

*The following is the text of a report set out on pages I-1 to I-[66], received from the Company’s reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.*



**ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF BRAINAURORA MEDICAL TECHNOLOGY LIMITED AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND SPDB INTERNATIONAL CAPITAL LIMITED**

**Introduction**

We report on the historical financial information of BrainAurora Medical Technology Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-[3] to I-[66], which comprises the consolidated statements of financial position of the Group as at December 31, 2021, 2022 and 2023 and June 30, 2024, the statement of financial position of the Company as at December 31, 2023 and June 30, 2024, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the three years ended December 31, 2023 and the six months ended June 30, 2024 (the “Track Record Period”) and a summary of material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-[3] to I-[66] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the “Document”) in connection with the initial [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

**Directors’ responsibility for the Historical Financial Information**

The directors of the Company (the “Directors”) are responsible for the preparation and presentation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the Directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

**Reporting accountants’ responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

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Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the Group’s financial position as at December 31, 2021, 2022 and 2023 and June 30, 2024, of the Company’s financial position as at December 31, 2023 and June 30, 2024 and of the Group’s financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

### **Review of stub period comparative financial information**

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended June 30, 2023 and other explanatory information (the “Stub Period Comparative Financial Information”). The Directors are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

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**Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

*Adjustments*

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-[3] have been made.

*Dividends*

We refer to Note 14 to the Historical Financial Information which states that no dividend was declared or paid by group entities comprising the Group in respect of the Track Record Period.

**[Deloitte Touche Tohmatsu]**

*Certified Public Accountants*

Hong Kong

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**HISTORICAL FINANCIAL INFORMATION OF THE GROUP**

**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”) and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (“Underlying Financial Statements”).

The Historical Financial Information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

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**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	NOTES	For the year ended December 31,			For the six months ended June 30,	
		2021 RMB’000	2022 RMB’000	2023 RMB’000	2023 RMB’000 (Unaudited)	2024 RMB’000
Revenue	6	2,299	11,291	67,200	24,412	51,887
Cost of sales		(995)	(7,994)	(35,136)	(12,309)	(27,367)
Gross profit		1,304	3,297	32,064	12,103	24,520
Other income	7	1,478	3,915	2,079	1,692	582
Other gains and losses, net	8	(3)	3,098	2,318	2,139	2,135
Fair value loss of financial liabilities at fair value through profit or loss (“FVTPL”)	27	(623,764)	(385,886)	(165,216)	(163,543)	(243)
Impairment loss under expected credit loss (“ECL”) model, net of reversal		(13)	(50)	(848)	(248)	(4,142)
Selling and distribution expenses		(10,813)	(11,928)	(38,399)	(17,024)	(25,376)
Administrative expenses		(26,782)	(27,762)	(54,398)	(15,047)	(28,138)
Research and development expenses		(32,760)	(67,627)	(90,733)	(34,371)	(64,231)
Finance costs	9	(6,391)	(19,223)	(20,216)	(9,962)	(10,904)
[REDACTED] expenses		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other expenses		(94)	(295)	–	–	–
Loss before tax		(697,838)	(502,461)	(359,116)	(234,570)	(114,389)
Income tax expense	10	–	–	–	–	–
Loss and total comprehensive expense for the year/period	11	(697,838)	(502,461)	(359,116)	(234,570)	(114,389)
(Loss) profit for the year/period attributable to:						
Owners of the Company		(697,837)	(502,452)	(359,083)	(234,597)	(114,328)
Non-controlling interests		(1)	(9)	(33)	27	(61)
		(697,838)	(502,461)	(359,116)	(234,570)	(114,389)
Loss per share (RMB)	15					
Basic		(4.64)	(1.79)	(0.62)	(0.76)	(0.13)
Diluted		(4.64)	(1.79)	(0.62)	(0.76)	(0.13)

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**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

		As at December 31,			As at
	NOTES	2021	2022	2023	June 30,
		RMB'000	RMB'000	RMB'000	2024
					RMB'000
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	16	9,479	22,821	23,503	24,828
Right-of-use assets	17	17,721	11,088	13,155	7,802
Intangible assets	18	70	562	4,222	3,620
Prepayments and other receivables	19	3,328	3,437	2,009	2,822
Term deposits	21	–	73,006	–	–
Restricted bank deposit	21	–	–	49,241	–
		<u>30,598</u>	<u>110,914</u>	<u>92,130</u>	<u>39,072</u>
<b>CURRENT ASSETS</b>					
Contract costs		457	251	4,094	884
Trade and other receivables and prepayments	19	16,474	19,674	76,053	103,644
Amounts due from related parties	37	29	29	–	–
Financial assets at FVTPL	20	–	228,789	–	–
Restricted bank deposit	21	–	–	165,000	119,421
Term deposits	21	–	30,180	–	–
Bank balances and cash	21	323,740	28,251	57,577	55,906
		<u>340,700</u>	<u>307,174</u>	<u>302,724</u>	<u>279,855</u>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	22	13,974	17,746	43,261	46,842
Contract liabilities	25	450	1,023	3,804	5,837
Amounts due to related parties	37	2,364	2,364	–	–
Lease liabilities	24	6,686	7,523	7,927	5,534
Bank and other borrowings	26	–	6,965	22,083	16,127
Deferred Income		–	–	225	993
Financial liabilities at FVTPL	27	153,465	–	315,544	315,787
		<u>176,939</u>	<u>35,621</u>	<u>392,844</u>	<u>391,120</u>
<b>NET CURRENT ASSETS</b>					
(LIABILITIES)		<u>163,761</u>	<u>271,553</u>	<u>(90,120)</u>	<u>(111,265)</u>
<b>TOTAL ASSETS LESS CURRENT</b>					
LIABILITIES		<u>194,359</u>	<u>382,467</u>	<u>2,010</u>	<u>(72,193)</u>

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		As at December 31,			As at
	NOTES	2021	2022	2023	June 30,
		RMB'000	RMB'000	RMB'000	2024
					RMB'000
<b>NON-CURRENT LIABILITIES</b>					
Contract liabilities	25	283	427	126	41
Lease liabilities	24	10,880	3,796	4,627	1,125
Long-term bond	23	291,197	309,855	329,438	337,640
Financial liabilities at FVTPL	27	573,281	1,162,632	–	–
Deferred Income		–	–	–	267
		<u>875,641</u>	<u>1,476,710</u>	<u>334,191</u>	<u>339,073</u>
<b>NET LIABILITIES</b>		<u>(681,282)</u>	<u>(1,094,243)</u>	<u>(332,181)</u>	<u>(411,266)</u>
<b>CAPITAL AND RESERVES</b>					
Paid-in capital/share capital	28	3,935	4,430	1	1
Reserves		<u>(685,216)</u>	<u>(1,098,663)</u>	<u>(332,139)</u>	<u>(411,163)</u>
Equity attributable to owners of the Company		<u>(681,281)</u>	<u>(1,094,233)</u>	<u>(332,138)</u>	<u>(411,162)</u>
Non-controlling interests		<u>(1)</u>	<u>(10)</u>	<u>(43)</u>	<u>(104)</u>
<b>TOTAL DEFICITS</b>		<u>(681,282)</u>	<u>(1,094,243)</u>	<u>(332,181)</u>	<u>(411,266)</u>

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**STATEMENT OF FINANCIAL POSITION OF THE COMPANY**

	<i>NOTES</i>	<b>As at December 31, 2023 RMB’000</b>	<b>As at June 30, 2024 RMB’000</b>
<b>NON-CURRENT ASSET</b>			
Investments in subsidiaries	38	353,361	388,665
<b>CURRENT ASSETS</b>			
Other receivables and prepayments	19	8,007	10,688
Bank balances and cash	21	15,584	12,154
		23,591	22,842
<b>CURRENT LIABILITIES</b>			
Other payables	22	12,673	18,803
Amount due to a subsidiary	37	7,012	7,056
Financial liabilities at FVTPL	27	315,544	315,787
		335,229	341,646
<b>NET CURRENT LIABILITIES</b>		<b>(311,638)</b>	<b>(318,804)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>41,723</b>	<b>69,861</b>
<b>NET ASSETS</b>		<b>41,723</b>	<b>69,861</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	28	1	1
Reserves	29	41,722	69,860
<b>TOTAL EQUITY</b>		<b>41,723</b>	<b>69,861</b>



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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company					Shares	Accumulated	Subtotal	Non-controlling interests	Total
	Paid-in capital/Share capital	Share premium	Capital reserve	Share-based payments reserve	Other reserve	held under [REDACTED] Share Award Scheme				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Note v)	(Note vi)				
At January 1, 2021	2,194	-	-	630	8,938	-	(78,271)	(66,509)	-	(66,509)
Loss and total comprehensive expense for the year	-	-	-	-	-	-	(697,837)	(697,837)	(1)	(697,838)
Capital injection (Note i)	1,741	-	61,954	-	-	-	-	63,695	-	63,695
Recognition of equity-settled share-based payments (Note 32)	-	-	-	19,370	-	-	-	19,370	-	19,370
Vesting of equity granted (Note 32)	-	-	-	(20,000)	20,000	-	-	-	-	-
At December 31, 2021	3,935	-	61,954	-	28,938	-	(776,108)	(681,281)	(1)	(681,282)
Loss and total comprehensive expense for the year	-	-	-	-	-	-	(502,452)	(502,452)	(9)	(502,461)
Capital injection (Note ii)	495	-	89,005	-	-	-	-	89,500	-	89,500
At December 31, 2022	4,430	-	150,959	-	28,938	-	(1,278,560)	(1,094,233)	(10)	(1,094,243)
Loss and total comprehensive expense for the year	-	-	-	-	-	-	(359,083)	(359,083)	(33)	(359,116)
Capital injection (Note iii)	354	-	63,646	-	-	-	-	64,000	-	64,000
Recognition of equity-settled share-based payments (Note 32)	-	-	-	44,873	-	-	-	44,873	-	44,873
Reclassification from financial liabilities at FVTPL (Note 27)	10,107	-	1,002,197	-	-	-	-	1,012,304	-	1,012,304

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	Attributable to owners of the Company									
	Paid-in capital/ Share capital RMB’000	Share premium RMB’000	Capital reserve RMB’000	Share-based payments reserve RMB’000	Other reserve RMB’000 (Note v)	Shares held under [REDACTED] Share Award Scheme RMB’000 (Note vi)	Accumulated losses RMB’000	Subtotal RMB’000	Non- controlling interests RMB’000	Total RMB’000
Adjustment arising from the Reorganization (Note iv)	(14,891)	-	8,668	-	-	-	-	(6,223)	-	(6,223)
Issue of Ordinary Shares (as defined in Note 2) (Note 28)	1	6,223	-	-	-	-	-	6,224	-	6,224
Issue of Awarded Shares (Note vi)	-*	-	-	-	-	-*	-	-	-	-
At December 31, 2023	1	6,223	1,225,470	44,873	28,938	-*	(1,637,643)	(332,138)	(43)	(332,181)
Loss and total comprehensive expense for the period	-	-	-	-	-	-	(114,328)	(114,328)	(61)	(114,389)
Recognition of equity-settled share-based payments (Note 32)	-	-	-	35,304	-	-	-	35,304	-	35,304
At June 30, 2024	1	6,223	1,225,470	80,177	28,938	-*	(1,751,971)	(411,162)	(104)	(411,266)
For the six months ended June 30, 2023 (unaudited)										
At January 1, 2023	4,430	-	150,959	-	28,938	-	(1,278,560)	(1,094,233)	(10)	(1,094,243)
(Loss) profit and total comprehensive (expense) income for the period	-	-	-	-	-	-	(234,597)	(234,597)	27	(234,570)
Capital injection (Note iii)	354	-	63,646	-	-	-	-	64,000	-	64,000
At June 30, 2023 (unaudited)	4,784	-	214,605	-	28,938	-	(1,513,157)	(1,264,830)	17	(1,264,813)

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

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*Notes:*

- i. On September 8, 2021, Zhejiang BrainAurora Medical Technology Co., Ltd.\* (浙江腦動極光醫療科技有限公司, which was formerly known as Nanjing Wise Spirit Education Technology Co., Ltd.\* (南京智精靈教育科技有限公司) before September 2021)) (“BrainAurora Zhejiang”) entered into an investment agreement (the “Series B+ Financing”) with three independent investors (collectively as the “Series B+ Investors”), pursuant to which Series B+ Investors shall make total investments of RMB63,695,000 to subscribe new paid-in capital of RMB1,741,000 in BrainAurora Zhejiang (representing 12.40% equity interests in BrainAurora Zhejiang). The cash consideration was fully settled in 2021. The excess of RMB61,954,000 between the cash consideration of RMB63,695,000 and the new paid-in capital of RMB1,741,000 was recorded in capital reserve.
- ii. On March 20, 2022, BrainAurora Zhejiang entered into an investment agreement (the “Series C Financing”) with two independent investors and two of its existing shareholders (collectively as the “Series C Investors”), pursuant to which Series C Investors shall make total investments of RMB138,000,000 to subscribe new paid-in capital of RMB764,000 in BrainAurora Zhejiang (representing 5.16% equity interests in BrainAurora Zhejiang), out of which RMB89,500,000 was settled in 2022. The excess of RMB89,005,000 between the cash consideration of RMB89,500,000 and the new paid-in capital of RMB495,000 was recorded in capital reserve.
- iii. The remaining consideration of RMB48,500,000 of Series C Financing was settled in March 2023. The excess of RMB48,232,000 between the cash consideration of RMB48,500,000 and the new paid-in capital of RMB268,000 was recorded in capital reserve.

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

- iv. On June 30, 2023, as part of the group reorganization as set out in Note 2 to the Historical Financial Information, Zhejiang Zhiling Ruidong Medical Technology Co., Ltd.\* (浙江智靈睿動醫療科技有限公司) (“Zhiling Ruidong”), a subsidiary of the Company, acquired the then shareholders’ respective equity interests in BrainAurora Zhejiang for an aggregate cash consideration of RMB89,119,000. Included in the total consideration of RMB89,119,000, (i) consideration of RMB74,351,000 will be contributed to a subsidiary of Zhiling Ruidong, (ii) consideration of RMB6,223,000 will be invested to the Company’s Ordinary Shares (as defined in Note 2) which will be recognized as share capital and share premium and debited to capital reserve and (iii) consideration of RMB8,545,000 will be invested to the Company’s Series A-1 Preferred Shares (as defined in Note 2). The paid-in capital of BrainAurora Zhejiang of RMB14,891,000 was transferred to capital reserve upon the completion of the reorganization.
- v. Other reserve represents the balance of equity-settled share-based payments transferred from share-based payments reserve upon vesting.
- vi. On August 2, 2023, a total of 85,166 shares (the “Awarded Shares”) of the Company had been allotted and issued to Wisdomspirit Holding Limited (“HoldCo”), a company wholly owned by Trident Trust Company (HK) Limited (“Trident”), to facilitate the administration of the [REDACTED] Share Award Scheme as defined in Note 32. The Award Shares will be held in the HoldCo for the relevant selected participants until such Awarded Shares are vested. Based on the arrangements among the Company and Trident, the Company is able to control Trident and its subsidiary HoldCo. Therefore, the Group accounts for Trident and HoldCo as consolidated structured entities. The ordinary shares of the Company held by HoldCo are accounted for as a debit to the Group’s reserve and are presented under the heading of “Shares held under [REDACTED] Share Award Scheme” in the consolidated statements of changes in equity.

