement of Commercialization	2024	China
Dyslexia Supplemental Screening and Assessment Software	Child development deficiency induced cognitive impairment	Dyslexia	Assessment					2024 H2 Commencement of Commercialization	2024	China
Covid-19 Induced Cognitive Impairment Assessment and Recovery Training Software	Other disorders	Covid-19 induced cognitive impairment	Assessment + Intervention					2024 Q2 Registration Submission	2024	China
Attention Deficit Hyperactivity Disorder Assessment and Treatment Software	Child development deficiency induced cognitive impairment	Attention deficit hyperactivity disorder	Assessment + Intervention					2024 Q4 Clinical Trial Initiation	2025	China
Quantitative Cognitive Assessment Software for Depression	Psychiatric disorders	Depression	Assessment					2024 Q4 Clinical Trial Completion	2025	China
Depression Treatment Software	Psychiatric disorders	Depression	Intervention					2024 H1 Clinical Trial Initiation	2026	China
Cognitive Impairment Assessment Software		Cognitive impairment	Assessment					2025 Registration Submission	2026	EU
								2024 H2 Registration Submission	2025	US
Cognitive Impairment Treatment Software		Cognitive impairment	Intervention					2025 Commencement of Commercialization	2025	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

We have built end-to-end capabilities ranging from R&D to commercialization.

- *R&D and Technology*. We have assembled a dedicated and multi-disciplinary R&D team of 109 members with 21 holding a masters degree and two holding PhDs as of the Latest Practicable Date. The team closely tracks the medical data and information from patients generated by the System and our other products and updates the underlying algorithms and AI technology to adjust and customize training tasks based on patients' specific conditions and stage of recovery. Our extensive technological capabilities enable us to flexibly and rapidly expand the indications coverage of our System, as well as to develop other assessment and intervention DTx products, in a cost-effective manner. Our strong R&D capabilities have resulted in a rich intellectual property portfolio. As of the Latest Practicable Date, we held 36 patents and 75 patent applications in China and eight pending patent applications overseas. We have developed two core underlying technologies, namely the virtual human technology and AI technology, which serve as the foundation of our System and other products and product candidates. Our virtual human technology can perform medical assessment and communicate with a large number of patients at once. Our AI technology enables our System and other products and product candidates to analyze patient information and diagnose patients. When applied to our intervention products, our AI-based adaptive collaborative intervention model uses the information collected from patients, including their historical training performance scores and performance details from previous training tasks of varying difficulty levels, to dynamically adjust the content of the training sessions to achieve personalized interventions. The adaptive collaborative intervention model accomplishes this by selecting from millions of possible module combinations, enabled by our library of over 300 training modules, to design the optimal training session to activate the appropriate brain regions for the best therapeutic effect.

- *Commercialization*. We believe our commercialization capabilities are largely attributable to our achievements in evidence-based academic and scientific research in the fields of cognitive impairment, and the performance of our System and other products, which have gained us wide recognition by customers and accelerated the commercialization of our System. The completion of our evidence-based research contributed to high credibility and acceptance of our products among hospitals and physicians, paving the way for nation-wide adoption and commercialization of our products. We have established an experienced sales and marketing team dedicated to academic promotion to further enhance our market position. As a testimony of our strong commercialization capabilities, our revenue has experienced rapid growth from RMB11.3 million in 2022 to RMB67.2 million in 2023.

We believe that our diversified product portfolio, together with our end-to-end capabilities across R&D to commercialization, will create high entry barriers, solidify our industry position and fuel a strong growth trajectory.

OUR COMPETITIVE STRENGTHS

Seasoned player in China's cognitive impairment DTx market with significant market opportunities

We are a seasoned player in China's cognitive impairment DTx market. We are the first company in China that has developed medical-grade DTx product for cognitive impairment, leveraging achievements in brain science and advanced AI technologies, according to Frost & Sullivan. As a testimony of our breakthrough achievement, we published the clinical trial results of our System in May 2019 on A&D Journal, a leading peer-reviewed journal representing a high academic level of clinical studies in cognitive impairment. The article was the first one worldwide to demonstrate the effectiveness of DTx on VCIND through evidence-based data from randomized controlled clinical trials, according to Frost & Sullivan. Our Core Product, the System, is the first cognitive impairment DTx product that has obtained regulatory approval in China, according to Frost & Sullivan. We have built high entry barriers on product development, technologies, academic recognition and commercialization, which enable us to establish our position in China's cognitive impairment DTx market.

We have achieved early success in gaining acceptance for and commercializing our DTx product. In September 2020, we helped establish a cognitive center in Chaoyang Hospital, which was the first cognitive center adopting DTx in China, according to Frost & Sullivan. Since then, we had helped more than 80 hospitals establish cognitive centers in China as of the Latest Practicable Date, including several top hospitals with "National Medical Center" (國家醫學中心) certification for various medical specialties by the NHC, a certification selectively granted to very few top hospitals in each specialty. These hospitals include Xuanwu Hospital (certified in neurology), Anzhen Hospital (certified in cardiology) and Anding Hospital (certified in psychiatrics). The top hospitals adopt and use our System for the medical assessment and intervention of various types of cognitive impairment, which has led to wide recognition and acceptance of our System by hospitals and medical professionals nationwide, paving the way for our potential collaboration with more hospitals and solidifying our market position.

We also drive the development of China's cognitive impairment DTx industry. We have been deeply involved in the publications of the first four expert consensus in the field of cognitive impairment DTx in China. In particular, in March 2023, we co-authored the "Chinese expert consensus on digital therapeutics for cognitive impairment (2023 edition)" (《認知數字療法中國專家共識(2023)》) which for the first time in China systematically defined cognitive impairment DTx, according to Frost & Sullivan. In addition, three expert consensuses and one guideline published from 2021 to 2023 referred to our article published on A&D Journal, in 2019. We have also participated in seven national level research and development projects organized by the Ministry of Science and Technology (中華人民共和國科學技術部) under China's 13th and 14th Five-Year Plan for Economic and Social Development of the PRC (中華人民共和國國民經濟和社會發展第十三個和第十四個五年規劃). The NHC has entered into a cooperation with us to, over the next five years, (i) train approximately 500 to 1,000 cognitive impairment specialists each year; and (ii) help to establish over 2,100 cognitive centers. We are

also the first organizer providing trainings to medical professionals on professional medical treatments using DTx, according to Frost & Sullivan. As of the Latest Practicable Date, we assisted with 29 training sessions to over 3,100 attendees from over 800 hospitals in China.

We enjoy significant market potential in China's cognitive impairment DTx industry. Our System primarily addresses the assessment and intervention of four major types of cognitive impairments: vascular disease induced cognitive impairment, neurodegenerative disease induced cognitive impairment, psychiatric disorder induced cognitive impairment, and child development deficiency induced cognitive impairment. According to Frost & Sullivan, the number of patients suffering from the above types of cognitive impairments has exceeded over 1,703.1 million worldwide as of the end of 2022. Currently there is no effective intervention and preventive therapies for cognitive impairment: the currently prevailing drug therapies are only administered when the cognitive impairment reaches late-stage, and often demonstrate limited efficacy. As such, DTx as an innovative treatment has significant growth potential in a vast and underserved cognitive impairment market.

We are well positioned to seize significant market opportunities with our market position in China's cognitive impairment DTx market as well as our DTx product. Leveraging our technologies on virtual human and AI, as well as our abundant theoretical and clinical research in brain science, we are prepared to rapidly expand the application of the System on new cognitive impairment indications, as well as to further develop and commercialize our other products in a cost-efficient manner.

Comprehensive coverage of cognitive impairment indications with rapid pipeline expansion

We have established a comprehensive DTx product pipeline covering both assessment and intervention of a broad range of cognitive impairment indications. Our Core Product, the System, has been commercialized for eight indications, and is under development for additional 21 cognitive impairment indications, including cognitive impairments induced by atrial fibrillation, hypertension, coronary heart disease, Parkinson's disease, anxiety, language delay, cerebral palsy, dyslexia, epilepsy and diabetes, among others.

The System provides both medical assessment and intervention for an extensive range of cognitive impairments. For cognitive impairment intervention, our System provides a novel and effective therapeutic approach which has been highly recognized by a large number of hospitals and medical professionals. Our System also serves as an assessment and screening tool for cognitive impairments, which enables it to enter more hospitals and cover more target population. The "assessment + intervention" model has significantly broadened our commercialization channels and contributed to our industry position.

Our System targets a variety of cognitive impairment indications, covering the assessment and intervention of four major types of cognitive impairment: vascular disease induced cognitive impairment, neurodegenerative disease induced cognitive impairment, psychiatric disorder induced cognitive impairment, and child development deficiency induced cognitive impairment.

- *Vascular disease induced cognitive impairment.* We have successfully commercialized the System for vascular cognitive impairment and cognitive impairment induced by aphasia. We have initiated three randomized controlled trials in collaboration with Anzhen Hospital on mild cognitive impairment induced by atrial fibrillation, hypertension and coronary heart disease, respectively. We are also under preclinical research on post-cardiac surgery rehabilitation and heart failure induced cognitive impairment. Vascular disease induced cognitive impairment (the "**VDCI**") DTx product enjoys significant market potential, with a global prevalence of approximately 446.7 million in 2022 for the major types of VDCI, according to Frost & Sullivan.

- *Neurodegenerative disease induced cognitive impairment.* We have successfully commercialized the System for cognitive impairment induced by Alzheimer's disease. We have also initiated a clinical trial on amnestic mild cognitive impairment. In addition, we are also conducting preclinical research on mild cognitive impairment induced by Parkinson's disease. The System is the first cognitive impairment DTx that targets such cognitive impairments, according to Frost & Sullivan. Neurodegenerative disease induced cognitive impairment (the "**NCI**") DTx product enjoys significant market potential, with a global prevalence of NCI of approximately 154.4 million in 2022 for the major types of NCI, according to Frost & Sullivan.

- *Psychiatric disorder induced cognitive impairment*. We have successfully commercialized the System for cognitive impairment induced by depression, schizophrenia and sleep disorders. We are under preclinical research on cognitive impairment induced by anxiety. Psychiatric disorder induced cognitive impairment (the "**PCI**") DTx product enjoys significant market potential, with a global prevalence of approximately 344.5 million in 2022 for the major types of PCI, according to Frost & Sullivan.

- *Child development deficiency induced cognitive impairment*. We have successfully commercialized the System for cognitive impairment induced by attention deficient hyperactivity disorder (the "**ADHD**") and autism. We are under preclinical research on cognitive impairment induced by language delay, cerebral palsy and dyslexia. Child development deficiency induced cognitive impairment (the "**CDDCI**") DTx product enjoys significant market potential, with global prevalence of CDDCI of approximately 757.5 million in 2022 for the major types of CDDCI, according to Frost & Sullivan.

Besides these four major types of cognitive impairments, we are also conducting research and development of the System for application in cognitive impairment induced by ten other diseases, such as epilepsy, bone fracture induced pain, diabetes and multiple sclerosis, among others.

In addition to the System, we have developed and obtained regulatory approval for other cognitive impairment DTx products, namely our Basic Cognitive Ability Testing Software (the "**BCAT**"), the Cognitive Ability Supplemental Screening and Assessment Software (the "**SAS**") and the Dyslexia Supplemental Screening and Assessment Software (the "**DSS**"), all helping physicians with assessment of various types of cognitive impairments, as well as the Cognitive Impairment Treatment Software for which we obtained the CE mark in the EU in 2022. We are also developing various types of cognitive impairment assessment and intervention software products, such as COVID-19 Induced Cognitive Impairment Assessment and Recovery Training Software, Attention Deficit Hyperactivity Disorder Assessment and Treatment Software (the "**ADHD Software**"), Quantitative Cognitive Assessment Software for Depression and Depression Treatment Software. For the COVID-19 Induced Cognitive Impairment Assessment and Recovery Training Software, we have completed the clinical trial and expect to submit Class II medical device registration by the second quarter of 2024.

We are also expanding our pipeline to potentially enter overseas markets. We are developing our Cognitive Impairment Assessment Software and Cognitive Impairment Treatment Software in the U.S. in preparation for regulatory filings under Section 510(k).

R&D capabilities and core technologies supported by multidisciplinary team

We have assembled a dedicated R&D team with multidisciplinary experience, including brain sciences, algorithms and AI, among other scientific fields. Our R&D team is led by Dr. Wang, who has been our CEO and chief research officer. Our key R&D staff have on average over six years of relevant experience in the DTx industry.

We have developed two core underlying technologies, namely virtual human and AI technologies, which serve as the foundation of our System and other products and product candidates. Our AI technology enables physicians to perform assessment and intervention in a highly standardized and user-friendly manner, which we believe contributes to its rapid acceptance and adoption in primary hospitals across China. Leveraging our core technologies, we are well-positioned to tackle a variety of pain points in China's cognitive impairment DTx market.

- *Diagnosis accuracy and efficiency*. Our virtual human technology enables physicians to perform medical assessment and communicate with a large number of patients at once. Our AI technology helps medical professionals analyze information collected from patients and diagnose patients with an accuracy rate[1] of over 90%. Furthermore, we conduct assessment after patients finish trainings on our System, which then enables the System to develop new self-adapting training sessions based on assessment results.

  In particular, our virtual human technology can break through certain constraints of traditional clinical assessment standards such as the Mini-Mental State Examination (the "**MMSE**") and the Montreal Cognitive Assessment (the "**MoCA**"), and offer more accurate assessment results. MMSE and MoCA typically require medical professionals to personally conduct one-on-one assessments, which could be influenced by their subjective judgment and lack efficiency as medical professionals need to ask, record and explain assessment questions and responses. Patients may also provide responses that do not accurately reflect their conditions due to subjective factors such as their moods. Our System and other assessment DTx products adopt various AI technologies such as natural language processing and image processing to accurately determine the responsiveness of patients' input and enable medical professionals to assess multiple patients at once, which significantly enhances assessment efficiency.

- *Treatment Efficacy.* Traditional treatment of cognitive impairment primarily relies on drug therapies, which are typically not available until later stages of cognitive impairment. Efficacy of these traditional drug therapies can be limited, and they cannot be applied to certain indications such as neurodegenerative diseases or gradual mild cognitive impairment. The System's adaptive collaborative intervention model selects from millions of possible module combinations, enabled by our library of over 300 training modules, to design the optimal training session to activate the appropriate brain regions for the best therapeutic effect.

  The AI technology also allows the System to analyze patients' response time and accuracy rate when using the System and flexibly adjusts training scenarios and difficulties accordingly by choosing from millions of possible module combinations, making the training session highly customized and self-adaptive for each patient. We also embedded features to make the training sessions more fun and enjoyable for patients, which we believe leads to better patient compliance and loyalty. Based on results from preclinical studies, patients who complete the self-adaptive training

1 The AI model involved in the System is trained based on the historical assessment data of participants. The historical assessment data includes samples of correct and incorrect answers from participants. Based on these samples, corresponding AI models are constructed for the corresponding assessment questions. These models can automatically judge whether the current participant's answer is correct. It has been evaluated and verified on a set of 2,300 users' historical assessments, and the accuracy of the AI model's performance is higher than that of manual evaluation. The model accuracies are all above 90%.

sessions enabled by our AI technologies demonstrate over 60% higher level of brain capability improvement compared to patients who complete non-adaptive training sessions without AI-enabled adjustments or analysis.

The treatment efficacy by our System has been demonstrated by its clinical trial results which were published on the industry leading, peer-reviewed journal A&D Journal, and featured on the cover page of the issue. At the end of the seven-week intervention, the patients who used our System for multi-domain, adaptive cognitive training showed significant improvement in global cognitive function measured by the average MoCA score from 21.87 before the 7-week intervention to 25.22 after, out of a total score of 30 (a score of 25 and above is considered normal), while the patients in the active control group who received non-adaptive trainings did not experience such increase in MoCA score (21.23 before intervention to 21.15 after, out of a total score of 30).

Our extensive technological capabilities also enable us to flexibly and rapidly expand the indication coverage of our System and to develop other DTx products and product candidates in a cost-effective manner. See "—Our Technologies" for more details on our current R&D efforts to further improve our technological capabilities.

Our strong R&D capabilities have resulted in a strong intellectual property portfolio. As of the Latest Practicable Date, we had 177 registered trademarks, 36 granted patents, 75 registered software copyrights and filed 75 patent applications in China, as well as eight pending patent applications overseas.

Strong commercialization capabilities and accelerated commercialization momentum propelled by academic and industry achievements

We believe our strong commercialization capabilities are largely attributable to our achievements in evidence-based research and academic achievements in the fields of cognitive impairment, and the outstanding performance of our System and other products with regulatory approvals, which have gained us wide recognition by customers and significantly accelerated the commercialization of our products. We have established an experienced sales and marketing team dedicated to academic promotion to further enhance our market position.

- *Evidence-based research and academic achievements.* In December 2015, we initiated a randomized controlled trial in cooperation with Xuanwu Hospital (the best hospital in neurology in China) (the "**Xuanwu Trial**"), which generated favorable safety and efficacy data that demonstrated the System's effectiveness in the assessment and intervention of vascular cognitive impairment. The Xuanwu Trial received recommendation of Nature Reviews Disease Primers (the "**NRDP journal**"), an internationally leading academic journal with an SCI Impact Factor of 65.038 in 2023. The results of the Xuanwu Trial were published in May 2019 on A&D Journal, which was the first article worldwide to demonstrate the effectiveness of DTx on VCIND through evidence-based data from randomized controlled clinical

trials, according to Frost & Sullivan. The completion of the Xuanwu Trial also facilitated our commercialization of the System as a large number of top hospitals in China recognized the System as a viable assessment and intervention therapy for cognitive impairment.

- *Industry recognition and acceptance.* Our System has gained wide industry recognition as an effective therapy for the assessment and intervention of various types of cognitive impairment. In March 2023, we co-authored the "Chinese expert consensus on digital therapeutics for cognitive impairment (2023 edition)" (《認知數字療法中國專家共識(2023)》) which for the first time in China systematically defined cognitive impairment DTx, according to Frost & Sullivan. In addition, three expert consensus and one guideline published from 2021 to 2023 referred to our article published on "Alzheimer' & Dementia" in 2019. Our achievements in the cognitive impairment field has also enabled us to be at the forefront of establishment of industry standard and development of the DTx market in China. We have been deeply involved in the publications of the first four expert consensus in the field of DTx in China during 2018 to 2021. In 2022, we jointly participated in setting the technical standards for data security, privacy and system on information technology safety protection together with the Ministry of Industry and Information Technology, the NHC, and other government agencies. We are also the first organizer of a project initiated by the NHC, according to Frost & Sullivan, under which we are tasked with helping to establish cognitive centers in over 2,100 public hospitals across China and promoting the development of cognitive impairment DTx market in China.

We have a track record of successful commercialization. Since the first cognitive center we helped establish in Chaoyang Hospital in September 2020, we had helped more than 80 hospitals establish cognitive centers in China, and had served over 231,000 patients cumulatively as of the Latest Practicable Date. In addition to hospitals, we also offer the System integral software solutions out of hospitals to individual patients. Largely attributable to the outstanding performance of our System, many patients who have completed treatments utilizing our System in hospitals choose to continue to use our System at home.

As a result of the above, our revenue experienced significant growth during the Track Record Period. Our revenue increased significantly from RMB11.3 million in 2022 to RMB67.2 million in 2023.

Visionary management team with rich experience in brain sciences, AI technologies, and business development

Our visionary management team with rich experience in brain sciences, AI technology and business development has been the bedrock of our success to date. With an average of over ten years of industry experience, our management team has a track record of successfully developing and launching new products to seize market opportunities and adapt to a rapidly evolving industry. They have been committed to the innovation, sustainability and long-term development of our business.

Our Chief Executive Officer, Dr. Wang, has more than 20 years of academic and professional experience in brain and cognitive sciences. He is widely recognized as a leading scientist in China's cognitive impairment DTx industry. Dr. Wang has authored or co-authored over 40 academic articles on cognitive impairment assessment and intervention research. He has also led and hosted tens of scientific research projects, and participated in the invention of 18 issued patents, over 40 patent applications, and over 40 software copyrights. Our Chief Technology Officer, Mr. Longjun Cai, has approximately 15 years of academic and professional experience and extensive know-hows in product development, data, and algorithms, and has contributed significantly to our AI capabilities. Mr. Cai participated in the invention of over 40 patents in China, and has published numerous academic articles on leading journals and during industry conferences.

OUR STRATEGIES

Continue indication expansion of the System and development of other product candidates to further solidify our position in China's cognitive impairment DTx market

We plan to accelerate the development, registration, and commercialization processes to expand our System to more cognitive impairment indications by developing upgraded versions of the System or developing new products. We believe this will enable us to provide customized and effective medical solutions to more cognitive impairment patients. In particular, we plan to focus on the following categories of indications:

- *Vascular disease induced cognitive impairment*: 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. We expect to complete these clinical trials in 2024. We are also under preclinical research for post-cardiac surgery rehabilitation and heart failure-induced cognitive impairment indications, and aim to initiate clinical trials in 2024 and 2026, respectively.

- *Neurodegenerative disease induced cognitive impairment*: we have completed a clinical trial to evaluate the System's safety and efficacy on amnestic mild cognitive impairment and expect to complete data analysis by the third quarter of 2024. We are also under preclinical research for Parkinson's disease indication, and aim to initiate clinical trial in 2026.

- *Psychiatric disorder induced cognitive impairment*: we plan to upgrade the System's application on cognitive impairment induced by depression (which has been commercialized) to develop a more comprehensive solution for such indication. We are also under preclinical research for anxiety indication, and aim to initiate clinical trial in 2024.

- *Child development deficiency induced cognitive impairment*: We are under preclinical research for language delay, cerebral palsy and dyslexia indications, and aim to initiate clinical trials in 2024 or 2025.

- *Other disease.* In addition to the four fields of cognitive impairments above, we also plan to conduct more research and development of the System for application in cognitive impairment induced by other diseases, such as bone fracture induced pains, diabetes and other metabolic diseases, and aim to initiate clinical trials in the next three years.

Besides the System, we also plan to conduct further preclinical and clinical research and development on our other products and product candidates to provide more specialized assessment and intervention of various types of cognitive impairment and psychiatric disorders (such as depression). For example, we are conducting a clinical trial to evaluate the safety and efficacy of Quantitative Cognitive Assessment Software for Depression on the assessment of cognitive impairment induced by depression in cooperation with Anding Hospital. We expect trial completion by the fourth quarter of 2024. We also plan to develop DTx products that focus on cognitive impairments as well as neurological and psychiatric symptoms (such as signs of depression, anxiety and Symptoms of post-traumatic stress disorder ("**PTSD**")) arising out of orthopedics and endocrine related injuries and/or diseases. In addition, we also intend to develop DTx products to help manage the rehabilitation plan design and daily execution for bone fracture and other orthopedic patients.

Accelerate commercialization of the System and other products and enhance market penetration

We intend to build on our existing commercialization success and capabilities to accelerate and initiate commercialization of the System and other products with various business customers. We plan to focus our commercialization efforts on hospitals, rather than specific departments of these hospitals, as we believe business relationships at the hospital level will allow us to cooperate with various departments within these hospitals. In particular, our strategic focus is to cooperate with nationally leading hospitals and help establish cognitive centers, which we believe will showcase the advantages and value of our products. Cooperation with top hospitals will also help us accumulate product research and development experience and broaden our industry influence and recognition, which we believe will further expand our cooperation and commercialization with lower-tier hospitals across China. Over the next five years, we intend to cooperate with the NHC to (i) train approximately 500 to 1,000 cognitive impairment specialists each year; and (ii) help to establish over 2,100 cognitive centers.

We plan to enhance our customer service and customer experience. In addition to our products, we also provide hospitals with technical support and staff trainings. We believe this will help hospitals to better understand and become inclined to adopt our products. It will also provide better user experience and convenience for patients.

We intend to recruit more talents with academic and professional experiences in the field of cognitive impairment DTx to expand our commercialization team and enhance the team's academic and marketing capabilities. Leveraging our extensive clinical research experience, academic achievements in publishing research papers on top academic journals and our recognition among industry experts, we intend to further solidify our long-term relationships with leading hospitals and physicians as well as regulatory authorities by sponsoring more academic conferences, and actively participating in the establishment of industry standards. We believe such relationships will further enhance market penetration of our DTx product.

Further improve our research and development capabilities

We believe DTx will bring a transformation in the prevention, assessment, diagnosis, treatment, and recovery of cognitive impairment related diseases. To further broaden the application and indication coverage of our DTx product, we will continue to upgrade and optimize our existing technologies and cooperate with top research and medical institutions to continuously improve our research and development capabilities. We believe the enhanced research and development capabilities will enable us to develop products with higher efficiency and lower costs.

Specifically, we intend to further refine our virtual human and AI technologies to improve the effectiveness and efficiency of our System as well as our other products and product candidates in facilitating physicians assess patients' conditions. We also intend to refine the algorithms that underlie our products to make them more adaptive to each patients' conditions and recovery stages.

We will further expand our multidisciplinary R&D team by recruiting more talents with background in brain science and algorithms. We plan to establish brain science and DTx research centers in collaboration with academic institutions and hospitals. We believe our strengthened relationships with these academic institutions and hospitals will provide us a sustainable supply of talent and intelligence, which will further support our continuous product research and clinical development to broaden the indication coverage of our System and the development of our other product candidates. We plan to co-author or become deeply involved in the release of future expert consensus on the use of medical-grade DTx as an effective therapy for the assessment and intervention of cognitive impairment. We believe the medical professionals in China give high regards to such expert consensus, and our involvement could lead to higher recognition by these professionals and our industry position.

Expand our international footprint and build global influence

We aspire to become a world leader and respected trailblazer in brain science application, providing meaningful and effective therapies for cognitive impairment patients globally. To that end, we intend to target our market expansion in the U.S., Europe, Southeast Asia, Middle East and One-Belt-One-Road nations. We believe establishing a global presence can effectively reduce the risk of dependence on one single market, and can lead to favorable economic return. We also plan to expand overseas by developing our Cognitive Impairment Assessment Software and Cognitive Impairment Treatment Software in the EU and the U.S. We obtained the CE mark in the EU for our Cognitive Impairment Treatment Software in 2022. 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).

Strategically seek merger and acquisition opportunities

We intend to grow our business by strategically selecting targets for mergers and acquisitions. We may consider acquiring hardware companies to supplement our hardware capabilities, enhance the functionality, comprehensiveness and effectiveness of our products and product candidates. We believe our established network with and direct access to key opinion leader(s), person(s) (the "**KOL(s)**"), hospitals and physicians gives us the best knowledge of strategic opportunities which could complement or improve our existing product offerings. As of the Latest Practicable Date, we had not identified any specific acquisition targets.

OUR PRODUCT PIPELINE

We are a seasoned player in China's cognitive impairment DTx market. We are the first company in China that has developed medical-grade DTx product for cognitive impairment, combining brain science with advanced AI technologies, according to Frost & Sullivan. Our product pipeline covers both the assessment and intervention of a broad range of cognitive impairment indications, primarily including VDCI, NCI, PCI and CDDCI. Our Core Product, the System, is the first cognitive impairment DTx product that has obtained regulatory approval in China, according to Frost & Sullivan. We have established a broad DTx product pipeline, including the System (which has been commercialized for eight indications from four major types of cognitive impairment and is under development for additional 21 cognitive impairment indications), four other products with regulatory approvals, and five product candidates under different stages of preclinical and clinical development as of the Latest Practicable Date.

OUR PIPELINE

The following chart summarizes the development status of the System under various indications, as well as other products and product candidates in our pipeline as of the Latest Practicable Date.

Product	Disease Area	Indication	Assessment/ Intervention	Phase	Upcoming Milestone	Estimated and Actual Time of Commercialization	Commercialization Country/Region
				Preclinical / Clinical Trial / Registration / Commercialization			
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		2024 Q4 Clinical Trial Completion	2025	China
		Hypertension induced cognitive impairment	Assessment + Intervention		2024 Q4 Clinical Trial Completion	2025	China
		Coronary heart disease induced cognitive impairment	Assessment + Intervention		2024 Q4 Clinical Trial Completion	2025	China
		Post-cardiac surgery rehabilitation	Assessment + Intervention		2024 Q2 Clinical Trial Initiation	2026	China
		Heart failure induced cognitive impairment	Assessment + Intervention		2024 Q2 Clinical Trial Initiation	2028	China
	Neurodegenerative disease induced cognitive impairment	Alzheimer's disease	Assessment + Intervention			June 2020	China
		Amnestic mild cognitive impairment	Assessment + Intervention		2024 Q3 Data Analysis Completion	2025	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		2024 Q4 Clinical Trial Initiation	Late 2025	China

Product	Disease Area	Indication	Assessment/ Intervention	Phase				Upcoming Milestone	Estimated and Actual Time of Commercialization	Commercialization Country/Region
				Preclinical	Clinical Trial	Registration	Commercialization			
	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					2024 Q4 Clinical Trial Initiation	2025	China
	Other disorders	Epilepsy	Assessment + Intervention					2025 Q2 Clinical Trial Initiation	2026	China
		Bone fracture induced pain	Assessment + Intervention					2024 Q4 Clinical Trial Completion	2026	China
		Diabetes	Assessment + Intervention					2024 Q2 Clinical Trial Initiation	2026	China
		Phenylketonuria induced cognitive impairment	Assessment + Intervention					2024 Q2 Clinical Trial Initiation	2027	China
		Kidney disease induced cognitive impairment	Assessment + Intervention					2024 Q2 Clinical Trial Initiation	2026	China
		Multiple sclerosis	Assessment + Intervention					2025 Q1 Clinical Trial Initiation	2026	China
		Hepatic encephalopathy	Assessment + Intervention					2025 Q3 Clinical Trial Initiation	2026	China
		Post-breast cancer surgery rehabilitation	Assessment + Intervention					2024 Q2 Clinical Trial Initiation	2027	China
		Post-lung cancer surgery rehabilitation	Assessment + Intervention					2024 Q2 Clinical Trial Initiation	2027	China
		Drug addiction	Assessment + Intervention					2024 Q2 Clinical Trial Initiation	2027	China

Product	Disease Area	Indication	Assessment/ Intervention	Phase				Upcoming Milestone	Estimated and Actual Time of Commercialization	Commercialization Country/Region
				Preclinical	Clinical Trial	Registration	Commercialization			
Basic Cognitive Ability Testing Software		Cognitive impairment	Assessment					2024 Q2 Commencement of Commercialization	2024	China
Cognitive Ability Supplemental Screening and Assessment Software		Cognitive impairment	Assessment					2024 H2 Commencement of Commercialization	2024	China
Dyslexia Supplemental Screening and Assessment Software	Child development deficiency induced cognitive impairment	Dyslexia	Assessment					2024 H2 Commencement of Commercialization	2024	China
Covid-19 Induced Cognitive Impairment Assessment and Recovery Training Software	Other disorders	Covid-19 induced cognitive impairment	Assessment + Intervention					2024 Q2 Registration Submission	2024	China
Attention Deficit Hyperactivity Disorder Assessment and Treatment Software	Child development deficiency induced cognitive impairment	Attention deficit hyperactivity disorder	Assessment + Intervention					2024 Q4 Clinical Trial Initiation	2025	China
Quantitative Cognitive Assessment Software for Depression	Psychiatric disorders	Depression	Assessment					2024 Q4 Clinical Trial Completion	2025	China
Depression Treatment Software	Psychiatric disorders	Depression	Intervention					2024 H1 Clinical Trial Initiation	2026	China
Cognitive Impairment Assessment Software		Cognitive impairment	Assessment					2025 Registration Submission	2026	EU
								2024 H2 Registration Submission	2025	US
Cognitive Impairment Treatment Software		Cognitive impairment	Intervention					2025 Commencement of Commercialization	2025	EU
								2025 Registration Submission	2026	US

★ Core Product

Commercialized Product/Indication

Product exempt from clinical trials under current relevant regulations

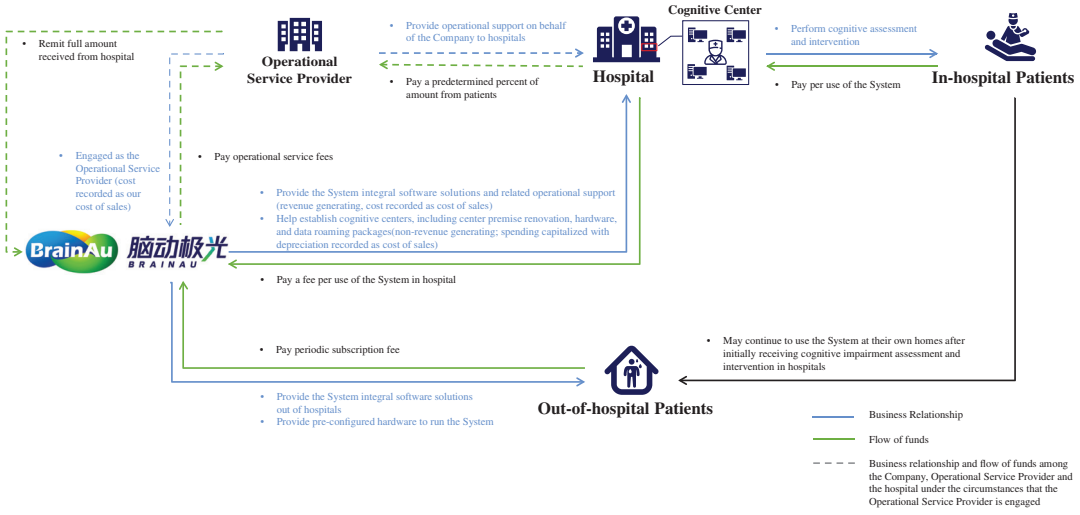
Regulatory approvals obtained through submission of clinical evaluation materials on the System conducted by third parties

The target indications of the System and our other pipeline products are classified based on standards such as the International Classification of Diseases (the "**ICD**"), the Diagnostic and Statistical Manual of Mental Disorders Fifth Edition (the "**DSM-5**") and expert consensus and clinical guidelines in China. The ICD is a standard developed and published by the World Health Organization and used worldwide in medical research to ensure consistent disease statistics and diagnostic standards. The ICD contains a wealth of disease-related classification and coding information, providing physicians with accurate definitions and classifications for various diseases. The DSM-5, published by the American Psychiatric Association, provides detailed descriptions, classifications, and diagnostic criteria for mental disorders. It serves as an authoritative reference for the diagnosis and study of mental illness worldwide.

China's expert consensus, clinical guidelines and other similar standards, such as the China Guidelines for the Diagnosis and Treatment of Mental Diseases (中國精神疾病診斷與治療指南), the Guidelines for the Diagnosis and Treatment of Neurological Diseases (神經內科疾病診斷與治療指南) and the China Guidelines for the Diagnosis and Treatment of Dementia and Cognitive Impairment (中國癡呆與認知障礙診治指南), provide guidance for the diagnosis and treatment of mental and neurological diseases based on the latest clinical practice and scientific research.

OUR BUSINESS MODEL

We primarily offer the System to hospitals for cognitive assessment and intervention of their patients and to individual patients for cognitive trainings out of hospitals. The following chart illustrates the business relationships of the above business lines.



We offer the System integral software solutions to hospitals which enables the hospitals to offer assessment and intervention to their cognitive impairment patients. In order to promote and facilitate the usage of our System by the hospitals, we help hospitals establish cognitive centers (which typically consist of a few rooms within the hospitals) by renovating these rooms, purchasing hardware (such as tablets and computers) and data roaming packages for the

cognitive centers. Hospitals generally use the System in these cognitive centers to conduct cognitive assessment and intervention for their patients. We generate revenue from hospitals which pay us based on the amount of in-hospital use by patients and the pricing set based on negotiations between us and the hospitals with reference to the relevant provincial health insurance reimbursement lists. We generated revenue of RMB4.1 million and RMB41.2 million from hospitals under cognitive center collaborations for 2022 and 2023, resulting in gross profits of RMB0.7 million and RMB20.4 million for the same periods, respectively. Along with our offering of the System, we also provide operational support to ensure the smooth operation of the System in these cognitive centers. We sometimes engage third-party service providers to provide operational support in cognitive centers of these hospitals on our behalf. We have also provided operational services ourselves during the Track Record Period. Operational services are necessary for hospitals to use the System smoothly and come together with the System which we sell to the hospitals. Thus, the operational services should be viewed as an integral part of what is offered to hospitals in exchange for revenue. Our ability to offer operational services ourselves and our cooperation with multiple third-party service providers therefore indicate that we do not have material reliance on a single third-party service provider to provide such operational services and to make sales of the System integral software solutions business. See "—Sales and Marketing—Our Marketing Model—Collaborations with Top Hospitals and Research Institutions" for more details on cognitive center approach and the roles and arrangements with such service providers.

To a lesser extent, we also offer the System integral software solutions directly to individual patients out of hospitals who pay us periodic subscription fees during the period they use the System. Patients obtain the computers and/or tablets from us after we make certain configurations. The patients can then access and conduct cognitive trainings on those hardware at their own homes. The pricing we charge individual patients are not limited by any health insurance reimbursement lists, and are determined based on market conditions.

In addition to selling the System to hospitals and individual patients, we also offer research projects services by providing the System as well as technical and operational support services to help universities, hospitals and research institutions conduct research projects, which we believe leads to wider adoption of our System within the medical community as a viable therapy for cognitive impairment. We also began offering training facilitation service in 2023 where we assist our customer and the organizer of the training sessions in performing the organizational and logistical groundwork, such as (i) co-designing the training curriculum, standards, and attendance certificates; (ii) contacting training session lecturers; (iii) promoting the training sessions among potential attendees; (iv) handling the logistics of setting up the training sessions; (v) providing attendee after-sale services; and (vi) maintaining the website and online portals in relation to the trainings. The customer and organizer is a public institution dedicated to advancing the knowledge and capabilities of physicians and other medical professionals in China. As requested by the customer, we charge service fees from attendees instead of from the customer/organizer of the training sessions. The service fee from each training is based on the type and number of training attendees when they sign up for the training. We record training facilitation service revenue at the completion of each training.

Historically, we also sold hardware equipment with our System pre-installed together with user accounts which enable customers to use the System on the hardware equipment. Sale of hardware is no longer our prevailing business model, and is only made upon existing customers' requests.

Our Product's Value Proposition

We have been committed to the development of DTx products for the assessment and intervention of cognitive impairment since our founding and have devoted significant resources to building our R&D capabilities and technological infrastructure. As a result of our investment in R&D, we have independently developed critical components of the System, including adaptive collaborative intervention, large language models, multimodal cognitive and affective computing models, as well as speech correction, intention recognition, and automated assessment technology for virtual human interactions. For additional details on the research and development of our Core Product, see "—Research and Development" and "—Our Technologies."

Leveraging the System, physicians in hospitals can perform medical assessment and communicate with a large number of patients at once. Physicians can also use the System to diagnose patients with an accuracy rate of over 90%. The technology underlying the System also helps break through certain constraints of traditional clinical assessment standards, such as MMSE and MoCA, offering more efficient and accurate assessment. In addition, the System helps hospitals and physicians offer effective cognitive intervention to patients, leveraging its adaptive collaborative intervention model which selects from millions of possible module combinations, enabled by our library of over 300 training modules, to design the optimal training session to activate the appropriate brain regions for the best therapeutic effect.

Hospitals typically learn about our products as a result of our growing reputation through our work with the NHC, information provided by expert consensus on DTx treatment options, collaborations with us on clinical research and product development, our sales initiative to visit and showcase our products, referrals from recognized experts and KOLs and meetings at national or regional industry or academic conference.

CORE PRODUCT: BRAIN FUNCTION INFORMATION MANAGEMENT PLATFORM SOFTWARE SYSTEM

Overview

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, according to Frost & Sullivan. In September 2018, we obtained the initial Class II medical device registration certificate (the "**2018 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. See "—Material Communications with Competent Authorities" for detailed descriptions.

We categorize products by medical device registration certificates, namely each medical device registration certificate represents one product. Based on the 2023 Consultation, the 2018 Certificate, the 2020 Amended Certificate and the 2023 Renewed Certificate are deemed to be the same certificate bearing the same registration number, and the approval of the 21 new additional indications would not require us to obtain a new certificate. As such, consistent with the relevant provisions in Administrative Measures on the Registration and Record-filing of Medical Devices (《醫療器械註冊與備案管理辦法》), the System, with its eight existing indications added in the 2020 Amended Certificate, as well as the potential 21 new additional indications, is considered "one product" since it has only one certificate. 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 as described below 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, among other parameters), 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 21 new indications are considered indication expansion of the System and can be added to the same medical device registration certificate.

Core Product Development Timeline

The following timeline sets forth the milestone events in the development of the System.

Year	Milestone	Company Roles
2016	We filed an invention patent application for an online cognitive assessment method based on a hierarchical assessment concept of cognitive assessment. The patent was granted in April 2018. See "—Intellectual Property" for details.	Patent applicant

Year	Milestone	Company Roles
December 2015 to May 2017	We conducted a multi-center randomized controlled trial in collaboration with Xuanwu Hospital to evaluate the effectiveness of the System in patients with VCIND (Trial Registration: NCT02640716).	Our role: extensive responsibilities similar to that of a sponsor.
October 2018	We collaborated with Xuanwu Hospital to publish a paper on the Journal of Medical Forum on the effect of comprehensive cognitive intervention training using the System in patients with vascular cognitive impairment after surgical operation for ischemic stroke.	Sole corporate participant
April 2019	We collaborated with the Suqian City People's Hospital to publish a paper on the Cardiovascular Disease Journal of integrated traditional Chinese and Western Medicine on the effect of computer-assisted training using the System combined with rehabilitation training treatment.	Sole corporate participant
May 2019	We collaborated with the Zhujiang Hospital of the Southern Medical University to publish a paper on the Guangdong Medical Journal on the clinical effect of computer-assisted cognitive training using the System on post-stroke cognitive impairment.	Sole corporate participant
November 2019 – On-going	We have collaborated with Xuanwu Hospital and other clinical trial institutions to evaluate our System in a multi-center study for patients with AMCI (Trial Registration: NCT04063956).	Sole corporate participant

Year	Milestone	Company Roles
April 2020	We submitted an application to amend the scope of the 2018 Certificate to include offline or online clinical diagnosis, treatment, cognitive language psychological screening testing training and brain functional data, as well as other specific indications.	Applicant
September 2021	We conducted the 2021 Consultation with the Hunan MPA on the granting of the 2018 Certificate and the 2020 Amended Certificate	Registration certificate holder
2022	We completed a development project on the virtual human technology that uses natural language processing to interpret users' voice commands and semantic intent.	Project developer
September 2022 – On-going	We are collaborating with the Anzhen Hospital and six other clinical trial institutions to evaluate our System in application to atrial fibrillation induced cognitive impairment (Trial Registration: NCT05374642).	Sole corporate participant.
January 2023 – On-going	We are collaborating with the Anzhen Hospital and seven other clinical trial institutions to evaluate our System in application to coronary heart disease induced cognitive impairment in a randomized controlled trial in patients with coronary heart disease induced cognitive impairment (Trial Registration: NCT05735041).	Sole corporate participant

Year	Milestone	Company Roles
March 2023 – On-going	We are conducting a clinical trial focused on hypertension induced cognitive impairment in collaboration with several hospitals led by the Anzhen Hospital (Trial Registration: NCT05704270).	Sole corporate participant
May 2023	We renewed the 2020 Amended Certificate with the Hunan MPA, which is now valid until June 2028.	Applicant
July 2023	We conducted the 2023 Consultation with the Hunan MPA to clarify the clinical evaluation requirements for indications currently under development.	Registration certificate holder

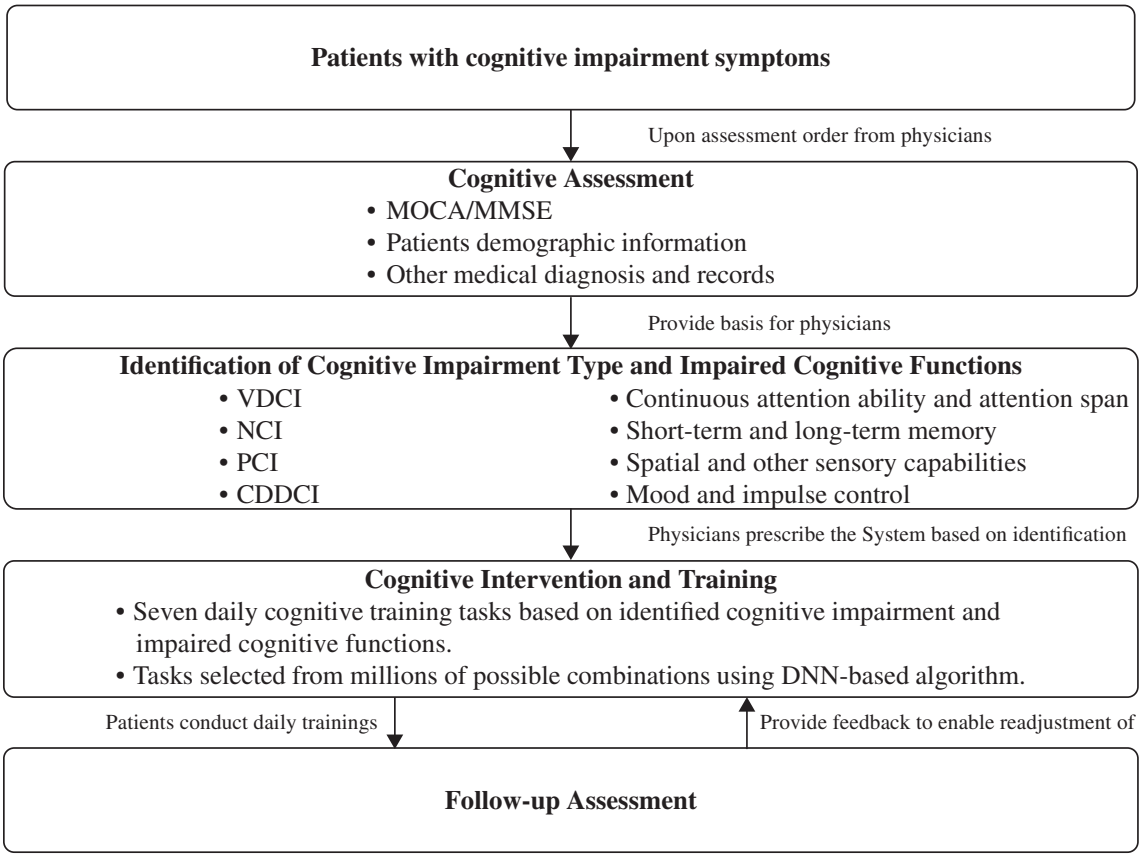
These abovementioned collaborations do not affect the ownership of intellectual properties in relation to the virtual human technology, the AI technology or the algorithms that underlie the System, and we enjoy sole ownership of such intellectual properties. See "—Intellectual Property" for details.

Mechanism of Action

The System is a software that provides clinical assessment and intervention 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 provides cognitive impairment patients with cognitive trainings that are designed to stimulate the neural networks involved in attention, memory, executive function and other cognitive abilities in patients' brains at the appropriate frequency and dosage to produce a therapeutic effect. According to the principle of neuroplasticity, continuous and regular brain stimulation can promote the release of neurotransmitters between the patient's synapses, resulting in the growth of nerve fibers and a corresponding increase in the number of synapses. The new neural connections can form a compensatory neural pathway and improve the structure and functional connections of the patient's neural network.

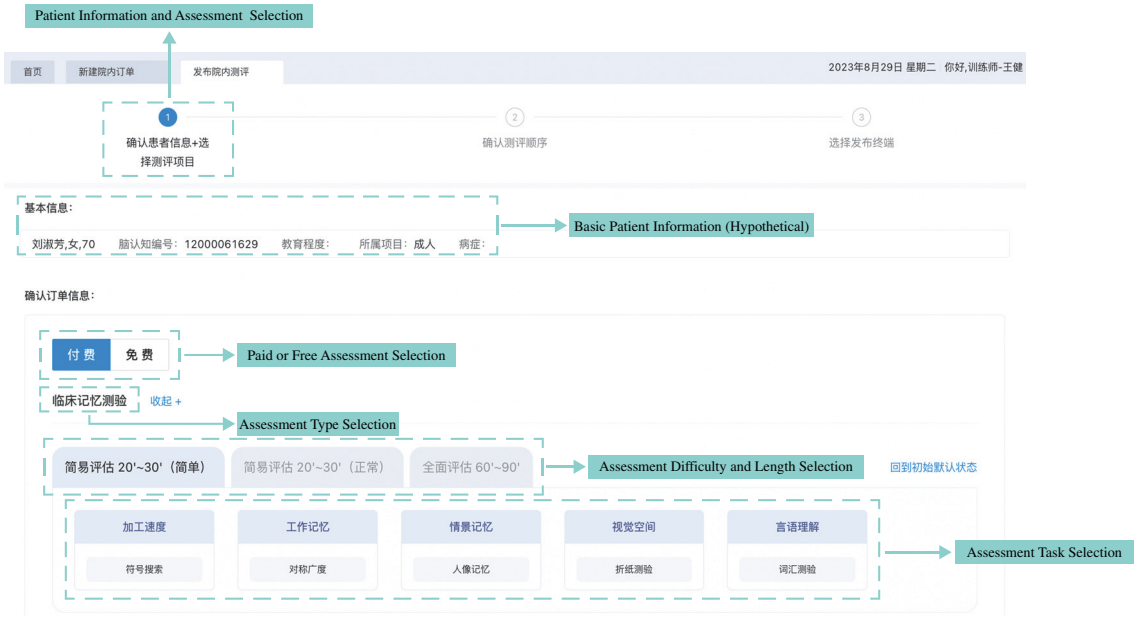
Patients with cognitive impairment symptoms begin their journey with the System with consultations with physicians, who may decide to conduct cognitive assessment using the System. Physicians then identify the types of the patients' cognitive functions that are impaired with the assistance of the System and then direct the System to assign the relevant cognitive training tasks. Patients' training results each day are fed into the DNN model to determine the training tasks for the next day. After a certain period of time of conducting the cognitive trainings, patients undergo follow-up cognitive assessment to evaluate whether the impaired cognitive functions experienced any improvements and provide feedback to enable readjustment of training tasks in order to further improve cognitive training efficacy. The following diagram sets forth a flowchart setting forth the different stages of how the System serves patients.



The System has been commercialized for eight indications from four major types of cognitive impairment and is under development for additional 21 cognitive impairment indications as of the Latest Practicable Date. At the identification stage, physicians are able to determine the patients' specific cognitive impairment indications. This leads to differences in how the training tasks are assigned to provide tailored medical solutions to patients suffering from different indications. Specifically, our DNN-based algorithms use the type of patient cognitive impairment as a critical input in determining what training task combinations are optimal for patient treatment. See "—Cognitive Intervention and Training" for details on the underlying brain science theories and the mechanism of this recommendation process.

Cognitive Assessment and Identification of Cognitive Impairment Type

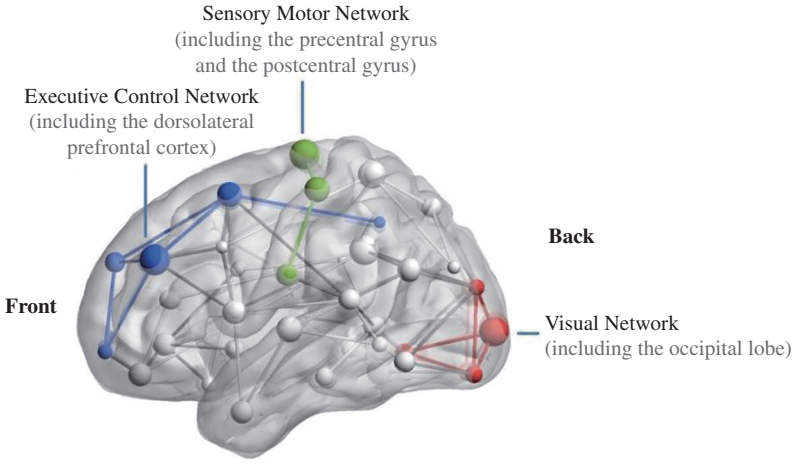
The System performs an initial assessment of patients with the aid of our virtual human technology and digitized versions of psychometric scales such as the MoCA and MMSE. The initial assessment takes into account the patients' MoCA and MMSE scores, with a MoCA score of less than 26 and a MMSE score of less than 27 being considered cognitively impaired according to industry norms. In addition, other dimensions of the patients' cognitive abilities are considered, including perception, memory and language. Because the MoCA and MMSE psychometric scales are generalized screening scales for cognitive impairment and do not assess specific aspects of the patients' cognitive ability, a medical professional at the hospital will assign targeted assessments to further evaluate each dimension of the patients' cognitive ability. For example, if a patient's total score on the MMSE is below 27 and the patient's perceptual score is also below the score of a healthy individual based on the initial assessment, the medical professional will assign a perceptual assessment for further evaluation. The following screenshot shows the interface available to medical professionals for selecting a customized assessment package for patients.



The System then evaluates the patients' response to the assessment package, taking into account their accuracy and response time and generates an assessment report for each patient. In combination with other patient demographics and medical information, physicians can use this report to identify the type of cognitive functions that have been impaired, and use the System to provide tailored cognitive training tasks. The following screenshot shows what this type of report typically includes.

Cognitive Intervention and Training

The System includes a library of more than 300 training tasks, each designed to stimulate specific aspects of the patient's cognitive function. Different training tasks are designed based on different psychological paradigms, which are conceptual frameworks that link the patient's use of specific cognitive functions to the targeted activation of specific neural networks. For example, the number line estimation paradigm, first proposed by Siegler, R. S., & Opfer, J. E. in 2003, associates the maintenance of a mental representation of numerical magnitude with the activation of the brain's executive, sensory motor and visual networks. A training task designed around the number line estimation paradigm can therefore specifically activate these associated neural networks and the corresponding brain regions, including the parietal lobe, occipital lobe, posterior part of the superior temporal gyrus, inferior frontal gyrus and middle frontal gyrus. The following diagram shows a schematic representation of the neural networks activation associated with the number line paradigm.



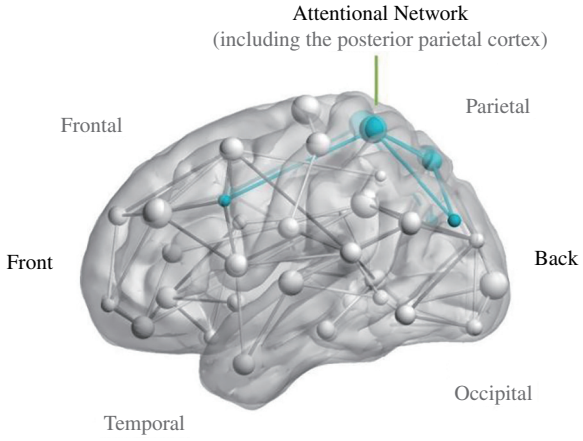
Due to the structural and functional plasticity of the brain, neurons in repeatedly activated brain regions can form new connections, increasing the volume of gray matter in these brain regions and improving the functional connectivity of neural networks within these regions. As a result, the overall efficiency of information transfer within the brain improves, leading to improvements in cognitive function. Based on the patients' assessed cognitive deficiencies, the System adjusts its intervention strategy and assign different types of training tasks to best target the corresponding neural networks.

The following screenshot demonstrates the functioning of the River Crossing Training Task, which was designed based on the number line estimation paradigm, from the patients' perspective.

River Crossing Training Task

The above training task asks the patient to help the in-game character to cut trees at the right height to cross the river. For a patient who has been identified by the System as having cognitive deficiencies related to their executive, sensory motor or visual networks, the targeted stimulation provided by this task could improve cognitive function.

Another example of a psychological paradigm that we use to target specific neural networks is the visual search paradigm, which associates the cognitive task of finding a target stimulus among a variety of other stimuli with the activation of the brain's attentional network. A training task designed around the visual search paradigm can therefore specifically activate the attentional network and the corresponding brain regions, including the posterior parietal lobe and the frontal oculomotor area of the posterior frontal lobe. The following diagram shows a schematic representation of neural networks activation during the visual search task.



The following screenshot demonstrates the functioning of the Patrolling the Pasture Training Task, which was designed based on the visual search paradigm, from the patients' perspective.

Patrolling the Pasture Training Task

The above training task asks the patient to quickly identify the number of a specific animal species from a group of different animals. For a patient who has been identified by the System as having cognitive deficiencies related to their attentional networks, stimulation provided by this task could improve cognitive function.

While these training tasks are capable of improving a patient's cognitive abilities on their own, the System enhances treatment efficacy by tailoring them to the individual patient through its DNN-based recommendation algorithm. According to the 2022 Chinese Expert Consensus on Cognitive Digital Therapeutics (《認知數字療法中國專家共識 (2022)》), the effect of cognitive training is influenced by individual differences. These differences are primarily reflected in the degree of cognitive impairment in individuals and their sensitivity to the training tasks. These individual differences can produce varying results, even if patients are trained on the same tasks. For example, some patients may need to train ten times to see a significant improvement in a task score, while others may achieve the same improvement with only five training sessions. Therefore, a static recommendation system can only meet the training needs of some patients. In contrast, the DNN-based recommendation algorithm utilized by the System enables personalized adjustments to the training program, ultimately improving training efficacy. As shown in a clinical trial of patients with VCIND at Xuanwu Hospital, the dynamic adjustment of training scenarios is able to produce statistically significant benefits in the cognitive improvement of VCIND patients over a static training scenario, as measured by MoCA scores.

