愛康醫療控股有限公司
# AK Medical Holdings Limited

(incorporated in the Cayman Islands with limited liability)
Stock Code : 1789

ANNUAL REPORT
# 2024

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# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

Mr. Li Zhijiang *(Chairman of the Board of Directors and Chief Executive Officer)*
Ms. Zhang Bin
Mr. Zhang Chaoyang
Ms. Zhao Xiaohong

### Non-executive Director

Dr. Wang David Guowei

### Independent Non-executive Directors

Mr. Kong Chi Mo
Dr. Li Shu Wing David
Dr. Gao Wei *(appointed with effect from 18 June 2024)*
Mr. Eric Wang *(retired with effect from 18 June 2024)*

## COMPANY SECRETARY

Ms. Ma Rongkun *(appointed with effect from 30 August 2024)*
Ms. Han Yu *(resigned with effect from 30 August 2024)*

## AUTHORIZED REPRESENTATIVES

Ms. Zhang Bin
Ms. Ma Rongkun *(appointed with effect from 30 August 2024)*
Ms. Han Yu *(resigned with effect from 30 August 2024)*

## AUDIT COMMITTEE (THE "AUDIT COMMITTEE")

Mr. Kong Chi Mo *(Chairman)*
Dr. Li Shu Wing David
Dr. Wang David Guowei

## REMUNERATION COMMITTEE (THE "REMUNERATION COMMITTEE")

Dr. Li Shu Wing David *(Chairman)*
Mr. Kong Chi Mo
Mr. Li Zhijiang

## NOMINATION COMMITTEE (THE "NOMINATION COMMITTEE")

Mr. Li Zhijiang *(Chairman)*
Dr. Li Shu Wing David
Mr. Kong Chi Mo

## REGISTERED OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC")

2/F, Xingye Building
10 Baifuquan Road
Changping District Science and Technology Park
Beijing
China

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1928, 19/F
Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

## AUDITOR

KPMG
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
8th Floor, Prince's Building
10 Chater Road, Central, Hong Kong

## HONG KONG LEGAL ADVISER

Johnson Stokes & Master
18th-19th Floors, Prince's Building
10 Chater Road, Central, Hong Kong

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

## SHARE REGISTRAR IN HONG KONG

MUFG Corporate Markets Pty Limited
Suite 1601, 16/F, Central Tower
28 Queen's Road Central
Central, Hong Kong

## COMPANY WEBSITE

www.ak-medical.net

## PRINCIPAL BANKS

Agricultural Bank of China
Bank of China
Bank of Communications
Hang Seng Bank Limited
The Hong Kong and Shanghai Banking Corporation Limited
China Merchants Bank
Shanghai Pudong Development Bank
Bank of Jiangsu

## LISTING INFORMATION AND STOCK CODE

The Company's ordinary shares ("Share(s)") are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange")
(Stock Code: 1789.HK)

# FINANCIAL HIGHLIGHTS

The board (the "**Board**") of directors (the "**Directors**") of AK Medical Holdings Limited (the "**Company**" or "**AK Medical**") hereby present this annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "**Group**" or "**we**") for the year ended 31 December 2024 (the "**Reporting Period**"), which have been reviewed by the Audit Committee. The Group's financial highlights for the Reporting Period together with comparative data for the corresponding period of the previous year are set out below:

| | Year ended 31 December | | |
|---|---|---|---|
| | **2024** | 2023 | **Variance** |
| | **RMB'000** | RMB'000 | % |
| Revenue | **1,346,377** | 1,093,862 | 23.1% |
| Gross profit | **808,193** | 674,486 | 19.8% |
| Profit for the year | **273,926** | 182,104 | 50.4% |
| Profit for the year attributable to equity shareholders of the Company | **273,926** | 182,104 | 50.4% |
| **Earnings per share** | | | |
| Basic | **RMB0.25** | RMB0.16 | |
| Diluted | **RMB0.24** | RMB0.16 | |

For the year ended 31 December 2024, the Group achieved revenue of approximately RMB1,346.4 million, representing a significant increase of 23.1% as compared to 2023. In 2024, under accelerated import substitution driven by the volume-based procurement ("**VBP**") policy, the demand for the Group's surgical products continued to grow. The number of surgeries rose rapidly, further improving the coverage of its products in hospitals and the sales of products covered by the national VBP. Meanwhile, through active market expansion and supported by the digital orthopedics whole process solutions, the number of overseas surgeries has increased, leading to a notable growth in overseas revenue for the Group. The Group achieved a net profit of approximately RMB273.9 million for the year ended 31 December 2024, representing a significant increase of 50.4% as compared to the same period of 2023. The increase in profit was primarily attributable to revenue growth and cost control.

## FIVE YEARS' FINANCIAL SUMMARY

| | 2024<br>RMB'000 | 2023<br>RMB'000 | 2022<br>RMB'000 | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|---|---|---|
| **Revenue** | **1,346,377** | 1,093,862 | 1,052,047 | 761,441 | 1,035,386 |
| **Profit for the year** | **273,926** | 182,104 | 204,772 | 92,619 | 314,007 |
| **Assets** | | | | | |
| Non-current assets | **1,157,343** | 1,028,208 | 709,135 | 670,913 | 624,085 |
| Current assets | **2,178,055** | 1,974,816 | 2,065,357 | 1,934,371 | 1,902,821 |
| **Total assets** | **3,335,398** | 3,003,024 | 2,774,492 | 2,605,284 | 2,526,906 |
| **Liabilities** | | | | | |
| Current liabilities | **596,416** | 498,173 | 436,384 | 489,435 | 417,838 |
| Non-current liabilities | **100,796** | 112,948 | 94,347 | 84,298 | 66,292 |
| **Total liabilities** | **697,212** | 611,121 | 530,731 | 573,733 | 484,130 |
| **Total equity** | **2,638,186** | 2,391,903 | 2,243,761 | 2,031,551 | 2,042,776 |

# CHAIRMAN'S STATEMENT

Dear shareholders, investors and analysts,

The fiscal year of 2024 was a extraordinary year for AK Medical. Faced with a number of uncertainties in the external environment, the Company made a swift response to market changes, persistently implementing 3D printing and digital intelligence technologies to lead the systematic optimization of its internal operation and management system, and therefore greatly enhanced its organizational resilience and anti-risk capability. This year, the Company maintained stable operation and achieved excellent financial performance, with operation results and profit growth hitting record highs. The Company's revenue for the year amounted to RMB1,346.4 million, representing a year-on-year increase of 23.1%, and the net profit was RMB 273.9 million, representing a year-on-year increase of 50.4%.

2024 was the first year to implement the policy of centralized procurement for comprehensive orthopedic products (including joints, spine, trauma, sports medicine and artificial bone products, etc.), and also a crucial year to carry out the renewed procurement (second round) for artificial joint products. Despite the profound adjustment in the industry and the drastic fluctuations and ongoing reshaping process of the market, the Company achieved sound financial results with record-high performance and profit growth, which was mainly attributed to the following three key factors:

Firstly, the Company firmly grasped the development opportunities brought from the renewed successful bids for joint products, actively participated in centralized procurement, as in line with its original aspiration. Benefitting from the policy support, the Company's product prices recovered to a reasonable level, and all products under four major categories equally received successful bids with sufficient bid volume. Meanwhile, the Company continuously sought to promote the progress of domestic industrial upgrade and technological substitution, with the aim of improving the quality and competitiveness of domestic products, and replacing imported products gradually. The Company constantly expanded and strengthened the bases of quality customer resources to further consolidate its leading position among local orthopedic enterprises.

Secondly, in terms of international market, the Company gave full play to its advantages of dual-brand strategy to vigorously explore mature markets of Europe and emerging markets such as Latin America and Southeast Asia, and achieved substantial growth in such markets. Underpinned by the "International Cooperation Program of the Health Silk Road ", the Company also actively participated in the promotion of international medical exchanges and cooperation, which had significantly enhanced the influence of Chinese brands in the "Belt and Road" countries. In 2024, the Company held ten events in connection with the Health Silk Road International Cooperation Alliance, covering 51 domestic and foreign medical institutions, with approximately 260 people participated in such activities.

Third, in terms of technological innovation, the Company possessed its leading position in the industry from 3D printing, ICOS personalized platform, navigator and robot technology development. In the current medical arena, Digital and intelligent technologies are driving profound changes in the models of orthopedic diagnosis and treatment, becoming the focus of the industry. The Group has started to deploy 3D printing technology since 2009, focusing on researches of metal 3D printing in the field of orthopedic implants. In 2014, the Group launched the first medical and industry interaction platform, iCOS platform in China, which enables interaction with doctors through and image data of patients, providing one-stop services including preoperative planning, model printing, surgery simulation, customized navigation template, and design and manufacturing of personalized prosthesis. In 2022, the Group launched the first arthritis visual intelligent assistance system, the Visual Treatment Solution (VTS) in China. In 2023, the Group's self-developed surgery robot was approved for market, since then, we have gradually established an ecosystem centered on digitalization, intelligence and interaction and a professional end service team.

Looking forward, 2025 will be a year full of opportunities and challenges. With industrial policies stabilizing, and overseas strategic deployment delivering results, the well-designed ecosystem of "digitalization, intelligence and interaction" by the Company has been increasingly improved. The Company is steadily transforming from a traditional product manufacturing company to a service supply platform company.

In the future, AK Medical will continue to uphold the great vision of being a world-class and leading brand, adhere to innovation and enterprising spirit, constantly improve operation results, bringing greater value to shareholders. I am looking forward to working together with all of you to create a great future.

**Li Zhijiang**
*Chairman*

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS OVERVIEW AND OUTLOOK

### Overview

On 21 May 2024, the National Healthcare Security Administration ("**NHSA**") announced the "Selection Results of the Renewed VBP of Artificial Joints Upon Expiration of the Purchasing Agreement". This is the second round of renewed procurement of the first VBP of artificial joints for a term of three years, covering more than 6,281 hospitals, with a total demand of 581,600 sets. The aggregate demand increased by approximately 8% compared with the first round of VBP result, showing upward trend while keeping stability. According to this round of renewal results, the Group continuously ranked the top tier among all brands in the volume of renewals, representing an increase of approximately 10% as compared with the first round of VBP. As of December 31, 2024, 29 provinces and regions have implemented the bid result of the second round. By leveraging on its leading skill and complete joints total solutions, the Group further expanded its market share in joints total sector and continued to strengthen its market competitiveness in the orthopedic field.

The national implementation of the first VBP of artificial joints has driven the increasing surgical volume of the Group's products, further accelerated the progress of the import substitution, and boosted the continued growth of the revenue of Group's VBP products. Meanwhile, the Group relied on the implementation of VBP to rapidly devise the layout of national and provincial hospitals, realizing a coverage of over 90% of top-tier hospitals. Given that complex revision surgeries are mainly concentrated in top-tier hospitals, the Group's revision products have also gradually resumed growth as the Group's coverage of top-tier hospitals has significantly increased and is expected to support the Group's sustained growth in the future. Relying on 3D printing technology, the Group has established iCOS ecosystem, a comprehensive digital solution. Currently, the implementation and layout have begun in some key hospitals. Meanwhile, the Group's overseas business also saw significant growth, and a series of activities centered the "Health Silk Road International Exchange Program" has been rolled out in 2024, which enhanced the Group's brand image overseas. While maintaining the investment in research and development, the Group implemented effective cost control and efficiency improvement measures to reduce operating costs and administrative expenses while revenue increased.

As of 31 December 2024, the Group recorded sales revenue of approximately RMB1,346.4 million, representing an increase of approximately 23.1% compared to the same period of last year, and a net profit of approximately RMB273.9 million, representing an increase of approximately 50.4% compared to the same period of last year.

## AK iCOS Ecosystem

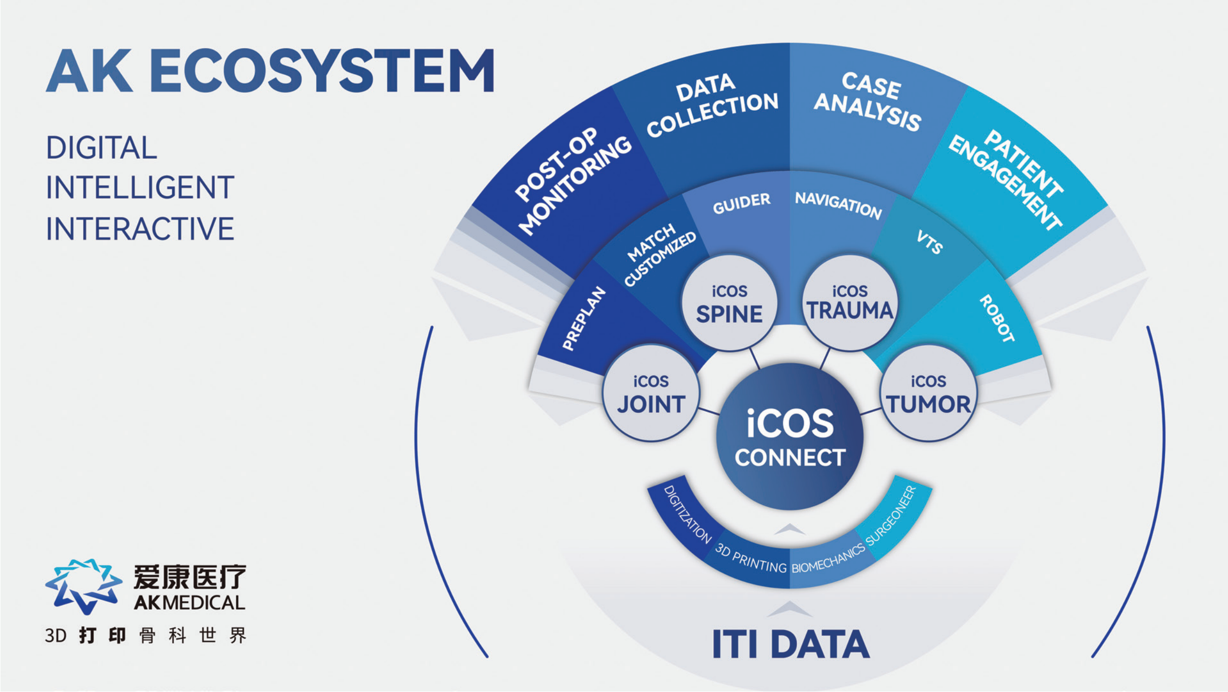
In today's healthcare field, digital and intelligent technologies are leading the transformation of orthopedic diagnosis and treatment model, which has become a hot topic in the industry. Cutting-edge technologies such as artificial intelligence, virtual/augmented/mixed reality, 3D printing, navigation and robotic assistance are gradually being integrated into the clinical practice of orthopedics, continuously empowering orthopedic surgeons. These digital technologies simplify complex surgeries, improve simple surgeries, and personalize precise surgeries, which have become the core development trend of the orthopedic field in the future.

The Group began to deploy 3D printing technology in 2009, focusing on the research and application of metal 3D printing technology in the orthopedic implants, and built the 3DACT three-dimensional precision construction technology platform, realizing the combination of standardized prosthesis manufacturing and personalized diagnosis and treatment solutions through digitalization to provide precise surgery solutions services for different anatomical characteristics and clinical needs of patients.