\* *English name is for identification purpose only.*

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**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
<b>OPERATING ACTIVITIES</b>					
Loss before tax	(697,838)	(502,461)	(359,116)	(234,570)	(114,389)
Adjustment for:					
Fair value gains on financial assets at FVTPL	–	(3,239)	(2,672)	(2,672)	–
Depreciation of property, plant and equipment	611	5,730	13,779	6,172	8,642
Depreciation of right-of-use assets	936	6,633	6,994	3,318	3,938
Amortization of intangible assets	81	67	493	112	869
Release of deferred government grants	–	–	–	–	(150)
Impairment loss under ECL model, net of reversal	13	50	848	248	4,142
(Gains) losses on disposal of property, plant and equipment	(6)	131	64	64	–
Interest income	(1,326)	(3,903)	(2,079)	(1,692)	(432)
Losses on lease modifications	–	–	223	–	7
Finance costs	6,391	19,223	20,216	9,962	10,904
Fair value loss of financial liabilities at FVTPL	623,764	385,886	165,216	163,543	243
Gain on re-estimated repayments of long-term bond	–	–	–	–	(2,151)
Recognition of equity-settled share-based payments	19,370	–	44,873	–	35,304
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Operating cash flows before movements in working capital	(48,004)	(91,883)	(111,161)	(55,515)	(53,073)
(Increase) decrease in contract costs	(439)	206	(3,843)	(829)	3,210
Increase in trade and other receivables and prepayments	(6,009)	(11,788)	(48,010)	(25,334)	(30,067)
Increase in trade and other payables	4,854	2,068	23,437	13,354	1,270
Increase in contract liabilities	392	717	2,480	2,318	1,948
Increase in deferred income	–	–	225	–	1,185
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u>(49,206)</u>	<u>(100,680)</u>	<u>(136,872)</u>	<u>(66,006)</u>	<u>(75,527)</u>

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	For the year ended December 31,			For the six months ended June 30,	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000	2024 RMB'000
				(Unaudited)	
<b>INVESTING ACTIVITIES</b>					
Interest received	1,308	2,626	2,918	2,828	198
Purchases of property, plant and equipment	(10,799)	(16,401)	(15,966)	(6,454)	(9,865)
Payments for right-of-use assets	(285)	–	(110)	–	–
Proceeds from disposal of property, plant and equipment	14	23	248	244	35
Payments for rental deposits	(2,184)	–	(1,474)	–	–
Purchases of financial assets at FVTPL	–	(1,261,080)	(559,011)	(559,011)	–
Proceeds from disposal of financial assets at FVTPL	–	1,035,530	790,472	774,199	–
Placement of restricted bank deposit	–	–	(414,100)	(314,100)	–
Withdrawal of restricted bank deposit	–	–	200,100	14,100	95,000
Placements of term deposits with original maturity over three months	–	(102,000)	(20,000)	(20,000)	–
Disposal of term deposits with original maturity over three months	–	–	122,000	122,000	–
Payments for intangible assets	(24)	(2,660)	(2,053)	(240)	(367)
Refund of rental deposit at end of a lease	–	–	–	–	1,001
Loans to third parties	(9,500)	–	(500)	(500)	–
Repayment of loan from a third party	–	9,500	–	–	–
Loan to a related party	(6)	–	–	–	–
Advance to related parties	–	–	(5,918)	(1,900)	–
Repayment of loan from a related party	–	–	29	–	–
Repayment of advance from related parties	–	–	5,918	–	–
<b>NET CASH (USED IN) FROM INVESTING ACTIVITIES</b>	<b>(21,476)</b>	<b>(334,462)</b>	<b>102,553</b>	<b>11,166</b>	<b>86,002</b>

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	NOTES	For the year ended December 31,			For the six months ended June 30,	
		2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (Unaudited)	2024 RMB'000
<b>FINANCING ACTIVITIES</b>						
Capital injection		63,695	89,500	64,000	64,000	–
Proceeds from bank and other borrowings		–	6,959	15,000	–	–
Proceeds from issue of long-term bond	23	300,000	–	–	–	–
Proceeds from issue of financial liabilities at FVTPL	27	50,000	50,000	–	–	–
Issue of Ordinary Shares		–	–	6,224	–	–
Payments to shareholders in relation to the group reorganization	2	–	–	(89,119)	–	–
Receipts from shareholders in relation to the group reorganization		–	–	82,896	–	–
Payment of financial advisory fees in relation to long-term bond		(15,000)	–	–	–	–
Repayment of bank borrowings		–	–	–	–	(6,000)
Payments of share issue costs		–	–	(4,531)	(393)	(1,152)
Interest paid		(194)	(565)	(633)	(189)	(551)
Repayment of lease liabilities		(806)	(6,247)	(7,946)	(3,952)	(4,487)
Repayment to related parties		(4,086)	–	(2,364)	(2,267)	–
<b>NET CASH FROM (USED IN) FINANCING ACTIVITIES</b>		<u>393,609</u>	<u>139,647</u>	<u>63,527</u>	<u>57,199</u>	<u>(12,190)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<u>322,927</u>	<u>(295,495)</u>	<u>29,208</u>	<u>2,359</u>	<u>(1,715)</u>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD</b>		<u>813</u>	<u>323,740</u>	<u>28,251</u>	<u>28,251</u>	<u>57,577</u>
Effect of foreign exchange rate changes		<u>–</u>	<u>6</u>	<u>118</u>	<u>261</u>	<u>44</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD</b>	21	<u><u>323,740</u></u>	<u><u>28,251</u></u>	<u><u>57,577</u></u>	<u><u>30,871</u></u>	<u><u>55,906</u></u>

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### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 1. GENERAL INFORMATION

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

On December 20, 2020, the acting in concert parties, namely Mr. Tan Zheng, Dr. Wang Xiaoyi and two entities controlled by Dr. Wang Xiaoyi (collectively referred to as the “the Onshore AIC Parties”), entered into an acting in concert agreement, pursuant to which, among others, the Onshore AIC Parties agreed to (i) act in concert for so long as they remain interested in the equity of BrainAurora Zhejiang; (ii) consult each other and reach a consensus before voting at the board meetings and shareholders’ meetings of BrainAurora Zhejiang; and (iii) in case the parties fail to reach a consensus, vote based on the opinion of Mr. Tan Zheng.

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

The Company is an investment holding company. Its subsidiaries are principally engaged to offer cognitive impairment digital therapeutics (“DTx”) integral software solutions in the PRC.

The Historical Financial Information is presented in RMB, which is also the functional currency of the Company.

No statutory financial statements of the Company have been prepared since its date of incorporation as it is incorporated in jurisdiction where there is no statutory audit requirements.

#### 2. GROUP REORGANIZATION, BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Prior to the group reorganization as detailed in the section headed “History, Reorganization and Corporate Structure” in the Document (the “Reorganization”), the operations of the Group were mainly carried out by BrainAurora Zhejiang and its subsidiaries in the PRC.

For the purpose of the proposed [REDACTED] on the Stock Exchange, the Group underwent the Reorganization which comprised the following steps:

1. The Company was incorporated as an exempted company with limited liability in the Cayman Islands on April 25, 2023 with an authorized share capital of United States Dollars (“USD”) 50,000 divided into 500,000,000 ordinary shares of USD0.0001 each.
2. On April 28, 2023, BrainAurora Limited (“BrainAurora”) was incorporated in the British Virgin Islands with an authorized share capital of USD50,000 divided into 50,000 ordinary shares of USD1 each, which were issued to the Company on incorporation. BrainAurora is wholly-owned by the Company.
3. On May 11, 2023, BrainAurora (HK) Medical Technology Limited (“BrainAurora (HK)”) was incorporated in Hong Kong as a direct wholly-owned subsidiary of BrainAurora.
4. On June 16, 2023, Zhiling Ruidong was established in the PRC with a registered capital of RMB100,000,000. Zhiling Ruidong is wholly-owned by BrainAurora (HK).

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- Between April 2023 and July 2023, the Company issued a total of 1,000,000 shares, consisted of 873,146 ordinary shares, 95,878 series A-1 preferred shares (“Series A-1 Preferred Shares”) and 30,976 series A-2 preferred shares (“Series A-2 Preferred Shares”) (“Series A-1 Preferred Shares” and “Series A-2 Preferred Shares” are collectively referred to as “Series A Preferred Shares”), for a subscription price of USD0.0001 per share proportionately to companies owned by the then shareholders of BrainAurora Zhejiang. The preferential rights for Series A-1 Preferred Shares and Series A-2 Preferred Shares are detailed in Note 27. The Company’s ordinary shares and Series A-2 Preferred Shares are collectively referred to as “Ordinary Shares”.
- On June 15, 2023, Zhiling Ruidong entered into capital injection agreements to make aggregate capital injection of RMB20,000,000 to BrainAurora Zhejiang to subscribe new paid-in capital of RMB1,655,000 of BrainAurora Zhejiang. The cash consideration was settled in August 2023.
- On June 30, 2023, Zhiling Ruidong entered into equity transfer agreements with the then shareholders of BrainAurora Zhejiang, pursuant to which Zhiling Ruidong acquired the then shareholders’ respective interest in BrainAurora Zhejiang for an aggregate cash consideration of RMB89,119,000. After the transfer, BrainAurora Zhejiang became a wholly-owned subsidiary of Zhiling Ruidong.

Upon completion of the Reorganization, the Company has become the holding company of the companies now comprising the Group by interspersing the Company, BrainAurora, BrainAurora (HK) and Zhiling Ruidong between BrainAurora Zhejiang and its then shareholders. The Group comprising of the Company and its subsidiaries resulting from the Reorganization is regarded as a continuing entity, and accordingly, the Historical Financial Information has been prepared as if the Company had always been the holding company of the Group.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Track Record Period and the consolidated statements of financial position as at December 31, 2021 and 2022 are prepared using the then carrying amounts in the financial statements of the companies comprising the Group as if the current group structure had been in existence throughout the Track Record Period or since their respective dates of incorporation or acquisition, where there is a shorter period.

The Group was in net current liabilities position of RMB111,265,000 mainly due to the balance of financial liabilities at FVTPL, i.e. Series A-1 Preferred Shares, of RMB315,787,000 as at June 30, 2024. The Series A-1 Preferred Shares will not be redeemed within the next twelve months from June 30, 2024 as disclosed in Note 27 that the redemption date has been extended to December 31, 2025 and was subsequently extended to June 30, 2026. After taking into account of the Group’s cashflow projection and expected working capital requirements, the management of the Group is satisfied that the Group is able to meet in full its financial obligations as they fall due for a period of twelve months from the end of Track Record Period and it is appropriate to prepare the Historical Financial Information on a going concern basis.

### 3. APPLICATION OF NEW AND AMENDMENTS TO IFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with IFRSs, which are effective for the accounting period beginning on January 1, 2024, throughout the Track Record Period.

#### New and amendments to IFRSs in issue but not yet effective

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

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to IAS 21	Lack of Exchangeability <sup>2</sup>
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments <sup>3</sup>
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards – Volume 11 <sup>3</sup>
IFRS 18	Presentation and Disclosure in Financial Statements <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after a date to be determined

<sup>2</sup> Effective for annual periods beginning on or after January 1, 2025

<sup>3</sup> Effective for annual periods beginning on or after January 1, 2026

<sup>4</sup> Effective for annual periods beginning on or after January 1, 2027

The Directors anticipate that the application of the above new and amendments to IFRSs will have no material impact on the Group’s financial statements in the foreseeable future.



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### 4. MATERIAL ACCOUNTING POLICY INFORMATION

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with IFRSs issued by the IASB. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information included applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

#### **Basis of consolidation**

The Historical Financial Information incorporates the financial statements of the Company and its subsidiaries. Control is achieved when the Company:

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

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

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

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

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

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

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

#### **Investments in subsidiaries**

Investments in subsidiaries are stated in the statements of financial position of the Company at cost less identified impairment loss, if any.

#### **Revenue from contracts with customers**

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

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### Leases

#### *The Group as lessee*

##### *Right-of-use assets*

The cost of right-of-use assets includes:

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

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

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

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

##### *Refundable rental deposits*

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

##### *Lease liabilities*

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

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

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

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

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group’s operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

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### Employee benefits

#### *Retirement benefit costs*

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

#### *Short-term employee benefits*

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

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

### Share-based payments

#### *Equity-settled share-based payment transactions*

##### *Shares granted to employees*

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

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve. For shares that vest immediately at the date of grant, the fair value of the shares granted is expensed immediately to profit or loss.

When shares granted are vested, the amount previously recognized in share-based payments reserve will be transferred to other reserve.

### Taxation

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

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

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

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

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

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

Current and deferred tax are recognized in profit or loss.

### **Property, plant and equipment**

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

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

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

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

### **Intangible assets**

#### ***Intangible assets acquired separately***

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

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### *Internally-generated intangible assets – research and development expenditure*

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

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

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

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

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

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

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

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

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

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

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If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit or a group of cash-generating units) in prior years/periods. A reversal of an impairment loss is recognized immediately in profit or loss.

### **Financial instruments**

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

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

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

### **Financial assets**

#### *Classification and subsequent measurement of financial assets*

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

#### *Amortized cost and interest income*

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

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### *Financial assets at FVTPL*

The Group’s financial assets that do not meet the criteria for being measured at amortized cost are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any interest earned on the financial asset and is included in the “other gains and losses, net” line item.

### *Impairment of financial assets*

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

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

The Group always recognizes lifetime ECL for trade receivables.

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

(i) Significant increase in credit risk

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

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

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

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

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

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

### (ii) Definition of default

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

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

### (iii) Credit-impaired financial assets

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

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

### (iv) Write-off policy

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



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(v) Measurement and recognition of ECL

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

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

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

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

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

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

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

### *Derecognition of financial assets*

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

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

### *Financial liabilities and equity*

#### *Classification as debt or equity*

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

#### *Equity instruments*

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

#### *Financial liabilities*

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL.

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### Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 *Business Combinations* applies, (ii) held for trading or (iii) designated as at FVTPL.

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire consolidated contract to be designated as at FVTPL.

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

### *Financial liabilities at amortized cost*

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

### *Foreign exchange gains and losses*

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

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

### *Derecognition of financial liabilities*

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

### *Modification of financial liabilities*

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

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### *Derivative financial instruments*

Derivatives are initially recognized at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss.

### **5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### **Critical judgment in applying accounting policies**

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

#### ***Research and development expenditures***

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

The Directors assess the progress of each of the research and development projects and determine whether the criteria are met for capitalization. During the Track Record Period, all development costs are expensed when incurred.

#### **Key sources of estimation uncertainty**

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

#### ***Fair value measurement of financial liabilities at FVTPL***

No quoted prices in an active market are available for the Group’s financial liabilities at FVTPL. These financial liabilities were valued by the Directors with the assistance of an independent qualified professional valuer not connected to the Group, which has appropriate qualifications and experience in valuation of similar financial instruments. The fair value of these financial liabilities is established by using valuation techniques as disclosed in Notes 27 and 34. Valuation techniques are certified by the valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Valuation models established by the valuer make the maximum use of market inputs and rely as little as possible on the Group’s specific data. However, it should be noted that some inputs, such as possibilities under different scenarios such as [REDACTED], liquidation and redemption, or discount for lack of marketability as appropriate, require management estimates. The estimates and assumptions are reviewed periodically by the Directors and adjusted if necessary. Should any of the estimates and assumptions changed, it may lead to a change in the fair value of financial liabilities at FVTPL. The fair value of financial liabilities at FVTPL at December 31, 2021, 2022 and 2023 and June 30, 2024 was RMB726,746,000, RMB1,162,632,000, RMB315,544,000 and RMB315,787,000, respectively.