Technologies Related to the System

The System utilizes two underlying technologies, namely the virtual human and AI technologies to enhance its assessment and intervention capabilities. Our virtual human technology brings value to the assessment process by automating physician-patient interactions through a series of technological capabilities, which enable physicians to perform medical assessment and communicate with a large number of patients at once. Our AI technology enables our development of DNN algorithms, a powerful category of ML algorithms, which helps the System more accurately assess patients' conditions without the influence of subjective judgment by medical professionals.

In addition to assessment function, our DNN algorithms (enabled by AI technology) also enables the System to offer improved intervention efficacy by using patient information (including their historical training performance scores and performance details from previous training tasks of varying difficulty levels) to dynamically adjust the content of the training sessions to achieve personalized interventions. The AI technology allows the System to analyze patients' response time and accuracy rate when using the System and flexibly adjusts training scenarios and difficulties accordingly by choosing from millions of possible training module combinations of a library of approximately 300 training modules that are designed to activate the appropriate brain regions for the best therapeutic effect, making the training session highly customized and self-adaptive for each patient. Such highly self-adaptive and personalized intervention trainings target specific brain functions, improve the corresponding brain areas

and restore network connections between neurons, generate new nerve fibers, regulate trophic factors and consolidate neuronal remodeling. This results in the construction of specific synaptic connectivity patterns for specific cognitive functions, thereby improving patients' overall cognitive abilities.

See "—Our Technologies" for more details on the virtual human and AI technologies.

Competitive Advantages

Supported by our core technologies of virtual human and AI, our System features two primary competitive advantages, namely assessment efficiency and treatment efficacy.

- *Assessment Efficiency.* Our virtual human technology can perform medical assessment and communicate with a large number of patients at once. Our artificial intelligence technology enables physicians to perform assessment and intervention in a streamlined and user-friendly manner.

- *Treatment Efficacy.* By dynamically identifying and recommending the most suitable training out of millions of different possible combinations, our DNN algorithms enable the System to offer self-adaptive and personalized trainings that lead to more favorable enhancement of cognitive functions for patients who use the System together with drug therapies compared to patients under drug therapies alone, as measured by patients' response time, accuracy rate, improvement in training performance scores and length of user stay. For example, pursuant to our clinical study in relations to the ADHD indication, patients who undergo software-based cognitive trainings as well as drug therapies (the intervention group) demonstrate more favorable recovery data compared to patients who undergo drug therapies alone (the control group). Specifically, under the ADHD Rating Scale, patients in the intervention group demonstrates more favorable (i) overall reduction ratio (which measures improvement in symptoms of attention deficiency and hyperactivity) of 31.12% ($p < 0.05$) compared to 19.04% ($p < 0.05$) for the control group; (ii) response time under the Flanker test (a test that evaluates patients' capabilities in visual attention focus) of 1,106.3 ms compared to 1,336.2 ms ($p < 0.05$) for the control group; and (iii) performance score in paper folding test (a test that measures the patients' visual and special sensory capabilities and evaluates the patients' perception of shape, size, and distance) of 12.76 compared to 10.67 for the control group ($p < 0.05$).

These advantages have been demonstrated by our success in gaining acceptance for and commercializing our DTx products. In September 2020, we helped establish a cognitive center in the Chaoyang Hospital, which was the first cognitive center in China that adopted DTx, according to Frost & Sullivan. Since then, we had helped more than 80 hospitals establish cognitive centers in China as of the Latest Practicable Date, including several leading hospitals with "National Medical Center" (國家醫學中心) certification for various medical specialties by the NHC, a designation reserved for only top departments of select few hospitals in China, such as Xuanwu Hospital (certified in neurology), Anzhen Hospital (certified in cardiology) and

Anding Hospital (certified in psychiatrics). The System's competitive advantage is also demonstrated by wide-spread industry recognition. In particular, we have participated in the establishment of a series of expert consensus, which set the industry standard for the DTx market in China.

System Efficacy

The System's efficacy has been evaluated in several clinical trials, including the Xuanwu Trial, the Aphasia Trial and the Schizophrenia Trial, and the positive outcomes of these trials highlight the potential of the System as a valuable intervention tool in improving cognitive function.

In the Xuanwu Trial, the System demonstrated favorable safety and efficacy data in the assessment and intervention of vascular cognitive impairment. The cognitive intervention group showed significant improvement in global cognitive function as measured by the Montreal Cognitive Assessment (MoCA) compared to the control group.

The Aphasia Trial, which as an investigator initiated trial conducted by the Jiangsu Provincial People's Hospital, evaluated the efficacy of the System in the treatment of aphasia. The trial showed that the intervention group had significantly improved language function and practical communication skills compared to the control group. Western Aphasia Battery (WAB) scores indicated that the intervention group demonstrated larger improvements in the Aphasia Quotient, fluency, content, auditory comprehension, repetition, naming, and Communicative Abilities in Daily Living Test (CADL) compared to the control group. This suggests that the System may be an effective tool in promoting recovery from aphasia.

Similarly, in the investigator initiated Schizophrenia Trial conducted by Ningbo Kangning Hospital, the System demonstrated a significant improvement in the overall cognitive function of schizophrenic patients. The Wechsler Memory Scale (WMS) was used to measure cognitive capacity before and after six weeks of treatment. The results showed that the WMS scores of the intervention group were significantly higher compared to the control group. This indicates that the System can effectively enhance cognitive function in schizophrenic patients.

Market Opportunities and Competitive Landscape

The global cognitive impairment DTx market size reached US$2.1 billion in 2022 and is expected to grow to US$4.2 billion in 2025 and US$7.0 billion in 2030, representing CAGRs of 25.5% and 10.7%, respectively. The market size of the cognitive impairment DTx in China reached RMB149.4 million in 2022 and is expected to increase to RMB1,952.2 million in 2025 and RMB9,568.2 million in 2030, representing CAGRs of 135.5% and 37.4%, respectively. The market for cognitive impairment DTx is expected to grow due increasing demand for cognitive impairment treatment, advances in innovative technologies, supportive regulatory measures and growing awareness of cognitive impairment DTx as a therapeutic option.

Key players in the global cognitive impairment DTx market (outside China) include companies that offer cognitive training interactive games, cognitive behavioral therapies, health monitoring systems and other types of cognitive impairment DTx products. As of the Latest Practicable Date, there were approximately nine FDA-approved products by approximately six key global players covering cognitive impairment induced by various indications.

In China, as of the Latest Practicable Date, approximately 30 cognitive impairment DTx products by approximately 25 players, including our Company, had been approved by the NMPA or its local counterparts, and at least 15 cognitive impairment DTx products by approximately 15 players are currently in the process of clinical trials and obtaining relevant medical device registration certificates, as of the Latest Practicable Date, according to Frost & Sullivan. We are the first company in China that has developed a medical-grade DTx product for cognitive impairment.

Our System targets a variety of cognitive impairment indications, covering the assessment and intervention of four major types of cognitive impairment: VDCI, NCI, PCI and CDDCI.

VDCI DTx Competitive Landscape

Key players in the global VDCI DTx market (outside China) include at least one company with two FDA-approved VDCI DTx products. In China, a total of approximately 22 VDCI DTx products by approximately 20 players, including our Company, had been approved by the NMPA or its local counterparts, and at least five VDCI DTx products by five players were in the process of clinical trials and obtaining relevant medical device registration certificates, as of the Latest Practicable Date, according to Frost & Sullivan. For more information, see "Industry Overview—VDCI DTx Market—Competitive Landscape of VDCI DTx."

NCI DTx Competitive Landscape

Key players in the global NCI DTx market (outside China) include one player that offers at least two FDA-approved NCI DTx products. In China, a total of approximately 22 NCI DTx products by approximately 20 players, including our Company, had been approved by the NMPA or its local counterparts, and at least ten more NCI DTx products by at least ten players were in the process of clinical trials and obtaining relevant medical device registration certificates, as of the Latest Practicable Date, according to Frost & Sullivan. For more information, see "Industry Overview—NCI DTx Market—Competitive Landscape of the NCI DTx Market."

PCI DTx Competitive Landscape

Key players in the global PCI DTx market (outside China) include at least six players that offer at least eleven FDA-approved PCI DTx products. In China, a total of approximately 20 PCI DTx products by approximately 18 players, including our Company, have been approved by the NMPA or its local counterparts, and at least three additional PCI DTx products by at

least three players are currently in the process of clinical trials and obtaining relevant medical device registration certificates, as of the Latest Practicable Date, according to Frost & Sullivan. For more information, see "Industry Overview—PCI DTx Market—Competitive Landscape of PCI DTx Market."

CDDCI DTx Competitive Landscape

Key players in the global CDDCI DTx market (outside China) include at least two players that offer at least two FDA-approved CDDCI DTx products. In China, a total of approximately 14 CDDCI DTx products by at least 12 players, including our Company, have been approved by the NMPA or its local counterparts, and at least ten CDDCI DTx products by at least ten players are currently in the process of clinical trials and obtaining relevant medical device registration certificates, as of the Latest Practicable Date according to Frost & Sullivan. For more information, see "Industry Overview—CDDCI DTx Market—Competitive Landscape of CDDCI DTx Market."

Competitive Advantage Over Industry Competitors

We differentiate ourselves from our competitors by integrating our virtual human and AI technologies into our DTx products. Our virtual human technology automates patient interactions and other processes by integrating speech recognition, correction, intent recognition and automated assessment and analysis capabilities. We are one of the few companies in the cognitive impairment DTx industry in China that incorporate this type of automated patient interaction system in their product line, according to Frost & Sullivan. Benefiting from the large amount of usage of our products by patients, the AI algorithms underlying our products undergo rapid iterations, which leads to improved assessment accuracy and more favorable intervention efficacy. In particular, our DNN algorithms, used to power our adaptive collaborative intervention model, allows our DTx products to better handle complex and high-dimensional data, enabling us to monitor patient progress and gain deeper insights into our patients' needs. According to Frost & Sullivan, AI solutions enhanced with DNN algorithms have the advantage of overcoming the problems of slow training and error susceptibility by adopting a new type of data learning method that is more efficient and better able to capture correlations and implicit operating patterns between data. We are one of the few companies in the cognitive impairment DTx industry in China that enhances our AI capabilities with DNN algorithms. Due in part to these advantages, our DNN algorithms show intervention efficacy of over 60% improvement over non-AI based interventions.

We also enjoy competitive advantage over our competitors in terms of hospital collaborations. According to Frost & Sullivan, sale to hospitals has become and is expected to remain the dominant sales channel for cognitive impairment DTx companies in China, and deep collaborations with hospitals beyond simply selling and delivering products are often required to establish and maintain business relationship with hospitals and remain competitive in China's cognitive impairment DTx industry. As of the Latest Practicable Date, we have helped over 80 hospitals establish cognitive centers, and we are the first organizer of a project initiated by the NHC under which we are tasked with helping to establish cognitive centers in

over 2,100 public hospitals across China and promoting the development of cognitive impairment DTx market in China over the next five years. Our extensive existing and planned collaboration with hospitals through our cognitive center collaborations results in a large use volume of our products, which allows us to make continuous iterative improvements and increase the assessment accuracy and interventional efficacy of our products. In addition, our collaborations with hospitals through our cognitive centers allow us to gather valuable feedback from physicians and hospital administrators to further improve our products and meet the needs of our collaborating hospitals.

We are also distinguished from our peers in our ability to navigate the evolving landscape of cognitive impairment DTx medical device regulations. We are the first cognitive impairment DTx medical device company in China to receive NMPA approval and have the broadest indication coverage for approved and in-development products among all cognitive impairment DTx companies in China, according to Frost & Sullivan.

Summary of Clinical Results

Several clinical trials were conducted to evaluate the safety and efficacy of the System with respect to several cognitive impairment indications. Results of key clinical trials of the System is presented below.

Xuanwu Trial

Overview

We conducted a multi-center, randomized controlled investigator initiated trial on the effectiveness of the System in patients with VCIND in collaboration with the Xuanwu Hospital from December 2015 to May 2017 (the "**Xuanwu Trial**") (Trial Registration: NCT02640716). The Xuanwu Trial successfully demonstrated the safety and efficacy of the System for treating VCIND. In September 2021, we conducted a consultation with the Hunan MPA (the "**2021 Consultation**") on the granting of the 2020 Amended Certificate. According to the 2021 Consultation, the information and data we submitted in relation to the Xuanwu Trial successfully demonstrated the safety and effectiveness of the System and played an essential role in the Hunan MPA's decision to grant the 2020 Amended Certificate.

For the Xuanwu Trial, we undertook extensive responsibilities similar to those of a sponsor because (i) our System was the only trial therapy evaluated for safety and efficacy in the treatment of VCIND and all software and hardware used were supplied by us; (ii) we determined and designed the details of the study plan for the control and study groups; (iii) we prepared informed consent and case report forms; and (iv) we conducted facilitative imaging tests, psychological assessments and patient follow-up throughout the study period.

This trial is the first international cognitive training intervention trial for VCIND, according to Frost & Sullivan. 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. The trial included 60 patients with VCIND, with the intervention group receiving cognitive training for seven consecutive weeks, five days a week, 30 minutes a day, while the control group received simple computer operation tasks of fixed level of difficulty at the same time. The results indicate that the intervention group had higher MoCA scores, a commonly used assessment of cognitive ability, than the control group. In addition, connectivity between the cognitive network and the executive control network significantly improved in the intervention group, and the changes between improved neuroconnectivity and increased MoCA scores were highly correlated. The trial demonstrated that the System can significantly improve the overall cognitive function of patients with subcortical VCIND. As of the Latest Practicable Date, the trial is associated with four of our patents or patent applications.

Trial Design

In October 2016, the trial design was published on ClinicalTrials.gov and peer-reviewed by experts in the international cognitive impairment clinical studies community. The trial enrolled a total of 60 patients, 30 of whom were randomly assigned to the intervention group and the other 30 to the active control group. A consensus panel was utilized to select patient's with VCIND. Patients in the intervention group received a computerized, multi-domain, adaptive training program provided by our System for seven weeks. The training domains included processing speed, attention, perception, long-term memory, working memory, calculation, executive control, reasoning and problem solving. Participants were required to complete 30 minutes of training per day (five two-minute tasks completed thrice), five days a week. Within each task, high accuracy (>80%) was required to progress to the next difficulty level. The active control group performed five processing speed and attention tasks similar in nature to those in the intervention group, but without the adaptive difficulty change provided by our system. The active control group also completed 30 minutes of training per day.

The training of all participants was completed at home and remotely supervised by an independent neurologist to ensure patient compliance. Neuropsychological assessment and functional and structural MRI were performed before and after seven weeks of training. The brain MRI was performed using an optimized protocol.

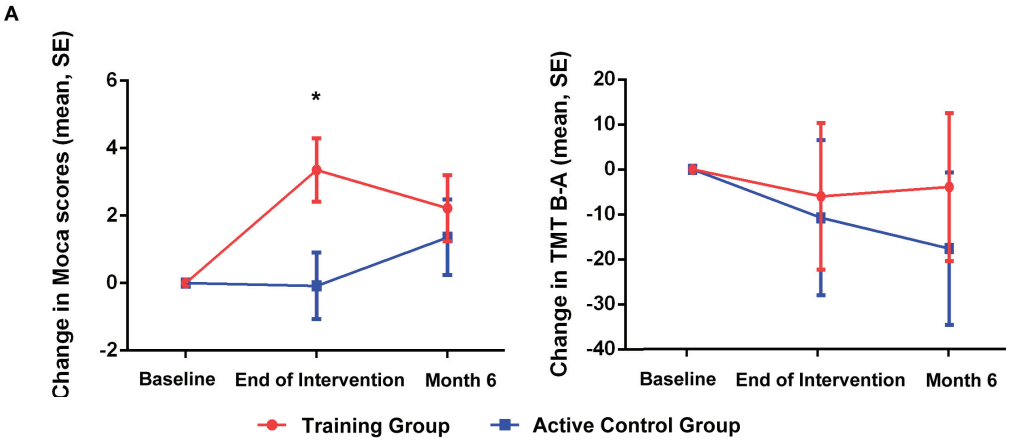
Trial Status

The trial was completed in May 2017. A total of 54 participants with (27 each in the intervention group and the active control group) finished the training. A total of 44 participants (23 in the intervention group and 21 in the active control group) completed the six-month follow-up. Of the ten participants (16.7% of the total participants) who withdrew from the study, four cited health issues, one cited time constraints, three cited dissatisfactions with the trial and two cited personal issues.

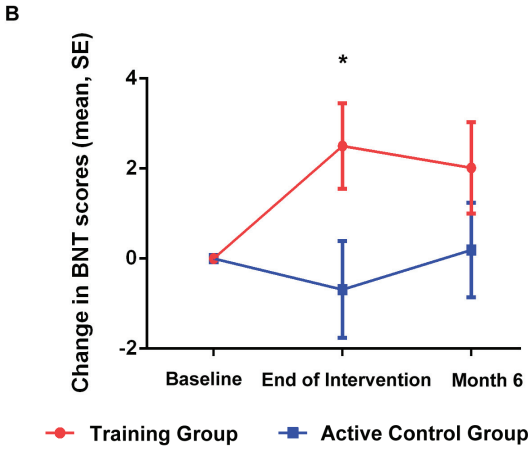
Trial Data

As of the data cut-off date of May 8, 2017, no Treatment-related Adverse Events (the "**TRAE**s") had been reported.

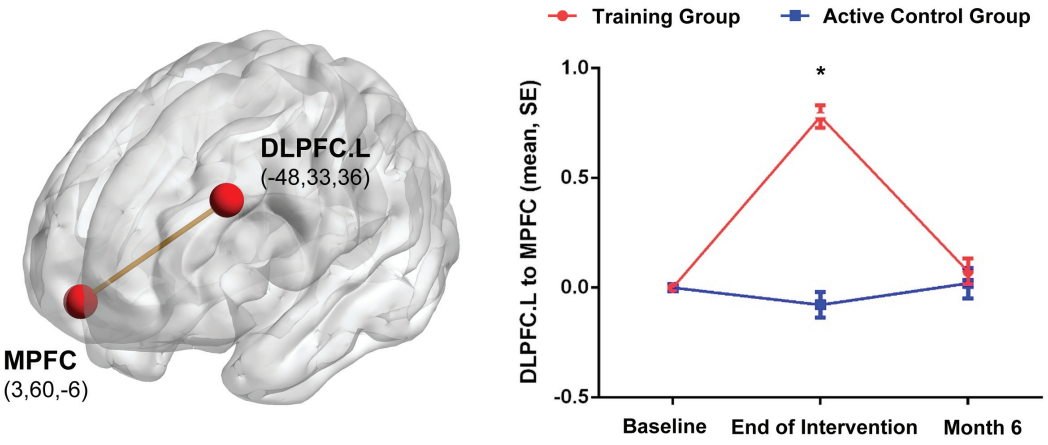
The primary outcome measures were global cognitive function as measured by the MoCA, and executive function as measured by the Trail Making Test B-A (the "**TMT B-A**"); both were centrally assessed. There was a significant group x time interaction in MoCA at the end of the intervention period. After seven weeks, MoCA had significantly improved in the cognitive intervention group from an average score of 21.87 points to 25.22 points (out of a total possible score of 30) relative to the active control group which saw little change from an average score of 21.23 to 21.15, with an effect size of 0.637 (95% CI 0.115 –1.153) compared to the control group. This difference did not persist at the six-month follow-up. No significant group x time interaction was found for TMT B-A. Compared to the active control condition, the cognitive training intervention led to a significant improvement in global cognitive function, as measured by the MoCA, but not in executive function, as measured by the TMT B-A, by the end of the seven-week intervention. The following charts set forth the changes from the baseline to the end of the seven-week intervention and from the baseline to the end of the six-month follow-up for the primary outcomes.



Secondary outcome measures were the effects of the intervention on other cognitive domains. Results showed that cognitive training significantly improved language function as measured by the Boston Naming Test (the "**BNT**"). A significant improvement in the BNT was observed at the end of the seven-week intervention (effect size = 0.560, P = 0.028), indicating that the training improves verbal function in addition to overall cognitive function.



The cognitive intervention group showed significant increases in functional connectivity (the statistical relationship between specific physiological signals in time) between the left dorsolateral prefrontal cortex (the "**DLPFC.L**") and the medial prefrontal cortex (the "**MPFC**") by the end of the intervention. Specifically, the intervention group showed a significant improvement in functional connectivity between DLPFC.L and MPFC (P = 0.049). Since the MPFC is the main brain region activated during the resting state and the DLPFC is the main area activated during problem solving, higher functional connectivity between MPFC and DLPFC indicates an improvement in cognitive capacity.



In May 2019, we published the data of this trial on a leading peer-reviewed journal on cognitive impairment clinical research, A&D Journal, titled "*The effects of 7-week cognitive training in patients with vascular disease induced cognitive impairment, no dementia (the Cog-VACCINE study): A randomized controlled trial*," and it has been prominently featured on the cover page of the issue. The paper sets forth a comprehensive analysis on the safety and effectiveness of the System. The A&D Journal is the official journal of the International Alzheimer's Association in cognitive impairment worldwide with an SCI Impact Factor of 21.566 in 2020. The trial also received the attention and recommendation of Nature Reviews

Disease Primers (the "**NRDP Journal**"), an internationally leading academic journal with an SCI Impact Factor of 65.038 in 2023. The above publications demonstrate the innovativeness and originality of the System in the field of cognitive impairment intervention treatment.

Trial Design Limitations

The trial design had the following limitations. The intervention in the trial was of short duration with limited number of participants, and results from the six-month follow-up suggest that a longer intervention may be needed to assess long-term outcomes. In addition, the trial design may not fully eliminate the potential impact of regular disease progression of patients with VCIND, which is characterized with cognitive decline with age, and may therefore partially erode the efficacy achieved through the System. The trial design excluded patients with comorbid AD, which could introduce uncertainty into the trial results. The trial design used two primary outcome measures, the MoCA and the TMT B-A. A single primary outcome measure could potentially increase data accuracy.

Aphasia Trial

Overview

An investigator initiated trial to further study the efficacy of the System for aphasia (the "**Aphasia Trial**") was conducted by the Jiangsu Provincial People's Hospital. Aphasia is an acquired language disorder due to brain damage, including damage due to stroke. While there are several therapies that target speech-language pathology, recent theoretical developments and empirical evidence have suggested adding nonverbal cognitive training as part of speech-language recovery. In November 2018, the design and results of the Aphasia Trial was published on "Frontiers in Psychology." 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.

Trial Design

A total of 40 aphasia inpatient and discharged patients were enrolled, 22 of whom were diagnosed with cerebral infarction and 18 cases cerebral hemorrhage. Within the inpatient group and within the discharge group, participants were randomly assigned to the intervention or the control subgroup, resulting in ten participants in each subgroup. The length of trial was 14 days for inpatient subgroups and 30 days for discharged subgroups. The inpatient control group was provided with routine treatment twice a day, while the inpatient intervention group received the computerized speech-language and cognitive training through the System. The discharged control group engaged in family topics communication for 30 min a session, twice a day for 30 days, and the discharged intervention group engaged in family topics communication for 30 min a day, with additional cognitive training through the System, delivered via telerehabilitation, for 30 minutes a day for 30 consecutive days.

Trial Data

Compared with the control group, the intervention group had significantly more improved language function as assessed by the Western Aphasia Battery (the "**WAB**") and practical communication skills as assessed by the Communicative Abilities in Daily Living Test (the "**CADL**"). The CADL requires administrator to ask the patient 22 questions to assess a variety of communication skills. Across the 22 items, there are 34 sub-items, each scored from zero to four points.

The results showed that for the inpatient group, the improvement in inpatient control and inpatient intervention subgroups was 14.1 and 26.5, respectively; and for the discharge group, the improvement in the discharged control group and discharged intervention group was 7.1 and 19.8, respectively. Specifically, for each of the inpatient group and discharged group, patients in the intervention subgroups demonstrated larger improvement than the control subgroups in the Aphasia Quotient (the "**AQ**"), fluency, content, auditory comprehension, repetition, naming, and CADL.

The Aphasia Trial showed that for both hospitalized and discharged patients, combined form of computerized training adopting the System promoted aphasia recovery more effectively than traditional training for the control subgroups without the System.

Trial Design Limitations

The trial had the following design limitations. The trial had a small sample size and was a single-center trial. The trial enrolled both inpatient and outpatient subjects and the two patient groups received differing lengths of cognitive training which could reduce data accuracy.

Schizophrenia Trial

Overview

An investigator initiated trial to further study the efficacy of the System for Schizophrenia (the "**Schizophrenia Trial**") was conducted by the Ningbo Kangning Hospital from January 2020 to June 2020. The Wechsler Memory Scale (the "**WMS**") was administered before and after six weeks of treatment to measure the patients' cognitive capacity. The results showed that the WMS score of the intervention group was higher compared to those of the control group. The study demonstrated that the System can significantly improve the overall cognitive function of schizophrenic patients. 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. The Schizophrenia Trial did not directly lead to any of our patents but was a part of the background knowledge that eventually contributed to three of our Schizophrenia related patents or patent applications.

Trial Design

The trial enrolled a total of 80 patients suffering from schizophrenia, 40 of whom were randomly assigned to the intervention group and 40 to the control groups. The intervention group receiving cognitive training using the System for six consecutive weeks, five days a week, 30 minutes a day. The active control group received computerized cognitive training consisted of moving dot clicking, alphabet screening and flying saucer capturing, while the passive control group received standard cognitive trainings and anti-psychotic medications.

Trial Status

In June 2020, the trial was completed. A total of 67 participants (37 in the intervention group and 30 in the active control group) finished the training. Of the 13 participants (16.25% of the total participants) who withdrew from the study, two cited adverse reactions, eight has failed to complete all trainings, three voluntarily removed themselves from hospitalization without specifying a reason.

Trial Data

As of the data cut-off date of June 2020, two AEs relating to patient's continued use of non-trial related psychiatric medication has been reported, both of which arose from the intake of medications instead of the use of the System.

The 1-100 scale and the 100-1 scale under the WMS scale indicate a patient's long-term memory, while the mnemonic, recognition, and regeneration scales indicated a patient's short-term memory, and the memorization scale indicates a patient's instantaneous memorizing capacity. In this study, in terms of total WMS score or score under each sub-WMS scales (100-1 and 100-1 scales, mnemonic scale, recognition scale, regeneration scale, and memorization scale), the intervention group scored significantly higher than the control group (all $P < 0.050$) after treatment.

Trial Design Limitations

The trial had the following design limitations. The trial had a small sample size and was a single-center trial. The trial was not randomized but assigned subjects to intervention and control groups based on order of enrollment; there was a difference in the dropout rate between the intervention and control groups of 7.5% and 25%, respectively, which may have resulted in an unbalanced distribution between the two groups and introduced confounding factors.

Future Development Plans for Our System

In addition to the eight commercialized indications, the System is also at various stages of preclinical and clinical development for 21 additional indications. In particular, we are conducting the following clinical trials in connection with the System in the assessment and

intervention of cognitive impairment induced by atrial fibrillation, hypertension, coronary heart disease and amnestic mild cognitive impairment, and plan to initiate additional clinical trials in order to expand the indication scope of the 2023 Renewed Certificate to include new indications.

Atrial Fibrillation Induced Cognitive Impairment

We are conducting a clinical trial focused on atrial fibrillation induced cognitive impairment (no dementia) (Trial Registration: NCT05374642) in collaboration with several hospitals led by the Anzhen Hospital. The trial is a multi-center, double-blind, parallel-designed, randomized controlled trial in patients with atrial fibrillation induced cognitive impairment (no dementia). 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. As of the Latest Practicable Date, the trial is associated with two of our patents or patent applications.

The trial plans to enroll a total of 200 patients, 100 of whom will be randomly assigned to the intervention group and the other 100 to the active control group. All patients enrolled are expected to be diagnosed with atrial fibrillation induced cognitive impairment. Patients in the intervention group will received a computerized training program based on the System, which involves training sessions on attention, memory, executive function, thinking, processing speed, sensory perception. The control group will receive training tasks with a fixed level of difficulty. The BCAT will be performed before, during and after the training period to measure the patients' cognitive capacity.

We initiated this trial in September 2022 and completed patient enrollment in 2023 and expect to complete data collection and analysis by the end of 2024.

Hypertension Induced Cognitive Impairment

We are conducting a clinical trial focused on hypertension induced cognitive impairment (Trial Registration: NCT05704270) in collaboration with several hospitals led by the Anzhen Hospital. The trial is a multi-center, double-blind, parallel-designed, randomized controlled trial in patients with hypertension induced cognitive impairment. 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. As of the Latest Practicable Date, the trial is associated with two of our patents or patent applications.

The trial plans to enroll a total of 200 patients, 100 of whom will be randomly assigned to the intervention group and the other 100 to the active control group. All patients enrolled are expected to be diagnosed with hypertension induced cognitive impairment. Patients in the intervention group will received a computerized training program based on the System, which involves training sessions on attention, memory, executive function, thinking, processing

speed, sensory perception. In contrast, the active control group will receive training tasks with a fixed level of difficulty. The BCAT will be performed before, during and after the training period to measure changes in the patients' cognitive capacity.

We initiated this trial in March 2023 and completed patient enrollment in 2023 and expect to complete data collection and analysis by the end of 2024.

Coronary Heart Disease Induced Cognitive Impairment

We are conducting a clinical trial focused on coronary heart disease induced cognitive impairment (Trial Registration: NCT05735041) in collaboration with several hospitals led by the Anzhen Hospital. The trial is a multi-center, double-blind, parallel-designed, randomized controlled trial of DTx in patients with coronary heart disease induced cognitive impairment in Anzhen Hospital. 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. As of the Latest Practicable Date, the trial is associated with two of our patents or patent applications.

The trial plans to enroll a total of 200 patients, 100 of whom will be randomly assigned to the intervention group and the other 100 to the active control group. All patients enrolled are expected to be diagnosed with coronary heart disease induced cognitive impairment. Patients in the intervention group will received a computerized training program based on the System with adaptively varying difficulties. In contrast, the active control group will receive training sessions with a fixed level of difficulty. The BCAT will be performed before, during and after the training period to measure the patients' cognitive capacity.

We initiated this trial in January 2023 and completed patient enrollment in 2023 and expect to complete data collection and analysis by the end of 2024.

Amnestic Mild Cognitive Impairment

We are collaborating with the Xuanwu Hospital on clinical trials focused on neurodegenerative diseases. One of the studies we are conducting in collaboration with the Xuanwu Hospital is a multi-center, randomized single-blind, positive-controlled, adaptive and multi-domain cognitive training study in patients with amnestic mild cognitive impairment (the "**AMCI trial**") (Trial Registration: NCT04063956). We have completed the enrollment of all 238 subjects in May 2023. Data cleaning and analysis will be performed after completion of all data collection, which is expected in the third quarter of 2024. 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 plan to submit application to expand the scope of our 2023 Renewed Certificate to include amnestic mild cognitive impairment in the third quarter of 2024. As of the Latest Practicable Date, the trial is associated with two of our patents or patent applications.

The AMCI trial is designed to assess the efficacy of tablet-based cognitive training program for improving cognitive abilities in patients with AMCI. A total of 238 eligible participants were randomized into two groups. The intervention group received multi-domain adaptive cognitive training embedded in a tablet. The control group used the same tablet for basic cognitive training. The intervention frequency (40 minutes each time, four times per week) and duration (12 weeks) was the same between the two groups.

Anxiety

For anxiety, we are currently in the pre-clinical stage with the goal of starting clinical trials in the fourth quarter of 2024 and achieving commercialization in the second half of 2025.

Dyslexia

For dyslexia, we are currently in the pre-clinical stage with the goal of starting clinical trials in the fourth quarter of 2024 and achieving commercialization by 2025.

Material Communications with Competent Authorities

In September 2018, we obtained the 2018 Certificate for the System from the Hunan MPA, which allows the use of the System in assisting physicians in the comprehensive management of medical information for patients with brain dysfunction caused by various brain injuries and diseases, including clinical diagnosis, treatment and brain function evaluation. The scope of the 2018 Certificate was, in relevant part, "assistance of doctors in clinical diagnosis and treatment of patients with brain function impairments caused by various types of brain damages and diseases, assessment of brain function, and comprehensive management of medical information and brain function data." The principal purpose of the System under the 2018 Certificate was to serve as a tool to facilitate doctors' clinical work and research activities, instead of commercialization and monetization. As such, as provided in the relevant laws and regulations, as well as confirmed by the Hunan MPA during the 2021 Consultation, we were not required to submit clinical data to the Hunan MPA for the application and approval of the 2018 Certificate. We were only required to provide materials to demonstrate that the System was capable of offering the functions in the scope of the 2018 Certificate.

In April 2020, we submitted an application to amend the above scope described on the 2018 Certificate to include offline or online clinical diagnosis, treatment, cognitive language psychological screening test training and brain functional data, and to include specific indications such as vascular cognitive impairment, Alzheimer's disease, aphasia, depression, schizophrenia, sleep disorder, ADHD and autism (the "**Amended Scope**"). The Hunan MPA then requested us to submit the supplementary materials in relation to the clinical trial evaluation data related to the indications in the Amended Scope. In response, we submitted the clinical trial evaluation data from the Xuanwu Trial to the Hunan MPA. After reviewing the abovementioned materials, the Hunan MPA granted the 2020 Amended Certificate on June 23, 2020.

In September 2021, we conducted the 2021 Consultation with the Hunan MPA on the granting of the 2018 Certificate and the 2020 Amended Certificate. According to the 2021 Consultation, (i) we were not required to submit clinical data to the Hunan MPA for the application and approval of the 2018 Certificate; (ii) the clinical trial evaluation data from the Xuanwu Trial was a key part of the application (which also included scientific literature by others that address the safety and efficacy of the System on all indicators in the Amended Scope) for the 2020 Amended Certificate required by the Hunan MPA and formed an essential basis for the Hunan MPA's decision to grant the 2020 Amended Certificate which included the Amended Scope. See "Regulatory Overview—Regulation Relating to Medical Devices—Research and Clinical Evaluation of Medical Devices"; and (iii) due to the innovativeness of DTx products, the existing laws and regulations had not yet required the categorization of our DTx product as Class III medical devices, and the System should be classified as a Class II medical device.

In May 2023, we renewed the 2020 Amended Certificate with the Hunan MPA, which is now valid until June 2028.

In July 2023, we conducted a consultation with the Hunan MPA on the relationships of the 2018 Certificate, the 2020 Amended Certificate, and the 2023 Renewed Certificate, and clarified the requirements regarding clinical evaluation for the potential indications of the System that are under development (the "**2023 Consultation**"). According to the 2023 Consultation, Hunan MPA confirmed that (i) the 2018 Certificate, the 2020 Amended Certificate and the 2023 Renewed Certificate are deemed to be the same certificate, bearing the same registration number; (ii) the approval of the 21 cognitive impairment indications of the System that are currently under various stages of development would not require us to obtain new medical device registration certificate, but those new indications, once approved, will be added to the application scope of the existing 2023 Renewed Certificate; and (iii) for approval of these 21 new indications, we would be required to conduct clinical trials or provide clinical evaluation materials related to these new indications, which would form an essential basis for the Hunan MPA to approve such addition. During the 2023 Consultation, the Hunan MPA noted the relevant requirements under the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) and related regulations, which state, among other provisions, that (i) evaluation of medical devices may be carried out through clinical trials or analysis and evaluation of clinical literature materials and clinical data of medical devices of the same kind to prove the safety and effectiveness of medical devices in light of product characteristics, clinical risks, existing clinical data and other circumstances; and (ii) clinical trials shall be carried out for medical devices for which the existing clinical literature materials and clinical data are insufficient to confirm their safety and effectiveness in the clinical evaluation of medical devices. Based on interpretation of the above requirements, the Hunan MPA confirmed that because existing clinical literature and clinical data of medical devices of the same kind as the System completed by third parties are insufficient to confirm the safety and effectiveness of the System for the 21 new indications, we are required to carry out clinical trials on these 21 new indications before submitting applications to amend scope of the 2023 Renewed Certificate to include the 21 new indications. See "Regulatory Overview—Regulation Relating to Medical Devices—Research and Clinical Evaluation of Medical Devices."

The following chart sets forth a summary of the requirement on clinical trials as a result of the above regulatory requirements and confirmation by the Hunan MPA for each of the approved indications and new indications under development.

Number	Indication*	Status	Plans and requirements on clinical trials
1.	Vascular cognitive impairment	Regulatory approval received	Clinical trials required and conducted by us in collaboration with Xuanwu Hospital
2.	Aphasia	Regulatory approval received	Clinical trial not conducted by us. Regulatory approval received through analysis and evaluation of clinical literature materials.
3.	Alzheimer's disease		
4.	Depression		
5.	Schizophrenia		
6.	Sleep disorders		
7.	ADHD		
8.	Autism		
9.	Atrial fibrillation	Regulatory approval not yet applied for	Clinical trial required to be conducted by us because existing clinical literature materials and clinical data are insufficient to confirm their safety and effectiveness in the clinical evaluation of medical devices
10.	Hypertension		
11.	Coronary heart disease		
12.	Post-cardiac surgery rehabilitation		
13.	Heart failure		
14.	AMCI		
15.	Parkinson's disease		
16.	Anxiety		
17.	Language delay		
18.	Cerebral palsy		
19.	Dyslexia		
20.	Epilepsy		
21.	Bone fracture induced pain		
22.	Diabetes		
23.	Phenylketonuria		
24.	Kidney disease		
25.	Multiple sclerosis		
26.	Hepatic encephalopathy		
27.	Post-breast cancer surgery rehabilitation		
28.	Post-lung cancer surgery rehabilitation		
29.	Drug addiction		

Note:

* Unless specifically noted otherwise, indications refer to cognitive impairments induced by the listed diseases or conditions, *not* the diseases or conditions themselves.

As of the Latest Practicable Date, no material adverse changes had occurred with respect to the System since the date of the 2023 Renewed Certificate.

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

OTHER 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. All three of these products were developed based on the technology framework of the assessment function of the System. We also conducted additional R&D on the BCAT and the SAS to make cognitive impairment assessment by physicians more accurate and efficient.

We categorize products by medical device registration certificates, namely each medical device registration certificate represents one product. We typically apply for separate medical device registration certificates for the following purposes:

- *Commercial purpose:* having separate certificates (and therefore separate products) may help us better position the target users of each product sales and marketing plans with higher precision. Certain hospitals may also prefer having a separate and specific certificate for the product they purchase, even if the functions may also be covered by the certificate for the System, which is more comprehensive in terms of functions and indications. We incorporate in these separate products certain enhancements and upgrades from the System which are specific to the intended usage scenarios by customers. Examples include BCAT, SAS, DSS, Covid-19 Induced Cognitive Impairment Assessment and Recovery Training Software and Quantitative Cognitive Assessment Software for Depression;

- *Regulatory purpose*: we may also apply for separate certificates for certain indications of the System, such as cognitive impairments induced by certain psychiatric diseases and ADHD. This is to prepare for potential future changes in medical device regulations which may require separate registration or reclassification of certain indications which are currently under Class II to Class III under the Medical Device Catalog due to the higher risks involved for these indications. Examples include the ADHD Software; and

- *Technical purpose*: We may develop and commercialize products that address indications beyond cognitive impairments, such as the Depression Treatment Software, which targets depression itself instead of cognitive impairment induced by depression. This type of products involve different technical parameters and/or mechanism of actions, which may require separate registration certificates.

BCAT

Overview

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 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 expect to commence commercialization by the second quarter of 2024. See "Future Plans and Use of [**REDACTED**]" for additional details. The BCAT can improve the efficiency of medical assessment by medical professionals, promote cost-efficient diagnostic paradigms and improve patient's treatment experience.

Mechanism of Action

The BCAT categorizes cognitive function assessment trainings based on the following five dimensions: processing speed, working memory, episodic memory, visual-spatial ability and verbal comprehension. In particular, the BCAT can (i) test a patient's processing speed through digit-symbol and symbol search tasks; (ii) evaluate working memory through operational and symmetry span tasks; (iii) assess episodic memory through word pairing memorization and facial memorization tasks; (iv) measure visual-spatial ability through paper folding tests and cube rotation tasks; (v) and assess verbal comprehension through vocabulary tests.

After assessing patient's performances, the BCAT collects such data and produce a brief and comprehensive evaluation. The evaluation and data are then transmitted via the internet to a server for storage and processing. The stored data on the BCAT can be accessed on the server side to provide reference information for clinical diagnosis and can also be printed as test results for the patients' reference.

Summary of Clinical Evaluation

We completed the evaluation of BCAT from March 2022 to October 2022 through a clinical comparison with the System, which concluded that the BCAT uses similar technical methods and targets similar underlying biology as the System and is comparable to the System in terms of safety and efficacy. 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 approval.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET BCAT SUCCESSFULLY.

SAS

Overview

SAS is designed to facilitate healthcare professionals' assessment of patients' cognitive capacity by enabling patients to self-administer MMSE and MoCA 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 expect to commence commercialization by the second half of 2024. See "Future Plans and Use of [**REDACTED**]" for additional details. Similar to the System, to streamline the testing process, the software provides a user-friendly interface for patients to log into the system, manage personal data and keep track on testing progress. Though the SAS is no substitute for human judgement and cannot on its own automatically derive diagnostic conclusions, it can improve the efficiency of medical assessment by medical professionals, promote cost-efficient diagnostic paradigms and improve patient's treatment experience.

Mechanism of Action

The SAS is a cognitive ability assessment tool based on MMSE and MoCA, which are examinations that have been used extensively in clinical and research settings to measure cognitive impairment. Compared to traditional cognitive assessment delivered in paper form, the SAS, though the use of visual, voice, handwritten and action recognition technologies, enable patients to self-administer MMSE and MoCA scales, and automatically grade patients' performances without the need manual intervention before the results are reviewed and confirmed by a healthcare professional. The entire input and output process is digitized and the patient-facing interface has been optimized to simplify the examination process and increase the efficiency of the MMSE and MoCA screening process.

Competitive Advantages

Compared to the MMSE and MoCA tests traditionally administered in paper form, the SAS, through the implementation of speech, handwriting and action recognition technologies, is able to automatically score and evaluate the patient's input and record relevant data for the medical professional's review. This significantly reduce the time and cost of the assessment process, improve the patient's treatment experience and facilitate the patient's self-monitoring of health conditions.

Summary of Clinical Evaluation and Ongoing Clinical Trial

We completed the evaluation of the SAS from July 2022 to September 2022 through a clinical comparison with the System, which concluded that the SAS uses similar technical methods and targets similar underlying biology as the System and is comparable to the System

in terms of safety and efficacy. 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 approval.

To further test our SAS against traditional paper MMSE and MoCA tests, we collaborated with Xuanwu Hospital to conduct a multi-center, non-interventional, self-paired, post-approval research in patients with cognitive impairment induced by various causes (Trial Registration: ChiCTR2300067886). As the trial was non-intervention, it had a minimal risk profile. Patients who meet the inclusion criteria from the participating medical institutions was enrolled and participants was randomly assigned to either Group A or Group B. Patients in Group A underwent a cognitive assessment based on the SAS under the guidance of the researchers. Two weeks later, trained professional raters used the paper version of the MoCA and the MMSE to assess the cognitive function of patients in Group A. Patients in Group B underwent a cognitive assessment using paper tests, and two weeks later a cognitive assessment based on the SAS was performed under the guidance of medical professionals. The MoCA and MMSE scores obtained from patients with similar conditions but different assessment methods was then be paired and evaluated to assess the consistency and accuracy of our SAS. We have completed the trial and completed data analysis in 2023 and have published the trial results on the Chinese Medical Journal (《中華醫學雜誌》) in February 2024. Analysis of the trial data showed that, after controlling for basic demographic information, there was no statistically significant difference between patients tested with our SAS and patients tested with traditional paper-based MMSE and MoCA tests, demonstrating that our SAS is a viable substitute that could potentially provide efficiencies in the administration of these psychometric tests.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET THE SAS SUCCESSFULLY.

In addition to the BCAT and the SAS, for which we had obtained regulatory approval, we are also under various stages of preclinical and clinical development for the following products and product candidates.

Dyslexia Supplemental Screening and Assessment Software

Overview

Dyslexia Supplemental Screening and Assessment Software (the "**DSS**") is designed to facilitate the assessment of risk of DD 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. We aim to demonstrate that both the System and DSS enable the assessment of cognitive functions. While the System and the DSS are based on different traditional scale designs, we intend to show that both products can provide cognitive function assessment for dyslexia patients and share similar mechanisms of action, thereby demonstrating that DSS would not pose any issues of safety or efficacy. We plan to commence commercialization in the second half of 2024. See "Future Plans and Use of [**REDACTED**]" for additional details.

Mechanism of Action

The DSS is based on a well-validated Chinese children reading assessment task system that has tested more than 240,000 children. The paper-based assessment includes reading ability tests and cognitive ability tests. It can comprehensively and accurately test the reading ability and related cognitive development levels of children of different ages and can accurately distinguish dyslexic children from normal children. The DSS screens children for DD through three tiers of assessment: the Preliminary Risk Assessment, the Dyslexia Risk Assessment and the Core Cognitive Skills Assessment. Typically, a child begins with the Preliminary Risk Assessment and progresses through these assessments in order. Children who are identified as high risk in the Preliminary Risk Assessment then take the Dyslexia Risk Assessment. If a child scores below average on the Dyslexia Risk Assessment, the child will take the Core Cognitive Assessment for a final assessment of dyslexia.

The Preliminary Risk Assessment consists of a total of 30 questions that focus on eight dimensions, including word recognition, Chinese character writing, essay writing, oral expression, verbal memory, motivation and attitude, concentration and mathematics. The Dyslexia Risk Assessment includes five tests that focus on Chinese character recognition, one-minute text reading, text reading aloud, Chinese character dictation, and rapid reading, which measures a child's word processing, reading accuracy, reading fluency and reading comprehension skills. The final Core Cognitive Skills Assessment consists of six tests, including phonological awareness, morpheme generation, rapid digit naming, digit memorization, character shape determination and pinyin pronunciation. If a child's score on any of the above cognitive assessment tests is one standard deviation below the peer average, the software flags the child as being at high risk for dyslexia.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET DSS SUCCESSFULLY.

COVID-19 Induced Cognitive Impairment Assessment and Recovery Training Software

Overview

We collaborated with Xuanwu Hospital 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. The trial enrolled a total of 60 patients, 30 of whom will be randomly assigned to the intervention group and the other 30 to the blank group. All patients enrolled were diagnosed with Covid-19 induced cognitive impairment. Patients in the intervention group received a computerized training program that last 30 minutes each time, four times a week, for eight weeks, while the patients in the blank group did not receive any cognitive training. Tests was be performed before, during and after the training period to measure the patients' cognitive capacity.

We completed the clinical trial and expect to submit Class II medical device registration by the second quarter of 2024. As of the Latest Practicable Date, the trial is associated with two of our patents or patent applications.

Mechanism of Action

A high percentage (17%-38%) of individuals experience a decline in cognitive capacity post-COVID, such as memory loss and a decline in one's attention span. Leveraging the synergy between multiple cognitive domains and the principal of neuroplasticity, this product will provide patients with personalized, individualized cognitive training sessions based on a patient's age and past medical history.

Competitive Advantage

The key advantage of this product is its ability to provide personalized rehabilitation solutions tailored to each patient's individual needs based on the use of our algorithms. In particular, the product is able to (i) formulate individualized training solutions in light of each patient's age, injury history and severity and individual characteristics and (ii) update the training task and difficulty level based on each patient's past training statistics. Our AI-based adaptive collaborative intervention model accomplishes this by selecting from millions of possible module combinations, enabled by our library of over 300 training modules, to design the optimal training session to activate the appropriate brain regions for the best therapeutic effect.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET COVID-19 INDUCED COGNITIVE IMPAIRMENT ASSESSMENT AND RECOVERY TRAINING SOFTWARE SUCCESSFULLY.

ADHD Software

We are currently under preclinical development of the 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 (the "**ADHD RS-IV**") and the Achenbach Child Behavior Checklist, a test widely used to detect behavioral and emotional problems in children and adolescents. On the intervention front, the ADHD Software focuses on training working memory, cognitive flexibility, attention, planning and problem solving capabilities. It alleviates ADHD symptoms by (i) stimulating the relevant cerebral regions related to attention, such as frontoparietal brain areas, to modify sustained attention; (ii) inducing activities of orbitofrontal, superior and inferior frontal, and middle temporal cortices; and (iii) reducing activation level of subcortex regions, such as insula and striato-thalamic regions, in order to improve efficiency of working memory.

Competitive Advantages

Given the manifestations of cognitive deficits in ADHD patients are complex and diverse, currently, there is no targeted intervention cognitive training product specifically designed for ADHD patients offering a comprehensive evaluation of cognitive impairment, both domestically and internationally. Our product can provide multidimensional cognitive assessments for ADHD patients to provide evidence-based support for the optimization of a comprehensive treatment strategies for patients with ADHD.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ADHD SOFTWARE SUCCESSFULLY.

Quantitative Cognitive Assessment Software for Depression

Overview

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. To assess cognitive disfunction associated with depression, a total of seven cognitive tests have been included. Among them, the visual search test and the audiovisual attention distribution test seek to assess a patient's level of attention, the Stroop color and word test aims to assess capacity of execution, the spatial memory test will assess memory, while the digit-symbol conversion test looks to assess information processing speed. These tests can be self-administered by patients on a tablet under the guidance of the researcher. We have initiated the clinical trial and expect trial completion by the fourth quarter of 2024.

Mechanism of Action

Cognitive symptoms persist throughout the course of depression. Not only do they interfere with the efficacy and cure rate of antidepressant treatment and increase the risk of depression recurrence, but they also result in the inability of depressed patients to return to normal social functioning, resulting in an enormous social and economic burden. Current clinical research focuses on four areas: executive function, attention, memory and information processing speed.

This product is an electronic cognitive assessment tool developed based on the latest theories of intelligence and the results of clinical studies of cognitive dysfunction in depression, using human-computer interaction to complete the assessment. It is used to assess the cognitive function of depressed patients.

The quiz items in this product have good reliability and validity. It covers the four common aspects of cognitive impairment in patients with depression with seven assessment tasks. The split-half reliability coefficients of the seven subtests range from 0.814 to 0.996 (out of a maximum of 1.000), indicating that the subtests have good internal consistency reliability. In addition, most of the tasks used in this test set are classic paradigms in the field of intelligence measurement, which are representative of the relevant basic cognitive abilities, thus strongly supporting the content validity of this product.

Competitive Advantage

Compared to other cognitive assessment tools currently in widespread use for the MDD population, the tests administered by our software are more comprehensive. Unlike other similar products, our product's reliability and validity study includes a normal control group which, when combined with the results of the classic paradigm measurement, allows for the calculation of cut-off scores. Our product can cover seven dimensions of cognitive decline.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET QUANTITATIVE COGNITIVE ASSESSMENT SOFTWARE FOR DEPRESSION SUCCESSFULLY.

Depression Treatment Software

Overview

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 (the "**CCBT**") to improve the symptoms related to depression. The software aims at deepening patients' understanding about emotional rationalization and interpersonal skills in an interest-inspiring way, drawing from the idea that "everyone can find inner safety in the midst of chaos." The game-playing component combines a captivating background story with various training tasks, which can be used as a stand-alone psychotherapy for depressed patients or used concurrently with other psychotherapies. We expect to initiate clinical trial in the first half of 2024.

Mechanism of Action

The product was designed after consultation with a large number of patients diagnosed with depression. The game is set on a gray, barren and dilapidated island to reflect the mental state, behavioral patterns and problems faced by depression patients. The patient works through the tasks to restore the island to its original state. This setting helps allow patients to focus on skills development and reduce their negative thinking.

Second, based on latest developments on CBT, the product integrates multiple psychological strategies such as positive thinking meditation, behavioral activation, cognitive reconstruction and cognitive restructuring tasks to boost its efficacy.

Third, the product uses gamification of the CBT treatment process to elicit patient interest in participation. The CBT-based tasks are then materialized in the game as main quests or side quests. For example, in level 5 of the game, distorted thinking is materialized as a monster with a distorted mind and face that can be defeated by the patient's rhythmic action, which represents the recognition of meaningless thoughts. By providing immersive experiences, the product enhances the patient's motivation to learn, improves attention and problem-solving skills, and increases social engagement.

This system objectively evaluates the patient's progress in the background. At the same time, the assessment data also provides personalized information to patients during their training sessions and enables the product to apply multi-targeted adaptive synergistic interventions that adapt to the patient's individual characteristics.

Competitive Advantage

Compared to traditional CCBT, which is mostly rendered in lecture form with after-class assignments, our game-oriented software is more likely to elicit patient's interest in participation and lead to more prolonged treatment and is thereby more effective.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET DEPRESSION TREATMENT SOFTWARE SUCCESSFULLY.

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 April 2025. 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 COGNITIVE IMPAIRMENT ASSESSMENT SOFTWARE AND COGNITIVE IMPAIRMENT TREATMENT SOFTWARE SUCCESSFULLY.

OUR TECHNOLOGIES

Virtual human and AI technologies are the technology foundation of our System and other products and product candidates. Our virtual human technology enables physicians to perform medical assessment and communicate with a large number of patients at once. Our AI technology enables physicians to perform assessment and intervention in a highly consistent and user-friendly manner, which we believe contributes to its rapid acceptance and adoption in primary hospitals across China.

We are currently focused on providing assessment and intervention DTx products to our customers and do not currently sell, nor do we currently intend to sell, the data models, components and technologies of the System as separate and distinct products or medical devices.

Virtual Human

Virtual human technology automates patient interaction and other processes that were traditionally performed by physicians with patients on a one-on-one basis, which enables physicians to assess a large number of patients at once. Our virtual human technology comprises a series of technological capabilities obtained from third parties or independently developed by us. These capabilities include (i) speech recognition and correction; (ii) intention recognition; and (iii) automated assessment and analysis.

- *Speech Recognition and Correction*: We incorporate speech recognition product which enables the System to receive verbal responses from patients and convert them into meaningful semantics for the System's further processing. Based on readily available speech recognition product, we also independently developed enhancements to improve accuracy and correct the results of speech recognition under certain assessment scenarios. For example, we made corrections on speech recognition results related to certain key words and phrases that frequently appear in memory assessments to reduce the chance of mis-recognition by the System. We do not further develop the speech recognition product itself as part of the System. As advised by our PRC Legal Advisor, (i) the speech recognition product had been properly in-licensed; (ii) the relevant in-licensing agreement allows us to use such product for commercial purpose on the basis of complying with PRC laws, regulations, rules and other government normative documents; and (iii) liability for mis-assessment arising from the in-licensed product shall lie with us;

- *Intention Recognition*: Our intent identification capability enables the System to identify whether the verbal response from the patient was made to answer the question, or to request clarification of the assessment question. The System can then proceed to analyze patient response or provide clarification, as appropriate;

- *Automatic Assessment and Analysis*: Upon receiving input information from users, the System uses AI models to automatically evaluate the accuracy of the answers and generates summary reports of assessment results, which could serve as a critical basis for diagnosis by physicians. See "—Artificial Intelligence" for details on the AI models.

We independently developed the key operative technology components of the virtual human technology, namely speech correction, intention recognition and automated assessment and analysis technologies. As a result of the abovementioned automated processes, our virtual human technology breaks through the constraints of traditional clinical assessment standards such as the MMSE and MoCA. These traditional standards typically require medical professionals to personally conduct one-on-one assessments, which lack efficiency as medical professionals can only ask, record and explain assessment questions and responses one patient at a time.

Artificial Intelligence

Our artificial intelligence ("**AI**") technology enables more accurate cognitive impairment assessment, and provides more self-adaptive cognitive trainings to achieve higher intervention and treatment efficacy. AI technology underlies different types of models comprising algorithm sets independently developed by us, which enable the System to achieve the above features in terms of assessment accuracy and treatment efficacy.

Multimodal Cognitive Computing Model

We are in the process of independently developing the multimodal cognitive computing model, which comprises a set of algorithms that are designed to more accurately assess patient input (including both verbal responses and other physical input such as body gestures). Traditional one-on-one medical assessment under MMSE and MoCA typically requires medical professionals to personally conduct one-on-one assessments, which could be influenced by their subjective judgment. Patients may also provide responses that do not accurately reflect their conditions due to subjective factors such as their moods. The multimodal cognitive computing model includes algorithms on natural language processing and image processing, which enable the System to accurately determine the responsiveness of patients' input without being misled by irrelevant input from patients that could affect the accuracy of the assessment outcome.

Adaptive Collaborative Intervention Model

The System offers trainings to patients that are designed to stimulate the neural networks in relation to patients' cognitive ability on attention, memory, executive function and others at the appropriate frequency and dosage. Continuous and regular brain stimulation can promote the release of neurotransmitters between the patient's synapses, resulting in the growth of nerve fibers and a corresponding increase in the number of synapses. The new neural connections can form a compensatory neural pathway and improve the structure and functional connections of the patient's neural network.

We have independently developed the adaptive collaborative intervention model, which is designed to ensure that the training content stimulates the appropriate neural network based on the patients' individual cognitive impairment conditions. It comprises the deep neural networks ("**DNN**") algorithms, which 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. The DNN algorithms undergo constant iteration and training to dynamically adjust the content of the training tasks, and can identify the most suitable training out of millions of different possible combinations, building on over 300 training modules that are designed to stimulate and activate the appropriate brain regions and neural network. By dynamically identifying and recommending the most suitable training out of millions of different possible combinations, our DNN algorithms enable the System to offer self-adaptive and personalized trainings that lead to more favorable enhancement of cognitive functions for patients.

