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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)

(Stock Code: 6681)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2024

The board (the “**Board**”) of directors (the “**Director(s)**”) of BrainAurora Medical Technology Limited 脑动极光医疗科技有限公司 (the “**Company**”, and together with its subsidiaries, the “**Group**”) is pleased to announce the audited consolidated results of the Group for the year ended December 31, 2024 (the “**Reporting Period**”), together with the comparative figures for the year ended December 31, 2023. These annual results have been reviewed by the Company’s Audit Committee and audited by the Company’s auditor, Deloitte Touche Tohmatsu.

In this announcement, “we”, “us” and “our” refer to the Company and where the context otherwise requires, the Group. Certain amount and percentage figure included in this announcement have been subject to rounding adjustments or have been rounded to one or two decimal places, as appropriate. Any discrepancies in any table, chart or elsewhere totals and sums of amounts listed therein are due to rounding.

FINANCIAL HIGHLIGHTS

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

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended December 31, 2024 RMB'000	For the year ended December 31, 2023 RMB'000
	<i>NOTES</i>		
Revenue	4	122,311	67,200
Cost of sales		<u>(68,298)</u>	<u>(35,136)</u>
Gross profit		54,013	32,064
Other income	5	1,710	2,079
Other expenses and other gains and losses, net	6	3,326	2,318
Fair value gain (loss) of financial liabilities at fair value through profit or loss (“FVTPL”)		30,116	(165,216)
Impairment loss under expected credit loss (“ECL”) model, net of reversal		(11,480)	(848)
Selling and distribution expenses		(48,017)	(38,399)
Administrative expenses		(59,925)	(54,398)
Research and development expenses		(119,424)	(90,733)
Finance costs	7	(22,025)	(20,216)
Listing expenses		<u>(26,852)</u>	<u>(25,767)</u>
Loss before tax		(198,558)	(359,116)
Income tax expense	8	<u>(52)</u>	<u>—</u>
Loss and total comprehensive expense for the year	9	<u>(198,610)</u>	<u>(359,116)</u>
Loss for the year attributable to:			
Owners of the Company		(198,282)	(359,083)
Non-controlling interests		<u>(328)</u>	<u>(33)</u>
		<u>(198,610)</u>	<u>(359,116)</u>
Loss per share (RMB)	11		
Basic		(0.22)	(0.62)
Diluted		(0.23)	(0.62)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at December 31, 2024 RMB'000	As at December 31, 2023 RMB'000
	NOTES		
NON-CURRENT ASSETS			
Property, plant and equipment	12	23,386	23,503
Right-of-use assets	13	21,039	13,155
Intangible assets	14	2,909	4,222
Prepayments and other receivables	15	4,029	2,009
Restricted bank deposit	16	–	49,241
		<u>51,363</u>	<u>92,130</u>
CURRENT ASSETS			
Contract costs		534	4,094
Trade and other receivables and prepayments	15	134,221	76,053
Restricted bank deposit	16	69,495	165,000
Bank balances and cash	17	343,882	57,577
		<u>548,132</u>	<u>302,724</u>
CURRENT LIABILITIES			
Trade and other payables	18	56,090	43,261
Contract liabilities	21	10,075	3,804
Receipts in advance from cornerstone investors	25	320,971	–
Lease liabilities	20	11,823	7,927
Bank and other borrowings	22	21,261	22,083
Deferred income		1,696	225
Long-term bond – due within one year	19	74,663	–
Financial liabilities at FVTPL	23	285,428	315,544
		<u>782,007</u>	<u>392,844</u>
NET CURRENT LIABILITIES		<u>(233,875)</u>	<u>(90,120)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(182,512)</u>	<u>2,010</u>