In 2014, the Group launched the first Physician-Technician Interaction Platform in China – the iCOS digital orthopedics customised products and services platform (hereinafter referred to as the "iCOS Digital Orthopedics Platform"), which provided one-stop services such as preoperative planning, lesion area model printing, surgical simulation, customized surgical guide, and personalized prosthesis design and manufacturing, through patient imaging data and interaction with doctors to improve the accuracy of preoperative preparation and reduce surgical risks. In 2022, the Group launched the first Joint Visual Treatment Solution (VTS) Navigation System in China, which uses visualization technology and intelligent algorithms to monitor surgeries in real time. Preoperative image data processing, 3D surgical planning, and intraoperative visual tracking functions were integrated to achieve sub-millimeter precision operation during acetabular prosthesis implantation, which improved the efficacy of total hip arthroplasty and shortened the rehabilitation period. In 2023, the hip surgery robot self-developed by the Group was approved for launch. In 2024, the knee surgery robot was re-approved, thus completing the full deployment in the digital orthopaedic hip and knee track.

Currently, the Group has established a core framework for orthopaedic personalized services through the iCOS Digital Orthopedics Platform. Relying on the existing 3D printing technology platform, biomechanics platform, medical-industrial interaction platform and image and digital document processing platform, the Group has completed the whole life cycle management system of personalized implants from pre-operative, intra-operative to post-operative. The iCOS Digital Orthopedics Platform is based on a database of more than 20,000 case characteristics, which can be used to provide revision surgery prediction services. Based on the existing four categories of joints, spine, trauma, and oncology, the Group's pre-operative planning solutions, intra-operative surgical positioning guides, intra-operative VTS system, or surgical robots are used to ultimately realize the precise implantation of personalized prostheses via iCOS Digital Orthopedics Platform. In 2024, the Group has built a system for post-operative follow-up, monitoring and data analysis of personalized cases, and promoted the evolution of personalized orthopaedic implants from "passive replacement" to "active interaction".

The Group's iCOS Digital Orthopedics Platform has formed a total solution network of "preoperative planning – intraoperative digital assistance – prognosis monitoring". Based on the 3D customized preoperative planning, the Group can accurately match robots or navigation systems and customized tools during surgery to ensure precise and efficient surgery. Prognosis optimization tools are also available to assist patients in their recovery after surgery. Combined with the Group's comprehensive portfolio of "conventional-complex-custom" implants, the complete solution network of the Group provides innovative solutions for orthopedic medicine and drives the industry towards precision, efficiency and personalization. Eventually, the Group transformed from a medical device manufacturer to an orthopaedic intelligent health management platform, and constructed a closed-loop orthopaedic digital ecosystem of "accurate diagnosis - intelligent production - full service".



### *Business of Hip and Knee Implants*

The business of hip and knee implants includes hip and knee products manufactured by both traditional technology and 3D printing technology. The Group offers customers and patients a full line of joint implants manufactured by different technologies, including hip and knee implants and instruments suitable for primary, complicated, revision and reconstructive operations.

In 2024, the surgery volume of hip and knee joint implants showed a steady recovery. The Group established an in-depth cooperation pattern with a number of national and provincial hospitals and other key medical institutions, which effectively improved brand awareness and recognition by various means such as R&D and academic cooperations. The import substitution process has achieved remarkable results, and the contribution of surgery volume in top-tier hospitals continued to increase. The Group's surgical implant volume significantly increased in economically developed provinces which were traditionally dominated by import brands, such as Guangdong, Shanghai, and Zhejiang, covering most of the key hospitals in these regions.

As of 31 December 2024, the Group's revenue from hip and knee products was approximately RMB1,134.2 million, representing a year-on-year increase of approximately 25.8%.

### *Spinal and Trauma Implants Business*

The Group has a complete line of conventional spinal and trauma products, as well as 3D printed spinal products. With its unique 3D printing technology, the Group has developed a differentiated product portfolio.

In 2024, affected by relevant policies, spinal implants business remained stable in a short time. Thanks to 3D spinal implants' unique strength, the Group has cooperated with national and provincial-level major hospitals based on joint research, has focused on leading hospitals' businesses, and has developed over 108 new hospitals (including 10 provincial-level hospitals). It is expected to achieve growth accompanied by expanding volume in the future.

As of 31 December 2024, the Group's revenue from spinal and trauma implants was approximately RMB127.3 million, representing a year-on-year increase of approximately 3.3%.

### *Digital Orthopedics Customised Products and Services*

Following the successful domestic sales of the Visual Treatment Solution (VTS) Navigation System in the first half of 2024, the Visual Treatment Solution (VTS) Navigation System recorded its first overseas sale in September 2024, marking the Group's entry into the international market. This sale not only introduced a new digital assistance solution for orthopedists in Mexico but also demonstrated the Visual Treatment Solution (VTS) Navigation System's competitiveness and technological advantages in the global healthcare market. As of 31 December 2024, the Visual Treatment Solution (VTS) Navigation System has assisted in more than 1,000 surgeries in China and abroad.

In 2024, as industry policies increased transparency and regulation in the healthcare sector, the fluctuations brought by the adjustment period affected the number of surgeries with iCOS customised product to a certain extent.

In 2024, the Group's revenue from digital orthopedics customised products and services was RMB51.3 million, representing an increase of approximately 3.5% compared with 2023.

### *Overseas Business*

Overseas strategy is an important part of the Group's growth strategy. In 2024, the Group actively expanded overseas markets. The Group has clearly positioned its two brands, JRI and AK, to complement each other's brands, product lines and sales for different markets. It has established a three-tier management structure: overseas sales, overseas business and overseas marketing. At the same time, relying on the "Health Silk Road International Exchange Program", the Group actively carried out international exchanges, and held 24 international academic exchange activities of various scales for domestic introduction and international outreach throughout the year, thereby enhancing the Group's overseas brand awareness and influence. In 2024, the Group's products were registered in five new overseas countries. In addition, the products registration and market access in progress in 10 countries and 12 newly added distributors. In 2024, in addition to the conventional products for overseas business, the Visual Treatment Solution (VTS) Navigation System was exhibited in the United States, Mexico and Thailand, attracting the attention and high recognition from overseas doctors, and recorded its first overseas sale in 2024. The digital orthopedics whole process solutions will be likely to become a strong support for the Group's overseas business expansion in the future.

In 2024, the Group's revenue from overseas products amounted to approximately RMB274.3 million, an increase of approximately 20.8% compared with the revenue for the same period of 2023. This revenue has been included in the revenue from hip and knee joints, and digital orthopedics customised products and services mentioned above.

## Research and Development

The Group continues to build an innovation-driven R&D system that integrates technology with market needs. In 2024, the Center for Medical Device Evaluation of the National Medical Products Administration released a public announcement on the review results of applications for the special review of innovative medical devices. The "artificial cervical disc" project submitted by AK Medical was approved to enter the special review process and was publicly announced. This product is expected to provide an advanced solution for the development of non-fusion technology in cervical spine surgery, further promoting the development of 3D printing technology in the spinal surgery field.

As of 31 December 2024, a total of four products – the intervertebral disc prosthesis, hip joint prosthesis-femoral head, thoracolumbar prosthesis (certified), and sacral reconstruction prosthesis have been accepted into the NMPA's special review pathway for innovative medical devices. It fully demonstrates that the Group's products possess exclusive basic research capabilities, core technology development capabilities and a wealth of product application reserves.

In addition to innovative R&D of implants, the Group has established an integrated ecosystem around the core focus of intelligent device in conjunction with R&D of prostheses. The Group's K3 intelligent surgical robot, equipped with a self-developed robotic arm, represents a further leap forward in digital orthopedics technology. It continues to push technological boundaries to drive continuous advancements in intelligent healthcare.

At present, the Group has completed R&D in intelligent imaging and planning technologies, focusing on breakthroughs in multimodal medical image fusion and biomechanical computation. The Group has developed deep learning-based 3D registration algorithms for CT/MRI/X-ray images, enabling high-precision anatomical reconstruction. It has also established a dynamic matching model of elastic modulus and mechanical properties at the implant-bone interface, which is likely to address the clinical challenge of prosthesis subsidence in elderly patients with osteoporosis, and provide higher-quality and more precise solutions for complex bone defect repair. Meanwhile, in the development of digital twin and intelligent service systems, the Group has built a full-cycle digital twin model for patients, integrating intraoperative and postoperative follow-up data, simulating personalized rehabilitation processes, and developing a digital system for personalized implants. Through mobile internet technology, the Group has realized a comprehensive recording of production, implantation, and usage of data. Leveraging the iCOS medical-engineering collaboration engine, the Group has enabled real-time spatial collaborative design among multiple experts, forming a new R&D and innovation service system "driven by data and enabled by cloud synergy".

## Sales and Marketing

The Group's commitment to innovation is reflected in its unique technologies, products, and solutions. The Group pioneers in adopting personalized solutions based on 3D printing technology to precisely meet the personalized needs of each patient, enhance surgical precision, and overcome complex problems that conventional products cannot resolve. Through R&D collaboration with medical institutions, the Group continuously drives innovation and product optimization. The Group transforms cutting-edge technology into tangible benefits for patient health and healthcare sustainability. Meanwhile, the Group actively carries out market education and promotion, thereby creating value for its stakeholders while benefiting patients.

The Group firmly believes that education is an essential tool for translating innovation into tangible value for patients, surgeons, and healthcare systems. To meet the needs of surgeon clients, the Group has introduced a series of training and technical support programs through AK Medical Academy. Since its establishment in 2012, AK Medical Academy has evolved into a global education platform, offering courses tailored to the personalized needs of each surgeon across all the Group's business lines. Additionally, the Group has integrated the "ITI Medical-Engineering Interaction Platform" to further support surgeons' efforts in patient education and enhance patients' understanding and experience of the products and technologies of the Group.

### *Conventional Joints and Spine Business Promotion*

In 2024, the Group carried out a series of marketing activities in joint market promotion, focused on themes such as "knee preservation", "developmental dysplasia of the hip", and "complex revision", thereby enhancing its influence in the top-tier hospitals. The Group collaborated with the National Orthopedic Medical Center's Knee Preservation Alliance to organize 15 university-level academic activities and nearly 100 smaller events throughout 2024. The Group also partnered with the National Clinical Research Center for Orthopedics, Sports Medicine and Rehabilitation to launch the "Way to the Congenital Hip" systematic course, providing an academic exchange platform for the diagnosis and treatment of developmental dysplasia of the hip. These diverse academic activities provided doctors with professional training and communication platforms, with the cumulative number of participating doctors and scholars reaching nearly 100,000.

In the spine sector, in alignment with the development trends of minimally invasive, personalized, and intelligent spinal surgery, the Group launched a series of unique products in 2024, including the 3D-printed zero-incision self-stabilizing fusion cage, 3D-printed zero-incision self-stabilizing vertebral body, and 3D-printed atlantoaxial fusion cage, aiming to address key pain points in the spinal field and establish the Group's brand image as a "fusion expert" in the spine sector. Centered around 3D printing technology and 3D-printed spinal fusion products, the Group carried out a series of academic education and market activities, with the total number of participating doctors and scholars reaching nearly 40,000.

### *Digital Orthopedics Capacity Building Project*

Since the industry standardization led by the National Health Commission in 2023, the National Health Commission has also specified that academic conferences, that strictly comply with the relevant national regulations, and are conducted in a compliant and orderly manner, should be given full and adequate support and encouragement. In 2024, the Group launched a series of digital orthopedics capability-building activities, including the VTS Tutorials, under the Research Project on Improving Clinical Application Capabilities of Digital Orthopedic Technology led and organized by the Capacity Building and Continuing Education Centre of the National Health Commission. These efforts aim to promote digital orthopedic technologies and provide patients with more precise and efficient medical services.

Following the successful sales of the Visual Treatment Solution (VTS) Navigation System in China in the first half of 2024, the Group held a ceremony in December to celebrate the number of Visual Treatment Solution (VTS) Navigation System exceeding the 1,000 units. After eight years of research and development, VTS System has served more than 20 cities, 30 hospitals and 100 physicians worldwide. As at December 2024, over 1,000 units of VTS System were applied for clinical use.

In December 2024, K3 intelligent surgical robot, AK Medical's self-developed robot system was officially launched at the 2024 Academic Conference on Joint Surgery of the Chinese Medical Association. K3 intelligent surgical robot is equipped with the capability to help doctors in the whole process of procedure covering the preoperative, intraoperative, and postoperative phases. With self-developed mechanical arm, K3 possess a unique advantage in clinical application. And its unique soft tissue balance function also enables surgeons to better formulate preoperative plan and provide guidance on intraoperative operation in a practicable and effective way, making it a reliable and efficient helper for doctors in operations.

### *Health Silk Road International Exchange Program*

Following the launch of the "Health Silk Road International Cooperation Alliance" at the 3rd "Silk Road Friendship" Award Ceremony in December 2023, the alliance hospital plaque unveiling ceremony was held in Beijing in May 2024. As a participating institution in the project, the Group actively promoted international medical exchange and cooperation. In 2024, the Group hosted a total of 10 events under the Health Silk Road International Cooperation Alliance, with more than 260 participants from 51 medical institutions in seven countries across three continents. The total number of news article views exceeded 400,000, generating a positive social impact.

## Production and Manufacturing

The Group is actively committed to internal production and the construction of digitalized and highly efficient supply chain. During the reporting period in 2024, the construction of the intelligent factory project in Changping, Beijing, commenced successfully and was expected to be put into use in the first half of 2025. The construction of the project aimed to integrate digital upgrade and production operations of enterprises. After the comprehensive integration and upgrade are completed in the future, it will help enterprises improve the efficiency of resource utilization and optimize supply cycles, thereby effectively reducing the manufacturing and operation costs and supporting high-quality development.

## Prospect

As the prices of the products in the orthopedic VBP converge and the implementation of the procurement measures begins, its impact is gradually being absorbed by the market. In the future, product quality, market training and education, the continuous capability of research and development and innovation and other elements will become key factors for enterprises to maintain competitiveness in the field of conventional products. While stabilizing the sales of conventional products under VBP, the Group is taking the advantage of the implementation of VBP as an opportunity to actively deploy in top-tier hospitals and key provinces such as Beijing, Shanghai, Zhejiang, and Guangdong. It is expected that the Group stands a good chance to further gain more market share, especially in the revision market share that mainly comes from top-tier hospitals.

At the same time, digitization and intelligence on a global scale have become a significant impetus for orthopedic enterprises to gain competitive advantages in the medium to long term within the orthopedic field. While maintaining the stable growth of conventional products, based on iCOS Digital Orthopedics Platform, the Group will actively drive to build a digital-intelligent interactive ecosystem and new business models. By leveraging the dual-brand strategy to expand overseas markets, the Group will promote the team transformation and enhance its capabilities, thus continuously creating value for shareholders of the Company (the “Shareholder(s)”).