We are in the process of improving our collaborative intervention model to be more causal-based, which is expected to further improve the System's ability to predict patient future performance (the effect) based on past responses (the cause), thereby recommending the most suitable training tasks that make the cognitive training more personalized and effective in the stimulation and repair of patients' neural network.

Multimodal Affective Computing Model

We are in the process of independently developing the multimodal affective computing model, which is a set of algorithms that capture and analyze patients' changes in emotions and moods when responding to assessment questions or when conducting cognitive trainings. This is expected to allow the System to generate more self-adaptive and targeted cognitive trainings based on not only the patients' verbal responses, but also subtle changes in emotions and moods which can be difficult to capture and process under conventional methods.

Large Language Model

Our large language model involves algorithms on semantic analysis and response interpretation, which allows the System to not simply receive the voices from patients, but also truly understand what patients mean. We are in the process of developing our large language model which is the result of our adaptation of an open-source large language model to enable the System to more accurately interpret patient responses and to provide useful clarification and assistance to patients during the cognitive assessment.

RESEARCH AND DEVELOPMENT

We focus our R&D efforts on developing innovative cognitive impairment medical technologies and solutions to assess and intervene in patients' cognitive impairment caused by a variety of diseases. We have devoted significant resources to building up our R&D capabilities and technological infrastructure, enabling us to stay abreast of the latest technology trend in the DTx industry, provide clinically advanced new products and enhance the efficacy, ease of use, safety and reliability of our products, as well as expand their applications, as appropriate.

We are also investing in integrating new advances in AI technology to improve our System, such as pursuing the multimodal cognitive computing models that are based on task-based assessment, which requires a technology capability to detect abnormalities within a few hundred milliseconds. As a result of our efforts, we have built AI-based DNN algorithms, which enable the System to become highly self-adaptive. 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. We believe this dynamic and self-adaptive training leads to more personalized treatment and more favorable enhancement of cognitive functions for patients than traditional drug therapies, as measured by the MoCA scores and patients' response time, accuracy rate, improvement in training performance scores and length of user stay. See "—Our Technologies" for more details.

These R&D efforts also help us maintain the advantages of the System and facilitate the development of other products and product candidates. For example, these efforts will enable us to expand the use of the System to other indications, thereby increasing the versatility of the System compared to other cognitive DTx products. Our R&D efforts will also aim to build a multimodal cognitive computing model to enable more accurate assessment and diagnosis, a causal-based adaptive collaborative intervention model to stimulate multi-regional synergistic interventions, a multimodal affective computing model and a large language model focused on cognitive skills. See "—Our Technologies" for details. These R&D efforts have the potential to improve the user experience of the System by facilitating more genuine human-machine interactions, more accurate assessment and more personalized intervention, thereby helping us to maintain the advantage of our products, and facilitate further expansion of our product pipelines.

In 2022 and 2023, our research and development expenses amounted to RMB67.6 million and RMB90.7 million, respectively. During the same periods, we incurred research and development expense for the System of RMB62.9 million and RMB54.6 million, respectively.

Our R&D Team

We have a strong multi-disciplinary in-house R&D team of 126 professionals with 28 holding a masters degree and three holding PhDs as of the Latest Practicable Date. Our R&D team is led by Dr. Wang, who has been our 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:

- Brain Research Institute: focusing on basic research and theory development. The Brain Research Institute consists of the Scientific Research Project Department, the Pediatrics Research Department, the Aging Research Department, the Regulatory

Approval Department, the Clinical Trial Department, the Emotion Research Department and the Basic Research and Cognitive Computing Department. Each department of the Brain Research Institute reports to the CEO;

- Product Innovation Center: focusing on overall planning, design and progress control of DTx products. The Product Innovation Center consists of the Geriatric Product Technology Department, Pediatrics Products Department, Art Design Department and the Task Planning Department. Each department of the Product Innovation Center reports to the CTO who in turn reports to the CEO; and

- Technology Research Center: focusing on product development and testing. The Technology Research Center consists of the Training Task R&D Department, the Platform Technology Team, the Operations, Maintenance and Equipment Management Department, the Android Team, the Testing Team, the Project Team, the Front-end Team, the Data Science Department, the Algorithm Department, the Safety Department, and the Back-end Teams One and Two. Each department of the Technology Research Center reports to the CTO who in turn reports to the CEO.

As of the Latest Practicable Date, none of the above teams has any standalone business relationships with third parties other than through or for and on behalf of our Group.

Externally, we have established long-term relationships with KOLs, including well-known medical professionals 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.

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 NMPA 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.

To ensure the quality development of our product, we have established a streamlined R&D system that prioritizes scientific validity, patient compliance and R&D efficiency. Specifically, we focus on the three key phases of our R&D process.

- The first phase is basic research. The Brain Research Institute, an internal group of talents within our R&D team, conducts scientific research and design based on scientific paradigms and literature. The scientific team conducts complete research and discussion to ensure that the design parameters of new products adheres to the latest scientific principles and clinical data.

- The second phase is planning. The Product Innovation Center creates product designs based on the parameters prepared by the Brain Research Institute. To make our products more engaging, the team adds fun elements such as games while adhering to the scientific research framework and paradigm understanding.

- The third phase is development and testing, which is handled by the Technology Research Center. We create an internal beta version based on the designs for testing. Users test the product and provide feedback via questionnaires, and we use the data to determine whether our products are complete, interesting and effective in stimulating the appropriate brain function. Our products are revised according to the feedback data.

Clinical Trials

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 eight 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.

Some of our products may be exempt from clinical trials in the relevant jurisdictions based on their classifications and applicable laws and regulations. For those requiring clinical trials, we collaborate with leading hospitals in China and globally to conduct clinical trials for our products. Our clinical data and practices are designed to meet the good clinical practice (the "**GCP**") standards.

Collaboration with Clinical Trial Institutions

The NMPA maintains a catalog of hospitals filed as clinical trial institutions, from which we select a number of leading hospitals with desirable expertise, patient samples, technology and equipment to conduct our clinical trials. We meet with the selected participating hospitals to discuss the trial's goals and requirements, as well as to select the leading institution for the trial, which typically will be the largest and best-equipped hospital of the participating hospitals.

We typically enter into an agreement with each selected hospital for each clinical trial, under which we and the participating hospitals prepare a clinical trial protocol following GCP standards. We submit the protocol to the ethics committee of each participating hospital for review. The ethics committees may ask us to revise the clinical trial protocol or other documents before their approval. Once the protocol is approved, amendments can only be made with the prior written consent of all parties. Where required by applicable laws, regulations, or relevant national policies, amendments to the protocol must be approved by the ethics committee and/or the relevant regulatory authority.

Pursuant to the agreement, each participating hospital is obligated to conduct clinical trials following the protocol and at the end of the clinical trial, issues a case report based on the collected data. We make payments according to the agreed schedules and items for the hospitals' services. Each participating hospital has the right to publish academic papers, provided it gives us prior written notice and we do not object in writing within seven days. We own all intellectual property rights arising from the clinical trial collaborations. Each participating hospital may enter into separate agreements with us regarding the arrangement of intellectual property rights. As of the Latest Practicable Date, we had not entered into such an agreement.

Relationships with CROs

We collaborate with reputable CROs to manage, conduct and seek their support for our clinical trials. We select our CROs based on various factors, such as their qualifications, academic credentials and professional experience of their employees and their industry reputations. We generally enter into an agreement with the CRO for the relevant clinical trial. We closely monitor our CROs to help ensure their performance will comply with our protocols and applicable laws, regulations and guidelines, which in turn protect the integrity and authenticity of the data from our clinical trials. We have worked with CROs for our clinical trials in China, including clinical trials for the System. As of the Latest Practicable Date, we had engaged two CROs in the research and development of our products and product candidates.

Under the agreements with our CROs, we are responsible for the trial preparation, monitoring subject enrollment, trial implementation and management, while the CROs take responsibility for record keeping and report preparation to guarantee the compliance of the clinical trial process with applicable regulations or standards. In return for their services, we

make payments in accordance with the payment schedule agreed by parties. Our CROs may further assist us in trial preparation and management pursuant to our particular request, for which extra fees will be incurred. Under the agreements, we generally own all intellectual property and trial results and the CROs must maintain strict confidentiality with respect to the information they acquired from us during clinical trials. Under the agreements, the CROs are obligated to keep all non-public information and data from the trials confidential, and return related materials, if any, to us at the end of our contract term.

Division of Responsibility

When collaborating with clinical trial institutions and CROs, we carefully review their credentials and clearly set forth our respective responsibilities, roles, timetable and work assignments in the relevant agreements. During the clinical trials, we closely monitor the work by clinical trial institutions and CROs to ensure that the actual trials are conducted according to the trial design, that the data collected are reliable and accurate, that patient rights are safeguarded and that these third parties comply with the applicable laws and regulations. If we detect issues through the above monitoring process, we would timely inform the clinical trial institutions and CROs of our findings and demand immediate rectifications. The following table sets forth a typical division of responsibility among us, clinical trial institutions and CROs, as applicable.

Responsibility	Our Role	Role of the Clinical Trial Institution	Role of the CRO
Clinical Trial Design	Determining and designing trial plan details for the control and trial groups, including (i) the specific types and content of the neurological and psychological assessment; (ii) specific parameters of primary outcomes and secondary outcomes; and (iii) cognitive training modules for the control group and the trial group.	Confirming the assessment parameters for the control and trial groups, the primary and secondary outcomes.	N/A
Informed consent and case report forms	Preparing informed consent and case report forms	Confirming and administering informed consent and case report	Assisting in the review of informed consent and case report

Responsibility	Our Role	Role of the Clinical Trial Institution	Role of the CRO
Enrollment of human subjects, clinical trial execution	Training patients on using the System, as well as providing continuous follow-up technical support and training to ensure patients can properly operate the System and complete the trial	Enrolling human subjects, conducting trials, controlling quality of the clinical trial process, and optimizing various clinical trial procedures on a continuous basis	Assisting in conducting clinical trials, including patient enrollment, information collection and filing, and quality monitoring
Data Analysis	Conducting literature research, parameter design for data analysis and sample data analysis	Confirming data analysis plan, and conducting periodic data analysis	In some cases, CROs prepare draft data analysis and reports

Collaborations Regarding the Xuanwu Trial

Due to the public funding nature of the Xuanwu Trial, only public bodies, including Xuanwu Hospital and other public hospitals, can be listed as sponsors. However, we served as a promoter of the Xuanwu Trial, and undertook extensive responsibilities similar to those of a sponsor. For example, we were the sole provider of the medical device product, the System, and were deeply involved in the clinical trial design and execution. Throughout the execution of the Xuanwu Trial and the administration of cognitive training modules among patients, the System was the only product used by the control group and the experimental group. All software and hardware equipment used during the Xuanwu Trial were supplied by us. We shared the responsibilities with the public hospitals of training the clinical trial personnel, and facilitating and following up with patients' family members. Our role is similar to the role of a sponsor in a typical clinical trial sponsored by private companies.

In order to demonstrate our key contributions in the Xuanwu Trial, the following table sets forth a comparison of the responsibilities of ours and of public hospitals during the Xuanwu Trial compared to those of a typical clinical trial.

	In a typical study	Our role in the Xuanwu Trial
Design and development of the trial device	Sponsor	We designed and developed the System as the sole trial device for the Xuanwu Trial

	In a typical study	Our role in the Xuanwu Trial
Clinical trial design	Principal investigator ("**PI**") and sponsor	We collaborated with the public hospitals in formulating and revision of trial designs, protocols, and preparation of informed consent and case report forms
Data and clinical information collection	Organized by clinical sites and executed by PI	Public hospitals
Providing trial medical device and training on device use	Sponsor	We provided the System as well as trainings on the use of the System by trial personnel throughout the trial. We also supplied all hardware and software used during the trial
Testing of the device and examination of the patients	Organized by sponsor and executed by clinical laboratories	We shared the responsibilities with the public hospitals in testing human subjects and following up with test results and the continuous carrying out of the tests under the System
Data analysis and complete the clinical summary report	PI (on execution and preparation of the report) and sponsor (on coordination and assistance)	Public hospitals (on execution and preparation of the report). We bore the coordination and assistance responsibilities

Meanwhile, the public hospitals were in charge of patient enrollment, multi-trial site coordination, clinical diagnosis, medical imaging and testing, clinical data analysis and report drafting.

Our Hardware Research and Development Collaborations

Our R&D capabilities have significantly contributed to the development and commercialization of the System among other products during the Track Record Period. To strengthen our R&D capabilities, we have cooperated with two third-party vendors to explore the application of cognitive impairment DTx software on VR hardware. We entered into a framework agreement to purchase VR hardware from one vendor, Guangzhou Kuanheng Information Technology Co., Ltd. (廣州寬恒信息科技有限公司), which provides that (i) the term of the agreement is 18 months; (ii) we intend to purchase approximately 1,000 units, the quantity of which shall not be binding on us, and the exact quantity shall be determined by actual orders placed within the 18-month period; (iii) we shall pay a fixed unit price for each unit of VR hardware purchased; (iv) we may terminate the purchase agreement if the vendor fails to deliver within 90 days of the stipulated delivery date; and (v) other standard quality and compliance terms.

We also entered into a service agreement with a software vendor, Shenzhen Iridium Medical Technology Co., Ltd. (深圳市銥磴醫療科技有限公司), to purchase software customization, customized development of back-end system, and testing services for 30 units of VR equipment on the VR hardware we purchased pursuant to the abovementioned agreement. The service agreement sets forth the fixed total service price to be paid in installments and a performance period of approximately three months. The service agreement also sets forth the mode of service delivery, under which we provide the vendor with 30 units of VR hardware for development purposes, which will be returned upon completion of the software services by the software vendor. Both parties are obligated to comply with relevant laws and regulations regarding privacy and medical data protection and to prevent any unlawful use, disclosure or processing of medical data. Additionally, the agreement grants the non-breaching party the right to terminate the agreement with a 10-day notice. We also have the right to terminate the agreement with the consent of the vendor or if we suffer material damages as a result of the vendor's breach. In addition, the vendor may terminate the agreement by paying a stipulated cost. The above agreements do not affect our independent research and development capabilities, because VR hardware is only one of the many types of hardware on which the System can run, which includes consumer electronics such as computers and tablets, and there are other vendors of similar VR hardware and related services.

Unless otherwise agreed, the intellectual property rights arising from the performance of the agreements in relation to the application of our DTx software products on VR hardware shall belong exclusively to us. All parties are bound by confidentiality provision which prohibits either party to disclose certain confidential information without the express written consent of the other party. We do not have any business relationships with these two vendors other than those set out in the agreements described above.

SALES AND MARKETING

We had commercialized our System for eight indications and obtained regulatory approvals for three additional products as of the Latest Practicable Date. For details of our products with regulatory approvals, see "—Our Product Pipeline."

Our Marketing Model

We focus our selling efforts on establishing relationships with hospitals, which were our primary customers during the Track Record Period. We seek to raise the profile of our technologies and products in the medical community and encourage their adoption, primarily through (i) collaborations with top hospitals; (ii) academic and research collaborations with KOLs; (iii) regular organization and participation in various academic conferences and (iv) promotional efforts to individual patients who have experienced our products in hospitals and may wish to continue purchasing our products for use in their homes.

Collaborations with Top Hospitals

As of the Latest Practical Date, we had helped more than 80 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 offer the System to hospitals which enables hospitals to provide assessment and intervention to their cognitive impairment patients.

Background of Our Cognitive Center Collaboration Approach

Our adoption of the cognitive center cooperation approach was primarily driven by the following considerations. Since 2019, the government has been releasing periodic policy guidelines in support of the prevention and treatment of cognitive impairment diseases such as AD due to the aging of the Chinese population and the increasing prevalence of these diseases. Hospitals have responded to these calls by exploring opportunities to establish in-hospital cognitive impairment treatment capabilities, providing opportunities for players in China's cognitive impairment DTx market, such as ourselves, to expand commercialization of their DTx products. In addition, the experts in China's medical community also react favorably to establishing in-hospital assessment and intervention capabilities on cognitive impairment as a supplemental therapy to traditional drug treatment, as highlighted in the Chinese Expert Consensus on Cognitive Training (認知訓練中國專家共識) published in the Chinese Medical Journal in January 2019.

In response to the above, we began implementing our cognitive center approach by partnering with Chaoyang Hospital to establish the first cognitive training center in 2020. In April 2021, we further expanded our cognitive center approach by establishing the second cognitive training center with Anzhen Hospital. Encouraged by the success of these collaborations, we decided in 2021 to formally adopt the cognitive center cooperation model for the commercialization of our DTx products in hospitals.

Commercial Rationale for Cognitive Center Collaboration

We help hospitals establish cognitive centers primarily to provide the System integral software solutions to those hospitals for use in assessing and treating cognitive impairment patients. We also offer the System integral software solutions directly to patients out of hospitals who choose to continue to use our System at their own homes after initially receiving cognitive impairment assessment and/or intervention utilizing the System in hospitals.

Under the cognitive center collaboration, we incurred costs for (i) premise renovation; (ii) hardware purchases, such as tablets and computers on which the System runs; and (iii) purchases of data roaming packages for the cognitive centers premises. We own the intangible assets arising from the renovation of cognitive center premises as well as the hardware made available to the cognitive centers and the hospitals own or make available the property for use during cognitive center collaboration to host the cognitive centers. Through premise renovation, we ensure the consistency of the style of each cognitive center premise, which we believe is conducive to bringing an ideal environment to care for cognitive impairment patients and to enhancing our brand image. We incurred costs for hardware and data roaming packages to provide infrastructure support and ensure the proper functioning and operations of the System. We incurred RMB0.9 million and RMB2.5 million in 2022 and 2023, respectively, in cost of sales for provision of the System integral software solutions in hospitals in relation to cognitive center collaboration.

Salient Terms of the Cognitive Center Collaboration Agreements

Pursuant to the terms of the cognitive center collaboration agreements, the hospitals shall be responsible for (i) providing the necessary premises for the cognitive centers with sufficient floor space, air conditioning, ventilation, internet access, and other basic conditions; (ii) overall management of the cognitive centers, including supervising our work and demanding replacement of the technical support staff we send; (iii) supervising the renovation of cognitive centers and the work of support staff we send to the cognitive centers; (iv) providing medical services to patients, conducting patient follow-ups, and charging patients medical service fees based on the number of times patients use the System, among other applicable standards; (v) paying fees for using the System; and (vi) handling investigations or other legal proceedings arising from medical services provided by or disputes caused by the hospitals.

We shall be responsible for (i) making the System available for use at the cognitive centers; (ii) maintaining the proper operations, maintenance and upgrades of the System; (iii) providing necessary funding on premise renovation, hardware, and data roaming packages; (iv) sending support staff at our expense to provide operational support to assist the hospitals in using the System to provide medical services to patients, and handling complaints that arise from their work; and (v) assisting hospitals in patient and medical data management and in complying with regulatory requirements on personal data and privacy matters. As advised by our PRC Legal Advisor, the hospitals are not legally obligated to exclusively use the System or promote the System to their patients in their cognitive centers pursuant to the relevant cognitive center cooperation agreements.

The amount of payment from hospitals to us is based on the number of times and the specific functions of the System used in hospitals. The pricing is set based on negotiations between us and the hospitals with reference to the relevant provincial health insurance reimbursement list. Hospitals shall confirm the amount of usage and settle the payments with us periodically. We shall also take measures to ensure that the System complies with relevant laws and regulations on cybersecurity and data privacy.

The contract period of the above agreements ranges from two to five years, and the agreements can be terminated by the non-breaching party in case of material breach by one party.

In particular, during the Track Record Period, one of the providers of operational support (the "**Operational Service Provider**"), an Independent Third Party, played two primary roles: (i) providing operational support such as guidance and technical support on the after-sale utilization and operations of our System to hospitals, and other services to ensure smooth operations of cognitive centers that adopt our System; and (ii) providing payment related services such as issuing sales invoices to hospitals based on the amount of usage within the relevant cognitive centers, collecting payments from hospitals on our behalf, and then settling the payments to us in full.

Overview of Our Arrangement with Hospitals and Operational Service Provider

The arrangement involves three primary parties: the hospital, the Operational Service Provider and us. We provide our products directly to the hospital for the treatment of its patients. Based on the use of our products, the hospital makes payments to us, which are collected by the Operational Service Provider and remitted to us without deduction. In addition to its payment-related services, the Operational Service Provider also provides operational services to hospitals on our behalf, including guidance, technical support and ensuring the smooth operation of cognitive centers that adopt our System. The Operational Service Provider provides qualified personnel to the cognitive centers, handles complaints and feedback and provides us with information on the competitive landscape. We make payments to the Operational Service Provider for the payment-related services it provides to us and for the operational services it provides to hospital's cognitive center on our behalf. See "—Our Business Model" for a flow chart illustrating this arrangement." The hospitals are liable for medical disputes, administrative penalties, and other legal liabilities caused by the hospitals in relation to cognitive centers. Such legal liabilities may include those arising from medical consultation or other services offered by the hospitals within the cognitive centers over which we or the Operational Service Provider has no control. We are liable for any labor disputes, injuries, accidents and related labor and personnel management issues that may occur during the assignment of our staff to cognitive centers. The Operational Service Provider is liable for any labor disputes, injuries, accidents and related labor and personnel management issues that may occur during the assignment of its staff to cognitive centers.

In the collaboration agreement between the hospitals and the Operational Service Provider, it is clearly provided that we shall be the provider of the System. In another word, while, as a matter of form, the hospitals pay the Operational Service Provider for the System instead of directly making payments to us, the Operational Service Provider is obligated to repay the full amount to us without right to retain any portion thereof, indicating that the payment is made to us as a matter of substance. Therefore, the relationship among the hospitals, the Operational Service Provider and us is not one where the Operational Service Provider outsources or transacts any projects with the hospitals to us; rather, we are the party that directly work with the hospitals as stipulated in the collaboration agreement.

This arrangement has several advantages. First, the Operational Service Provider's management of payment-related services streamlines the financial process. By handling billing, collection and settlement, they reduce the administrative burden on our organization, allowing us to focus on our core business activities. Second, the provision of operational services by the Operational Service Provider ensures that hospitals adopting our System receive guidance and technical support, contributing to the smooth operation of cognitive centers. This support enhances the overall user experience and enables hospitals to maximize the benefits of our System.

We have begun to and expect to focus on providing operational services to hospitals by ourselves going forward without third-party service providers such as the Operational Service Provider. This is subject to further negotiations with existing third-party service providers and the hospitals as well as actual circumstances when approaching new hospital customers after [**REDACTED**]. We believe our ability to independently provide such operational services reduces our reliance on third parties and leads to more seamless integration of the System software and the operational services and smoother usage experience.

As of the Latest Practicable Date, we had six contracts with the Operational Service Provider to provide operational services to various hospitals in China. The total revenue generated from hospitals where the Operational Service Provider is involved was RMB2.3 million and RMB11.3 million in 2022 and 2023, respectively.

Operational Support

We entered into a contract with the Operational Service Provider which sets forth that (i) the Operational Service Provider shall send qualified personnel to cognitive centers to facilitate cognitive center operations and usage of the System, handle patient and hospital complaints and feedback, provide us with information on updated competitive landscape, among others, and shall not provide cognitive screening, assessment, intervention, or operational support to others; and (ii) we shall provide necessary training on the usage and mechanism of actions of the System, relevant operating procedures, and industry, product and technological advancements to the Operational Service Provider and the hospitals, and timely pay for operational support provided by the Operational Service Provider, among others. The amount of payments we pay Operational Service Provider is calculated as a percentage of the amount

paid by hospitals to the Operational Service Provider, which in turn is based on the amount of usage of the System by the hospitals. See "Financial Information—Description of Selected Components of Statements of Profit or Loss—Revenue" for more information.

The contract on operational support is valid for five years upon signing, unless renewed prior to expiration. Such agreement can be terminated upon expiration, or by non-breaching party upon material breach of either party.

Payment Collection

We also entered into another agreement with the Operational Service Provider which sets forth that (i) the Operational Service Provider shall introduce the System to hospitals under its cooperation with hospitals pursuant to its separate cooperation agreements with hospitals, collect sales proceeds from and issues invoices to hospitals that use our System, and pay the whole amount received from hospitals to us; and (ii) we shall authorize the hospitals to use the System in assessment and intervention of cognitive impairments of their patients, handle the operations of the System in the hospitals (even though we fulfilled this obligation in part by entering into the separate abovementioned contract with the Operational Service Provider), and issue invoices to the Operational Service Provider and demand payment of the full amount it collected from hospitals. The Operational Service Provider does not have any obligations to send payments to us if the hospitals do not make payments to the Operational Service Provider with respect to the usage of our System, making the Operational Service Provider an entity through which payments pass in full from hospitals to us. The role played by the Operational Service Provider is not that of purchaser of our System for resale to hospitals. As such, we do not deem the Operational Service Provider as our customers. We do not incur any costs or expenses in relation to its payment related activities.

The agreement on payment collection is valid for five years upon signing, unless renewed prior to expiration. Such agreement can be terminated upon expiration, or by mutual consent in writing.

Reasons for the Above Transactions

The Operational Service Provider has been in cooperation with several hospitals in China to provide services that strengthen the hospitals' abilities to offer quality medical care under various medical specialties. Pursuant to the payment collection agreement above, the Operational Service Provider shall introduce the System to hospitals under such cooperation. Because of the cooperation between the hospitals and the Operational Service Provider, these hospitals are required by the internal policies of their management committees, legal departments and finance departments to only make payment to the Operational Service Provider, even though we are the party responsible for selling and delivering the System to the hospitals. To reflect this commercial reality, the Operational Service Provider agreed to timely remit the whole amount received from these hospitals to us without any withholding or deductions. We do not believe we have material reliance on the Operational Service Provider

with respect to payment settlement, because we also sell the System to a large number of hospitals without the involvement of the Operational Service Provider. Even for the sales made through the Operational Service Provider, the funds originate from the hospitals, not the Operational Service Provider.

Because the Operational Service Provider provides operational services and charges us for such services, the Operational Service Provider is considered our supplier of operational support during the Track Record Period, while the relevant hospitals are considered our customers as they are the ultimate users of our System.

As advised by Frost & Sullivan, it is not uncommon to have such a service provider directly receiving payments from hospitals before passing the full amount to us in the healthcare industry. We have conducted interviews with the Beijing Municipal Health Commission (北京市衛生健康委員會) which indicate that the relevant arrangements among the hospital, the Operational Service Provider and us are in compliance with applicable PRC laws and regulations in all material respects. Therefore, as advised by our PRC Legal Advisor, the relevant arrangements among the hospital, the Operational Service Provider and us are in compliance with applicable PRC laws and regulations in all material respects.

Overview of Our Engagement of Third-Party Service Providers

For cognitive center collaboration with hospitals, we sometimes engage third-party service providers, including the Operational Service Provider, to provide operational services to ensure the smooth operation of the System. The following table sets forth an overview of our historic and on-going engagements with third-party service providers.

Third-Party Service Providers	Service Provider Background	Reason for Engagement	Revenue from Associated Hospitals		Service Fees as Percentage to Total Cost of Sales	
			For the year ended December 31,		For the year ended December 31,	
			2022	2023	2022	2023
			(RMB in thousands)		*%*	
Operational Service Provider	A private company engaged in medical research, clinical testing services, scientific research services and medical services.	To provide operational support for our cognitive centers.	2,298	11,278	20.9	15.4

Third-Party Service Providers	Service Provider Background	Reason for Engagement	Revenue from Associated Hospitals		Service Fees as Percentage to Total Cost of Sales	
			For the year ended December 31,		For the year ended December 31,	
			2022	2023	2022	2023
			(RMB in thousands)		%	
Provider B	A private company engaged in market research, conferencing services, technology promotion and sale of medical device	To provide operational support for our cognitive centers.	1,777	29,946	11.4	42.0

Collaborations with KOLs

We rely on KOLs, in particular, those who have used our products, to introduce and recommend our products to physicians and hospitals through academic events. When selecting KOLs for such events, we consider factors such as the participating physicians' vocational affiliation, the purpose and scale of the event, as well as the KOL candidate's academic and professional backgrounds, medical specialties and reputation in the industry. We also consider whether they have participated in clinical studies or published academic articles related to our products and technologies. All of our KOLs are Independent Third Parties. We provide these KOLs with detailed information of our products and help them make independent comparisons among competing products in the market.

KOLs have academic incentives in learning the latest diagnostic and treatment options within their therapeutic areas, as well as introducing cutting-edge technologies and products that they believe have clinical benefits to other physicians. Physicians, in the meanwhile, look to peer experts and KOLs in the medical community for guidance in research, diagnosis and treatment. We believe the resulting peer-to-peer interaction they generate, is instrumental in raising the awareness of our technologies and driving adoption of our products.

Academic Conferences

We regularly organize and participate in various academic conferences which include international and provincial conferences, regional conferences, as well as smaller events for specific hospital departments, to continuously enhance our brand recognition. For example, we have organized, attended, introduced our products, or shared our insights in the field of DTx in various academic conferences, such as the first Cognitive Impairment Disease Specialty Capability Building Conference (首屆認知障礙疾病專科能力建設會議). These conferences allow us to enhance the medical professionals' awareness of our products and communicate with them regarding our clinical results. During the Track Record Period, we had incurred aggregate of RMB7.0 million in conference fees to support these academic conferences and seminars.

Promotion Efforts on Individual Patients

We have also ramped up our promotional efforts to individual patients who have experienced our products in hospitals and may wish to continue purchasing our products for use in their homes. Through patient marketing campaigns designed to reach consumers who are either currently being treated or looking at medical options, we seek to empower these consumers through patient engagement to enjoy more options for their treatment by giving them direct access to information about relevant products or services.

Compliance of the Promotion Efforts

Our PRC Legal Advisor is of the view that our collaboration with various hospitals, including our funding of the renovation of the hospitals cognitive centers, does not violate any applicable PRC laws and PRC regulations in all material aspects. In addition, our PRC Legal Advisor is of the view that the risk that we and the Operational Service Provider are found guilty of corruption or bribery in PRC due to building cognitive centers and various promotional efforts (sponsoring conferences) is low, on the following basis:

(i) building and operating cognitive centers are legitimate business activities based upon the willingness of both our Group and the hospitals, without illegitimate intent of interest transfer, and each involved party has observed its internal decision-making procedures when entering into the cooperation and has performed the relevant contract obligations under the signed agreements;

(ii) during the Track Record Period and as of the Latest Practicable Date, we participated in academic conferences primarily as attendees, and the purpose of certain conferences was primarily academic communication;

(iii) as of the Latest Practicable Date, neither we nor the Operational Service Provider had been subject to any fines or administrative penalties, mandatory rectifications, sanctions, arbitrations, suits, legal actions or proceedings by any PRC competent regulatory authorities in relation to corruption and bribery;

(iv) as of the Latest Practicable Date, neither we and the Operational Service Provider had been involved in any corruption or bribery investigations initiated by PRC competent authorities in connection with the above sales and marketing activities; nor have we and the Operational Service Provider received any inquiries, notices, warnings, or complaints in such respect;

(v) according to the confirmation letters issued by the local counterparts of the Administration for Market Regulation (市場監督管理局) of where we had registered entities in China, as well as public searches through National Enterprise Credit Information Publicity System, Credit China, and China Judgment Document Network, as of the Latest Practicable Date, there had not been any administrative penalties or relevant litigation records related to us or the Operational Service Provider on corruption or bribery;

(vi) according to public search through National Health Commission websites and the websites of relevant provincial health commissions in China, as of the Latest Practicable Date, neither we nor the Operational Service Provider had been listed in the adverse records with respect to commercial bribery; and

(vii) we have conducted interviews with Beijing Municipal Health Commission (北京市衛生健康委員會), which is the competent authority regarding the supervision and management of the medical and health industry in Beijing, as well as Beijing Municipal Medical Insurance Enforcement Brigade (北京市醫療保障執法總隊), which is the competent authority regarding medical insurance administrative law enforcement in Beijing, both of which indicate that our collaboration with various hospitals, including funding of the renovation of the hospitals cognitive centers is in compliance with relevant PRC laws and regulations.

Our Sales and Marketing Team

Our marketing efforts are implemented by our in-house sales and marketing team that is aligned across various indication areas and geographic regions. As of the Latest Practicable Date, we had established a strong in-house sales and marketing team of 13 members. Our sales and marketing team is led by Mr. Lai Zhiyuan, a veteran in medical industry with more than ten years related experiences. As of the Latest Practicable Date, a majority of our sales and marketing personnel had served at global and domestic leading companies and accumulated diverse experience in the medical and healthcare industry, covering various sectors, including medical device, medicine, consumables, software and medical informatization.

Pricing and Flow of Funds

For provision of the System integral software solutions in hospitals, patients first pay hospitals for using the System, and hospitals then periodically settle payments for the System to us based on the amount of use of the System by patients. The prices paid by patients to hospitals are determined by the local health insurance reimbursement lists, and the prices

hospitals pay us for each time the System is offered to patients are determined based on negotiation between the hospitals and us with reference to the applicable prices under local health insurance reimbursement lists. We sometimes engage third-party service providers to provide operational support in cognitive centers of these hospitals on our behalf. In such cases, after receiving payments from patients, hospitals settle payments to the service providers which then remit the amount from hospitals to us in full. See "Business—Sales and Marketing—Our Marketing Model—Collaborations with Top Hospitals and Research Institutions" for more details on the rationale, roles and arrangements with such service providers. For patients who purchase our System integral software solutions out of hospitals, we charge patients a subscription fee which enables them to access and train with our System and receive related support services for a certain period of time from the comfort of their own homes. For our research projects services, we charge our customers on a cost-plus basis, taking into account the amount of staff resources and other costs of providing data analytics and system development services, plus a margin determined on an individual basis depending on characteristics of each project, such as (i) the degree to which our customers rely on our System to conduct research projects; (ii) the level of labor intensity of a project; and (iii) case-by-case negotiations with customers. As of the Latest Practicable Date, the price for cognitive training in hospitals ranges from approximately RMB10.0 to RMB930.0 per session, depending on the content and number of training sessions actually received by the patient. The prices for out-of-hospital subscription range from approximately RMB480.0 to RMB5,600.0 with subscription periods of one month to one year. Due to the tailored nature of research project services, the price we charge for research project services can range from RMB50,000 to RMB10.0 million. For our sale of integrated equipment and user accounts, the typical selling price for each equipment alone was approximately RMB3,000, and the typical selling price for each user account is approximately RMB1,000, which is primarily determined by costs plus a reasonable margin acceptable to customers. For our training facilitation service, we charge attendees approximately RMB2,000 to RMB3,000 service fee per attendee based on the type of training attendees when they sign up for the training.

OUR CUSTOMERS

Our customers primarily include (i) hospitals from which we generate revenue for provision of the System integral software solutions in hospitals; (ii) individual patients from whom we generate revenue for provision of the System integral software solutions out of hospitals; (iii) hospitals, universities, and other research institutions from which we generate research project revenue; and (iv) Customer H, a public institution dedicated to advancing the knowledge and capabilities of physicians and other medical professionals in China, being the organizer and the party who is ultimately responsible for designing, organizing and providing guidance on these training sessions. Customer H is responsible for establishing the expert panel for the trainings, setting training goals and standards, evaluating attendee performance, awarding certificates to attendees, and supervising the overall operations of the training sessions. Customer H engages us to provide certain organizational and logistical groundwork, which facilitates Customer H in carrying out its overall goals. Per request from Customer H, we charge service fees from attendees. Our ability to collect service fees from attendees originates from our engagement by Customer H to provide organizational and logistical

groundwork. See "Financial Information—Description of Selected Components of Statements of Profit or Loss—Revenue" for more details. As of the Latest Practicable Date, we had generated sales revenue for the System from hospitals in China. The total revenue generated from our top five customers was RMB8.3 million and RMB50.8 million in 2022 and 2023, respectively. Our five largest customers combined accounted for 73.1% and 75.6%, respectively, of our total revenue, and our largest customer accounted for 39.1% and 39.9%, respectively, of our total revenue, in 2022 and 2023. We became acquainted with our top five customers for each period during the Track Record Period through various cooperation on clinical trials, cognitive centers and brain science research projects, as well as academic conferences we organized and attended.

The following tables set forth certain information about our five largest customers during the Track Record Period in terms of revenue.

2022

Customers	Services Provided/ Products Sold	Customer Background	Revenue	Revenue Contribution
			(RMB in millions)	*%*
Customer A	Provision of system integral software solutions; and research projects service	A public hospital founded in the late 1910s with approximately RMB50.0 million in start-up capital that engages in medical research and provides medical services	4.4	39.1
Customer B	Provision of system integral software solutions	A public hospital founded in the early 1980s with approximately RMB300.0 million in start-up capital that engages in medical research and provides medical services	2.2	19.8
Customer C	Research projects service	A public university founded in the early 1930s with approximately RMB2,000.0 million in start-up capital that engages in R&D activities and provides higher education	0.9	8.4
Customer D	Provision of system integral software solutions	A private hospital founded in the mid 2000s with approximately RMB2.0 million in start-up capital that provides medical services	0.4	3.2

Customers	Services Provided/ Products Sold	Customer Background	Revenue	Revenue Contribution
			(RMB in millions)	*%*
Customer E	Research projects service	A public hospital founded in the mid 1880s with approximately RMB30.0 million in start-up capital that engages in medical research and provides medical services	0.3	2.6
Total			8.2	73.1

The year ended December 31, 2023

Customers	Services Provided/ Products Sold	Customer Background	Revenue	Revenue Contribution
			(RMB in millions)	*%*
Customer A	Provision of system integral software solutions; and research projects service	A public hospital founded in the late 1910s with approximately RMB50.0 million in start-up capital that engages in medical research and provides medical services	26.8	39.9
Customer B	Provision of system integral software solutions	A public hospital founded in the early 1980s with approximately RMB300.0 million in start-up capital that engages in medical research and provides medical services	11.0	16.3
Customer F	Provision of research projects service	A public hospital founded in the early 1950s with approximately RMB340.0 million in start-up capital that engages in medical research and provides medical services	6.8	10.2

Customers	Services Provided/ Products Sold	Customer Background	Revenue	Revenue Contribution
			(RMB in millions)	*%*
Customer H	Training facilitation service	A public institution founded in the early 2010s with approximately RMB0.1 million in start-up capital that is dedicated to advancing the knowledge and capabilities of physicians and other medical professionals in China	5.1	7.6
Customer G	Provision of the System integral software solutions; and research projects service	A public hospital founded in the late 1950s with approximately RMB230.0 million in start-up capital that engages in medical research and provides medical services	1.1	1.6
Total			50.8	75.6

During the Track Record Period, all of our five largest customers in each year were Independent Third Parties. None of our Directors, their respective associates, or Shareholders who, to the knowledge of our Directors, own 5% or more of our issued share capital had any interest in any of our five largest customers in each year during the Track Record Period. In some cases, we collaborate with some of our customers on R&D of the System. See "—Core Product: Brain Function Information Management Platform Software System—Core Product Development" and "Research and Development" on details on such cooperations. We also cooperate with certain hospital customers to conduct clinical trials for products other than the System for different indications during the Track Record Period. See "—Other Products and Product Candidates" for more details on certain of these cooperations.

Due to the nature of our business, two of our hospital customers, Customer B and Customer F, were also our suppliers during the Track Record Period. These hospital customers are primarily engaged in conducting medical research and providing medical services. We first became acquainted with these hospitals through R&D cooperation in the development of the System.

For Customer B, we provided the System integral software solutions in hospitals in 2022 and 2023 and provided research projects service in 2023, and generated revenue of RMB2.2 million and RMB1.5 million, respectively. During the same periods, we procured clinical trial services from Customer B in relation to the clinical trials of the System for certain VCI indications, and incurred RMB0.03 million and RMB3.6 million in purchases in 2022 and 2023, respectively.

For Customer F, we provided research projects service in 2022 and 2023, and generated revenue of RMB0.3 million and RMB 6.8 million, respectively. During the same periods, we procured clinical trial services from Customer F in relation to the clinical trials of the System for certain NCI indications and procured certain intellectual property primarily related to cognitive impairment assessment methods and system (patent/patent application numbers: CN202210985424.2 and 202211512702.9), and incurred nil and RMB2.3 million in purchases in 2022 and the 2023, respectively. For additional details of the purchased intellectual property, see "—Intellectual Property."

We selected this hospital customer as clinical trial service providers because we believe it has the technical expertise and patient resources to facilitate the conduct of trials and that given its demand for our products, it had a strong incentive to provide the clinical trial services to the best of its ability to strengthen its business relationship with us.

Apart from the above, none of the above five largest customers in each year, to the knowledge of our Directors, had any past or present relationship (business, employment, financing, family, trust or otherwise) with our Company, our subsidiaries, their directors, shareholders and senior management, and any of their respective associates.

To determine the appropriate credit periods and terms, we generally consider the credit histories of our customers and typically grant them credit terms that range from 30 to 180 days. We may extend our credit terms for our customers, based on various factors, including the duration of our customer relationship and type of service provided.

Customer Services

Cognitive impairment DTx is a new market area. We believe that thorough training and ongoing customer support are important to develop a long-term relationship with hospitals and other end users. We provide the following reliable, effective and satisfactory customer services, which contribute to the improvement of user experience and product satisfaction.

We provide customer service to train end users and handle all kinds of customer queries and complaints regarding our products and services. They are able to seek technical supports, make queries and file complaints on the quality of our products and adverse events after use via various channels, such as phone calls, online written instant messaging, and face-to-face

communications. Our return and exchange policy generally does not allow any return or exchange, in line with industry norms. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material customer complaint or return from customers.

We have a team dedicated to tracking and recording the occurrence of adverse events and serious adverse events. The team will report when notices a suspicious event. If the team determines that an incident involving our product constitutes an adverse event under applicable laws and regulations, we will report the incident to corresponding regulatory authorities and assess the cause for the adverse events. We also investigate and analyze the cause of issue raised by users of our products and refer the quality issue to our management and relevant responsible departments for resolution and correction. We will recall our products for quality issues when necessary. During the Track Record Period and up to the Latest Practicable Date, there were not any product recalls due to quality issues.

Product Liability

Pursuant to applicable PRC laws and regulations, medical institutions will be held liable for any damage caused to a patient when receiving medical diagnosis and treatment, if the medical institution or any practicing physician is at fault, or if the practicing physician fails to perform diagnosis and treatment obligations corresponding to the prevailing medical standards in diagnosis and treatment activities. However, if any injury to the patient is caused by the defect of a medical device, the patient can claim against the manufacturer or the seller of the medical device.

On such basis, and as advised by our PRC Legal Advisor, we are not legally liable for physicians' misuse of our DTx products unless any injury was resulting from the defect of our DTx products. During the Track Record Period and as of the Latest Practicable Date, we were not involved in any lawsuits, arbitrations and other legal proceedings in this regard, and we were not subject to any administrative penalties due to quality issues of our products.

OUR SUPPLIERS

Our major suppliers primarily provide us (i) certain research and development services which we outsource to third-party vendors; (ii) operational support provided to cognitive centers on our behalf, such as guidance and technical support on the after-sale utilization and operations of our System and other services to ensure smooth operations of cognitive centers in hospitals that adopt our System; (iii) suppliers of certain hardware on which our products run; (iv) providers of professional services such as market development services, financial advisory services, property renovation services, human resource services, and cloud services; and (v) lessors of our leased properties. Our suppliers are primarily located in China. We have established stable relationships with many of our key suppliers. For the top five suppliers in each period during the Track Record Period as disclosed below, we became acquainted with

them through introduction by our employees or business partners who had prior working relationship with these suppliers and through the regular supplier engagement process during our ordinary course of business carried out by our personnel responsible for procurement.

The total purchases from our top five suppliers were RMB13.8 million and RMB39.2 million, respectively, in 2022 and 2023. Our five largest suppliers combined accounted for 46.4% and 43.9%, respectively, of our total purchases, and our largest supplier accounted for 12.7% and 18.7%, respectively, of our total purchases, in 2022 and 2023.

The following tables set forth certain information about our five largest suppliers during the Track Record Period in terms of procurement amount.

2022

Suppliers	Goods and/or Services Procured	Principal Business	Procurement Amount	Procurement Contribution
			(RMB in millions)	*(%)*
Supplier A	Property renovation	A private company founded in 2020 with approximately RMB5.0 million in registered capital that engages in renovation, engineering design, general contracting, leasing of equipment and sale of appliances	3.8	12.7
Supplier B	Operational support	A private company founded in 2021 with approximately RMB1.0 million in registered capital that provides technical services, consulting services, project planning services and the sale of machinery and equipment	2.8	9.3
Shenzhen Hochichuang Technology Co., Ltd.	Equipment	A private company founded in 2018 with approximately RMB10.0 million in registered capital that engages in software development, computer hardware development and big data analysis	2.6	8.7

Suppliers	Goods and/or Services Procured	Principal Business	Procurement Amount	Procurement Contribution
			(RMB in millions)	*(%)*
Supplier C	Renovation design	A private company founded in 2012 with approximately RMB30.0 million in registered capital that engages in renovation, professional design and conference management services	2.5	8.5
Supplier D	Human resources services	A private company founded in 2020 with approximately RMB1.0 million in registered capital that provides human resources management and consulting services	2.1	7.2
Total			13.8	46.4

The year ended December 31, 2023

Suppliers	Goods and/or Services Procured	Principal Business	Procurement Amount	Procurement Contribution
			(RMB in millions)	*(%)*
Supplier E	Operational support	A private company founded in 2021 with approximately RMB5.0 million in registered capital that provides corporate planning services, market research services as well as technology development services	16.7	18.7
Supplier F	Housing rental	A private company founded in 1977 with approximately RMB30.0 million in registered capital that engages in the leasing of office and commercial spaces and the manufacturing and sale of machinery and equipment	8.4	9.4

Suppliers	Goods and/or Services Procured	Principal Business	Procurement Amount	Procurement Contribution
			(RMB in millions)	*(%)*
Supplier G	Operational support	A private company founded in 2015 with approximately RMB8.0 million in registered capital that provides health advisory services, medical research and experimental development	5.4	6.1
Supplier H	Operational support	A private company founded in 2021 with approximately RMB1.0 million in registered capital that provides technical services, consulting services, project planning services and the sale of machinery and equipment	4.4	4.9
Shenzhen Hochichuang Technology Co., Ltd.	Equipment	A private company founded in 2018 with approximately RMB10.0 million in registered capital that engages in software development, computer hardware development and big data analysis	4.3	4.8
Total			39.2	43.9%

We select our suppliers based on a variety of factors, including their qualification, reputation, pricing, and overall services. We perform thorough due diligence on our suppliers, regularly monitor and review their performance.

To the best of our knowledge, all of our five largest suppliers in each year during the Track Record Period are Independent Third Parties. None of our Directors, their respective associates, or Shareholders who own 5% or more of our issued share capital had any interest in any of our five largest suppliers in each year during the Track Record Period. None of the above five largest suppliers in each year, to the knowledge of our Directors, had any past or present relationship (business, employment, financing, family, trust or otherwise) with our Company, our subsidiaries, their directors, shareholders and senior management, and any of their respective associates. During the Track Record Period, none of our major suppliers was also our customer.

During the Track Record Period and up to the Latest Practicable Date, we did not have any material disputes with our suppliers or experience any material breach of our supply agreements. We had not experienced any material fluctuations in the pricing of our supplies during the Track Record Period. To the best of our knowledge, as of the Latest Practicable Date, there was no information or arrangement that would lead to termination of our relationships with any of our major suppliers.

BUSINESS SUSTAINABILITY AND COMMERCIALIZATION STRATEGIES

We believe the long-term sustainability of our product commercialization can be substantiated by the following strategies and trends:

Further Helping Hospitals Establish Cognitive Centers

We provide the System to hospitals which enables them to provide assessment and intervention to their cognitive impairment patients utilizing the System. A substantial portion of our revenue during the Track Record Period was generated from provision of the System integral software solutions in hospitals, which accounted for 36.1% and 61.3% of our total revenue in 2022 and 2023, respectively. We establish relationships with hospitals through cognitive centers which we help hospitals establish by providing the System, the hardware on which the System operates, as well as the funding for renovating the cognitive center premises. As of the Latest Practical Date, we had helped more than 80 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.

Building on our early success with respect to cognitive centers, we became the first organizer of a project initiated by the NHC, according to Frost & Sullivan, under which we are tasked with helping to establish cognitive centers in over 2,100 public hospitals across China and promoting the development of cognitive impairment DTx market in China over the next five years. We intend to continue to help hospitals establish cognitive centers, and fully capitalize on the commercialization potential of our System in new cognitive centers in these hospitals, which we believe will provide us sustainable growth in our business and revenue scale.

Enhanced Brand and Product Awareness

We intend to recruit more talents with academic and professional experiences in the field of cognitive impairment DTx to expand our commercialization team and enhance the team's academic and marketing capabilities. Leveraging our extensive clinical research experience, academic achievements in publishing research papers on top academic journals and our recognition among industry experts, we intend to further solidify our long-term relationships with leading hospitals and physicians as well as regulatory authorities by sponsoring more academic conferences, and actively participating in the establishment of industry standards. We

believe such relationships will further enhance market penetration of our DTx product. See "—Sales and Marketing—Our Marketing Model" for more details on the various types of methods we have and will continue to adopt to further commercialize our products and services.

Product Innovation and Indication Expansion

We plan to accelerate the development, registration, and commercialization processes to expand our System to more cognitive impairment indications by developing upgraded versions of the System or developing new products. We believe this will enable us to provide customized and effective medical solutions to more cognitive impairment patients. As of the Latest Practicable Date, our System had 21 additional indications under various stages of preclinical and clinical development. We intend to apply for regulatory approval and market these new indications, which we believe will be able to serve the needs of more hospitals and patients. We also have four other products with regulatory approvals, and five additional product candidates under different stages of preclinical and clinical development. We intend to conduct further preclinical and clinical development activities to obtain regulatory approvals for commercialization in various markets worldwide, which we believe presents significant opportunity for future business and revenue growth.

Growing Industry Trend Demonstrating Strong Market Demand

Cognitive impairment DTx industry is still at an early stage of development. According to Frost & Sullivan, the global cognitive impairment DTx market size reached US$2.1 billion in 2022 and is expected to grow to US$4.2 billion in 2025 and US$7.0 billion in 2030, representing CAGRs of 25.5% and 10.7%, respectively. In China, the growth potential is even greater: according to Frost & Sullivan, the market size of the cognitive impairment DTx in China reached RMB149.4 million in 2022 and is expected to increase to RMB1,952.2 million in 2025 and RMB9,568.2 million in 2030, representing CAGRs of 135.5% and 37.4%, respectively. As a seasoned player in China's cognitive impairment DTx market, we believe we are well-positioned to capture the rapid growth in the global and China cognitive impairment DTx markets, and achieve sustainable business and revenue growth.

MANUFACTURING

We have third-party vendors who manufacture the hardware on which our products run. We do not own or operate any manufacturing facilities. We enter into purchase agreements which fix the pricing of the hardware (typically tablet computers) within the agreement period, and provide for payment terms and timetable, quality and warranty provisions, delivery and confidentiality, among other standard terms. We then place individual purchase orders which set forth the quantity of purchase, and pay purchase price pursuant to the purchase agreement after vendors confirm the purchase order within 48 hours. We became acquainted with these vendors through the regular procurement process and do not have any relationships other than those described above.

QUALITY MANAGEMENT

We have a quality management department that devotes resources to the quality management of our products. Our management team is actively involved in setting quality policies and managing our internal and external quality performance.

Our entire quality control system is designed to meet the ISO 13485 international quality management standards for quality management. This includes adherence to the basic methodology, tools, quality planning, quality assurance, quality control and quality improvement requirements outlined in the standards. We have achieved ISO 13485 certification in this area, confirming our compliance with international quality management standards. To ensure ongoing compliance, we conduct regular internal reviews and external audits on an annual basis.

In addition, we review medical device management specifications to ensure compliance with relevant standards. This includes reviewing the management of nodes, the basic requirements for quality control and the methodology for the entire process in the above-mentioned systems.

Overall, we have a comprehensive quality control system that includes various major systems such as software engineering management, project management, risk management, operation and maintenance management and knowledge management.

OUR PROPERTIES

As of the Latest Practicable Date, we had 16 leased properties in China, with a total aggregate gross floor area of approximately 8,800 sq.m. We believe our current facilities are sufficient to meet our near-term needs, and additional space can be obtained on commercially reasonable terms to meet our future needs. We do not anticipate undue difficulty in renewing our leases upon their expiration. As of the Latest Practicable Date, we did not have any self-owned properties.

The following table sets forth a summary of the material leased properties of the Latest Practicable Date:

Location	Usage	Address	Gross Floor Area (sq.m)	Property Leased	Expiry Date
Shaoxing, Zhejiang	Office	No. 2 Pingjiang Road, Yuecheng District, Shaoxing Shuimuwan District Science Park, Building 3, 13F 1301/14F 1401/16F 1601	4,016	Leased	July 25, 2026

Location	Usage	Address	Gross Floor Area (sq.m)	Property Leased	Expiry Date
Haidian District, Beijing	Office	Building A, No. 135 Qinghe Road	2,196	Leased	September 9, 2024
Haidian District, Beijing	Office	Building G, No. 135 Qinghe Road	2,024	Leased	August 31, 2025

We expect to renew and extend these leases before their respective expirations, or seek other premises based on business needs. For our other leases, we expect to initiate renewal discussions with the landlords and do not expect any material obstacles for successful extension. If we were unable to renew such leases, our Directors believe we can find alternative offices within a short time as there are plenty of comparable supplies in the market, and we will incur immaterial moving expenses for our operations. For risks related to lessors and other aspects of our leased properties, see "Risk Factors—Risks Relating to Our General Operations—We do not own any real estate with respect to our current principal place of operation and may be exposed to risks associated with leased properties. For example, we may be subject to fines due to the lack of registration of our leases."

According to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), we need to comply with the requirements of section 38(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which requires a valuation report with respect to all of our Group's interests in land or buildings, as we have property interest with a carrying amount of 15% or more of our consolidated total assets. Accordingly, we have prepared the Property Valuation Report with respect to our Group's owned properties pursuant to Chapter 5 of the Listing Rules.

COMPETITION

While we believe that our technology, development experience, and scientific knowledge provide us with competitive advantages, we face potential competition from many different sources. To maintain our competitive edge, we pursue patent protection and establish collaborative arrangements for the research, development, manufacturing and commercialization of evidence-based therapeutics. Any products that we successfully develop and commercialize will face competition from new therapies that may become available in the future. See "Industry Overview—Cognitive Impairment DTx Market" for more information on details of the competitive landscape we face.

INSURANCE

We believe we maintain insurance policies covering risks in line with industry standards. We do not maintain any liability insurance or property insurance policies covering our equipment and facilities for losses due to fire, earthquake or any other disaster. Consistent with industry norm, we do not maintain key-man life insurance for any member of our senior management, or business disruption insurance. While we believe that our insurance coverage is adequate and in line with the industry norms, it may, however, be insufficient to cover all claims for product liability, damage to our assets, facilities and equipment or employee injuries. See "Risk Factors—Risks Relating to Our General Operations—Our insurance coverage may not completely cover the risks related to our business and operations, which could expose us to significant costs and business interruptions" for more information.

EMPLOYEES

The following table sets forth a breakdown of our employees by function as of the Latest Practicable Date:

Function	Number	% of Total
Management and Administrative	28	16.8
R&D	126	74.4
Marketing	13	7.8
Total	**167**	**100.0**

As of the Latest Practicable Date, all our employees were based in Mainland China.

Employment Agreements with Key Management and Research Staff

We generally enter into standard confidentiality and employment agreements with our key management and research staff. The contracts with our key personnel typically include a standard non-compete clause that prohibits the employee from competing with us, directly or indirectly, during his or her employment and for up to two years after the termination of his or her employment. The contracts also typically include undertakings regarding assignment of inventions and discoveries made during the course of his or her employment. For further details regarding the terms of confidentiality and employment agreements with our key management, see "Directors and Senior Management."

We believe that we maintain a good working relationship with our employees. We believe we have not experienced any significant labor disputes or any significant difficulty in recruiting staff for our operations.

Training and Development

We believe that our success depends in part on our ability to attract, recruit, train and retain talented employees. 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.

Employee Benefits

Our employees' remuneration consists of salaries, bonuses, employees' provident fund and social security contributions and other welfare payments. In accordance with applicable Chinese 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. As of the Latest Practicable Date, we had complied with statutory social security insurance fund and housing fund obligations applicable to us under Chinese laws in all material aspects.

INTELLECTUAL PROPERTY

Intellectual property rights are important to our business. We develop and use a number of patents, copy rights and other intellectual properties during our ordinary course of business.

As of the Latest Practicable Date, we had 177 registered trademarks, 36 granted patents, 75 registered software copyrights and filed 75 patent applications in China, as well as eight pending patent applications overseas.