	<i>NOTES</i>	As at December 31, 2024 <i>RMB'000</i>	As at December 31, 2023 <i>RMB'000</i>
NON-CURRENT LIABILITIES			
Contract liabilities	21	–	126
Lease liabilities	20	8,918	4,627
Long-term bond	19	271,617	329,438
Deferred income		977	–
		<u>281,512</u>	<u>334,191</u>
NET LIABILITIES		<u>(464,024)</u>	<u>(332,181)</u>
CAPITAL AND RESERVES			
Share capital	24	1	1
Reserves		<u>(463,654)</u>	<u>(332,139)</u>
Equity attributable to owners of the Company		(463,653)	(332,138)
Non-controlling interests		<u>(371)</u>	<u>(43)</u>
TOTAL DEFICITS		<u>(464,024)</u>	<u>(332,181)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

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

New and amendments to IFRSs in issue but not yet effective

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

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

¹ Effective for annual periods beginning on or after a date to be determined

² Effective for annual periods beginning on or after January 1, 2025

³ Effective for annual periods beginning on or after January 1, 2026

⁴ Effective for annual periods beginning on or after January 1, 2027

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

IFRS 18 Presentation and Disclosure in Financial Statements

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

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

3. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, 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.

4. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue

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

Notes:

- i The Group signed a three-year contract with the customer in October 2023 for training facilitation service and suspended it in January 2024 as requested by the customer. In April 2024, the Group and the customer entered into a termination agreement in relation to the training facilitation service.
- ii Others are mainly generated from sales of software systems and sales of electronic equipment with software systems.

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

(ii) Segment information

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

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

(iii) Information about major customers

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

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

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

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

5. OTHER INCOME

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

6. OTHER EXPENSES AND OTHER GAINS AND LOSSES, NET

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

Note: The repayments of long-term bond are re-estimated according to the expected listing date as the long-term bond will mature on the fifth anniversary of a qualified initial public offering (“IPO”).

7. FINANCE COSTS

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

8. INCOME TAX EXPENSE AND DEFERRED TAXATION

Income tax expense

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

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

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

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

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

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

Notes:

- i. Tax effect of expenses not deductible for tax purpose mainly includes fair value loss of financial liabilities at FVTPL, share-based payments and the listing expenses of the Company.
- ii. Pursuant to Caishui 2023 circular No. 7, Zhejiang BrainAurora Medical Technology Co., Ltd. (“**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, 2024 RMB'000	As at December 31, 2023 RMB'000
Deferred tax assets	3,363	3,237
Deferred tax liabilities	(3,363)	(3,237)
	—	—

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

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

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

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

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

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

9. LOSS FOR THE YEAR

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

10. DIVIDENDS

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

11. LOSS PER SHARE

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

	For the year ended December 31, 2024 RMB'000	For the year ended December 31, 2023 RMB'000
Loss		
Loss for the purpose of basic loss per share	(198,282)	(359,083)
Effect of dilutive potential ordinary shares:		
Adjustment of fair value gain on Series A-1 Preferred Shares	<u>(30,116)</u>	<u>—</u>
Loss for the purpose of diluted loss per share	<u>(228,398)</u>	<u>(359,083)</u>
	For the year ended December 31, 2024 Shares ('000)	For the year ended December 31, 2023 Shares ('000)
Number of shares		
Weighted average number of Ordinary Shares for the purpose of basic loss per share	904,122	583,796
Effect of dilutive potential ordinary shares:		
Conversion of Series A-1 Preferred Shares	<u>95,878</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u>1,000,000</u>	<u>583,796</u>

The weighted average number of Ordinary Shares for the purpose of calculating basic loss per share for the years ended December 31, 2024 and 2023 has been determined on the assumptions that the Share Subdivision as set out in Note 25 had been effective since January 1, 2023 and the Series A-1 Preferred Shares and the ordinary shares issued to Wisdomspirit Holding Limited (“**HoldCo**”) are not treated as outstanding Ordinary Shares and excluded in the calculation of basic loss per share.

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

12. PROPERTY, PLANT AND EQUIPMENT

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

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

13. RIGHT-OF-USE ASSETS

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

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

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

- ii. In January 2024, the Group reduced certain leased space. The Group reduced lease liabilities of RMB1,408,000 and right-of-use assets of RMB1,415,000 resulting in a loss of RMB7,000 in profit or loss.
- iii. In September 2024, the Group remeasured the lease liabilities of RMB10,786,000 due to a lease modification and made corresponding adjustment of RMB10,786,000 to the right-of-use assets.