### Build a Digital-Intelligent Interactive Ecosystem and New Business Models

In next decade, in addition to the continuous development of new materials, the orthopedic field will develop in the directions of personalization, minimally invasiveness, and intelligence, so as to alleviate patients’ surgical pain, shorten the recovery period, and improve their quality of life. With more than 15 years of experience in exploration and layout of 3D printing technology, the Group has built significant competitive advantages in the fields of customization and personalization, in particular, strong market barriers in top tier hospitals have been built. At the same time, the Group’s continuous layout and exploration in the field of smart devices have further enhanced the competitiveness of conventional products. With the release of pricing items for surgical planning, 3D models, and 3D guides in various provinces, and the greater interest from the market in navigation systems and robots, the Group will have the opportunity to explore new business models.

### Dual-brand Strategy to Expand Overseas Markets

The “JRI” brand under the Group is based in Europe, and is a trusted brand with a history of over 50 years and highly outstanding clinical data. The “AK” brand is rooted in China with production scale and relatively flexible business policies as the core competitiveness. Synergy between the two brands enabled the Group to better seize the growth opportunities in the international market. The Group has arranged overseas business deployment as its new growth engine to expand the scope of registered countries. Guided by the “Health Silk Road International Exchange Program”, the Group has built brand influence in the markets of emerging countries to continuously expand the scale of overseas business.

### Promote Team Transformation and Enhance Its Capabilities

With the adjustments of business priorities and the exploration of new business models, the Group needs to promote the professional digital transformation of its team correspondingly and enhances the team’s capabilities to cope with the new situation, new priorities, and new models, so as to improve its business operation and management capabilities, and enhance its operational efficiency, and strengthen its corporate resilience, and consolidate its competitive advantages, thereby supporting the Group’s long-term development.

## FINANCIAL REVIEW

### Overview

| | **2024 RMB'000** | 2023 RMB'000 | **Variance %** |
|---|---|---|---|
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| **Earnings per share** | | | |
| Basic | **RMB0.25** | RMB0.16 | |
| Diluted | **RMB0.24** | RMB0.16 | |

For the year ended 31 December 2024, the Group achieved revenue of approximately RMB1,346.4 million, representing a significant increase of 23.1% as compared to 2023. In 2024, under accelerated import substitution driven by the VBP policy, the demand for the Group's surgical products continued to grow. The number of surgeries rose rapidly, further improving the coverage of its products in hospitals and the sales of products covered by the national VBP. Meanwhile, through active market expansion and supported by the digital orthopedics whole process solutions, the number of overseas surgeries has increased, leading to a notable growth in overseas revenue for the Group. The Group achieved a net profit of approximately RMB273.9 million for the year ended 31 December 2024, representing a significant increase of 50.4% as compared to the same period of 2023. The increase in profit was primarily attributable to revenue growth and cost control.

The following discussions are based on the financial information and notes set out in the annual report and should be read in conjunction with them.

## Revenue

| | **2024 RMB'000** | 2023 RMB'000 | **Variance %** |
|---|---|---|---|
| Hip replacement implants(1) | **729,084** | 590,396 | 23.5% |
| Knee replacement implants(2) | **405,110** | 311,351 | 30.1% |
| Spinal and trauma implants(3) | **127,326** | 123,268 | 3.3% |
| Digital orthopedics customised products and services(4) | **51,335** | 49,593 | 3.5% |
| Others(5) | **33,522** | 19,254 | 74.1% |
| Total | **1,346,377** | 1,093,862 | 23.1% |

Notes:

(1) Including 3D-printed hip replacement implants;

(2) Including 3D-printed knee replacement implants;

(3) Including 3D-printed spinal and trauma implants;

(4) Including customised joint, pelvic, spinal and trauma implant products and customised value-added surgical services and Visual Treatment Solution (VTS) Navigation System;

(5) Others primarily include surgical instruments, medical irrigators and third party orthopedic products.

Revenue for the year ended 31 December 2024 amounted to approximately RMB1,346.4 million, representing an increase of approximately 23.1% as compared to the same period of 2023. The increase in revenue was largely attributable to the growth in sales of hip and knee replacement implants within the scope of VBP driven by the nationwide VBP policy for joint implants. Meanwhile, through active market expansion, the Group saw remarkable growth in overseas revenue.

## Hip and Knee Replacement Implant Products

The hip and knee replacement implant products include knee replacement implants and hip replacement implants, as well as 3D-printed hip and knee replacement implants.

Revenue from hip replacement implants for the year ended 31 December 2024 amounted to approximately RMB729.1 million, representing a striking increase of approximately 23.5% from approximately RMB590.4 million for the year ended 31 December 2023. Revenue from knee replacement implants for the year ended 31 December 2024 amounted to approximately RMB405.1 million, representing a notable increase of approximately 30.1% from approximately RMB311.4 million for the year ended 31 December 2023.

In 2024, further driven by the national VBP policy for joint implants, the demand for the Group's surgical products kept growing, leading to continuous growth in sales revenue from hip and knee replacement implant products within the scope of VBP. In the meantime, through active market expansion, the Group successfully entered into many overseas regions for the sales activities, and has also achieved the increase in the number of overseas surgeries. The Group achieved significant growth in overseas revenue from its hip and knee replacement implant products through active market expansion.

## Spinal and Trauma Implant Products

The spinal and trauma implant products of the Group include traditional spinal implants and trauma implants, as well as 3D-printed spinal implants. Revenue from spinal and trauma implant products for the year ended 31 December 2024 amounted to approximately RMB127.3 million, representing an increase of approximately 3.3% from approximately RMB123.3 million for the year ended 31 December 2023. In 2024, affected by the policy, the spinal business remained stable in the short run. Relying on its unique 3D printing technology, the Group has developed a differentiated product portfolio and has been highly recognized by the market. Newly-developed hospitals exceeded 108, including 10 provincial hospitals, achieving a rapid growth in the surgical implantation. Meanwhile, through active development, the sales of trauma implants products achieved remarkable growth.

## Digital Orthopedics Customised Products and Services

Revenue from digital orthopedics customised products and services includes revenue from customised joint, pelvic, spinal and trauma implant products and customised value-added surgical services and Visual Treatment Solution (VTS) Navigation System. Revenue from customised products and services for the year ended 31 December 2024 amounted to approximately RMB51.3 million, representing an increase of approximately 3.5% from approximately RMB49.6 million for the year ended 31 December 2023. In 2024, affected by the policy, the revenue from the customised products and services of the Group remained stable. However, relying on the advantages of its products and technologies, the Group has successfully expanded its business into multiple hospitals and carried out customised surgeries. Through active market expansion, the Group successfully achieved sales of Visual Treatment Solution (VTS) Navigation System in China and overseas regions in 2024.

## Others

Other revenue includes revenue from surgical instruments and third party orthopedic products. In 2024 and 2023, the Group’s revenue from surgical instruments and third-party orthopedic products amounted to approximately RMB33.5 million and approximately RMB19.3 million, representing approximately 2.5% and approximately 1.8% of its revenue, respectively.

## Domestic and Overseas Sales

The majority of the Group’s revenue is generated in China, with a smaller percentage derived from overseas sales. A breakdown of the Group’s domestic and overseas sales revenue is set forth below:

| | **2024**<br>**RMB’000** | 2023<br>RMB’000 | **Variance**<br>**%** |
|---|---|---|---|
| China | **1,072,059** | 866,730 | 23.7% |
| Other countries | **274,318** | 227,132 | 20.8% |
| Total | **1,346,377** | 1,093,862 | 23.1% |

For the year ended 31 December 2024, the Group’s overseas sales revenue amounted to approximately RMB274.3 million, representing a notable increase of approximately 20.8% as compared to the year ended 31 December 2023. The increase was primarily due to an increase in the number of overseas surgeries in 2024 as a result of the Group’s active expansion of overseas markets. Revenue from China for the year ended 31 December 2024 amounted to approximately RMB1,072.1 million, representing a significant increase of approximately 23.7% from approximately RMB866.7 million for the year ended 31 December 2023, primarily due to the impact of the aforementioned increase in the number of surgeries.

## Cost of Sales

For the year ended 31 December 2024, the cost of sales was approximately RMB538.2 million, representing an increase of approximately 28.3% from approximately RMB419.4 million for the year ended 31 December 2023. The increase in cost of sales was primarily due to an overall increase in the sales volume of the Group's products.

## Gross Profit and Gross Margin

Gross profit represents revenue less cost of sales. Gross profit for the year ended 31 December 2024 amounted to approximately RMB808.2 million, representing an increase of approximately 19.8% as compared to approximately RMB674.5 million for the year ended 31 December 2023. The increase in gross profit was primarily due to the increase in revenue.

Gross margin is calculated as gross profit divided by revenue. The Group's gross margin was approximately 60.0% for the year ended 31 December 2024, a decrease of approximately 1.7% from approximately 61.7% for the year ended 31 December 2023. The proportion of revenue from products covered by the VBP increased, which led to a slight drop in gross margin.

## Other Income, Net

Other income for the year ended 31 December 2024 was approximately RMB16.7 million, representing a decrease of approximately RMB9.7 million from approximately RMB26.4 million for the year ended 31 December 2023. Other income mainly represents income from government subsidy in 2024.

## Selling and Distribution Expenses

Selling and distribution expenses were approximately RMB240.9 million for the year ended 31 December 2024, representing an increase of approximately 10.1% from approximately RMB218.8 million for the year ended 31 December 2023. The increase was mainly due to more domestic and international marketing activities conducted by the Group for the year.

## General and Administrative Expenses

General and administrative expenses amounted to approximately RMB143.9 million for the year ended 31 December 2024, representing an increase of approximately 7.9% from approximately RMB133.4 million for the year ended 31 December 2023. The increase was mainly due to an increase in the option expenses of management staff in the current year and provision for credit losses based on the ageing and balance of receivables.

## Research and Development Expenses

Research and development expenses for the year ended 31 December 2024 were approximately RMB139.2 million, representing an increase of approximately 1.5% from approximately RMB137.1 million for the year ended 31 December 2023. In 2024, the Group continued to actively invest in R&D of digital orthopedics, strengthen its R&D team, actively implement R&D projects, as well as develop new products.

## Net Finance Income

Net finance income was approximately RMB19.0 million for the year ended 31 December 2024, representing a decrease of approximately RMB0.6 million from approximately RMB19.6 million for the year ended 31 December 2023. The slight decrease in finance income was primarily due to the combined effect of the increase in interest income and foreign exchange losses as a result of exchange rate movements.

## Income Tax Expenses

Income tax expense was approximately RMB45.9 million for the year ended 31 December 2024, representing a decrease of approximately 6.4% from approximately RMB49.0 million for the year ended 31 December 2023. The decrease was primarily due to the combined effect of an increase in net profit and reversal of deferred income tax assets in prior period resulting from changes in the tax rates of subsidiaries of the Group in 2023.

## Liquidity and Financial Resources

As at 31 December 2024, we had cash and cash equivalents of approximately RMB352.2 million, structured deposits of approximately RMB610.7 million, time deposits over three months of approximately RMB56.8 million, and restricted deposits of approximately RMB8.0 million, amounting to approximately RMB1,027.7 million in aggregate, as compared with RMB757.3 million as at 31 December 2023. The Board's approach to manage the liquidity of the Group is to ensure sufficient liquidity at any time to meet its matured liabilities so as to avoid any unacceptable losses or damage to the Group's reputation.

## Net Current Assets

We had net current assets of approximately RMB1,581.6 million as at 31 December 2024, representing an increase of approximately RMB105.0 million from approximately RMB1,476.6 million as at 31 December 2023. Such increase was primarily generated by the Group's operations.

## Foreign Exchange Exposure

The Group's principal business is conducted in China. Foreign currency risks primarily include accounts receivables, accounts payables and cash balances that are denominated in foreign currencies, i.e., a currency other than the functional currency of the operations to which the transaction relates generating from overseas sales and purchases. The foreign currencies giving rise to this risk are primarily US dollars and Euros. For the year ended 31 December 2024, the Group recorded a net exchange loss of approximately RMB3.4 million, as compared to an exchange loss of approximately RMB1.9 million for the year ended 31 December 2023. So far, the Group has not had any hedging arrangements to manage foreign exchange risks and has not employed any financial instruments for hedging purposes, but has been actively monitoring and overseeing such risks.

## Capital Expenditure

For the year ended 31 December 2024, the Group's total capital expenditure amounted to approximately RMB206.4 million, which was primarily used for (i) plant construction; (ii) purchase of patents; and (iii) purchase of equipment, instruments and software for manufacturing and R&D activities.

## Charge of Assets/Pledge of Assets

As at 31 December 2024, the Group mainly pledged a deposit of approximately RMB196.3 million in the pledged deposits account to obtain a bank loan for new plant construction (as at 31 December 2023: approximately RMB184.1 million), and bills receivable of approximately RMB22.9 million and restricted deposits of approximately RMB7.5 million were used to be pledged for bills payable (as at 31 December 2023: bills receivable of approximately RMB18.8 million and restricted deposits of approximately RMB5.2 million), amounting to approximately RMB226.7 million in aggregate. Other than the above, we did not have any charge or pledge of assets.

## Borrowings and Gearing Ratio

As at 31 December 2024, the balance of the Group's short-term bank loans of approximately RMB60.4 million (as at 31 December 2023: approximately RMB21.4 million), which were repayable on demand within one year, and the balance of the Group's long-term borrowings of approximately RMB17.7 million (as at 31 December 2023: approximately RMB32.3 million) (which were repayable within two years) were invested in the construction of the new plant and supplementing daily working capital demand. All borrowings are all denominated in RMB. Our loans have a term of less than three years, with interest rate being 2.5% to 3.0%. Gearing ratio represents the percentage of bank borrowings to total equity. As of 31 December 2024, the gearing ratio of the Group was approximately 3.0% (as of 31 December 2023: approximately 2.2%).

## Contingent Liabilities

As at 31 December 2024, we did not have any material contingent liabilities (as at 31 December 2023: Nil).

## Significant Investments

We did not hold any significant investments in other equity interests as at 31 December 2024.

## Future Plans for Material Investments and Capital Assets

As at 31 December 2024, the Group had two projects under construction: a new office park in the eastern part of Changping New City and a new plant in Changzhou West Taihu Lake Park. Depending on actual needs at the relevant times, the Group currently expects to fund those two projects through internal funds and/or external funds. Other than that, the Group have no other plans for material investments and capital assets.

## Employee and Remuneration Policy

As at 31 December 2024, the Group had 954 employees (as at 31 December 2023: 1,052 employees). Total staff remuneration expenses including Directors' remuneration for the year ended 31 December 2024 amounted to approximately RMB254.9 million (for the year ended 31 December 2023: approximately RMB255.0 million).

Remuneration is determined with reference to performance, skills, qualifications and experience of the staff concerned and in accordance with the prevailing industry practice. In addition to salary payments, other staff benefits include social insurance and housing provident contribution made by the Group, performance-based compensation and bonus and share schemes.

## Material Acquisitions and Disposal of Subsidiaries, Associates and Joint Ventures

During the year ended 31 December 2024, there was no material acquisition or disposal of subsidiaries, associates and joint ventures by the Group.

## Subsequent Event

There are no important events affecting the Group which have occurred since the end of the financial year ended 31 December 2024.