The following table sets forth an overview of our material granted patents and pending patent applications in connection with our System and other products as of the Latest Practicable Date:

Number	Product	Patent/ Application Number	Patent Type	Patent Applicant/ Holder	Title of Invention	Jurisdiction	Date of Application	Patent Status	Patent Expiration
1	All Products	201610302364.4	Invention	Beijing Zhijingling	An online cognitive assessment method (一種在線認知評估方法)	China	2016-05-09	Granted	2036-05-09
2	All Products	201810111843.7	Invention	Beijing Zhijingling	A type of online cognitive assessment system (一種在線認知評估系統)	China	2016-05-09	Granted	2036-05-09

Number	Product	Patent/ Application Number	Patent Type	Patent Applicant/ Holder	Title of Invention	Jurisdiction	Date of Application	Patent Status	Patent Expiration
3	All Products	202110833758.3	Invention	Beijing Zhijingling	Personalized Cognitive Training Task Recommendation Algorithm and System Based on User Ability (基於用戶能力的個性化認知訓練任務推薦算法及系統)	China	2021-07-23	Granted	2041-07-23
4	All Products	202110906058.2	Invention	Beijing Zhijingling	Computerized Social Adaptation Training Method and System (計算機化社會適應訓練方法及系統)	China	2021-08-09	Granted	2041-08-09
5	The System, Quantitative Cognitive Assessment Software for Depression, Depression Treatment Software	202110953462.5	Invention	Beijing Zhijingling	A type of human-computer interface equipment for emotional regulation (一種用於情緒調節的人機交互設備)	China	2021-08-19	Granted	2041-08-19
6	All Products	202111189595.6	Invention	Beijing Zhijingling	A type of human-computer interface method and system for cognitive correction training (一種用於認知矯正訓練的人機交互方法及系統)	China	2021-10-12	Granted	2041-10-12
7	The System, Quantitative Cognitive Assessment Software for Depression, Depression Treatment Software	202111296685.5	Invention	Beijing Zhijingling	Human-computer interface method and system for cognitive impairment based on emotion monitoring (基於情緒監測的認知障礙人機交互方法及系統)	China	2021-11-03	Granted	2041-11-03
8	All Products	202111344162.3	Invention	Beijing Zhijingling	Multi-scale neural network analysis method and system based on modular dynamic reconfiguration (基於模塊化動態重構的多尺度腦網絡分析方法及系統)	China	2021-11-12	Granted	2041-11-12

Number	Product	Patent/ Application Number	Patent Type	Patent Applicant/ Holder	Title of Invention	Jurisdiction	Date of Application	Patent Status	Patent Expiration
9	All Products	202111351103.9	Invention	Beijing Zhijingling	A multidimensional hierarchical drift-diffusion model approach to cognitive decision making (一種面向認知決策的多維分層漂移擴散模型建模方法)	China	2021-11-15	Granted	2041-11-15
10	All Products	202111365418.9	Invention	Beijing Zhijingling	Cognitive decision making evaluation method and system based on multidimensional hierarchical drift diffusion modeling (基於多維分層漂移擴散模型的認知決策評估方法及系統)	China	2021-11-17	Granted	2041-11-17
11	All Products	202111463438.X	Invention	Beijing Zhijingling	Human-computer interaction solution recommendation method and system for cognitive enhancement (用於提升認知的人機交互方案推送方法及系統)	China	2021-12-02	Granted	2041-12-02
12	All Products	202210148357.9	Invention	Beijing Zhijingling	A neuromodulation-based cognitive enhancement training method and system (一種基於神經調控的認知提升訓練方法及系統)	China	2022-02-17	Granted	2042-02-17
13	All Products	202210745854.7	Invention	Beijing Zhijingling	Cognitive training task recommendation method, system and model construction method based on FTRL modeling (基於FTRL模型的認知訓練任務推送方法、系統及構建方法)	China	2022-06-28	Granted	2042-06-28
14	All Products	202210791199.9	Invention	Beijing Zhijingling	A neural network-based cognitive enhancement method and system (一種基於神經網絡的認知提升方法及系統)	China	2022-07-06	Granted	2042-07-06

Number	Product	Patent/ Application Number	Patent Type	Patent Applicant/ Holder	Title of Invention	Jurisdiction	Date of Application	Patent Status	Patent Expiration
15	All Products	202210807025.7	Invention	Beijing Zhijingling	Cognitive assessment enhancement method and system based on personality differences (基於人格差異的認知評估提升方法及系統)	China	2022-07-08	Granted	2042-07-08
16	All Products	202210985424.2	Invention	Beijing Zhijingling	A human-computer interaction method and system for multidimensional assessment of cognitive impairment (一種認知障礙多維評估的人機交互方法及系統)	China	2022-08-17	Pending	NA
17	All Products	202211219111.2	Invention	Beijing Zhijingling	A multimodal cognitive enhancement method and system (一種多模態的認知提升方法及系統)	China	2022-09-30	Granted	2042-09-30
18	All Products	202211219173.3	Invention	Beijing Zhijingling	Deep learning based cognitive assessment method and cognitive task recommendation method (基於深度學習的認知評估方法及認知任務推送方法)	China	2022-09-30	Granted	2042-09-30
19	All Products	202211387995.2	Invention	Beijing Zhijingling	Irregular training motivation method and system based on personality characteristics of cognitively impaired patients (基於認知障礙患者人格特徵的不定時訓練激勵方法及系統)	China	2022-11-07	Granted	2042-11-07
20	All Products	202211512702.9	Invention	Beijing Zhijingling	Modeling method for cognitive task assessment and cognitive task assessment method and system (用於認知任務測評的建模方法、認知任務測評方法及系統)	China	2022-11-25	Pending	NA
21	The System	202211659784.X	Invention	Beijing Zhijingling	Delusional disorder corrective training system based on TMS technology (基於TMS技術的妄想性精神障礙訓練系統)	China	2022-12-22	Granted	2042-12-22

As of the Latest Practicable Date, we had 19 granted patents and had filed 29 patent applications in relation to the System in China. Our Directors believe that such patent and patent applications have covered all the key characteristics of the System and the possibilities of us failing to operate and commercialize the System in China due to any objection or claim from other market players concerning similar technologies or features underlying their registered patents or patent applications is remote. As of the Latest Practicable Date, to our best knowledge, there was no pending opposition by any third party against, nor any other circumstances which has any material adverse effect on, our patent applications filed in China.

The actual protection provided by a patent varies on a claim-by-claim and country-by-country basis and depends upon many factors, including the type of patent, the scope of its coverage, the availability of any patent term extensions or adjustments, the availability of legal remedies in a particular country or region, and the validity and enforceability of the patent. We cannot provide any assurance that patents will be issued with respect to any of our owned or licensed pending patent applications or any such patent applications that may be filed in the future, nor can we provide any assurance that any of our owned or licensed issued patents or any such patents that may be issued in the future will be commercially useful in protecting our product candidates and methods of manufacturing the same. We also have strict data separation policies between production data and testing environment, among data from different projects, and between corporate operations data and business data.

During the Track Record Period and up to the Latest Practicable Date, none of our employees breached the confidentiality obligations under their employment contracts in a material respect. Moreover, during the Track Record Period and up to the Latest Practicable Date, we were not subject to, nor were we a party to, any intellectual property rights infringement claims or litigations and were not aware of any material infringement of our intellectual property rights that had or could have a material adverse effect on our business. We had complied with all applicable intellectual property laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date. Furthermore, we have engaged an intellectual property legal advisor to conduct an analysis with respect to the Core Product in China pursuant to which no valid patents owned by a third-party have been found that have a significant adverse effect on the freedom of operation of the Core Product in China. The analysis includes search results for the issued invention patents, utility model patents and design patents in China. See "Risk Factors—Risks Relating to Our Intellectual Property Rights—If we and our current or future collaboration partners are unable to protect our intellectual property rights throughout the world, or if the scope of such intellectual property rights obtained is not sufficiently broad, third parties may compete directly against us and our ability to successfully commercialize our products and product candidates may be adversely affected."

DATA PRIVACY AND PROTECTION

Our data privacy and protection measures are an integral part of our internal control systems. We have established policies and procedures to ensure that personal information is collected, stored and used securely and that risks to data privacy are identified and addressed. Our Directors are of the view that, during the Track Record Period and up to the Latest Practicable Date, we were in compliance with all applicable PRC laws and regulations with respect to privacy and personal data protection in all material respects.

Our data privacy and protection measures include security requirements for collecting personal information of users of our System and other products in a manner that is not fraudulent, deceptive or misleading. We limit the amount of personal information collected to what is necessary for our business functions and respect our users' right to choose and obtain their consent before collecting their personal information.

We retain personal information only for the duration of time necessary and take steps to ensure the security of personal information during transmission and storage. We have an access control policy to prevent unauthorized access to personal information, and users have the right to access, correct, delete and withdraw consent for their personal information. We do not disclose personal biometric information, race, ethnicity, political opinions, religious beliefs, or other sensitive personal data analysis results.

We seek to preserve the security of our information technology infrastructure by maintaining physical security of our premises and physical and electronic security of our information technology systems by measures such as installing antivirus software, establishing firewalls, backing up data on a stand-alone workstation with password protection and saving physical copy of data when appropriate.

Engagement of Third Parties

From time to time we engage third-party service providers to process personal information. We require these third parties to comply with our data security and privacy policy. Our policy includes a risk management process to identify and assess potential risks and a security management system to address those risks. We also have a system in place to evaluate the credentials and track record of service providers to reduce non-compliance risks.

Personnel

We have implemented hiring protocols to ensure that only trustworthy individuals are hired and assigned to handle personal information. Our policy outlines the security controls associated with the hiring of personnel, including security responsibilities and standards of conduct for regular employees, outsourced personnel and third-party personnel. All employees are required to undergo appropriate pre-employment screening.

Cybersecurity and AI Compliance

We engaged an independent data security consultant to conduct a review of our data security practices, which found that (i) we have adopted multi-dimensional and multi-level data compliance measures for our business and products operated in China in accordance with the requirements of the laws on cybersecurity and data compliance in China and (ii) our principal business is not based on the illegal collection, use or provision of data to the public, and there is no fundamental defect that would be unsustainable or impossible to correct as a result of a violation of laws and regulations relating to cybersecurity, data security and personal data.

In addition, as confirmed by our independent data security consultant, during the Track Record Period and up to the Latest Practicable Date, we were in compliance, in all material respects, with all applicable PRC laws and regulations relating to privacy and data protection. However, the PRC privacy and data protection regulatory regime is relatively new, the interpretation and application of relevant laws and regulations are evolving and new laws and regulations in this area may be promulgated in the future that could affect us. Any inability to adequately address patient privacy concerns or to comply with applicable laws and regulations could result in additional costs and liabilities for us, damage our reputation and harm our business.

For example, while we have implemented a variety of compliance measures to protect our proprietary information and patient privacy, data breaches may occur due to human error, employee misconduct or system failure. In addition, we work with third parties for our clinical trials. Any breach or misuse of patient and customer data by our third party partners may be perceived by patients and customers as a result of our failure. For more detail, see "Risk Factors—Actual or alleged failure to comply with privacy and data protection laws and regulations could damage our reputation, deter current and potential customers from using our products and could subject us to significant legal, financial, and operational consequences."

According to our data security consultant, the confirmation of compliance with data privacy and protection laws and regulations have taken into account the technologies that are in-licensed in addition to those developed in-house. In addition, the compliance confirmation extends to all applicable local laws and regulations in the PRC, the sole jurisdiction where we collect data.

Our Data Security Compliance Measures

We have implemented multi-dimensional and multi-stage data security protection measures in accordance with the requirements of cybersecurity, data security and personal information protection laws of the PRC for various businesses and products.

Organizational

We have established a Cybersecurity and Data Compliance Committee, which is responsible for managing cybersecurity, data security and personal information protection comprehensively. This includes the formulation of overall cybersecurity and data compliance strategies, work plans and decision-making on major issues. The Cybersecurity and Data Compliance Committee has working groups responsible for carrying out the daily tasks related to cybersecurity, data security and personal information protection. This includes implementing compliance requirements, supporting daily business processes of business departments and conducting data compliance assessments. We have appointed a Cybersecurity and Data Compliance Officer, who is also our Chief Security Officer.

Policy and Procedure

We have established a cybersecurity management system, a data protection system and a personal information protection system. These include the Information Security Management System, the Data Security Management System, the User Personal Information Security Management System, the Account Management and Access Control System and the Employee Information Security Training System, among others. We have also required our employees to adhere to relevant systems and rules.

Technical

We have elected to utilize reliable cloud services and implemented data security measures such as network isolation, classification, backup, encryption, identity authentication, access control and log auditing. When processing sensitive personal information and important data, we have put in place stricter security measures, such as encryption requirements and elevated approval levels, to ensure protection against interference, disruption, unauthorized access, data leakage, tampering and loss.

Personnel Management

We have required the establishment of personal information access permissions as outlined in the User Personal Information Security Management System. We have also signed confidentiality agreements with all employees and, additionally, signed Key Position Security Responsibility Agreements with key personnel. In addition, regular data security training and assessments are conducted for employees.

Certification

The core business system that supports our business operations and products (including our Core Product the System as well as our other products such as BCAT and SAS) has been filed for Graded Cybersecurity Protection and been evaluated. We have also obtained certifications such as ISO27001 for our Information Security Management System, ISO27701 for our Privacy Information Management System, and ISO20000 for our IT Service Management System.

Assessment and Audit

We have conducted personal information protection impact assessment ("**PIA**") and generated relevant reports. In accordance with the latest legal requirements, we have developed templates for PIA, making clear that a PIA shall be conducted in circumstances such as processing sensitive personal information, using personal information for automated decision-making, entrusting personal information processing, providing personal information to other personal information processors and publicly disclosing personal information. We have also established a template for personal information protection compliance audits and plan to conduct regular compliance audits of its processing of personal information once regulatory authorities clarify the audit standards and procedures.

Transparency, Legal Basis and User Rights Protection

We are entrusted by processors such as medical and research institutions to process, among others, the patients' and medical professionals' identity, education, healthcare, network behavior and location information. We inform patient and medical professional users of the rules for processing information through privacy policies, the terms of instant notification on pages or otherwise and obtain users' consent through the initial privacy pop-up window. As for clinical trial scenarios, we have formulated the Key Points for Auditing Data Compliance of Informed Consent Form for Clinical Trials ("**Key Points**") and, based on the Key Points, reviewed the informed consent form template provided by the research institution. We have established a process to protect the rights of information owners in our personal information processing activities, and we publish the contact information of the person responsible for personal information protection in our Privacy Policy to enable us to respond promptly and effectively to requests from individuals or to assist data processors, including medical and research institutions, to respond promptly and effectively to such requests.

Our Compliance with Relevant Regulations on AI Algorithms

Our independent data security consultant conducted a comprehensive analysis of our compliance with relevant regulations on AI algorithms, data input and output and risks of wrongful use of the System to gather personal data.

Our products use DNN algorithm to dynamically recommend training tasks. At the same time, virtual human technology is used to provide users with evaluation and guidance services. We have established an algorithm governance and supervision department and published a description of our algorithms and their training task recommendation function to inform users of the basic principles, purpose and main operating mechanism of our algorithms as well as the available complaint and feedback channels. We have consulted with the algorithm filing window of the Cyberspace Administration of China ("**CAC**") and determined that algorithm filing is not required for our service because we provide our products to medical institutions and, while patients can continue to use our products at home after initially using them in hospitals as an extension of in-hospital services, our products are not openly available for download or use by the general public on the internet. In addition, we have added an "AI Generated" logo to the virtual human interaction interface to inform users of the active use of deep synthesis technology. For details of the relevant regulations, see "Regulatory Overview—PRC Regulatory Overview—Regulation Relating to Cybersecurity and Artificial Intelligence."

Our Compliance with Relevant Regulation on Data Input and Output

The collection and transfer of data is subject to various regulatory restrictions in the PRC. At present, we do not harvest data from third parties or use tools such as web crawlers to obtain data from the internet. In our data collection process, we do not engage in activities that compromise network security, such as illegally intruding into other networks or stealing network data. Our activities regarding the handling of personal information in various businesses and products are in accordance with the basic principles set forth in the Personal Information Protection Act (《個人信息保護法》). We inform users of the rules for handling personal information and the circumstances under which their personal information may be shared with third parties through our privacy policy, on-screen notices, and terms and conditions. We obtain user consent for data collection and handling through an initial privacy pop-up. The pop-up notice provides the reasons for the need to share the information with third parties. In addition, we provide the appropriate informed consent disclosures for our clinical trial and review any informed consent templates provided by research institutions.

To ensure the security of personal information, we have an information security verification mechanism for onboarding our suppliers. We have committed to verifying the legitimacy and data security capabilities of third parties before entrusting them with the processing of personal information and sign data entrustment agreements with them.

We engage in the co-processing of patients' basic personal information and clinical trial data with various research institutions in clinical trials where we are the sponsor. We also share patients' training and evaluation data with medical institutions in collaborative research and development projects. We have implemented internal systems and procedures for cybersecurity, data security and the protection of personal information. Our collaborators' joint processing of data is subject to the requirements of these internal systems. In addition, we enter into cooperation agreements with co-processors to ensure alignment with our respective requirements regarding privacy rights and obligations.

We have implemented various security measures to protect our network and our users' personal information, and to ensure the integrity and accuracy of the information we collect. These measures include the establishment of internal security management systems and operating procedures such as information security management, data security management, personal information security management, and account management. We have also appointed a person responsible for cybersecurity to oversee the protection of our cybersecurity and to prevent security breaches through technical measures such as network segregation, identity authentication, and security audits.

In addition, we have established procedures for responding to requests for personal information and have disclosed users' rights regarding personal information in our privacy policy. Users have the right to access, copy, correct, supplement, delete and withdraw consent for personal information. In order to respond to requests for personal information in a timely and effective manner, we have published the contact information of the person responsible for the protection personal information protection in our Privacy Policy. This ensures that users' personal information rights are protected and that their rights and interests are not adversely affected by inaccurate or incomplete information. For details of the relevant regulations, see "Regulatory Overview—PRC Regulatory Overview—Regulation Relating to Cybersecurity and Artificial Intelligence."

Prevention of Wrongful Use of the System to Gather Personal Data

We protect the personal data collected by us, including through the System, by implementing various data security measures such as network segregation, classification and rating, backup, encryption, identity authentication, access control and log auditing. We process personal information only for the purposes and to the extent required by law or agreed upon with the relevant data subject or the entrusting party, and we have a mechanism for responding to user complaints and suggestions. We also assist our data processors in complying with relevant PRC legal and regulatory obligations to protect personal information. For details of the relevant regulations, see "Regulatory Overview—PRC Regulatory Overview—Regulation Relating to Cybersecurity and Artificial Intelligence."

PERMITS, LICENSES AND OTHER APPROVALS

We are required to obtain and renew certain certificates, permits and licenses for providing our services. See "Regulatory Overview" for more information about the material certificates, permits and licenses required for our business operations in the PRC, United States and other countries. During the Track Record Period and as of the Latest Practicable Date, we obtained all requisite certificates, permits and licenses that are material for our operation, and all of such certificates, permits and licenses are valid and up-to-date to the extent that they are still needed. We did not experience any material difficulties in renewing such certificates, permits and licenses during the Track Record Period and up to the Latest Practicable Date, and do not expect to face any material difficulties in renewing them upon their expiry, if applicable.

We assess the risks of revocation of medical device registration certificate of the System primarily by referring to the relevant provisions on suspension and revocation of such certificates in the Rules on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》the "**Rules**"). To address such risks, we have established a strict product quality management system throughout the product lifecycle in accordance with the Rules and relevant guidelines, such as the Good Manufacturing Practice for Medical Devices (《醫療器械生產質量管理規範》), Good Quality Management Practice for Medical Device Operation (《醫療器械經營質量管理規範》), Appendix to Good Manufacturing Practices for Standalone Software as Medical Devices (《醫療器械生產質量管理規範附錄-獨立軟件》), as well as relevant industry standards such as the ISO13485-2016. As part of our quality management system, we have established good record keeping practices to ensure that the necessary records are made and archived in accordance with the above rules, guidance's and standards to ensure full lifecycle quality management and traceability of our registered products. In addition, the quality management of all our registered products is subject to annual internal audit and management review. As of the Latest Practicable Date, we had not had any incidents of non-compliance in this regard.

Based on the above review and analysis, our Directors are of the view that, as of the Latest Practicable Date, the risk of revocation of the registration certificates of our System and our other products is remote.

The following table sets forth a summary of the key licenses, permits and certificates that we hold as of the Latest Practicable Date.

Holder	Certificate Name	Issue Authority	Certificate Number	Valid Period
Changsha Zhijingling	Class II medical device registration certificate on Brain Function Information Management Platform Software System	Hunan MPA	20182210142	2018 Certificate and 2020 Amended Certificate: September 2018 to September 2023; 2023 Renewed Certificate: September 2023 to September 2028
Changsha Zhijingling	Class II medical device registration certificate on Cognitive Ability Supplemental Screening and Assessment Software	Hunan MPA	20222212193	December 2022 to December 2027

Holder	Certificate Name	Issue Authority	Certificate Number	Valid Period
Changsha Zhijingling	Class II medical device registration certificate on Basic Cognitive Ability Testing Software	Hunan MPA	20222211862	October 2022 to October 2027
Changsha Zhijingling	Class II medical device manufacturing license on Data processing and in vitro diagnostic software	Hunan MPA	20180031	July 2021 to July 2026
Beijing Zhijingling	Class II medical device business record certificate on Medical Software and Medical monitoring equipment	Beijing Municipal Administration for Market Regulation	20220263	NA
Changsha Zhijingling	Class II medical device registration certificate on Dyslexia Supplemental Screening and Assessment Software	Hunan MPA	20232210892	September 2023 to September 2028

During the Track Record Period and up to the Latest Practicable Date, we had not been penalized by any government authorities for any non-compliance relating to our material certificates, permits and licenses.

ENVIRONMENTAL, WORKPLACE SAFETY AND SOCIAL RESPONSIBILITY MATTERS

Environmental, Social and Governance Matters

The current nature of our business does not expose us to a substantial risk of environmental, health or work safety matters, including climate-related matters, and we do not expect the potential risks of such matters will have a material adverse impact on our business, strategy and financial performance.

Our Board believes our continued growth rests on integrating social values into our business, and thus we will establish an ESG committee of the Board ("**ESG Committee**") at [**REDACTED**] that is responsible for evaluating and managing material ESG issues, such as waste management and recycling efforts, energy consumption, pollutants/green house gas emissions and reporting. Our ESG Committee of the Board is led by Dr. Wang, along with our administrative department, to oversee the implementation of our policies relating to material

ESG issues by taking into consideration any metrics and targets stipulated in applicable laws, regulations and industry standards, including pollutants/greenhouse gas emissions, water and electricity consumption, among others. We also plan to follow the principles below:

- We strictly comply with all applicable laws and regulations for ESG matters.
- We plan to hold periodically training sessions to improve employee awareness and equip them with the sustainable and environmental friendly techniques and knowledge.

ESG Governance and Risk Identification

Our Board (as represented by the ESG Committee to be established at [**REDACTED**]) is the highest decision-making authority within our Company on ESG related matters, and is responsible for setting the overall ESG goals and strategies. Our Board evaluates the ESG related risks we face and create ESG risk management and internal monitoring mechanisms to mitigate such risks. We have also established an ESG working group comprising heads of our internal business departments, which shall be responsible for the on-the-ground execution of the strategies set by the Board, and be subject to the supervision of the Board.

As a critical part of our ESG governance, we have identified key stakeholders of our business, including investors, regulators, patients/users, employees, suppliers, the environment, and the communities in which we operate. The Board and ESG working group regularly convene to discuss key ESG related topics and identify whether we are subject to any risks, challenges and opportunities in the following aspects.

Environment	**Society**	**Corporate Governance**
• Energy consumption;	• Product innovation;	• Data security;
• Use of renewable energy;	• Product liabilities;	• Information disclosure;
	• Intellectual property protection;	• Anti-bribery and anti-fraud management;
	• Patient privacy protection;	• Related party transaction management;
	• Employee health and safety;	• Internal audit;
	• Compensation and labor policies.	• Insider trading;
		• Risk and compliance management.

Our Board priorities the above risks based on their nature and severity, and timely adjust our strategies in response.

Responses to the Identified Risks

To respond to the abovementioned risks, our Board has designed the following internal monitoring and management policies.

Internal Control

We have established comprehensive financial management and internal audit policies and procedures to make sure our financial records are reliable and accurate. We also created risk management policies which provides the detailed procedures on how to prevent, control and mitigate risk events before, during and after the fact, with emphasis on risk prevention. We have also designated personnel to handle information disclosure to ensure our stakeholders can timely receive accurate and reliable information about our Group.

We also have strict and comprehensive policies to prevent commercial bribery and fraud. Our policies clearly set forth the code of professional conducts by which all of our employees are required to strictly abide. Under our anti-bribery and anti-fraud policies, prohibited activities include but are not limited to receiving kickbacks, paying brides or incurring excessive business development expenses, and misappropriating properties and resources of our Company. We have also opened an internal reporting and escalation mechanism to encourage employees to report any suspicious activities and have put in place whistleblower protection mechanism that forbids and prevents retaliation against those who made the reports.

Product Innovation

We have established comprehensive quality management system to govern each step of the R&D of the System and other products to ensure compliance with GMP standards and other applicable laws and regulations. See "Regulatory Overview—PRC Regulatory Overview—Regulation Relating to Medical Devices" for details on the relevant laws and regulations on medical device R&D. We have established an R&D service platform which serves the whole R&D cycle covering product design, development, quality control, provides training to relevant personnel, and records and revolves issues faced by R&D personnel. We also organize routine trainings to our personnel on intellectual property protection to improve their awareness of protecting our own intellectual properties and avoiding infringement on others' intellectual properties throughout our R&D process.

Product Quality

We have adopted four types of files and documents on product quality: quality standard files, procedural files, quality Standard Operating Procedure ("**SOP**") files, and quality record files. As of the Latest Practicable Date, we had instituted more than 140 files of the above types, and routinely update them based on latest regulatory requirements.

We have also created a comprehensive GMP management system covering personnel, facilities, and documents. To ensure compliance during product design and development, we have instituted design and development control system, configuration management control system and risk management control system, and engaged professional third-party quality assessment institutions to monitor our execution of these systems. We also have a control mechanism to handle adverse quality related events so that our products can be timely recalled when necessary. As of the Latest Practicable Date, no such adverse events had occurred. We also instituted traceability control, software traceability analysis control and UDI (unique device identification) systems to ensure traceability of our product throughout the product lifecycle.

We also organize routine mandatory trainings on quality management for relevant personnel in quality control, R&D, human resources, and sales and marketing departments, among others.

Data Security and Protection

Data security is a fundamental issue for our business operations, including the security of patient and user information, usage data, research data, business generated data, system configuration data, and technical codes. The goal of our data privacy and protection mechanism is to avoid attacks, losses, leakages or unauthorized alterations of information under our custody. To that end, we have established the information security committee which generally oversees all data privacy matters. Our information technology department is in charge of carrying out the directives from the information security committee, and comprises personnel with DPO, DSG, CISSP and ISO27001 professional credentials. We have put in place over 20 internal information security and protection policies, and have deployed various cloud server security systems, terminal security system, web application firewalls, among other tools to enhance our cybersecurity throughout the data collection, transmission, storage and usage processes. Our security network has passed Level III certification in China, as well as ISO27001, ISO27701 and ISO20000 certifications internationally. See "—Data Privacy and Protection" on further details of our policies and procedures regarding data privacy and security.

Employment Practice

We have created human resources policies that govern our practices on recruitment, personnel management, compensation and benefits, and employee professional development. Our policies strictly forbid discrimination based on gender, ethnicity, race, nationality, age, religious belief, or familial status, as well as other unlawful employment practices such as use of forced and/or underage labor. We offer competitive vacation and benefit packages to ensure healthy and balanced development of our employees. We also provide employees trainings on our corporate culture, professional capabilities and corporate strategies to improve employee productivity and satisfy their need for professional development.

Hazardous Waste Discharge and Resource Consumption

We have not historically discharged hazardous waste or has had material amounts of gas emissions. While we do not consume a large amount and variety of natural resources due to the nature of our business operations, we are mindful of and closely monitor the environmental impact that may be caused by our business operations. In 2022 and 2023, we consumed 98 and 782 tons of water, respectively, and 161 and 169.4 megawatt-hour (MWh) of electricity, respectively. We intend to continue to improve the efficiency of our energy use, reduce our carbon footprint and achieve sustainability.

We have implemented several measures to reduce electricity consumption. First, we prioritize the use of natural light whenever possible and have a "use as needed" policy for lights during off-peak hours. We also encourage employees to turn off computer screens when not in use and ensure that computers are turned off after meetings. In addition, we have strict temperature controls for air conditioning, regularly clean air conditioning filters, and close doors and windows when using air conditioning. In addition, we have established a responsibility system whereby the last employee to leave the office is responsible for turning off the lights and air conditioning. Failure to do so may result in fines.

To reduce water consumption, we have implemented a water conservation policy that requires employees to use low flow rates for hand washing. We also prioritize the prompt reporting of leaks or seepage from faucets and water pipes to allow for timely repairs.

We monitor our KPIs of monthly electricity and water consumption and will adjust our conservation policies to most effectively manage and reduce our environmental impact while ensuring operational efficiency and compliance.

Social Responsibility

We are highly committed to fulfilling our social responsibilities and giving back to the communities in which we operate. In September 2022, we supported a public interest event on Alzheimer's disease where we offered free online and offline consultations, health screenings, and livestreaming sessions on Alzheimer's disease.

We also maintain a WeChat public account which routinely share scientific, health and medical information on brain sciences and cognitive health.

Occupational Health and Safety

We have endeavored to provide a safe work environment by implementing company-wide self-protection policies for employees to either work remotely or on-site with protective masks and sanitization. To the best knowledge of our Directors and as Latest Practical Date, we have not had any workplace accidents. During the Track Record Period and as of the Latest Practical Date, we have not been imposed by regulatory authorities with any significant penalties related to environmental and workplace safety.

In setting targets for the ESG-related KPIs, we have taken into account our respective historical consumption or discharge levels during the Track Record Period and have considered our future business expansion in a thorough and prudent manner with a view of balancing business growth and environmental protection to achieve sustainable development.

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practical Date, we are not a party to, and we are not aware of any threat of, any legal, arbitral or administrative proceeding, which, in our opinion, is likely to have a material and adverse effect on our business, financial conditions or results of operation. Our PRC Legal Advisor is of the opinion that, having reviewed the relevant information and documents we provided, our business was in compliance with the applicable laws and regulations of the PRC in all material aspects during the Track Record Period and up to the Latest Practicable Date. However, we may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of business. We are committed to maintaining the highest standards of compliance with the laws and regulations applicable to our business, and we intend to maintain this culture through the strict implementation of our risk management and internal control policies. See "—Risk Management and Internal Control."

RISK MANAGEMENT AND INTERNAL CONTROL

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 33 to the Accountants' Report included in Appendix I to this Document 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.

- 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 [**REDACTED**].

- 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 [**REDACTED**] 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 [**REDACTED**]" in this Document after the [**REDACTED**], 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 [**REDACTED**]. 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.

- 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 [**REDACTED**]. 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.

In addition the above policies, we have put in place the following measures for preventing or detecting the occurrence of any illegal activities and ensuring the completeness and accuracy of our books and records. The Directors are of the view, and the Joint Sponsors concur, that, based on the review of the internal control consultant, these measures are adequate and effective for achieving their intended goals.

Company Level Measures

At the company level, we have formulated and issued management policies such as the Anti-Corruption and Anti-Bribery Policy, the Anti-Fraud Policy, and the Anti-Money Laundering Policy, which stipulate that we prohibit bribery, corruption, and other non-compliant activities in the course of our production, operations, and management. The policies

also provide a mechanism for identifying and reporting suspicious transactions, clarify the monitoring mechanism and accountability for anti-fraud efforts, and establish a mailbox for filing related complaints or whistleblowing reports.

In addition, our employment contracts clearly state the various standards of professional ethics and codes of conduct with which employees must comply. Our employee handbooks require employees to strictly comply with the relevant sections of our Anti-Corruption and Anti-Bribery Policy, Anti-Fraud Policy and Anti-Money Laundering Policy. Employees are also required to attend annual ethics training.

Process Level Measures

At the business process level, we have formulated relevant management systems and adopted internal control measures such as approval processes, privileges and system controls as follows.

Procurement Management

We have formulated a Procurement Management Policy, which specifies the approval process and approval privileges for our procurement process. The relevant approval process and privilege allocation are carried out in Ding Talk, the enterprise intelligent mobile office platform we have adopted.

Contract Management

The approval process for our prospective contracts is embedded within the Ding Talk system, and the relevant employees submit the prospective contract for approval through this system. Depending on factors such as contract type and contract amount, the prospective contract is flagged for approval by the legal staff, finance manager, finance director or general manager according to their respective approval privileges.

Expense Reimbursement

Our expense reimbursement system governs the reimbursement standard, pre-approval request processes and reimbursement approval privileges. After we organize promotional efforts and related conferences and activities, the relevant operational staff will request for Company payment or expense reimbursement through internal automated system. Based on the monetary amount, the request will be matched with the appropriate approval process. Once the request is approved and the payment is made, the amount is credited to sales expenses. Our Expense Reimbursement Policy stipulates that the accounting staff are responsible for the authenticity, legality, completeness and accuracy of the financial expense records.

Accounting

We have clarified our expense accounting rules. Our accounting staff collect the relevant expense documentation and prepare accounting vouchers in our accounting system, which are reviewed by our finance manager. The approved accounting information is recorded in accordance with our accounting policies.

Risk Assessment Measures

With respect to risk assessment, our risk management and financial internal control policies set forth the overarching requirements and allocation of responsibilities for internal control, compliance and risk management. These policies also specify the relevant risk management and financial internal control priorities and clarify the requirements for monitoring, evaluation and continuing improvement. In addition, these policies incorporate the results of the assessment of internal control, compliance and risk management into the annual performance evaluation.

Hospital Sales and Marketing Arrangement Measures

We enter into the corresponding collaboration agreements when we help hospitals establish cognitive centers. In some cases, the Operational Service Provider introduced the System to hospitals under its pre-existing cooperation with the hospitals. See "—Sales and Marketing—Our Marketing Model—Collaborations with Top Hospitals and Research Institutions" for detailed terms of the cognitive center cooperations with hospitals as well as the relevant rationale and arrangements with the Operational Service Provider.

We have established a Sales and Collections Management Policy that covers the selection of new customers, the establishment of a customer credit rating mechanism, the sales pricing process, sales plan management, sales data management, subscription management and account reconciliation management.

Regarding sales and marketing arrangements with hospitals, the primary internal control measures are as follows:

1. For the cognitive centers where the Operational Service Provider was involved, we strengthened internal control and management primarily through the Sales and Collection Management Policy and the relevant agreements with the Operational Service Provider.

2. For the cognitive center cooperation agreements signed directly between us and hospitals without the involvement of the Operational Service Provider, we strengthened internal control management primarily through the Sales and Collection Management Policy and the cognitive center cooperation agreement with the hospitals. The cognitive center cooperation agreement between us and the hospital clearly specifies the rights and obligations of each party, the fees for service items and the liability for breach of contract.

Continuous Monitoring Measures

In terms of continuous monitoring, we have full-time internal auditors to monitor our compliance of the above policies and measures, and clarified the internal audit mechanism and responsibilities. The staff in charge of internal audit reports to the Board of Directors. In addition, we regularly conduct internal audit supervision.

Investment Risk Management

We engage in short-term investments with surplus cash on hand. Our investment portfolio primarily consisted of time deposits and wealth management products. Our primary objective of short-term investment is to preserve principal and increase liquidity without significantly increasing risks. Under the supervision of our Chief Financial Officer, our finance department is responsible for managing our short-term investment activities. Before making any investment proposal, our finance department will assess our cash flow levels, operational needs and capital expenditures. Our investment policy provides the guidelines and specific instructions on the investment of our funds.

Our investment strategy aims to minimize risks by reasonably and conservatively matching the maturities of the portfolio to anticipated operating cash needs. We make our investment decisions on a case-by-case basis after thoroughly considering a number of factors, including but not limited to macro-economic environment, general market conditions and the expected profit or potential loss of the investment. Our portfolio to date has been required to hold only instruments with an effective final maturity of 12 months or less, with effective final maturity being defined as the obligation of the issuer to repay principal and interest.

We believe that our internal investment policies and the related risk management mechanism are adequate. We may invest in wealth management products and time deposits in consistent with our investment policy, after consultation with and approval by our Board on an as-need basis where we believe it is prudent to do so after the [**REDACTED**].

AWARDS AND RECOGNITIONS

The table below sets forth a summary of the major awards and recognition that our Company had received as of the Latest Practicable Date.

Time	Awards	Awarding Organization/Authority
2011	Ministry of Education and Ministry of Science and Technology "Chunhui Cup Overseas Educated Personnel Innovation and Entrepreneurship Competition Top Prize" (教育部和科技部"春暉杯"留學人員創新創業大賽優勝獎)	Department of International Cooperation and Exchange, Ministry of Education (教育部國際合作與交流司)
2012	Nanjing's "Introduction Program for Leading Scientific and Technological Entrepreneurial Talents" (南京"領軍型科技創業人才")	Nanjing Leading Science and Technology Entrepreneurial Talents Introduction Program Special Office (南京領軍型科技創業人才引進計劃專項辦公室)
2014	Winner of Jiangsu Small and Medium-sized Enterprises Innovation and Entrepreneurship Competition (江蘇中小企業創新創業大賽優勝獎)	Jiangsu Province Economic and Information Technology Commission and Small and Medium Enterprises Bureau of Jiangsu Province (江蘇省經濟和信息化委員會和江蘇省中小企業局)
2015	Second-class prize of Jiangsu Medical Science and Technology Award (江蘇醫學科技獎二等獎)	Jiangsu Medical Association (江蘇省醫學會)
2015	Selected as "Specialized, Specialized and New" Small and Medium-sized Enterprises in Nanjing (南京市"專精特新"中小企業入庫項目)	Nanjing Economic and Information Technology Commission (南京市經濟和信息化委員會)
2016	Runner-up of BETAPITCH International Entrepreneurship Challenge Nanjing Station (BETAPITCH太庫國際創業挑戰賽亞軍)	TechCode and Betapitch Global betahaus (Techcode組委會與Betapitch全球組委會)
2017	Gold Award for the Rehabilitation Industry's Most Popular Enterprise (2017康復界風雲企業金獎)	ISPRMDC and IHF (ISPRMDC組委會與IHF國際健康基金機構)

Time	Awards	Awarding Organization/Authority
2017	Third Prize of Chinese Medical Science and Technology Award (中華醫學科技獎三等獎)	Chinese Medical Association (中華醫學會)
2022	Beijing Specialized and New SMEs (北京市"專精特新"中小企業證書)	Beijing Municipal Bureau of Economy and Information Technology (北京市經濟和信息化局)
2023	Award for Outstanding Achievements in Scientific Research in Colleges and Universities (Second Prize) (高等學校科學研究優秀成果獎(科學技術)二等獎)	Ministry of Education (教育部)
2023	Beijing Artificial Intelligence Industry Enabling Typical Cases (2023) (北京市人工智能行業賦能典型案例(2023))	Organizing Committee of the Artificial Intelligence Summit at the 2023 Global Digital Economy Conference (2023全球數字經濟大會人工智能高峰論壇組委會)
2023	Chinese Medical Science and Technology Award-First Place (中華醫學科技獎-一等獎)	Chinese Medical Association (中華醫學會)

DIRECTORS

Upon [**REDACTED**], our Board will consist of eight Directors, including two executive Directors, three non-executive Directors and three independent non-executive Directors. The following table provides certain information about our Directors:

Name[(1)]	Age	Position	Date of Joining the Group	Date of Appointment as our Director	Roles and Responsibilities
Mr. Tan Zheng (譚錚)	46	Chairman of the Board, executive Director, and chief strategy officer	December 20, 2020	April 25, 2023	Responsible for overseeing our overall strategic development and investment strategy
Dr. Wang Xiaoyi (王曉怡)	45	Executive Director, CEO and chief research officer	September 21, 2012	April 25, 2023	Responsible for products and technology research and development, overall operation, policies and business of the Group
Mr. Li Sirui (李思睿)	41	Non-executive Director	April 11, 2023	April 25, 2023	Responsible for providing strategic advice and recommendations on the operations and management of the Group
Ms. Li Mingqiu (李明秋)	41	Non-executive Director	July 30, 2023	July 30, 2023	Responsible for providing strategic advice and recommendations on the operations and management of the Group
Mr. Deng Feng	60	Non-executive Director	September 21, 2012[(2)]	April 25, 2023	Responsible for providing strategic advice and recommendations on the operations and management of the Group
Mr. Lam Yiu Por (林曉波)	47	Independent non-executive Director	[**REDACTED**]	[Appointed on [●], 2024, with effect from [**REDACTED**]]	Responsible for supervising and providing independent advice on the operations and management of the Group
Dr. Duan Tao (段濤)	60	Independent non-executive Director	[**REDACTED**]	[Appointed on [●], 2024, with effect from [**REDACTED**]]	Responsible for supervising and providing independent advice on the operations and management of the Group
Mr. Li Yuezhong (李月中)	54	Independent non-executive Director	[**REDACTED**]	[Appointed on [●], 2024, with effect from [**REDACTED**]]	Responsible for supervising and providing independent advice on the operations and management of the Group

Notes:

(1) Save as disclosed in "Relationship with Our Controlling Shareholders," each of our Directors has no relationship with other Directors and senior management members of our Company as at the Latest Practicable Date.

(2) Due to corporate reorganization of NLVC Shareholders, Mr. Deng Feng's directorship in our Group was temporarily succeeded by another appointee of NLVC Shareholders between June 20, 2019 and April 21, 2022.

Executive Directors

Mr. Tan Zheng (譚錚), aged 46, 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. 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 [**REDACTED**] 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.

The Board has made appropriate enquires with a view to understanding Mr. Tan's work commitment in our Group and has considered Mr. Tan's concurrent service as an executive Director of our Company and an executive director and chairman of the board of Immunotech Biopharm Ltd and is satisfied that Mr. Tan is able to devote sufficient time to perform his duties as an executive Director having regard to all relevant factors, including:

1. in the last three years since the listing of Immunotech Biopharm Ltd in July 2020, Mr. Tan has acquired extensive management experience and developed substantial knowledge on corporate governance through his directorship thereof, which are expected to facilitate his proper discharge of fiduciary duties and responsibilities as an executive director of a listed company;

2. when performing his roles of executive Director in our Company in formulating and executing business and investment strategies, annual operational and financial plans, Mr. Tan is assisted by his team of staff in dealing with the day-to-day matters in various aspects;

3. Mr. Tan has attended all applicable board meetings of Immunotech Biopharm Ltd since the listing of Immunotech Biopharm Ltd (as disclosed in its annual report for 2020, 2021 and 2022, respectively) and all applicable board meetings of the Company since his appointment in December 2020, therefore, the concurrent directorship did not hinder his time commitments in the Company in the past and it is expected that the concurrent directorship will also not affect his time commitments in the Company in the future; and

4. Mr. Tan has confirmed that: (a) Immunotech Biopharm Ltd has not questioned or complained about his time devoted to his directorship therein; and (b) he will have sufficient time to devote to his duties as an executive Director of our Company notwithstanding such other concurrent directorships.

As of the Latest Practicable Date, Mr. Tan does not have any interest in business which competes or is likely to compete, directly or indirectly, with our business and requires disclosure under Rule 8.10 of the Listing Rules. For details, see "Relationship with Our Controlling Shareholders — Competition."

Dr. Wang Xiaoyi (王曉怡), aged 45, 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 17, 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.

Non-executive Directors

Mr. Li Sirui (李思睿), aged 41, 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 also been serving as the general manager of strategy development center in Tianshili Holding Group Co., Ltd. (天士力控股集團有限公司) since July 2020 and also served as 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 41, was appointed as our Director in July 2023 and was re-designated as our non-executive Director in 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 know as University of Science and Technology Liaoning (遼寧科技大學)) in China in July 2006.

Mr. Deng Feng, aged 60, 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 science and telecommunication industry. He founded Northern Light Venture Capital in January 2006 and served as its founding managing partner, focusing on investment in technology, media and telecom, or technology, media and telecom, clean technology, healthcare and consumer 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).

Independent Non-executive Directors

Mr. Lam Yiu Por (林曉波), aged 47, [has been] appointed as an independent non-executive Director with effect from the [**REDACTED**]. He is primarily responsible for supervising and providing independent advice on the operations and management of the Group.

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. 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.

Dr. Duan Tao (段濤), aged 60, [has been] appointed as an independent non-executive Director with effect from the [**REDACTED**]. He is primarily responsible for supervising and providing independent advice on the operations and management of the Group.

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 54, [has been] appointed as an independent non-executive Director with effect from the [**REDACTED**]. He is primarily responsible for supervising and providing independent advice on the operations and management of the Group.

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 Guizhou Guotai Liquor Group Co., Ltd. (貴州國臺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.

Other Disclosure Pursuant to Rule 13.51(2) of the Listing Rules

Save as disclosed above and in this Document, each of our Directors confirms with respect to himself or herself that he or she (i) did not hold other long positions or short positions in the Shares, underlying Shares, debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) as of the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial shareholders of our Company as of the Latest Practicable Date; (iii) did not hold any other directorships in the three years prior to the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas; and (iv) there are no other matters concerning his or her appointment that need to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

SENIOR MANAGEMENT

The following table sets out information regarding the members of senior management of our Company:

Name	Age	Position	Date of Joining the Group	Date of Appointment as our senior management	Roles and Responsibilities
Mr. Tan Zheng (譚錚)	46	Chairman of the Board, executive Director, and chief strategy officer	December 20, 2020	December 20, 2020	Responsible for overseeing our overall strategic development and investment strategy
Dr. Wang Xiaoyi (王曉怡)	45	Executive Director, CEO and chief research officer	September 21, 2012	September 21, 2012	Responsible for products and technology research and development, overall operation, policies and business of the Group
Mr. Cai Longjun (蔡龍軍)	40	Chief technology officer and chief operating officer	January 17, 2022	January 17, 2022	Responsible for developing technology strategies
Mr. Wang Junjie (王俊傑)	37	CFO	September 6, 2021	September 6, 2021	Responsible for overseeing the financial affairs of the Group
Mr. Lai Zhiyuan (賴知遠)	40	Vice president of market and operation	October 8, 2021	October 8, 2021	Responsible for management of sales and customer service, and daily operation

Mr. Tan Zheng (譚錚) aged 46, 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 45, 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 40, 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-year 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 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 37, 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-year 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. (北京盈衍網路科技有限公司), 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 (中國非執業注冊會計師).

Mr. Lai Zhiyuan (賴知遠), aged 40, 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 know 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 Corporate Services of Tricor Services Limited, 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 currently holds company secretary positions in certain Hong Kong listed companies, including Hilong Holding Limited (海隆控股有限公司) (stock code: 1623), Honma Golf Limited (本間高爾夫有限公司) (stock code: 6858), WuXi Biologics (Cayman) Inc. (藥明生物技術有限公司) (stock code: 2269) and DreamEast Group Limited (夢東方集團有限公司) (stock code: 593).

Ms. Sham obtained a bachelor 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.

Our Company [was granted] a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Mr. Wang Junjie and Ms. Sham may be appointed as joint company secretaries of our Company, on the condition that the waiver can be revoked if there are material breaches of the Listing Rules by our Company. For details, please refer to the section headed "Waivers and Exemption — Waiver in respect of Joint Company Secretaries."

CORPORATE GOVERNANCE

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 Corporate Governance Code set out in Appendix C1 to the Listing Rules. The audit committee of the Company comprises three members, namely Mr. Lam Yiu Por, Mr. Li Yuezhong and Dr. Duan Tao, with Mr. Lam Yiu Por (being our

independent non-executive Director with the appropriate professional qualifications or accounting or related financial management expertise as required under Rules 3.10(2) and 3.21 of the Listing Rules) as chairman of the audit committee. The primary duties of the Company's audit committee are, among other things, to review and supervise the financial reporting process and internal controls system of our Group, review and approve connected transactions and provide advice and comments to the Board.

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 Corporate Governance Code set out in Appendix C1 to the Listing Rules. The remuneration committee of the Company comprises three members, namely Mr. Li Yuezhong, Mr. Lam Yiu Por and Dr. Duan Tao, with Mr. Li Yuezhong as chairman of the remuneration committee. The primary duties of the Company's remuneration committee are to review and make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management.

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 Corporate Governance Code set out in Appendix C1 to the Listing Rules. The nomination committee of the Company comprises three members, namely Mr. Tan Zheng, Mr. Li Yuezhong and Dr. Duan Tao, with Mr. Tan Zheng as chairman of the nomination committee. The primary duties of the nomination committee are to make recommendations to our Board on the appointment of Directors and management of Board succession.

Board Diversity Policy

We are committed to promoting the culture of diversity in the Company. We have strived to promote diversity to the extent practicable by taking into consideration a number of factors in our corporate governance structure.

Our Company has adopted a board diversity policy which sets out the objective and approach to achieve and maintain diversity of the Board in order to enhance the effectiveness of our Board. Pursuant to the board diversity policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, educational background, industry experience and professional experience. Our Directors have a balanced mix of gender, knowledge, skills and experiences, including management, strategic planning, finance, investment, healthcare and technology industries. They obtained degrees in various areas such as biology, medical, business administration, communication and electronic system and computer engineering. We have also taken, and will continue to take steps to promote gender diversity at the Board level of our Company. Upon [**REDACTED**], our Board comprises seven male members and one female members, and we expect to maintain/improve

such gender ratio at the Board level going forward. After [**REDACTED**], the nomination committee will revisit the board diversity policy and monitor its implementation from time to time. Our nomination committee will also use their best efforts to identify and recommend suitable female candidates for the Board's consideration in the future to ensure that gender diversity can be maintained. With reference to our board diversity policy, we will also ensure that there is gender diversity when recruiting staff at mid to senior level so that we will have a pipeline of female senior management and potential successors to our Board in due time to ensure gender diversity of the Board. Our Group will continue to emphasize training of female talent and providing long-term development opportunities for our female staff.

Anti-Corruption and Whistle Blowing Policies

We are committed to acting with integrity, honesty, fairness, impartiality, and ethical business practices. We have adopted an anti-corruption policy to promote an ethical culture within our Group and have zero-tolerance for bribery and any kind of corrupt activities. Our Board and senior management also strive to promote an ethical culture within our Group. We also adopted a whistle blowing policy 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. 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.

Corporate Governance Code

We aim to achieve high standard of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. In order to accomplish this, we expect to comply with the Corporate Governance Code set out in Appendix C1 to the Listing Rules.

KEY TERMS OF EMPLOYMENT CONTRACTS

We normally enter into an employment contract with non-competition clauses with our key management members and technical personnel. We normally enter into an employment contract with our key management members and technical personnel with a term of three years. Below sets forth the key terms of these contracts we enter into with our key management members and technical personnel.

Confidentiality

***Scope of confidential information*:** Information the employee shall keep confidential includes but is not limited to: technical information and business information that is not known to the public, can bring economic benefits to the enterprise, is practical and has been kept confidential by the Company.

***Confidential obligation*:** The employee (i) shall keep the Company's trade secrets known to him or her by virtue of his or her status, position, occupation or technical relationship, and shall guarantee that they will not be disclosed or used, including by accident or negligence. This is so even though the information may have been conceived or acquired in its entirety by the person subject to confidentiality as a result of his or her work; (ii) during the period of labor relationship, shall not (a) disclose or use the trade secrets without authorization for the purpose of competition, or for personal interest, or for the benefit of a third party, or for the purpose of intentionally inflicting harm on the Company, (b) spy on the trade secrets which are not related to his/her own work or his/her own business; shall not divulge them, directly or indirectly, to unrelated persons inside or outside the Company, (c) disclose the trade secrets of the Company to any third party who does not bear the obligation of confidentiality, and (d) copy or publicize the documents or copies of documents containing the Company's trade secrets; and (iii) shall treat the documents related to the Company, the Company's customers and the Company's partners that are kept and touched by the work properly, and shall not use them beyond the scope of work without permission.

***Confidential period*:** The confidentiality obligation shall continue to be in effect during the course of employment and after the departure of the employee.

Ownership of intellectual work products

The right of use, license, ownership and related intellectual property rights of any technology, software and other results developed by the employee using the Company's information, materials, substances, equipment and tools shall belong to the Company, and the employee shall not use or license others to use them without authorization or take them for himself/herself. If, without the Company's consent, the employee applies for a patent or copyright registration in the name of the employee and/or a third party, the employee agrees to exclusively transfer the above technology, software, copyright, patent right, patent application right and any related rights to the Company at a transfer fee of RMB1 per piece. Staff undertakes not to use any of the above technical results, works, software, patents, etc. for commercial purposes or to license others to use them for commercial purposes without the written consent of the Company.

Non-competition

Term and Scope: The non-competition obligation is effective during the course of employment. The employee shall bear the non-competition obligation him or herself, and cause and procure his or her affiliates (including but not limited to, his or her spouse, children, brothers and sisters, parents, relatives by law, grandparents, grandchildren, uncles, aunts and cousins) to also keep non-competition obligation.

Non-competition obligation: The employee shall not, and shall cause and procure that his/her affiliates shall not, without the prior written consent of the Company, directly or indirectly, carry on or be in any way interested in any and all business worldwide, which competes or proposes to compete with the Group's business, whether (i) in the capacity of sole

proprietorship, shareholding, investing, partnership, licensors or in any other way; (ii) by acting as a consultant (or provide consultancy service or similar service), employee or officer in any capacity in such business or providing technical, commercial or professional advice to such business; (iii) by supplying any product or service of the same type as or similar to or competitive with any product or service supplied by the Group to any person who is a customer of the Group; or (iv) by manufacturing, marketing, selling and distributing products worldwide that are identical to or compete with any products of such business, or in any way compete with the Group.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors receive compensation in the form of salaries, other allowances, retirement benefits, and equity settled share-based payments. Our Directors' remuneration is 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. For the terms of service contracts and appointment letters with our Directors, please refer to the section headed "Appendix IV — Statutory and General Information."

The aggregate amount of remuneration to our Directors for the two years ended December 31, 2023 were approximately RMB4.8 million and RMB37.0 million, respectively. It is estimated that remuneration and benefits in kind (excluding any possible payment of discretionary bonus) equivalent to approximately RMB1.94 million in aggregate will be paid and granted to our Directors by us in respect of the financial year ending December 31, 2023 under arrangements in force at the date of this Document.

The aggregate amount of remuneration to our five highest paid individuals who are neither Director nor chief executive of our Company for the two years ended December 31, 2023 were approximately RMB4.4 million and RMB10.7 million, respectively.

[**REDACTED**] SHARE AWARD SCHEME

We have approved and adopted the [**REDACTED**] Share Award Scheme, the principal terms of which are summarized in ''Appendix IV – Statutory and General Information – [**REDACTED**] Share Award Scheme.''

During the Track Record Period, (i) no remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining our Group; (ii) no compensation was paid to, or receivable by, our Directors, past Directors or the five highest paid individuals for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group; and (iii) none of our Directors waived any emoluments.

For additional information on remuneration of our Directors and the highest paid individuals, see Notes 12 and 13 to the Accountants' Report.

COMPLIANCE ADVISER

Our Company has appointed SPDB International Capital Limited as our Compliance Adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our Compliance Adviser will advise our Company in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including shares issues and share repurchases;
- where our Company proposes to use the [**REDACTED**] of the [**REDACTED**] in a manner different from that detailed in this Document or where our business activities, developments or results deviate from any forecast, estimate or other information in this Document; and
- where the Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules.

The term of the appointment of our Compliance Adviser shall commence on the [**REDACTED**] and end on the date on which our Company distribute our [**REDACTED**] in respect of our financial results for the first full financial year commencing after the [**REDACTED**].

CONFIRMATION FROM OUR DIRECTORS

Rule 8.10 of the Listing Rules

Each of our Directors confirms that as of the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business and requires disclosure under Rule 8.10 of the Listing Rules.

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 non-executive Directors may hold directorships from time to time.

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he/she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on July 30, 2023, and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed (i) his independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) that he has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his independence at the time of his appointments.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the [**REDACTED**] and the [**REDACTED**] (on the basis that all the Preferred Shares are converted into Shares on a one-to-one basis and assuming that the [**REDACTED**] is not exercised), Mr. Tan and Dr. Wang, acting in concert pursuant to the Offshore AIC Agreement, will together control the voting rights of approximately [**REDACTED**]% of the total issued share capital of our Company, including:

(i) the voting rights of such Shares, representing approximately [**REDACTED**]% of the total issued share capital of our Company, held by ZTan Limited, a BVI company wholly-owned by Mr. Tan;

(ii) the voting rights of such Shares, representing approximately [**REDACTED**]% of the total issued share capital of our Company, held by Wispirits Limited, a BVI company wholly-owned by Dr. Wang;

(iii) the voting rights of such Shares, representing approximately [**REDACTED**]% of the total issued share capital of our Company, held by Wiseforward Limited, a BVI company and a close associate of Dr. Wang, in which Dr. Wang controls all voting rights through (a) direct shareholding as to 17.61% in Wiseforward Limited, and (b) proxy of the voting rights of all remaining shares of Wiseforward Limited granted by the relevant shareholders thereof to Dr. Wang since Wiseforward Limited first became a Shareholder;

(iv) the voting rights of such Shares, representing approximately [**REDACTED**]% of the total issued share capital of our Company, held by Neurobright Limited, a BVI company and a close associate of Dr. Wang, in which Dr. Wang controls all voting rights through (a) direct shareholding as to 32.82% in Neurobright Limited, and (b) proxy of the voting rights of all remaining shares of Neurobright Limited granted by the relevant shareholders thereof to Dr. Wang since the date when Neurobright Limited first became a Shareholder; and

(v) pursuant to the Voting Proxy Agreements (as summarized below), the voting rights of such Shares, representing approximately [**REDACTED**]% in aggregate of the total issued share capital of our Company, which includes [**REDACTED**]%, and [**REDACTED**]%, held by the Proxy Grantors, being (a) Healthblooming Limited and (b) Integriness Limited, respectively. For details of the Proxy Grantors, see "History — [**REDACTED**] Investments — Information about our [**REDACTED**] Investors — Healthblooming Limited" and "History — [**REDACTED**] Investments — Information about our [**REDACTED**] Investors — Integriness Limited".