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

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

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

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

The Group regularly entered into short-term leases for properties. As at December 31, 2024 and 2023, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense is disclosed in Note 9.

14. INTANGIBLE ASSETS

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

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

15. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

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

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

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

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

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

16. RESTRICTED BANK DEPOSIT

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

The restricted bank deposit carries interest at prevailing market rate of 0.10% per annum as at December 31, 2024 (2023: 0.25%) and withdrawal from the account is subject to endorsement of Shaoxing Binhai New Area Biomedical Industry Equity Investment Fund Partnership (LP)* (紹興濱海新區生物醫藥產業股權投資基金合夥企業(有限合夥)) (“**Shaoxing Fund**”), the details of which is set out in Note 19. The restriction of withdrawal endorsement was waived on January 14, 2025.

* English names are for identification purpose only.

17. BANK BALANCES AND CASH

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

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

18. TRADE AND OTHER PAYABLES

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

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

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

	As at December 31, 2024 RMB'000	As at December 31, 2023 RMB'000
Trade payables within 1 year	3,419	6,514
over 1 year	—	1,737
	<u>3,419</u>	<u>8,251</u>
Total	<u><u>3,419</u></u>	<u><u>8,251</u></u>

19. LONG-TERM BOND

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

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

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

- the investment of the Group to Binhai New Area, Shaoxing city is not lower than RMB50 million until the first anniversary of the subscription amount received; (the “**First Year Investment**”)
- the investment of the Group to Binhai New Area, Shaoxing city is not lower than RMB100 million until the second anniversary of the subscription amount received; (the “**Second Year Investment**”)
- the investment of the Group to Binhai New Area, Shaoxing city is not lower than RMB360 million until the third anniversary of the subscription amount received; (the “**Third Year Investment**”)
- the subscription amount is limited to be used for certain purposes, such as the Group’s ordinary operation, capital expenditure and working Capital (the “**Usage Limitation**”).

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

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

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

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

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

20. LEASE LIABILITIES

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

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

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

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

21. CONTRACT LIABILITIES

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

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

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

22. BANK AND OTHER BORROWINGS

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

Notes:

- i. In December 2022, BrainAu Medical Technology (Delaware) Co., LLC (“**BrainAu (Delaware)**”), a subsidiary of the Group, entered into a financing agreement with China Frontier Capital Holding Ltd., a shareholder of the Group. According to the original financing agreement, the borrowing amounted to USD1 million and is interest free and is due after the U.S. Food and Drug Administration approves the Section 510(k) registration for the Cognitive Impairment Assessment Software and Cognitive Impairment Treatment Software in the United States of America. During the current year, the payment term of the borrowing has been modified to payable within three months upon listing.
- ii. In 2024, the Group obtained two new bank borrowings of RMB10,000,000 and RMB4,072,000 which will be matured in 2025. The borrowings carry fixed interest of 5.00% and 3.00% per annum, respectively.

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

23. FINANCIAL LIABILITIES AT FVTPL

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

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

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

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

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

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

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

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

(a) Liquidation preferences

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

(b) Anti-dilution right

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

(c) Redemption right

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

Presentation and classification

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

24. SHARE CAPITAL

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

	As at December 31, 2024 RMB'000	As at December 31, 2023 RMB'000
Presented as	<u>1</u>	<u>1</u>

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

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

25. EVENTS AFTER THE REPORTING PERIOD

Events and transactions took place subsequent to December 31, 2024 are detailed as below:

- a. Pursuant to the written resolutions of all shareholders of the Company passed on December 24, 2024, each share in the then issued and unissued share capital with par value of USD0.0001 each has been split into 1,000 shares of the corresponding class with nominal value of USD0.0000001 each effective upon listing (the “**Share Subdivision**”).
- b. On January 8, 2025, the shares of the Company have been listed on the Main Board of the Stock Exchange following the completion of issue of 181,112,000 new shares at par value of US\$0.0000001 each at the offer price of HKD3.22 per share. The gross proceeds arising from the IPO amounted to approximately HKD583 million. The Company received the IPO funds of USD44,651,000 (equivalent to RMB320,971,000) in advance from certain cornerstone investors in December 2024, which was reclassified to equity on January 8, 2025 by issue of 106,747,000 new shares of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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