## DIRECTORS

### Executive Directors

**Mr. Li Zhijiang (李志疆)**, aged 57, is the chairman of the Board, the chief executive officer of the Company and an executive Director, primarily responsible for the overall strategic planning and development of the Group. He was appointed as a Director on 17 July 2015 and was designated as the chairman of the Board, the chief executive officer of the Company and an executive Director on 6 April 2016. He is the chairman of the Nomination Committee and a member of the Remuneration Committee. Mr. Li is the spouse of Ms. Zhang Bin, an executive Director and a senior vice president of the Company, and the brother-in-law of Mr. Zhang Chaoyang, an executive Director and a senior vice president of the Company.

Mr. Li is one of the founders of the Group and has over 20 years of experience in the clinical and orthopedic industry. He has been a director of AK Medical Investments Limited, AK Medical International Limited, Bright AK Limited, Beijing AK Medical Co., Ltd* (北京愛康宜誠醫療器材有限公司) ("**AK Medical Beijing**"), Beijing Ximai Kesi Medical Device Limited* (北京西麥克斯醫療器械有限公司) and ITI Medical Co. Ltd* (天衍醫療器材有限公司) since 21 July 2015, 28 July 2015, 15 March 2016, 11 November 2009 and 28 March 2016, respectively. Mr. Li has resigned as a director of Beijing Ximai Kesi Medical Device Limited since 5 March 2018. He has been appointed as a non-executive director of JRI Orthopedics Limited on 10 April 2018. He has also been the general manager of AK Medical Beijing since May 2003, and resigned on 29 December 2020. Prior to establishing the Group in May 2003, Mr. Li worked in the surgical department of Shougang Kuangshan Hospital (首鋼礦山醫院) in Tangshan, Hebei Province, China from 1988 to 1999.

Mr. Li completed the Executive MBA Programme and obtained a Master of Business Administration (MBA) from China Europe International Business School (中歐國際工商學院) in August 2014. He completed a diploma program in medicine and graduated from Beijing Staff Medical College (北京職工醫學院) in July 1998.

**Ms. Zhang Bin (張斌)**, aged 57, is an executive Director and a senior vice president of the Company, primarily responsible for the overall management and operations including management of the capital markets, human resources and administrative matters of the Group. She was appointed as a Director on 17 July 2015 and was designated as an executive Director and a senior vice president of the Company on 6 April 2016. Ms. Zhang is the spouse of Mr. Li Zhijiang, the chairman of the Board, an executive Director and the chief executive officer of the Company, and the sister of Mr. Zhang Chaoyang, an executive Director and a senior vice president of the Company.

Ms. Zhang has over 20 years of experience in the medical industry. She has been a director of Bright AK Limited and AK Medical Beijing since December 2009. Prior to joining the Group, Ms. Zhang served several roles including as a physician, the head of the hospital chief executive office and a radiologist in the CT room of the radiological department in Shougang Kuangshan Hospital (首鋼礦山醫院) in Tangshan, Hebei Province, China, respectively, from 1988 to 2002.

Ms. Zhang obtained an Executive Master of Business Administration (EMBA) from the Shanghai Advanced Institute of Finance of the Shanghai Jiao Tong University (上海交通大學上海高級金融學院) in December 2016. She completed a diploma program in medicine and graduated from Shougang College of Health (首都鋼鐵公司衛生學校) in August 1988.

**Mr. Zhang Chaoyang (張朝陽)**, aged 55, is an executive Director and a senior vice president of the Company, primarily responsible for product development, planning, construction, operation and management of the new production facilities of the Group. He was appointed as a Director on 17 July 2015 and was designated as an executive Director and a senior vice president of the Company on 6 April 2016. Mr. Zhang is brother of Ms. Zhang Bin, an executive Director and a senior vice president of the Company, and brother-in-law of Mr. Li Zhijiang, the chairman of the Board, an executive Director and the chief executive officer of the Company.

Mr. Zhang is one of the founders of the Group and has over 10 years of experience in the orthopedic medical device industry. He has been a director of AK Medical Investments Limited, AK Medical International Limited, AK Medical Beijing and ITI Medical Co. Ltd.* (天衍醫療器材有限公司) since 21 July 2015, 28 July 2015, 30 July 2015 and 28 March 2016, respectively. He has also been a director of Beijing Libeier Bio-engineering Institute Co., Ltd.* (北京理貝爾生物工程研究所有限公司) and vice general manager of AK Medical Beijing since April 2020 and May 2003 respectively. He was appointed as chairman of AK Medical Beijing since 24 December 2020. Prior to joining the Group, Mr. Zhang served as a vice director of workshop and a vice president of labor union of Shougang Mining Company Sintering Plant (首鋼礦業公司燒結廠) from September 1988 to March 2003, respectively.

Mr. Zhang obtained an Executive Master of Business Administration (EMBA) from China Europe International Business School (中歐國際工商學院) in November 2016. He obtained his diploma in economics management from the Correspondence Institute of the Party School of the Central Committee of Communist Party of China (中央黨校函授學院) in June 2001.

**Ms. Zhao Xiaohong (趙曉紅)**, aged 47, is an executive Director of the Company, primarily responsible for overseeing the marketing and sales management and business operation of the Group. She was appointed as a Director on 29 February 2016 and was designated as an executive Director the Company on 6 April 2016. Ms. Zhao was appointed as a vice president of the Company on 21 December 2018.

Ms. Zhao has over 10 years of experience in the accounting industry. She has served as a director of Beijing Libeier Bio-engineering Institute Co., Ltd.* (北京理貝爾生物工程研究所有限公司) since 24 April 2020. She was appointed as a director and chief executive officer of AK Medical Beijing since 20 May 2020 and 28 December 2020 respectively. She was appointed as a non-executive director of JRI Orthopedics Limited on 10 April 2018. She had been the finance director and operation director of AK Medical Beijing from September 2010 to April 2019 and from December 2014 to December 2016. She was the Chief Financial Officer of the Company from 6 April 2016 to 28 December 2020. Prior to joining the Group, she worked as an auditor in Ernst & Young Hua Ming LLP from August 2004 to September 2009. Ms. Zhao has been a Certified Public Accountant recognized by the Chinese Institute of Certified Public Accountants since 27 November 2009 and an associate member of the Association of International Accountants since 27 February 2015.

Ms. Zhao received her master degree in corporate management from Renmin University of China (中國人民大學) in June 2004 and her bachelor degree in international corporate management in Central University of Finance and Economics (中央財經大學) in June 2001.

## Non-executive Director

**Dr. Wang David Guowei (王國瑋)**, aged 63, is a non-executive Director, primarily responsible for providing advice on the strategy of the Group. He was appointed as a Director on 29 February 2016 and was designated as a non-executive Director on 6 April 2016. He is a member of the Audit Committee.

Dr. Wang has over 10 years of experience in the medical industry. Dr. Wang is the senior managing director of Asia at OrbiMed Advisors LLC, an investment fund with a focus on the healthcare industry, where he has worked since August 2011. Dr. Wang is a director of Gaush Meditech Ltd. (a company listed on the Hong Kong Stock Exchange, stock code: 2407) and a director of Sichuan Biokin Pharmaceuticals Co., Ltd (a company listed on the Shanghai Stock Exchange, stock code: 688506). From April 2006 to July 2011, he served as the managing director of WI Harper Group, responsible for investment activities in life sciences and healthcare areas. From March 2010 to July 2012, he served on the board of directors of Edan Instruments, Inc. (a company listed on the Shenzhen Stock Exchange, stock code: 300206), a provider of advanced electronic medical equipments, where he also served on both the audit committee and strategic committee. Dr. Wang served as a non-executive director in Laekna, Inc. (a company listed on the Hong Kong Stock Exchange, stock code: 2105) on 1 July 2019. He ceased to be a director of Suzhou Medical System Technology Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 603990) on 6 May 2019 and a non-executive director of Union Medical Healthcare Limited (a company listed on the Hong Kong Stock Exchange, stock code: 2138) on 24 April 2020 and ceased to be a director of Amoy Diagnostics Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 300685) on 13 August 2021.

Dr. Wang received his doctorate in developmental biology from the California Institute of Technology in June 1995. He received his bachelor degree in medicine from Peking Medical School (北京醫科大學) (currently known as Peking University Health Science Center (北京大學醫學部)) in July 1986.

## Independent Non-executive Directors

**Mr. Kong Chi Mo (江智武)** *CESGA®, FSA, FCCA, CPA, FCG, HKFCG, FHKIoD & MHKSI*, aged 49, is an independent non-executive Director, primarily responsible for overseeing the management of the Group independently. Mr. Kong joined the Company on 17 November 2017, when he was appointed as an independent non-executive Director. Mr. Kong is the chairman of the Audit Committee and a member of each of the Nomination Committee and Remuneration Committee.

Mr. Kong has more than 20 years of experience in accounting and audit, corporate finance, investor relations, company secretarial affairs and corporate governance with an additional concern on enterprise value and sustainability. Mr. Kong currently holds several directorships in listed companies including serving as an independent non-executive director and the chairman of the audit committee of New Hope Service Holdings Limited (stock code: 03658) and an independent non-executive director and the chairman of the audit committee of Beijing Capital Jiaye Property Services Co., Limited (stock code: 02210). All of the above-mentioned public companies are listed on the Hong Kong Stock Exchange.

Prior to joining the Company, Mr. Kong started his career as a finance trainee in Hutchison Telecommunications (Hong Kong) Limited, an indirect wholly-owned subsidiary of Hutchison Telecommunications Hong Kong Holdings Limited (stock code: 00215), from June 1997 to March 1998. Mr. Kong worked as a tax associate in PricewaterhouseCoopers, an international accounting firm from March 1998 to October 1999 and worked in KPMG, another international accounting firm from October 1999 to December 2007, during which his last position held in KPMG was audit senior manager. Mr. Kong successively served as an executive director, chief financial officer, company secretary and authorised representative during his employment with China Vanadium Titano-Magnetite Mining Company Limited (stock code: 00893) from May 2008 to March 2020. Mr. Kong served as an independent non-executive director of ZACD Group Ltd. (stock code: 08313) from December 2017 to April 2024. All of the above-mentioned public companies are listed on the Hong Kong Stock Exchange.

Mr. Kong is accredited as (i) an European Federation of Financial Analysts Societies (EFFAS) Certified ESG Analyst, the first internationally recognised ESG Professional Accreditation in Hong Kong and (ii) a Sustainability Accounting Standards Board's (SASB) Fundamentals of Sustainability Accounting Credential Holder.

Aside from the above-mentioned ESG- and sustainability-related qualifications, in aspects of accounting, company secretarial affairs and corporate governance, Mr. Kong is also admitted as (i) a Fellow of the Association of Chartered Certified Accountants (ACCA) in the United Kingdom, (ii) a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants (HKICPA), (iii) a Fellow of both The Chartered Governance Institute (CGI) in the United Kingdom and The Hong Kong Chartered Governance Institute (HKCGI) with the designations of Chartered Secretary and Chartered Governance Professional, (iv) a Fellow of The Hong Kong Institute of Directors (HKIoD), and (v) an Ordinary Member of Hong Kong Securities and Investment Institute (HKSI). Mr. Kong graduated from The Chinese University of Hong Kong with a Bachelor's degree in Business Administration in December 1997.

**Dr. Li Shu Wing David (李澍榮)**, aged 60, is an independent non-executive Director, primarily responsible for overseeing the management of the Group independently. He joined the Group on 17 November 2017, when he was appointed as an independent non-executive Director. He is the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee.

Dr. Li has substantial experience in management in the retailing industry and medical industry. Dr. Li is the sole director of Great Bonus Development Limited, a management consulting company founded in July 2012. From July 2010 to January 2013, he served as the senior director of Medtronic Weigao Orthopedic Device Company Limited, specialized in research and development, production and sale of spine, trauma and joint orthopedic implants. Dr. Li worked in G2000 (Apparel) Limited, from November 2007 to January 2008. He was the managing director of Stryker China Limited from July 2001 to 2006.

Dr. Li obtained a Master of Business Research degree and a Doctor of Business Administration degree from SBS Swiss Business School in March 2018 and February 2020, a Master of Business Administration degree from Chaminade University of Honolulu in December 1986 and a Bachelor of Business Administration degree from University of Hawaii at Hilo in May 1986. He attended Stryker Advanced Leadership Academy Program in Harvard University in March 2005 and INSEAD Hewlett-Packard Management Academy in April 1999. He also obtained the Registered Corporate Coach Certification from Worldwide Association of Business Coaches. Dr. Li was appointed as an Adjunct Associate Professor of The Chinese University of Hong Kong since 1 August 2022.

**Dr. Gao Wei (高偉)**, aged 58, is an independent non-executive Director primarily responsible for overseeing the management of the Group independently. He was appointed as an independent non-executive Director on 18 June 2024.

Dr. Gao is currently the Chief Representative of Beijing Representative Office of the Hong Kong Chartered Governance Institute (formerly known as the Hong Kong Institute of Chartered Secretaries), and has extensive experience in corporate financing and managing overseas-listed companies. Now he serves as the company secretary of Zhongguancun Science-Tech Leasing Co., Ltd. (中關村科技租賃股份有限公司), the H shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 1601.HK), and an independent non-executive director of Guolian Securities Co., Ltd., (國聯證券股份有限公司), the H shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 1456.HK) and the A shares of which are listed on the Shanghai Stock Exchange (stock code: 601456.SH). He also serves as an independent non-executive director of Best Mart 360 Holdings Limited, the shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 2360.HK).

Dr. Gao first joined the Council of the Hong Kong Chartered Governance Institute in 2013 and served as a vice-president from 2014 to 2020 and 2022 to 2023. He served as one of the vice chairman of the board secretary committee of China Association for Public Companies (中國上市公司協會) from November 2015 to November 2018. He served as a director of Sinotrans Air Transportation Development Co., Ltd. (中外運空運發展股份有限公司), a company previously listed on Shanghai Stock Exchange (stock code: 600270.SH) from November 2011 to June 2019 and the general manager of the company from January 2016 to June 2019, primarily responsible for overall operation and management, and he served as the legal representative of the company from January 2017 to August 2019. Dr. Gao served as the board secretary and company secretary of Sinotrans Limited (中國外運股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 0598.HK) from January 2003 to December 2016, primarily responsible for secretarial work; he served as the general counsel of Sinotrans Limited from January 2010 to June 2019, primarily responsible for legal affairs.

Dr. Gao obtained a bachelor's degree in management engineering from University of Science and Technology Beijing (北京科技大學) in July 1989, and further obtained a master's degree in economics from Central University of Finance and Economics (中央財經大學) in January 1993. He obtained a doctor's degree in law from University of International Business and Economics (對外經濟貿易大學) in June 1999. Dr. Gao was accredited as a PRC lawyer by the Ministry of Justice of the People's Republic of China in October 1996. He is a fellow member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. Dr. Gao is also an arbitrator of each of China International Economic and Trade Arbitration Commission, China Maritime Arbitration Commission, Beijing Arbitration Commission and Shanghai Arbitration Commission.