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**6. REVENUE AND SEGMENT INFORMATION**

**(i) Disaggregation of revenue**

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
<b>Provision of the System integral software solutions</b>					
In hospitals	967	4,075	41,224	15,216	35,282
Out of hospitals	240	1,095	5,723	1,901	10,544
	<u>1,207</u>	<u>5,170</u>	<u>46,947</u>	<u>17,117</u>	<u>45,826</u>
Research projects	413	5,993	14,290	5,119	5,914
Training facilitation service <i>(Note i)</i>	–	–	5,085	1,324	–
Others <i>(Note ii)</i>	679	128	878	852	147
	<u>679</u>	<u>128</u>	<u>878</u>	<u>852</u>	<u>147</u>
Total	<u>2,299</u>	<u>11,291</u>	<u>67,200</u>	<u>24,412</u>	<u>51,887</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,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
<b>Timing of recognition</b>					
At a point in time	1,707	6,777	56,118	19,840	41,249
Over time	592	4,514	11,082	4,572	10,638
	<u>2,299</u>	<u>11,291</u>	<u>67,200</u>	<u>24,412</u>	<u>51,887</u>
<b>Geographical market</b>					
Mainland China	<u>2,299</u>	<u>11,291</u>	<u>67,200</u>	<u>24,412</u>	<u>51,887</u>

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

Revenue from provision of the System integral software solutions in hospitals and out of hospitals, research project and training facilitation service, are principal activities from which the Group generated its revenue during the Track Record Period.

#### (a) *Provision of the System integral software solutions*

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

#### (b) *Research projects*

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

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

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

#### (c) *Training facilitation service*

The Group earn revenue via assisting the customer, the organizer of the training sessions, in performing the organizational and logistical groundwork of training sessions for medical specialists in the cognitive impairment specialty. The revenue is recognized at a point in time when the training sessions are completed and the service fee is collected according to the number of medical specialists attending.

For certain contract of training facilitation service, the Group may be required to pay compensation to the customer if the number of medical specialists attended the training sessions for a period of one year is less than the required number that agreed in the contract, the Group accounts for the compensation as variable consideration contained in the contract and estimates the amount of consideration to which it will be entitled using the most likely amount, which better predicts the amount of consideration to which the Group will be entitled.

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

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

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

The transaction price of research projects for the period over one year allocated to the remaining performance obligations as at December 31, 2021, 2022 and 2023, and June 30, 2024 and the expected timing of recognizing revenue are as follows:

	As at December 31,			As at
	2021	2022	2023	June 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Within one year	–	5,494	7,723	2,285
More than one year but not more than two years	189	682	435	–
More than two years	189	317	–	–
Total	<u>378</u>	<u>6,493</u>	<u>8,158</u>	<u>2,285</u>

**(iv) Segment information**

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

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

**(v) Information about major customers**

During the Track Record Period, revenue from customers of the corresponding years/period contributing over 10% of the total revenue of the Group are as follows:

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Customer A	–	4,416	26,821	11,123	14,540
Customer B	815	2,239	10,970	5,616	5,674
Customer F	–	N/A*	6,821	N/A*	5,849
Customer H	283	–	–	–	–
	<u>283</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

The revenue from customer A and customer B included revenue from provision of the System integral software solutions in hospitals and research projects. The revenue from customer F included revenue from research projects. The revenue from customer H is revenue from other sales.

\* During the year ended December 31, 2022 and the six months ended June 30, 2023 (unaudited), revenue from customer F contributed less than 10% of the total revenue of the Group.

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**7. OTHER INCOME**

	For the year ended December 31,			For the six months ended June 30,	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000	2024 RMB'000
				<i>(Unaudited)</i>	
Interest income on bank balances, term deposits and restricted bank deposit	1,308	3,812	1,973	1,642	378
Interest income from rental deposits	18	91	106	50	54
Government grants related to research and development activities	–	–	–	–	150
Others	152	12	–	–	–
Total	<u>1,478</u>	<u>3,915</u>	<u>2,079</u>	<u>1,692</u>	<u>582</u>

**8. OTHER GAINS AND LOSSES, NET**

	For the year ended December 31,			For the six months ended June 30,	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000	2024 RMB'000
				<i>(Unaudited)</i>	
Fair value gains on financial assets at FVTPL	–	3,239	2,672	2,672	–
Gains (losses) on disposal of property, plant and equipment	6	(131)	(64)	(64)	–
Losses on lease modifications	–	–	(223)	–	(7)
Net foreign exchange loss	–	–	(67)	(469)	(9)
Gain on re-estimated repayments of long-term bond	–	–	–	–	2,151
Others	(9)	(10)	–	–	–
Total	<u>(3)</u>	<u>3,098</u>	<u>2,318</u>	<u>2,139</u>	<u>2,135</u>

**9. FINANCE COSTS**

	For the year ended December 31,			For the six months ended June 30,	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000	2024 RMB'000
				<i>(Unaudited)</i>	
Interest on bank borrowing	–	–	212	–	365
Interest expense on long-term bond	6,197	18,658	19,583	9,773	10,353
Interest on lease liabilities	194	565	421	189	186
Total	<u>6,391</u>	<u>19,223</u>	<u>20,216</u>	<u>9,962</u>	<u>10,904</u>

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**10. INCOME TAX EXPENSE AND DEFERRED TAXATION**

**Income tax expense**

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

No Hong Kong profit tax was provided for as there was no estimated assessable profit of the Group’s Hong Kong subsidiary that was subject to Hong Kong profit tax during the Track Record Period.

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

BrainAurora Zhejiang and Beijing Zhijingling Technology Co., Ltd.\* (北京智精靈科技有限公司) (“Beijing Zhijingling”) have been accredited as a High-New Technology Enterprise (the “HNTE”) by the Science and Technology Bureau of Beijing and relevant authorities in December 2019 for a term of three years ended December 31, 2021. The HNTE qualification of Beijing Zhijingling was further renewed and extended to year 2024. Beijing Zhijingling was subject to a preferential income tax rate of 15% from year 2019 to 2024. Pursuant to the notice of the Ministry of Finance and the State Administration of Taxation on extending the loss carrying forward period of HNTE and high-tech small and medium enterprises (Cai Shui 2018 No. 76), with effect from January 1, 2018, for qualified HNTE and high-tech small and medium enterprises, the unutilized tax losses incurred in the previous 5 years can be utilized in 10 years from the year of loss. The unutilized tax losses of Beijing Zhijingling incurred since year 2014 will be expired in 10 years from the year of loss. The unutilized tax losses of BrainAurora Zhejiang incurred since year 2014 to 2021 will be expired in 10 years from the year of loss.

No provision for PRC income tax was made as BrainAurora Zhejiang and its PRC subsidiaries incurred tax losses during the Track Record Period.

Income tax expense for the Track Record Period can be reconciled to loss before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				<i>(Unaudited)</i>	
Loss before tax	(697,838)	(502,461)	(359,116)	(234,570)	(114,389)
Tax at the statutory tax rate of 25%	(174,460)	(125,615)	(89,779)	(58,643)	(28,597)
Tax effect of expenses not deductible for tax purpose <i>(Note i)</i>	160,868	97,072	62,528	44,950	12,090
Tax effect of income not taxable for tax purpose	–	–	–	–	(538)
Tax effect of super deduction for research and development expenses <i>(Note ii)</i>	(4,629)	(15,173)	(12,018)	(7,028)	(8,440)
Tax effect of deductible temporary differences not recognized	3	12	207	62	1,083
Tax effect of tax losses not recognized and utilization of tax losses not recognized previously	18,218	43,704	39,062	20,659	24,402
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>



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*Notes:*

- i. Tax effect of expenses not deductible for tax purpose mainly includes fair value loss of financial liabilities at FVTPL, share-based payments and the [REDACTED] expenses of the Company.
- ii. Pursuant to Cai Shui 2018 No. 99 and Cai Shui 2021 No. 6, BrainAurora Zhejiang, Beijing Zhijingling and Changsha Zhijingling Education Technology Co., Ltd.\* (長沙智精靈教育科技有限公司) (“Changsha Zhijingling”) are entitled to claim 175% qualified research and development expenses so incurred as tax deductible expenses when determining their assessable profits from January 1, 2019 to December 31, 2023.

Pursuant to Caishui 2022 circular No. 16, Beijing Zhijingling enjoyed accelerated deduction of 200% on qualifying research and development expenses from January 1, 2022 to December 31, 2022 since it has been accredited as a technology-based small and medium-sized enterprise. Pursuant to Caishui 2022 circular No. 28, BrainAurora Zhejiang, Changsha Zhijingling and BrainAu Medical Technology (Nanjing) Co., Ltd.\* (腦動極光醫療科技(南京)有限公司) (“BrainAurora Nanjing”) enjoyed accelerated deduction of 200% on qualifying research and development expenses from October 1, 2022 to December 31, 2022. Pursuant to Caishui 2023 circular No. 7, BrainAurora Zhejiang and all its PRC subsidiaries enjoy accelerated deduction of 200% on qualifying research and development expenses from January 1, 2023.

\* *English name is for identification purpose only.*

**Deferred taxation**

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

	<b>As at December 31,</b>			<b>As at</b>
	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>June 30,</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<b>2024</b>
				<i>RMB’000</i>
Deferred tax assets	4,363	2,728	3,237	1,920
Deferred tax liabilities	(4,363)	(2,728)	(3,237)	(1,920)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

The followings are the deferred tax liabilities and assets recognized and movements thereon during the Track Record Period:

	<b>Tax losses</b>	<b>Right-of-use</b>	<b>Lease</b>	<b>Total</b>
	<i>RMB’000</i>	<i>assets</i>	<i>liabilities</i>	<i>RMB’000</i>
		<i>RMB’000</i>	<i>RMB’000</i>	
At January 1, 2021	–	–	–	–
Credit (charge) to profit or loss	23	(4,363)	4,340	–
At December 31, 2021	<u>23</u>	<u>(4,363)</u>	<u>4,340</u>	<u>–</u>
(Charge) credit to profit or loss	(15)	1,635	(1,620)	–
At December 31, 2022	<u>8</u>	<u>(2,728)</u>	<u>2,720</u>	<u>–</u>
Credit (charge) to profit or loss	90	(509)	419	–
At December 31, 2023	<u>98</u>	<u>(3,237)</u>	<u>3,139</u>	<u>–</u>
Credit (charge) to profit or loss	176	1,317	(1,493)	–
At June 30, 2024	<u>274</u>	<u>(1,920)</u>	<u>1,646</u>	<u>–</u>

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As at December 31, 2021, 2022 and 2023 and June 30, 2024, the Group had estimated unused tax losses of approximately RMB72,516,000, RMB247,273,000, RMB403,885,000 and RMB502,191,000, respectively, which are available for offset against future profits. Deferred tax asset has been recognized in respect of approximately RMB93,000, RMB33,000, RMB396,000 and RMB1,096,000 of such losses as at December 31, 2021, 2022 and 2023 and June 30, 2024. No deferred tax asset has been recognized in respect of the remaining approximately RMB72,423,000, RMB247,240,000, RMB403,489,000 and RMB501,095,000 due to the unpredictability of future profit streams as at December 31, 2021, 2022 and 2023 and June 30, 2024.

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

	As at December 31,			As at
	2021	2022	2023	June 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
2026	1,806	1,806	1,806	1,806
2027	–	21,077	21,077	21,077
2028	2,054	2,054	27,719	27,719
2029	2,818	2,818	2,818	25,674
2030	3,282	3,282	3,282	3,282
2031	62,463	62,463	62,463	62,463
2032	–	153,740	153,740	153,740
2033	–	–	130,584	130,584
2034	–	–	–	74,750
Total	72,423	247,240	403,489	501,095

As at December 31, 2021, 2022 and 2023 and June 30, 2024, the Group has deductible temporary differences of RMB13,000, RMB63,000, RMB891,000 and RMB5,221,000 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.

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**11. LOSS FOR THE YEAR/PERIOD**

	<b>For the year ended December 31,</b>			<b>For the six months ended June 30,</b>	
	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2023</b>	<b>2024</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
				<i>(Unaudited)</i>	
Loss for the year/period has been arrived at after charging:					
Staff costs, including directors’ remuneration					
– salaries and other allowances	30,905	66,869	69,079	29,911	33,031
– retirement benefits	2,702	7,326	6,301	3,015	3,446
– equity-settled share- based payments included in selling and distribution expenses	7,186	–	8,127	–	6,404
– equity-settled share- based payments included in administrative expenses	7,186	–	17,921	–	14,106
– equity-settled share- based payments included in research and development expenses	4,998	–	18,825	–	14,794
	<u>4,998</u>	<u>–</u>	<u>18,825</u>	<u>–</u>	<u>14,794</u>
Total staff costs	<u>52,977</u>	<u>74,195</u>	<u>120,253</u>	<u>32,926</u>	<u>71,781</u>
Auditor’s remuneration [REDACTED] expenses	6 [REDACTED]	9 [REDACTED]	13 [REDACTED]	13 [REDACTED]	62 [REDACTED]
Depreciation of property, plant and equipment	611	5,730	13,779	6,172	8,642
Depreciation of right-of- use assets	936	6,633	6,994	3,318	3,938
Amortization of intangible assets	81	67	493	112	869
	<u>81</u>	<u>67</u>	<u>493</u>	<u>112</u>	<u>869</u>
Total depreciation and amortization	<u>1,628</u>	<u>12,430</u>	<u>21,266</u>	<u>9,602</u>	<u>13,449</u>
Short-term lease expense	1,382	273	102	48	65
Sub-contracting costs in relation to clinical trials included in research and development expenses	–	264	7,049	2,311	1,300
	<u>–</u>	<u>264</u>	<u>7,049</u>	<u>2,311</u>	<u>1,300</u>

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**12. DIRECTORS’, CHIEF EXECUTIVE’S EMOLUMENTS**

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

**Year ended December 31, 2021**

	<b>Salaries and other allowances</b> <i>RMB’000</i>	<b>Retirement benefits</b> <i>RMB’000</i>	<b>Equity- settled share-based payments</b> <i>RMB’000</i>	<b>Total</b> <i>RMB’000</i>
Executive directors:				
Mr. Tan Zheng ( <i>Note a</i> )	–	–	14,372	14,372
Dr. Wang Xiaoyi ( <i>Note b</i> )	648	31	–	679
	<u>648</u>	<u>31</u>	<u>–</u>	<u>679</u>
Total	<u>648</u>	<u>31</u>	<u>14,372</u>	<u>15,051</u>

**Year ended December 31, 2022**

	<b>Salaries and other allowances</b> <i>RMB’000</i>	<b>Retirement benefits</b> <i>RMB’000</i>	<b>Equity- settled share-based payments</b> <i>RMB’000</i>	<b>Total</b> <i>RMB’000</i>
Executive directors:				
Mr. Tan Zheng ( <i>Note a</i> )	3,892	17	–	3,909
Dr. Wang Xiaoyi ( <i>Note b</i> )	805	60	–	865
	<u>3,892</u>	<u>77</u>	<u>–</u>	<u>3,909</u>
Total	<u>4,697</u>	<u>77</u>	<u>–</u>	<u>4,774</u>

**Year ended December 31, 2023**

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

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**Six months ended June 30, 2023 (Unaudited)**

	<b>Salaries and other allowances RMB’000</b>	<b>Retirement benefits RMB’000</b>	<b>Equity- settled share-based payments RMB’000</b>	<b>Total RMB’000</b>
Executive directors:				
Mr. Tan Zheng ( <i>Note a</i> )	1,881	17	–	1,898
Dr. Wang Xiaoyi ( <i>Note b</i> )	405	32	–	437
	<u>2,286</u>	<u>49</u>	<u>–</u>	<u>2,335</u>
Total	<u>2,286</u>	<u>49</u>	<u>–</u>	<u>2,335</u>

**Six months ended June 30, 2024**

	<b>Salaries and other allowances RMB’000</b>	<b>Retirement benefits RMB’000</b>	<b>Equity- settled share-based payments RMB’000</b>	<b>Total RMB’000</b>
Executive directors:				
Mr. Tan Zheng ( <i>Note a</i> )	511	24	11,656	12,191
Dr. Wang Xiaoyi ( <i>Note b</i> )	408	34	11,578	12,020
	<u>919</u>	<u>58</u>	<u>23,234</u>	<u>24,211</u>
Sub-total	<u>919</u>	<u>58</u>	<u>23,234</u>	<u>24,211</u>
Non-executive directors:				
Mr. Li Sirui ( <i>Note c</i> )	–	–	–	–
Ms. Li Mingqiu ( <i>Note c</i> )	–	–	–	–
Mr. Deng Feng ( <i>Note c</i> )	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Sub-total	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total	<u>919</u>	<u>58</u>	<u>23,234</u>	<u>24,211</u>

*Notes:*

- a. Mr. Tan Zheng joined the Group and was appointed as a director of BrainAurora Zhejiang in December 2020. Mr. Tan Zheng was appointed as a director of the Company in April 2023 and was re-designated as the chairman and an executive director in July 2023.
- b. Dr. Wang Xiaoyi joined the Group in September 2012. Dr. Wang Xiaoyi was appointed as chief executive officer and chief research officer of the Group since June 2020. Dr. Wang Xiaoyi was appointed as a director of the Company in April 2023 and was re-designated as an executive director in July 2023.
- c. Mr. Li Sirui, Ms. Li Mingqiu and Mr. Deng Feng were appointed as non-executive directors of the Company on July 30, 2023.