Accordingly, Mr. Tan and Dr. Wang, together with their respective close associates, namely ZTan Limited, Wispirits Limited, Wiseforward Limited and Neurobright Limited, are the Controlling Shareholders of our Company.

For the background of our Controlling Shareholders, see the sections headed "Directors and Senior Management" and "History, Reorganization and Corporate Structure."

Offshore AIC Agreement

Pursuant to the Offshore AIC Agreement, and not taking into account the voting rights of the Proxy Grantors entrusted through the Voting Proxy Agreements, Mr. Tan and Dr. Wang will together control the voting rights of approximately [**REDACTED**]% of the total issued share capital of our Company immediately after the completion of the [**REDACTED**] and the [**REDACTED**] (on the basis that all the Preferred Shares are converted into Shares on a one-to-one basis and assuming the [**REDACTED**] is not exercised), being the aggregate voting rights controlled by the Offshore AIC Parties.

Dr. Wang has also undertaken in the Offshore AIC Agreement that, since the date thereof, he will not dispose of any Shares he holds in our Company without first acquiring written consent of Mr. Tan.

For the details of the Offshore AIC Agreement, see the section headed "History, Reorganization and Corporate Structure — Acting in Concert Arrangements — Offshore AIC Agreement."

Voting Proxy Agreements

Following the initial investments in our Group by the onshore affiliates of the respective Proxy Grantors prior to the Reorganization, and taking into account the increase in the value of their investments thereafter attributable to the sustained business development of the Group, each of the Proxy Grantors, being Healthblooming Limited and Integriness Limited, has developed confidence in the management of the Group under the supervision of Mr. Tan. Accordingly, to (i) further affirm the Proxy Grantors' support and faith in the commercial direction and guidance of Mr. Tan to act in a manner that is aligned with the interests of our Group (including attaining our long-term business prospects and strategic objectives) and our Shareholders as a whole; (ii) reflect the importance of Mr. Tan's vision and leadership in our Group's continued growth; and (iii) enable Mr. Tan to further consolidate his control in our Group and continue to drive the Group's development, the Proxy Grantors entered into the Voting Proxy Agreements dated August 6, 2023 with Mr. Tan. Pursuant to the Voting Proxy Agreements, Mr. Tan is entitled to exercise, in his sole discretion, all rights as the Shareholders of our Company on behalf of the Proxy Grantors, in relation to the Shares representing approximately [**REDACTED**]% of the total issued share capital of our Company held by the Proxy Grantors immediately after the completion of the [**REDACTED**] and the [**REDACTED**] (on the basis that all the Preferred Shares are converted into Shares on a one-to-one basis and assuming the [**REDACTED**] is not exercised), according to the applicable laws and rules with respect to corporate governance, including but not limited to the voting rights of Shareholders at shareholder meetings.

The Voting Proxy Agreements took immediate effect upon the date thereof and shall continue in force so long as each of the Proxy Grantors holds any Share in our Company subject to the relevant Voting Proxy Agreement.

As a result of the arrangements set out above, Mr. Tan and Dr. Wang are entitled to control approximately [**REDACTED**]% in aggregate of the voting rights of our Company, being the aggregate voting rights held by the Proxy Grantors, immediately after the completion of the [**REDACTED**] and the [**REDACTED**] (on the basis that all the Preferred Shares are converted into Shares on a one-to-one basis and assuming the [**REDACTED**] is not exercised).

Each of the Proxy Grantors has also entered into a deed of undertaking dated August 6, 2023 with Mr. Tan pursuant to which it has been agreed that, since the date thereof and for so long as each Proxy Grantor holds any Share in our Company subject to the relevant Voting Proxy Agreement, each Proxy Grantor will not dispose of any Share subject to the relevant Voting Proxy Agreement it holds in our Company without first acquiring written consent of Mr. Tan.

COMPETITION

Business of our Group

Our Company is primarily engaged in research, development commercialization of medical-grade digital therapeutics (DTx) product for cognitive impairment. For details, please refer to the section headed "Business."

Business Delineation

As of the Latest Practicable Date, Mr. Tan, our executive Director, chairman of the Board and one of our Controlling Shareholders, is interested in approximately 36.04% equity interests in Immunotech Biopharm Ltd (永泰生物製藥有限公司) ("**Immunotech**"), whose shares are listed on the Stock Exchange (stock code: 6978), where Mr. Tan serves as an executive director and the chairman of the board of directors thereof.

Immunotech is a leading cellular immunotherapy biopharmaceutical company in China focusing on the research, development, and commercialisation of T cell immunotherapy. As our Group primarily engages in research, development commercialization of medical-grade DTx product for cognitive impairment, our Directors are of the view that there is a clear and definitive delineation between the respective businesses of our Group and Immunotech, including the underlying research and development process of the respective products of Immunotech and those of our Group, and that there is no overlap with regard to the respective suppliers and/ or customers of Immunotech and those of our Group. For further details of the business of our Group, see "Business."

Based on the above reasons, the Directors are of the view that, as of the Latest Practicable Date, neither Mr. Tan, nor any of our Directors or any Controlling Shareholder is interested in any business, other than our Group, which competes or is likely to compete, either directly or indirectly, with our Group's business and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are able of carrying out our business independently from our Controlling Shareholders and their respective close associates after the [**REDACTED**].

Management Independence

Our business is managed and conducted by our Board and senior management. Our Board comprises two executive Directors, three non-executive Directors and three independent non-executive Directors. For more details, see "Directors and Senior Management."

Despite that Mr. Tan and Dr. Wang, our executive Directors, are our Controlling Shareholders, our Directors are of the view that our Board and senior management team are able to manage our business independently from the Controlling Shareholders and their respective close associates for the following reasons:

- each of our Directors is aware of his or her fiduciary duties as a Director which require, among others, that he or she must act for the benefit of and in the best interests of our Company and not allow any conflict between his or her duties as a Director and his or her personal interests;

- our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group. For details of the industry experience of our senior management team, see "Directors and Senior Management";

- we have three independent non-executive Directors which (i) account for more than one-third of the Board, (ii) do not and will not hold any directorships or management positions in our Controlling Shareholders, and (iii) possess requisite industry knowledge and experience and are qualified to provide independent, sound and professional advice to our Company;

- in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions. In addition, the interested Director shall not vote (nor be counted in the

quorum) on any resolution of the Board approving any contract or arrangement or proposal in which he or she or any of his or her close associates (as defined in the Articles) has/have a material interest except for certain circumstances as set out in the Articles; and

- we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders and their close associates which would support our independent management. For more details, see "Corporate Governance Measures" below.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team is able to perform the managerial role in our Group independently.

Financial Independence

Our Group has an independent financial system. We make financial decisions according to our own business needs and neither the Controlling Shareholders nor their close associates intervene with our use of funds. In addition, we have also established an independent finance department as well as implemented sound and independent audit, accounting and financial management systems.

As of the Latest Practicable Date, there were no outstanding loans or guarantees provided by, or granted to, our Controlling Shareholders or their respective close associates.

Our Directors believe that, upon [**REDACTED**], our Company will be able to obtain further financing, if necessary, upon market terms and conditions without relying on financial assistance or credit support from our Controlling Shareholders or their close associates.

Based on the above, our Company considers there is no financial dependence on our Controlling Shareholders or their close associates.

Operational Independence

We have full rights to make all decisions on, and to carry out, our own business operations independently. Our Company, through our subsidiaries, holds the licenses and qualifications necessary to carry on our current business, and has sufficient capital, facilities, technology and employees to operate the business independently from our Controlling Shareholders. We have access to third parties independently from and not connected to our Controlling Shareholders for sources of suppliers and customers. Based on the above, our Directors are of the view that we are able to operate independently from our Controlling Shareholders and their close associates.

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in protecting our Shareholders' interests. We have adopted the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Controlling Shareholders:

- under the Articles of Association, where a Shareholders' meeting is to be held for considering proposed transactions in which any of our Controlling Shareholders or any of their associates has a material interest, the Controlling Shareholders or their associates will not vote on the relevant resolutions;

- our Company has established internal control mechanisms to identify connected transactions. If our Company enters into connected transactions with our Controlling Shareholders or any of their associates upon [**REDACTED**], our Company will comply with the applicable Listing Rules;

- the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between our Group and our Controlling Shareholders (the "**Annual Review**") and provide impartial and professional advice to protect the interests of our minority Shareholders;

- our Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the Annual Review;

- our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its [**REDACTED**] or by way of announcements as required by the Listing Rules;

- where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company's expenses; and

- we have appointed SPDB International Capital Limited as our Compliance Adviser to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our Controlling Shareholders, and to protect our minority Shareholders' interests after [**REDACTED**].

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the [**REDACTED**] and the [**REDACTED**], assuming the [**REDACTED**] is not exercised, the following persons will have interests and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company:

Substantial Shareholder	**Capacity/Nature of interest**	**Total number of Shares held as of the date of this Document[1]**	**Approximate percentage of interest in our Company as of the date of this Document** *(%)*	**Number of Shares upon completion of the [REDACTED] and the [REDACTED][2]**	**Approximate percentage of interest in our Company upon completion of and the [REDACTED] and the [REDACTED][2]** *(%)*
ZTan Limited[3]	Beneficial owner[3]	275,468(L)	25.38	[**REDACTED**]	[**REDACTED**]
Mr. Tan[3][4][5]	Interest in controlled corporation[3]	275,468(L)	25.38	[**REDACTED**]	[**REDACTED**]
	Interest held through voting powers entrusted by other persons[4]	139,431(L)	12.85	[**REDACTED**]	[**REDACTED**]
	Beneficial owner[5]	27,129(L)	2.50	[**REDACTED**]	[**REDACTED**]
Wispirits Limited[6]	Beneficial owner[6]	109,052(L)	10.05	[**REDACTED**]	[**REDACTED**]
Dr. Wang[6][7]	Interest in controlled corporation[6]	183,955(L)	16.95	[**REDACTED**]	[**REDACTED**]
	Beneficial owner[7]	26,946(L)	2.48	[**REDACTED**]	[**REDACTED**]
Northern Light Venture Fund IV L.P. ("**NLVF**")[8]	Beneficial owner[8]	115,729(L)	10.66	[**REDACTED**]	[**REDACTED**]
Northern Light Partners IV L.P. ("**NL Partners**")[8]	Interest in controlled corporation[8]	126,854(L)	11.69	[**REDACTED**]	[**REDACTED**]
Northern Light Venture Capital IV, Ltd.[8]	Interest in controlled corporation[8]	126,854(L)	11.69	[**REDACTED**]	[**REDACTED**]

Substantial Shareholder	Capacity/Nature of interest	Total number of Shares held as of the date of this Document[1]	Approximate percentage of interest in our Company as of the date of this Document *(%)*	Number of Shares upon completion of the [REDACTED] and the [REDACTED][2]	Approximate percentage of interest in our Company upon completion of and the [REDACTED] and the [REDACTED][2] *(%)*
Mr. Deng Feng[8]	Interest in controlled corporation[8]	126,854(L)	11.69	[**REDACTED**]	[**REDACTED**]
Crusky Limited[9]	Beneficial owner[9]	123,527(L)	11.38	[**REDACTED**]	[**REDACTED**]
Ms. Li Mingqiu (李明秋)[9]	Interest in controlled corporation[9]	123,527(L)	11.38	[**REDACTED**]	[**REDACTED**]
Healthblooming Limited[10]	Beneficial owner[10]	99,104(L)	9.13	[**REDACTED**]	[**REDACTED**]
Mr. Zhao Yujie (趙宇傑) ("**Mr. Zhao**")[10]	Interest in controlled[10] corporation	99,104(L)	9.13	[**REDACTED**]	[**REDACTED**]
Wisdomspirit Holdings Limited[11]	Beneficial owner[11]	85,166(L)	7.85	[**REDACTED**]	[**REDACTED**]
Trident Trust Company (HK) Limited ("**Trident**")[11]	Interest in controlled corporation[11]	85,166(L)	7.85	[**REDACTED**]	[**REDACTED**]
CFCH[12]	Beneficial owner[12]	70,143(L)	6.46	[**REDACTED**]	[**REDACTED**]
Mr. Lv Yajun (呂亞軍)[12] ("**Mr. Lv**")	Interest in controlled corporation[12]	70,143(L)	6.46	[**REDACTED**]	[**REDACTED**]

Notes:

1. The number of Shares held assuming that all of the Preferred Shares have been converted into the Shares on a one-to-one basis, and the letter "L" denotes the person's long position in the Shares.

2. The table above assumes (i) completion of the [**REDACTED**] and the [**REDACTED**]; and (ii) the [**REDACTED**] is not exercised, and the letter "L" denotes the person's long position in the Shares.

3. As of the date of this Document, 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.

4. Pursuant to the Voting Proxy Agreements, Mr. Tan is entitled to exercise the voting rights of the Shares held by Healthblooming Limited and Integriness Limited. See the section headed "Relationship With Our Controlling Shareholders — Our Controlling Shareholders — Voting Proxy Agreements" for details. Therefore, Mr. Tan is deemed to be interested in the Shares held by Healthblooming Limited and Integriness Limited under the SFO.

5. As of the date of this Document, Mr. Tan was granted Awards to acquire 27,129 Shares (representing [**REDACTED**] Shares pursuant to the [**REDACTED**]) under the [**REDACTED**] Share Award Scheme. See "Appendix IV — Statutory and General Information — [**REDACTED**] Share Award Scheme" for details.

6. As of the date of this Document, 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.

As of the date of this Document, 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.

As of the date of this Document, 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. As of the date of this Document, Dr. Wang was granted Awards to acquire 26,946 Shares (representing [**REDACTED**] Shares pursuant to the [**REDACTED**]) under the [**REDACTED**] Share Award Scheme. For details, please refer to "Appendix IV — Statutory and General Information — [**REDACTED**] Share Award Scheme."

8. As of the date of this Document, 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. As of the date of this Document, 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. As of the date of this Document, 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. As of the date of this Document, 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 [**REDACTED**] 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. As of the date of this Document, CFCH was wholly-owned by Mr. Lv. Therefore, Mr. Lv is deemed to be interested in the Shares held by CFCH under the SFO.

Save as disclosed above and in section headed "Appendix IV — Statutory and General Information — Further Information about our Directors, Chief Executives and Substantial Shareholders", our Directors are not aware of any other person who will or any other entity which will, immediately following the completion of the [**REDACTED**] and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), have any interests and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to us and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following completion of the [**REDACTED**] and the [**REDACTED**].

As of the date of this Document, our authorised share capital was US$50,000 divided into 500,000,000 Shares of US$0.0001 par value each, comprising 499,873,146 ordinary Shares, 95,878 Series A-1 Preferred and 30,976 Series A-2 Preferred Shares.

As of the date of this Document, our issued share capital consisted of 958,312 ordinary Shares, 95,878 Series A-1 Preferred and 30,976 Series A-2 Preferred Shares.

Upon [**REDACTED**], each of the issued and unissued Series A Preferred Shares will be automatically converted into ordinary Shares on a one-to-one basis by way of re-designation and re-classification (the "**Share Conversion**"), and the authorised share capital of the Company will be increased from US$50,000 divided into 500,000,000 Shares of US$0.0001 par value each to US$150,000 divided into [1,500,000,000] Shares of US$0.0001 par value each (the "**Authorised Capital Increase**"). Upon completion of the Share Conversion and Authorised Capital Increase, the authorised share capital of the Company will be changed from US$50,000 divided into 499,873,146 ordinary Shares, 95,878 Series A-1 Preferred Shares and 30,976 Series A-2 Preferred Shares of US$0.0001 par value each to US$150,000 divided into 1,500,000,000 ordinary Shares of US$0.0001 par value each.

Assuming the [**REDACTED**] is not exercised, the share capital of our Company immediately after the [**REDACTED**] and the [**REDACTED**] will be as follows:

Description of Shares	**Number of Shares**	**Aggregate nominal value of Shares** *(US$)*
Shares in issue (including the Shares converted on a one-to-one basis by way of re-designation and re-classification of the Series A Preferred Shares)	1,085,166	108.5166
Shares to be issued under the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Shares to be issued pursuant to the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Total	[**REDACTED**]	[**REDACTED**]

Assuming the [**REDACTED**] is exercised in full, the share capital of our Company upon completion of the [**REDACTED**] and the [**REDACTED**] will be as follows:

Description of Shares	**Number of Shares**	**Aggregate nominal value of Shares** *(US$)*
Shares in issue (including the Shares converted on a one-to-one basis by way of re-designation and re-classification of the Series A Preferred Shares)	1,085,166	108.5166
Shares to be issued under the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Shares to be issued pursuant to the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Shares to be issued pursuant to the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Total	[**REDACTED**]	[**REDACTED**]

ASSUMPTIONS

The above tables assume that the [**REDACTED**] becomes unconditional, that the issue of Shares pursuant to the [**REDACTED**] and the [**REDACTED**] are made. It takes no account of any Shares which may be issued or bought back by us pursuant to the general mandates granted to our Directors to issue or buy back Shares as described below.

RANKING

The [**REDACTED**] are shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued (including all Preferred Shares re-designated into Shares upon completion of the [**REDACTED**] and the [**REDACTED**]) and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this Document.

[**REDACTED**]

POTENTIAL CHANGES TO SHARE CAPITAL

Circumstances Under which General Meetings are Required

Pursuant to the Cayman Companies Act and the terms of the Memorandum and Articles of Association, our Company may from time to time by ordinary resolution of Shareholders (i) increase its share capital; (ii) consolidate and divide its share capital into Shares of larger amount; (iii) subdivide its Shares into shares of smaller amount; and (iv) cancel any shares which have not been taken. In addition, our Company may subject to the provisions of the Cayman Companies Act reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. See the section headed "Appendix III — Summary of the Constitution of our Company and Cayman Companies Act — 2 Articles of Association — 2.1 Shares — (c) Alteration of Capital" for further details.

General Mandate to Issue Shares

Subject to the [**REDACTED**] becoming unconditional, our Directors were granted a general mandate to allot, issue and deal with any Shares or securities convertible into Shares of not more than the sum of:

(a) 20% of the total number of Shares in issue immediately following completion of the [**REDACTED**] and the [**REDACTED**] (but excluding any Shares which may be issued pursuant to the exercise of the [**REDACTED**]); and

(b) the total number of Shares repurchased by our Company pursuant to the authority referred to in the sub-section headed "Potential Changes to Share Capital – General Mandate to Repurchase Shares" below.

This general mandate to issue Shares will remain in effect until the earliest of:

(a) the conclusion of the next annual general meeting of our Company unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to condition;

(b) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the Cayman Islands or the Memorandum and Articles of Association; and

(c) the passing of an ordinary resolution by Shareholders in a general meeting revoking or varying the authority.

General Mandate to Repurchase Shares

Subject to the [**REDACTED**] becoming unconditional, our Directors were granted a general mandate to repurchase our own Shares up to 10% of the total number of Shares in issue immediately following completion of the [**REDACTED**] and the [**REDACTED**] (but excluding any Shares which may be issued pursuant to the exercise of the [**REDACTED**]).

This mandate only relates to repurchases on the Stock Exchange or on any other stock exchange on which the securities of our Company may be [**REDACTED**] and which is recognized by the SFC and the Stock Exchange for this purpose, and in accordance with all applicable laws and the requirements under the Listing Rules or equivalent rules or regulations of any other stock exchange as amended from time to time.

This general mandate to repurchase Shares will remain in effect until the earliest of:

(a) the conclusion of the next annual general meeting of our Company unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to condition;

(b) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the Cayman Islands or the memorandum and the articles of association of our Company; and

(c) the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying the authority.

See "Appendix IV — Statutory and General Information — Further Information About Our Group — Explanatory Statement on Repurchase of Our Own Securities" in Appendix IV for further details on the general mandates to issue and repurchase Shares.

EMPLOYEE INCENTIVE PLAN

We adopted the [**REDACTED**] Share Award Scheme.

For details, see the section headed "Appendix IV — Statutory and General Information — [**REDACTED**] Share Award Scheme".

You should read the following discussion and analysis with our audited consolidated financial information, including the notes thereto, included in the Accountants' Report in Appendix I to this Document. Our consolidated financial information has been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions, including the United States.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this Document.

For the purpose of this section, unless the context otherwise requires, references to 2022 and 2023 refer to our financial year ended December 31 of such year. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a seasoned player in China's cognitive impairment 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, according to Frost & Sullivan. 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 is the first cognitive impairment DTx product that has obtained regulatory approval in China, according to Frost & Sullivan.

During the Track Record Period, our revenue was primarily generated from provision of the System integral software solutions in hospitals and out of hospitals, research projects, and training facilitation service. We have not been profitable and have incurred net losses during the Track Record Period.

We are a commercial stage company. As of the Latest Practicable Date, the System had been included in the provincial health insurance reimbursement lists of 30 provinces in China.

BASIS OF PREPARATION

The historical financial information has been prepared in accordance with accounting policies which conform with IFRSs issued by the IASB. For the purpose of preparation of the historical financial information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the historical financial information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We operate in China's DTx industry, and our results of operations have been, and are expected to continue to be, affected by the following factors that affect this industry in general. Many of these factors may be beyond our control, and unfavorable development of these factors could materially and adversely affect demand for our services and products and our results of operations.

Growth and Competitive Landscape of the Cognitive Impairment DTx Market Globally and in China

The cognitive impairment DTx market is relatively new. We believe that our financial performance and future growth are dependent on the overall growth of Cognitive Impairment DTx market globally and in China. According to Frost & Sullivan, the global cognitive impairment DTx market has a size of approximately US$2.1 billion as measured by sales revenue in 2022, and is expected to grow to approximately US$4.2 billion in 2025 and US$7.0 billion in 2030, representing CAGRs of 25.5% and 10.7% from 2022 to 2025 and from 2025 to 2030, respectively. The cognitive impairment DTx market in China has a size of approximately RMB149.4 million as measured by sales revenue in 2022, and is expected to grow to approximately RMB2.0 billion and RMB9.6 billion in 2025 and 2030, respectively, representing CAGRs of 135.5% and 37.4% from 2022 to 2025 and from 2025 to 2030, respectively.

The market for cognitive impairment DTx is characterized by technological changes and evolving industry standards. Our ability to keep pace with new technologies in AI and artificial humans, develop and market more advanced products, and maintain our competitive position will significantly affect our results of operations. We believe that leveraging the broad indication coverage by our System and other products, we have developed integrated end-to-end capabilities ranging from R&D to commercialization, and are well positioned to capture the significant growth opportunity in the cognitive impairment DTx market.

Government Policies and Medical Insurance Coverage with Regard to Our Product

The regulatory framework for DTx products is constantly evolving. Increasingly stringent regulatory requirements could create barriers to our development and introduction of new products. Conversely, in the event that regulatory requirements are lowered, competitors could potentially enter the prescription DTx market and compete against us more easily.

Our DTx products are novel and represent a new category of therapeutics for which the regulatory framework continues to evolve. Our ability to develop and introduce new products will depend, in part, on our ability to comply with these complex requirements, which include regulations related to product design and development; clinical trials, pre-market clearance, authorization, and approval; establishment registration; and marketing, sales and distribution. If, however, the regulatory framework for DTx products simplifies and the requirements that we and others are required to comply with are lowered, we may face increased competition and the introduction by competitors of products that are or claim to be superior to our products. For example, if the DTx regulation in China no longer requires Class II or Class III medical device registration for DTx products before commercialization, and the accompanying clinical validation of DTx safety and efficacy is no longer required, our competitive advantages may be significantly lowered.

Moreover, the inclusion of our products and product candidates (upon commercialization) in the governmental insurance coverage would significantly increase the demand for such products, and would therefore have a positive impact on the sales volume of our products and our financial performance. As of the Latest Practicable Date, our System had been included in the provincial health insurance reimbursement lists of 30 provinces in China. However, we may face downward pricing pressure if our products are included in the government insurance coverage, even if such inclusions are expected to increase the sales volume of our products.

In addition to these general factors affecting the industry in which we operate, we believe our results of operations are also affected by the following company specific factors.

Ability to Increase Sales and Market Penetration of Our Products

As of the Latest Practicable Date, we had commercialized our System for eight indications for which we had received the Class II medical device registration certificate from the Hunan MPA. During the Track Record Period, a substantial amount of our revenue was derived from the System. Our revenue growth will depend on our ability to increase sales and market penetration of our products. With respect to the System, our commercialization efforts primarily focus on expanding indication coverage, which we believe will expand the addressable market for our System, as well as establishing collaborations with more hospitals in order to reach more patients and generate more sales as hospitals are expected to remain our primary customers. Particularly, we plan to deepen our market penetration to small- and medium-sized hospitals through our in-house selling and distribution team as well as third-party marketing service providers. The sales volume of our products have been, and will continue to have a significant influence on our results of operations.

Commercialization of Our Product Candidates

Our results of operations also depend on our ability to successfully promote our product candidates upon regulatory approval by the relevant authorities. The commercial success of our products depends upon the degree of market acceptance each of such products achieves, particularly among hospitals, physicians and patients. Such acceptance is in turn determined by, among other factors, our ability to demonstrate the distinctive characteristics and advantages in product safety, efficacy and cost effectiveness compared to our competitors' products and even other therapies. Effect marketing strategies by our in-house team and third-party service providers are also critical in attracting new customers and retaining existing ones.

Ability to Manage Research and Development of Our Products and Product Candidates

We devote significant resources on R&D activities, including conducting preclinical studies, clinical trials and activities related to seeking regulatory approvals, in order to commercialize our System for more indications, bring pipeline products to market, and develop new pipeline products and indication expansion for existing products and product candidates. As of the Latest Practicable Date, we had commercialized our System for eight indications, and are under various stages of development for additional 21 cognitive impairment indications. We also have four other products with regulatory approvals, as well as five additional product candidates targeting the assessment and/or intervention of other types of cognitive impairment and diseases under different stages of preclinical and clinical development. The success of such R&D activities significantly affects our ability to expand sales, business scale, and in turn results of operation and financial condition.

While we expect to continue to incur significant research and development expenses in the foreseeable future, we need to control the amount of such expenses at a reasonable level in light of the R&D achievements we make. In 2022 and 2023, our research and development expenses amounted to RMB67.6 million and RMB90.7 million, respectively. Our ability to balance the need to invest in R&D activities and control our operating expenses is key to our ability to reach profitability and sustainable growth.

Ability to Manage Costs and Improve Operating Efficiency

Our effective control of cost of sales and our ability to improve operating efficiency have significant impacts on our results of operations. In 2022 and 2023, our cost of sales was RMB8.0 million, and RMB35.1 million, respectively, accounting for 70.8% and 52.3% of our total revenue for the respective periods. Similarly, our ability to efficiently control our operating expenses also impacts our profitability. In 2022 and 2023, our selling and distribution expenses amounted to RMB11.9 million and RMB38.4 million, respectively, and our administrative expenses amounted to RMB27.8 million and RMB54.4 million, respectively. We expect our selling and distribution expenses and our administrative expenses to increase in future periods, as we continue to support the expanded commercialization,

promotion and marketing of our products and product candidates, and to manage the growth in our overall business scale. Our ability to control our various operating expenses at a reasonable level in light of the achievements we make has a significant impact on our results of operations and financial condition.

Ability to Obtain Funding for Our Operation

During the Track Record Period, we funded our operations primarily through capital injection from shareholders and issuance of redeemable preference shares and long-term bonds. Going forward, as we commercialize the System to cover more indications, commercialize more product candidates, and expand the sales of existing products, we expect to fund our operations in part with cash generated from operating activities. However, with the continuing expansion of our business and development of product candidates, we may require further funding through public or private equity offerings, debt financing and other sources. Any changes in our ability to fund our operations may affect our cash flow and liquidity position, limit our ability to carry out expansion strategies as planned, and otherwise affect our business operations, results of operation, and financial position.

MATERIAL ACCOUNTING POLICY INFORMATION

We set forth below those accounting policy information that we believe are of critical importance to us or involve the most significant estimates and judgments used in the preparation of our consolidated financial statements. Our material accounting policy information, which is important for an understanding of our financial condition and results of operations, are set forth in detail in Note 4 to the Accountants' Report in Appendix I to this Document.

Significant Accounting Policies

Revenue Recognition

Revenue from contracts with customers

We recognize revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by our performance as we performs;
- our performance creates or enhances an asset that the customer controls as we perform; or
- our performance does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents our obligation to transfer goods or services to a customer for which we have received consideration (or an amount of consideration is due) from the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input Method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognize revenue on the basis of our efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict our performance in transferring control of goods or services.

Financial Assets

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. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, we take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with IFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

Research and Development Expenditure

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

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 statements 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 our 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.

Share-Based Payments

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 our estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, we revise 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. For shares/share options that vest immediately at the date of grant, the fair value of the shares/share options granted is expensed immediately to profit or loss.

When shares granted are vested, the amount previously recognized in share-based payments reserve will be transferred to other reserve.

Critical Judgement 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 Historical Financial Information.

Research and Development Expenditures

Development costs incurred on our cognitive impairment DTx are capitalized and deferred only when we can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, our 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, our 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 Track Record Period, all development costs were expensed when incurred.

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.

Fair Value Measurement of Financial Liabilities at FVTPL

No quoted prices in an active market are available for our financial liabilities at FVTPL. These financial liabilities were valued by the Directors with the assistance of an independent qualified professional valuer not connected to us, which has appropriate qualifications and experience in valuation of similar financial instruments. The fair value of these financial liabilities is established by using valuation techniques as disclosed in Notes 27 and 34 of the Accountants' Report included in Appendix I to this Document. Valuation techniques are certified by the valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Valuation models established by the valuer make the maximum use of market inputs and rely as little as possible on our specific data. However, it should be noted that some inputs, such as possibilities under different scenarios such as [**REDACTED**], liquidation and redemption, require management estimates. The estimates and assumptions are reviewed periodically by the Directors and adjusted if necessary. Should any of the estimates and assumptions changed, it may lead to a change in the fair value of financial liabilities at FVTPL.

In relation to the valuation of our financial liabilities at FVTPL, our Directors, based on the professional advice received, adopted the following procedures: (i) reviewed the terms of Preferred Shares agreements; (ii) engaged independent business valuer, provided necessary financial and non-financial information so as to enable the valuer to perform valuation procedures and discussed with the valuer on relevant assumptions; (iii) carefully considered all information especially those non-market related information input, such as fair value of the ordinary shares of our Company, possibilities under different scenarios, time to liquidation and discount for lack of marketability, which require management assessments and estimates; and (iv) reviewed the valuation working papers and results prepared by the valuer. Based on the above procedures, our Directors are of the view that the valuation analysis performed by the valuer is fair and reasonable, and the financial statements of our Group are properly prepared.

Details of the fair value measurement of financial liabilities at FVTPL, the valuation techniques and key inputs, including significant unobservable inputs, the relationship of unobservable inputs to fair value and reconciliation of level 3 measurements are disclosed in Notes 27 and 34 of the Accountants' Report included in Appendix I to this Document issued by the Reporting Accountants. The reporting accountants' opinion on the Historical Financial Information of our Group for the Track Record Period as a whole is set out on I-2 of Appendix I to the Document.

In relation to the fair value assessment of our Group's financial liabilities at FVTPL, the Joint Sponsors have conducted relevant due diligence work, including but not limited to, (i) obtaining and reviewing the terms of the relevant investment agreements regarding the financial liabilities; (ii) obtaining and reviewing the valuation working papers and valuation report prepared by the external valuer we engaged; (iii) discussing with our management to understand the methodology, assumptions and information relied upon in respect of such valuation; (iv) obtaining and reviewing the professional qualification and credentials of the external valuer we engaged in connection with the valuation; (v) discussing with the external valuer we engaged to understand the methodology, assumptions and information relied upon and the work they have performed in respect of such valuation; (vi) discussing with the Reporting Accountants to understand the work they have performed in this regard; and (vii) reviewing the relevant note in the Accountants' Report as contained in Appendix I to this Document and the Reporting Accountants' opinion on the historical financial information for the Track Record Period as a whole. Based upon the due diligence work conducted by the Joint Sponsors as stated above, and having considered the views of the Directors and the Reporting Accountant, nothing material has come to the Joint Sponsors' attention that would cause them to question the valuation of our Group's financial liabilities at FVTPL.

DESCRIPTION OF SELECTED COMPONENTS OF STATEMENTS OF PROFIT OR LOSS

The following table sets forth our consolidated statements of profit or loss and other comprehensive income with line items in absolute amounts and as percentages of our revenue for the periods indicated, which are derived from our consolidated statements of profit or loss and other comprehensive income set out in the Accountants' Report included in Appendix I to this Document.

	For the year ended December 31,	
	2022	**2023**
	RMB'000	*RMB'000*
Revenue	11,291	67,200
Cost of sales	(7,994)	(35,136)
Gross profit	**3,297**	**32,064**
Other income	3,915	2,079
Other gains and losses, net	3,098	2,318
Fair value loss of financial liabilities at fair value through profit or loss ("FVTPL")	(385,886)	(165,216)
Impairment loss under expected credit loss ("ECL") model, net of reversal	(50)	(848)

	For the year ended December 31,	
	2022	**2023**
	RMB'000	*RMB'000*
Selling and distribution expenses	(11,928)	(38,399)
Administrative expenses	(27,762)	(54,398)
Research and development expenses	(67,627)	(90,733)
Finance costs	(19,223)	(20,216)
[**REDACTED**] expenses	[**REDACTED**]	[**REDACTED**]
Other expenses	(295)	–
Loss before tax	(502,461)	(359,116)
Income tax expense	–	–
Loss and total comprehensive expense for the year	**(502,461)**	**(359,116)**
Loss for the year attributable to:		
Owners of the Company	(502,452)	(359,083)
Non-controlling interests	(9)	(33)

Non-IFRS Measures

To supplement our consolidated statements 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 [**REDACTED**] 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 [**REDACTED**]; 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.

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,	
	2022	**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	(502,461)	(359,116)
Add:		
Fair value loss of financial liabilities at FVTPL	385,886	165,216
Share-based payments	–	44,873
Adjusted net loss (non-IFRS measure)	**(116,575)**	**(149,027)**

Revenue

We generate revenue from (i) provision of the System integral software solutions 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; (iii) research projects services we provide to research institutions; (iv) training facilitation service where we assist our customer, the organizer of the training sessions, in performing the organizational and logistical groundwork of training sessions for medical specialists in the cognitive impairment specialty; and (v) others, such as sales of hardware embedded with the System and the related user accounts. The following table sets forth a breakdown of our revenue by types of solutions and service during the periods indicated, both in absolute amount and as percentages of total revenue.

	For the year ended December 31,			
	2022		2023	
	RMB'000	*%*	*RMB'000*	*%*
Provision of the System integral software solutions				
In hospitals	4,075	36.1	41,224	61.3
Out of hospitals	1,095	9.7	5,723	8.5
Subtotal	**5,170**	**45.8**	**46,947**	**69.8**
Research projects	5,993	53.1	14,290	21.3
Training facilitation service	–	–	5,085	7.6
Others	128	1.1	878	1.3
Total	**11,291**	**100.0**	**67,200**	**100.0**

Provision of the System Integral Software Solutions in Hospitals

We provide the System integral software solutions to hospitals which enable them to offer cognitive assessment and intervention to their cognitive impairment patients. The System runs on the hardware provided by us at the cognitive centers of these hospitals. We do not generate revenue in relation to such hardware. We generate revenue from hospitals which pay us based on the amount of in-hospital use by patients and the pricing determined based on negotiation with the hospitals with reference to the applicable prices under the local health insurance reimbursement lists. We generated revenue of RMB4.1 million and RMB41.2 million from hospitals under cognitive center collaborations for 2022 and 2023, respectively, and recorded gross profits of RMB0.7 million and RMB20.4 million for the same periods, respectively. We sometimes engage third-party service providers to provide operational support in cognitive centers of these hospitals on our behalf. See "Business—Sales and Marketing—Our Marketing Model—Collaborations with Top Hospitals and Research Institutions" for more details on the roles and arrangements with such service providers. We charge hospitals periodically based on the number of times our products are used by these hospitals to assess and treat patients during the period.

Provision of the System Integral Software Solutions out of Hospitals

Our revenue from provision of the System integral software solutions out of hospitals primarily arises from sales to individual patients who first experience the System in hospitals and then decide to continue to use the System for cognitive training at their own homes. Patients pay us periodic subscription fees in exchange for access to the System software as well as hardware (such as computers or tablets) which we provide during the period of subscription.

Research Projects

We provide the System as well as technical and operational support services to facilitate our customers' cognitive impairment research projects. Customers of our research projects primarily include universities, hospitals and research institutions. We believe that by facilitating our customers' research projects and working closely with medical professionals of our customers, we strengthen our reputation among the medical community, educate professionals on the benefits of adopting our System for assessment and intervention of various types of cognitive impairment, and generally promote the acceptance of our System among hospitals and medical professionals nationwide. Our revenue from research projects primarily arises from data analytics and system development services we offer to universities, hospitals, and research institutions. We charge customers on a cost-plus basis, taking into account the labor costs and the amount of time we devote to each customer, as well as a percentage of markup.

Training Facilitation Service

We offer training facilitation service where we assist our customer and the organizer in performing the organizational and logistical groundwork of training sessions for medical specialists in the cognitive impairment specialty. The customer and organizer is a public institution dedicated to advancing the knowledge and capabilities of physicians and other medical professionals in China. In particular, we are responsible for (i) co-designing the training curriculum, standards, and attendance certificates with the customer; (ii) contacting training session lecturers; (iii) promoting the training sessions among potential attendees; (iv) handling the logistics of setting up the training sessions; (v) providing attendee after-sale services; and (vi) maintaining the necessary website and online portals in relation to the training sessions. Per request from the customer, we charge service fees from attendees. The service fee from each training is based on the type and number of training attendees when they sign up for the training. We record training facilitation service revenue at the completion of each training.

Others

Our other revenue primarily relates to the sales of hardware equipment with our System pre-installed and user accounts. The typical selling price for such hardware equipment was approximately RMB3,000, and the typical selling price for each user account is approximately RMB1,000. Customers purchase such integrated equipment with software or user accounts (which enable them to access a web page through their own computers) to utilize the assessment and intervention functions of the System. Sales of user accounts and hardware equipment with the System pre-installed are typically one-off transactions that enable the customers to access the System without limits on usage duration and amount. In contrast, under the sales of our System as a software, we charge hospitals based on the number of times the System was used. Sales of hardware equipment with our System pre-installed and user accounts are no longer our prevailing business model as we began the "cognitive center" approach. See "Business—Sales and Marketing—Our Marketing Model—Collaborations with Top Hospitals

and Research Institutions" for details, and is only made upon existing customers' requests. This is because we now primarily sell the System as an integral software solution to hospitals and patients under "provision of the System integral software solutions in hospitals" and "provision of the System integral software solutions out of hospitals" business lines above.

Cost of Sales

Cost of sales for provision of the System integral software solutions in hospitals primarily includes (i) operational costs, which arise from third-party service providers we engage to provide hospitals with operational support, such as guidance and technical support on the after-sale utilization and operations of our System, and other services to ensure smooth operations of cognitive centers in hospitals that adopt our System. In 2022 and 2023, the amount of such operational costs were RMB2.6 million and RMB20.2 million, respectively; and (ii) depreciation of construction costs in relation to renovation of cognitive centers of our customers and the hardware on which the System runs. As advised by Frost & Sullivan, it is not uncommon in the industry to engage service providers to provide such services.

Cost of sales for provision of the System integral software solutions out of hospitals primarily includes (i) operational costs which arise from third-party service providers we engage to provide abovementioned operational support. Because individual patients purchase our System only after they initially use it in hospitals, we are therefore obligated to pay operational service fees in relation to out-of-hospital sales under our agreements with the operational service providers; and (ii) depreciation costs in relation to hardware we rent to patients on which the System runs.

Cost of sales for our research projects service primarily includes staff costs in relation to providing technical and operational support services to customers to facilitate their cognitive impairment research projects. Cost of sales for our training facilitation service include (i) compensation for training session lecturers; and (ii) costs incurred to set up and arrange the logistics for training sessions, such as labor and venue costs. The following table sets forth a breakdown of our cost of sales by types of service during the periods indicated, both in absolute amount and as percentages of total cost of sales.

	For the year ended December 31,			
	2022		2023	
	RMB'000	*%*	*RMB'000*	*%*
Provision of the System integral software solutions				
In hospitals	3,389	42.4	20,825	59.3
Out of hospitals	625	7.8	2,390	6.8
Subtotal	**4,014**	**50.2**	**23,215**	**66.1**
Research projects	3,958	49.5	9,506	27.1
Training facilitation service	–	–	2,194	6.2
Others	22	0.3	221	0.6
Total cost of sales	**7,994**	**100.0**	**35,136**	**100.0**

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales. The following table sets forth a breakdown of our gross profit and gross profit margin by business segment for the periods indicated.

	For the year ended December 31,			
	2022		2023	
	Gross Profit	**Gross Margin**	**Gross Profit**	**Gross Margin**
	RMB'000	*%*	*RMB'000*	*%*
Provision of the System integral software solutions				
In hospitals	686	16.8	20,399	49.5
Out of hospitals	470	42.9	3,333	58.2
Subtotal/overall	**1,156**	**22.4**	**23,732**	**50.6**
Research projects	2,035	34.0	4,784	33.5
Training facilitation service	–	–	2,891	56.9
Others	106	82.8	657	74.8
Total/overall	**3,297**	**29.2**	**32,064**	**47.7**

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; and (iii) others. The following table sets forth a breakdown of our other income, both in absolute amount and as percentages of our total other income for the periods indicated.

	For the year ended December 31,			
	2022		2023	
	RMB'000	*%*	*RMB'000*	*%*
Interest income on bank balances, term deposits and restricted bank deposit	3,812	97.4	1,973	94.9
Interest income from rental deposits	91	2.3	106	5.1
Others	12	0.3	–	–
Total	**3,915**	**100.0**	**2,079**	**100.0**

Other Gains and Losses, Net

Our other gains and losses, net primarily relates to fair value gains on financial assets at FVTPL. We recorded other gains of RMB3.1 million and RMB2.3 million in 2022 and 2023, respectively. We had fair value gains on financial assets at FVTPL of RMB3.2 million and RMB2.7 million in 2022 and 2023, respectively, which arise from fair value changes of the related financial assets.

Fair Value Changes of Financial Liabilities at FVTPL

Our fair value change of financial liabilities at FVTPL primarily relates to fair value changes of our redeemable preference shares. Our fair value change of financial liabilities were RMB385.9 million and RMB165.2 million in 2022 and 2023, respectively.

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of (i) market development and service expenses to third-party service providers with connections to local hospitals which help us establish connections with hospitals in more areas in China, and to enhance awareness of DTx as a viable therapy for potential patients. In particular, we incurred RMB0.07 million and RMB7.0 million in conference fees in 2022 and 2023, respectively; (ii) employee benefit expenses for our selling and distribution staff; (iii) depreciation and amortization expenses in relation to property, plant and equipment used by the selling and distribution department; (iv)

employee share-based payments; and (v) others. The following table sets forth a breakdown of our selling and distribution expenses, both in absolute amount and as percentages of our total selling and distribution expenses for the periods indicated.

	For the year ended December 31,			
	2022		2023	
	RMB'000	*%*	*RMB'000*	*%*
Market development and service expenses	5,834	48.9	22,430	58.4
Employee benefits expenses	5,011	42.0	4,313	11.2
Depreciation and amortization	731	6.1	2,599	6.8
Share-based payments	–	–	8,127	21.2
Others	352	3.0	930	2.4
Total	**11,928**	**100.0**	**38,399**	**100.0**

Administrative Expenses

Our administrative expenses primarily consist of (i) employee benefit expenses for our administrative staff; (ii) restructuring related expenses in relation to tax liabilities that arose from restructuring activities prior to [**REDACTED**]; (iii) depreciation and amortization expenses in relation to property, plant and equipment used by the administrative department; (iv) professional services expenses for certain consulting services and information services to support our business operations; (v) utilities and office expenses in relation to our corporate offices; (vi) employee share-based payments; and (vii) others. The following table sets forth a breakdown of our administrative expenses, both in absolute amount and as percentage of our total administrative expenses for the periods indicated.

	For the year ended December 31,			
	2022		2023	
	RMB'000	*%*	*RMB'000*	*%*
Employee benefit expenses	12,053	43.4	13,764	25.3
Restructuring related expenses	–	–	5,533	10.2
Depreciation and amortization expenses	6,065	21.8	6,510	12.0
Professional service expenses	5,311	19.1	6,285	11.5
Utilities and office expenses	3,895	14.0	3,574	6.6
Share-based payments	–	–	17,921	32.9
Others	438	1.7	811	1.5
Total	**27,762**	**100.0**	**54,398**	**100.0**

Research and Development Expenses

Our research and development expenses primarily consist of (i) employee benefit expenses for our research and development staff; (ii) depreciation and amortization expenses in relation to property, plant and equipment used by the research and development department; (iii) collaboration expenses incurred with hospitals and CROs with which we collaborate on our R&D projects; (iv) service expenses in relation to purchases of cloud services from third-party vendors for data storage, as well as technical research, management and consulting services; (v) procurement expenses in relation to procurement of miscellaneous testing services, office expenses, patent fees, among others; and (vi) employee share-based payments. The following table sets forth a breakdown of our research and development expenses, both in absolute amount and as percentage of our total research and development expenses for the periods indicated.

	For the year ended December 31,			
	2022		2023	
	RMB'000	*%*	*RMB'000*	*%*
Employee benefit expenses	57,626	85.2	42,011	46.3
Depreciation and amortization expenses	5,573	8.2	10,368	11.4
Collaboration expenses	264	0.4	7,146	7.9
Service expenses	2,640	3.9	3,654	4.0
Procurement expenses	1,524	2.3	8,728	9.6
Share-based payments	–	–	18,825	20.8
Total	**67,627**	**100.0**	**90,732**	**100.0**

Finance Costs

Our finance costs primarily consist of (i) interest expense on long-term bond of RMB18.7 million and RMB19.6 million 2022 and 2023, respectively; and (ii) interest on lease liabilities of RMB0.6 million and RMB0.4 million during the same periods, respectively.

[REDACTED]

PERIOD-TO-PERIOD COMPARISON

The Year Ended December 31, 2022 Compared to The Year Ended December 31, 2023

Revenue

Our revenue increased significantly from RMB11.3 million in 2022 to RMB67.2 million in 2023, primarily due to the following changes:

- Our revenue from provision of the System integral software solutions in hospitals increased significantly from RMB4.1 million in 2022 to RMB41.2 million in 2023, primarily due to (i) an increase in the number of hospitals that purchased the System from 17 in 2022 to 75 in 2023, with a customer retention rate (being the percentage of hospitals that purchased our System in 2022 who also purchased our System in 2023) of 100.0%; and (ii) an increase in the number of times patients used our System from approximately 113,500 times in 2022 to over 850,000 times in 2023.

- Our revenue from provision of the System integral software solutions out of hospitals increased significantly from RMB1.1 million in 2022 to RMB5.7 million in 2023, primarily due to a significant increase in the number of patients from approximately 1,800 to approximately 4,900 over the same periods who selected our System for use in their own homes after initially using the System in hospitals, as well as an increase in selling price of our out-of-hospital product.

- Our revenue from research projects increased from RMB6.0 million in 2022 to RMB14.3 million in 2023, primarily due to an increase in the average project scale.

- Our revenue from training facilitation service increased from nil in 2022 to RMB5.1 million in 2023, primarily because we began offering training facilitation service in 2023. In 2023, we facilitated 29 training sessions to over 3,100 attendees.

Cost of Sales

Our cost of sales increased significantly from RMB8.0 million in 2022 to RMB35.1 million in 2023, primarily due to the following changes in cost of sales in our various types of service:

- Our cost of sales for provision of the System integral software solutions in hospitals increased significantly from RMB3.4 million in 2022 to RMB20.8 million in 2023, primarily due to (i) an RMB16.1 million increase in operational costs incurred by ourselves and with 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 14 in 2022 to 48 in 2023, which led to an increase in construction and depreciation costs.

- Our cost of sales for provision of the System integral software solutions out of hospitals increased significantly from RMB0.6 million in 2022 to RMB2.4 million in 2023, primarily due to an increase in the operational costs incurred with third-party service providers that provided operational support.

- Our cost of sales for research projects increased significantly from RMB4.0 million in 2022 to RMB9.5 million in 2023, primarily due to an increase in costs for staff who provided data analytics and system development services to our customers driven by the sizes of and demands by the projects.

- Our cost of sales for training facilitation service was nil and RMB2.2 million in 2022 and 2023, respectively. In 2023, we facilitated 29 training sessions and incurred relevant costs in lecturer compensation, venue and labor.

Gross Profit and Gross Profit Margin

As a result of the changes in our revenue and cost of sales described above, our gross profit increased significantly from RMB3.3 million in 2022 to RMB32.1 million in 2023, 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.

Our gross profit margin increased from 29.2% in 2022 to 47.7% in 2023. In particular, our gross profit margin for provision of the System integral software solutions in hospitals increased from 16.8% in 2022 to 49.5% in 2023, and gross profit margin for provision of the System integral software solutions out of hospitals increased from 42.9% in 2022 to 58.2% in 2023, primarily due to a hike in the fee rate of operational costs in 2022 incurred with a third-party service provider which provided guidance and technical support on the after-sale utilization and operations of our System and other services to ensure smooth operations of cognitive centers in hospitals that adopt our System. Under the relevant service agreement, the fee rate is calculated as a percentage of sales of the System integral software solutions made by hospitals to patients in hospitals, and the service provider offered operational support in the hospitals. For sales of the System integral software solutions out of hospitals, the fee rate is calculated as the same percentage of sales made by us to patients who typically use the System first in hospitals and then decide to continue using it for cognitive training at their own homes. Such percentage of one of the service providers was retrospectively revised in September 2022 from floating rates (based on sales volume) to a fixed rate at the high end of the previously floating rate range. The gross profit margins for provision of the System integral software solutions in hospitals and out of hospitals were relatively lower in 2022, primarily because the abovementioned retrospective revision for periods prior to 2022 was all recorded in 2022.

Such adjustment was primarily in relation to changes in the amount of work provided by this service provider in the cognitive centers. In 2021, our cognitive center approach was at an early development and ramp-up stage. Later in 2022, as the cognitive center approach became more well developed and as the operations of existing cognitive centers more ramped up, the number of staff and the amount of work provided by this service provider grew and exceeded

the original plan. To ensure sustainable business cooperation, we and this service provider mutually agreed to revise the abovementioned fee rate percentage. In 2022 and 2023, the amount of service fees incurred with such service provider accounted for approximately 5.6% and 6.1% of our total procurement amount, respectively.

Our gross profit margin for research projects remained relatively stable at 34.0% and 33.5% in 2022 and 2023, respectively. The gross profit margin from research projects fluctuates from period to period, primarily due to the characteristics of each project, such as (i) the degree to which our customers rely on our System to conduct research projects; (ii) the level of labor intensity of a project; and (iii) case-by-case negotiations with customers. Our gross profit margin tends to be higher for research projects that are more reliant on our System during the research process, and/or that are less labor intensive.

Other Income

Our other income decreased from RMB3.9 million in 2022 to RMB2.1 million in 2023, primarily due to an RMB1.8 million decrease in interest income on bank balances, term deposits and restricted bank deposit, driven by changes in their average balances in 2022 compared to 2023.

Other Gains and Losses, Net

Our other gains and losses, net decreased from a gain of RMB3.1 million in 2022 to a gain of RMB2.3 million in 2023, primarily due to fair value changes of relevant financial assets at FVTPL.

Fair Value Loss of Financial Liabilities at FVTPL

Our fair value changes of financial liabilities at FVTPL decreased significantly from RMB385.9 million in 2022 to RMB165.2 million in 2023, primarily due to fair value changes of redeemable preference shares.

Selling and Distribution Expenses

Our selling and distribution expenses increased significantly from RMB11.9 million in 2022 to RMB38.4 million in 2023, primarily due 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. The number of hospitals that purchased the System increased from 17 in 2022 to 75 in 2023. The increase is also due to an increase in the number of events and conferences we organized or attended. For example, in April 2023, we co-organized the First Cognitive Impairment Disease Specialty Capability Building Conference in Shaoxing, Zhejiang, during which experts in the fields of brain sciences and DTx gathered to discuss new technology applications in the diagnosis and treatment of cognitive impairment diseases as well as the use of DTx in preventing and treating Alzheimer's disease; partially offset by a

decrease in employee benefits expenses driven by reduction in selling and distribution personnel as we shifted some of their responsibilities to the third-party service providers. We also incurred an RMB8.1 million employee share-based payments in 2023.

Administrative Expenses

Our administrative expenses increased significantly, from RMB27.8 million in 2022 to RMB54.4 million in 2023, primarily due to (i) the RMB17.9 million share-based compensation in 2023 as a result of the [**REDACTED**] Share Award Scheme; (ii) an RMB1.7 million increase in employee benefits expenses driven by an increase in the average salary of our administrative staff, social and housing provident fund benefits, severance pays for reduced headcount, and benefits paid to key management personnel; and (iii) an RMB1.0 million increase in professional service expenses driven by an increase in the amount of certain consulting, information and other miscellaneous types of professional services to support our business operations.

Research and Development Expenses

Our research and development expenses increased by 34.2%, from RMB67.6 million in 2022 and RMB90.7 million in 2023, primarily due to (i) the RMB18.8 million share-based payments in 2023 as a result of the [**REDACTED**] Share Award Scheme; (ii) an RMB7.2 million increase in procurement expenses in relation to other miscellaneous purchases for the R&D department; (iii) an RMB6.9 million increase in collaboration expenses, driven by the progress of collaborative R&D projects with CROs; and (iv) an RMB4.8 million increase in depreciation and amortization expenses, driven by the depreciation of right-of-use assets related to our office spaces and the renovation of our R&D facility and purchases of equipment for the R&D department; partially offset by an RMB15.6 million decrease in employee benefit expenses, driven by a decrease in research and development department headcount as certain research projects we undertook had been suspended. These projects were focused on a variety of subjects that were unrelated to the System or cognitive impairment assessment and intervention, such as sleep quality and cognitive health monitoring. We initiated these projects as an attempt to develop a variety of products besides the System that revolve around cognitive functions, and suspended these projects in late 2022 to become more focused on the research and development of the System.

Finance Costs

Our finance costs remained relatively stable at RMB19.2 million and RMB20.2 million in 2022 and 2023, respectively.

[**REDACTED**]

Loss and Total Comprehensive Expense for the Year

As a result of the above, we incurred loss of RMB502.5 million and RMB359.1 million in 2022 and 2023, respectively. We remained at a net loss position in 2023 primarily because (i) our commercialization progress is still at an early stage and we incurred significant operating expenses to operate our business, complete this [**REDACTED**] and develop new markets, technologies and products; and (ii) we continue to be influenced by changes in fair value of financial liabilities at FVTPL until the [**REDACTED**].

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

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated, which have been extracted from the Accountants' Report set out in Appendix I to this Document.

	As of December 31,	
	2022	**2023**
	RMB'000	*RMB'000*
Total non-current assets	110,914	92,130
Total current assets	307,174	302,724
Total assets	**418,088**	**394,854**
Total current liabilities	35,621	392,844
Net current assets (liabilities)	**271,553**	**(90,120)**
Total non-current liabilities	1,476,710	334,191
Total liabilities	**1,512,331**	**727,035**
Net liabilities	**(1,094,243)**	**(332,181)**
Total deficits	**(1,094,243)**	**(332,181)**

NET CURRENT ASSETS

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

	As of December 31,		As of January 31,
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Current assets			
Contract costs	251	4,094	6,292
Trade and other receivables and prepayments	19,674	76,053	89.998
Amounts due from related parties	29	–	–
Financial assets at FVTPL	228,789	–	–
Restricted bank deposit	–	165,000	173,000
Term deposits	30,180	–	–
Bank balances and cash	28,251	57,577	48,462
Total current assets	**307,174**	**302,724**	**317,752**
Current liabilities			
Trade and other payables	17,746	43,261	51,464
Contract liabilities	1,023	3,804	6,568
Amounts due to related parties	2,364	–	–
Lease liabilities	7,523	7,927	7,771
Bank and other borrowings	6,965	22,083	22,553
Deferred Income	–	225	225
Financial liabilities at FVTPL	–	315,544	319,589
Total current liabilities	**35,621**	**392,844**	**407,945**
Net current assets/(liabilities)	**271,553**	**(90,120)**	**(90,193)**

We had net current assets of RMB271.6 million as of December 31, 2022, and had net current liabilities of RMB90.1 million as of December 31, 2023. The change was primarily due to (i) an RMB315.5 million increase in current portion of financial liabilities at FVTPL in relation to the issuance of Series A-1 Preferred Shares in July 2023 in exchange for termination of preferential rights of certain investor; and (ii) an RMB228.8 million decrease in financial assets at FVTPL resulting from our redemption of financial products; partially offset by an RMB165.0 million increase in restricted bank deposits.