Details of the Directors' interests in the shares and underlying shares of the Company as at 31 December 2024 are set out in the section headed "Report of the Directors" of this annual report.

## Senior Management

For the biographical details of Mr. Li Zhijiang (李志疆), Ms. Zhang Bin (張斌), Mr. Zhang Chaoyang (張朝陽), and Ms. Zhao Xiaohong (趙曉紅), please see "Directors – Executive Directors" of this section.

**Ms. Liu Aiguo (劉愛國),** aged 51, is currently the vice president and head of the compliance and quality management committee of AK Medical, and the general manager of ITI Medical Co., Ltd.* (天衍醫療器材有限公司). Ms. Liu has over 20 years of experience in the orthopedic medical device industry. She worked at Beijing Bearing Factory (北京軸承廠) from January 1996 to October 2003. She joined the Group in October 2003 as the head of production of AK Medical Beijing and was appointed as a vice general manager of AK Medical Beijing in July 2012, primarily responsible for quality control management as well as legal and regulatory affairs of AK Medical Beijing. Since January 2017, she has been re-designated to manage the legal and regulatory department of AK Medical Beijing. She has been serving as the general manager of ITI Medical Co., Ltd. since 29 December 2020.

Ms. Liu obtained an Executive Master of Business Administration degree from Cheung Kong Graduate School of Business (長江商學院) in September 2017. She received a diploma in Information Management and Application from Beijing Union University (北京聯合大學) in July 1998.

**Ms. Wang Caimei (王彩梅),** aged 52, is the chief technology officer of AK Medical Group and the director of AK Medical Beijing Research Center, primarily responsible for overseeing the management of the research center of AK Medical Beijing. Ms. Wang has 24 years of experience in the R&D of orthopedic implants. She joined the group in October 2010 as the supervisor of the research center of AK Medical Beijing.

Prior to joining the group, Ms. Wang worked at Baimtec Material Company Limited (百慕航材高科技股份有限公司) of the Beijing Institute of Aeronautical Materials (currently known as AVIC Beijing Institute of Aeronautical Materials), which is principally engaged in the research, development, and distribution of high-technology products based on aeronautical materials, manufacturing processes, and technology, from March 2001 to September 2010.

Ms. Wang received her doctorate in vehicle engineering from China Agricultural University (中國農業大學) in June 2009.

**Ms. Liang Kun (梁堃)**, aged 40, has been the Chief Financial Officer of the Company since December 2020. She is primarily responsible for the financial management and accounting affairs of the Group. Ms. Liang has rich experience in accounting and auditing. She worked as an auditor in Ernst & Young Hua Ming LLP from July 2007 to July 2014. From July 2014 to December 2016, she worked as an auditing manager in United Technologies Corporation. Ms. Liang joined the Company as a senior financial manager since December 2016. She graduated from Tianjin University of Finance and Economics with a Bachelor Degree in Accounting. She is a Certified Public Accountant recognized by the Chinese Institute of Certified Public Accountants.

**Mr. Sun Hanzhong (孫漢忠)**, aged 54, has been appointed as the vice president of Human Resources of AK Medical Group since May 2021, and is fully responsible for the human resources management of AK Medical and all its subsidiaries. Prior to joining the Group, Mr. Sun had held various human resources leadership roles in Hong Kong listed companies such as Xiabuxiabu Catering Management (China) Holdings Co., Ltd. (stock Code: 0520), Yashili International Holdings Ltd (stock code: 01230) and China Mengniu Dairy Company Limited (stock code: 02319). Before that, he also worked in human resource management in Kimberley-Clark (China) Limited* (金佰利(中國)有限公司), Microsoft (China) Co., Ltd., Alcoa Asia Ltd. (美國鋁業亞洲公司) and China National Light Industrial Products Import & Export Corporation (中國輕工業品進出口總公司).

Mr. Sun graduated from Cornell University in 2005 with a master's degree in human resource management, and received a bachelor's degree in economics from Renmin University of China in 1992.

**Ms. Ma Rongkun (馬榮堃),** aged 31, has been appointed as the Company Secretary since 30 August 2024, and is responsible for capital markets matters and company secretarial matters of the Group. She joined the Group as the investor relations manager since September 2019. Ms. Ma has over 7 years of experience in the finance industry. Prior to joining the Group, Ms. Ma worked as an investor relations manager at Financial PR Group from February 2018 to September 2019.

Ms. Ma obtained her bachelor's degree in Social Sciences from Hong Kong Baptist University in May 2016. Ms. Ma is an associate of the Hong Kong Chartered Governance Institute.

## Change in Directors' Information

Save that (i) Mr. Eric Wang retired as an independent non-executive Director on 18 June 2024; and (ii) Mr. Gao Wei was appointed as an independent non-executive Director on 18 June 2024, all the changes in the Directors' information (if any) subsequent to the date of release of the interim report of the Company for the six months ended 30 June 2024 are included in the section headed "Board of Directors and Senior Management" of this annual report.

Save as disclosed above, there is no relationship as set out in paragraph 12 of Appendix D2 to the Listing Rules among the Directors and the senior management.

* The English translations of Chinese entities are for identification purpose only.

# REPORT OF THE DIRECTORS

The Board is pleased to present their report for the year ended 31 December 2024.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its subsidiaries are set out in note 16 to the consolidated financial statements. There were no significant changes in the nature of the Group's activities during the year.

## BUSINESS REVIEW AND FINANCIAL KEY PERFORMANCE

The implementation of the result of the VBP on joint products speeded up the import substitution. At the same time, the scale of overseas sales has continued to expand, leading to a significant growth in the sales volume of the Group's products. For the year ended 31 December 2024, the Group achieved revenue of approximately RMB1,346.4 million, representing an increase of approximately 23.1% as compared to 2023, and a net profit of approximately RMB273.9 million, representing an increase of approximately 50.4% as compared to the year of 2023.

A fair review of the business of the Group and a discussion and analysis of the Group's performance during the year under review and the material factors underlying its results and financial position are provided in the section headed "Management Discussion and Analysis" from page 8 to page 22 of this annual report.

An analysis of the Group's performance during the year ended 31 December 2024 using financial key performance indicators is provided in the section headed "Financial Highlights" on page 4 of this annual report.

The likely future development of the Company are set out in the section headed "Management Discussion and Analysis – Prospect" of this annual report.

## PRINCIPAL RISKS AND UNCERTAINTIES

### Policy risk

In 2024, the anti-corruption campaign in the medical field led by the National Health Commission ("NHC") has affected the annual results of the Company to a certain extent. We are not entirely sure that the anti-corruption campaign will continue in the future.

### Human resource risk

With the implementation of the VBP, the orthopedic industry is facing more fierce competition. A highly competitive industries can lead to the lost of talent, especially for employees with rich experience and skills, and the Company is at risk of the lost talent. In order to retain key personnel, the Company may have to improve the compensation packages of employees, so it also faces the risk of rising labor costs.

## KEY RELATIONSHIP

The Group fully understands that employees, customers and suppliers are the key to our sustainable and stable development. We are committed to establishing a close relationship with our employees, customers, and suppliers so as to ensure the Group's sustainable development.

### Employees

We regard our employees are the most significant resources of the Group. Our recruiting policy emphasizes the importance of attracting competent employees through a combination of competitive salary incentives, on-the-job training and opportunities for development. We place significant emphasis on staff training and development. We invest in continuing education and training programs to our management staff and other employees to upgrade their skills and knowledge.

### Customers

The Group's principal customers are distributors, hospitals, physicians and surgeons, and patients. We uphold the principle of providing high-quality products and customer-centered services throughout our operation, which we believe is vital to achieving customer satisfaction and maintaining our reputation.

We provide training sessions on product knowledge to our distributors. Our sales and marketing team also assists our distributors with their sales and marketing efforts. We believe this helps us nurture mutually beneficial long-term relationships with our distributors.

To strengthen the relationship with our key opinion leaders and external industry experts, we organize and attend industrial and academic seminars. We invite experts to attend conferences that we organize to promote and discuss our products and relevant surgical techniques. Especially, we provide digital orthopedic solutions to the surgeons to assist them to better complete the surgeries.

We also strive to enhance user experience by collecting feedback from surgeons and making relevant improvements to our products. Our customer service team is responsible for handling customer complaints. We have established a customer service hotline to handle complaints about our products from our customers. The relevant complaints will be forwarded to our relevant departments for follow-up.

### Suppliers

We firmly believe that our suppliers are equally important in providing high-quality medical services. We select our raw material suppliers based on a number of factors, including their business scale, reputation in the market, equipment capacity, staff capacity, technical skills and their ability to deliver materials that meet our quality standards in a timely manner. We have developed stable relationships with all of our key suppliers.

## ENVIRONMENTAL POLICY

We are subject to various PRC and United Kingdom (the "**UK**") laws, rules and regulations with regard to environmental matters, at both the national level and local environmental protection bureaus level. We have established dust treatment and recycling systems which have improved the working environment and have passed the necessary environmental impact evaluations and environmental facilities construction completion examinations. To comply with relevant environmental laws and regulations, we have engaged professional waste management companies to manage the disposal of hazardous wastes. We have also implemented waste treatment and disposal procedures with respect to the handling of hazardous wastes, such as wastes from hazardous chemicals. During the year ended 31 December 2024, the Group complied with all relevant environmental laws and regulations.

## COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in Mainland China and UK while the Company is a holding company incorporated in the Cayman Islands with its shares listed on the Main Board of the Hong Kong Stock Exchange. Our establishments and operations accordingly shall comply with relevant laws and regulations in Mainland China, UK, the Cayman Islands and Hong Kong. In 2024, our businesses were in compliance with all the relevant laws and regulations in Mainland China, UK, the Cayman Islands and Hong Kong in all material aspects.

## DONATIONS

The Group made charitable donations totalling approximately RMB7,400,000 during the year ended 31 December 2024.

## RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2024 and the state of affairs of the Group at that date are set out in the consolidated financial statements.

The Directors have resolved to recommend the payment of a final dividend of HK$7.2 cents per ordinary share of the Group for the year ended 31 December 2024 (2023: HK$4.5 cents) to the Shareholders whose names appear on the register of members of the Group on Friday, 27 June 2025. The final dividend, if approved by the Shareholders at the annual general meeting, will be payable on or around Friday, 18 July 2025.

As at the date of this annual report, the Board was not aware that any Shareholders had waived or agreed to any arrangement to waive dividends.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed for the following periods:

(a) For the purpose of determining Shareholders who are entitled to attend and vote at the annual general meeting of the Company (the "AGM") to be held on Wednesday, 18 June 2025, the register of members of the Group will be closed from Friday, 13 June 2025 to Wednesday, 18 June 2025, both days inclusive. In order to qualify for attending and voting at the AGM, all transfer documents should be lodged for registration with the Group's Hong Kong branch share registrar, MUFG Corporate Markets Pty Limited at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong not later than 4:30 p.m. on Thursday, 12 June 2025.

(b) For the purpose of determining Shareholders who qualify for the final dividend, the register of members of the Group will be closed from Wednesday, 25 June 2025 to Friday, 27 June 2025, both days inclusive. In order to qualify for the final dividend, all transfer documents should be lodged for registration with the Group's Hong Kong branch share registrar, MUFG Corporate Markets Pty Limited at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong not later than 4:30 p.m. on Tuesday, 24 June 2025.

## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five years is set out in the financial summary on page 5 of this annual report. The summary does not form part of the audited consolidated financial statements.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the Group's property, plant and equipment are set out in note 13 to the consolidated financial statements in this annual report.

## BORROWINGS

As at 31 December 2024, the balance of the Group's short-term bank loans of approximately RMB60.4 million, which were repayable on demand within one year, and the balance of the Group's long-term borrowings of approximately RMB17.7 million (which were repayable within two years) were invested in the construction of the new plant and supplementing daily working capital demand.

## PLEDGE OF ASSETS

As at 31 December 2024, the Group mainly pledged a deposit of approximately RMB196.3 million in the pledged deposits account to obtain a bank loan for new plant construction, and bills receivable of approximately RMB22.9 million and restricted deposits of approximately RMB7.5 million were used to be pledged for bills payable, amounting to approximately RMB226.7 million in aggregate. Other than the above, we did not have any charge or pledge of assets.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2024, sales to the Group's five largest customers accounted for approximately 17.2% of the Group's total sales and sales to the largest customer included therein amounting to approximately RMB63.0 million, which amounts to approximately 4.7% of the Group's total sales.

Purchases from the Group's five largest suppliers in aggregate accounted for approximately 77.4% of the Group's total purchases for the year and purchase from the largest supplier included therein amounting to approximately RMB123.8 million, which amounts to approximately 46% of the Group's total purchases.

None of the Directors or any of their close associates or any Shareholders who, to the knowledge of our Directors, own more than 5% of the issued share capital of the Company (excluding treasury shares) (as defined in the Listing Rules) (the "Treasury Shares") had any interest in any of our five largest customers and suppliers during the year ended 31 December 2024.

## SHARE CAPITAL

Details of the movements in the share capital of the Company for the year ended 31 December 2024 are set out in note 30 to the consolidated financial statements in this annual report.

## RESERVES

Details of the movements in the reserves of the Group for the year ended 31 December 2024 are set out in the section headed "Consolidated Statement of Changes in Equity" of this annual report.

At 31 December 2024, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the Companies Law of the Cayman Islands, was RMB946.4 million.

## DIRECTORS

Directors during the year ended 31 December 2024 and up to the date of this annual report are:

### Executive Directors

Mr. Li Zhijiang
Ms. Zhang Bin
Mr. Zhang Chaoyang
Ms. Zhao Xiaohong

### Non-executive Director

Dr. Wang David Guowei

### Independent Non-executive Directors

Mr. Kong Chi Mo
Dr. Li Shu Wing David
Dr. Gao Wei *(appointed with effect from 18 June 2024)*
Mr. Eric Wang *(retired with effect from 18 June 2024)*

In accordance with Article 84 of the Company's articles of association (the "Articles of Association"), Mr. Zhang Chaoyang, Ms. Zhao Xiaohong and Dr. Li Shu Wing David shall retire by rotation at the AGM, and are eligible to offer themselves for re-election at the AGM. All of them will offer themselves for re-election.

## SERVICE CONTRACTS OF DIRECTORS

Each of the Directors has entered into a service contract or letter of appointment with the Company for an initial term of three years and shall be terminable by either party giving not less than three months' notice in writing to the other.

None of the Directors proposed for re-election at the forthcoming AGM has a service contract with any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

## EMOLUMENT POLICY

During the year ended 31 December 2024, the Remuneration Committee reviewed the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Company, which is determined with reference to the Group's operating results, individual performance and responsibilities and comparable market practices. The Group may also provide incentives to Directors and employees of the Group under the share option scheme and share award scheme adopted by the Company.

Details of the Directors' remuneration and the five highest paid individuals in the Group are set out in notes 9 to 10 to the consolidated financial statements in this annual report.

Dr. Wang David Guowei waived 100% of the emoluments under voluntary reduction arrangement due to personal reason.

## INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to the independence factors as set out in Rule 3.13 of the Rules Governing the Listing of securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company believes that all of the independent non-executive Directors are independent in accordance with the guidelines set out in the Listing Rules for the year ended 31 December 2024.