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

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

INDUSTRY OUTLOOK

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

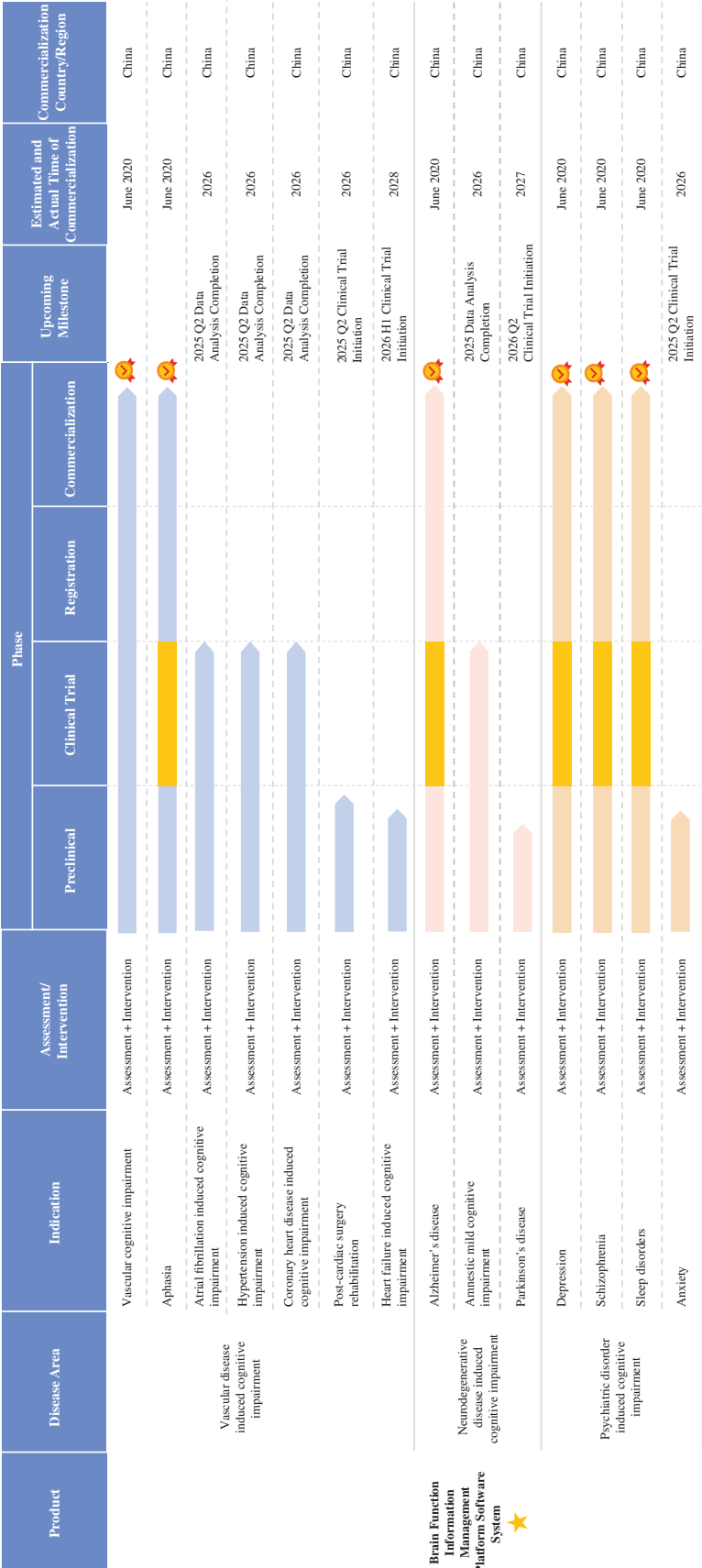
Cognitive impairment refers to deficits in neurocognitive domains that lead to a decline in cognition function. The causes of cognitive impairment primarily include the following: vascular diseases, neurodegenerative diseases, psychiatric disorders and child development deficiency, among others:

- Vascular disease induced cognitive impairment (the “**VDCI**”) is typically caused by brain damages due to impaired blood flow to the brain. The relevant types of vascular diseases generally include stroke, cerebral hemorrhage, or narrowed or chronically damaged blood vessels in the brain. Symptoms of VDCI include confusion, attention deficiency, difficulty with organization, unsteady gait and memory problems, among others.
- Neurodegenerative disease induced cognitive impairment (the “**NCI**”) are caused by conditions that cause progressive damage to brain cells, resulting in long-term cognitive decline. Alzheimer's disease and amnesic mild cognitive impairment are two common examples.
- Psychiatric disorder induced cognitive impairment (the “**PCI**”) are conditions in which individuals experience clinically significant disturbances in cognition, emotional regulation, or behavior. The causes of psychiatric disorders are complex and multifaceted, involving various factors such as genetics, family history, life experiences, substance use, and other biological factors.
- Child development deficiency induced cognitive impairment (the “**CDDCI**”) is present at birth and are caused by genetic conditions or brain damage that occurs during pregnancy or childbirth. Examples include Attention Deficit Hyperactivity Disorder (“**ADHD**”), dyslexia and autism.




















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





OUR PRODUCTS AND PRODUCT PIPELINE



The following chart summarizes the development status of our products as of the date of this announcement:



Brain Function
Information
Management
Platform Software
System
★

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	Assessment + Intervention						June 2020	China
	Autism	Assessment + Intervention	Assessment + Intervention						June 2020	China
	Language delay	Assessment + Intervention	Assessment + Intervention					2025 Q2 Clinical Trial Initiation	2026	China
	Cerebral palsy	Assessment + Intervention	Assessment + Intervention					2025 Q2 Clinical Trial Initiation	2026	China
	Dyslexia	Intervention	Intervention					2025 Q3 Clinical Trial Initiation	2026	China
Other disorders	Epilepsy	Assessment + Intervention	Assessment + Intervention					2025 Q2 Clinical Trial Initiation	2026	China
	Bone fracture induced pain	Assessment + Intervention	Assessment + Intervention					2025 Q4 Clinical Trial Completion	2026	China
	Diabetes	Assessment + Intervention	Assessment + Intervention					2025 Q3 Clinical Trial Initiation	2026	China
	Phenylketonuria induced cognitive impairment	Assessment + Intervention	Assessment + Intervention					2025 Q3 Clinical Trial Initiation	2027	China
	Kidney disease induced cognitive impairment	Assessment + Intervention	Assessment + Intervention					2025 Q3 Clinical Trial Initiation	2026	China
	Multiple sclerosis	Assessment + Intervention	Assessment + Intervention					2025 Q3 Clinical Trial Initiation	2026	China
	Hepatic encephalopathy	Assessment + Intervention	Assessment + Intervention					2025 Q3 Clinical Trial Initiation	2026	China
	Post-breast cancer surgery rehabilitation	Assessment + Intervention	Assessment + Intervention					2025 Q3 Clinical Trial Initiation	2027	China
	Post-lung cancer surgery rehabilitation	Assessment + Intervention	Assessment + Intervention					2025 Q3 Clinical Trial Initiation	2027	China
	Drug addiction	Assessment + Intervention	Assessment + Intervention					2025 Q3 Clinical Trial Initiation	2027	China

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

★ Core Product
 📌 Commercialized Product/Indication
  Product exempt from clinical trials under current relevant regulations
  Regulatory approvals obtained through submission of clinical evaluation materials on the System conducted by third parties

Our Core Product – Brain Function Information Management Platform Software System

Our Core Product, the System, is an evidence-based, medical-grade DTx product, and the first cognitive impairment DTx product in China to receive regulatory approval. In September 2018, we obtained the initial Class II medical device registration certificate from the Hunan Medical Products Administration (the “**Hunan MPA**”) for the System. In June 2020, we obtained an amended certificate (the “**2020 Amended Certificate**”) from the Hunan MPA to include the screening, assessment, recovery and data analysis of eight specific indications. In May 2023, we renewed the 2020 Amended Certificate with the Hunan MPA (the “**2023 Renewed Certificate**”), which contains the same indication coverage as the 2020 Amended Certificate.