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

No independent non-executive director was appointed during the Track Record Period. Mr. Lam Yiu Por, Dr. Duan Tao and Mr. Li Yuezhong were appointed as independent non-executive directors on [●].

During the Track Record Period, Mr. Tan Zheng and Dr. Wang Xiaoyi were granted equity interest in BrainAurora Zhejiang and the Company at a discount to the fair value, in respect of their services to the Group, of which details are set out in Note 32.

There was no arrangement under which a director of the Company or the chief executive of the Group waived or agreed to waive any remuneration during the Track Record Period.

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**13. FIVE HIGHEST PAID EMPLOYEES**

The five highest paid employees of the Group included two, one, two, two (unaudited) and two directors for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, respectively, details of whose remuneration are set out in Note 12 above. Details of the remuneration for the remaining three, four, three, three (unaudited) and three employees who are not a director of the Company or chief executive of the Group for the Track Record Period were as follows:

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Salaries and other allowances	1,462	4,204	3,614	1,451	1,664
Retirement benefits	59	235	195	96	102
Equity-settled share-based payments	4,998	–	6,937	–	6,975
<b>Total</b>	<b>6,519</b>	<b>4,439</b>	<b>10,746</b>	<b>1,547</b>	<b>8,741</b>

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

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	No. of employees	No. of employees	No. of employees	No. of employees	No. of employees
				<i>(Unaudited)</i>	
Nil to Hong Kong dollar (“HKD”) 1,000,000	2	–	–	3	–
HKD1,000,001 to HKD1,500,000	–	3	–	–	2
HKD1,500,001 to HKD2,000,000	–	1	2	–	–
HKD2,000,001 to HKD3,000,000	1	–	–	–	–
HKD3,000,001 to HKD4,000,000	–	–	–	–	1
HKD4,000,001 to HKD5,000,000	–	–	1	–	–
<b>Total</b>	<b>3</b>	<b>4</b>	<b>3</b>	<b>3</b>	<b>3</b>

During the Track Record Period, no emoluments were paid by the Group to the directors of the Company or chief executive of the Group or the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

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**14. DIVIDENDS**

No dividend has been paid or declared by the group entities comprising the Group during the Track Record Period.

**15. LOSS PER SHARE**

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

	<b>For the year ended December 31,</b>			<b>For the six months ended June 30,</b>	
	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loss					
Loss for the year/period attributable to owners of the Company	<u>(697,837)</u>	<u>(502,452)</u>	<u>(359,083)</u>	<u>(234,597)</u>	<u>(114,328)</u>
	<b>For the year ended December 31,</b>			<b>For the six months ended June 30,</b>	
	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2023</b>	<b>2024</b>
	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>
	<i>('000)</i>	<i>('000)</i>	<i>('000)</i>	<i>('000)</i>	<i>('000)</i>
Number of shares					
Weighted average number of Ordinary Shares for the purpose of basic and diluted loss per share	<u>150,261</u>	<u>280,652</u>	<u>583,796</u>	<u>309,682</u>	<u>904,122</u>

The weighted average number of Ordinary Shares for the purpose of calculating basic loss per share for the Track Record Period has been determined on the assumptions that the [REDACTED] as set out in Note 41 and “Share Capital” section of the Document had been effective since January 1, 2021 and the Series A-1 Preferred Shares are not treated as outstanding Ordinary Shares and excluded in the calculation of basic loss per share.

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

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**16. 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>
<b>COST</b>						
At January 1, 2021	418	26	-	-	-	444
Additions	3,363	886	-	-	5,570	9,819
Transfer	-	-	-	438	(438)	-
Disposals	(10)	-	-	-	-	(10)
At December 31, 2021	3,771	912	-	438	5,132	10,253
Additions	2,835	4,364	442	-	11,585	19,226
Transfer	-	-	-	15,838	(15,838)	-
Disposals	(308)	(94)	-	-	-	(402)
At December 31, 2022	6,298	5,182	442	16,276	879	29,077
Additions	2,335	4,966	700	-	6,772	14,773
Transfer	752	-	-	6,427	(7,179)	-
Disposals	-	(381)	-	-	-	(381)
At December 31, 2023	9,385	9,767	1,142	22,703	472	43,469
Additions	4,879	2,660	-	-	2,463	10,002
Transfer	-	-	-	2,935	(2,935)	-
Disposals	-	(41)	-	-	-	(41)
At June 30, 2024	14,264	12,386	1,142	25,638	-	53,430
<b>ACCUMULATED DEPRECIATION</b>						
At January 1, 2021	139	26	-	-	-	165
Provided for the year	493	52	-	66	-	611
Disposals	(2)	-	-	-	-	(2)
At December 31, 2021	630	78	-	66	-	774
Provided for the year	1,572	791	22	3,345	-	5,730
Disposals	(213)	(35)	-	-	-	(248)
At December 31, 2022	1,989	834	22	3,411	-	6,256
Provided for the year	2,000	2,289	88	9,402	-	13,779
Disposals	-	(69)	-	-	-	(69)
At December 31, 2023	3,989	3,054	110	12,813	-	19,966
Provided for the period	1,315	1,773	44	5,510	-	8,642
Disposals	-	(6)	-	-	-	(6)
At June 30, 2024	5,304	4,821	154	18,323	-	28,602
<b>CARRYING VALUES</b>						
At December 31, 2021	3,141	834	-	372	5,132	9,479
At December 31, 2022	4,309	4,348	420	12,865	879	22,821
At December 31, 2023	5,396	6,713	1,032	9,890	472	23,503
At June 30, 2024	8,960	7,565	988	7,315	-	24,828



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

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

**17. RIGHT-OF-USE ASSETS**

	<b>Leasehold properties RMB’000</b>
<b>COST</b>	
At January 1, 2021	–
Addition	18,657
	<hr/>
At December 31, 2021 and 2022	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
Reduction of the leased space ( <i>Note ii</i> )	(2,673)
	<hr/>
At June 30, 2024	19,973
	<hr/>
<b>ACCUMULATED DEPRECIATION</b>	
At January 1, 2021	–
Change for the year	936
	<hr/>
At December 31, 2021	936
Charge for the year	6,633
	<hr/>
At December 31, 2022	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 period	3,938
Reduction of the leased space ( <i>Note ii</i> )	(1,258)
	<hr/>
At June 30, 2024	12,171
	<hr/>
<b>CARRYING VALUES</b>	
At December 31, 2021	17,721
	<hr/> <hr/>
At December 31, 2022	11,088
	<hr/> <hr/>
At December 31, 2023	13,155
	<hr/> <hr/>
At June 30, 2024	7,802
	<hr/> <hr/>

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*Notes:*

- i. In September 2023, the Group early terminated a lease with the lessor. The Group derecognized the right-of-use assets of RMB725,000 and lease liabilities of RMB495,000, resulting in a loss of RMB223,000 in profit or loss after consideration of refund of rental deposits.
- ii. In January 2024, the Group reduced certain leased space. The Group remeasured 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.

	<b>For the year ended December 31,</b>			<b>For the six months ended June 30,</b>	
	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Expense relating to short-term leases	1,382	273	102	48	65
Total cash outflow for leases	<u>2,680</u>	<u>7,101</u>	<u>8,660</u>	<u>4,172</u>	<u>4,711</u>

*(Unaudited)*

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, 2021, 2022 and 2023 and June 30, 2024, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense is disclosed in Note 11.

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**18. INTANGIBLE ASSETS**

	<b>Software</b> <i>RMB'000</i>	<b>Patent</b> <i>RMB'000</i>	<b>Others</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>COST</b>				
At January 1, 2021	700	–	–	700
Addition	24	–	–	24
	<u>724</u>	<u>–</u>	<u>–</u>	<u>724</u>
At December 31, 2021	724	–	–	724
Addition	559	–	–	559
	<u>1,283</u>	<u>–</u>	<u>–</u>	<u>1,283</u>
At December 31, 2022	1,283	–	–	1,283
Addition	1,953	2,000	200	4,153
	<u>3,236</u>	<u>2,000</u>	<u>200</u>	<u>5,436</u>
At December 31, 2023	3,236	2,000	200	5,436
Additions	267	–	–	267
	<u>3,503</u>	<u>2,000</u>	<u>200</u>	<u>5,703</u>
At June 30, 2024	3,503	2,000	200	5,703
<b>AMORTIZATION</b>				
At January 1, 2021	573	–	–	573
Charge for the year	81	–	–	81
	<u>654</u>	<u>–</u>	<u>–</u>	<u>654</u>
At December 31, 2021	654	–	–	654
Charge for the year	67	–	–	67
	<u>721</u>	<u>–</u>	<u>–</u>	<u>721</u>
At December 31, 2022	721	–	–	721
Charge for the year	265	128	100	493
	<u>986</u>	<u>128</u>	<u>100</u>	<u>1,214</u>
At December 31, 2023	986	128	100	1,214
Charge for the period	438	381	50	869
	<u>1,424</u>	<u>509</u>	<u>150</u>	<u>2,083</u>
At June 30, 2024	1,424	509	150	2,083
<b>CARRYING VALUE</b>				
At December 31, 2021	<u>70</u>	<u>–</u>	<u>–</u>	<u>70</u>
At December 31, 2022	<u>562</u>	<u>–</u>	<u>–</u>	<u>562</u>
At December 31, 2023	<u>2,250</u>	<u>1,872</u>	<u>100</u>	<u>4,222</u>
At June 30, 2024	<u>2,079</u>	<u>1,491</u>	<u>50</u>	<u>3,620</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

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**19. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS**

**The Group**

	As at December 31,			As at
	2021	2022	2023	June 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Trade receivables	1,136	8,422	50,740	78,818
Less: allowance for credit losses	(13)	(63)	(891)	(5,033)
	<u>1,123</u>	<u>8,359</u>	<u>49,849</u>	<u>73,785</u>
Prepayments for purchase of property, plant and equipment	1,126	5	18	763
Prepayments for purchase of intangible assets	–	2,101	101	101
Value added tax recoverable	1,463	364	1,649	952
Prepayments to suppliers and service providers	2,248	7,526	11,742	11,338
Rental deposits	2,202	2,293	3,880	2,933
Other deposits	461	97	107	143
Short-term loan receivables ( <i>Note</i> )	9,500	–	500	500
Receivables from third party payment platforms	222	864	1,005	3,994
Refund receivable	1,000	1,000	–	–
Deferred share issue costs	–	–	7,689	10,370
Prepayments for [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Others	<u>457</u>	<u>502</u>	<u>1,204</u>	<u>1,269</u>
Total	<u><u>19,802</u></u>	<u><u>23,111</u></u>	<u><u>78,062</u></u>	<u><u>106,466</u></u>
Analyzed as:				
Non-current	3,328	3,437	2,009	2,822
Current	<u>16,474</u>	<u>19,674</u>	<u>76,053</u>	<u>103,644</u>
Total	<u><u>19,802</u></u>	<u><u>23,111</u></u>	<u><u>78,062</u></u>	<u><u>106,466</u></u>

*Note:* These receivables were short-term loans to non-related parties, unsecured, interest free and repayable within one year.

As at January 1, 2021, trade receivables from contracts with customers amounted to RMB321,000.

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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,			As at
	2021	2022	2023	June 30,
	RMB’000	RMB’000	RMB’000	2024
				RMB’000
Trade receivables				
0~90 days	546	5,594	22,906	20,062
91~180 days	303	2,449	10,577	21,587
181~270 days	88	221	5,093	19,141
271~360 days	10	61	6,370	5,673
over 1 year	176	34	4,903	7,322
	<u>1,123</u>	<u>8,359</u>	<u>49,849</u>	<u>73,785</u>
Total	<u>1,123</u>	<u>8,359</u>	<u>49,849</u>	<u>73,785</u>

As at December 31, 2021, 2022 and 2023 and June 30, 2024, included in the Group’s trade receivables balance are debtors with aggregate carrying amount of RMB860,000, RMB7,371,000, RMB42,265,000 and RMB64,698,000 which are past due as at the reporting date. Out of the past due balances, RMB439,000, RMB829,000, RMB17,393,000 and RMB44,735,000 has been past due 90 days or more and is not considered as in default because the customers are mainly state-owned hospitals or state-owned universities which are with high credit ratings and frequently repay after due dates but usually settle the amounts in full and the amounts are still considered recoverable.

Details of impairment assessment of trade and other receivables are set out in Note 33.

**The Company**

	As at December 31, 2023	As at June 30, 2024
	RMB’000	RMB’000
Deferred share issue costs	7,689	10,370
Prepayments for [REDACTED] expenses	[REDACTED]	[REDACTED]
Total	<u>8,007</u>	<u>10,688</u>

**20. FINANCIAL ASSETS AT FVTPL**

	As at December 31,			As at
	2021	2022	2023	June 30,
	RMB’000	RMB’000	RMB’000	2024
				RMB’000
Financial assets at FVTPL	<u>–</u>	<u>228,789</u>	<u>–</u>	<u>–</u>

The Group invested in financial products managed by banks in the PRC which can be redeemed at any time or at maturity. There is no predetermined or guaranteed return for each product. Such financial products are accounted for as financial assets at FVTPL under IFRS 9.

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**21. RESTRICTED BANK DEPOSIT, TERM DEPOSITS AND BANK BALANCES AND CASH**

**The Group**

	As at December 31,			As at
	2021	2022	2023	June 30,
	RMB'000	RMB'000	RMB'000	2024
Restricted bank deposit	–	–	214,241	119,421

The restricted bank deposit carries interest at prevailing market rate of 0.25% per annum as at December 31, 2023 and 0.15% per annum as at June 30, 2024 and withdrawal from the account is subject to endorsement of Shaoxing Binhai New Area Biomedical Industry Equity Investment Fund Partnership (LP)\* (紹興濱海新區生物醫藥產業股權投資基金合夥企業 (有限合夥)) (“Shaoxing Fund”), the details of which is set out in Note 23.

\* English names are for identification purpose only.