## DIRECTOR'S INTEREST IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

No Director nor any connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance relating to the business of the Group to which the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party subsisted at the end of the year or at any time during the year ended 31 December 2024.

## CONTRACTS OF SIGNIFICANCE

No contract of significance in relation to the Group's business between the Company, or any of its subsidiaries and a controlling shareholder of the Company or any of its subsidiaries, subsisted at the end of the year ended 31 December 2024 or at any time during the year ended 31 December 2024. No contracts of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries subsisted at the end of the year ended 31 December 2024 or at any time during the year ended 31 December 2024.

## NON-COMPETE UNDERTAKINGS

Each of Ximalaya Limited, Summer Limited, Mr. Li Zhijiang, Ms. Zhang Bin and Rainbow Holdings Limited (collectively the "**Covenantors**") has entered into the deed of non-competition dated 17 November 2017 (the "**Deed**") in favour of the Company. Pursuant to the Deed, each of the Covenantors shall not and shall procure that its/his/her close associates (other than members of the Group) not to, directly or indirectly, engage in, invest in, participate in, or attempt to participate in, whether on its/his/her own account or with each other or in conjunction with or on behalf of any person or company, any business in competition with or likely to be in competition with the existing business activities of the Group. For further details of the Deed, please refer to the prospectus of the Company dated 7 December 2017.

The Company has received confirmations from the Covenantors of their compliance with the terms of the Deed. The Covenantors declared that they had fully complied with the Deed for the year ended 31 December 2024. The independent non-executive Directors have reviewed on the confirmations from the Covenantors and concluded that the Deed has been complied with and has been effectively enforced.

## EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company as disclosed herein, no equity-linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the year ended 31 December 2024 or subsisted at the end of the year.

## ISSUE OF DEBENTURE

The Group has not issued any debentures during the year ended 31 December 2024.

## ISSUE OF EQUITY SECURITIES OR SALE OF TREASURY SHARES FOR CASH

The Company did not allot and issue any equity securities (including securities convertible into equity securities) or sale of Treasury Shares for cash (other than under a share scheme that complies with Chapter 17 of the Listing Rules) during the year ended 31 December 2024.

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

As at 31 December 2024, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required (a) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or (b) to be and were entered in the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code, were as follows:

### Interest in the Shares or underlying Shares of the Company

| Name of Directors | Capacity/Nature of Interest | Number of Shares (Note 1) | Approximate Percentage of Shareholding in the Company (Note 2) |
|---|---|---|---|
| Mr. Li Zhijiang (Note 3) | Founder of a discretionary trust | 505,157,500 (L) | 45.00% |
| | Interest of spouse | 10,125,000 (L) | 0.90% |
| Ms. Zhang Bin (Note 4) | Interest of controlled corporation | 10,125,000 (L) | 0.90% |
| | Interest of spouse | 505,157,500 (L) | 45.00% |
| Mr. Zhang Chaoyang (Note 5) | Founder of a discretionary trust | 58,818,500 (L) | 5.24% |
| Ms. Zhao Xiaohong (Note 6) | Beneficial interest | 2,639,940 (L) | 0.24% |

Notes:

(1) The letter "L" denotes our Directors' long position in the Shares.

(2) The percentage is calculated based on the total number of 1,122,671,437 Shares in issue as at 31 December 2024.

(3) Mr. Li Zhijiang, being the founder of LZY Trust who can influence how the trustee exercises his discretion, is deemed to be interested in 505,157,500 long position in the Shares. In addition, Mr. Li Zhijiang is the husband of Ms. Zhang Bin. Therefore, Mr. Li Zhijiang is deemed to be interested in the Shares held by Ms. Zhang Bin pursuant to the SFO.

(4) Ms. Zhang Bin, being the sole director of Summer Limited, is the sole shareholder of Summer Limited which holds 10,125,000 Shares of the Company. Therefore, Ms. Zhang Bin is deemed to be interested in Summer Limited's interest in the Shares pursuant to the SFO. In addition, Ms. Zhang Bin is the wife of Mr. Li Zhijiang. Therefore, Ms. Zhang Bin is deemed to be interested in Mr. Li Zhijiang's interest in the Shares pursuant to the SFO.

(5) Mr. Zhang Chaoyang, being the founder of Bamboo Trust who can influence how the trustee exercises his discretion, is deemed to be interested in 58,818,500 long position in the Shares.

(6) Ms. Zhao Xiaohong directly holds (i) options to subscribe for 507,880 Shares pursuant to the Share Option Scheme; and (ii) 2,132,060 Shares.

Save as disclosed above, as at 31 December 2024, none of the Directors or the chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required: (a) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO), (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) pursuant to the Model Code to be notified to the Company and the Hong Kong Stock Exchange.

Save as disclosed above, as at 31 December 2024, none of the Director is a director or employee of a company which had an interest in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES OR UNDERLYING SHARES OF THE COMPANY

As at 31 December 2024, so far as was known to the Directors, the following persons (other than the Directors or chief executive of the Company) and entities had interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

| Name of Shareholders | Capacity/Nature of Interest | Number of Shares/Underlying Shares (Note 1) | Approximate Percentage of Shareholding in the Company (Note 2) |
|---|---|---|---|
| Mr. Li Zhijiang (Notes 3 and 4) | Founder of a discretionary trust | 505,157,500 (L) | 45.00% |
| | Interest of spouse | 10,125,000 (L) | 0.90% |
| Ms. Zhang Bin (Notes 3 and 4) | Interest of a controlled corporation | 10,125,000 (L) | 0.90% |
| | Interest of spouse | 505,157,500 (L) | 45.00% |
| Ximalaya Limited (Note 3) | Beneficial owner | 505,157,500 (L) | 45.00% |
| Rainbow Holdings Limited (Note 3) | Interest in a controlled corporation | 505,157,500 (L) | 45.00% |
| Mr. Zhang Chaoyang (Note 5) | Founder of a discretionary trust | 58,818,500 (L) | 5.24% |
| Suntop Limited (Note 5) | Beneficial owner | 58,818,500 (L) | 5.24% |
| Bamboo Group Management Limited (Note 5) | Interest of a controlled corporation | 58,818,500 (L) | 5.24% |
| Trident Trust Company (HK) Limited (Notes 3 and 5) | Trustee of a discretionary trust | 563,976,000 (L) | 50.24% |
| Platinum Investment Management Limited | Investment manager | 56,496,917 (L) | 5.03% |
| Platinum International Fund | Trustee | 18,018,558 (L) | 1.60% |
| Platinum Global Fund (6) | Trustee | 827,235 (L) | 0.07% |
| Platinum Asia Fund (6) | Trustee | 16,304,436 (L) | 1.45% |
| Platinum Global Fund (6) | Trustee | 4,248,501 (L) | 0.38% |

Notes:

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

(2) The percentage is calculated based on the total number of 1,122,671,437 Shares in issue as at 31 December 2024.

(3) LZY Trust is a discretionary trust established by Mr. Li Zhijiang as settlor, with Trident Trust Company (HK) Limited acting as trustee. The beneficiaries of LZY Trust are Mr. Li Zhijiang and certain of his family members. Trident Trust Company (HK) Limited holds 100% issued share capital of Rainbow Holdings Limited, which holds 100% issued share capital of Ximalaya Limited. Therefore, each of Mr. Li Zhijiang, Trident Trust Company (HK) Limited and Rainbow Holdings Limited is deemed to be interested in Ximalaya Limited's interest in 505,157,500 long positions in the Shares pursuant to the SFO.

(4) Ms. Zhang Bin, being the sole director of Summer Limited, is the sole shareholder of Summer Limited which holds 10,125,000 Shares. Therefore, Ms. Zhang Bin is deemed to be interested in Summer Limited's interest in these Shares pursuant to the SFO. In addition, Ms. Zhang Bin is the wife of Mr. Li Zhijiang. Therefore, Ms. Zhang Bin is deemed to be interested in the Shares held by Mr. Li Zhijiang pursuant to the SFO.

(5) Bamboo Trust is a discretionary trust established by Mr. Zhang Chaoyang as settlor, with Trident Trust Company (HK) Limited acting as trustee. Trident Trust Company (HK) Limited holds 100% issued share capital of Bamboo Group Management Limited, which holds 100% issued share capital of Suntop Limited. Therefore, each of Mr. Zhang Chaoyang, Trident Trust Company (HK) Limited and Bamboo Group Management Limited is deemed to be interested in Suntop Limited's interest in the Shares pursuant to the SFO.

(6) Of the 56,496,917 Shares held by Platinum Investment Management Limited, 17,098,187 Shares were held as an investment manager, and the remaining 39,398,730 Shares were held as trustee of the Platinum International Fund (in respect of 18,018,558 Shares), Platinum Global Fund (in respect of 827,235 Shares), Platinum Asia Fund (in respect of 16,304,436 Shares) and Platinum Global Fund (in respect of 4,248,501 Shares), respectively.

Save as disclosed above, as at 31 December 2024, so far as the Directors were aware, no other persons (other than the Directors or chief executive of the Company) or entities had any interests or short positions in the Shares or underlying Shares of the Company, which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under section 336 of the SFO.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities, including sale of Treasury Shares, if any, during the year ended 31 December 2024.

As at 31 December 2024, there were no Treasury Shares held by the Group.

## DIRECTOR'S RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save for the Pre-IPO Share Option Scheme, the share Option Scheme and the Share Award Scheme as disclosed herein, at no time during or at the end of the year ended 31 December 2024 was the Company or any of its subsidiaries a party to any arrangements whose objects were or one of whose objects was to enable the Directors to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate; and none of the Directors, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year ended 31 December 2024.

## SHARE OPTION SCHEMES

### (a) Pre-IPO Share Option Scheme

The Pre-IPO share option scheme was adopted pursuant to a written resolution passed by the Shareholders on 17 November 2017 (the "**Pre-IPO Share Option Scheme**") for the purpose of recognising the contribution of certain employees, executives and officers made or may have made to the growth of the Group and/or the listing of the shares of the Company on the Main Board of the Stock Exchange.

The eligible participant under the Pre-IPO Share Option Scheme are the full-time employees, executives or officers (including executive, non-executive and independent non-executive Directors) of our Company or the full-time employees of any of the subsidiaries of the level of manager or above and other full-time employees of our Company or any of the subsidiaries who, in the sole opinion of the Board, have contributed or will contribute to our Company and/or any of the subsidiaries.

Except for the options which have been granted under the Pre-IPO Share Option Scheme, no further options will be offered or granted under the Pre-IPO Share Option Scheme, as the right to do so has been terminated upon the listing of the Company. As at 31 December 2024, the number of Shares in respect of which options had been granted and remained outstanding under the Pre-IPO Share Option Scheme was 2,025,000, representing approximately 0.18% of the Shares in issue. There is no service provider sublimit.

There is no maximum entitlement of each participant under this scheme. All options under the Pre-IPO Share Option Scheme were granted on 17 November 2017. The exercise price of the option granted under the Pre-IPO Share Option Scheme is HK$1.34 per Share. The exercise price was determined after taking into account (i) the exercise price per Share shall not be less than the par value of such Share; and (ii) subject to paragraph (i), the Board shall determine the exercise price at its sole discretion.

The options granted under the Pre-IPO Share Option Scheme shall be valid for a period of ten years commencing on the date upon which such options are granted and accepted in accordance with the rules of the Pre-IPO Share Option Scheme (the "**Option Period**").

HK$1.00 was payable upon acceptance by each grantee as consideration for grant of the options.

The Pre-IPO Share Option Scheme commences on the listing date of the Company (i.e. 20 December 2017) and ends on the tenth anniversary of the listing date (both dates inclusive). As at the date of this annual report, the remaining life of the Pre-IPO Share Option Scheme is approximately 2 years and 8 months.

The grantees to whom options have been granted under the Pre-IPO Share Option Scheme will be entitled to exercise his/her options in the following manner:

(aa) For the purpose of this paragraph:

"**Vesting Conditions**" means (i) the revenue of the Group as shown in the audited consolidated financial statements of the Group for the relevant financial year represents an increase of 30% or more of the revenue of the Group as shown in the audited consolidated financial statements of the Group for the immediately preceding financial year (adjusted to exclude the effect of any acquisition by the Group); (ii) the profit attributed to Shareholders as shown in the audited consolidated financial statements of the Group for the relevant financial year (adjusted to exclude the effect of the listing expenses, the options granted, any withholding tax arising from profit generated by the Group companies in the PRC and any acquisition by the Group) represents an increase of 25% or more of the profit attributes to Shareholders as shown in the audited consolidated financial statements of the Group for the preceding financial year (adjusted to exclude the effect of the listing expenses, the options granted, any withholding tax arising from profit generated by the Group companies in the PRC and any acquisition by the Group); and (iii) the relevant grantee has passed the annual performance appraisal scheme established by the Group for the relevant financial year.

(bb) Options granted to the grantees will vest in four portions and the grantees shall be entitled to exercise, on the first business day immediately following 1 May of the relevant year until the end of the Option Period (both days inclusive):

(I) 25% of the total number of options granted when the Vesting Conditions are met for the first time during the Option Period;

(II) 25% of the total number of options granted when the Vesting Conditions are met for the second time during the Option Period;

(III) 25% of the total number of options granted when the Vesting Conditions are met for the third time during the Option Period; and

(IV) 25% of the total number of options granted when the Vesting Conditions are met for the fourth time during the Option Period.

(cc) Any options granted will lapse if the conditions for exercise under paragraph (bb) above have not been met within the Option Period.

(dd) The grantees shall enter into service contracts with the Group for a term of no less than four years from the date of grant of the options (as the case may be).

(ee) The Board has the sole and absolute discretion to amend the relevant vesting conditions of the pre-IPO share options from time to time and the consent from each grantee has to be obtained prior to any amendment in the event that such amendment is prejudicial to such grantee.

(ff) During the Option Period, if the grantee terminates its service contract with the Group under paragraph (dd) above or commits a material breach of any restrictive covenant in respect of the Group that the grantee is subject to (e.g. a non-competition undertaking), (i) to the extent not already exercised, the options granted to such grantee shall lapse automatically and not be exercisable; and (ii) to the extent already exercised, the Company may demand the grantee to return any entitlement or interest obtained from the exercise of the options granted. In 2019, the Directors have resolved not to demand any grantee of the pre-IPO share options to return any entitlement or interest obtained from the exercise of the options granted even though the grantee terminated its service contract with the Group during the Option Period, to the extent already exercised.

During the period from 1 January 2024 to 31 December 2024 (the "**Reporting Period**"), no share options were granted under the Pre-IPO Share Option Scheme.