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

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

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

Our Other Key Products and Product Candidates

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

Basic Cognitive Testing Software (the “BCAT”)

BCAT is designed to facilitate healthcare professionals’ assessment of patients’ basic cognitive capacity by enabling patients to self-administer tests of their cognitive capacities relating to processing speed, working memory, episodic memory, visual-spatial ability and verbal comprehension. We obtained a Class II medical device registration certificate from the Hunan MPA for the BCAT in October 2022. After obtaining regulatory approval in 2022, we have been and are undergoing further research and preparing additional scientific literature with regards to BCAT, which we believe would be conducive to improving its market recognition and acceptance by the medical community. We have commenced the initial commercialization of BCAT and expect to reach full commercialization in the first half of 2025.

Cognitive Ability Supplemental Screening and Assessment Software (the “SAS”)

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

Dyslexia Supplemental Screening and Assessment Software (the “DSS”)

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

Other Product Candidates

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

- *COVID-19 Induced Cognitive Impairment Assessment and Recovery Training Software:* We collaborated with Xuanwu Hospital Capital Medical University (首都醫科大學宣武醫院) on a clinical trial focused on cognitive decline due to COVID-19 infection, commonly referred to as “COVID-19 brain fog.” One of the trial’s design goals was to facilitate a Class II medical device registration approval and, therefore, the trial has a risk profile consistent with what is required for such approvals. We obtained ethics approval in July 2022, completed the clinical trial in October 2023 and submitted Class II medical device registration in the second quarter of 2024 and expect to receive registration approval in the second half of 2025. Once approved, we plan to promote the commercialization of this product through existing sales channels. As of the date of this announcement, the trial is associated with two of our patents or patent applications.
- *ADHD Assessment and Treatment Software:* We are currently under preclinical development of the Attention Deficit Hyperactivity Disorder Assessment and Treatment Software (“**ADHD Software**”). The ADHD Software has two main components: (i) the task-based cognitive assessment system; and (ii) the digitized question-based assessment system. The tasks in the task-based cognitive assessment system will cover cognitive domains including perception, attention, memory, action execution and mood regulation, while the question-based system will supplement the task-based cognitive assessments with our digitized version of traditional ADHD and cognitive dysfunction screening scales, including the tests based on ADHD Rating Scale – IV and the Achenbach Child Behavior Checklist, a test widely used to detect behavioral and emotional problems in children and adolescents.
- *Quantitative Cognitive Assessment Software for Depression:* We are conducting a clinical trial for the quantitative cognitive assessment software for depression, which is an electronic cognitive function assessment tool developed based on the latest scientific development on an understanding of human intelligence and cutting-edge clinical research on cognitive dysfunction associated with depression, and obtained ethics approval in February 2024. We have initiated the clinical trial and expect trial completion by the second quarter of 2025.
- *Depression Treatment Software:* We are currently under preclinical development of the depression treatment software, called “Mind Island Aurora,” which is a computerized system utilizing a combination of game-playing and Computerized Cognitive Behavioral Therapy to improve the symptoms related to. We expect to initiate clinical trial in the second quarter of 2025.
- *Cognitive Impairment Assessment Software and Cognitive Impairment Treatment Software:* In order to expand our international footprint and build global influence, we are developing the following products for the U.S. and the EU: Cognitive Impairment Assessment Software and Cognitive Impairment Treatment Software. On July 22, 2022, we obtained the CE mark in the EU for our Cognitive Impairment Treatment Software, which is exempted from clinical trial requirements under EU’s Medical Device Regulation and allows for its commercialization in the EU that is expected to commence in 2026. We are also developing our Cognitive Impairment Treatment Software and Cognitive Impairment Assessment Software in the U.S. in preparation for regulatory filings under Section 510(k).