	As at December 31,			As at
	2021	2022	2023	June 30,
	RMB'000	RMB'000	RMB'000	2024
Cash on hand	13	2	11	3
Bank balances	323,727	28,249	57,566	55,903
Term deposits	–	103,186	–	–
	<u>323,740</u>	<u>131,437</u>	<u>57,577</u>	<u>55,906</u>
Term deposits with original maturity over three months (Note i)	–	103,186	–	–
Cash and cash equivalents as stated in the consolidated statements of cash flows (Note ii)	<u>323,740</u>	<u>28,251</u>	<u>57,577</u>	<u>55,906</u>
	<u>323,740</u>	<u>131,437</u>	<u>57,577</u>	<u>55,906</u>
Restricted bank deposit, term deposits and bank balances and cash				
Analyzed as:				
Non-current	–	73,006	49,241	–
Current	<u>323,740</u>	<u>58,431</u>	<u>222,577</u>	<u>175,327</u>
	<u>323,740</u>	<u>131,437</u>	<u>271,818</u>	<u>175,327</u>
Restricted bank deposit, term deposits and bank balances and cash denominated in:				
RMB	323,740	124,473	261,191	168,121
USD	–	6,964	10,627	7,206
	<u>323,740</u>	<u>131,437</u>	<u>271,818</u>	<u>175,327</u>

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*Notes:*

- i. Term deposits with original maturity over three months were held within banks and carry interest at prevailing market rate of 3.30% to 3.50% per annum as at December 31, 2022. As at December 31, 2022, term deposits of RMB73,006,000 will mature in year 2025. All the term deposits were sold in the secondary market by June 2023.
- ii. Cash and cash equivalents comprise cash on hand and bank balances carry interest at prevailing market rate of 0.25% to 0.30% per annum, 0.25% to 0.30% per annum and 0.01% to 0.35% per annum and 0.01% to 0.25% per annum as at December 31, 2021, 2022 and 2023 and June 30, 2024, respectively.

**The Company**

	As at December 31, 2023 <i>RMB'000</i>	As at June 30, 2024 <i>RMB'000</i>
Bank balances	15,584	12,154
Bank balances denominated in:		
RMB	5,025	5,021
USD	10,559	7,133
	15,584	12,154

Bank balances carry interest at market rate of 0.01% per annum as at December 31, 2023 and June 30, 2024.

**22. TRADE AND OTHER PAYABLES**

**The Group**

	As at December 31,			As at
	2021 <i>RMB'000</i>	2022 <i>RMB'000</i>	2023 <i>RMB'000</i>	June 30, 2024 <i>RMB'000</i>
Trade payables	159	1,761	8,251	7,476
Accrued salaries and other allowances	6,424	4,747	8,927	6,308
Refund payables ( <i>Note</i> )	6,422	6,422	5,222	3,743
Deposits for the hardware for cognitive training out of hospital	136	444	1,879	4,827
Payables for acquisition of property, plant and equipment	146	1,850	670	1,552
Accrued [REDACTED] expenses and share issue costs	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other tax payables	471	1,036	2,761	1,573
Payables for research and development activities	–	–	1,026	1,641
Others	216	1,486	1,903	969
	13,974	17,746	43,261	46,842





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23. LONG-TERM BOND

	As at December 31,			As at
	2021	2022	2023	June 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Carrying amounts repayable:				
Between one to two years	–	–	–	72,380
Between two to five years	61,971	65,942	70,216	–
More than five years	229,226	243,913	259,222	265,260
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Amounts shown under non-current liabilities	291,197	309,855	329,438	337,640
	<u>          </u>	<u>          </u>	<u>          </u>	<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 [REDACTED] of the Group. BrainAurora Zhejiang shall pay the nominal interest of 6% per annum calculated on a simple basis up to December 31, 2025 no later than December 31, 2025. The principal and the interest from January 1, 2026 to the maturity date shall be settled within seven working days from the maturity date. The total subscription amount of RMB300 million was received in August 2021. The Shaoxing Fund may exercise its conversion option in relation to the long-term bond of no more than RMB100 million before the submission of the [REDACTED] with no later than December 31, 2025 and the conversion price is subject to further negotiation between the Shaoxing Fund and BrainAurora Zhejiang. The long-term bond includes conversion option that do not meet equity instrument classification by applying IAS 32 *Financial Instruments: Presentation*. The host debt component is measured at amortized cost and the derivative component of the conversion option is measured at fair value. Since there is no specific conversion price in the agreement, the fair value of the conversion option is considered nil. Therefore, the financial liability is measured at amortized cost and the effective interest rate calculated after taking into account of nominal interest rate and other directly related issue costs is 6.23%.

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

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

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

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

The Group has complied with these covenants during the Track Record Period. The long-term bond was guaranteed by certain shareholders and their close family members and friends.

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

The Group set up a new bank account and made deposits of RMB300,000,000 to this account as at June 30, 2023 according to above supplementary agreement and the withdrawal from the account is subject to approval of Shaoxing Fund. From July to December 2023, the Group withdrew RMB186,000,000 and placed back RMB100,000,000 of restricted bank deposits, and the restricted bank deposits was RMB214,000,000 without considering the interest as at December 31, 2023. From January 1, 2024 to June 30, 2024, the Group withdrew RMB95,000,000 restricted bank deposits, and the restricted bank deposits was RMB119,000,000 without considering the interest as at June 30, 2024.

**24. LEASE LIABILITIES**

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

	<b>As at December 31,</b>			<b>As at</b>
	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>June 30,</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<b>2024</b>
				<i>RMB’000</i>
Lease liabilities payable:				
Within one year	6,686	7,523	7,927	5,534
Within a period of more than one year but not more than two years	7,236	2,604	3,707	926
More than two years, but not exceeding five years	3,644	1,192	920	199
	<u>17,566</u>	<u>11,319</u>	<u>12,554</u>	<u>6,659</u>
Less: Amount due for settlement with 12 months shown under current liabilities	<u>(6,686)</u>	<u>(7,523)</u>	<u>(7,927)</u>	<u>(5,534)</u>
Amount due for settlement after 12 months shown under non-current liabilities	<u>10,880</u>	<u>3,796</u>	<u>4,627</u>	<u>1,125</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 4.00% to 4.85% per annum respectively as at December 31, 2021, 2022 and 2023 and June 30, 2024.

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.

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**25. CONTRACT LIABILITIES**

	As at December 31,			As at
	2021	2022	2023	June 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Research projects	581	424	967	854
Provision of the System integral software solutions in hospitals	–	–	401	279
Provision of the System integral software solutions out of hospitals	68	705	2,254	4,547
Other sales	84	321	308	198
	<u>733</u>	<u>1,450</u>	<u>3,930</u>	<u>5,878</u>
Current	450	1,023	3,804	5,837
Non-current	283	427	126	41
	<u>733</u>	<u>1,450</u>	<u>3,930</u>	<u>5,878</u>

As at January 1, 2021, contract liabilities from customers amounted to RMB341,000.

Revenue recognized during the years ended December 31, 2021, 2022 and 2023 and six months ended June 30, 2024 related to contract liabilities balance at the beginning of the period amounted to RMB341,000, RMB450,000, RMB1,023,000 and RMB2,422,000, respectively.

**26. BANK AND OTHER BORROWINGS**

	As at December 31,			As at
	2021	2022	2023	June 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Other borrowing (Note i)	–	6,965	7,083	7,127
Bank borrowings (Note ii)	–	–	15,000	9,000
	<u>–</u>	<u>6,965</u>	<u>22,083</u>	<u>16,127</u>
Bank and other borrowings denominated in:				
USD	–	6,965	7,083	7,127
RMB	–	–	15,000	9,000
	<u>–</u>	<u>6,965</u>	<u>22,083</u>	<u>16,127</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. The borrowing amounted to USD1 million and is interest free and is due after the U.S. Food and Drug Administration approves the Section 510(k) registration for the Cognitive Impairment Assessment Software and Cognitive Impairment Treatment Software in the United States of America.
- ii. In August and October 2023, the Group obtained two new bank borrowings of RMB9,000,000 and RMB6,000,000 respectively, the bank borrowing of RMB6,000,000 was matured and repaid in April 2024 and the bank borrowing of RMB9,000,000 will be matured in August 2024. The borrowings carry interest of 5.50% per annum.

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**27. FINANCIAL LIABILITIES AT FVTPL**

**The Group**

	<b>As at December 31,</b>			<b>As at</b>
	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>June 30,</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<b>2024</b>
				<i>RMB'000</i>
Issued by BrainAurora Zhejiang:				
Paid-in capital with preferential rights	573,281	1,162,632	–	–
Obligation under Series B Financing	153,465	–	–	–
Issued by the Company:				
Series A-1 Preferred Shares	–	–	315,544	315,787
	<u>726,746</u>	<u>1,162,632</u>	<u>315,544</u>	<u>315,787</u>
Analyzed as:				
Non-current	573,281	1,162,632	–	–
Current	153,465	–	315,544	315,787
	<u>726,746</u>	<u>1,162,632</u>	<u>315,544</u>	<u>315,787</u>

**Series Angel Financing**

On March 2, 2015, BrainAurora Zhejiang entered into an investment agreement (the “Series Angel Financing”) with two independent investors (collectively as the “Series Angel Investors”), pursuant to which the Series Angel Investors would make total investments of RMB5,128,000 to subscribe new paid-in capital of RMB327,000 with certain preferential rights in BrainAurora Zhejiang. The cash consideration was fully settled in 2015.

In May 2016, the capital reserve of BrainAurora Zhejiang amounting to RMB4,984,000 was transferred to paid-in capital and the paid-in capital attributable to Series Angel Investors increased to RMB1,025,000.

**Series A Financing**

On June 21, 2016, BrainAurora Zhejiang entered into an investment agreement (the “Series A Financing”) with two independent investors (collectively as the “Series A Investors”), pursuant to which the Series A Investors would make total investments of RMB26,530,000 to subscribe new paid-in capital of RMB1,904,000 with certain preferential rights in BrainAurora Zhejiang. The cash consideration was fully settled in 2016.

**Series B Financing**

On December 18, 2020, BrainAurora Zhejiang entered into an investment agreement (the “Series B Financing”) with two independent investors (collectively as the “Series B Investors”), pursuant to which the Series B Investors would make total investments of RMB100,000,000 to subscribe new paid-in capital of RMB3,075,000 with certain preferential rights in BrainAurora Zhejiang. One of the investors is also known as Mr. Tan Zheng, who was appointed as a director of BrainAurora Zhejiang in December 2020. The cash consideration of RMB50,000,000 from Mr. Tan Zheng was settled in July 2022. The cash consideration of RMB50,000,000 from the other investor was settled in February 2021. As at December 31, 2021, BrainAurora Zhejiang had an obligation to issue an interest in new paid-in capital of RMB1,538,000 at a consideration of RMB50,000,000 to Mr. Tan Zheng and a financial liability was recognized accordingly.

According to the Series B Financing agreement, the preferential rights for the Series Angel Investors, Series A Investors and Series B Investors were redesignated and the key terms of are summarized as follows:

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### (a) Liquidation preferences

In the event of any liquidation including deemed liquidation, dissolution or winding up of BrainAurora Zhejiang:

The Series B Investors shall be entitled to receive the higher of the following amounts:(i) the amount equal to the original investment amount plus interest of 12% per annum calculated on a simple basis and (ii) any dividends that have been declared but not yet paid.

The Series A Investors shall be entitled to receive the amount equal to the original investment amount plus interest of 12% per annum calculated on a simple basis and no greater than 200% of the original investment amount.

The Series Angel Investors shall be entitled to receive the amount equal to the original investment amount.

### (b) Anti-dilution right

If BrainAurora Zhejiang raises new paid-in capital at a price lower than the price paid by the Series B Investors, the Series B Investors shall have the right to require Mr. Tan Zheng to transfer paid-in capital or BrainAurora Zhejiang to raise new paid-in capital to the Series B Investors at nil consideration or nominal value permitted under the PRC laws, so that the amount paid by the Series B Investors divided by the total paid-in capital obtained is not higher than the price of the newly raised paid-in capital.

If BrainAurora Zhejiang raises new paid-in capital at a price lower than the price paid by the Series A Investors, the Series A Investors shall have the right to receive compensation through any of the following compensation methods: (i) BrainAurora Zhejiang and/or Mr. Tan Zheng to pay the Series A Investors in cash; or (ii) Mr. Tan Zheng to transfer paid-in capital or BrainAurora Zhejiang to raise new paid-in capital to the Series A Investors at consideration of RMB1, so that the amount paid by the Series A Investors divided by the total paid-in capital obtained is not higher than the price of the newly raised paid-in capital.

If BrainAurora Zhejiang raises new paid-in capital at a price lower than the price paid by the Series Angel Investors, the Series Angel Investors shall have the right to require Mr. Tan Zheng to transfer paid-in capital or BrainAurora Zhejiang to raise new paid-in capital to the Series Angel Investors at consideration of RMB1, so that the amount paid by the Series Angel Investors divided by the total paid-in capital obtained is not higher than the price of the newly raised paid-in capital.

### (c) Redemption right

The investment from the Series Angel Investors, Series A Investors and Series B Investors shall be redeemed by BrainAurora Zhejiang and/or Mr. Tan Zheng, at the option of the investors if BrainAurora Zhejiang failed to complete a qualified [REDACTED] before December 31, 2024 and/or upon the occurrence of certain contingent events.

The Series B Investors shall be entitled to receive the redemption amount equal to the original investment amount plus interest of 12% per annum calculated on a simple basis.

The Series A Investors shall be entitled to receive the redemption amount equal to the original investment amount plus interest of 12% per annum calculated on a simple basis.

The Series Angel Investors shall be entitled to receive the redemption amount equal to the original investment amount plus interest of 10% per annum calculated on a simple basis.

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

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

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

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

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

**(a) Liquidation preferences**

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

**(b) Anti-dilution right**

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

**(c) Redemption right**

The investment from the Series A-1 Preferred Shareholders shall be redeemed by the Company and/or the Founder Parties, at the option of the Series A-1 Preferred Shareholders if the Company failed to complete a qualified [REDACTED] before December 31, 2024, which was extended to December 31, 2025 in March 2024 and 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.

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**Presentation and classification**

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

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

The fair value change of Preference Shares is recognized to profit or loss except for the portion attributable to credit risk change which shall be recognized to other comprehensive income, if any. The Directors considered that the credit risk change on the financial liabilities that drive the fair value change of the financial liabilities during the Track Record Period is immaterial.

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

	<b>Obligation under Series B Financing</b>	<b>BrainAurora Zhejiang Preferred Shares</b>	<b>Series A-1 Preferred Shares</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2021	–	52,982	–	52,982
Addition	–	50,000	–	50,000
Change in fair value	153,465	470,299	–	623,764
At December 31, 2021	153,465	573,281	–	726,746
Change in fair value	91,018	294,868	–	385,886
Settlement of obligation under Series B Financing	(244,483)	294,483	–	50,000
At December 31, 2022	–	1,162,632	–	1,162,632
Change in fair value	–	163,543	1,673	165,216
Termination of preferential rights in BrainAurora Zhejiang and partially exchange with issue of Series A-1 Preferred Shares	–	(1,326,175)	313,871	(1,012,304)
At December 31, 2023	–	–	315,544	315,544
Change in fair value	–	–	243	243
At June 30, 2024	–	–	315,787	315,787

The fair value of the Preference Shares at December 31, 2021, 2022 and 2023 and June 30, 2024 were valued by the Directors with the assistance of an independent qualified professional valuer, which is not connected to the Group and has appropriate qualifications and experiences in valuation of similar instruments.

Discounted cash flow model was used to determine the underlying equity value of BrainAurora Zhejiang as at December 31, 2021 and 2022 and the underlying equity value of the Company as at December 31, 2023 and June 30, 2024.

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.