The details of movements in the options granted under the Pre-IPO Share Option Scheme during the Reporting Period by category of grantees are set out below:

| Category and Name of grantee | Date of grant of share option | Outstanding as at 1 January 2024 | Granted during the Reporting Period | Exercised during the Reporting Period | Weighted average closing price of the shares immediately before the date the options were exercised | Vesting period and performance targets | Lapsed during the Reporting Period | Cancelled during the Reporting Period | Outstanding as at 31 December 2024 | Exercise period of the share options | Exercise price of the share options | Closing price of the shares immediately before the date on which the options were granted |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Director** | | | | | | | | | | | | |
| Zhao Xiaohong | 17/11/2017 | 0 | 0 | 0 | – | See paragraph (bb) above | 0 | 0 | 0 | 10 years | HK$1.34 | N/A (Note 1) |
| **Senior Management and Other Employees of the Group** | | | | | | | | | | | | |
| Senior Management and Other Employees | 17/11/2017 | 2,800,000 | 0 | 775,000 | HK$4.35 | See paragraph (bb) above | 0 | 0 | 2,025,000 | 10 years | HK$1.34 | N/A (Note 1) |
| **Total** | | **2,800,000** | **0** | **775,000** | **HK$4.53** | | **0** | **0** | **2,025,000** | | | |

The terms of the Pre-IPO Share Option Scheme are disclosed in the Company's prospectus dated 7 December 2017.

Details of the Pre-IPO Share Option Scheme are set out in note 27 to the consolidated financial statements.

## (b) Share Option Scheme (Note 2)

The Company adopted a share option scheme approved by the written resolution passed by the Shareholders on 17 November 2017 (the "**Share Option Scheme**"). Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for 10 years from 20 December 2017 (the "**Listing Date**").

Note 1: as such options were granted before listing, no closing market price is available.

Note 2: as the existing Share Option Scheme was adopted before the new Chapter 17 of the Listing Rules became effective on 1 January 2023, certain terms of the existing Share Option Scheme may not be in full compliance with the new Chapter 17 of the Listing Rules. Share options to be granted under the Share Option Scheme in the future will be in compliance with the new Chapter 17 of the Listing Rules.

A summary of the Share Option Scheme of the Company is as follows:

| | | |
|---|---|---|
| 1. | Purpose | To recognize and acknowledge the contributions the Eligible Participants (as defined below) have had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:<br><br>(i) motivating the Eligible Participants to optimize their performance efficiency for the benefit of the Group; and<br><br>(ii) attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group. |
| 2. | Participants | The Board may, at its discretion, offer to grant an option to subscribe for such number of new shares as the Board may determine at an exercise price determined in accordance with the terms set out in the Share Option Scheme to the following persons (the "**Eligible Participants**"):<br><br>(i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;<br><br>(ii) any Directors (including non-executive Directors and independent non-executive Directors) of the Company or any of its subsidiaries;<br><br>(iii) any advisors, consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and<br><br>(iv) such other persons who, in the sole opinion of the Board, will contribute or have contributed to the Group, the assessment criteria of which are:<br><br>(aa) contribution to the development and performance of the Group;<br><br>(bb) quality of work performed for the Group;<br><br>(cc) initiative and commitment in performing his/her duties; and<br><br>(dd) length of service or contribution to the Group. |
| 3. | Total number of securities available for issue under the Share Option Scheme together with the percentage of the issued Shares that it represents as at the date of the annual report | 92,554,736 ordinary Shares and 8.24% of the existing issued share capital. |

4. Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised, outstanding options and Shares which were the subject of options which have been granted and accepted under the Share Option Scheme and any other share option schemes of the Company but subsequently canceled) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as of the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

(i) the issue of a circular by the Company to the Shareholders containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant), the information as required under Rules 17.03(D) of the Listing Rules; and

(ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his close associates (or his associates if such Eligible Participant is a connected person) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before the Shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the exercise price of the Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine or, alternatively, documents accompanying the offer document which state, among other things:

(aa) the Eligible Participant's name, address and occupation/position;

(bb) the date on which an option is offered to an Eligible Participant which must be a date on which the Hong Kong Stock Exchange is open for the business of dealing in securities;

(cc) the date upon which an offer for an option must be accepted;

(dd) the date upon which an option is deemed to be granted and accepted in accordance with paragraph (c);

(ee) the number of Shares in respect of which the option is offered;

(ff) the exercise price and the manner of payment of such price for the Shares on and in consequence of the exercise of the option;

(gg) the date of the expiry of the option;

(hh) the method of acceptance of the option which shall, unless the Board otherwise determines, be as set out in item 7 below; and

(ii) such other terms and conditions (including, without limitation, any minimum period for which an option shall be held before it can be exercised and/or any performance targets which must be achieved before the option can be exercised) relating to the offer of the option which in the opinion of the Board are fair and reasonable but not being inconsistent with the Share Option Scheme and the Listing Rules.

| | | |
|---|---|---|
| 5. | Period within which the securities must be taken up under an option | An option may be taken up in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and may be exercised thereupon and prior to the expiry of the period as notified by the Board to each Grantee provided that such period of time shall not exceed a period of ten years from that date. No further share options may be granted after 10 years from the date of listing. |
| 6. | Minimum/vesting period, if any, for which an option must be held before it can be exercised | There is no minimum period for which an option granted must be held before it can be vested and exercised except otherwise imposed by the Directors. |
| 7. | Amount, if any, payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid | An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the document constituting acceptance of the option duly signed by the grantee, together with a remittance in favor of the Company of HK$1.00 by way of consideration for the grant thereof is received by the Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it must be accepted in respect of a board lot for dealing in Shares on the Hong Kong Stock Exchange or an integral multiple thereof and such number is clearly stated in the document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably lapsed. |
| 8. | Basis of determining the exercise price | The exercise price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, except that such price will not be less than the highest of:<br><br>(i) the closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Hong Kong Stock Exchange is open for the business of dealing in securities;<br><br>(ii) the average of the closing prices of the Shares as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and<br><br>(iii) the nominal value of a Share. |
| 9. | The remaining life of the Share Option Scheme | The Share Option Scheme remains in force until 19 December 2027. As at the date of this annual report, the remaining life of the Share Option Scheme is approximately 2 years and 8 months. |

On 31 March 2022, the Company granted 8,582,362 share options (representing approximately 0.76% of the issued share capital of the Company as at the date of this annual report and approximately 0.76% of the enlarged issued share capital of the Company upon exercise in full of the aforesaid share options, respectively) (the "**2022 Share Options**") at an exercise price of HK$4.66 per share to 112 employees of the Group (the "**2022 Grantees**") pursuant to the Share Option Scheme. The validity period of the 2022 Share Options granted were from 31 March 2022 to 30 March 2032 (both dates inclusive). The closing price of the Shares on the date of grant was HK$4.66 per share.

The vesting period and conditions of the 2022 Share Options granted were as follows:

(i) 1,716,472 share options, representing 20% of the total 2022 Share Options granted, will be vested on 31 March 2023 conditional upon the achievement or attainment of certain performance targets by the Company and the respective 2022 Grantee, among which, all such 1,716,472 share options were vested;

(ii) 1,716,472 share options, representing 20% of the total 2022 Share Options granted, will be vested on 31 March 2024 conditional upon the achievement or attainment of certain performance targets by the Company and the respective 2022 Grantee, among which, all such 1,716,472 share options were lapsed on the relevant vesting date;

(ii) 2,574,709 share options, representing 30% of the total 2022 Share Options granted, will be vested on 31 March 2025 conditional upon the achievement or attainment of certain performance targets by the Company and the respective 2022 Grantee; and

(iv) 2,574,709 share options, representing 30% of the total 2022 Share Options granted, will be vested on 31 March 2026 conditional upon the achievement or attainment of certain performance targets by the Company and the respective 2022 Grantee.

Among the 2022 Share Options granted, 660,304 share options were granted to Ms. Zhao Xiaohong ("**Ms. Zhao**"), an executive Director. The grant of the 660,304 share options to Ms. Zhao was approved by all the independent non – executive Directors pursuant to Rule 17.04(1) of the Listing Rules and the terms of the Share Option Scheme. Save as disclosed above, none of the 2022 Grantees is a Director, chief executive or substantial Shareholder (as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) as at the date of this annual report. For details, please refer to the announcement of the Company dated 31 March 2022.

On 11 April 2023, the Company granted 1,699,036 share options (representing approximately 0.15% of the issued share capital of the Company as at the date of this annual report and approximately 0.15% of the enlarged issued share capital of the Company upon exercise in full of the aforesaid share options, respectively) (the "**2023 Share Options**") to 86 selected eligible persons (the "**2023 Grantees**") pursuant to the Share Option Scheme. The validity period of the 2023 Share Options granted were from 11 April 2023 to 10 April 2033 (both dates inclusive). The closing price of the Shares on the date of grant was HK$10.18 per Share.

The vesting period and conditions of the 2023 Options granted were as follows:

(i) 339,807 share options, representing 20% of the total 2023 Share Options granted, will be vested on 11 April 2024 conditional upon the achievement or attainment of certain performance targets by the Company and the respective 2023 Grantee, among which all such 339,807 share options were lapsed on the relevant vesting date;

(ii) 339,807 share options, representing 20% of the total 2023 Share Options granted, will be vested on 11 April 2025 conditional upon the achievement or attainment of certain performance targets by the Company and the respective 2023 Grantee;

(iii) 509,711 share options, representing 30% of the total 2023 Share Options granted, will be vested on 11 April 2026 conditional upon the achievement or attainment of certain performance targets by the Company and the respective 2023 Grantee; and

(iv) 509,711 share options, representing 30% of the total 2023 Share Options granted, will be vested on 11 April 2027 conditional upon the achievement or attainment of certain performance targets by the Company and the respective 2023 Grantee.

Among the 2023 Share Options granted, 139,620 share options were granted to Ms. Zhao, an executive Director. The grant of the 139,620 share options to Ms. Zhao was approved by all the independent non-executive Directors pursuant to Rule 17.04(1) of the Listing Rules and the terms of the Share Option Scheme. Save as disclosed above, none of the 2023 Grantees is a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) as at the date of this annual report. For details, please refer to the announcement of the Company dated 11 April 2023.

The details of movement in the share options granted under the Share Option Scheme during the Reporting Period by category of grantees are set out below:

| Category and name of grantee (Note 1) | Date of grant of share options | Share options outstanding as at 1 January 2024 | Share options granted during the Reporting Period | Exercised during the Reporting Period | Weighted average closing price of the Shares immediately before the date on which the share options were exercised | Cancelled and Lapsed during the Reporting Period | Share options outstanding as at 31 December 2024 | Vesting period (Note 2) | Exercise period of share options | Exercise price of share options | Closing price immediately before the date of grant |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | | | | |
| Zhao Xiaohong | 31/3/2022 | 528,244 | – | – | – | 132,060 | 396,184 | (i) 198,091 on 31/3/2025;<br>(ii) 198,091 on 31/3/2026; | 10 years from the date upon which the share options were granted and accepted by the relevant grantee | HK$4.66 | HK$4.66 |
| | 11/4/2023 | 139,620 | – | – | – | 27,924 | 111,696 | (i) 27,924 on 11/4/2025;<br>(ii) 41,886 on 11/4/2026;<br>(iii) 41,886 on 11/4/2027. | 10 years from the date upon which the share options were granted and accepted by the relevant grantee | HK$10.18 | HK$10.18 |
| **Senior management and other employees of the Group** | | | | | | | | | | | |
| Senior management and other employees of the Group | 31/3/2022 | 7,010,478 | – | – | – | 1,729,939 | 5,280,539 | (i) 2,376,617 on 31/3/2025;<br>(ii) 2,376,617 on 31/3/2026 | 10 years from the date upon which the share options were granted and accepted by the relevant grantee | HK$4.66 | HK$4.66 |
| | 11/4/2023 | 1,491,137 | – | – | – | 355,729 | 1,135,408 | (i) 311,883 on 11/4/2025;<br>(ii) 467,825 on 11/4/2026;<br>(iii) 467,825 on 11/4/2027 | 10 years from the date upon which the share options were granted and accepted by the relevant grantee | HK$10.18 | HK$10.18 |
| **Total** | | **9,169,479** | **-** | **-** | **-** | **2,245,652** | **6,923,827** | | | | |

Notes:

(1) Save as disclosed above, there is no other category of persons that is granted with share options and is required to be disclosed pursuant to Rule 17.07 of the Listing Rules.

(2) The vesting is conditional upon the achievement or attainment of certain performance targets by the Company and the respective grantee.

(3) Please refer to Note 27 to the consolidated financial statements of this annual report for details of the fair value of the share options granted on 11 April 2013 and the accounting standard and policy adopted.

(4) The total number of share options available for grant under the Share Option Scheme as at 1 January 2024 and 31 December 2024 were 90,309,084 Shares and 92,554,736 Shares, respectively, representing approximately 8.05% and 8.24% of the Company's issued share capital as at the respective dates. There is no service provider sublimit.

(5) The number of the Shares that may be issued in respect of the options and awards granted under Pre-IPO Share Option Scheme, Share Option Scheme and the Share Award Scheme during the year ended 31 December 2024 were 11,039,223 Shares. The dilutive effect of such is 0.98%, being the number of Shares may be issued divided by the weighted average number of Shares for the same period.

Save as disclosed above, no share option was granted, exercised, lapsed or cancelled during the year ended 31 December 2024.

## SHARE AWARD SCHEME (Note)

The share award scheme of the Company (the"**Share Award Scheme**") was adopted by the Board on 8 December 2020 (the"**Adoption Date**"). Summary of principal terms of the Share Award Scheme are set forth below:

1. Purpose & administration

The purposes of the Share Award Scheme are to recognise and reward the contribution of certain Eligible Participants (as defined below) to the growth and development of the Group, to give incentives to Eligible Participants (as defined below) in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

The Share Award Scheme shall be subject to the administration of the Board whose decisions on all matters arising in relation to the Share Award Scheme or its interpretation or effect shall be final, conclusive and binding on all persons who may be affected thereby, provided that such administration shall not prejudice (i) the powers of the trustee (the "**Trustee**") as provided under the trust deed entered into between the Company and the Trustee (the "**Trust Deed**"); and (ii) the powers of the remuneration committee of the Board on recommending and/or deciding (on and subject to the terms and conditions provided under the Share Award Scheme) the selection of the selected participants (the "**Selected Participants**"), the number of awarded Shares (the "**Awarded Shares**") to be awarded to the respective Selected Participants and other related matters as expressly provided under the Share Award Scheme.