Our net current liabilities remained relatively stable at RMB90.2 million as of January 31, 2024.

Bank Balances and Cash

Our current bank balances and cash increased from RMB28.3 million as of December 31, 2022 to RMB57.6 million as of December 31, 2023 primarily due to receipt of proceeds from shareholders' capital injection, disposal of financial assets at FVTPL, partially offset by payments in the ordinary course of business. See "—Liquidity and Capital Resources—Cash Flows" for more details.

We have implemented internal policies on the management of bank balances and cash to ensure capital preservation and to match portfolio maturities and duration to approximately mirror anticipated liquidity requirements and working capital needs. We manage the portfolio and evaluate the risk profiles of the types of investments to reduce risk and generate an acceptable risk adjusted return. We constantly monitor our investment portfolio and credit markets to respond appropriately to a significant reduction in credit rating or other indicators.

Trade and Other Receivables and Prepayments

During the Track Record Period, our trade receivables primarily arise from sales to customers on credit under various business lines, including provision of the System integral software solutions in hospitals and out of hospitals, research projects, and certain other sales of hardware, software and user accounts. Our other receivables primarily include (i) value added tax recoverable; (ii) rental and other deposits; (iii) short-term loan receivables in relation to outstanding loans balances due from third parties; (iv) deferred share issue cost for [**REDACTED**] in relation to the part of [**REDACTED**] expenses that will be capitalized upon the completion of the [**REDACTED**]; (v) receivables from third party payment platforms which provide online payment settlement and clearance services; and (vi) refund receivables in relation to [**REDACTED**] we had paid to a third party with which we had terminated cooperation. Our prepayments primarily include (i) prepayment for purchases of property, plant and equipment; (ii) prepayment for purchases of intangible assets; and (iii) prepayments to suppliers and service providers.

The following table sets forth our trade and other receivables and prepayments as of the dates indicated:

	As of December 31,	
	2022	**2023**
	RMB'000	*RMB'000*
Trade receivables	8,422	50,740
Less: allowance for credit losses	63	891
	8,359	**49,849**
Prepayments for purchase of intangible assets	2,101	101
Value added tax recoverable	364	1,649
Prepayments to suppliers and service providers	7,526	11,742
Rental deposits	2,293	3,880
Other deposits	97	107
Short-term loan receivables	–	500
Receivables from third party payment platforms	864	1,005
Refund receivable	1,000	–
Deferred share issue costs	–	7,689
Prepayments for [**REDACTED**] expenses	[**REDACTED**]	[**REDACTED**]
Others	507	1,222
Total	**23,111**	**78,062**
Analyzed as:		
Non-current	3,437	2,009
Current	19,674	76,053
Total	**23,111**	**78,062**

Our trade receivables increased from RMB8.4 million as of December 31, 2022 to RMB50.7 million as of December 31, 2023, primarily due to an increase in revenue under our various types of service and the resulting increase in sales on credit, as well as because we established new cooperation with research institutions under our research projects business, which led to increased credit period at the initial cooperation stage. We typically grant customers credit terms that range from 30 to 180 days. We consider a number of factors in determining the credit term of a customer, including length of cooperation with the customers and their past payment timeliness. As of the Latest Practicable Date, we did not hold any collateral or other credit enhancements over our trade receivables balance and such receivables are non-interest bearing. We seek to maintain strict control over its outstanding receivables and overdue balances and they are reviewed regularly by the finance department.

Our prepayment for purchase of intangible assets decreased from RMB2.1 million as of December 31, 2022 to RMB0.1 million as of December 31, 2023, primarily due to an RMB2.0 million payment for patent purchase in 2022. The purchased patents include "A Human-computer Interaction Method and System for Multidimensional Assessment of Cognitive Impairment" (一種認知障礙多維評估的人機交互方法及系統, patent number 202210985424.2) and "Modeling Method for Cognitive Task Assessment and Cognitive Task Assessment Method and System" (用於認知任務測評的建模方法、認知任務測評方法及系統, patent number 202211512702.9), and primarily relate to cognitive impairment assessment methods and system. See "Business—Intellectual Property" for details. The patent rights were transferred to us in May 2023.

Our prepayment to suppliers and service providers increased from RMB7.5 million as of December 31, 2022 to RMB11.7 million as of December 31, 2023, primarily due to an increase in the amount of prepaid cloud and technical services as well as certain prepaid research services which were incurred to support our ongoing R&D activities and expanding product portfolio.

Our short-term loan receivables relate to (i) an RMB9.5 million loan which was completely repaid in 2022; and (ii) an RMB0.5 million loan made to a non-executive employee.

Deferred share issue costs of RMB7.7 million as of December 31, 2023 is primarily related to [**REDACTED**] expenses that will be capitalized upon the completion of [**REDACTED**].

During the Track Record Period and up to the Latest Practicable Date, we did not have any material dispute or disagreement with our customers in relation to the timing, amounts of billing or the collection of our trade and other receivables.

In determining impairment of trade receivables, we conduct regular reviews of aging analysis and evaluate collectivity, taking into account of the historical loss patterns of our customers.

The following table sets forth our average trade receivables turnover days during the periods indicated.

	For the year ended December 31,	
	2022	**2023**
Average trade receivables turnover days[(1)]	153.3	160.7

Note:

(1) 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 365 days.

The average trade receivables turnover days were 153.3 days in 2022, and 160.7 days in 2023. The increase in average trade receivables turnover days was primarily due to increase in trade receivables in 2023 as we served more cognitive centers.

The following table sets forth the ageing analysis of trade receivables based on the invoice date and net of loss allowance as of the dates indicated:

	As of December 31,	
	2022	**2023**
	RMB'000	*RMB'000*
Trade receivables		
0~90 days	5,594	27,327
91~180 days	2,449	6,260
181~270 days	221	5,043
271~360 days	61	6,355
over 1 year	34	4,864
Total	**8,359**	**49,849**

In order to minimize the credit risk, our Board of Directors has overall responsibility for the establishment and oversight of our risk management framework. The finance department is responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, we perform impairment assessment under expected credit loss model on trade balances individually or based on provision matrix. Assessments are done based on our 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.

As of January 31, 2024, RMB2.0 million, representing 4.0% of the trade receivables outstanding as of December 31, 2023 were subsequently settled. Our Directors confirm that there is no material recoverability issues with respect to our trade receivables, and the provision for allowance for credit losses is adequate under the circumstances. Several hospital customers typically go through a lengthy internal approval process to pay service fees, and we have not received any notifications that such customers would not be able to make such payment.

Financial Assets at FVTPL

Financial assets at FVTPL primarily consists of short-term Level II structured deposits and wealth management products we purchased from reputable commercial banks in China. Our financial assets at fair value through profit or loss decreased from RMB228.8 million as of December 31, 2022 to nil as of December 31, 2023, primarily due to the complete disposal of financial assets at FVTPL in 2023.

Our Investment Policy in Wealth Management and Structured Products

We have adopted the Financial Internal Control Policy which prohibits investments in financial management or investment portfolios with a maturity of more than 12 months and that we will only make low-risk investments.

We have adopted the Major Matters Decision Making Policy, which covers overseas investment and entrusted financial management. The Major Matters Decision Making Policy provides that if the transaction involves amounts exceeding a prescribed proportionate threshold of our assets, income or net profit, the transaction shall be submitted to the Board of Directors for review. The policy also provides that the type of matters specified by the laws and regulations of the SFC and the HKEx as requiring board review for listed companies should also be submitted to our Board for review. In addition, matters that do not meet the criteria for Board review are subject to the approval of the Chairman of the Board or the CEO in accordance with their respective authorities.

Furthermore, we have adopted the Money Market Fund Management Policy, which requires us to strengthen our oversight of the management of money market funds. The finance department is responsible for the day-to-day management of money market funds, and the internal audit department is responsible for supervision. We have adopted the Information Disclosure Management Policy, which specifies the responsibilities of information disclosure management, the types of information to be disclosed, and the procedures for disclosing information. In addition, any of our investment in wealth management or structured products will be subject to compliance with Chapter 14 of the Listing Rules.

Trade and Other Payables

Our trade and other payables primarily consist of (i) trade payables in relation to certain operational support, promotional and marketing services; (ii) accrued salaries and other allowances; (iii) refund payables arising from termination of cooperation with certain third-party distributors; (iv) deposits for the hardware for provision of the System integral software solutions out of hospitals arising from deposits paid by patients for the hardware (computers and/or tablets) we provide them; (v) payables for acquisition of property, plant and equipment and intangible assets in relation to renovations of our corporate office, purchase of fixed assets, and purchase of patent rights; and (vi) accrued [**REDACTED**] expenses and accrued Share issue costs for [**REDACTED**] in relation to this [**REDACTED**].

The following table sets forth our trade and other payables as of the dates indicated.

	As of December 31,	
	2022	2023
	RMB'000	*RMB'000*
Trade payables	1,761	8,251
Accrued salaries and other allowances	4,747	8,927
Refund payables	6,422	5,222
Deposits for the hardware for provision of the System integral software solutions out of hospitals	444	1,879
Payables for acquisition of property, plant and equipment	1,850	670
Accrued [**REDACTED**] expenses	[**REDACTED**]	[**REDACTED**]
Accrued share issue costs for [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Other tax payables	1,036	2,761
Payables for research and development activities	–	1,026
Others	1,486	1,903
Total	**17,746**	**43,261**

Our trade payables increased significantly from RMB1.8 million as of December 31, 2022 to RMB8.3 million as of December 31, 2023, primarily due to the expansion of our business scale and in the amount of operational support, promotional and marketing services we engaged to ensure smooth operations of the System in cognitive centers of our hospital customers and efforts to connect with and sell our products to more hospitals. Our accrued salaries and other allowances increased from RMB4.7 million as of December 31, 2022 to RMB8.9 million as of December 31, 2023, primarily due to accrued but unpaid salaries for one of our employees, as well as accrued salaries and other allowances from certain newly founded subsidiaries. Our accrued [**REDACTED**] expenses and accrued share issue costs for [**REDACTED**] of RMB[**REDACTED**] and RMB[**REDACTED**] as of December 31, 2022 and 2023, respectively, were incurred in connection with services we engaged and costs incurred in connection with this [**REDACTED**].

Our refund payable decreased from RMB6.4 million as of December 31, 2022 to RMB5.2 million as of December 31, 2023. In 2020, we engaged several distributors to market the System in order to leverage their sales network and connections with potential customers in their respective regions. We received prepayments for our product pursuant to these cooperations, which were terminated before 2021 as we decided to pursue the cognitive center approach. See "Business—Sales and Marketing—Our Marketing Model—Collaborations with Top Hospitals and Research Institutions" for details. The relevant third-party distributors did not request immediate repayment upon termination of our contracts with them primarily because (i) the termination in 2020 was the result of friendly mutual consent; (ii) the

third-party distributors had sold a portion of our products in their inventory and had established solid and trusting relationships with us before the termination of our cooperations; and (iii) we are exploring other purchase and sale relationship with these distributors in the future, leveraging their business relationships in the industry. The relevant termination agreements with the third-party distributors were silent as to the timing of the repayments from us. We do not have any relationships with these third-party distributors other than engaging them as distributors before 2021.

Our accrued [**REDACTED**] expenses of RMB[**REDACTED**] and accrued share issue costs for [**REDACTED**] of RMB[**REDACTED**] as of December 31, 2023 were primarily due to our [**REDACTED**].

The following table sets forth our average trade payables turnover days during the periods indicated.

	For the year ended December 31,	
	2022	**2023**
Average trade payables turnover days[(1)]	43.8	52.0

Note:

(1) 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 365 days.

The average trade payables turnover days were 43.8 days in 2022 and 52.0 days in 2023 respectively. The increase in average trade payables turnover days from 2022 to 2023 was primarily due to longer payment settlement periods with respect to suppliers.

The following table sets forth an aging analysis of trade payables as of the dates indicated:

	As of December 31,	
	2022	**2023**
	RMB'000	*RMB'000*
Trade payables		
Within one year	1,669	6,514
Over one year	92	1,737
Total	**1,761**	**8,251**

As of January 31, 2024, RMB0.1 million, representing 1.2% of the trade payables as of December 31, 2023, were subsequently settled.

Contract Liabilities

Our contract liabilities primarily relate to payments received from customers of provision of the System integral software solutions out of hospitals, research projects, and other products or services (in relation to sales of hardware equipment, software and user accounts) for which we had not fulfilled the relevant contract obligations. Our contract liabilities increased significantly from RMB1.5 million as of December 31, 2022 to RMB3.9 million as of December 31, 2023, primarily due to an increase in sales of products and services to more hospitals, patients, and third-party research institutions.

The following table sets forth a breakdown of our contract liabilities by types of services as of the dates indicated.

	As of December 31,	
	2022	**2023**
	RMB'000	*RMB'000*
Provision of the System integral software solutions out of hospitals	705	2,254
Research projects	424	967
Provision of the System integral software solutions in hospitals	–	401
Others	321	308
Total	**1,450**	**3,930**

As of January 31, 2024, RMB0.85 million, representing 21.8% of the contract liabilities outstanding as of December 31, 2023 were subsequently settled.

Net Liabilities

Our net liabilities decreased from RMB1,094.2 million as of December 31, 2022 to RMB332.2 million as of December 31, 2023, primarily due to (i) an RMB1,012.3 million reclassification from financial liabilities at FVTPL to equity when preferential rights for certain [**REDACTED**] investors were terminated; and (ii) an RMB64.0 million capital injection from our financing transactions in 2023, which is partially offset by an RMB359.1 million in loss and total comprehensive expense for the year.

Upon [**REDACTED**], our preferred shares will transfer from liabilities to equity as a result of the automatic conversion into ordinary shares at [**REDACTED**], which we expect would turn our net liabilities position into net assets position.

LIQUIDITY AND CAPITAL RESOURCES

Overview

During the Track Record Period, we primarily relied on capital contribution from shareholders, issuance of redeemable preference shares and long-term bonds as major sources of liquidity.

With respect to cash management, our objective is to optimize liquidity to secure a stable return for Shareholders in a risk-averse manner. Specifically, we have policies in place to monitor and manage the settlement of trade receivables. When determining the credit term of a customer, we consider a number of factors, including length of past cooperation and its past payment timeliness. To monitor the settlement of our trade receivables and avoid credit losses, we conduct annual review of each customer's financial performance, which is primarily based on the amount and aging of the trade receivables due from such customer in the respective period.

Cash Flows

The following table sets forth our cash flows for the periods indicated:

	For the year ended December 31,	
	2022	2023
	RMB'000	*RMB'000*
Loss before tax	(502,461)	(359,116)
Net cash used in operating activities	(100,680)	(136,872)
Net cash (used in) from investing activities	(334,462)	102,553
Net cash from financing activities	139,647	63,527
Net (decrease)/increase in cash and cash equivalents	(295,495)	29,208
Cash and cash equivalents at the beginning of the year	323,740	28,251
Cash and cash equivalents at the end of the year	28,251	57,577

Operating Activities

In 2023, our net cash used in operating activities was RMB136.9 million, which was primarily attributable to loss before tax of RMB359.1 million, adjusted for non-cash and non-operating items. Positive adjustments for non-cash and non-operating items primarily include fair value loss of financial liabilities at FVTPL of RMB165.2 million, recognition of equity-settled share-based payments of RMB44.9 million, finance costs of RMB20.2 million, depreciation of property, plant and equipment of RMB13.8 million and depreciation of

right-of-use assets of RMB7.0 million; and negative adjustments for non-cash and non-operating items include fair value gains on financial assets at FVTPL of RMB2.7 million and interest income of RMB2.1 million. The amount was then adjusted by changes in working capital, primarily including an increase in trade and other receivables and prepayments of RMB48.0 million and an increase in trade and other payables of RMB23.4 million.

In 2022, our net cash used in operating activities was RMB100.7 million, which was primarily attributable to loss before tax of RMB502.5 million, adjusted for non-cash and non-operating item. Positive adjustments for non-cash and non-operating items primarily include fair value loss of financial liabilities at FVTPL of RMB385.9 million, finance costs of RMB19.2 million, depreciation of right-of-use assets of RMB6.6 million, and depreciation of property, plant and equipment of RMB5.7 million; and negative adjustments for non-cash and non-operating items include interest income of RMB3.9 million and fair value gains on financial assets at FVTPL of RMB3.2 million. The amount was then adjusted by changes in working capital, primarily including increase in trade and other receivables and prepayments of RMB11.8 million and increase in trade and other payables of RMB2.1 million.

We intend to implement the following measures in order to improve our operating cash outflows position. See "Business—Business Sustainability and Commercialization Strategies" for more details.

- *Further commercialization.* We intend to continue to help hospitals establish cognitive centers, and fully capitalize on the commercialization potential of our System in new cognitive centers of these hospitals. In particular, we became the first organizer of a project initiated by the NHC under which we are tasked with helping to establish cognitive centers in over 2,100 public hospitals across China and promoting the development of cognitive impairment DTx market in China over the next five years.

- *Brand and product awareness.* We intend to recruit more talents with academic and professional experiences in the field of cognitive impairment DTx to expand our commercialization team and enhance the team's academic and marketing capabilities.

- *Product innovation and indication expansion.* We plan to accelerate the development, registration, and commercialization processes to expand our System to more cognitive impairment indications by developing upgraded versions of the System or developing new products. As of the Latest Practicable Date, our System had 21 additional indications under various stages of preclinical and clinical development. We also have four other products with regulatory approvals, and five additional product candidates under different stages of preclinical and clinical development.

Investing Activities

In 2023, our net cash from investing activities was RMB102.6 million, primarily due to (i) proceeds from disposal of financial assets at FVTPL of RMB790.5 million; (ii) withdrawal of term deposits with original maturity over three months of RMB102.0 million; and (iii) disposal of restricted bank deposit of RMB186.0 million; partially offset by (i) purchases of financial assets at FVTPL of RMB559.0 million; and (ii) placement of restricted bank deposit for the purchase of financial assets at FVTPL of RMB400.0 million.

In 2022, our net cash used in investing activities was RMB334.5 million, primarily due to (i) purchases of financial assets at FVTPL of RMB1,261.1 million; (ii) placements of term deposits with original maturity over three months of RMB102.0 million; and (iii) purchases of property, plant and equipment of RMB16.4 million; partially offset by (i) proceeds from disposal of financial assets at FVTPL of RMB1,035.5 million; and (ii) repayment of loan to a third party of RMB9.5 million.

Financing Activities

In 2023, we had RMB63.5 million of net cash flows from financing activities, primarily due to capital injection of RMB64.0 million, partially offset by repayments of lease liabilities of RMB7.9 million.

In 2022, we had RMB139.6 million of net cash flows from financing activities, primarily due to (i) capital injection of RMB89.5 million; and (ii) proceeds from issue of financial liabilities at FVTPL of RMB50.0 million; partially offset by repayments of lease liabilities of RMB6.2 million.

CASH OPERATING COSTS

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

	For the year ended December 31,	
	2022	**2023**
	RMB'000	*RMB'000*
Research and Development Costs		
Research and Development Costs for Core Product		
Staff costs	53,632	39,293
Service expenses	3,426	3,418
Procurement expenses	1,979	8,388
Collaboration expenses	4,707	3,523

	For the year ended December 31,	
	2022	2023
	RMB'000	*RMB'000*
Research and Development Costs for Other Product Candidates		
Staff costs	3,993	2,718
Service expenses	251	261
Procurement expenses	120	595
Collaboration expenses	–	–
Workforce Employment	17,063	18,076
Product Marketing	5,570	23,260
Direct Production Cost[(1)]	5,135	28,031
Non-income Taxes, Royalties and Other Governmental Charges	–	–
Contingency Allowances	–	–
Other Significant Costs	–	–

Note:

(1) Represents cash expenditures under our cost of sales, which primarily include cash paid to (i) third-party service providers we engage to provide operational support to cognitive centers; (ii) research institutions and hospitals for costs in relation to research projects; and (iii) hardware suppliers to serve customers that purchased our hardware equipment which preinstalls our System.

WORKING CAPITAL

The Directors are of the opinion that, taking into account of the following financial resources available to us described below, we have sufficient working capital to cover at least 125% of our costs, including R&D expenses, selling and distribution expenses, administrative expenses, finance costs and other expenses for at least the next 12 months from the date of this Document:

- our future operating cash flows;
- our cash and cash equivalents as of the Latest Practicable Date;
- available equity and debt financing; and
- the estimated net [**REDACTED**] from the [**REDACTED**].

Our cash burn rate refers to the average monthly (i) net cash used in operating activities, which includes research and development expenses, and (ii) capital expenditures. We had bank balances and cash of RMB57.6 million as of December 31, 2023. We estimate that we will receive net [**REDACTED**] of approximately HK$[**REDACTED**] after deducting the [**REDACTED**] fees and expenses payable by us in the [**REDACTED**], assuming no

[**REDACTED**] is exercised and assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], being the mid-point of the indicative [**REDACTED**] range of HK$[**REDACTED**] to HK$[**REDACTED**] per [**REDACTED**] in this Document. Assuming an average cash burn rate going forward of the level in 2023, we estimate that our cash and cash equivalents, the current portion of restricted bank deposits and the current portion of financial assets as of December 31, 2023 will be able to maintain our financial viability for at least eight months or, if we also take into account the estimated net [**REDACTED**] from the [**REDACTED**], for at least [**REDACTED**]. We will continue to monitor our cash flows from operations closely and expect to raise our next round of financing.

INDEBTEDNESS

Save as disclosed below, we did not have any bank and other loan, or any loan capital issued and outstanding or agreed to be issued, bank overdraft, borrowing or similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchases or finance lease commitments, guarantees or other material contingent liabilities as of the latest practicable date for our indebtedness statement (being January 31, 2024). Our Directors confirm that there has not been any material change in our indebtedness since January 31, 2024 up to the date of this document. The following table sets forth the breakdown of our financial indebtedness as of the dates indicated:

	As of December 31,		As of January 31,
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities at FVTPL	1,162,632	315,544	319,589
Bank and other borrowings	6,965	22,083	22,554
Lease liabilities	11,319	12,554	12,671
Long-term bond	309,855	329,438	331,419
Amounts due to related parties	2,364	–	–
Total	**1,493,135**	**682,777**	**686,233**

Financial Liabilities at FVTPL

Our financial liabilities at FVTPL primarily represent paid-in capital with preferential rights (the "**Preference Shares**") subscribed by various series of [**REDACTED**] investors, and an obligation under Series B Financing (the "**Obligation**"). The Preference Shares contain redemption features and other embedded derivatives, and were recorded as financial liabilities at FVTPL on initial recognition. Fair value changes of Preference Shares are recognized to profit or loss except for the portion attributable to credit risk change. The fair value of the Preference Shares as of December 31, 2022 and 2023 and January 31, 2024 was valued with the assistance of an independent qualified professional valuer with appropriate qualifications. Discounted cash flow model was used.

In July 2023, the preferential rights related to the Preference Shares held by all investors of Series Angel, Series A and Series B, except for one of the Series A investors, were terminated. After the termination, the Preference Shares whose special rights were terminated met the definition of equity and were accordingly reclassified from financial liabilities at FVTPL into equity, resulting in an increase of paid-in capital of RMB10.1 million and an increase of capital reserve of RMB1,002.2 million. In July 2023, we terminated preferential rights of certain investor in exchange for issuance of Series A-1 Preferred Shares, which led to the elimination of the RMB1,162.6 million non-current financial assets at FVTPL as of December 31, 2022, and the RMB315.5 million of current financial liabilities at FVTPL as of December 31, 2023 in relation to Series A-1 Preferred Share issuance. See Note 27 to the Accountants' Report set out in Appendix I to this Document for more details on the Preference Shares, the valuation process, and the termination of special rights.

Borrowings

In August 2023, we obtained a bank borrowing of RMB9.0 million which will mature in August 2024 and carries an interest rate of 5.50% per year. In October 2023, we obtained a bank borrowing of RMB6.0 million which will mature in April 2024 and carries an interest rate of 5.50% per year.

In December 2022, our subsidiary in the U.S. incurred an interest-free loan with a principal amount of US$1.0 million, which is due after the FDA approves our Section 510(k) registration for our Cognitive Impairment Assessment Software and Cognitive Impairment Treatment Software in the U.S. Changes in balance from December 31, 2022 to December 31, 2023 was due to fluctuations in foreign exchange rate between U.S. dollars and RMB.

The above borrowings do not contain any covenants on us which may affect our ability to undertake additional debt or equity financing.

Lease Liabilities

Our lease liabilities was RMB11.3 million and RMB12.6 million as of December 31, 2022 and 2023, respectively. 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 4.00% to 4.85% per annum, 4.00% to 4.85% per annum, and 4.00% to 4.85% per annum as of December 31, 2022, December 31, 2023 and January 31, 2024, respectively.

Long-term Bond

In July 2021, we entered into a long-term bond agreement with a third-party fund with an aggregate subscription amount of RMB300.0 million, an annual interest rate of 6%, and will mature on the fifth anniversary of a qualified [**REDACTED**] of our Group. The lender fund had a conversion option of no more than RMB100.0 million before the submission of the [**REDACTED**] with no later than December 31, 2025 at a conversion price to be further negotiated between the two parties. In June 2023, we entered into a supplementary contract

with the lender fund which cancelled the abovementioned conversion rights. The fair value of the abovementioned conversion right was considered minimal as there was no specific conversion price. See Note 23 to the Accountants' Report set out in Appendix I to this Document for more details.

Amounts Due to Related Parties

See "—Related Party Transactions" for details.

Except as disclosed above, as of the Latest Practicable Date, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, any guarantees or other material contingent liabilities. Our Directors confirm that we did not have any material covenants on our outstanding debt, any default in payment of borrowings or breach of covenants, or, other than disclosed above, any material changes in our indebtedness position during the Track Record Period and up to the Latest Practicable Date.

CAPITAL EXPENDITURES

We make capital expenditures to expand our operations, upgrade our property, plant and equipment and facilities, and increase our operating efficiency. The following table sets forth our capital expenditures for the periods indicated.

	For the year ended December 31,	
	2022	**2023**
	RMB'000	*RMB'000*
Purchase of property, plant and equipment	19,226	14,773
Purchase of right-of-use assets	–	10,286
Purchase of intangible assets	559	4,153
Total	**19,785**	**29,212**

We expect to incur capital expenditures in 2023 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 [**REDACTED**] from the [**REDACTED**] and bank and other borrowings. We may adjust our capital expenditures for any given period according to our development plans or in light of market conditions and other factors we believe to be appropriate.

CONTRACTUAL OBLIGATIONS

Capital Commitments

As of December 31, 2022 and 2023, we had capital commitments of RMB10.2 million and RMB0.7 million, respectively, primarily in connection with expenditures in respect of the acquisition of equipment and machineries and leasehold improvements.

CONTINGENT LIABILITIES

As of December 31, 2022 and 2023, we did not have any contingent liabilities. Our Directors confirm that as of the Latest Practicable Date, there had been no material changes or arrangements to our contingent liabilities.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, aside from our capital commitments as disclosed above, we had not entered into any off-balance sheet transactions.

KEY FINANCIAL RATIOS

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

	For the year ended/ As of December 31,	
	2022	**2023**
Gross margin	29.2%	47.7%
Current ratio[(1)]	8.6	0.8
Average trade payables turnover days[(2)]	43.8	51.0
Average trade receivables turnover days[(3)]	153.3	159.4

Note:

(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 365 days.

(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 365 days.

Our gross margin was 29.2% and 47.7% in 2022 and 2023, respectively. See "—Period-to-Period Comparison" for more details.

Our current ratio decreased significantly from 8.6 as of December 31, 2022, to 0.8 as of December 31, 2023, primarily due to the significant increase of the current portion of financial liabilities at FVTPL. See "—Net Current Assets" for further detailed explanations on current assets and current liabilities.

The average trade payables turnover days were 43.8 days in 2022 and 51.0 days in 2023 respectively. The increase in average trade payables turnover days from 2022 to 2023 was primarily due to longer payment settlement periods with respect to suppliers.

The average trade receivables turnover days were 153.3 days in 2022, and 159.4 days in 2023 respectively. The increase in average trade receivables turnover days from 2022 to 2023 was primarily due to the significant increase in trade receivables in 2023 as we served more cognitive centers.

RELATED-PARTY TRANSACTIONS

The following table sets forth transactions between us and our related parties during the Track Record Period.

	For the year ended December 31,	
	2022	**2023**
	RMB'000	*RMB'000*
Non-trade loan to:		
Advance to		
Shuhui LP	–	3,718
Dr. Wang	–	2,200
Repayment of loan from:		
Zhipan LP	–	29
Repayments to:		
Shuhui LP	–	2,267
Dr. Wang	–	97

The transactions above were carried out in accordance with the terms agreed with the counterparties.

The following table sets forth outstanding balances with related parties as of the dates indicated.

	As of December 31,	
	2022	2023
	RMB'000	*RMB'000*
Amounts due from related parties		
Zhipan LP	29	–
Amounts due to related parties		
Dr. Wang	97	–
Shuhui LP	2,267	–

The amounts due from related parties and due to related parties are all non-trade in nature unsecured, interest-free and repayable on demand as of each of the dates indicated in the table above.

Our Directors confirm that all material related party transactions during the Track Record Period were conducted on an arm's length basis, and would not distort our results of operations over the Track Record Period or make our historical results over the Track Record Period not reflective of our expectations for our future performance. We settled all outstanding balances with related parties as of the Latest Practicable Date, and do not intend to incur further such transactions after [**REDACTED**]. Details of our transactions with related parties during the Track Record Period are set out in Note 37 to the Accountants' Report included in Appendix I to this Document.

MARKET AND OTHER FINANCIAL RISK DISCLOSURE

We are exposed to a variety of market and financial risks, including currency risk, interest rate risk, other price risk and liquidity risk. See Note 33 to the Accountants' Report included in Appendix I to this Document for details regarding these risks.

DIVIDEND

No dividend had been proposed, paid or declared by our Company since our incorporation till the Latest Practicable Date.

We are a holding company incorporated in the Cayman Islands. We may need dividends and other distributions on equity from our PRC subsidiaries to satisfy our liquidity requirements. Current PRC regulations permit our PRC subsidiaries to pay dividends to us only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, our PRC subsidiaries are required to set aside at least 10.0% of their respective accumulated profits each year, if any, to fund certain reserve funds until the total amount set aside reaches 50.0% of their respective registered capital. Our PRC

subsidiaries may also allocate a portion of its after-tax profits based on PRC accounting standards to employee welfare and bonus funds at their discretion. These reserves are not distributable as cash dividends. Furthermore, if our PRC subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us.

We currently expect to retain all future earnings for use in the operation and expansion of our business and do not anticipate paying cash dividends in the foreseeable future. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Act. The declaration and payment of any dividends in the future may be determined by our Board as it thinks fit, and will depend on a number of factors, including our earnings, capital requirements, overall financial condition and contractual restrictions. Our shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. As advised by our Cayman counsel, under the Cayman Companies Act a Cayman Islands company may pay a dividend out of either profits or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. In light of our accumulated losses as disclosed in this Document, it is unlikely that we will be eligible to pay a dividend out of our profits in the foreseeable future. We may, however, pay a dividend out of our share premium account unless the payment of such a dividend would result in our Company being unable to pay our debts as they fall due in the ordinary course of business. There is no assurance that dividends of any amount will be declared to be distributed in any year.

DISTRIBUTABLE RESERVES

As of December 31, 2023, we did not have any distributable reserves.

[**REDACTED**] EXPENSE

The total [**REDACTED**] expenses payable by our Company are estimated to be approximately HK$[**REDACTED**] representing [**REDACTED**]% of the total gross [**REDACTED**] from the [**REDACTED**], assuming the [**REDACTED**] is not exercised and based on an [**REDACTED**] of HK$[**REDACTED**] (being the mid-point of our [**REDACTED**] range of HK$[**REDACTED**] to HK$[**REDACTED**] per [**REDACTED**]). These [**REDACTED**] expenses mainly comprise legal and other professional fees paid and payable to the professional parties, commissions payable to the [**REDACTED**], and printing and other expenses for their services rendered in relation to the [**REDACTED**] and the [**REDACTED**].

Approximately HK$[**REDACTED**] of such [**REDACTED**] expenses is expected to be charged to our consolidated statements of profit or loss, and approximately HK$[**REDACTED**] of which is expected to be deducted from equity (relating to [**REDACTED**] expenses directly attributable to the [**REDACTED**] of shares).

The following table sets forth a breakdown of the [**REDACTED**] expenses for the [**REDACTED**] based on the mid-point [**REDACTED**] of HK$[**REDACTED**].

[**REDACTED**] **Expenses**	**Based on an [REDACTED] of HK$[REDACTED]**
	HK$'000
[**REDACTED**] related expenses	
Legal and audit expenses	[**REDACTED**]
Other expenses	[**REDACTED**]
[**REDACTED**] related expenses	[**REDACTED**]
Total	[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that up to the date of this Document, there has been no material adverse change in our financial, operational or trading positions or prospects since December 31, 2023 being the end of the period reported on as set out in the Accountants' Report included in Appendix I to this Document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

Please see "Business—Our Strategies" for a detailed description of our future plans.

USE OF [REDACTED]

We estimate that we will receive net [**REDACTED**] from the [**REDACTED**] of approximately HK$[**REDACTED**], after deducting [**REDACTED**] commissions, fees and estimated expenses payable by us in connection with the [**REDACTED**], assuming no [**REDACTED**] is exercised and assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the mid-point of the indicative [**REDACTED**] in this Document. Assuming an [**REDACTED**] at the mid-point of the indicative [**REDACTED**] range, we intend to use the net [**REDACTED**] we will receive from this [**REDACTED**] for the following purposes, subject to changes in light of our evolving business needs and changing market conditions:

(i) approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**], is expected to be used for conducting further research and development activities, advancing clinical trials for more indications, and advancing selling and distribution activities of our Core Product, the System:

- approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**], is expected to be used for the ongoing and future clinical trials and future commercialization efforts in China to expand the application of the System to new indications for the treatment of cognitive impairments induced by vascular diseases, neurodegenerative diseases, psychiatric disorder, child development deficiency and other disorders. In particular, we plan to use our [**REDACTED**] as follows:

  - approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**], is expected to be used for the following ongoing clinical trials and future commercialization efforts: (i) approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**], is expected to be used for atrial fibrillation induced cognitive impairment, for which we completed patient enrollment of 200 patients in 2023 and data collection and analysis is expected to be completed by the end of 2024. We expect to use approximately HK$[**REDACTED**] for research fees at cooperating hospitals (which are typically responsible for patient enrollment, management, in-trial medical check-ups, data collections and advising on medical science related issues), approximately HK$[**REDACTED**] for test subject related fees, approximately HK$[**REDACTED**] for test-related equipment, approximately HK$[**REDACTED**] for technical support, approximately HK$[**REDACTED**] for third party clinical services, approximately HK$[**REDACTED**] for obtaining regulatory approval and approximately HK$[**REDACTED**] for product promotion; (ii) approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**], is expected to be used for

hypertension induced cognitive impairment, for which we completed patient enrollment of 200 patients in 2023 and data collection and analysis is expected to be completed by the end of 2024. We expect to use approximately HK$[**REDACTED**] for research fees at cooperating hospitals (which are typically responsible for patient enrollment, management, in-trial medical check-ups, data collections and advising on medical science related issues), approximately HK$[**REDACTED**] for test subject related fees, approximately HK$[**REDACTED**] for clinical trial equipment, approximately HK$[**REDACTED**] for technical support, approximately HK$[**REDACTED**] for third party clinical services, approximately HK$[**REDACTED**] for obtaining regulatory approval and approximately HK$[**REDACTED**] for product promotion; (iii) approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**], is expected to be used for coronary heart disease induced cognitive impairment, for which we completed patient enrollment of 200 patients in 2023 and data collection and analysis is expected to be completed by the end of 2024. We expect to use approximately HK$[**REDACTED**] for research fees at cooperating hospitals (which are typically responsible for patient enrollment, management, in-trial medical check-ups, data collections and advising on medical science related issues), approximately HK$[**REDACTED**] for test subject related fees, approximately HK$[**REDACTED**] for clinical trial equipment, approximately HK$[**REDACTED**] for technical support, approximately HK$[**REDACTED**] for third party clinical services, approximately HK$[**REDACTED**] for obtaining regulatory approval and approximately HK$[**REDACTED**] for product promotion; and (iv) approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**], is expected to be used for amnestic mild cognitive impairment, for which we have completed patient enrollment in May 2023, and plan to perform data cleaning and analysis after completion of all data collection, which is expected in the third quarter of 2024. We expect to use approximately HK$[**REDACTED**] for research fees at cooperating hospitals (which are typically responsible for patient enrollment, management, in-trial medical check-ups, data collections and advising on medical science related issues), approximately HK$[**REDACTED**] for test subject related fees and approximately HK$[**REDACTED**] for obtaining regulatory approval. See "Business—Our Product Pipeline—Core Product: Brain Function Information Management Platform Software System—Future Development Plans for Our System" for more details on ongoing clinical trials. Based on the clinical trial timeline described above, the following table sets forth a detailed breakdown of the amount we expect to incur for the abovementioned indications of the System.

	For the six months ending	
	June 30, 2024	**December 31, 2024**
	(HK$ in millions)	
Atrial fibrillation induced cognitive impairment	[**REDACTED**]	[**REDACTED**]
Hypertension induced cognitive impairment	[**REDACTED**]	[**REDACTED**]
Coronary heart disease induced cognitive impairment	[**REDACTED**]	[**REDACTED**]
Amnestic mild cognitive impairment	[**REDACTED**]	[**REDACTED**]

- approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**], is expected to be used for conducting future clinical trials for other indications of the System.

  - approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**] will be used for the application of the System for post-cardiac surgery rehabilitation, which is expected to enroll 200 subjects. The trial is expected to commence in the first half of 2024 and complete by the first half of 2026. Trial expenses are expected to be broken down into approximately HK$[**REDACTED**] for R&D and technical support, approximately HK$[**REDACTED**] for researcher fees, approximately HK$[**REDACTED**] for insurance, approximately HK$[**REDACTED**] for testing and inspection fees, approximately HK$[**REDACTED**] for test subject related fees, approximately HK$[**REDACTED**] for data management and analysis, approximately HK$[**REDACTED**] for third party clinical trial services and approximately HK$[**REDACTED**] for ethics committee approval related fees.

  - approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**] will be used for the application of the System to heart failure induced cognitive impairment, which is expected to enroll 200 subjects. The trial is expected to commence in the first half of 2026 and complete by the second half of 2028. Trial expenses are expected to be broken down into approximately HK$[**REDACTED**] for R&D and technical support, approximately HK$[**REDACTED**] for researcher fees, approximately HK$[**REDACTED**] for insurance, approximately HK$[**REDACTED**] for testing and inspection fees, approximately HK$[**REDACTED**] for test subject related fees, approximately HK$[**REDACTED**] for data management and analysis,

approximately HK$[**REDACTED**] for third party clinical trial services and approximately HK$[**REDACTED**] for ethics committee approval related fees.

- approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**] will be used for the application of the System to anxiety. The trial is expected to commence in the first half of 2024 and complete by the first half of 2026. Trial expenses are expected to be broken down into approximately HK$[**REDACTED**] for R&D and technical support, approximately HK$[**REDACTED**] for researcher fees, approximately HK$[**REDACTED**] for insurance, approximately HK$[**REDACTED**] for testing and inspection fees, approximately HK$[**REDACTED**] for test subject related fees, approximately HK$[**REDACTED**] for data management and analysis, approximately HK$[**REDACTED**] for third party clinical trial services and approximately HK$[**REDACTED**] for ethics committee approval related fees.

- approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**] will be used for the application of the System to dyslexia, which is expected to enroll 400 subjects. The trial is expected to commence in the first half of 2024 and complete by the second half of 2025. Trial expenses are expected to be broken down into approximately HK$[**REDACTED**] for R&D and technical support, approximately HK$[**REDACTED**] for researcher fees, approximately HK$[**REDACTED**] for insurance, approximately HK$[**REDACTED**] for testing and inspection fees, approximately HK$[**REDACTED**] for test subject related fees, approximately HK$[**REDACTED**] for data management and analysis, approximately HK$[**REDACTED**] for third party clinical trial services and approximately HK$[**REDACTED**] for ethics committee approval related fees.

- approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**] will be used for the application of the System to diabetes, which is expected to enroll 200 subjects. The trial is expected to commence in the first half of 2024 and complete by the second half of 2026. Trial expenses are expected to be broken down into approximately HK$[**REDACTED**] for R&D and technical support, approximately HK$[**REDACTED**] for researcher fees, approximately HK$[**REDACTED**] for insurance, approximately HK$[**REDACTED**] for testing and inspection fees, approximately HK$[**REDACTED**] for test subject related fees, approximately HK$[**REDACTED**] for data management and

analysis, approximately HK$[**REDACTED**] for third party clinical trial services and approximately HK$[**REDACTED**] for ethics committee approval related fees.

- approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**] will be used for the application of the System to bone fracture induced pain. The trial has commenced and is exacted to be completed by the fourth quarter of 2024. Trial expenses are expected to be broken down into approximately HK$[**REDACTED**] for R&D and technical support, approximately HK$[**REDACTED**] for researcher fees, approximately HK$[**REDACTED**] for insurance, approximately HK$[**REDACTED**] for testing and inspection fees, approximately HK$[**REDACTED**] for test subject related fees, approximately HK$[**REDACTED**] for data management and analysis, approximately HK$[**REDACTED**] for third party clinical trial services and approximately HK$[**REDACTED**] for ethics committee approval related fees.

- approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**] will be used for the application of the System as an integrated DTx for depression, which is expected to enroll 200 subjects. The trial is expected to commence in the first half of 2024 and complete by the second half of 2026. Trial expenses are expected to be broken down into approximately HK$[**REDACTED**] for R&D and technical support, approximately HK$[**REDACTED**] for researcher fees, approximately HK$[**REDACTED**] for insurance, approximately HK$[**REDACTED**] for testing and inspection fees, approximately HK$[**REDACTED**] for test subject related fees, approximately HK$[**REDACTED**] for data management and analysis, approximately HK$[**REDACTED**] for third party clinical trial services and approximately HK$[**REDACTED**] for ethics committee approval related fees.

Based on the clinical trial timeline described above, the following table sets forth a detailed breakdown of the amount we expect to incur for the abovementioned indications of the System.

	For the year ending December 31,		
	2024	**2025**	**2026**
	(HK$ in millions)		
Post-cardiac surgery rehabilitation	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Heart failure induced cognitive impairment	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]*
Anxiety	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Dyslexia	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Diabetes	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Bone fracture induced pain	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Depression	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Note:

* Represents amount for 2026 and beyond.

- approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**], is expected to be used for further R&D of our System:

  - approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**], is expected to be used for preclinical research for new indications of the System; and

    - approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**] will be used for the application of the System to epilepsy. The project will involve conducting pre-tests in patients with epilepsy to assess whether the System design meets the needs of patients and to provide an initial assessment of efficacy and safety. The project has commenced in the first half of 2021 and is expected to complete clinical verification by the second half of 2024.

    - approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**] will be used for the application of the System to phenylketonuria induced cognitive impairment. The project will evaluate markers of cognitive impairment due to phenylketonuria and apply the pre-test data to support product

development and improvement. The project has commenced in the first half of 2021 and is expected to complete clinical verification by the second half of 2025.

- approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**] will be used for the application of the System to kidney disease induced cognitive impairment. The project will organize pre-tests to evaluate the efficacy and safety of the product and using the pre-test data to support product improvement. The project has commenced in the first half of 2021 and is expected to complete the clinical verification by the second half of 2025.

- approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**] will be used for the application of the System to multiple sclerosis. The project will involve conducting assessments of cognitive impairment in patients with multiple sclerosis and organizing pre-tests to evaluate the efficacy and safety of the product. The project is expected to commence in the first half of 2024 and complete by the second half of 2025.

- approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**] will be used for the application of the System to hepatic encephalopathy. The project will organize pre-tests to investigate markers of cognitive impairment in patients with hepatic encephalopathy and develop cognitive assessment and intervention tools based on the data collected. The project is expected to commence clinical trials in the second half of 2025 and complete by the second half of 2026.

- approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**] will be used for the application of the System to post-breast cancer surgery rehabilitation. The project will involve organizing pre-testing and preliminary evaluation of the efficacy and safety of the System in application to post-breast cancer surgery rehabilitation. The project has commenced in the first half of 2021 and is expected to complete the clinical verification by the first half of 2025.

- approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**] will be used for the application of the System to post-lung cancer surgery rehabilitation. The project will involve organizing pre-testing and preliminary evaluation of the

efficacy and safety of the System in application to post-lung cancer surgery rehabilitation. The project has commenced in the first half of 2021 and is expected to complete the clinical verification by the first half of 2025.

- approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**] will be used for the application of the System to drug addiction. The project will involve organizing pre-testing and preliminary evaluation of the efficacy and safety of the System in application to drug-addiction. The project has commenced in the first half of 2021 and is expected to complete the clinical verification by the first half of 2025.

Based on the R&D timeline described above, the following table sets forth a detailed breakdown of the amount we expect to incur for the abovementioned indications of the System.

	For the year ending on December 31,		
	2024	**2025**	**2026**
	(HK$ in millions)		
Epilepsy	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Phenylketonuria induced cognitive impairment	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Kidney disease induced cognitive impairment	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Multiple sclerosis	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Hepatic encephalopathy	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Post-breast cancer surgery rehabilitation	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Post-lung cancer surgery rehabilitation	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Drug addiction	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

- approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**], is expected to be used to recruit additional R&D personnel with relevant academic and industry experience in brain sciences, DTx and other related fields for the further R&D of our System. Specifically, we intend to hire approximately 15, 19 and 20 employees in 2024, 2025 and 2026, respectively, for the further development of the System in terms of AI-related capabilities and product pipeline development capabilities. We intend to identify the R&D personnel to be hired through review of resume submissions and internal referrals that meet our requirements for the position, specifically:

  - approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**], is expected to be used for the recruitment of 15 algorithm engineers to develop large language models and other AI models for diagnostic and intervention applications in cognitive impairment.

  - approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**], is expected to be used for the recruitment of seven product managers/training task planners to design diagnostic and intervention products.

  - approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**], is expected to be used for the recruitment of eleven front-end developers to support the development of training tasks and the creation of front-end rendering and presentation for DTx products.

  - approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**], is expected to be used for the recruitment of 16 back-end developers to support back-end development of training tasks and implementation of back-end storage and front-end/back-end interaction for DTx products.

  - approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**], is expected to be used for the recruitment of five Android development engineers to develop mobile interactive experiences for different application and training task formats.

- approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**], is expected to be used for advancing selling and distribution activities of the System:

  - approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**], is expected to be used for expanding our selling and distribution team to roll out marketing campaigns and other marketing efforts to promote the System; and

  - approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**], is expected to be used for participating in more academic conferences and other industry events on cognitive impairment DTx to accelerate market acceptance of the System among hospitals and other customers.

    See "Business—Sales and Marketing—Our Marketing Model" for details on our key marketing areas.

(ii) approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**], 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. We plan to help to establish cognitive centers in at least 2,100 hospitals in China; specifically, we intend to renovate the involved premises and purchase the necessary equipment and multi-modal devices. We believe these cognitive centers are expected to enhance the market penetration of our products and boost our market share; We intend to seek cognitive center collaborations with medical institutions across China, focusing on provinces with large elderly populations such as Beijing, Sichuan, Guangdong, Henan and Shandong. In 2024, we plan to add more than one hundred new cognitive center collaborations. We intend to follow a three-phase penetration strategy. In the first phase, we intend to focus on top medical institutions with advanced clinical experience in relevant therapeutic areas, such as Xuanwu Hospital for neurodegenerative diseases and Anzhen Hospital for cardiovascular diseases. The goal is to establish a base of model cognitive center collaborations as a foundation for further expansion. In the second stage, we intend to reach out to large general hospitals and specialized hospitals in various cities. We intend to prioritize provinces with a large population and a high proportion of elderly people. In the third stage, we intend to rely on the experience of cognitive center cooperation with top hospitals to widely promote the cognitive center cooperation model in second- and third-tier cities.

(iii) approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**], is expected to be used for strengthening our capabilities in AI and related technologies:

- approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**], is expected to be used for (i) strengthening our virtual human technology; and (ii) building and/or improving various models under our AI technology, such as a multimodal cognitive computing model to enable more accurate assessment and diagnosis, a causal-based adaptive collaborative intervention model to make the System offer more personalized and self-adaptive trainings that lead to enhancement of patient cognitive functions, a multimodal affective computing model and a large language model to better understand and interpret patient input during assessment. The multimodal cognitive computing model is a model that uses various types of data, including a patient's speech, gait, expression, eye movement, and other data, to create a recognition model. By integrating different modalities of information, this model can efficiently and accurately analyze large amounts of multimodal data input. It helps in the analysis of cognitive impairments and improves diagnostic capabilities. The causal-based adaptive collaborative intervention model is a model based on causal inference that aims to provide optimal recommendations on the combination of interventions for patients; and

- approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**], is expected to be used for recruiting personnel to strengthen our capabilities in AI and related technologies.

(iv) approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**], is expected to be used for accelerating the research, development and commercialization of other product candidates in and beyond our current product pipeline:

- approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**], is expected to be used for conducting and completing ongoing preclinical and clinical development of our current products and product candidates other than the System; and

- approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**], is expected to be used for developing DTx products to cover new types of cognitive impairments and beyond. We plan to commence the commercialization of BCAT in the second quarter of 2024, SAS in the second half of 2024 and DSS in the second half of 2024. We also plan to commence the commercialization of the Cognitive Impairment Treatment Software in the EU in April 2025. For example, we plan to develop DTx products that focus on cognitive impairments as well as neurological and psychiatric symptoms (such as signs of depression, anxiety and Symptoms of post-traumatic stress disorder (the "**PTSD**")) arising out of orthopedics and endocrine related injuries and/or diseases. In addition, we also intend to develop DTx products to help manage the rehabilitation plan design and daily execution for bone fracture and other orthopedic patients; and

(v) approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**], is expected to be used for brain science and DTx research centers in collaboration with academic institutions and hospitals:

- approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**], is expected to be used for supporting the operational activities of R&D projects at these research centers, including expenses to enable the execution of various stages of preclinical and clinical trials such as patient enrollment, trial administration, data collection and analysis, among other activities;

- approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**], is expected to be used for obtaining the necessary licenses, equipment and other infrastructure to initiate the operations of the research centers and the R&D projects; and

- approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**], is expected to be used for recruiting R&D personnel to work for the research centers.

(vi) approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**], is expected to be used for our working capital and other general corporate purposes.

If the [**REDACTED**] is set at HK$[**REDACTED**] per Share, being the low end of the indicative [**REDACTED**] range, the net [**REDACTED**] from the [**REDACTED**] will decrease to approximately HK$[**REDACTED**]. If the [**REDACTED**] is set at HK$[**REDACTED**] per Share, being the high end of the indicative [**REDACTED**] range, the net [**REDACTED**] from the [**REDACTED**] will increase to approximately HK$[**REDACTED**]. The above allocation of the net [**REDACTED**] will be adjusted on a pro rata basis in the event that the [**REDACTED**] is fixed at a higher or lower level compared to the mid-point of the indicative [**REDACTED**] range stated in this Document.

If the [**REDACTED**] is exercised in full, the net [**REDACTED**] that we will receive will be approximately HK$[**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the indicative [**REDACTED**] range). If the [**REDACTED**] is set at HK$[**REDACTED**] per Share, being the low end of the indicative [**REDACTED**] range, the net [**REDACTED**] from the [**REDACTED**] will decrease to approximately HK$[**REDACTED**]. If the [**REDACTED**] is set at HK$[**REDACTED**] per Share, being the high end of the indicative [**REDACTED**] range, the net [**REDACTED**] from the [**REDACTED**] will increase to approximately HK$[**REDACTED**]. In the event that the [**REDACTED**] is exercised in full, we intend to apply the additional net [**REDACTED**] to the above purpose in the proportions stated above.

To the extent that our net [**REDACTED**] are not sufficient to fund the purposes set out above, we intend to fund the balance through a variety of means, including cash generated from operations, bank loans and other borrowings. To the extent that the net [**REDACTED**] from the [**REDACTED**] are not immediately used for the purposes described above and to the extent permitted by the relevant laws and regulations, they will be placed in short-term demand deposits with licensed banks or financial institutions (as defined under the Securities and Futures Ordinance). We will issue an appropriate announcement if there is any material change to the above proposed use of [**REDACTED**].

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

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[**REDACTED**]

[REDACTED]

[REDACTED]

The following is the text of a report set out on pages I-1 to I-[66], received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

Deloitte. 德勤

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

Introduction

We report on the historical financial information of BrainAurora Medical Technology Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-[4] to I-[66], which comprises the consolidated statements of financial position of the Group as at December 31, 2022 and 2023, the statement of financial position of the Company as at December 31, 2023, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the two years ended December 31, 2023 (the "Track Record Period") and a summary of material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-[4] to I-[66] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "Document") in connection with the initial [**REDACTED**] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company (the "Directors") are responsible for the preparation and presentation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the Directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at December 31, 2022 and 2023, of the Company's financial position as at December 31, 2023 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

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

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-[4] have been made.

Dividends

We refer to Note 14 to the Historical Financial Information which states that no dividend was declared or paid by group entities comprising the Group in respect of the Track Record Period.

[Deloitte Touche Tohmatsu]
Certified Public Accountants
Hong Kong
[●]

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

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

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

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended December 31,	
	NOTES	**2022**	**2023**
		RMB'000	*RMB'000*
Revenue	*6*	11,291	67,200
Cost of sales		(7,994)	(35,136)
Gross profit		3,297	32,064
Other income	*7*	3,915	2,079
Other gains and losses, net	*8*	3,098	2,318
Fair value loss of financial liabilities at fair value through profit or loss ("FVTPL")	*27*	(385,886)	(165,216)
Impairment loss under expected credit loss ("ECL") model, net of reversal		(50)	(848)
Selling and distribution expenses		(11,928)	(38,399)
Administrative expenses		(27,762)	(54,398)
Research and development expenses		(67,627)	(90,733)
Finance costs	*9*	(19,223)	(20,216)
[**REDACTED**] expenses		[**REDACTED**]	[**REDACTED**]
Other expenses		(295)	–
Loss before tax		(502,461)	(359,116)
Income tax expense	*10*	–	–
Loss and total comprehensive expense for the year	*11*	(502,461)	(359,116)
Loss for the year attributable to:			
Owners of the Company		(502,452)	(359,083)
Non-controlling interests		(9)	(33)
		(502,461)	(359,116)
Loss per share (RMB)	*15*		
Basic		(1.79)	(0.62)
Diluted		(1.79)	(0.62)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at December 31,	
	NOTES	**2022**	**2023**
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*16*	22,821	23,503
Right-of-use assets	*17*	11,088	13,155
Intangible assets	*18*	562	4,222
Prepayments and other receivables	*19*	3,437	2,009
Term deposits	*21*	73,006	–
Restricted bank deposit	*21*	–	49,241
		110,914	92,130
CURRENT ASSETS			
Contract costs		251	4,094
Trade and other receivables and prepayments	*19*	19,674	76,053
Amounts due from related parties	*37*	29	–
Financial assets at FVTPL	*20*	228,789	–
Restricted bank deposit	*21*	–	165,000
Term deposits	*21*	30,180	–
Bank balances and cash	*21*	28,251	57,577
		307,174	302,724
CURRENT LIABILITIES			
Trade and other payables	*22*	17,746	43,261
Contract liabilities	*25*	1,023	3,804
Amounts due to related parties	*37*	2,364	–
Lease liabilities	*24*	7,523	7,927
Bank and other borrowings	*26*	6,965	22,083
Deferred Income		–	225
Financial liabilities at FVTPL	*27*	–	315,544
		35,621	392,844
NET CURRENT ASSETS (LIABILITIES)		271,553	(90,120)
TOTAL ASSETS LESS CURRENT LIABILITIES		382,467	2,010

	NOTES	As at December 31, 2022	2023
		RMB'000	*RMB'000*
NON-CURRENT LIABILITIES			
Contract liabilities	*25*	427	126
Lease liabilities	*24*	3,796	4,627
Long-term bond	*23*	309,855	329,438
Financial liabilities at FVTPL	*27*	1,162,632	–
		1,476,710	334,191
NET LIABILITIES		(1,094,243)	(332,181)
CAPITAL AND RESERVES			
Paid-in capital/share capital	*28*	4,430	1
Reserves		(1,098,663)	(332,139)
Equity attributable to owners of the Company		(1,094,233)	(332,138)
Non-controlling interests		(10)	(43)
TOTAL DEFICITS		(1,094,243)	(332,181)

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	NOTES	**As at December 31, 2023** *RMB'000*
NON-CURRENT ASSET		
Investments in subsidiaries	*38*	353,361
CURRENT ASSETS		
Other receivables and prepayments	*19*	8,007
Bank balances and cash	*21*	15,584
		23,591
CURRENT LIABILITIES		
Other payables	*22*	12,673
Amount due to a subsidiary	*37*	7,012
Financial liabilities at FVTPL	*27*	315,544
		335,229
NET CURRENT LIABILITIES		(311,638)
TOTAL ASSETS LESS CURRENT LIABILITIES		41,723
NET ASSETS		41,723
CAPITAL AND RESERVES		
Share capital	*28*	1
Reserves	*29*	41,722
TOTAL EQUITY		41,723

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	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 iv)*	Shares held under [REDACTED] Share Award Scheme *RMB'000* *(Note v)*	Accumulated losses *RMB'000*	Subtotal *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At January 1, 2022	3,935	–	61,954	–	28,938	–	(776,108)	(681,281)	(1)	(681,282)
Loss and total comprehensive expense for the year	–	–	–	–	–	–	(502,452)	(502,452)	(9)	(502,461)
Capital injection *(Note i)*	495	–	89,005	–	–	–	–	89,500	–	89,500
At December 31, 2022	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 ii)*	354	–	63,646	–	–	–	–	64,000	–	64,000
Recognition of equity-settled share-based payments *(Note 32)*	–	–	–	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 iii)*	(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 v)*	–*	–	–	–	–	–*	–	–	–	–
At December 31, 2023	1	6,223	1,225,470	44,873	28,938	–*	(1,637,643)	(332,138)	(43)	(332,181)

* The amount represents 85,166 shares of 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.