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

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

Key valuation assumptions used to determine the fair value of Preference Shares are as follows:

	As at December 31,			As at
	2021	2022	2023	June 30, 2024
Time to [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Time to liquidation	3.00	2.00	1.00	1.50
Risk-free interest rate	2.45%	2.34%	4.79%	4.90%
Discount for lack of marketability	20.00%	20.00%	10.00%	9.00%
Discount rate	17.00%	16.00%	16.00%	16.00%
Volatility	60.90%	74.85%	87.91%	70.58%
Dividend yield	–	–	–	–
Possibilities under liquidation scenario	27.50%	20.00%	20.00%	20.00%
Possibilities under [REDACTED] scenario	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Possibilities under redemption scenario	27.50%	20.00%	20.00%	20.00%

Risk-free interest rate was estimated based on the China government bond yield curve with maturity matching to the expected exit period as at December 31, 2021 and 2022 and the risk-free interest rate was estimated based on the yield of US treasury bonds with maturity matching to the expected exit period as at December 31, 2023 and June 30, 2024.

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

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

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

**The Company**

	<b>Series A-1 Preferred Shares RMB’000</b>
As at April 25, 2023 (date of incorporation)	–
Issue of Series A-1 Preferred Shares	317,033
Change in fair value	(1,489)
	<hr/>
At December 31, 2023	315,544
Change in fair value	243
	<hr/>
At June 30, 2024	<u>315,787</u>



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**ACCOUNTANTS’ REPORT**

**28. PAID-IN CAPITAL/SHARE CAPITAL**

**The Group**

For the purpose of presentation of the consolidated statements of financial position prior to the completion of the Reorganization as disclosed in Note 2, the balances of paid-in capital as at January 1, 2021 and December 31, 2021 and 2022 represent the paid-in capital of BrainAurora Zhejiang which are classified as equity. The share capital as at December 31, 2023 and June 30, 2024 represented the issued share capital of the Company.

**The Company**

	<b>Number of shares</b>	<b>Share capital USD</b>
<b>Ordinary Shares</b>		
Ordinary Shares of USD0.0001 each		
<b>Authorized</b>		
As at April 25, 2023 (date of incorporation)	500,000,000	50,000
Reclassification and re-designation on issuance of Series A-1 Preferred Shares	(95,878)	(10)
	<u>499,904,122</u>	<u>49,990</u>
As at December 31, 2023 and June 30, 2024	<u>499,904,122</u>	<u>49,990</u>
<b>Issued and fully paid</b>		
Issue of Ordinary Shares for the Reorganization (Note)	904,122	90
Issue of ordinary shares to HoldCo (Note)	85,166	9
	<u>989,288</u>	<u>99</u>
As at December 31, 2023 and June 30, 2024	<u>989,288</u>	<u>99</u>
	<b>As at December 31, 2023 RMB'000</b>	<b>As at June 30, 2024</b>
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 [REDACTED] Share Award Scheme.

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**29. RESERVES**

	Share premium RMB'000	Share-based payments reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At the date of incorporation	–	–	–	–
Issue of Ordinary Shares	6,223	–	–	6,223
Loss and total comprehensive expense for the year	–	–	(9,374)	(9,374)
Recognition of equity-settled share- based payments ( <i>Note 32</i> )	–	44,873	–	44,873
At December 31, 2023	6,223	44,873	(9,374)	41,722
Loss and total comprehensive expense for the period	–	–	(7,166)	(7,166)
Recognition of equity-settled share- based payments ( <i>Note 32</i> )	–	35,304	–	35,304
At June 30, 2024	<u>6,223</u>	<u>80,177</u>	<u>(16,540)</u>	<u>69,860</u>

**30. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY**

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

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

\* *English name is for identification purpose only.*

**31. RETIREMENT BENEFITS PLANS**

The PRC employees of the Group are members of a state-managed retirement benefits plan operated by the government of the PRC. BrainAurora Zhejiang and its PRC subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefits plan to fund the employee benefits. The only obligation of the Group with respect to the retirement benefits plan is to make the specified contributions. The retirement benefits cost charged to profit or loss for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024 amounted to RMB2,702,000, RMB7,326,000, RMB6,301,000, RMB3,015,000 (unaudited) and RMB3,446,000, respectively.

**32. SHARE-BASED PAYMENT TRANSACTIONS**

**(a) Share awards in 2020**

Pursuant to the agreement entered between Dr. Wang Xiaoyi and Mr. Tan Zheng on December 20, 2020, Dr. Wang Xiaoyi agreed to transfer RMB1,384,000 of paid-in capital of BrainAurora Zhejiang to Mr. Tan Zheng through an entity owned by Dr. Wang Xiaoyi at the total consideration of RMB4,500,000 upon certain non-market conditions (including development of cognitive centers and successful financings for the Group) are met (“**2020 Share Awards**”). The total fair value of 2020 Share Awards is RMB15,002,000 at the grant date which were determined with reference to the raise price of the Series B Financing and the purchase price.

Certain non-market conditions of the 2020 Share Awards were waived on September 8, 2021 and the Group recognized a share-based payment expense of RMB14,372,000 during the year ended December 31, 2021.

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**(b) Share awards in 2021**

On August 31, 2021, Dr. Wang Xiaoyi transferred RMB246,000 of paid-in capital of the BrainAurora Zhejiang held through an entity owned by Dr. Wang Xiaoyi to Mr. Jing Yiliang, a senior management of the Group at that time, at the total consideration of RMB4,000,000 with no condition (“2021 Share Awards”) attached. The total fair value of 2021 Share Awards is RMB4,998,000 at the grant date which were determined with reference to the subscription price of the Series B+ Financing and the purchase price. The Group recognized a share-based payment expense of RMB4,998,000 during the year ended December 31, 2021.

**(c) [REDACTED] Share Award Scheme**

On July 30, 2023 (the “Adoption Date”), the Company adopted a [REDACTED] share award scheme (the “[REDACTED] Share Award Scheme”) to recognize and reward the contributions of certain eligible employees of the Group, and incentivize them for their future contribution to the continual operation and development of the Company. Subject to any early termination as may be determined by the board of directors, the [REDACTED] Share Award Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date.

Under the [REDACTED] Share Award Scheme, the maximum number of awards that may be granted under the [REDACTED] Share Award Scheme in aggregate (excluding the awards that have lapsed or been cancelled in accordance with the rules of the [REDACTED] Share Award Scheme) shall be 85,166 shares held or to be held by HoldCo for the purpose of the [REDACTED] Share Award Scheme.

On July 31, 2023, the Company granted 85,166 Awarded Shares under the [REDACTED] Share Award Scheme to 46 grantees (including directors, members of the senior management, and other employees of the Group) (the “[REDACTED] Share Award”). Included in the [REDACTED] Share Award, 27,129 Awarded Shares were granted to Mr. Tan Zheng, 26,946 Awarded Shares were granted to Dr. Wang Xiaoyi, 15,163 Awarded Shares were granted to the other three senior managements and the remaining 15,928 Awarded Shares were granted to other employees. Subject to the consummation of the [REDACTED] of the Company’s shares (the “[REDACTED]”) and if certain performance and service conditions are met, the Awarded Shares granted shall vest in the following manner: 30% of such Awarded Shares shall be vested on the date of the first anniversary of the [REDACTED]; 30% of such Awarded Shares shall be vested on the date of the second anniversary of the [REDACTED]; and 40% of such Awarded Shares shall be vested on the date of the third anniversary of the [REDACTED].

The following table discloses movements of the [REDACTED] Share Award Scheme:

Category	Outstanding as at January 1, 2023	Granted during the year	Forfeited during the year	Outstanding as at December 31, 2023
[REDACTED] Share Award Scheme	–	85,166	–	85,166

Category	Outstanding as at January 1, 2024	Granted during the period	Forfeited during the period	Outstanding as at June 30, 2024
[REDACTED] Share Award Scheme	85,166	–	–	85,166

The fair value of each Award Share was RMB3,222.98 which was determined based on the price of the Company’s ordinary shares at the grant date.

The Group recognized a share award expense of RMB44,873,000 and RMB35,304,000 in respect of the [REDACTED] Share Award during the year ended December 31, 2023 and the six months ended June 30, 2024.

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**ACCOUNTANTS’ REPORT**

**33. FINANCIAL INSTRUMENTS**

**The Group**

*Categories of financial instruments*

	<b>As at December 31,</b>			<b>As at</b>
	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>June 30,</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<b>2024</b>
				<i>RMB’000</i>
<b>Financial assets</b>				
Amortized cost	338,734	144,581	328,363	257,951
Financial assets at FVTPL	–	228,789	–	–
	<u>338,734</u>	<u>373,370</u>	<u>328,363</u>	<u>257,951</u>
<b>Financial liabilities</b>				
Amortized cost	300,640	331,147	383,094	392,728
Financial liabilities at FVTPL	726,746	1,162,632	315,544	315,787
	<u>1,027,386</u>	<u>1,493,779</u>	<u>698,638</u>	<u>708,515</u>
<b>Lease liabilities</b>	<u>17,566</u>	<u>11,319</u>	<u>12,554</u>	<u>6,659</u>

**The Company**

*Categories of financial instruments*

	<b>As at</b>	<b>As at</b>
	<b>December 31,</b>	<b>June 30,</b>
	<b>2023</b>	<b>2024</b>
	<i>RMB’000</i>	<i>RMB’000</i>
<b>Financial assets</b>		
Amortized cost	<u>15,584</u>	<u>12,154</u>
<b>Financial liabilities</b>		
Amortized cost	19,685	25,859
Financial liabilities at FVTPL	<u>315,544</u>	<u>315,787</u>
	<u>335,229</u>	<u>341,646</u>

**Financial risk management objectives and policies**

The Group’s major financial instruments include trade and other receivables, bank balances and cash, restricted bank deposit, term deposits, amounts due from related parties, financial assets at FVTPL, trade and other payables, lease liabilities, bank and other borrowings, long-term bond, financial liabilities at FVTPL and amounts due to related parties. The Company’s major financial instruments include bank balances, other payables, amount due to a subsidiary and financial liabilities at FVTPL. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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**ACCOUNTANTS’ REPORT**

*Market risk*

(i) *Currency risk*

The Group

As at the end of each reporting period, the Group had the following monetary assets and monetary liabilities denominated in currencies other than RMB.

	As at December 31,			As at
	2021	2022	2023	June 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
<b>Assets</b>				
USD	–	6,964	10,627	7,206
<b>Liabilities</b>				
USD	–	6,964	331,829	336,764
HKD	–	–	315	309

The Company

As at December 31, 2023 and June 30, 2024, the Company had the following monetary assets and monetary liabilities denominated in currencies other than RMB.

	As at	As at
	December 31,	June 30,
	2023	2024
	RMB'000	RMB'000
<b>Assets</b>		
USD	10,559	7,133
<b>Liabilities</b>		
USD	331,758	336,693
HKD	315	309

*Sensitivity analysis*

The Group and the Company were primarily subject to foreign currency risk from the movement of the exchange rates between RMB against USD. At the end of each reporting period, if the exchange rate of RMB had been weakened against USD by 5% and all other variables were held constant, the Group’s and the Company’s post-tax loss for each reporting period would increase as follows. For a 5% strengthening of RMB against USD, there would be an opposite impact on the post-tax loss for the year/period.

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The Group

	<b>Increase in post-tax loss</b>			
	<b>For the year ended December 31,</b>			<b>For the six months ended June 30,</b>
	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
USD	–	–	16,060	16,478

The Company

	<b>Increase in post-tax loss</b>	
	<b>For the year ended December 31, 2023</b>	<b>For the six months ended June 30, 2024</b>
	<i>RMB'000</i>	<i>RMB'000</i>
USD	16,060	16,478

(ii) *Interest rate risk*

The Group’s fair value interest rate risk relates primarily to fixed-rate lease liabilities (Note 24), fixed-rate long-term bond (Note 23), fixed-rate bank borrowing (Note 26) and fixed-rate Preference Shares (Note 27). The Group is also exposed to cash flow interest risk in relation to variable-rate bank balances (Note 21) which carry prevailing market interests. The Company’s fair value interest rate risk relates primarily to fixed-rate Preference Shares (Note 27). The Group currently does not have a specified policy to manage its interest rate risk but will closely monitor their interest rate risk exposure in the future. No sensitivity analysis on cash flow interest rate risk is presented as the management considers the sensitivity on interest rate risk on bank balances is insignificant.

(iii) *Other price risk*

The Group is exposed to other price risk through Preference Shares and associated obligation measured at FVTPL and investments in financial products measured at FVTPL. The Company is exposed to other price risk through Series A-1 Preferred Shares.

Sensitivity analyses for Preference Shares and associated obligation with fair value measurement categorized within Level 3 were disclosed in Note 34. The management of the Group considers the fluctuation in fair value changes on financial products is insignificant, taking into account the short-term duration of such financial products.

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**ACCOUNTANTS’ REPORT**

*Credit risk and impairment assessment*

*The Group and the Company*

The Group’s maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets (including bank balances, restricted bank deposit, financial assets at FVTPL, trade and other receivables, amounts due from related parties and term deposits). The Company’s maximum exposure to credit risk which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties is arising from the carrying amount of bank balances. The Group and the Company do not hold any collaterals or other credit enhancement to cover the credit risks associated with its financial assets.

In order to minimize the credit risk, the Group and the Company monitor the exposure to credit risk on an on-going basis. Except for financial assets at FVTPL, the Group and the Company assessed the ECL on its financial assets measured at amortized cost at the end of each reporting period.

The Group’s and the Company’s internal credit risk grading assessment comprises the following categories:

<b>Internal credit rating</b>	<b>Description</b>	<b>Trade receivables</b>	<b>Other financial assets</b>
Low risk	The counterparty has a low risk of default and does not have any past-due amounts or the counterparty frequently repays after due dates but usually settle the amounts in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group and the Company have no realistic prospect of recovery	Amount is written off	Amount is written off

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## ACCOUNTANTS’ REPORT

### The Group

#### *Trade receivables, receivables from third party payment platforms, short-term loan receivables and other receivables*

In order to minimize credit risk, the Group has tasked its credit management team to develop and maintain the credit risk grading for the Group’s trade receivables, receivables from third party payment platforms, short-term loan receivables and other receivables and to categorize exposures according to their degree of risk of default. The credit management team uses publicly available financial information and the Group’s own trading records to rate its major customers and other debtors. The Group’s exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group engages a provider of operations services during the Track Record Period to facilitate the sales to a hospital. The management of the Group is of the view that the credit period of public hospitals are normally longer, as the internal procedures of public hospitals regarding decision making and approval, and reconciliation and settlement typically take a longer period of time and thus would affect the collection of trade receivables of hospitals and the provider of operations services from the hospital and in turn affect the collection of trade receivable.

The Group assessed the ECL for its receivables from third party payment platforms, short-term loan receivables and other receivables individually based on internal credit rating which, in the opinion the management of the Group, there is no significant increase in credit risk since initial recognition. No 12m ECL was made for receivables from third party payment platforms, short-term loan receivables and other receivables, the estimated loss rates are limited as the historical observed default rates of counterparties above are minimal, therefore the Group assessed the ECL for receivables from third party payment platforms, short-term loan receivables and other receivables are insignificant.

The Group has concentration risk with approximately 77.41% and 13.55% of the Group’s account receivables placed with the provider of operations services relate to customer B, customer K respectively at December 31, 2021, with approximately 55.22%, 14.02% and 11.94% of the Group’s account receivables placed with customer A, the provider of operations services relate to customer B and customer C respectively at December 31, 2022, and with approximately 35.60%, 25.59% and 15.05% of the Group’s account receivables placed with customer A, the provider of operations services relate to customer B and customer F respectively at December 31, 2023 and with approximately 35.07%, 17.58% and 20.30% of the Group’s account receivables placed with customer A, customer F and the provider of operations services relate to customer B respectively at June 30, 2024.

#### *Bank balances, term deposits and restricted bank deposit*

The Group’s bank balances, term deposits and restricted bank deposit are placed with state-owned banks or commercial banks with high credit ratings in the Mainland China, Hong Kong, and the United States of America. The management of the Group considers that the credit risk on bank balances, term deposits and restricted bank deposit is insignificant and no loss allowance was recognized.