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

RESEARCH AND DEVELOPMENT CAPABILITY

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

R&D Team

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

Product Design and Preclinical Development

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

Clinical Development

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

FUTURE DEVELOPMENT

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

FINANCIAL HIGHLIGHTS

Overview

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

Revenue

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

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

Cost of Sales

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

Gross Profit

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

Other Income

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

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

Other Gains and Losses, Net

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

Fair Value Changes of Financial Liabilities at FVTPL

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

Selling and Distribution Expenses

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

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

Administrative Expenses

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

Our administrative expenses increased from RMB54.40 million for the year ended December 31, 2023 to RMB59.93 million for the year ended December 31, 2024, representing an increase of 10.17%. The increase in our administrative expenses was primarily attributable to the facts that (i) an administrative expense of RMB27,274 thousand shall be recognized in 2024 since an entity awarded 85,166 awarded shares to 46 grantees (including Directors, senior management and other employees of the Group) on July 31, 2023, representing an increase of RMB9.35 million as compared with that of 2023; (ii) RMB5.53 million of restructuring related administrative expenses were incurred in 2023, while there were no such expenses incurred during the Reporting Period; (iii) depreciation and amortization of fixed assets increased by RMB1.23 million during the Reporting Period resulting from the purchase of fixed assets by an entity used for office purpose due to business expansion during the Reporting Period.

R&D Expenses

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

Our R&D expenses increased from RMB90.73 million for the year ended December 31, 2023 to RMB119.42 million for the year ended December 31, 2024, representing an increase of 31.62%. The increase in our R&D expenses was primarily due to the facts that (i) higher staff remuneration led to an increase of RMB12,739 thousand in R&D expenses; (ii) share-based payments increased by RMB8,288 thousand during the Reporting Period mainly attributable to the continuing amortisation of the share-based payments granted in July 2023; (iii) other piecemeal procurement and reimbursement increased by RMB6,693 thousand as compared with last year, representing an increase of 68%. The increase was mainly generated from technical service fee and patent service fee. During the Reporting Period, we increased our investment in R&D, and the technical service fee mainly represented software development service fee, including other software development service fee of cognitive trainings for the aged and children; (iv) service fee and cloud service fee increased by RMB5,013 thousand as compared with last year, representing an increase of 137%. Among them, the cloud service fee included service fee for Alibaba Cloud, Tencent Cloud and Huawei Cloud, and increased by RMB1,783 thousand during the Reporting Period.

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

	For the year ended December 31,			
	2024		2023	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Employee benefit expenses	54,750	45.8%	42,011	46.3%
Depreciation and amortization expenses	10,448	8.7%	9,353	10.2%
Collaboration expense ⁽¹⁾	1,912	1.6%	7,049	7.8%
Service expense	8,667	7.3%	3,654	4.0%
Procurement expenses	16,534	13.8%	9,841	10.9%
Share-based payments	27,113	22.8%	18,825	20.8%
Total	119,424	100%	90,733	100%

Note:

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

Finance Costs

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

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

Loss for the Year

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

Capital Management

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

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

Liquidity and Capital Resources

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

As of December 31, 2024, the current assets of the Group were RMB548.13 million, of which cash and cash equivalents amounted to RMB413.38 million and other current assets amounted to RMB143.75 million. The Group's cash and cash equivalents increased by RMB141.56 million to RMB413.38 million as of December 31, 2024 from RMB271.82 million as at December 31, 2023. The increase was mainly due to the fact that some IPO investors remitted their subscription amounts to the Group's account prior to December 31, 2024.

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

Borrowings

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

Charges on Group Assets

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

Key Financial Ratios

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

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

Notes:

- (1) Current ratio equals current assets divided by current liabilities as of the end of the year.
- (2) Trade payable turnover days for a period equals the arithmetic mean of the beginning and ending trade payables balances divided by cost of sales for that period and multiplied by the number of days in that period.
- (3) Trade receivable turnover days for a period equals the arithmetic mean of the beginning and ending trade receivable balances divided by revenue for that period and multiplied by the number of days in that period.

Significant Investments

The Group did not have any significant investments as of December 31, 2024. Save as disclosed in this announcement, the Group does not have other plans for significant investments or capital assets as of the date of this announcement.