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 excess of RMB89,005,000 between the cash consideration of RMB89,500,000 and the new paid-in capital of RMB495,000 was recorded in capital reserve.

ii. 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.

iii. On June 30, 2023, as part of the group reorganization as set out in Note 2 to the Historical Financial Information, 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.

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

v. 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 [**REDACTED**] Share Award Scheme as defined in Note 32. 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 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 [**REDACTED**] Share Award Scheme" in the consolidated statements of changes in equity.

* *English name is for identification purpose only.*

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended December 31,	
	2022	**2023**
	RMB'000	*RMB'000*
OPERATING ACTIVITIES		
Loss before tax	(502,461)	(359,116)
Adjustment for:		
Fair value gains on financial assets at FVTPL	(3,239)	(2,672)
Depreciation of property, plant and equipment	5,730	13,779
Depreciation of right-of-use assets	6,633	6,994
Amortization of intangible assets	67	493
Impairment loss under ECL model, net of reversal	50	848
Losses on disposal of property, plant and equipment	131	64
Interest income	(3,903)	(2,079)
Loss on early termination of a lease	–	223
Finance costs	19,223	20,216
Fair value loss of financial liabilities at FVTPL	385,886	165,216
Recognition of equity-settled share-based payments	–	44,873
Operating cash flows before movements in working capital	(91,883)	(111,161)
Decrease (increase) in contract costs	206	(3,843)
Increase in trade and other receivables and prepayments	(11,788)	(48,010)
Increase in trade and other payables	2,068	23,437
Increase in contract liabilities	717	2,480
Increase in deferred income	–	225
NET CASH USED IN OPERATING ACTIVITIES	(100,680)	(136,872)

	For the year ended December 31,	
	2022	**2023**
	RMB'000	*RMB'000*
INVESTING ACTIVITIES		
Interest received	2,626	2,918
Purchases of property, plant and equipment	(16,401)	(15,966)
Payments for right-of-use assets	–	(110)
Proceeds from disposal of property, plant and equipment	23	248
Payments for rental deposits	–	(1,474)
Purchases of financial assets at FVTPL	(1,261,080)	(559,011)
Proceeds from disposal of financial assets at FVTPL	1,035,530	790,472
Placement of restricted bank deposit	–	(400,000)
Withdrawal of restricted bank deposit	–	186,000
Placements of term deposits with original maturity over three months	(102,000)	–
Disposal of term deposits with original maturity over three months	–	102,000
Payments for intangible assets	(2,660)	(2,053)
Loan to third parties	–	(500)
Repayment of loan from a third party	9,500	–
Advance to related parties	–	(5,918)
Repayment of loan from a related party	–	29
Repayment of advance from related parties	–	5,918
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(334,462)	102,553

	NOTES	For the year ended December 31, 2022	2023
		RMB'000	*RMB'000*
FINANCING ACTIVITIES			
Capital injection		89,500	64,000
Proceeds from bank and other borrowings		6,959	15,000
Proceeds from issue of financial liabilities at FVTPL	*27*	50,000	–
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
Payments of share issue costs		–	(4,531)
Interest paid		(565)	(633)
Repayment of lease liabilities		(6,247)	(7,946)
Repayment to related parties		–	(2,364)
NET CASH FROM FINANCING ACTIVITIES		139,647	63,527
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(295,495)	29,208
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		323,740	28,251
Effect of foreign exchange rate changes		6	118
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	*21*	28,251	57,577

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

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").

On December 20, 2020, the acting in concert parties, namely Mr. Tan Zheng, Dr. Wang Xiaoyi and two entities controlled by Dr. Wang Xiaoyi (collectively referred to as the "the Onshore AIC Parties"), entered into an acting in concert agreement, pursuant to which, among others, the Onshore AIC Parties agreed to (i) act in concert for so long as they remain interested in the equity of BrainAurora Zhejiang; (ii) consult each other and reach a consensus before voting at the board meetings and shareholders' meetings of BrainAurora Zhejiang; and (iii) in case the parties fail to reach a consensus, vote based on the opinion of Mr. Tan Zheng.

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 Historical Financial Information is presented in RMB, which is also the functional currency of the Company.

No statutory financial statements of the Company have been prepared since its date of incorporation as it is incorporated in jurisdiction where there is no statutory audit requirements.

2. GROUP REORGANIZATION, BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Prior to the group reorganization as detailed in the section headed "History, Reorganization and Corporate Structure" in the Document (the "Reorganization"), the operations of the Group were mainly carried out by BrainAurora Zhejiang and its subsidiaries in the PRC.

For the purpose of the proposed [**REDACTED**] on the Stock Exchange, the Group underwent the Reorganization which comprised the following steps:

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 ("BrainAurora") 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 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.

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 Historical Financial Information has been prepared as if the Company had always been the holding company of the Group.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Track Record Period and the consolidated statements of financial position as at December 31, 2022 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 Track Record Period or since their respective dates of incorporation or acquisition, where there is a shorter period.

The Group was in net current liabilities position of RMB90,120,000 and net liabilities position of RMB332,181,000 mainly due to the balance of financial liabilities at FVTPL, i.e. Series A-1 Preferred Shares, of RMB315,544,000 and the balance of long-term bond of RMB329,438,000 as at December 31, 2023. The Series A-1 Preferred Shares shall be automatically converted into ordinary shares upon the closing of the [**REDACTED**] and the net current liabilities position and net liabilities position will be resolved upon [**REDACTED**]. The long-term bond will not be redeemed within the next twelve months from December 31, 2023 according to the terms of relevant financing contracts. After taking into account of the Group's cashflow projection and expected working capital requirements and subsequent extension of the redemption date of Series A-1 Preferred Shares disclosed in Note 27, the management of the Group is satisfied that the Group is able to meet in full its financial obligations as they fall due for a period of twelve months from the end of Track Record Period and it is appropriate to prepare the Historical Financial Information on a going concern basis.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with IFRSs, which are effective for the accounting period beginning on January 1, 2023, throughout the Track Record Period.

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 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[2]
Amendments to IAS 21	Lack of Exchangeability[3]

[1] Effective for annual periods beginning on or after a date to be determined

[2] Effective for annual periods beginning on or after 1 January 2024

[3] Effective for annual periods beginning on or after 1 January 2025

The Directors anticipate that the application of the above new and amendments to IFRSs will have no material impact on the Group's financial statements in the foreseeable future.

4. MATERIAL ACCOUNTING POLICY INFORMATION

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with IFRSs issued by the IASB. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information included applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

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

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

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

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

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.

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.

Investments in subsidiaries

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

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 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 statements of financial position.

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 statements 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.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

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.

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. For shares that vest immediately at the date of grant, the fair value of the shares granted is expensed immediately to profit or loss.

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.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information 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.

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 statements 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.

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.

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.

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).

Financial assets at FVTPL

The Group's financial assets that do not meet the criteria for being measured at amortized cost are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any interest earned on the financial asset and is included in the "other gains and losses, net" line item.

Impairment of financial assets

The Group performs impairment assessment under ECL on financial assets (including bank balances, term deposits, restricted bank deposit, trade and other receivables, and amounts due from related parties) 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.

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.

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.

(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.

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.

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.

Financial liabilities at amortized cost

Financial liabilities including trade and other payables, amounts due to related parties, 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 gains and losses, net' line item in profit or loss (note 8) 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.

Derivative financial instruments

Derivatives are initially recognized at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss.

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 Historical Financial Information.

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 Track Record Period, all development costs are expensed when incurred.

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.

Fair value measurement of financial liabilities at FVTPL

No quoted prices in an active market are available for the Group's financial liabilities at FVTPL. These financial liabilities were valued by the Directors with the assistance of an independent qualified professional valuer not connected to the Group, which has appropriate qualifications and experience in valuation of similar financial instruments. The fair value of these financial liabilities is established by using valuation techniques as disclosed in Notes 27 and 34. Valuation techniques are certified by the valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Valuation models established by the valuer make the maximum use of market inputs and rely as little as possible on the Group's specific data. However, it should be noted that some inputs, such as possibilities under different scenarios such as [**REDACTED**], liquidation and redemption, or discount for lack of marketability as appropriate, require management estimates. The estimates and assumptions are reviewed periodically by the Directors and adjusted if necessary. Should any of the estimates and assumptions changed, it may lead to a change in the fair value of financial liabilities at FVTPL. The fair value of financial liabilities at FVTPL at December 31, 2022 and 2023 was RMB1,162,632,000 and RMB315,544,000, respectively.

6. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue

	For the year ended December 31,	
	2022	2023
	RMB'000	*RMB'000*
Provision of the System integral software solutions		
In hospitals	4,075	41,224
Out of hospitals	1,095	5,723
	5,170	46,947
Research projects	5,993	14,290
Training facilitation service	–	5,085
Others *(Note)*	128	878
Total	11,291	67,200

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

	For the year ended December 31,	
	2022	2023
	RMB'000	*RMB'000*
Timing of recognition		
At a point in time	6,777	56,118
Over time	4,514	11,082
	11,291	67,200
Geographical market		
Mainland China	11,291	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, research project and training facilitation service, are principal activities from which the Group generated its revenue during the Track Record Period.

(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 brain function information management platform software system (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.

(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 project 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.

(c) Training facilitation service

The Group earn revenue via assisting the customer, the organizer of the training sessions, in performing the organizational and logistical groundwork of training sessions for medical specialists in the cognitive impairment specialty. The revenue is recognized at a point in time when the training sessions are completed and the service fee is collected according to the number of medical specialists attending.

For certain contract of training facilitation service, the Group may be required to pay compensation to the customer if the number of medical specialists attended the training sessions for a period of one year is less than the required number that agreed in the contract, the Group accounts for the compensation as variable consideration contained in the contract and estimates the amount of consideration to which it will be entitled using the most likely amount, which better predicts the amount of consideration to which the Group will be entitled.

(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 as at December 31, 2022 and 2023, and the expected timing of recognizing revenue are as follows:

	As at December 31,	
	2022	**2023**
	RMB'000	*RMB'000*
Within one year	5,494	7,723
More than one year but not more than two years	682	435
More than two years	317	–
Total	6,493	8,158

The transaction price of training facilitation service, after taking into account the variable consideration related to the compensation may be paid to the customer, allocated to the remaining performance obligations as at December 31, 2022 and 2023, and the expected timing of recognizing revenue are as follows:

	As at December 31,	
	2022	2023
	RMB'000	*RMB'000*
Within one year	–	6,845
More than one year but not more than two years	–	6,845
More than two years	–	4,830
	–	18,520

(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 Track Record Period, 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.

(v) Information about major customers

During the Track Record Period, 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,	
	2022	2023
	RMB'000	*RMB'000*
Customer A	4,416	26,821
Customer B	2,239	10,970
Customer F	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 F included revenue from research projects.

* During the year ended December 31, 2022, revenue from customer F contributing less 10% of the total revenue of the Group.

7. OTHER INCOME

	For the year ended December 31,	
	2022	2023
	RMB'000	*RMB'000*
Interest income on bank balances, term deposits and restricted bank deposit	3,812	1,973
Interest income from rental deposits	91	106
Others	12	–
Total	3,915	2,079

8. OTHER GAINS AND LOSSES, NET

	For the year ended December 31,	
	2022	2023
	RMB'000	*RMB'000*
Fair value gains on financial assets at FVTPL	3,239	2,672
Losses on disposal of property, plant and equipment	(131)	(64)
Loss on early termination of a lease	–	(223)
Foreign exchange losses, net	–	(67)
Others	(10)	–
Total	3,098	2,318

9. FINANCE COSTS

	For the year ended December 31,	
	2022	2023
	RMB'000	*RMB'000*
Interest on bank borrowing	–	212
Interest expense on long-term bond	18,658	19,583
Interest on lease liabilities	565	421
Total	19,223	20,216

10. INCOME TAX EXPENSE AND DEFERRED TAXATION

Income tax expense

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 Track Record Period.

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%.

BrainAurora Zhejiang and 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 31, 2021. The HNTE qualification of Beijing Zhijingling was further renewed and extended to year 2024. 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. The unutilized tax losses of BrainAurora Zhejiang incurred since year 2014 to 2021 will be expired in 10 years from the year of loss.

No provision for PRC income tax was made as BrainAurora Zhejiang and its PRC subsidiaries incurred tax losses during the Track Record Period.

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

	For the year ended December 31,	
	2022	2023
	RMB'000	*RMB'000*
Loss before tax	(502,461)	(359,116)
Tax at the statutory tax rate of 25%	(125,615)	(89,779)
Tax effect of expenses not deductible for tax purpose *(Note i)*	97,072	62,528
Tax effect of super deduction for research and development expenses *(Note ii)*	(15,173)	(12,018)
Tax effect of deductible temporary differences not recognized	12	207
Tax effect of tax losses not recognized and utilization of tax losses not recognized previously	43,704	39,062
	–	–

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 [**REDACTED**] expenses of the Company.

ii Pursuant to Cai Shui 2018 No. 99 and Cai Shui 2021 No. 6, BrainAurora Zhejiang, Beijing Zhijingling and Changsha Zhijingling Education Technology Co., Ltd.* (長沙智精靈教育科技有限公司) ("Changsha Zhijingling") are entitled to claim 175% qualified research and development expenses so incurred as tax deductible expenses when determining their assessable profits from January 1, 2019 to December 31, 2023.

Pursuant to Caishui 2022 circular No. 16, Beijing Zhijingling enjoyed accelerated deduction of 200% on qualifying research and development expenses from January 1, 2022 to December 31, 2022 since it has been accredited as a technology-based small and medium-sized enterprise. Pursuant to Caishui 2022 circular No. 28, BrainAurora Zhejiang, Changsha Zhijingling and BrainAu Medical Technology (Nanjing) Co., Ltd.* (腦動極光醫療科技(南京)有限公司) ("BrainAurora Nanjing") enjoyed accelerated deduction of 200% on qualifying research and development expenses from October 1, 2022 to December 31, 2022. 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.*

Deferred taxation

For the purpose of presentation in the consolidated statements 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,	
	2022	2023
	RMB'000	*RMB'000*
Deferred tax assets	2,728	3,237
Deferred tax liabilities	(2,728)	(3,237)
	–	–

The followings are the deferred tax liabilities and assets recognized and movements thereon during the Track Record Period:

	Tax losses *RMB'000*	**Right-of-use assets** *RMB'000*	**Lease liabilities** *RMB'000*	**Total** *RMB'000*
At January 1, 2022	23	(4,363)	4,340	–
(Charge) credit to profit or loss	(15)	1,635	(1,620)	–
At December 31, 2022	8	(2,728)	2,720	–
(Charge) credit to profit or loss	90	(509)	419	–
At December 31, 2023	98	(3,237)	3,139	–

As at December 31, 2022 and 2023, the Group had estimated unused tax losses of approximately RMB247,273,000 and RMB403,885,000, respectively, which are available for offset against future profits. Deferred tax asset has been recognized in respect of approximately RMB33,000 and RMB396,000 of such losses as at December 31, 2022 and 2023. No deferred tax asset has been recognized in respect of the remaining approximately RMB247,240,000 and RMB403,489,000 due to the unpredictability of future profit streams as at December 31, 2022 and 2023.

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

	As at December 31,	
	2022 *RMB'000*	**2023** *RMB'000*
2026	1,806	1,806
2027	21,077	21,077
2028	2,054	27,719
2029	2,818	2,818
2030	3,282	3,282
2031	62,463	62,463
2032	153,740	153,740
2033	–	130,584
Total	247,240	403,489

As at December 31, 2022 and 2023, the Group has deductible temporary differences of RMB63,000 and RMB891,000 in relation to the impairment loss under ECL model. 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.

11. LOSS FOR THE YEAR

	For the year ended December 31,	
	2022	2023
	RMB'000	*RMB'000*
Loss for the year has been arrived at after charging:		
Staff costs, including directors' remuneration		
– salaries and other allowances	66,869	69,079
– retirement benefits	7,326	6,301
– equity-settled share-based payments included in selling and distribution expenses	–	8,127
– equity-settled share-based payments included in administrative expenses	–	17,921
– equity-settled share-based payments included in research and development expenses	–	18,825
Total staff costs	74,195	120,253
Auditor's remuneration	9	13
[**REDACTED**] expenses	[**REDACTED**]	[**REDACTED**]
Depreciation of property, plant and equipment	5,730	13,779
Depreciation of right-of-use assets	6,633	6,994
Amortization of intangible assets	67	493
Total depreciation and amortization	12,430	21,266
Short-term lease expense	273	102
Sub-contracting costs in relation to clinical trials included in research and development expenses	264	7,049

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 Track Record Period disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance are as follows:

Year ended December 31, 2022

	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)*	3,892	17	–	3,909
Dr. Wang Xiaoyi *(Note b)*	805	60	–	865
Total	4,697	77	–	4,774

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 joined the Group and was appointed as a director of BrainAurora Zhejiang in December 2020. 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 joined the Group in September 2012. 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.

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

No independent non-executive director was appointed during the Track Record Period. Mr. Lam Yiu Por, Dr. Duan Tao and Mr. Li Yuezhong were appointed as independent non-executive directors on [●].

During the Track Record Period, Mr. Tan Zheng and Dr. Wang Xiaoyi were granted equity interest in BrainAurora Zhejiang and 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 32.

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 Track Record Period.

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group included one and two directors for the years ended December 31, 2022 and 2023, respectively, details of whose remuneration are set out in Note 12 above. Details of the remuneration for the remaining four and three employees who are not a director of the Company or chief executive of the Group for the Track Record Period were as follows:

	For the year ended December 31,	
	2022	**2023**
	RMB'000	*RMB'000*
Salaries and other allowances	4,204	3,614
Retirement benefits	235	195
Equity-settled share-based payments	–	6,937
Total	4,439	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,	
	2022	**2023**
	No. of employees	*No. of employees*
HKD1,000,001 to HKD1,500,000	3	–
HKD1,500,001 to HKD2,000,000	1	2
HKD8,000,001 to HKD8,500,000	–	1
Total	4	3

During the Track Record Period, no emoluments were paid by the Group to the directors of the Company or chief executive of the Group or the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

14. DIVIDENDS

No dividend has been paid or declared by the group entities comprising the Group during the Track Record Period.

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,	
	2022	**2023**
	RMB'000	*RMB'000*
Loss		
Loss for the year attributable to owners of the Company	(502,452)	(359,083)

	For the year ended December 31,	
	2022	**2023**
	Shares ('000)	*Shares ('000)*
Number of shares		
Weighted average number of Ordinary Shares for the purpose of basic and diluted loss per share	280,652	583,796

The weighted average number of Ordinary Shares for the purpose of calculating basic loss per share for the Track Record Period has been determined on the assumptions that the [**REDACTED**] as set out in Note 41 and "Share Capital" section of the Document had been effective since January 1, 2022 and the Series A-1 Preferred Shares 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, 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.

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, 2022	3,771	912	–	438	5,132	10,253
Additions	2,835	4,364	442	–	11,585	19,226
Transfer	–	–	–	15,838	(15,838)	–
Disposals	(308)	(94)	–	–	–	(402)
At December 31, 2022	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
ACCUMULATED DEPRECIATION						
At January 1, 2022	630	78	–	66	–	774
Provided for the year	1,572	791	22	3,345	–	5,730
Disposals	(213)	(35)	–	–	–	(248)
At December 31, 2022	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
CARRYING VALUES						
At December 31, 2022	4,309	4,348	420	12,865	879	22,821
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

17. RIGHT-OF-USE ASSETS

	Leasehold properties *RMB'000*
COST	
At January 1, 2022 and December 31, 2022	18,657
Additions	10,286
Lease modified	(500)
Early termination of a lease *(Note)*	(725)
At December 31, 2023	27,718
ACCUMULATED DEPRECIATION	
At January 1, 2022	936
Charge for the year	6,633
At December 31, 2022	7,569
Charge for the year	6,994
At December 31, 2023	14,563
CARRYING VALUES	
At December 31, 2022	11,088
At December 31, 2023	13,155

Note: In September 2023, the Group early terminated a lease with the lessor. The Group 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.

	For the year ended December 31,	
	2022 *RMB'000*	**2023** *RMB'000*
Expense relating to short-term leases	273	102
Total cash outflow for leases	7,101	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, 2022 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.

18. INTANGIBLE ASSETS

	Software	Patent	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
COST				
At January 1, 2022	724	–	–	724
Addition	559	–	–	559
At December 31, 2022	1,283	–	–	1,283
Addition	1,953	2,000	200	4,153
At December 31, 2023	3,236	2,000	200	5,436
AMORTIZATION				
At January 1, 2022	654	–	–	654
Charge for the year	67	–	–	67
At December 31, 2022	721	–	–	721
Charge for the year	265	128	100	493
At December 31, 2023	986	128	100	1,214
CARRYING VALUE				
At December 31, 2022	562	–	–	562
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

19. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The Group

	As at December 31,	
	2022	2023
	RMB'000	*RMB'000*
Trade receivables	8,422	50,740
Less: allowance for credit losses	63	891
	8,359	49,849
Prepayments for purchase of intangible assets	2,101	101
Value added tax recoverable	364	1,649
Prepayments to suppliers and service providers	7,526	11,742
Rental deposits	2,293	3,880
Other deposits	97	107
Short-term loan receivables *(Note)*	–	500

	As at December 31,	
	2022	**2023**
	RMB'000	*RMB'000*
Receivables from third party payment platforms	864	1,005
Refund receivable	1,000	–
Deferred share issue costs	–	7,689
Prepayments for [**REDACTED**] expenses	[**REDACTED**]	[**REDACTED**]
Others	507	1,222
Total	23,111	78,062
Analyzed as:		
Non-current	3,437	2,009
Current	19,674	76,053
Total	23,111	78,062

Note: These receivables were short-term loans to non-related parties, unsecured, interest free and repayable within one year.

As at January 1, 2022, trade receivables from contracts with customers amounted to RMB1,123,000.

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,	
	2022	**2023**
	RMB'000	*RMB'000*
Trade receivables		
0~90 days	5,594	27,327
91~180 days	2,449	6,260
181~270 days	221	5,043
271~360 days	61	6,355
over 1 year	34	4,864
Total	8,359	49,849

As at December 31, 2022 and 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB7,371,000 and RMB35,641,000 which are past due as at the reporting date. Out of the past due balances, RMB829,000 and RMB16,719,000 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 33.

The Company

	As at December 31, 2023 *RMB'000*
Deferred share issue costs	7,689
Prepayments for [**REDACTED**] expenses	[**REDACTED**]
Total	8,007

20. FINANCIAL ASSETS AT FVTPL

	As at December 31, 2022 *RMB'000*	2023 *RMB'000*
Financial assets at FVTPL	228,789	–

The Group invested in financial products managed by banks in the PRC which can be redeemed at any time or at maturity. There is no predetermined or guaranteed return for each product. Such financial products are accounted for as financial assets at FVTPL under IFRS 9.

21. RESTRICTED BANK DEPOSIT, TERM DEPOSITS AND BANK BALANCES AND CASH

The Group

	As at December 31, 2022 *RMB'000*	2023 *RMB'000*
Restricted bank deposit	–	214,241

The restricted bank deposit carries interest at prevailing market rate of 0.25% per annum as at December 31, 2023 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.

* *English names are for identification purpose only.*

	As at December 31, 2022 *RMB'000*	2023 *RMB'000*
Cash on hand	2	11
Bank balances	28,249	57,566
Term deposits	103,186	–
	131,437	57,577
Term deposits with original maturity over three months *(Note i)*	103,186	–
Cash and cash equivalents as stated in the consolidated statements of cash flows *(Note ii)*	28,251	57,577
	131,437	57,577

	As at December 31,	
	2022	2023
	RMB'000	*RMB'000*
Restricted bank deposit, term deposits and bank balances and cash		
Analyzed as:		
Non-current	73,006	49,241
Current	58,431	222,577
	131,437	271,818
Restricted bank deposit, term deposits and bank balances and cash denominated in:		
RMB	124,473	261,191
USD	6,964	10,627
	131,437	271,818

Notes:

i. Term deposits with original maturity over three months were held within banks and carry interest at prevailing market rate of 3.30% to 3.50% per annum as at December 31, 2022. As at December 31, 2022, term deposits of RMB73,006,000 will mature in year 2025. All the term deposits were sold in the secondary market by June 2023.

ii. Cash and cash equivalents comprise cash on hand and bank balances carry interest at prevailing market rate of 0.25% to 0.30% per annum and 0.01% to 0.35% per annum as at December 31, 2022 and 2023, respectively.

The Company

	As at December 31, 2023
	RMB'000
Bank balances	15,584
Bank balances denominated in:	
RMB	5,025
USD	10,559
	15,584

Bank balances carry interest at market rate of 0.01% per annum as at December 31, 2023.

22. TRADE AND OTHER PAYABLES

The Group

	As at December 31,	
	2022	**2023**
	RMB'000	*RMB'000*
Trade payables	1,761	8,251
Accrued salaries and other allowances	4,747	8,927
Refund payables *(Note)*	6,422	5,222
Deposits for the hardware for cognitive training out of hospital	444	1,879
Payables for acquisition of property, plant and equipment	1,850	670
Accrued [**REDACTED**] expenses and share issue costs	[**REDACTED**]	[**REDACTED**]
Other tax payables	1,036	2,761
Payables for research and development activities	–	1,026
Others	1,486	1,903
	17,746	43,261
Trade and other payables denominated in:		
USD	–	9,202
HKD	–	315
RMB	17,746	33,744
	17,746	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,	
	2022	**2023**
	RMB'000	*RMB'000*
Trade payables		
within 1 year	1,669	6,514
over 1 year	92	1,737
Total	1,761	8,251

The Company

	As at December 31,
	2023
	RMB'000
Accrued [**REDACTED**] expenses and share issue costs	[**REDACTED**]
Others	51
	12,673

	As at December 31, 2023 *RMB'000*
USD	9,202
HKD	315
RMB	3,156
	12,673

23. LONG-TERM BOND

	As at December 31, 2022 *RMB'000*	2023 *RMB'000*
Carrying amounts repayable:		
Between two to five years	24,855	44,438
More than five years	285,000	285,000
Amounts shown under non-current liabilities	309,855	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 [**REDACTED**] 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 [**REDACTED**] 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%.

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 during the Track Record Period. 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 [**REDACTED**] 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 deposits, and the restricted bank deposits was RMB214,000,000 without considering the interest as at December 31, 2023.

24. LEASE LIABILITIES

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

	As at December 31,	
	2022	**2023**
	RMB'000	*RMB'000*
Lease liabilities payable:		
Within one year	7,523	7,927
Within a period of more than one year but not more than two years	2,604	3,707
More than two years, but not exceeding five years	1,192	920
	11,319	12,554
Less: Amount due for settlement with 12 months shown under current liabilities	(7,523)	(7,927)
Amount due for settlement after 12 months shown under non-current liabilities	3,796	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 4.00% to 4.85% per annum respectively as at December 31, 2022 and 2023.

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.

25. CONTRACT LIABILITIES

	As at December 31,	
	2022	**2023**
	RMB'000	*RMB'000*
Research projects	424	967
Provision of the System integral software solutions in hospitals	–	401
Provision of the System integral software solutions out of hospitals	705	2,254
Other sales	321	308
	1,450	3,930

	As at December 31,	
	2022	2023
	RMB'000	*RMB'000*
Current	1,023	3,804
Non-current	427	126
	1,450	3,930

As at January 1, 2022, contract liabilities from customers amounted to RMB733,000.

Revenue recognized during the years ended December 31, 2022 and 2023 related to contract liabilities balance at the beginning of the period amounted to RMB450,000 and RMB1,023,000, respectively.

26. BANK AND OTHER BORROWINGS

	As at December 31,	
	2022	2023
	RMB'000	*RMB'000*
Other borrowing *(Note i)*	6,965	7,083
Bank borrowings *(Note ii)*	–	15,000
	6,965	22,083
Bank and other borrowings denominated in:		
USD	6,965	7,083
RMB	–	15,000
	6,965	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. 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.

ii. In August and October 2023, the Group obtained two new bank borrowings of RMB9,000,000 and RMB6,000,000 respectively, which will mature in August 2024 and April 2024. The borrowings carry interest of 5.50% per annum.

27. FINANCIAL LIABILITIES AT FVTPL

The Group

	As at December 31,	
	2022	2023
	RMB'000	*RMB'000*
Issued by BrainAurora Zhejiang:		
Paid-in capital with preferential rights	1,162,632	–
Issued by the Company:		
Series A-1 Preferred Shares	–	315,544
	1,162,632	315,544

	As at December 31,	
	2022	2023
	RMB'000	*RMB'000*
Analyzed as:		
Non-current	1,162,632	–
Current	–	315,544
	1,162,632	315,544

Series Angel Financing

On March 2, 2015, BrainAurora Zhejiang entered into an investment agreement (the "Series Angel Financing") with two independent investors (collectively as the "Series Angel Investors"), pursuant to which the Series Angel Investors would make total investments of RMB5,128,000 to subscribe new paid-in capital of RMB327,000 with certain preferential rights in BrainAurora Zhejiang. The cash consideration was fully settled in 2015.

In May 2016, the capital reserve of BrainAurora Zhejiang amounting to RMB4,984,000 was transferred to paid-in capital and the paid-in capital attributable to Series Angel Investors increased to RMB1,025,000.

Series A Financing

On June 21, 2016, BrainAurora Zhejiang entered into an investment agreement (the "Series A Financing") with two independent investors (collectively as the "Series A Investors"), pursuant to which the Series A Investors would make total investments of RMB26,530,000 to subscribe new paid-in capital of RMB1,904,000 with certain preferential rights in BrainAurora Zhejiang. The cash consideration was fully settled in 2016.

Series B Financing

On December 18, 2020, BrainAurora Zhejiang entered into an investment agreement (the "Series B Financing") with two independent investors (collectively as the "Series B Investors"), pursuant to which the Series B Investors would make total investments of RMB100,000,000 to subscribe new paid-in capital of RMB3,075,000 with certain preferential rights in BrainAurora Zhejiang. One of the investors is also known as Mr. Tan Zheng, who was appointed as a director of BrainAurora Zhejiang in December 2020. The cash consideration of RMB50,000,000 from Mr. Tan Zheng was settled in July 2022. The cash consideration of RMB50,000,000 from the other investor was settled in February 2021. As at December 31, 2021, BrainAurora Zhejiang had an obligation to issue an interest in new paid-in capital of RMB1,538,000 at a consideration of RMB50,000,000 to Mr. Tan Zheng and a financial liability was recognized accordingly.

According to the Series B Financing agreement, the preferential rights for the Series Angel Investors, Series A Investors and Series B Investors were redesignated and the key terms of are summarized as follows:

(a) Liquidation preferences

In the event of any liquidation including deemed liquidation, dissolution or winding up of BrainAurora Zhejiang:

The Series B Investors shall be entitled to receive the higher of the following amounts:(i) the amount equal to the original investment amount plus interest of 12% per annum calculated on a simple basis and (ii) any dividends that have been declared but not yet paid.

The Series A Investors shall be entitled to receive the amount equal to the original investment amount plus interest of 12% per annum calculated on a simple basis and no greater than 200% of the original investment amount.

The Series Angel Investors shall be entitled to receive the amount equal to the original investment amount.

(b) Anti-dilution right

If BrainAurora Zhejiang raises new paid-in capital at a price lower than the price paid by the Series B Investors, the Series B Investors shall have the right to require Mr. Tan Zheng to transfer paid-in capital or BrainAurora Zhejiang to raise new paid-in capital to the Series B Investors at nil consideration or nominal value permitted under the PRC laws, so that the amount paid by the Series B Investors divided by the total paid-in capital obtained is not higher than the price of the newly raised paid-in capital.

If BrainAurora Zhejiang raises new paid-in capital at a price lower than the price paid by the Series A Investors, the Series A Investors shall have the right to receive compensation through any of the following compensation methods: (i) BrainAurora Zhejiang and/or Mr. Tan Zheng to pay the Series A Investors in cash; or (ii) Mr. Tan Zheng to transfer paid-in capital or BrainAurora Zhejiang to raise new paid-in capital to the Series A Investors at consideration of RMB1, so that the amount paid by the Series A Investors divided by the total paid-in capital obtained is not higher than the price of the newly raised paid-in capital.

If BrainAurora Zhejiang raises new paid-in capital at a price lower than the price paid by the Series Angel Investors, the Series Angel Investors shall have the right to require Mr. Tan Zheng to transfer paid-in capital or BrainAurora Zhejiang to raise new paid-in capital to the Series Angel Investors at consideration of RMB1, so that the amount paid by the Series Angel Investors divided by the total paid-in capital obtained is not higher than the price of the newly raised paid-in capital.

(c) Redemption right

The investment from the Series Angel Investors, Series A Investors and Series B Investors shall be redeemed by BrainAurora Zhejiang and/or Mr. Tan Zheng, at the option of the investors if BrainAurora Zhejiang failed to complete a qualified [**REDACTED**] before December 31, 2024 and/or upon the occurrence of certain contingent events.

The Series B Investors shall be entitled to receive the redemption amount equal to the original investment amount plus interest of 12% per annum calculated on a simple basis.

The Series A Investors shall be entitled to receive the redemption amount equal to the original investment amount plus interest of 12% per annum calculated on a simple basis.

The Series Angel Investors shall be entitled to receive the redemption amount equal to the original investment amount plus interest of 10% per annum calculated on a simple basis.

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 [**REDACTED**] 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 [**REDACTED**]. 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.

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 [**REDACTED**] under the [**REDACTED**], 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 [**REDACTED**] before December 31, 2024, which was extended to December 31, 2025 in March 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 Track Record Period is immaterial.

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

	Obligation under Series B Financing	BrainAurora Zhejiang Preferred Shares	Series A-1 Preferred Shares	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2022	153,465	573,281	–	726,746
Change in fair value	91,018	294,868	–	385,886
Settlement of obligation under Series B Financing	(244,483)	294,483	–	50,000
At December 31, 2022	–	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

The fair value of the Preference Shares at December 31, 2022 and 2023 were 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 BrainAurora Zhejiang as at December 31, 2022 and 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.

The OPM treats the rights of Preference 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 Preference 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 Preference Shares are as follows:

	As at December 31,	
	2022	2023
Time to [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Time to liquidation	2.00	1.00
Risk-free interest rate	2.34%	4.79%
Discount for lack of marketability	20.00%	10.00%
Discount rate	16.00%	16.00%
Volatility	74.85%	87.91%
Dividend yield	–	–
Possibilities under liquidation scenario	20.00%	20.00%
Possibilities under [**REDACTED**] scenario	[**REDACTED**]%	[**REDACTED**]%
Possibilities under redemption scenario	20.00%	20.00%

Risk-free interest rate was estimated based on the China government bond yield curve with maturity matching to the expected exit period as at December 31, 2022 and the 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 Company

	Series A-1 Preferred Shares *RMB'000*
As at April 25, 2023 (date of incorporation)	–
Issue of Series A-1 Preferred Shares	317,033
Change in fair value	(1,489)
At December 31, 2023	315,544

28. PAID-IN CAPITAL/SHARE CAPITAL

The Group

For the purpose of presentation of the consolidated statements of financial position prior to the completion of the Reorganization as disclosed in Note 2, the balances of paid-in capital as at January 1, 2022 and December 31, 2022 represent the paid-in capital of BrainAurora Zhejiang which are classified as equity. The share capital as at December 31, 2023 represented the issued share capital of the Company.

The Company

	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	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	989,288	99

	As at December 31, 2023 *RMB'000*
Presented as	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 [**REDACTED**] Share Award Scheme.

29. 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 32)*	–	44,873	–	44,873
At December 31, 2023	6,223	44,873	(9,374)	41,722

30. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

Beijing Hongze Technology Development Co., Ltd.* (北京淙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.*

31. 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 years ended December 31, 2022 and 2023 amounted to RMB7,326,000 and RMB6,301,000, respectively.

32. SHARE-BASED PAYMENT TRANSACTIONS

On July 30, 2023 (the "Adoption Date"), the Company adopted a [**REDACTED**] share award scheme (the "[**REDACTED**] 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 [**REDACTED**] Share Award Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date.

Under the [**REDACTED**] Share Award Scheme, the maximum number of awards that may be granted under the [**REDACTED**] Share Award Scheme in aggregate (excluding the awards that have lapsed or been cancelled in accordance with the rules of the [**REDACTED**] Share Award Scheme) shall be 85,166 shares held or to be held by HoldCo for the purpose of the [**REDACTED**] Share Award Scheme.

On July 31, 2023, the Company granted 85,166 Awarded Shares under the [**REDACTED**] Share Award Scheme to 46 grantees (including directors, members of the senior management, and other employees of the Group) (the "[**REDACTED**] Share Award"). Included in the [**REDACTED**] 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 [**REDACTED**] of the Company's shares (the "[**REDACTED**]") 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 [**REDACTED**]; 30% of such Awarded Shares shall be vested on the date of the second anniversary of the [**REDACTED**]; and 40% of such Awarded Shares shall be vested on the date of the third anniversary of the [**REDACTED**].

The following table discloses movements of the [**REDACTED**] Share Award Scheme:

Category	Outstanding as at 1 January 2023	Granted during the period	Forfeited during the period	Outstanding as at December 31, 2023
[**REDACTED**] Share Award Scheme	–	85,166	–	85,166

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 RMB44,873,000 in respect of the [**REDACTED**] Share Award during the year ended December 31, 2023.

33. FINANCIAL INSTRUMENTS

The Group

Categories of financial instruments

	As at December 31, 2022	2023
	RMB'000	*RMB'000*
Financial assets		
Amortized cost	144,581	328,363
Financial assets at FVTPL	228,789	–
	373,370	328,363

	As at December 31,	
	2022	2023
	RMB'000	*RMB'000*
Financial liabilities		
Amortized cost	331,147	383,094
Financial liabilities at FVTPL	1,162,632	315,544
	1,493,779	698,638
Lease liabilities	11,319	12,554

The Company

Categories of financial instruments

	As at December 31,
	2023
	RMB'000
Financial assets	
Amortized cost	15,584
Financial liabilities	
Amortized cost	19,685
Financial liabilities at FVTPL	315,544
	335,229

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances and cash, restricted bank deposit, term deposits, amounts due from related parties, financial assets at FVTPL, trade and other payables, lease liabilities, bank and other borrowings, long-term bond, financial liabilities at FVTPL and amounts due to related parties. The Company's major financial instruments include bank balances, other payables, amount due to a subsidiary 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

The Group

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,	
	2022	2023
	RMB'000	*RMB'000*
Assets		
USD	6,964	10,627

	As at December 31,	
	2022	2023
	RMB'000	*RMB'000*
Liabilities		
USD	6,964	331,829
HKD	–	315

The Company

As at December 31, 2023, the Company had the following monetary assets and monetary liabilities denominated in currencies other than RMB.

	As at December 31, 2023
	RMB'000
Assets	
USD	10,559
Liabilities	
USD	331,758
HKD	315

Sensitivity analysis

The Group and the Company were 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 and the Company's post-tax loss for each 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.

The Group

	Increase in post-tax loss	
	For the year ended December 31,	
	2022	2023
	RMB'000	*RMB'000*
USD	–	16,060

The Company

	Increase in post-tax loss
	For the year ended December 31, 2023
	RMB'000
USD	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 borrowing (Note 26) and fixed-rate Preference 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 Preference 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 Preference Shares and associated obligation measured at FVTPL and investments in financial products measured at FVTPL. The Company is exposed to other price risk through Series A-1 Preferred Shares.

Sensitivity analyses for Preference Shares and associated obligation with fair value measurement categorized within Level 3 were disclosed in Note 34. The management of the Group considers the fluctuation in fair value changes on financial products is insignificant, taking into account the short-term duration of such financial products.

Credit risk and impairment assessment

The Group and the Company

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, financial assets at FVTPL, trade and other receivables, amounts due from related parties and term deposits). The Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties is arising from the carrying amount of bank balances. The Group and the Company do not hold any collaterals or other credit enhancement to cover the credit risks associated with its financial assets.

In order to minimize the credit risk, the Group and the Company monitor the exposure to credit risk on an on-going basis. Except for financial assets at FVTPL, the Group and the Company assessed the ECL on its financial assets measured at amortized cost at the end of each reporting period.

The Group's and the Company'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

Internal credit rating	Description	Trade receivables	Other financial assets
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

The Group

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.

The Group engages a provider of operations services during the Track Record Period 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 receivable.

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 55.22%, 14.02% and 11.94% of the Group's account receivables placed with customer A, the provider of operations services relate to customer B and customer C respectively at December 31, 2022, and 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 F respectively at December 31, 2023.

Bank balances, term deposits and restricted bank deposit

The Group's bank balances, term deposits 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, term deposits and restricted bank deposit is insignificant and no loss allowance was recognized.

The Group has concentration risk with approximately 30.28%, 11.70% and 34.46% of the Group's bank balances placed with bank A, bank C and bank D respectively at December 31, 2022, and with approximately 79.15% of the Group's bank balances and restricted bank deposit placed with bank B at December 31, 2023.

Other than the concentration of credit risks of trade receivables and bank balances mentioned above, the Group does not have any other significant concentration of credit risk.

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, 2022** *RMB'000*	**2023** *RMB'000*
Financial assets at amortized cost					
Trade receivables	*19*	Low risk	Lifetime ECL (not credit-impaired)	8,422	50,740
Receivables from third party payment platforms, short-term loan receivables and other receivables	*19*	Low risk	12m ECL	4,756	6,696
Amounts due from related parties	*37*	Low risk	12m ECL	29	–
Restricted bank deposit	*21*	Low risk	12m ECL	–	214,241
Bank balances	*21*	Low risk	12m ECL	28,249	57,566
Term deposits	*21*	Low risk	12m ECL	103,186	–

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, repayment history and/or past due status 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, 2022 and 2023 were 0.75% and 1.76%, respectively which were assessed on a collective basis by using provision matrix within lifetime ECL (not credit impaired).

The following table shows the movement in lifetime ECL that has been recognized for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) *RMB'000*	**Lifetime ECL (credit-impaired)** *RMB'000*	**Total** *RMB'000*
As at January 1, 2022	13	–	13
Changes due to financial instruments recognized as at January 1, 2022:			
– Impairment losses reversed	(13)	–	(13)
New financial assets originated	63	–	63
As at December 31, 2022	63	–	63
Changes due to financial instruments recognized as at January 1, 2023:			
– Impairment losses recognized	131	–	131
– Transfer to credit-impaired	(20)	20	–
– Written-off	–	(20)	(20)
– Impairment losses reversed	(30)	–	(30)
New financial assets originated	747	–	747
As at December 31, 2023	891	–	891

The Company

Bank balances

The Company's bank balances are placed with commercial banks with high credit ratings in the Hong Kong. The management of the Company considers that the credit risk on bank balances is insignificant and no loss allowance was recognized.

The Company has concentration risk with approximately 100% of the Company's bank balances placed with bank E at December 31, 2023.

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, Preference Shares and shareholders' investment as a significant source of liquidity.

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.

The Group

	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, 2022								
Trade and other payables	N/A	6,422	5,541	–	–	–	11,963	11,963
Amounts due to related parties	N/A	2,364	–	–	–	–	2,364	2,364
Paid-in capital with preferential rights	10.00-12.00	–	–	201,487	–	–	201,487	1,162,632
Other borrowing	–	–	6,965	–	–	–	6,965	6,965
Long-term bond	6.23	–	–	–	79,447	354,049	433,496	309,855
		8,786	12,506	201,487	79,447	354,049	656,275	1,493,779
Lease liabilities	4.00-4.85	–	7,675	2,746	1,352	–	11,773	11,319

	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	N/A	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

The Company

	Interest rates	On demand	Within 1 year	1-2 years	2 -5 years	>5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At December 31, 2023								
Other payables	N/A	–	12,673	–	–	–	12,673	12,673
Amount due to a subsidiary	N/A	7,012	–	–	–	–	7,012	7,012
Series A-1 Preferred Shares	12.00	–	42,610	–	–	–	42,610	315,544
		7,012	55,283	–	–	–	62,295	335,229

34. 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 assets at FVTPL and financial liabilities at FVTPL as set out below, there is no financial instrument measured at fair value on a recurring basis.

The Group

Financial asset

	NOTE	Fair value as at December 31, 2022	2023	Fair value hierarchy	Valuation techniques and key inputs
		RMB'000	*RMB'000*		
Financial assets at FVTPL	*20*	228,789	–	Level 2	Redemption value quoted by banks

Financial liabilities

	NOTE	Fair value as at December 31, 2022	2023	Fair value hierarchy	Valuation techniques	Significant unobservable inputs	Relationships of unobservable inputs to fair value
		RMB'000	*RMB'000*				
Financial liabilities at FVTPL							
Paid-in capital with preferential rights	*27*	1,162,632	–	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 i)*
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)*

The Company

Financial liability

	NOTE	**Fair value as at December 31, 2023** *RMB'000*	**Fair value hierarchy**	**Valuation techniques**	**Significant unobservable inputs**	**Relationships of unobservable inputs to fair value**
Financial liabilities at FVTPL						
Series A-1 Preferred Shares	*27*	315,544	Level 3	Discounted cashflow model, PWERM and OPM	Discount rate	The higher the discount rate, the lower the fair value, and vice versa *(Note ii)*

Notes:

i. 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 RMB144,810,000 or increase by RMB172,015,000 as at December 31, 2022.

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 Historical Financial Information approximate their respective fair values at the end of each reporting period except for the long-term bond, of which the fair value is expected to be less than the carrying amount.

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	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'000*	**Accrued share issue costs** *RMB'000*	**Total** *RMB'000*
At January 1, 2022	17,566	726,746	291,197	–	2,364	–	1,037,873
Financing cash flows	(6,812)	50,000	–	6,959	–	–	50,147
Interest expenses recognized	565	–	18,658	–	–	–	19,223
Effect of foreign exchange rate changes	–	–	–	6	–	–	6
Fair value changes	–	385,886	–	–	–	–	385,886

	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'000*	Accrued share issue costs *RMB'000*	Total *RMB'000*
At December 31, 2022	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

36. MAJOR NON-CASH TRANSACTIONS

During the year ended December 31, 2023, the Group remeasured the lease liabilities of 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.

37. RELATED PARTY BALANCES AND TRANSACTIONS

a. Name and relationship

Names	Relationships
Dr. Wang Xiaoyi	The Chief Executive Officer
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") *(Note)*	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") *(Note)*	Entity controlled by Dr. Wang Xiaoyi

Note: Zhipan LP was 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)) before December 2021 and Tianjin Zhipan Information Consulting Partnership (Limited Partnership)* (天津智盼信息諮詢合夥企業(有限合夥)) between December 2021 and July 2022.

Shuhui LP was 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) before December 2021.

* *English name is for identification purpose only.*

b. The Group and the Company had the following related party transactions and related parties balance during the Track Record Period:

The Group

Advance to related parties

	For the year ended December 31,	
	2022	**2023**
	RMB'000	*RMB'000*
Non-trade nature		
Shuhui LP	–	3,718
Dr. Wang Xiaoyi	–	2,200
	–	5,918

Repayment of loan from a related party

	For the year ended December 31,	
	2022	**2023**
	RMB'000	*RMB'000*
Non-trade nature		
Zhipan LP	–	29

Repayment of advance from related parties

	For the year ended December 31,	
	2022	**2023**
	RMB'000	*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,	
	2022	**2023**
	RMB'000	*RMB'000*
Non-trade nature		
Shuhui LP	–	2,267
Dr. Wang Xiaoyi	–	97
	–	2,364

The Group

Amounts due from related parties

	As at December 31,	
	2022	**2023**
	RMB'000	*RMB'000*
Non-trade nature		
Zhipan LP	29	–
	29	–

The maximum amounts outstanding during the years ended December 31, 2022 and 2023 were RMB29,000 and RMB5,918,000, respectively. These amounts were fully settled by November 2023.

Amounts due from related parties as at December 31, 2022 are unsecured, interest free and repayable on demand.

Amounts due to related parties

	As at December 31,	
	2022	**2023**
	RMB'000	*RMB'000*
Non-trade nature		
Shuhui LP	2,267	–
Dr. Wang Xiaoyi	97	–
	2,364	–

Amounts due to related parties as at December 31, 2022 are unsecured, interest free and repayable on demand. These amounts were fully settled in July 2023.

The Company

Amount due to a subsidiary

	As at December 31,	
	2022	**2023**
	RMB'000	*RMB'000*
Non-trade nature		
BrainAu (Delaware)	–	7,012

Amount due to a subsidiary of USD990,000 (equivalent to RMB7,012,000) as at December 31, 2023 is unsecured, interest free and repayable on demand.

c. Compensation of key management personnel

The emoluments of key management during the Track Record Period are as follows:

	For the year ended December 31,	
	2022	**2023**
	RMB'000	*RMB'000*
Short-term employee benefits	9,369	9,787
Retirement benefits	333	297
Equity-settled share-based payments	–	36,980
	9,702	47,064

38. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of all the subsidiaries directly and indirectly held by the Company during the Track Record Period and on the date of this report are set out below:

Name of the subsidiaries	Place/date of establishment	Issued and fully paid registered capital	Equity interest attributable to the Company December 31, 2022	2023	Date of the report	Principal activities
BrainAurora *(Note iv)*	British Virgin Islands April 28, 2023	Registered capital of USD50,000 and issued and paid share capital of [nil]	N/A	100%	[100%]	Investment holding
BrainAurora (HK) *(Note iii)*	Hong Kong May 11, 2023	Registered capital of HKD50,000 and issued and paid share capital of [nil]	N/A	100%	[100%]	Investment holding
Zhiling Ruidong *(Note iii)*	PRC June 16, 2023	Registered capital of RMB100,000,000 and issued and paid share capital of [nil]	N/A	100%	[100%]	Investment holding
BrainAurora Zhejiang *(Note i)*	PRC September 21, 2012	Registered capital of RMB16,546,000 and paid-in capital of RMB16,546,000	100%	100%	[100%]	Cognitive impairment DTx
Changsha Zhijingling *(Note i)*	PRC August 11, 2017	Registered capital of RMB1,000,000 and issued and paid share capital of RMB[690,000]	100%	100%	[100%]	Cognitive impairment DTx
Beijing Zhijingling *(Note i)*	PRC September 23, 2014	Registered capital of RMB2,000,000 and issued and paid share capital of RMB[500,000]	100%	100%	[100%]	Cognitive impairment DTx
Beijing Yihui Technology Co., Ltd.* ("北京益慧科技有限公司") *(Note iv)*	PRC April 18, 2023	Registered capital of RMB51,126,000 and issued and paid share capital of RMB50,126,000	N/A	98%	[98%]	Inactive

Name of the subsidiaries	Place/date of establishment	Issued and fully paid registered capital	Equity interest attributable to the Company December 31, 2022	2023	Date of the report	Principal activities
BrainAu Medical Technology (Shaanxi) Co., Ltd.* ("腦動極光醫療科技(陝西)有限公司") *(Note ii)*	PRC September 29, 2021	Registered capital of RMB1,000,000 and issued and paid share capital of [nil]	80%	80%	[80%]	Marketing
BrainAu Medical Technology (Liaoning) Co., Ltd.* ("腦動極光醫療科技(遼寧)有限公司") *(Note ii)*	PRC February 25, 2022	Registered capital of RMB1,000,000 and issued and paid share capital of [nil]	70%	70%	[70%]	Marketing
Beijing Naoyu Technology Co., Ltd.* ("北京腦域科技有限公司") *(Note ii)*	PRC April 6, 2022	Registered capital of RMB1,000,000 and issued and paid share capital of [nil]	92%	92%	[92%]	Marketing
BrainAurora Nanjing *(Note ii)*	PRC May 20, 2022	Registered capital of RMB1,000,000 and issued and paid share capital of [nil]	100%	100%	[100%]	Marketing
Beijing Wanxiang Aurora Technology Co., Ltd.* ("北京萬相極光科技有限公司") *(Note iv)*	PRC March 10, 2023	Registered capital of RMB1,000,000 and issued and paid share capital of [nil]	–	70%	[70%]	Marketing
Beijing Hongze *(Notes 30 and v)*	PRC December 16, 2001	Registered capital of RMB1,428,600 and issued and paid share capital of RMB1,428,600	–	70%	[70%]	Inactive
Sichuan Huiyu Aurora Medical Technology Co., Ltd.* ("四川慧譽極光醫療科技有限公司") *(Note iv)*	PRC May 22, 2023	Registered capital of RMB1,000,000 and issued and paid share capital of [nil]	N/A	80%	[80%]	Marketing
BrainAu (Delaware) *(Note ii)*	United States of America March 4, 2022	Registered capital of USD50,000 and issued and paid share capital of [nil]	100%	100%	[100%]	Inactive
Shenzhen BrainAu Medical Technology Co., Ltd.* ("深圳腦動極光醫療科技有限公司") *(Note iv)*	PRC October 17, 2023	Registered capital of RMB1,000,000 and issued and paid share capital of [nil]	N/A	100%	[100%]	Inactive
Sichuan BrainAu Medical Technology Co., Ltd.* (四川腦動極光醫療科技有限公司) *(Note iv)*	PRC November 15, 2023	Registered capital of RMB1,000,000 and issued and paid share capital of [nil]	N/A	100%	[100%]	Cognitive impairment DTx

Notes:

i. These subsidiaries are limited liability company. The financial statements of BrainAurora Zhejiang, Changsha Zhijingling and Beijing Zhijingling for the year ended December 31, 2022 were prepared in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and were audited by Beijing Dongshen Dingli International Accounting Firm Co., Ltd.* (北京東審鼎立國際會計師事務所有限責任公司). The audited statutory financial statements of BrainAurora Zhejiang and Beijing Zhijingling for the year ended December 31, 2023 are not yet due to be issued. No audited statutory financial statements of Changsha Zhijingling were available for the year ended December 31, 2023 as there was no requirement to issue audited accounts by the local authorities.

ii. No audited statutory financial statements were available for the year ended December 31, 2022 and 2023 as there was no requirement to issue audited accounts by the local authorities.

iii. No audited statutory financial statements were available for the year ended December 31, 2022 as the entities were established after December 31, 2022. The audited statutory financial statements of the entities for the year ended December 31, 2023 are not yet due to be issued.

iv. No audited statutory financial statements were available for the year ended December 31, 2022 as the entities were established after December 31, 2022 and no audited statutory financial statements were available for the year ended December 31, 2023 as there was no requirement to issue audited accounts by the local authorities.

v. No audited statutory financial statements were available for the year ended December 31, 2023 as there was no requirement to issue audited accounts by the local authorities.

* *English name is for identification purpose only.*

As at December 31, 2023, the investments in subsidiaries of the Company comprise i) deemed investment to its subsidiaries of RMB44,873,000 during the year ended December 31, 2023 for [**REDACTED**] Share Award of the Company granted to employees of its subsidiaries and ii) a deemed investment in Zhejiang BrainAurora amounted of RMB308,488,000, represented the difference between the Series A-1 Preferred Shares of RMB317,033,000 issued to take over the paid-in capital with preferential rights of IVL in BrainAurora Zhejiang (detailed in Note 27) and the consideration receivable from IVL for the Series A-1 Preferred Shares of RMB8,545,000.

39. CAPITAL RISK MANAGEMENT

As at December 31, 2023, the Group had net current liabilities of RMB90,120,000 and net liabilities of RMB332,181,000. 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 during the Track Record Period.

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 paid-in capital/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.

40. CAPITAL COMMITMENTS

	As at December 31,	
	2022	**2023**
	RMB'000	*RMB'000*
Capital expenditure contracted but not provided for in respect of acquisition of equipment and machineries and leasehold improvements	10,163	678

41. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in Note 27 in the Historical Financial Information, events and transactions took place subsequent to December 31, 2023 are detailed as below:

Pursuant to the written resolutions of all shareholders of the Company passed on [●], conditional upon the crediting of the Company's share premium account as a result of the issue of the [**REDACTED**] pursuant to the [**REDACTED**], the Directors were authorized to allot and issue a total of [**REDACTED**] shares to the shareholders as of [**REDACTED**], on a pro rata basis, by way of the capitalization of the sum of [**REDACTED**] standing to the credit of the share premium account of the Company. The shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing shares of the Company.

42. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to December 31, 2023.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of the Companies Act (as amended) of the Cayman Islands (the "**Companies Act**").

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 25 April 2023 under the Companies Act. The Company's constitutional documents consist of its Memorandum and its Articles.

1 MEMORANDUM OF ASSOCIATION

1.1 The Memorandum provides, inter alia, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

1.2 By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2 ARTICLES OF ASSOCIATION

The Articles were adopted on [●], 2024. A summary of certain provisions of the Articles is set out below.

2.1 Shares

(a) Classes of shares

The share capital of the Company consists of [ordinary shares].

(b) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of not less than three-fourths of the voting rights of the holders of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum shall be not less than persons together holding (or, in the case of a shareholder being a corporation, by its duly authorised

representative) or representing by proxy holding not less than one-third of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(c) Alteration of capital

The Company may, by an ordinary resolution of its members:

(i) increase its share capital by the creation of new shares of such amount as it thinks expedient;

(ii) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares;

(iii) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions;

(iv) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum;

(v) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled;

(vi) make provision for the allotment and issue of shares which do not carry any voting rights;

(vii) change the currency of denomination of its share capital; and

(viii) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(d) Transfer of shares

Subject to the Companies Act and the requirements of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on their behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed on terms equivalent to section 632 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong as amended from time to time) as at the date of the adoption of the Articles (or its equivalent provision from time to time) at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(e) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(f) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(g) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by them to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

2.2 Directors

(a) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first annual general meeting of the Company after their appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after their appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of their willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgement of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of their term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between them and the Company) and the Company may by ordinary resolution appoint another in their place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if they:

(i) resign;

(ii) die;

(iii) are declared to be of unsound mind and the Board resolves that their office be vacated;

(iv) become bankrupt or has a receiving order made against them or suspends payment or compounds with their creditors generally;

(v) are prohibited from being or ceases to be a director by operation of law;

(vi) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that their office is vacated;

(vii) have been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(viii) are removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(b) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Act, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Act, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(c) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Act to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(d) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(e) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to their ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, their actual retirement.

(f) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with their retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(g) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(h) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with their office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by them as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by their office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of their interest at the earliest meeting of the Board at which they may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which they or any of their close associate(s) has/have a material interest, and if they shall do so their vote shall not be counted nor shall they be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

(i) the giving of any security or indemnity to the Director or their close associate(s) in respect of money lent or obligations incurred or undertaken by any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or their close associate(s) have themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or their close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either:

(A) any employees' share scheme or any share incentive or share option scheme under which the Director or their close associate(s) may benefit; or

(B) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or their close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or their close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

2.3 Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.4 Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under the Companies Act and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

2.5 Meetings of Member

(a) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands (the "**Registrar of Companies**") within 15 days of being passed.

An "ordinary resolution," by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(b) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting:

(i) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in their name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and

(ii) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands.

Members shall have the right to:

(i) speak at general meetings of the Company; and

(ii) vote at a general meeting except where a member is required, by the Listing Rules, to abstain from voting to approve the matter under consideration.

On a poll, a member entitled to more than one vote need not use all their votes or cast all the votes used in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

(i) at least two members;

(ii) any member or members representing not less than one-tenth of the total voting rights, on a one vote per share basis, of all the members having the right to vote at the meeting; or

(iii) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company, at any meeting of any class of members, or at any meeting of the creditors of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to speak and vote.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(c) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held within six months after the end of the Company's financial year, at such time and place as may be determined by the Board.

(d) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document to be given or issued under the Articles (including any corporate communications within the meaning ascribed thereto under the Listing Rules) shall be in writing, and may be served by the Company on any member personally, or by post to such member's registered address or by any other means authorised in writing by the member concerned or (other than a share certificate) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be their registered address for this purpose. Subject to the Companies Act and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means or by publishing it on the Company's and the Stock Exchange's websites without the need for any additional consent of the member.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it can be demonstrated to the Stock Exchange that reasonable written notice can be given in less time, and it is so agreed:

(i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

Extraordinary general meetings shall also be convened on the requisition of one or more members holding at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings, on a one vote per share basis in the share capital of the Company. The requisitionist(s) may add resolutions to the agenda of a general meeting so requisitioned.

(e) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(f) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as their proxy to attend and vote instead of them. A member who is the holder of two or more shares may appoint more than one proxy to represent them and vote on their behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom they act as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which they act as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of their attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to their intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise their discretion in respect of) each resolution dealing with any such business.

2.6 Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Act (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Act or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the First A&R Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the First A&R Articles), the Company may send summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by another body independent of the Board.

The members may, at any general meeting convened and held in accordance with the First A&R Articles, remove the auditors by ordinary resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in its place for the remainder of the term. A body that is independent of the board may also remove the auditors by a simple majority vote before the expiration of the term of office and shall by a simple majority vote appoint new auditors in its place for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

2.7 Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

(b) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

(c) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by them to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

(i) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(ii) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

2.8 Inspection of corporate records

For so long as any part of the share capital of the Company is [**REDACTED**] on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to them of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

2.9 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

2.10 Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution. The board shall have no authority to present a winding up petition on behalf of the Company without the sanction of a resolution passed by the Company in general meeting.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(a) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and

(b) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as they deem fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

2.11 Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3 CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 25 April 2023 subject to the Companies Act. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all aspects of the Cayman Islands law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies and pay a fee which is based on the amount of its authorised share capital.

3.2 Share capital

Under the Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account." At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) any manner provided in Section 37 of the Companies Act;

(d) writing-off the preliminary expenses of the company; and

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

3.3 Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

3.4 Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Act.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Act, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

3.6 Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of a company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

3.7 Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands' courts will ordinarily follow).

3.8 Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to:

(a) all sums of money received and expended by it;

(b) all sales and purchases of goods by it; and

(c) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (as amended) of the Cayman Islands (the "**TIA Act**"), make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

3.9 Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

Pursuant to Section 6 of the Tax Concessions Act (as amended) of the Cayman Islands (the "**Tax Concessions Act**"), the Company has obtained an undertaking from the Governor-in-Cabinet that:

(a) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(b) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

  (i) on or in respect of the shares, debentures or other obligations of the Company; or

  (ii) by way of withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concessions Act.

The undertaking for the Company is for a period of [20/30] years from [Date].

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

3.11 Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

3.12 Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

3.13 Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

3.14 Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the TIA Act.

3.15 Register of Directors and officers

Pursuant to the Companies Act, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies and any change must be notified to the Registrar of Companies within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

3.16 Winding up

A Cayman Islands company may be wound up by:

(a) an order of the court;

(b) voluntarily by its members; or

(c) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that:

(a) the company is or is likely to become insolvent; or

(b) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors.

A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s).The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on their appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

3.17 Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court their view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

3.18 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands' courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

3.19 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

3.20 Scheme of arrangement

Following amendments to the Companies Act that became effective on 31 August 2022, the majority-in-number "headcount test" in relation to the approval of members' schemes of arrangement has been abolished. Section 86(2A) of the Companies Act provides that, if 75% in value of the members (or class of members) of a Cayman Islands company agree to any compromise or arrangement, such compromise or arrangement shall, if sanctioned by the Court, be binding on all members (or class of members) of such company and on the company itself. Where a Cayman Islands company is in the course of being wound up, such compromise or arrangement would be binding on the liquidator and contributories of the company. In contrast, section 86(2) of the Companies Act continues to require (a) approval by a majority in number representing 75% in value and (b) the sanction of the court, in relation to any compromise or arrangement between a company and its creditors (or any class of them).

3.21 General

Walkers (Hong Kong), the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in "Documents Delivered to the Registrar of Companies and Available on Display" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which that person is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR COMPANY

Incorporation of our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on April 25, 2023. Accordingly, our corporate structure and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of certain aspects of the Cayman Islands company law and a summary of certain provisions of our Articles of Associations are set out in the section headed "Appendix III – Summary of the Constitution of our Company and Cayman Islands Company Law."

Our registered place of business in Hong Kong is at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong. We were registered as a non-Hong Kong Company under Part 16 of the Companies Ordinance on July 26, 2023. Ms. Cheung Yuet Fan and Ms. Sham Ying Man of 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong have been appointed as our authorized representatives for the acceptance of service of process and notices in Hong Kong.

Changes in Share Capital of Our Company

Save as disclosed in the sections headed and "History, Reorganization and Corporate Structure – Reorganization." there has been no other alteration in the share capital of our Company during the two years immediately preceding the date of this Document.

Changes in the Share Capital of Our Subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in Note 37 to the Accountant's Report set out in Appendix I.

The following sets out the changes in the share capital of our subsidiaries within the two years immediately preceding the date of this Document:

- On May 20, 2022, BrainAurora Medical Technology (Nanjing) Co., Ltd. (腦動極光醫療科技(南京)有限公司) was established as a limited liability company in the PRC with an initial registered capital of RMB1 million.

- On March 10, 2023, Brain Wanxiang Aurora Technology Co., Ltd. (北京萬相極光科技有限公司) was established as a limited liability company in the PRC with an initial registered capital of RMB1 million.

- On June 16, 2023, Zhejiang Zhiling Ruidong Medical Technology Co., Ltd. (浙江智靈睿動醫療科技有限公司) was established as a limited liability company in the PRC with an initial registered capital of RMB100 million.

- On September 12, 2023, Beijing Hongze Technology Development Co., Ltd. (北京淞澤科技發展有限公司) increased its registered share capital from RMB1 million to RMB1.4286 million.

- On October 17, 2023, Shenzhen BrainAurora Medical Technology Co., Ltd. (深圳腦動極光醫療科技有限公司) was established as a limited liability company in the PRC with an initial registered capital of RMB1 million.

Save as disclosed above, there has been no alteration in the share capital of any subsidiaries within the two years immediately preceding the date of this Document.

Save for the subsidiaries mentioned in the Accountant's report set out in Appendix I, our Company has no other subsidiaries.

Corporate Reorganization

The companies comprising our Group underwent the Reorganization in preparation for the [**REDACTED**] of our Shares on the Stock Exchange. See ''History, Reorganization and Corporate Structure — Reorganization'' for information relating to the Reorganization.

Resolutions of our Shareholders

Written resolutions of our Shareholders were passed on [●], 2024, pursuant to which, among others:

(a) the Memorandum and Articles of Association were approved and adopted, and will come into effect upon [**REDACTED**];

(b) conditional on (i) the Listing Committee granting the [**REDACTED**] of, and permission to [**REDACTED**], the Shares in issue and to be issued as mentioned in this Document; and (ii) the obligations of the [**REDACTED**] under the [**REDACTED**] becoming unconditional and the [**REDACTED**] not being terminated in accordance with the terms therein or otherwise:

- all the authorised issued and unissued Preferred Shares be re-designated and re-classified as ordinary Shares, having the rights and restrictions as set out in the Memorandum and the Articles;

- the authorised share capital of the Company be increased from US$50,000 divided into 500,000,000 Shares of US$0.0001 par value each to US$[**REDACTED**] divided into [**REDACTED**] Shares of US$0.0001 par value each;

- the [**REDACTED**], the [**REDACTED**] and the [**REDACTED**] were approved and our Directors were authorized to effect the same, and to allot and issue the [**REDACTED**] pursuant to the [**REDACTED**] and the [**REDACTED**];

- the grant of the [**REDACTED**] by our Company to the [**REDACTED**] to allot and issue up to 15% of the [**REDACTED**] initially available under the [**REDACTED**] to cover, among other things, the [**REDACTED**] in the [**REDACTED**] was approved; and

- the proposed [**REDACTED**] was approved, and our Directors were authorized to implement such [**REDACTED**];

(c) a general unconditional mandate was granted to our Directors to allot, issue and deal with Shares, and to make or grant offers, agreements, or options which might require such Shares to be allotted and issued or dealt with at any time subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, shall not exceed 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the [**REDACTED**] and the [**REDACTED**].

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders, or upon the exercise of the [**REDACTED**]. This general mandate to issue Shares will remain in effect until:

- the conclusion of the next annual general meeting of our Company;

- the expiration of the period within which the next annual general meeting of our Company is required to be held under the applicable laws or the Articles of Association; or

- it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting of our Company;

whichever is the earliest;

(d) a general unconditional mandate was granted to our Directors to exercise all power of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the [**REDACTED**] and the [**REDACTED**] (excluding any Shares which may be allotted and issued upon the exercise of the [**REDACTED**]).

This mandate only relates to repurchase made on the Stock Exchange or on any other stock exchange on which the Shares may be [**REDACTED**] (and which is recognized by the SFC and the Stock Exchange for this purpose) and made in accordance with all applicable laws and regulations and the requirements of the Listing Rules. This general mandate to repurchase Shares will remain in effect until:

- the conclusion of the next annual general meeting of our Company;
- the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Articles of Association; or
- it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting of our Company;

whichever is the earliest;

- the general unconditional mandate as mentioned in paragraph (d) above would be extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (e) above (up to 10% of the aggregate nominal value of the Shares in issue immediately following completion of the [**REDACTED**] and the [**REDACTED**], excluding any Shares which may fall to be allotted and issued pursuant to the exercise of the [**REDACTED**]).

Restrictions on Repurchase of Our Own Securities

This section sets out information required by the Stock Exchange to be included in this Document concerning the repurchase by us of our own Shares. Our Directors confirm that neither the explanatory statement of the repurchase mandate nor the proposed share repurchase has any unusual features.

Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own Shares on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(a) Shareholders' Approval. All proposed repurchase of Shares (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

(b) Source of Funds. Repurchases must be funded out of funds legally available for the purpose in accordance with the constitutive documents of a listed company, the laws of the jurisdiction in which the listed company is incorporated or otherwise established. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Subject to the foregoing, any repurchases by a listed company may be made out of the funds which would otherwise be available for dividend or distribution or out of the proceeds of a new issue of shares made for the purpose of the repurchase. Any amount of premium payable on the purchase over the par value of the shares to be repurchased must be out of the funds which would otherwise be available for dividend or distribution or from sums standing to the credit of our share premium account.

Reasons for Repurchase

Our Directors believe that it is in the best interest of us and our Shareholders for our Directors to have general authority from the Shareholders to enable us to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit us and our Shareholders.

Funding of Repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Memorandum of Association and Articles of Association, the Companies Act or other applicable laws of Cayman Islands and the Listing Rules. On the basis of our current financial condition as disclosed in this Document and taking into account our current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or our gearing position as compared with the position disclosed in this Document. However, our Directors do not propose to exercise the repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

General

Exercise in full of the current repurchase mandate, on the basis of [**REDACTED**] Shares in issue after completion of the [**REDACTED**] and the [**REDACTED**] (without taking into account of the Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**]), could accordingly result in up to [**REDACTED**] Shares being repurchased by us during the period prior to:

(a) the conclusion of our next annual general meeting;

(b) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles of Association to be held; or

(c) the date on which the repurchase mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules) currently intends to sell any Shares to us or our subsidiaries. Our Directors have undertaken with the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules, the Memorandum of Association and Articles of Association, the Companies Act or any other applicable laws of the Cayman Islands.

If, as a result of a repurchase of our Shares pursuant to the repurchase mandate, a Shareholder's proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the repurchase mandate.

No core connected person, as defined in the Listing Rules, has notified us that he/she or it has a present intention to sell his/her or its Shares to us, or has undertaken not to do so, if the repurchase mandate is exercised.

FURTHER INFORMATION ABOUT OUR BUSINESS

Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this Document that are or may be material:

(a) the shareholders' agreement dated August 4, 2023 entered into among BrainAurora Medical Technology Limited, Northern Light Strategic Fund IV L.P., Northern Light Venture Fund IV L.P., Northern Light Partners Fund IV L.P., Crusky Limited, Healthblooming Limited, Integriness Limited, Anji Shundian Limited, Ambertech Limited, Jenny Wang Limited, China Frontier Capital Holding Limited, Beijing Pegasus Travel Star Enterprise Management Co., Ltd. (北京飛馬旅之星企業管理有限公司), Shenzhen Fengrui Dingxing Equity Investment Fund Partnership (Limited Partnership) (深圳灃瑞鼎興股權投資基金合夥企業(有限合夥)), Huang Guangwei (黃光偉), CICC Healthcare Investment Fund, L.P., ZTan Limited, Wispirits Limited, Wiseforward Limited, Neurobright Limited, BrainAurora Limited, BrainAurora (HK) Medical Technology Limited, Zhejiang Zhiling Ruidong Medical Technology Co., Ltd (浙江智靈睿動醫療科技有限公司), Zhejiang Naodong Jiguang Medical Technology Co., Ltd (浙江腦動極光醫療科技有限公司), Beijing Zhijingling Technology Co., Ltd. (北京智精靈科技有限公司) and Changsha Zhijingling Technology Co., Ltd. (長沙智精靈科技有限公司), pursuant to which relevant shareholders' rights were agreed among the parties; and

(b) the [**REDACTED**].

Intellectual Property Rights

Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Owner	Place of Registration	Class	Registration Number	Expiry Date
1.	WISDOM AURORA	Beijing Zhijingling	PRC	42	57581592	January 27, 2032
2.	WISDOM AURORA	Beijing Zhijingling	PRC	42	57592012	February 6, 2032
3.	WISDOM AURORA	Beijing Zhijingling	PRC	10	57576481	January 27, 2032

No.	Trademark	Owner	Place of Registration	Class	Registration Number	Expiry Date
4.	WISDOM AURORA	Beijing Zhijingling	PRC	44	57590136	January 20, 2032
5.	WISDOM AURORA	Beijing Zhijingling	PRC	9	57577316	January 27, 2032
6.	WISDOM AURORA	Beijing Zhijingling	PRC	41	57572439	January 27, 2032
7.	六六脑	Beijing Zhijingling	PRC	9	19378082	April 27, 2027
8.	六六脑	Beijing Zhijingling	PRC	16	19378080	April 27, 2027
9.	六六脑	Beijing Zhijingling	PRC	45	19378074	April 27, 2027
10.	六六脑	Beijing Zhijingling	PRC	38	19378078	April 27, 2027
11.	六六脑	Beijing Zhijingling	PRC	5	19378083	April 27, 2027
12.	六六脑	Beijing Zhijingling	PRC	10	19378081	April 27, 2027
13.	六六脑	Beijing Zhijingling	PRC	42	19378076	April 27, 2027
14.	六六脑	Beijing Zhijingling	PRC	41	19378077	April 27, 2027
15.	六六脑	Beijing Zhijingling	PRC	35	19378079	April 27, 2027
16.	六六脑	Beijing Zhijingling	PRC	44	19378075	April 27, 2027
17.	六六脑	Beijing Zhijingling	PRC	44	19378068	April 27, 2027
18.	六六脑	Beijing Zhijingling	PRC	10	19378072	April 27, 2027
19.	六六脑	Beijing Zhijingling	PRC	38	19378069	April 27, 2027
20.	六六脑	Beijing Zhijingling	PRC	5	19378073	April 27, 2027

No.	Trademark	Owner	Place of Registration	Class	Registration Number	Expiry Date
21.		Beijing Zhijingling	PRC	16	19378071	April 27, 2027
22.		Beijing Zhijingling	PRC	45	19378067	April 27, 2027
23.		Beijing Zhijingling	PRC	35	19378070	April 27, 2027
24.		Beijing Zhijingling	PRC	42	13754030	April 13, 2025
25.		Beijing Zhijingling	PRC	9	13753870	March 6, 2025
26.		Beijing Zhijingling	PRC	41	13753947	June 13, 2032
27.		BrainAurora Zhejiang	PRC	44	61293076	June 13, 2032
28.		BrainAurora Zhejiang	PRC	9, 10, 35, 41, 42, 44	56556043	December 13, 2031
29.		BrainAurora Zhejiang	PRC	10	61293098	June 20, 2032
30.		BrainAurora Zhejiang	PRC	42	61308956	June 20, 2032
31.		Beijing Zhijingling	PRC	35	57594363	January 20, 2032
32.		BrainAurora Zhejiang	PRC	41	68768543	September 6, 2033

No.	Trademark	Owner	Place of Registration	Class	Registration Number	Expiry Date
33.		BrainAurora Zhejiang	PRC	41	68772796	September 13, 2033
34.	(A)  (B) 	BrainAurora Zhejiang	Hong Kong	5, 9, 10, 35, 42	306285312	July 2, 2033
35.	(A) 脑动极光 (B) 脑动极光	BrainAurora Zhejiang	Hong Kong	5, 9, 10, 35, 42	306285321	July 2, 2033
36.	(A) BRAINAU (B) BRAINAU	BrainAurora Zhejiang	Hong Kong	5, 9, 10, 35, 42	306285330	July 2, 2033
37.		BrainAurora Zhejiang	PRC	41	68768543	September 6, 2033
38.		BrainAurora Zhejiang	PRC	9	68771690	January 13, 2034

Patents

For material patents and patent applications of our Group as of the Latest Practicable Date, please refer to the paragraph headed "Business — Intellectual Property" for more details.

Domain Name

As of the Latest Practicable Date, we had registered the following internet domain names which we consider to be or may be material to our business:

No.	Domain Name	Registered Owner
1.	66nao.cn	Beijing Zhijingling
2.	66nao.com	BrainAurora Zhejiang

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our business.

FURTHER INFORMATION ABOUT OUR DIRECTORS, CHIEF EXECUTIVES AND SUBSTANTIAL SHAREHOLDERS

1. Interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of our Company and our associated corporations

The following table sets out the interests and short positions of our Directors and chief executive of our Company as at the Latest Practicable Date and immediately following completion of the [**REDACTED**] and the [**REDACTED**] (without taking into account the Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**]) in our Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once our Shares are [**REDACTED**]:

Interest in our Company

Name	Position	Nature of Interest	Number of underlying Shares Held as of the date of this Document[5]	Approximately percentage of shareholding as of the date of this Document	Number of underlying Shares Held upon Completion of the [REDACTED] and the [REDACTED][5]	Approximately percentage of shareholding upon Completion of the [REDACTED] and the [REDACTED] *(%)*
Mr. Tan[1]	Executive Director, chairman of the Board, and chief strategy officer of the Company	Interest in controlled corporation	275,468(L)	25.38	[REDACTED]	[REDACTED]
		Interest held through voting powers entrusted by other persons	139,431(L)	12.85	[REDACTED]	[REDACTED]
		Beneficial owner	27,129(L)	2.50	[REDACTED]	[REDACTED]
Dr. Wang[2]	Executive Director, CEO and chief research officer of the Company	Interest in controlled corporation	183,955(L)	16.95	[REDACTED]	[REDACTED]
		Beneficial owner	26,946(L)	2.48	[REDACTED]	[REDACTED]
Mr. Deng Feng[3]	Non-executive Director	Interest in controlled corporation	126,854(L)	11.69	[REDACTED]	[REDACTED]
Ms. Li Mingqiu[4]	Non-executive Director	Interest in controlled corporation	123,527(L)	11.38	[REDACTED]	[REDACTED]

Notes:

1. As at the date of this Document, Mr. Tan is interested in (i) 275,468 Shares held by ZTan Limited, his controlled corporation, and (ii) a total of 139,431 Shares held by Healthblooming Limited and Integriness Limited through voting powers entrusted by other persons. See section headed "Substantial Shareholders" for details.

   As of the date of this Document, Mr. Tan was granted 27,129 Awarded Shares (representing [**REDACTED**] Shares pursuant to the [**REDACTED**]) under the [**REDACTED**] Share Award Scheme. See "— [**REDACTED**] Share Award Scheme" below for details.

2. As at the date of this Document, Dr. Wang is interested in a total of 183,955 Shares held by Wispirits Limited, Wiseforward Limited and Neurobright Limited, his controlled corporations. See section headed "Substantial Shareholders" for details.

   As of the date of this Document, Dr. Wang was granted Awards to acquire 26,946 Shares (representing [**REDACTED**] Shares pursuant to the [**REDACTED**]) under the [**REDACTED**] Share Award Scheme. See "— [**REDACTED**] Share Award Scheme" below for details.

3. As at the Latest Practicable Date, Mr. Deng Feng is interested in 126,854 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.. See section headed "Substantial Shareholders" for details.

4. As at the Latest Practicable Date, Ms. Li Mingqiu is interested in 123,527 Shares held by Crusky Limited. See section headed "Substantial Shareholders" for details.

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

Interest in associated corporations

Name	Nature of Interest	Associated corporations	Amount of registered capital/shares held	Approximate percentage of interest in the associated corporation *(%)*
Mr. Tan	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	Beneficial owner	Beijing Yihui	RMB142,712 registered capital	0.28
	Interest in controlled corporation	Beijing Yihui	RMB98,021 registered capital[(1)]	0.19
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.

2. Interests of the substantial shareholders in the Shares of our Company and our associated corporations

Interest in our Company

Save as disclosed in the section headed "Substantial Shareholders," immediately following the completion of the [**REDACTED**] and the [**REDACTED**] and without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**], our Directors are not aware of any other person (not being a Director or chief executive of our Company) who will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of our Company.

Interest in Members of our Group

The following table sets out the interests and short positions of the persons who will, immediately following completion of the [**REDACTED**], directly or indirectly be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member 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)]	300,000	30
Wang Ningning (王甯寧)[(1)]	Interest in controlled corporation	BrainAurora Liaoning[(1)]	300,000	30
Zhang Zhiwei (張志偉)[(2)]	Beneficial owner	Brain Aurora Medical Technology (Shaanxi) Co., Ltd. (腦動極光醫療科技(陝西)有限公司)[(2)]	200,000	20

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 *(%)*
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	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

Notes:

1. As of the date of this Document, BrainAurora Liaoning is owned as to (i) 70% by Beijing Zhijingling, an indirectly wholly-owned subsidiary of the Company, and (ii) 30% 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 (王甯寧). 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. As of the date of this Document, 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. As of the date of this Document, 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 date of this Document, 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. As of the date of this Document, 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 Rule.

3. Directors' Service Contracts and Letters of Appointment

Each of Mr. Tan and Dr. Wang, being our executive Directors, [has entered] into a service contract with us for an initial term of three years commencing from the [**REDACTED**], which may be terminated by [not less than 30 days' notice] in writing served by either the executive Director or our Company.

Each Mr. Deng Feng, Mr. Li Sirui and Ms. Li Mingqiu, been our non-executive Directors, [has entered] into a service contract with us for an initial term of three years commencing from the [**REDACTED**], which may be terminated by [not less than 30 days' notice] in writing served by either the executive Director or our Company.

Each of Mr. Lam Yiu Por, Dr. Duan Tao and Mr. Li Yuezhong, being our independent non-executive Directors, [has entered] into a letter of appointment with us for an initial term of three years commencing from the [**REDACTED**], which may be terminated by [not less than 30 days' notice] in writing served by either the independent non-executive Director or our Company.

Save as disclosed above, none of our Directors has entered, or has proposed to enter, a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

4. Director's Remuneration

Save as disclosed in "Directors and Senior Management" and "Appendix I – Accountants' Report – Notes to The Historical Financial Information – 12. Directors', and Chief Executive's Emoluments" for the two financial years ended December 31, 2023, none of our Directors received other remunerations or benefits in kind from us.

5. Disclaimers

Save as disclosed in this Document:

(a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between the Directors and any member of the Group;

(b) none of the Directors or the experts named in the section headed "– Other Information – Qualifications and Consents of Experts" below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this Document, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

(c) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Shares in or debentures of the Company within the two years ended on the date of this Document;

(d) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this Document which is significant in relation to the business of the Group taken as a whole;

(e) taking no account of any Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**], so far as is known to any Director or chief executive of the Company, no other person (other than a Director or chief executive of the Company) will, immediately following completion of the [**REDACTED**] and the [**REDACTED**], have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of the Group), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group; and

(f) none of the Directors or chief executive of the Company has any interests 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 will have 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 is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange once the Shares are [**REDACTED**] thereon.

[**REDACTED**] SHARE AWARD SCHEME

As of the date of this Document, awards granted under the [**REDACTED**] Share Award Scheme (the "**Award(s)**") representing 85,166 Shares (to be adjusted to [**REDACTED**] pursuant to [**REDACTED**]) under the [**REDACTED**] Share Award Scheme have been granted. Accordingly, 85,166 Shares (to be adjusted to [**REDACTED**] pursuant to [**REDACTED**]) were alloted and issued to the Wisdomspirit Holding Limited to hold on behalf of the specified participants. All Awarded Shares available for grant have been granted to specific individuals under the [**REDACTED**] Share Award Scheme, and no further grant will be made under the [**REDACTED**] Share Award Scheme after the [**REDACTED**]. Pursuant to Rule 17.02(1)(b) of the Listing Rules, the [**REDACTED**] Share Award Scheme does not need to be approved by the Shareholders after [**REDACTED**]. In addition, given the [**REDACTED**] Share Award Scheme will not involve the grant of new Shares or Awards over new Shares after [**REDACTED**] and given all material terms of the [**REDACTED**] Share Award Scheme have been clearly set out in this Document, the Awards granted to specified participants before [**REDACTED**] as set out above may continue to be valid after [**REDACTED**] (subject to the Stock Exchange granting approval for [**REDACTED**] of the Shares in respect of such Awards).

The following is a summary of the principle terms of the [**REDACTED**] Share Award Scheme, which was adopted by the Company and took effect on July 30, 2023 (the "**Adoption Date**").

(a) Purpose

The specific objectives of the [**REDACTED**] 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 [**REDACTED**] 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 [**REDACTED**] 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 [**REDACTED**] Share Award Scheme, the maximum number of Awards that may be granted under the [**REDACTED**] Share Award Scheme in aggregate (excluding the Awards that have lapsed or been cancelled in accordance with the rules of the [**REDACTED**] Share Award Scheme) shall be 85,166 Shares held or to be held by Wisdomspirit Holding Limited (the "**HoldCo**") for the purpose of the [**REDACTED**] Share Award Scheme representing [**REDACTED**]% of the total share capital of the Company upon the completion of the [**REDACTED**] and the [**REDACTED**], assuming the [**REDACTED**] is not exercised.

(e) Administration

The [**REDACTED**] Share Award Scheme shall be subject to the administration of the Board in accordance with the rules of the [**REDACTED**] Share Award Scheme. The Board will make all determination in relation to the [**REDACTED**] Share Award Scheme. The Board may delegate the authority to administer this [**REDACTED**] 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 [**REDACTED**] 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 [**REDACTED**] 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 [**REDACTED**] 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 [**REDACTED**];

(ii) 30% of such Awards shall be vested on the date of the second anniversary of the [**REDACTED**]; and

(iii) 40% of such Awards shall be vested on the third date anniversary of the [**REDACTED**].

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 [**REDACTED**] 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 [**REDACTED**] 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.

(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.

(j) Awards Granted

As of the date of this Document, our Company had granted Awards under the [**REDACTED**] Share Award Scheme to 46 grantees (including Directors, members of the senior management, and other grantees of our Group), to subscribe for an aggregate of 85,166 Shares, representing approximately [**REDACTED**]% in the total number of Shares in issue immediately after completion of the [**REDACTED**] and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised). Among the Awards granted, two of our Directors, who are also members of our senior management (Mr. Tan and Dr. Wang) were granted Awards to subscribe for 54,075 Shares (to be adjusted to [**REDACTED**] pursuant to [**REDACTED**]), three other members of senior management (Mr. Cai Longjun, Mr. Wang Junjie and Mr. Lai Zhiyuan, who are not connected persons of the Company) were granted Awards to subscribe for 15,163 Shares (to be adjusted to [**REDACTED**] pursuant to [**REDACTED**]), and 41 other

employees of our Group who are not Directors, members of senior management or connected persons of the Company were granted Awards to subscribe for 15,928 Shares (to be adjusted to [**REDACTED**] pursuant to [**REDACTED**]). As of the date of this Document, no Awards have been vested.

There will be no further dilution effect to the shareholding of our Shareholders upon full vesting of all Awards upon completion of the [**REDACTED**] and the [**REDACTED**], because all Shares underlying the Awards granted have been issued to Wisdomspirit Holding Limited to hold on behalf and for the benefit of the specified grantees thereunder. See "History, Reorganization and Corporate Structure — [**REDACTED**] Share Award Scheme" for details.

Below is a full list of the grantees of the Awards under the [**REDACTED**] Share Award Scheme:

Name	Address	Position	Date of Grant	Vesting Period	Number of outstanding Shares underlying the Awards granted as of the date of this Document and immediately before the completion of the [REDACTED] and the [REDACTED]	Number of outstanding Shares underlying the Awards granted as of the date of this Document and immediately after the completion of the [REDACTED] and the [REDACTED][(1)]	Approximately percentage in the issued Shares immediately after completion of the [REDACTED] and the [REDACTED][(1)]
Directors							
Tan Zheng (譚錚)	1801, Unit 2, 18th Floor, Building 6, No. 3, Wangjing East Garden, Chaoyang District, Beijing, China	Chairman of the Board, executive Director, and chief strategy officer	July 31, 2023	Note 2	27,129	[REDACTED]	[REDACTED]
Wang Xiaoyi (王曉怡)	304, 3/F, Building 7, Sunny View, No. 23 Huangsi Street, Xicheng District, Beijing, China	Executive Director, CEO and chief research officer	July 31, 2023	Note 2	26,946	[REDACTED]	[REDACTED]
Subtotal of Directors	–	–	–	–	54,075	[REDACTED]	[REDACTED]

Name	Address	Position	Date of Grant	Vesting Period	Number of outstanding Shares underlying the Awards granted as of the date of this Document and immediately before the completion of the [REDACTED] and the [REDACTED]	Number of outstanding Shares underlying the Awards granted as of the date of this Document and immediately after the completion of the [REDACTED] and the [REDACTED][(1)]	Approximately percentage in the issued Shares immediately after completion of the [REDACTED] and the [REDACTED][(1)]
Members of Senior Management (excluding Mr. Tan and Dr. Wang)							
Cai Longjun (蔡龍軍)	402, Gate 1, No. 12 Building, Zhongli, Baiwanzhuang, Xicheng District, Beijing, China	Chief technology officer and chief operating officer	July 31, 2023	Note 2	12,631	[REDACTED]	[REDACTED]
Wang Junjie (王俊傑)	1-3-804, No. 1 Courtyard, Tianying Road, Chaoyang District, Beijing, China	CFO	July 31, 2023	Note 2	1,266	[REDACTED]	[REDACTED]
Lai Zhiyuan (賴知遠)	2004, Building 1, Huishi Xinyuan, Guangcai Road, Fengtai District, Beijing, China	Vice president of market and operation	July 31, 2023	Note 2	1,266	[REDACTED]	[REDACTED]
Subtotal of Members of Senior Management (excluding Mr. Tan and Dr. Wang)	–	–	–	–	15,163	[REDACTED]	[REDACTED]

Name	Address	Position	Date of Grant	Vesting Period	Number of outstanding Shares underlying the Awards granted as of the date of this Document and immediately before the completion of the [REDACTED] and the [REDACTED]	Number of outstanding Shares underlying the Awards granted as of the date of this Document and immediately after the completion of the [REDACTED] and the [REDACTED][(1)]	Approximately percentage in the issued Shares immediately after completion of the [REDACTED] and the [REDACTED][(1)]
41 Other Employees							
Li Tianyou (李天佑)	Room 704, Unit 2, Block 8, Duying Neighborhood, Sunshine Jubao Villa, No. 88 Xuanwu Avenue (Xuanwu Lake Street), Xuanwu District, Nanjing, Jiangsu Province, China	Head of Operations (Divinity/ Cardiology)	July 31, 2023	Note 2	1,266	[REDACTED]	[REDACTED]
Yang Xuewen (楊學文)	Room 1802, Unit 1, Building 1, Jinwei Jiayuan, No. 158 Wuling Road, Qingyuan Street, Tianxin District, Changsha City, Hunan Province, China	Head of Changsha Zhijingling	July 31, 2023	Note 2	1,085	[REDACTED]	[REDACTED]
Ma Xiaohui (馬小卉)	502, Unit 2, Building 14, Jinhuiyuan Sanli, Daxing District, Beijing, China	Head of Children's Programs	July 31, 2023	Note 2	940	[REDACTED]	[REDACTED]
Liu Chenyang (劉晨陽)	1601, 16/F, Building 5, Runfeng Xinshang, Tiantongyuan South Street, Changping District, Beijing, China	Head of Elderly Products	July 31, 2023	Note 2	723	[REDACTED]	[REDACTED]

Name	Address	Position	Date of Grant	Vesting Period	Number of outstanding Shares underlying the Awards granted as of the date of this Document and immediately before the completion of the [REDACTED] and the [REDACTED]	Number of outstanding Shares underlying the Awards granted as of the date of this Document and immediately after the completion of the [REDACTED] and the [REDACTED][(1)]	Approximately percentage in the issued Shares immediately after completion of the [REDACTED] and the [REDACTED][(1)]
Zhang Kun (張坤)	2402, Unit 2, Building 6, Luxin Home, Dongxiaokou Town, Changping District, Beijing, China	Chief Safety Officer	July 31, 2023	Note 2	723	[REDACTED]	[REDACTED]
Shen Yi (沈一)	1106, Building 419, Wangjing Xiyuan 4, Wangjing Street, Chaoyang District, Beijing, China	Algorithm Director	July 31, 2023	Note 2	652	[REDACTED]	[REDACTED]
Guan Song (管嵩)	Room 202, 2/F, Unit 1, Building 1, Guanjingyuan, Dongsheng District, Haidian District, Beijing, China	Product Designer	July 31, 2023	Note 2	543	[REDACTED]	[REDACTED]
Liu Yanling (劉豔玲)	1108, Building 3, Urban Wangjing Community, Zhongguancun Street, Haidian District, Beijing, China	Head of Administration	July 31, 2023	Note 2	543	[REDACTED]	[REDACTED]
Qing Li (秦麗)	501, 5/F, Unit 7, Building 8, Baosheng Beili, Haidian District, Beijing, China	Head of Children's Cognitive	July 31, 2023	Note 2	543	[REDACTED]	[REDACTED]

Name	Address	Position	Date of Grant	Vesting Period	Number of outstanding Shares underlying the Awards granted as of the date of this Document and immediately before the completion of the [REDACTED] and the [REDACTED]	Number of outstanding Shares underlying the Awards granted as of the date of this Document and immediately after the completion of the [REDACTED] and the [REDACTED][(1)]	Approximately percentage in the issued Shares immediately after completion of the [REDACTED] and the [REDACTED][(1)]
Bian Zhiming (邊誌明)	Block E 105, Urban Youth Community, Qinghe Street, Haidian District, Beijing, China	Head of Geriatric Research	July 31, 2023	Note 2	543	[REDACTED]	[REDACTED]
Zhang Maowen (張茂聞)	701, Unit 2, Building 4, Meilifang, Chaoyang District, Beijing, China	Senior Finance Manager	July 31, 2023	Note 2	543	[REDACTED]	[REDACTED]
Ma Zhujiang (馬珠江)	No. 9, Unit 1, Building 19, Yongle East District, Babaoshan Street, Shijingshan District, Beijing, China	Head of Research	July 31, 2023	Note 2	543	[REDACTED]	[REDACTED]
Tong Shuang (佟雙)	Room 302, Unit 1, Building 1, No. 9 Courtyard, South Tiancun Mountain Road, Tiancun Street, Haidian District, Beijing, China	Technical Director	July 31, 2023	Note 2	543	[REDACTED]	[REDACTED]

Name	Address	Position	Date of Grant	Vesting Period	Number of outstanding Shares underlying the Awards granted as of the date of this Document and immediately before the completion of the [REDACTED] and the [REDACTED]	Number of outstanding Shares underlying the Awards granted as of the date of this Document and immediately after the completion of the [REDACTED] and the [REDACTED][(1)]	Approximately percentage in the issued Shares immediately after completion of the [REDACTED] and the [REDACTED][(1)]
Ye Yongcong (葉泳聰)	1404, Unit 2, Building 1, No. 6 Courtyard, Sanhuan Xincheng, Xincun Street, Fengtai District, Beijing, China	Head of Center Stage	July 31, 2023	Note 2	543	[REDACTED]	[REDACTED]
Du Xin (杜鑫)	1305, Building 2, Xibahe Beili, Chaoyang District, Beijing, China	Art Director	July 31, 2023	Note 2	543	[REDACTED]	[REDACTED]
Qi Yujuan (戚聿娟)	2002, Building 20, Yuhui Xili, Datun Street, Chaoyang District, Beijing, China	Project Manager	July 31, 2023	Note 2	543	[REDACTED]	[REDACTED]
Huang Jianxing (黃建興)	Unit 402, Unit 5, Building No. 7, Chaoyang New City 3, Dongba, Chaoyang District, Beijing, China	Planning Director	July 31, 2023	Note 2	543	[REDACTED]	[REDACTED]
Dong Ming (董明)	Room 503, Building 210, Jijingqinyuan Community, No. 214, Nanhu Xiyuan Jia, Wangjing Street, Chaoyang District, Beijing, China	Data Director	July 31, 2023	Note 2	543	[REDACTED]	[REDACTED]

Name	Address	Position	Date of Grant	Vesting Period	Number of outstanding Shares underlying the Awards granted as of the date of this Document and immediately before the completion of the [REDACTED] and the [REDACTED]	Number of outstanding Shares underlying the Awards granted as of the date of this Document and immediately after the completion of the [REDACTED] and the [REDACTED][(1)]	Approximately percentage in the issued Shares immediately after completion of the [REDACTED] and the [REDACTED][(1)]
Zhou Bing (周冰)	Room 303, No. 55 Building, Tiantongdongyuan 1, Tiantongyuan South Street, Changping District, Beijing, China	Front-end Manager	July 31, 2023	Note 2	543	[REDACTED]	[REDACTED]
Wang Yunxia (王雲霞)	Room 1403, 14th Floor, Building 33, Tianzeyuan, Chunhua Street, Jiangning District, Nanjing, Jiangsu Province, China	Data Analyst	July 31, 2023	Note 2	362	[REDACTED]	[REDACTED]
Pan Xingliang (潘興亮)	No. 231 House, Hebei Xinying, Xiaojiahe, Malianwa Street, Haidian District, Beijing, China	Cognitive Center Construction Leader	July 31, 2023	Note 2	362	[REDACTED]	[REDACTED]
Dong Xiao (董曉)	301, Unit 1, Building 15, Fuxi Home, Haidian District, Beijing, China	Operations Manager	July 31, 2023	Note 2	181	[REDACTED]	[REDACTED]

Name	Address	Position	Date of Grant	Vesting Period	Number of outstanding Shares underlying the Awards granted as of the date of this Document and immediately before the completion of the [REDACTED] and the [REDACTED]	Number of outstanding Shares underlying the Awards granted as of the date of this Document and immediately after the completion of the [REDACTED] and the [REDACTED][(1)]	Approximately percentage in the issued Shares immediately after completion of the [REDACTED] and the [REDACTED][(1)]
Luo Chuan (羅川)	1302, Unit 5, Building 16, No. 85, West Jiancaicheng Road, Haidian District, Beijing, China	Android Team Leader	July 31, 2023	Note 2	181	[REDACTED]	[REDACTED]
Li Guohua (李國華)	602, Unit 2, Building 26, Baigezhuang Xincun East Area, Beiqijia Town, Changping District, Beijing, China	Test Manager	July 31, 2023	Note 2	181	[REDACTED]	[REDACTED]
Zhang Feng (張楓)	Room 3-302, Building 207, Xiangliuyuan Community, Gaomidian Street, Daxing District, Beijing, China	Medical Device Registration Director	July 31, 2023	Note 2	181	[REDACTED]	[REDACTED]
Sun Yuewen (孫悅文)	1404, Unit 1, Building 6, Xinlongcheng Community, Huilongguan Street, Changping District, Beijing, China	Medical Program Managers	July 31, 2023	Note 2	181	[REDACTED]	[REDACTED]

Name	Address	Position	Date of Grant	Vesting Period	Number of outstanding Shares underlying the Awards granted as of the date of this Document and immediately before the completion of the [REDACTED] and the [REDACTED]	Number of outstanding Shares underlying the Awards granted as of the date of this Document and immediately after the completion of the [REDACTED] and the [REDACTED][(1)]	Approximately percentage in the issued Shares immediately after completion of the [REDACTED] and the [REDACTED][(1)]
Li Yaoyu (李耀宇)	501, Unit 4, Building 24, No. 3, Caoqiao Xinyuan, Huaxiang Street, Fengtai District, Beijing, China	Head of Internal Audit	July 31, 2023	Note 2	181	[REDACTED]	[REDACTED]
Gao Wei (高偉)	Room 441, 4/F, Unit 4, Building 27, JiaYunYuan 3rd District, Tiantongyuan South Street, Changping District, Beijing, China	Backend Team Leader	July 31, 2023	Note 2	181	[REDACTED]	[REDACTED]
Liu Chuan (劉川)	No.24, Taoyuan, Taoyuan Village, Zhaohe Town, Fangcheng County, Henan Province, China	Senior Algorithm Engineer	July 31, 2023	Note 2	181	[REDACTED]	[REDACTED]
Li Hai (李海)	Room 806, Unit 1, Building B, South 2nd District, Hongfuyuan, Zhenggezhuang Village, Beiqijia Town, Changping District, Beijing, China	Development Engineer	July 31, 2023	Note 2	109	[REDACTED]	[REDACTED]

Name	Address	Position	Date of Grant	Vesting Period	Number of outstanding Shares underlying the Awards granted as of the date of this Document and immediately before the completion of the [REDACTED] and the [REDACTED]	Number of outstanding Shares underlying the Awards granted as of the date of this Document and immediately after the completion of the [REDACTED] and the [REDACTED][(1)]	Approximately percentage in the issued Shares immediately after completion of the [REDACTED] and the [REDACTED][(1)]
Li Qingsong (李青松)	702, Unit 2, Building 19, Qingxiu Shangcheng, No.25 Jingxing Street, Nanshao Town, Changping District, Beijing, China	Development Manager	July 31, 2023	Note 2	109	[REDACTED]	[REDACTED]
Wei Mingyue (魏明月)	Room 301, Unit 4, North Building, Jiaoshi Building, Nanshao Town, Changping District, Beijing, China	Test Team Leader	July 31, 2023	Note 2	109	[REDACTED]	[REDACTED]
Cheng Zhenzhen (程禎禎)	Room 1701, 17/F, Unit 3, Building 3, Tangjialing New City East, Xibeiwang Town, Haidian District, Beijing, China	Human Resource Manager	July 31, 2023	Note 2	109	[REDACTED]	[REDACTED]
Zhang Baoyue (張寶月)	509, 5/F, Building 7, No. 2 Courtyard, Haiyue Wutongyuan, Xisanqi Street, Haidian District, Beijing, China	Language Project Leader	July 31, 2023	Note 2	109	[REDACTED]	[REDACTED]

Name	Address	Position	Date of Grant	Vesting Period	Number of outstanding Shares underlying the Awards granted as of the date of this Document and immediately before the completion of the [REDACTED] and the [REDACTED]	Number of outstanding Shares underlying the Awards granted as of the date of this Document and immediately after the completion of the [REDACTED] and the [REDACTED][(1)]	Approximately percentage in the issued Shares immediately after completion of the [REDACTED] and the [REDACTED][(1)]
Li Penghuai (李朋壞)	Room 301, Unit 6, Building 11, No. 1, Longboyuan, Changping District, Beijing, China	Data Development Engineer	July 31, 2023	Note 2	109	[REDACTED]	[REDACTED]
Zheng Miao (鄭淼)	1303, Building 4, Jianxiangyuan Community, College Road Street, Haidian District, Beijing, China	Dyslexia Hosting R&D	July 31, 2023	Note 2	109	[REDACTED]	[REDACTED]
Chang Sijia (常思佳)	A-5-Affliation 101, Wanhe Dadi Phase I, Pingdong Street, Xingyi City, Guizhou Province, Guizhou Southbuyi and Miao Autonomous Prefecture, China	Mental Program Leader	July 31, 2023	Note 2	109	[REDACTED]	[REDACTED]
Tong Chuantao (仝傳濤)	Room 501, Unit 3, Building 18, Longhuayuan Community, Longzeyuan Street, Huilongguan Town, Changping District, Beijing, China	Project Manager	July 31, 2023	Note 2	109	[REDACTED]	[REDACTED]

Name	Address	Position	Date of Grant	Vesting Period	Number of outstanding Shares underlying the Awards granted as of the date of this Document and immediately before the completion of the [REDACTED] and the [REDACTED]	Number of outstanding Shares underlying the Awards granted as of the date of this Document and immediately after the completion of the [REDACTED] and the [REDACTED][(1)]	Approximately percentage in the issued Shares immediately after completion of the [REDACTED] and the [REDACTED][(1)]
Fan Guoping (樊國平)	803, Unit 2, Building 4, Youyi Jiayuan, Youyi Road, Haidian District, Beijing, China	Development Team Leader II	July 31, 2023	Note 2	109	[REDACTED]	[REDACTED]
Li Ruixuan (李瑞璇)	502, Unit 2, 5th Floor, Building 13, Longzeyuan West District, Huilongzeyuan Street, Changping District, Beijing, China	Medical Program Manager	July 31, 2023	Note 2	109	[REDACTED]	[REDACTED]
Dai Tian (戴甜)	Gaotang Village Group, Shatang Village, Ringshui Township, Yuhu District, Xiangtan City, Hunan Province, China	Head of Administration	July 31, 2023	Note 2	109	[REDACTED]	[REDACTED]
Subtotal of 41 other employees	–	–	–	–	15,928	[REDACTED]	[REDACTED]
Total	–	–	–	–	85,166	[REDACTED]	[REDACTED]

Notes:

* The considerations paid for grant of the each Awarded Share and upon delivery of each Share upon vesting of each of the Awarded Share are nil and nil, respectively.

(1) Assuming (i) the [**REDACTED**] becomes unconditional and the [**REDACTED**] are issued and the [**REDACTED**] is completed pursuant to or in connection with the [**REDACTED**], and (ii) the [**REDACTED**] is not exercised.

(2) 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 [**REDACTED**];

(ii) 30% of such Awarded Shares shall be vested on the date of the second anniversary of the [**REDACTED**]; and

(iii) 40% of such Awarded Shares shall be vested on the date of the third anniversary of the [**REDACTED**].

OTHER INFORMATION

Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to impose on our Company or any of the subsidiaries of the Company.

Litigation

As of the Latest Practicable Date, no member of our Group was involved in any litigation, arbitration, administrative proceedings or claims of material importance, and, so far as we are aware, no litigation, arbitration, administrative proceedings or claims of material importance are pending or threatened against any member of our Group.

Joint Sponsors

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

CICC Healthcare Investment Fund, L.P., an affiliate of China International Capital Corporation Hong Kong Securities Limited, held approximately [**REDACTED**]% of the Company's equity interest as of the Latest Practicable Date and will be interested in approximately [**REDACTED**]% of the Company's equity interest immediately upon completion of the [**REDACTED**] and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised). CICC Healthcare Investment Fund, L.P. is affiliated with China International Capital Corporation Hong Kong Securities Limited given that (i) China International Capital Corporation Hong Kong Securities Limited is indirectly wholly owned by China International Capital Corporation Limited; and (ii) the general manager of CICC Healthcare Investment Fund, L.P., being CICC Healthcare Investment Management Limited, is wholly owned by CICC Capital (Cayman) Limited, an indirect subsidiary of China International Capital Corporation Limited. For more details of CICC Healthcare Investment Fund, L.P., see "History, Reorganization and Corporate Structure – Information about our [**REDACTED**] Investors – CICC Healthcare". In addition, the [**REDACTED**] Investment made by CICC Healthcare is not related to or a pre-requisite for the engagement of China International Capital Corporation Hong Kong Securities Limited as one of the Joint Sponsors for the proposed [**REDACTED**]

of the Company, and there is nothing that comes to the attention of the Joint Sponsors that would cause the Joint Sponsors to believe that the [**REDACTED**] Investment made by the CICC Healthcare has any actual or perceived influence on the independence of China International Capital Corporation Hong Kong Securities Limited as a sponsor for the proposed [**REDACTED**] of the Company. Therefore, China International Capital Corporation Hong Kong Securities Limited confirms that it satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Joint Sponsors have made an application on our Company's behalf to the Listing Committee of the Stock Exchange for the granting of the approval for the [**REDACTED**] of, and permission to [**REDACTED**], all the Shares in issue and to be issued as mentioned in this Document. All necessary arrangements have been made for the Shares to be admitted into CCASS.

The Joint Sponsors will receive an aggregate fee of US$1,000,000 for acting as the sponsors for the [**REDACTED**].

Preliminary Expenses

As of the Latest Practicable Date, our Company has not incurred any material preliminary expenses.

No Material Adverse Change

Our Directors confirm that up to the date of this Document, there has been no material adverse change in our financial, operational or trading positions or prospects since December 31, 2023, being the end of the period reported on as set out in the Accountants' Report included in Appendix I to this Document.

Promoter

Our Company has no promoter for the purpose of the [**REDACTED**]. Within the two years preceding the date of this Document, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoter in connection with the [**REDACTED**] and the related transactions described in this Document.

Taxation of holders of Shares

Hong Kong

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

Cayman Islands

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfer of Shares save for those which hold interest in land in the Cayman Islands.

Consultation with professional advisers

Intending holders of the Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of holding or disposing of or dealing in the Shares. It is emphasized that none of our Company, our Directors or the other parties involved in the [**REDACTED**] can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

Qualifications and Consents of Experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this Document:

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited	A licensed corporation to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities under the SFO
SPDB International Capital Limited	A licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
Commerce & Finance Law Offices	Legal advisers to our Company as to PRC law
Walkers (Hong Kong)	Legal advisers to our Company as to Cayman Islands law
Deloitte Touche Tohmatsu	Certified Public Accountants under Professional Accountant Ordinance (Chapter 50 of the Laws of Hong Kong) and Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

Each of the experts named above has given and has not withdrawn its consent to the issue of this Document with the inclusion of its report, letter, summary of valuations, valuation certificates and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

Binding Effect

This Document shall have the effect, if any application is made pursuant hereto, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

Bilingual Document

The English language and Chinese language versions of this Document are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and Chinese language version of this Document, the English language version shall prevail.

Miscellaneous

Save as disclosed in this Document:

(a) within the two years preceding the date of this Document, no share or loan capital of the Company or any of its subsidiaries has been issued or has been agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(b) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(c) no founder, management or deferred shares of the Company or any of its subsidiaries have been issued or have been agreed to be issued;

(d) none of our Directors or experts referred to in the paragraph headed "Other Information – Qualifications and consents of experts" in this section has any direct or indirect interest in the promotion of us, or in any assets which have within the two years immediately preceding the date of this Document been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(e) none of our Directors or experts referred to in the paragraph headed "Other Information – Qualifications and consents of experts" in this section is materially interested in any contract or arrangement subsisting at the date of this Document which is significant in relation to the business of our Group taken as a whole;

(f) none of the equity and debt securities of the Company is [**REDACTED**] or dealt in on any stock exchange (other than the Stock Exchange) nor is any [**REDACTED**] or permission to deal being or proposed to be sought;

(g) the Group has no outstanding convertible debt securities or debentures;

(h) within the two years preceding the date of this Document, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of our Group;

(i) within the two years preceding the date of this Document, no commission has been paid or is payable (except commissions to [**REDACTED**]) for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any Shares in our Company;

(j) there is no arrangement under which future dividends are waived or agreed to be waived; and

(k) there has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this Document.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

(a) the written consents referred to in the section headed "Appendix IV – Statutory and General Information – Other Information – Qualifications and Consent of Experts"; and

(b) a copy of each of the material contracts referred to in the section headed "Appendix IV – Statutory and General Information – Further Information about our Business – Summary of Material Contracts."

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the Company's website (**66nao.cn**) and the Stock Exchange's website (**https://www.hkexnews.hk**) up to and including the date which is 14 days from the date of this Document:

(a) the Memorandum and Articles of Association of our Company;

(b) the audited consolidated financial statements of our Company for the two financial years ended December 31, 2023;

(c) the Accountants' Report from Deloitte Touche Tohmatsu, the text of which is set out in Appendix I;

(d) the report on the unaudited [**REDACTED**] financial information from Deloitte Touche Tohmatsu, the text of which is set out in Appendices II;

(e) the legal opinion issued by Commerce & Finance Law Offices, our PRC Legal Advisor in respect of general matters and property interests of our Group in the PRC;

(f) the letter of advice from Walkers (Hong Kong), our legal adviser as to the law of the Cayman Islands, summarizing certain aspects of the Cayman Companies Act referred to in Appendix III;

(g) the report issued by Frost & Sullivan, a summary of which is set forth in the section headed "Industry Overview";

(h) the material contracts referred to in the section entitled "Appendix IV – Statutory and general information – Further Information about Our Business – Summary of Material Contracts";

(i) the written consents referred to in the section entitled "Appendix IV – Statutory and General Information – Other Information – Qualification and Consents of Experts";

(j) the service contracts and the letters of appointment with our Directors referred to in the section headed "Appendix IV – Statutory and general information – Further Information about our Directors, Chief Executives and Substantial Shareholders – 3. Director's Service Contracts and Letters of Appointment";

(k) the terms of the [**REDACTED**] Share Award Scheme; and

(l) the Cayman Companies Act.