The Group has concentration risk with approximately 17.36% and 81.15% of the Group’s bank balances placed with bank A and bank B respectively at December 31, 2021, with approximately 30.28%, 11.70% and 34.46% of the Group’s bank balances placed with bank A, bank C and bank D respectively at December 31, 2022, and with approximately 79.15% of the Group’s bank balances and restricted bank deposit placed with bank B at December 31, 2023 and with approximately 68.12% of the Group’s bank balances and restricted bank deposit placed with bank B at June 30, 2024.

Other than the concentration of credit risks of trade receivables and bank balances mentioned above, the Group does not have any other significant concentration of credit risk.



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The tables below detail the credit risk exposures of the Group’s financial assets, which are subject to ECL assessment upon application of IFRS 9:

	Notes	Gross carrying amount					
		As at December 31,			As at		
		2021	2022	2023	June 30,	2024	
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	
<b>Financial assets at amortized cost</b>							
Trade receivables	19	Low risk	Lifetime ECL (not credit-impaired)	1,136	8,422	50,740	36,705
			Doubtful	–	–	–	39,385
			Loss	–	–	–	2,728
			(credit-impaired)				
Receivables from third party payment platforms, short-term loan receivables and other receivables	19	Low risk	12m ECL	13,842	4,756	6,696	8,839
Amounts due from related parties	37	Low risk	12m ECL	29	29	–	–
Restricted bank deposit	21	Low risk	12m ECL	–	–	214,241	119,421
Bank balances	21	Low risk	12m ECL	323,727	28,249	57,566	55,903
Term deposits	21	Low risk	12m ECL	–	103,186	–	–

The management of the Group estimates the amount of lifetime ECL of trade receivables based on provision matrix through grouping of various debtors that have similar loss patterns, after considering aging, internal credit ratings of trade debtors, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. In addition, trade receivables with credit-impaired are assessed for ECL individually.

On that basis, the average loss rates as at December 31, 2021, 2022, 2023 and June 30, 2024 were 1.14%, 0.75% and 1.76% and 3.03%, respectively which were assessed on a collective basis by using provision matrix within lifetime ECL (not credit-impaired).

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The following table shows the movement in lifetime ECL that has been recognized for trade receivables under the simplified approach.

	<b>Lifetime ECL (not credit- impaired) RMB’000</b>	<b>Lifetime ECL (credit- impaired) RMB’000</b>	<b>Total RMB’000</b>
As at January 1, 2021	—	—	—
New financial assets originated	13	—	13
As at December 31, 2021	13	—	13
Changes due to financial instruments recognized as at January 1, 2022:			
– Impairment losses reversed	(13)	—	(13)
New financial assets originated	63	—	63
As at December 31, 2022	63	—	63
Changes due to financial instruments recognized as at January 1, 2023:			
– Impairment losses recognized	131	—	131
– Transfer to credit-impaired	(20)	20	—
– Written-off	—	(20)	(20)
– Impairment losses reversed	(30)	—	(30)
New financial assets originated	747	—	747
As at December 31, 2023	891	—	891
Changes due to financial instruments recognized as at January 1, 2024:			
– Impairment losses recognized	708	1,790	2,498
– Transfer to credit-impaired	(20)	20	—
– Impairment losses reversed	(253)	—	(253)
New financial assets originated	979	918	1,897
As at June 30, 2024	<u>2,305</u>	<u>2,728</u>	<u>5,033</u>

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**Bank balances**

The Company’s bank balances are placed with commercial banks with high credit ratings in the Hong Kong. The management of the Company considers that the credit risk on bank balances is insignificant and no loss allowance was recognized.

The Company has concentration risk with approximately 100% of the Company’s bank balances placed with bank E at December 31, 2023 and June 30, 2024.

**Liquidity risk**

In management of the liquidity risk, the Group monitor and maintain levels of cash and cash equivalents deemed adequate by the management to finance the Group’s operations and mitigate the effects of fluctuations in cash flows. The Group relies on long-term bond, Preference Shares and shareholders’ investment as a significant source of liquidity.

The following table details the Group’s remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

**The Group**

	Interest rates	On demand	Within 1 year	1-2 years	2-5 years	>5 years	Total undiscounted cash flows	Carrying amount
	%	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At December 31, 2021								
Trade and other payables	N/A	6,422	657	–	–	–	7,079	7,079
Amounts due to related parties	N/A	2,364	–	–	–	–	2,364	2,364
Paid-in capital with preferential rights	10.00-12.00	–	–	–	151,487	–	151,487	573,281
Long-term bond	6.23	–	–	–	79,447	354,049	433,496	291,197
		<u>8,786</u>	<u>657</u>	<u>–</u>	<u>230,934</u>	<u>354,049</u>	<u>594,426</u>	<u>873,921</u>
Lease liabilities	4.00-4.85	–	6,813	7,675	4,098	–	18,586	17,566
		<u>–</u>	<u>6,813</u>	<u>7,675</u>	<u>4,098</u>	<u>–</u>	<u>18,586</u>	<u>17,566</u>
At December 31, 2022								
Trade and other payables	N/A	6,422	5,541	–	–	–	11,963	11,963
Amounts due to related parties	N/A	2,364	–	–	–	–	2,364	2,364
Paid-in capital with preferential rights	10.00-12.00	–	–	201,487	–	–	201,487	1,162,632
Other borrowing	–	–	6,965	–	–	–	6,965	6,965
Long-term bond	6.23	–	–	–	79,447	354,049	433,496	309,855
		<u>8,786</u>	<u>12,506</u>	<u>201,487</u>	<u>79,447</u>	<u>354,049</u>	<u>656,275</u>	<u>1,493,779</u>
Lease liabilities	4.00-4.85	–	7,675	2,746	1,352	–	11,773	11,319
		<u>–</u>	<u>7,675</u>	<u>2,746</u>	<u>1,352</u>	<u>–</u>	<u>11,773</u>	<u>11,319</u>

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	Interest rates %	On demand RMB’000	Within 1 year RMB’000	1-2 years RMB’000	2 -5 years RMB’000	>5 years RMB’000	Total undiscounted cash flows RMB’000	Carrying amount RMB’000
At December 31, 2023								
Trade and other payables	N/A	5,222	26,351	–	–	–	31,573	31,573
Series A-1 Preferred Shares	12.00	–	42,610	–	–	–	42,610	315,544
Bank and other borrowings	0.00-5.50	–	22,530	–	–	–	22,530	22,083
Long-term bond	6.23	–	–	–	79,447	354,049	433,496	329,438
		<u>5,222</u>	<u>91,491</u>	<u>–</u>	<u>79,447</u>	<u>354,049</u>	<u>530,209</u>	<u>698,638</u>
Lease liabilities	4.00-4.85	–	8,095	5,480	1,132	–	14,707	12,554

	Interest rates %	On demand RMB’000	Within 1 year RMB’000	1-2 years RMB’000	2 -5 years RMB’000	>5 years RMB’000	Total undiscounted cash flows RMB’000	Carrying amount RMB’000
At June 30, 2024								
Trade and other payables	N/A	3,743	35,218	–	–	–	38,961	38,961
Series A-1 Preferred Shares	12.00	–	–	45,441	–	–	45,441	315,787
Bank and other borrowings	0.00-5.50	–	16,197	–	–	–	16,197	16,127
Long-term bond	6.23	–	–	79,447	–	367,512	446,959	337,640
		<u>3,743</u>	<u>51,415</u>	<u>124,888</u>	<u>–</u>	<u>367,512</u>	<u>547,558</u>	<u>708,515</u>
Lease liabilities	4.00-4.85	–	5,656	984	211	–	6,851	6,659

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	Interest rates %	On demand RMB’000	Within 1 year RMB’000	1-2 years RMB’000	2 -5 years RMB’000	>5 years RMB’000	Total undiscounted cash flows RMB’000	Carrying amount RMB’000
At December 31, 2023								
Other payables	N/A	–	12,673	–	–	–	12,673	12,673
Amount due to a subsidiary	N/A	7,012	–	–	–	–	7,012	7,012
Series A-1 Preferred Shares	12.00	–	42,610	–	–	–	42,610	315,544
		<u>7,012</u>	<u>55,283</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>62,295</u>	<u>335,229</u>

	Interest rates %	On demand RMB’000	Within 1 year RMB’000	1-2 years RMB’000	2 -5 years RMB’000	>5 years RMB’000	Total undiscounted cash flows RMB’000	Carrying amount RMB’000
At June 30, 2024								
Other payables	N/A	–	18,803	–	–	–	18,803	18,803
Amount due to a subsidiary	N/A	7,056	–	–	–	–	7,056	7,056
Series A-1 Preferred Shares	12.00	–	–	45,441	–	–	45,441	315,787
		<u>7,056</u>	<u>18,803</u>	<u>45,441</u>	<u>–</u>	<u>–</u>	<u>71,300</u>	<u>341,646</u>

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**34. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS**

Some of the Group’s financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the management of the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the management of the Group determines the appropriate valuation techniques and inputs for fair value measurements and works closely with the qualified valuer to establish the appropriate valuation techniques and inputs to the model.

Except for financial assets at FVTPL and financial liabilities at FVTPL as set out below, there is no financial instrument measured at fair value on a recurring basis.

**The Group**

**Financial asset**

	NOTE	Fair value as at			June 30, 2024	Fair value hierarchy	Valuation techniques and key inputs
		2021	2022	2023			
		RMB’000	RMB’000	RMB’000	RMB’000		
Financial assets at FVTPL	20	–	228,789	–	–	Level 2	Redemption value quoted by banks

**Financial liabilities**

	NOTE	Fair value as at			June 30, 2024	Fair value hierarchy	Valuation techniques	Significant unobservable inputs	Relationships of unobservable inputs to fair value
		2021	2022	2023					
		RMB’000	RMB’000	RMB’000	RMB’000				
Financial liabilities at FVTPL									
Paid-in capital with preferential rights	27	573,281	1,162,632	–	–	Level 3	Discounted cash flow model, PWERM and OPM	Discount rate	The higher the discount rate, the lower the fair value, and vice versa (Note i)
Obligation under Series B Financing	27	153,465	–	–	–	Level 3	Discounted cash flow model, PWERM and OPM	Discount rate	The higher the discount rate, the lower the fair value, and vice versa (Note ii)
Series A-1 Preferred Shares	27	–	–	315,544	315,787	Level 3	Discounted cash flow model, PWERM and OPM	Discount rate	The higher the discount rate, the lower the fair value, and vice versa (Note iii)

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**Financial liability**

		Fair value as at December 31, 2023 <i>RMB’000</i>	As at June 30, 2024 <i>RMB’000</i>	Fair value hierarchy	Valuation techniques	Significant unobservable inputs	Relationships of unobservable inputs to fair value
<b>Financial liabilities at FVTPL</b>							
Series A-1 Preferred Shares	27	315,544	315,787	Level 3	Discounted cashflow model, PWERM and OPM	Discount rate	The higher the discount rate, the lower the fair value, and vice versa <i>(Note iii)</i>

*Notes:*

i. If the discount rate was 1% higher to 18.00% or 1% lower to 16.00% while holding all other variables constant, the carrying amount of financial liabilities at FVTPL would decrease by RMB64,966,000 or increase by RMB77,046,000 as at December 31, 2021.

If the discount rate was 1% higher to 17.00% or 1% lower to 15.00% while holding all other variables constant, the carrying amount of financial liabilities at FVTPL would decrease by RMB144,810,000 or increase by RMB172,015,000 as at December 31, 2022.

ii. If the discount rate was 1% higher to 18.00% or 1% lower to 16.00% while holding all other variables constant, the carrying amount of financial liabilities at FVTPL would decrease by RMB22,142,000 or increase by RMB26,318,000 as at December 31, 2021.

iii. If the discount rate was 1% higher to 17.00% or 1% lower to 15.00% while holding all other variables constant, the carrying amount of financial liabilities at FVTPL would decrease by RMB39,375,000 or increase by RMB46,479,000 as at December 31, 2023.

If the discount rate was 1% higher to 17.00% or 1% lower to 15.00% while holding all other variables constant, the carrying amount of financial liabilities at FVTPL would decrease by RMB38,991,000 or increase by RMB45,903,000 as at June 30, 2024.

Details of reconciliation of Level 3 fair value measurement for the financial liabilities at FVTPL are set out in Note 27.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the Historical Financial Information approximate their respective fair values at the end of each reporting period except for the long-term bond, of which the fair value is expected to be less than the carrying amount.

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**35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

The table below details changes in the Group’s liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group’s consolidated statements of cash flows as cash flows from financing activities.

	Lease liabilities <i>RMB’000</i>	Financial liabilities at FVTPL <i>RMB’000</i>	Long- term bond <i>RMB’000</i>	Bank and other borrowings <i>RMB’000</i>	Amounts due to related parties <i>RMB’000</i>	Accrued share issue costs <i>RMB’000</i>	Total <i>RMB’000</i>
At January 1, 2021	–	52,982	–	–	6,450	–	59,432
Financing cash flows	(1,000)	50,000	285,000	–	(4,086)	–	329,914
Commencement of lease	18,372	–	–	–	–	–	18,372
Interest expenses recognized	194	–	6,197	–	–	–	6,391
Fair value changes	–	623,764	–	–	–	–	623,764
At December 31, 2021	17,566	726,746	291,197	–	2,364	–	1,037,873
Financing cash flows	(6,812)	50,000	–	6,959	–	–	50,147
Interest expenses recognized	565	–	18,658	–	–	–	19,223
Effect of foreign exchange rate changes	–	–	–	6	–	–	6
Fair value changes	–	385,886	–	–	–	–	385,886
At December 31, 2022	11,319	1,162,632	309,855	6,965	2,364	–	1,493,135
Financing cash flows	(8,367)	–	–	14,788	(2,364)	(4,531)	(474)
Interest expenses recognized	421	–	19,583	212	–	–	20,216
Effect of foreign exchange rate changes	–	–	–	118	–	–	118
Deferred share issue costs	–	–	–	–	–	7,689	7,689
Fair value changes	–	165,216	–	–	–	–	165,216
Commencement of lease	10,176	–	–	–	–	–	10,176
Lease modification	(500)	–	–	–	–	–	(500)
Early termination of a lease	(495)	–	–	–	–	–	(495)
Reclassification from financial liabilities at FVTPL	–	(1,012,304)	–	–	–	–	(1,012,304)
At December 31, 2023	12,554	315,544	329,438	22,083	–	3,158	682,777
Financing cash flows	(4,673)	–	–	(6,365)	–	(1,152)	(12,190)
Interest expenses recognized	186	–	10,353	365	–	–	10,904
Gain on re-estimated repayments of long-term bond	–	–	(2,151)	–	–	–	(2,151)
Effect of foreign exchange rate changes	–	–	–	44	–	–	44
Deferred share issue costs	–	–	–	–	–	2,681	2,681
Fair value changes	–	243	–	–	–	–	243
Reduction of the leased space	(1,408)	–	–	–	–	–	(1,408)
At June 30, 2024	6,659	315,787	337,640	16,127	–	4,687	680,900

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**36. MAJOR NON-CASH TRANSACTIONS**

During the year ended December 31, 2021, the Group entered into three new leases agreements for the use of leased properties for 2 years to 5 years. On the lease commencements, the Group recognized right-of-use assets and lease liabilities of RMB18,372,000 and RMB18,372,000.

During the year ended December 31, 2023, the Group remeasured the lease liabilities of RMB500,000 due to a lease modification and made a corresponding adjustment of RMB500,000 to the right-of-use assets and the Group entered into two new lease agreements for the use of leased property for 2 years and 3 years and recognized right-of-use assets and lease liabilities of RMB10,176,000 and RMB10,176,000 on the lease commencements.