Material Acquisitions and Disposals

The Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures for the year ended December 31, 2024.

Contingent Liabilities

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

Capital Expenditure and Commitments

Our capital expenditure for the year ended December 31, 2024 was RMB25.38 million, compared to RMB29.21 million for the year ended December 31, 2023. The decrease was primarily due to (i) the increased payment for tablets as an addition to fixed asset for the purpose of home-based business development, leading to an increase in the capital expenditure of RMB2.02 million as compared with last year; (ii) the decrease in right-of-use capital expenditures of RMB1.97 million as a result of the decreased further demand for lease of office building; and (iii) the decrease in capital expenditures of RMB3.89 million as compared with last year, because we did not increase large investment in intangible assets during the Reporting Period. Our capital expenditure primarily consisted of (i) additions of fixed assets, plant and equipment; (ii) additions of right-of-use assets; and (iii) additions of intangible assets.

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

Foreign Currency Risk

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

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

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 investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management in assessing our results of operations. The fair value loss of financial liabilities at FVTPL is adjusted because it will cease upon the completion of this Global Offering; share-based payments are adjusted because they are non-cash in nature. However, our non-IFRS measure does not have a standardized meaning prescribed by IFRS, and our adjusted net loss (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRS.

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

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

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

Employees and Remuneration Policy

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

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

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

Our employees' remuneration consists of salaries, bonuses, employees' provident fund and social security contributions and other welfare payments. In accordance with applicable 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.

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

Furthermore, we provide various incentives and benefits to our employees, including competitive salaries, bonuses and share-based payment, particularly our key employees. The Company has adopted share award scheme on July 30, 2023. For further details, please refer to the section headed “Pre-IPO Share Award Scheme” in Appendix IV to the prospectus of the Company dated December 30, 2024 (the “**Prospectus**”).

OTHER INFORMATION

Compliance with the Corporate Governance Code

The shares of the Company were not listed on the Stock Exchange as at December 31, 2024. The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted the code provisions as set out in the Corporate Governance Code contained in Appendix C1 to the Listing Rules as its own code of corporate governance. The Directors are of the view that from the Listing Date, being January 8, 2025, to the date of this announcement, the Company has fully complied with all applicable code provisions of the Corporate Governance Code.

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

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

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

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

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

Material Litigation

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

Use of Net Proceeds from the Listing

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

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

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

Audit Committee and Auditor

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

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

SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2024 as set out in the preliminary announcement have been agreed by the Group's auditor, Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board on March 28, 2025. The work performed by Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Deloitte Touche Tohmatsu on the preliminary announcement.

Events after the Reporting Period

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

Save as disclosed in this announcement, there were no important events affecting the Group occurred since December 31, 2024 and up to the date of this announcement.

Final Dividend

The Board did not recommend the distribution of a final dividend for the year ended December 31, 2024 (2023: nil).

Closure of Register of Members and Record Date

The register of members of the Company will be closed from Monday, June 16, 2025 to Thursday, June 19, 2025, both days inclusive, in order to determine the identity of Shareholders who are entitled to attend and vote at the annual general meeting to be held on Thursday, June 19, 2025. Shareholders whose names appear on the register of members of the Company on Thursday, June 19, 2025 (the record date) will be entitled to attend and vote at the annual general meeting. In order to be eligible to attend and vote at the annual general meeting, all transfer documents accompanied by relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:30 p.m. on Friday, June 13, 2025.

Publication of Annual Results Announcement and Annual Report

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (66nao.cn).

The annual report for the year ended December 31, 2024 containing all the information required by the Listing Rules will be published on the websites of the Stock Exchange and the Company in due course (and will be dispatched to the Shareholders of the Company, where applicable).

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

Hong Kong, March 28, 2025

As of the date of this announcement, the Board of the Company comprises: (i) Mr. Tan Zheng and Dr. Wang Xiaoyi as executive directors; (ii) Mr. Li Sirui, Ms. Li Mingqiu and Mr. Deng Feng as non-executive directors; and (iii) Mr. Lam Yiu Por, Dr. Duan Tao and Mr. Li Yuezhong as independent non-executive directors.