During the six months ended June 30, 2024, the Group remeasured the lease liabilities of RMB1,408,000 and right-of-use assets of RMB1,415,000 due to a reduction of the leased space and recognized the difference of RMB7,000 in profit or loss.

**37. RELATED PARTY BALANCES AND TRANSACTIONS**

**a. Name and relationship**

Names	Relationships
Dr. Wang Xiaoyi	The Chief Executive Officer
Nanjing Zhipan Information Consulting Partnership (Limited Partnership)* (南京智盼信息諮詢合夥企業(有限合夥)) (“Zhipan LP”) (Note)	Entity controlled by Dr. Wang Xiaoyi
Tianjin Shuhui Information Consulting Partnership (Limited Partnership)* (天津樞慧信息諮詢合夥企業(有限合夥)) (“Shuhui LP”) (Note)	Entity controlled by Dr. Wang Xiaoyi

*Note:* Zhipan LP was formerly known as Shanghai Zhipan Business Information Consulting Center (Limited Partnership)\* (上海智盼商務信息諮詢中心(有限合夥)) before December 2021 and Tianjin Zhipan Information Consulting Partnership (Limited Partnership)\* (天津智盼信息諮詢合夥企業(有限合夥)) between December 2021 and July 2022.

Shuhui LP was formerly known as Shanghai Shuhui Business Information Consulting Center (Limited Partnership)\* (上海樞慧商務信息諮詢中心(有限合夥)) before December 2021.

\* *English name is for identification purpose only.*

**b. The Group and the Company had the following related party transactions and related parties balance during the Track Record Period:**

**The Group**

*Loan to a related party*

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	<i>(Unaudited)</i>				
Non-trade nature					
Zhipan LP	6	-	-	-	-



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*Advance to related parties*

	For the year ended December 31,			For the six months ended June 30,	
	2021 RMB’000	2022 RMB’000	2023 RMB’000	2023 RMB’000	2024 RMB’000
Non-trade nature					
Shuhui LP	–	–	3,718	1,900	–
Dr. Wang Xiaoyi	–	–	2,200	–	–
	–	–	5,918	1,900	–

*Repayment of loan from a related party*

	For the year ended December 31,			For the six months ended June 30,	
	2021 RMB’000	2022 RMB’000	2023 RMB’000	2023 RMB’000	2024 RMB’000
Non-trade nature					
Zhipan LP	–	–	29	–	–

*Repayment of advance from related parties*

	For the year ended December 31,			For the six months ended June 30,	
	2021 RMB’000	2022 RMB’000	2023 RMB’000	2023 RMB’000	2024 RMB’000
Non-trade nature					
Shuhui LP	–	–	3,718	–	–
Dr. Wang Xiaoyi	–	–	2,200	–	–
	–	–	5,918	–	–

*Repayment to related parties*

	For the year ended December 31,			For the six months ended June 30,	
	2021 RMB’000	2022 RMB’000	2023 RMB’000	2023 RMB’000	2024 RMB’000
Non-trade nature					
Zhipan LP	18	–	–	–	–
Shuhui LP	4,063	–	2,267	2,267	–
Dr. Wang Xiaoyi	5	–	97	–	–
	4,086	–	2,364	2,267	–

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*Amounts due from related parties*

	As at December 31,			As at
	2021	2022	2023	June 30,
	RMB'000	RMB'000	RMB'000	2024
Non-trade nature				RMB'000
Zhipan LP	29	29	–	–
	<u>29</u>	<u>29</u>	<u>–</u>	<u>–</u>

The maximum amounts outstanding during the years ended December 31, 2021, 2022 and 2023 were RMB29,000, RMB29,000 and RMB5,918,000, respectively. These amounts were fully settled by November 2023.

Amounts due from related parties as at December 31, 2021 and 2022 are unsecured, interest free and repayable on demand.

*Amounts due to related parties*

	As at December 31,			As at
	2021	2022	2023	June 30,
	RMB'000	RMB'000	RMB'000	2024
Non-trade nature				RMB'000
Shuhui LP	2,267	2,267	–	–
Dr. Wang Xiaoyi	97	97	–	–
	<u>2,364</u>	<u>2,364</u>	<u>–</u>	<u>–</u>

Amounts due to related parties as at December 31, 2021 and 2022 are unsecured, interest free and repayable on demand. These amounts were fully settled in July 2023.

**The Company**

*Amount due to a subsidiary*

	As at December 31,			As at
	2021	2022	2023	June 30,
	RMB'000	RMB'000	RMB'000	2024
Non-trade nature				RMB'000
BrainAu (Delaware)	–	–	7,012	7,056
	<u>–</u>	<u>–</u>	<u>7,012</u>	<u>7,056</u>

Amount due to a subsidiary of USD990,000 (equivalent to RMB7,012,000) and USD990,000 (equivalent to RMB7,056,000) as at December 31, 2023 and June 30, 2024 are unsecured, interest free and repayable on demand.

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**c. Compensation of key management personnel**

The emoluments of key management during the Track Record Period are as follows:

	For the year ended December 31,			For the six months ended June 30,	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000	2024 RMB'000
Short-term employee benefits	2,312	9,369	9,787	4,001	2,123
Retirement benefits	104	333	297	177	160
Equity-settled share-based payments	19,370	–	36,980	–	30,503
	<u>21,786</u>	<u>9,702</u>	<u>47,064</u>	<u>4,178</u>	<u>32,786</u>

**38. PARTICULARS OF SUBSIDIARIES OF THE COMPANY**

Details of all the subsidiaries directly and indirectly held by the Company during the Track Record Period and on the date of this report are set out below:

Name of the subsidiaries	Place/date of establishment	Issued and fully paid registered capital	Equity interest attributable to the Company				Date of the report	Principal activities
			December 31, 2021	December 31, 2022	December 31, 2023	June 30, 2024		
BrainAurora (Note v)	British Virgin Islands April 28, 2023	Registered capital of USD50,000 and issued and paid share capital of [nil]	N/A	N/A	100%	100%	[100%]	Investment holding
BrainAurora (HK) (Note iv)	Hong Kong May 11, 2023	Registered capital of HKD50,000 and issued and paid share capital of [nil]	N/A	N/A	100%	100%	[100%]	Investment holding
Zhiling Ruidong (Note iv)	PRC June 16, 2023	Registered capital of RMB100,000,000 and issued and paid share capital of RMB[3,000,000]	N/A	N/A	100%	100%	[100%]	Investment holding
BrainAurora Zhejiang (Note i)	PRC September 21, 2012	Registered capital of RMB16,546,000 and paid-in capital of RMB16,546,000	100%	100%	100%	100%	[100%]	Cognitive impairment DTx
Changsha Zhijingling (Note i)	PRC August 11, 2017	Registered capital of RMB1,000,000 and issued and paid share capital of RMB[690,000]	100%	100%	100%	100%	[100%]	Cognitive impairment DTx
Beijing Zhijingling (Note i)	PRC September 23, 2014	Registered capital of RMB2,000,000 and issued and paid share capital of RMB[500,000]	100%	100%	100%	100%	[100%]	Cognitive impairment DTx

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Name of the subsidiaries	Place/date of establishment	Issued and fully paid registered capital	Equity interest attributable to the Company				Date of the report	Principal activities
			December 31, 2021	December 31, 2022	2023	June 30, 2024		
Beijing Yihui Technology Co., Ltd.* (“北京益慧科技有限公司”) (Note v)	PRC April 18, 2023	Registered capital of RMB51,126,000 and issued and paid share capital of RMB50,126,000	N/A	N/A	98%	98%	[98%]	Inactive
BrainAu Medical Technology (Shaanxi) Co., Ltd.* (“腦動極光醫療科技(陝西)有限公司”) (Note ii)	PRC September 29, 2021	Registered capital of RMB1,000,000 and issued and paid share capital of [nil]	80%	80%	80%	80%	[80%]	Marketing
BrainAu Medical Technology (Liaoning) Co., Ltd.* (“腦動極光醫療科技(遼寧)有限公司”) (Note iii)	PRC February 25, 2022	Registered capital of RMB1,000,000 and issued and paid share capital of [nil]	N/A	70%	85%	85%	[85%]	Marketing
Beijing Naoyu Technology Co., Ltd.* (“北京腦域科技有限公司”) (Note iii)	PRC April 6, 2022	Registered capital of RMB1,000,000 and issued and paid share capital of [nil]	N/A	92%	92%	92%	[92%]	Marketing
BrainAurora Nanjing (Note iii)	PRC May 20, 2022	Registered capital of RMB1,000,000 and issued and paid share capital of [nil]	N/A	100%	100%	100%	[100%]	Marketing
Beijing Wanxiang Aurora Technology Co., Ltd.* (“北京萬相極光科技有限公司”) (Note v)	PRC March 10, 2023	Registered capital of RMB1,000,000 and issued and paid share capital of [nil]	N/A	N/A	70%	70%	[70%]	Marketing
Beijing Hongze (Notes 30 and vi)	PRC December 16, 2001	Registered capital of RMB1,428,600 and issued and paid share capital of RMB1,428,600	N/A	N/A	70%	70%	[70%]	Inactive
Sichuan Huiyu Aurora Medical Technology Co., Ltd.* (“四川慧譽極光醫療科技有限公司”) (Note v)	PRC May 22, 2023	Registered capital of RMB1,000,000 and issued and paid share capital of [nil]	N/A	N/A	80%	80%	[80%]	Marketing
BrainAu (Delaware) (Note iii)	United States of America March 4, 2022	Registered capital of USD50,000 and issued and paid share capital of [nil]	N/A	100%	100%	100%	[100%]	Inactive
Shenzhen BrainAu Medical Technology Co., Ltd.* (“深圳腦動極光醫療科技有限公司”) (Note v)	PRC October 17, 2023	Registered capital of RMB1,000,000 and issued and paid share capital of [nil]	N/A	N/A	100%	100%	[100%]	Inactive
Sichuan BrainAu Medical Technology Co., Ltd.* (“四川腦動極光醫療科技有限公司”) (Note v)	PRC November 15, 2023	Registered capital of RMB100,000,000 and issued and paid share capital of [nil]	N/A	N/A	100%	100%	[100%]	Cognitive impairment DTx

APPENDIX I

ACCOUNTANTS’ REPORT

Name of the subsidiaries	Place/date of establishment	Issued and fully paid registered capital	Equity interest attributable to the Company				Date of the report	Principal activities
			December 31, 2021	December 31, 2022	December 31, 2023	June 30, 2024		
Luzhou BrainAu Medical Technology Co., Ltd.* (瀘州腦動極光醫療科技有限公司) (Note vii)	PRC January 12, 2024	Registered capital of RMB1,000,000 and issued and paid share capital of [nil]	N/A	N/A	N/A	100%	[100%]	Inactive
BrainAu Medical Technology (Hebei) Co., Ltd.* (腦動極光(河北)醫療科技有限公司) (“BrainAurora Hebei”) (Note vii)	PRC July 26, 2024	Registered capital of RMB3,000,000 and issued and paid share capital of [nil]	N/A	N/A	N/A	N/A	[100%]	Marketing
Jiangsu BrainAu Medical Technology Co., Ltd.* (江蘇腦動極光醫療科技有限公司) (“BrainAurora Jiangsu”) (Note vii)	PRC August 8, 2024	Registered capital of RMB36,500,000 and issued and paid share capital of [nil]	N/A	N/A	N/A	N/A	[100%]	Cognitive impairment DTx

Notes:

- i. These subsidiaries are limited liability company. The financial statements of BrainAurora Zhejiang, Changsha Zhijingling and Beijing Zhijingling for the years ended December 31, 2021 and 2022 were prepared in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and were audited by Beijing Dongshen Dingli International Accounting Firm Co., Ltd.\* (北京東審鼎立國際會計師事務所有限責任公司) (“Dongshen”). The financial statements of BrainAurora Zhejiang, Beijing Zhijingling for the year ended December 31, 2023 were prepared in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and were audited by Dongshen. No audited statutory financial statements of Changsha Zhijingling were available for the year ended December 31, 2023 as there was no requirement to issue audited accounts by the local authorities.
- ii. No audited statutory financial statements were available for the years ended December 31, 2021, 2022 and 2023 as there was no requirement to issue audited accounts by the local authorities.
- iii. No audited statutory financial statements were available for the year ended December 31, 2021 as these entities were established after December 31, 2021. No audited statutory financial statements were available for the years ended December 31, 2022 and 2023 as there was no requirement to issue audited accounts by the local authorities.
- iv. No audited statutory financial statements were available for the years ended December 31, 2021 and 2022 as the entities were established after December 31, 2022. The financial statements of Zhiling Ruidong for the year ended December 31, 2023 were prepared in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and were audited by Dongshen. The audited statutory financial statements of BrainAurora (HK) for the year ended December 31, 2023 are not yet due to be issued.
- v. No audited statutory financial statements were available for the years ended December 31, 2021 and 2022 as the entities were established after December 31, 2022 and no audited statutory financial statements were available for the year ended December 31, 2023 as there was no requirement to issue audited accounts by the local authorities.
- vi. No audited statutory financial statements were available for the year ended December 31, 2023 as there was no requirement to issue audited accounts by the local authorities.
- vii. No audited statutory financial statements were available for the years ended December 31, 2021, 2022 and 2023 as the entity was established after December 31, 2023.

\* English name is for identification purpose only.

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

As at December 31, 2023, the investments in subsidiaries of the Company comprise i) deemed investment to its subsidiaries of RMB44,873,000 during the year ended December 31, 2023 for [REDACTED] Share Award of the Company granted to employees of its subsidiaries and ii) a deemed investment in BrainAurora Zhejiang amounted of RMB308,488,000, represented the difference between the Series A-1 Preferred Shares of RMB317,033,000 issued to take over the paid-in capital with preferential rights of IVL in BrainAurora Zhejiang (detailed in Note 27) and the consideration receivable from IVL for the Series A-1 Preferred Shares of RMB8,545,000.

As at June 30, 2024, the investments in subsidiaries of the Company comprise i) deemed investment to its subsidiaries of RMB80,177,000 for [REDACTED] Share Award of the Company granted to employees of its subsidiaries and ii) a deemed investment in BrainAurora Zhejiang amounted of RMB308,488,000 as described above.

**39. CAPITAL RISK MANAGEMENT**

As at June 30, 2024, the Group had net current liabilities of RMB111,265,000 and net liabilities of RMB411,266,000. The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group’s overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of net debt, which includes the long-term bond, lease liabilities, bank and other borrowings and financial liabilities at FVTPL as disclosed in Notes 23, 24, 26 and 27, net of cash and cash equivalents and equity attributable to owners of the Group, comprising paid-in capital/share capital and reserves.

The Directors review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through new share issues as well as the issue of new debts.

**40. CAPITAL COMMITMENTS**

	As at December 31,			As at
	2021	2022	2023	June 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<b>2024</b>
				<i>RMB'000</i>
Capital expenditure contracted but not provided for in respect of acquisition of equipment and machineries and leasehold improvements	8,232	10,163	678	367
	<u>8,232</u>	<u>10,163</u>	<u>678</u>	<u>367</u>

**41. EVENTS AFTER THE REPORTING PERIOD**

Save as disclosed in Note 27 in the Historical Financial Information, events and transactions took place subsequent to June 30, 2024 are detailed as below:

Pursuant to the written resolutions of all shareholders of the Company passed on [●], each share in the then issued and unissued share capital with par value of USD[REDACTED] each will be [REDACTED] into [REDACTED] shares of the corresponding class with nominal value of [REDACTED] each effective upon the conditions of the [REDACTED] being fulfilled (the “[REDACTED]”).

**42. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to June 30, 2024.