2. Participants

Under the rules constituting the Share Award Scheme, the following classes of participants (excluding the excluded participants) (the "**Eligible Participants**") are eligible for participation in the Share Award Scheme:

(a) any employee (whether full time or part time, including any executive director but excluding any non-executive director) of the Company, any of its subsidiary (the "**Subsidiary**") or any of its invested entity (the "**Invested Entity**") (an "**Employee**");

(b) any non-executive director (including independent non-executive directors) of the Company, any Subsidiary or any Invested Entity;

(c) any adviser (professional or otherwise), consultant to or expert in any area of business or business development of any member of the Group or any invested entity; and

(d) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group,

Note: As the existing Share Award Scheme was adopted before the new Chapter 17 of the Listing Rules became effective on 1 January 2023, certain terms of the existing Share Award Scheme may not be in full compliance with the new Chapter 17 of the Listing Rules. Awarded Shares to be granted under the Share Award Scheme in the future will be in compliance with the new Chapter 17 of the Listing Rules.

| | | |
|---|---|---|
| | | and, for the purposes of the Share Award Scheme, the award may be made to any company wholly owned by one or more of the above participant.<br><br>The eligibility of any of the Eligible Participants to an award shall be determined by the Board from time to time on the basis of the Board's opinion as to his contribution and/or future contribution to the development and growth of the Group. |
| 3. | Total number of Shares available for issue under the Share Award Scheme together with the percentage of the issued shares that it represents as at the date of this annual report | The total number of Shares available to be subscribed for and/or purchased by the Trustee by applying the Group contribution for the purpose of the Share Award Scheme are 6,524,000 Shares, representing 0.58% of the total number of issued Shares as at the date of this annual report. The Board shall not instruct the Trustee to subscribe for and/or purchase any Shares for the purpose of the Share Award Scheme when such subscription and/or purchase will result in such threshold being exceeded. |
| 4. | Maximum entitlement of each participants | The maximum number of Shares which may be subject to an award or awards to a Selected Participant shall not in aggregate exceed 1% of the issued share capital of the Company as at the Adoption Date. |
| 5. | Period within which a elected Participant may accept offer of award | The Board shall notify the Selected Participant in writing after an award has been provisionally made to such Selected Participant and the notice shall contain substantially the same information as that set out in the award notice provided that nothing contained in such notice shall be construed as conferring any rights, interests, benefits and title to and in the awarded Shares on such Selected Participant before the vesting of the legal and beneficial ownership of such awarded Shares in the Selected Participant in accordance with these rules of the Scheme. An award shall be deemed to be irrevocably accepted by a Selected Participant unless the Selected Participant shall within five (5) Business Days after receipt of such notice from the Board notify the Company in writing that he would decline to accept such award. |
| 6. | Vesting period of awards granted under the Share Award Scheme | The Board may from time to time, at its discretion, determine the earliest vesting date (the "**Vesting Date**") and other subsequent date(s), if any, upon which the awarded Shares held by the Trustee upon trust and which are referable to a Selected Participant shall vest in that Selected Participant.<br><br>During the vesting period, any dividends and other distributions (the "**Other Distributions**") declared and made in respect of any awarded Shares shall belong to the Trustee and the relevant Selected Participant shall not have any right whatsoever in such Other Distributions in respect of any awarded Shares or otherwise unless and until the relevant awarded Shares are vested in such Selected Participant. Such Other Distributions shall be applied to subscription for and/or purchase of Shares for the purpose of satisfying any further awards by the Board and, upon termination of the Share Award Scheme, shall be treated and dealt with as income of the trust fund under the Trust Deed generally. |

At any time prior to a Vesting Date, unless the Board otherwise determines, in respect of a Selected Participant who:

(a) died, all the awarded Shares of the Selected Participant shall be deemed to be vested on the Selected Participant on the day immediately prior to his death; or

(b) (in the case of a Selected Participant who is an Employee) retired at his normal retirement date, all the awarded Shares of the Selected Participant shall be deemed to be vested on the Selected Participant on the day immediately prior to his normal retirement date; or

(c) (in the case of a Selected Participant who is an Employee) retired at an earlier retirement date (with prior written agreement given by the Company or the Subsidiary or the Invested Entity), all the awarded Shares of the Selected Participant shall be deemed to be vested on the Selected Participant on the day immediately prior to his earlier retirement date.

If there is an event of change in control, as defined in the Hong Kong Codes on Takeovers and Mergers and Share Repurchases from time to time, of the Company by way of general or partial takeover offer, share repurchase offer or scheme of arrangement or otherwise in like manner made to all the Shareholders, all the unvested award Shares shall vest at any time before the expiry of the period of ten (10) Business Days following the date on which the offer becomes or is declared unconditional.

7. Amount, if any, payable on application of the award and the period within which payments or calls must or may be made or loans for such purposes must be repaid

There is no specific amount on application or acceptance of the award of the Share Award Scheme.

The Board shall, subject to and in accordance with the rules of the Share Award Scheme, be entitled to, at any time during the continuation of the Share Award Scheme, make an award out of the Shares Pool to any of the Eligible Participants such number of Shares as it shall determine pursuant to the Share Award Scheme. The Board shall notify the Trustee in writing upon the making of an award under the Share Award Scheme by giving the Trustee an award notice. The making of an award to any connected person of the Company shall be subject to compliance with the applicable requirements under the Listing Rules.

8. Basis of determination of the purchase price of shares awarded

It is intended that the shares under the Share Award Scheme will be offered to the Selected Participants for no consideration subject to the compliance with the relevant laws and regulations, acceptance by the Selected Participants and the vesting period and conditions to be decided by the Board at the time of grant of award under the Share Award Scheme.

| | | |
|---|---|---|
| 9. | Remaining life of the Share Award Scheme | The Share Award Scheme shall be valid and effective for a period of 10 years commencing from the Adoption Date but may be terminated earlier as determined by the Board. If, at the date of the termination of the Share Award Scheme, the Trustee holds any Share which has not been set aside in favour of any Selected Participant or retains any unutilised funds received as the Group contribution or otherwise, then the Trustee shall, within twenty-one (21) Business Days after receiving actual notice of such termination, sell such Shares at the prevailing market price and remit the proceeds of sale (after making appropriate deductions in respect of stamp duty and other costs, liabilities and expenses in accordance with the Trust Deed) together with such unutilised funds to the Company. Upon termination of the Share Award Scheme, subject to the decision of the Board and to the terms of the Share Award Scheme, the relevant Vesting Date of the awarded Shares shall be unaffected and the awarded Shares shall remain transferable to and to be vested in such Selected Participant in accordance with the terms set out in the award notice, save in respect of any lapse of the award. |

During the year ended 31 December 2024, there were 6,374,602 Shares held in trust by the trustee under the Share Award Scheme.

On 31 March 2022, the Company offered to grant a total of 838,784 Awarded Shares at nil consideration to 112 selected participants who are employees of the Group as an incentive to retain and attract talents for the Group. The grant of 838,784 Awarded Shares is subject to acceptance by the selected participants and the vesting period and conditions. The 838,784 Awarded Shares will be satisfied with the existing issued Shares held by the trustee.

On 15 July 2024, the Company granted a total of 1,706,959 Awarded Shares at nil consideration to 81 selected participants who are employees of the Group as an incentive to retain and attract talents for the Group. The grant of 1,706,959 Awarded Shares is subject to acceptance by the selected participants and the vesting period and conditions. Such 1,706,959 Awarded Shares will be satisfied with the existing issued Shares held by the trustee.

For details, please refer to the announcement of the Company dated 31 March 2022 and 15 July 2024.

Details of the movement of the Awarded Shares during the Reporting Period are set out in the table below:

| Category and name of grantee (Note 1) | Date of grant of the Awarded Shares | Purchase price of the Awarded Shares | Closing price of Shares immediately before the date of grant | Fair value of the Awarded Shares at the date of grant (Note 2) | Vesting period of the Awarded Shares | Number of unvested Awarded Shares as at 1 January 2024 | Number of Awarded Shares granted during the Reporting Period | Number of Awarded Shares vested during the Reporting Period | Number of Awarded Shares cancelled during the Reporting Period | Number of Awarded Shares lapsed during the Reporting Period | Number of unvested Awarded Shares as at 31 December 2024 | Weighted average closing price of the Shares immediately before the date on which the Awarded Shares were vested |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | | | | | |
| Zhao Xiaohong | 15/7/2024 | – | HK$4.53 | HK$4.40-HK$4.45 | 14/7/2025-11/4/2026 (Note 4) | – | 138,943 | – | – | – | 138,943 | – |
| **Senior management and other employees of the Group** | | | | | | | | | | | | |
| Senior management and other employees of the Group | 31/3/2022 | – | HK$4.66 | HK$4.52-HK$4.64 | 31/3/2023-31/3/2026 (Note 3) | 556,433 | – | – | – | 151,923 | 404,510 | – |
| | 15/7/2024 | – | HK$4.53 | HK$4.40-HK$4.45 | 14/7/2025-11/4/2026 (Note 4) | – | 1,568,016 | – | – | 21,073 | 1,546,943 | – |
| **Total** | | | | | | **556,433** | **1,706,959** | **-** | **-** | **172,996** | **2,090,396** | |

Notes:

(1) Save as disclosed above, there is no other category of persons that is granted with share awards and is required to be disclosed pursuant to Rule 17.07 of the Listing Rules.

(2) Please refer to Note 27 to the consolidated financial statements of this annual report for details of the fair value of the awards and the accounting standard and policy adopted.

(3) The Trustee shall hold the Awarded Shares in trust for the Selected Participants, and shall transfer such Awarded Shares to the Selected Participants at nil consideration until and upon satisfaction of the following vesting period and conditions:

(i) 167,757 Awarded Shares, representing 20% of the total Awarded Shares granted, were be vested on 31 March 2023 conditional upon the achievement or attainment of certain performance targets by the Company and the respective Selected Participant, among which 149,398 Awarded Shares were vested and 18,359 Awarded Shares were lapsed;

(ii) 167,757 Awarded Shares, representing 20% of the total Awarded Shares granted, will be vested on 31 March 2024 conditional upon the achievement or attainment of certain performance targets by the Company and the respective Selected Participant, among which 167,757 Awarded Shares were lapsed;

(iii) 251,635 Awarded Shares, representing 30% of the total Awarded Shares granted, will be vested on 31 March 2025 conditional upon the achievement or attainment of certain performance targets by the Company and the respective Selected Participant; and

(iv) 251,635 Awarded Shares, representing 30% of the total Awarded Shares granted, will be vested on 31 March 2026 conditional upon the achievement or attainment of certain performance targets by the Company and the respective Selected Participant.

(4) Vesting period of the relevant Awarded Shares are set out below:

(i) 50% of the Awarded Shares will be vested on 14 July 2025 conditional upon the achievement or attainment of certain performance targets by the Company and the respective Grantee as summarized below; and

(ii) 50% of the Awarded Shares will be vested on 11 April 2026 conditional upon the achievement or attainment of certain performance targets by the Company and the respective Grantee as summarized below.

The performance targets mentioned in paragraph (4) above are set out below:

The pre-determined ratios of certain key financial performance indicators shall be taken into account to calculate the overall performance of the Company in that relevant year, including the revenue, net profit, cash flow and the rate of increase of the revenue to determine whether or not the Awarded Shares shall vest in full or vest in proportion in accordance with the performance target actually achieved, or lapse in each of the vesting period set out above.

The Group has set up a performance appraisal system for the employees, which comprehensively evaluates the performance of the Grantees in an accurate and all-rounded manner. The Company will determine whether the Grantees meet the individual performance targets based on their performance appraisal results for the relevant year. In case such individual performance targets could not be met, the relevant Awarded Shares shall lapse accordingly.

Saved as disclosed above, no Awarded Share was granted, vested, lapsed or cancelled during the Reporting Period.

As of 1 January 2024 and 31 December 2024, the number of awards available for grant under the Share Award Scheme were 110,844,169 and 109,310,206, respectively.

The number of the Shares that may be issued in respect of the options and awards granted under Pre-IPO Share Option Scheme, Share Option Scheme and the Share Award Scheme during the year ended 31 December 2024 were 11,039,223 Shares. The dilutive effect of such is 0.98%, being the number of Shares may be issued divided by the weighted average number of Shares for the same period.

## CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

During the financial year ended 31 December 2024, there were no non-exempt connected transactions or continuing connected transactions of the Company. All such related party transactions as disclosed in note 33 to the consolidated financial statements are either (i) not regarded as connected transaction within the meaning of the Listing Rules; or (ii) regarded as connected transaction within the meaning of the Listing Rules but are fully exempted. The Directors confirm that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

## COMPETITION AND CONFLICT OF INTERESTS

None of the Directors or their respective close associates (as defined under the Listing Rules) has any interest in a business apart from the business of the Group, which competes or may compete either directly or indirectly, with the business of the Group during the year ended 31 December 2024.

## DIVERSITY OF DIRECTORS

The Company has adopted its diversity policy with respect to the composition of the Board. In assessing candidates running for directorships, the Nomination Committee will consider a number of factors, including but not limited to gender, age, educational background, professional experience, technical expertise and the ability to fulfill the requirements of the Board. Details on the biographies and experience of the Directors are set out on pages 23-28 of this annual report.

## PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public at all times from 1 January 2024 and up to the date of this annual report.

## PRE-EMPTIVE RIGHTS

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

## TAX RELIEF AND EXEMPTION

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

## DEFINED CONTRIBUTION RETIREMENT SCHEME

For information of the defined contribution retirement scheme in respect of the Group, please refer to note 6 to the consolidated financial statements contained in this annual report.

## ANNUAL GENERAL MEETING

The AGM of the Company will be held on Wednesday, 18 June 2025. The notice of AGM will be sent to Shareholders in the manner required by the Listing Rules, the Articles of Association and the laws of Cayman Islands.

## CORPORATE GOVERNANCE

The Corporate Governance Report is set out on pages 54-70 of this annual report.

## PERMITTED INDEMNITY PROVISION

Pursuant to the articles of association of the Company, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto subject to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). Such provision was in force during the year ended 31 December 2024 and remained in force as at the date of this annual report. The Company has also arranged appropriate directors' and officers' liability insurance for the directors and officers of the Group.

## MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year 31 December 2024.

## SUBSEQUENT EVENTS

No material events have occurred since 31 December 2024.

## AUDITOR

The Company has appointed KPMG as the auditor of the Company for the year ended 31 December 2024. A resolution will be proposed for approval by Shareholders at the forthcoming AGM to re-appoint KPMG as the auditor of the Company.

In any of the preceding three years, the auditors of the Company had not been changed.

On behalf of the Board
**Li Zhijiang**
*Chairman, Chief Executive Officer and Executive Director*

Hong Kong, 26 March 2025

The Board is pleased to present this Corporate Governance Report for the year ended 31 December 2024 in the Company's annual report for the year ended 31 December 2024.

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

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

– satisfactory and sustainable returns to Shareholders;

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

– that overall business risk is understood and managed appropriately; and

– that high standards of ethics are maintained.

## CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high corporate governance standards.

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

The Company's corporate governance practices are based on the principles and code provisions (the "Code Provision(s)") as set out in the Corporate Governance Code (the "**CG Code**") as contained in Part 2 of Appendix C1 to the Listing Rules.

The Board has reviewed the Group's corporate governance practices and is of the view that throughout the year ended 31 December 2024, the Company has complied with the code provisions as set out in the CG Code, except for Code Provision C.2.1. For details of the deviation, please refer to the paragraph headed "Chairman and Chief Executive Officer" below.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct regarding securities transactions by Directors.

Specific enquiries were made of all the Directors and the Directors confirmed that they have fully complied with the Model Code for transactions in the Group's Securities throughout the year ended 31 December 2024.

The Company has also established written guidelines (the "**Employees Written Guidelines**") no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Group. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the throughout the year ended 31 December 2024.

## BOARD OF DIRECTORS

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

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

### Board Composition

The Board of the Company currently comprises the following Directors:

**Executive Directors**

| | |
|---|---|
| Mr. Li Zhijiang | *(Chairman of the Board, Chief Executive Officer, Chairman of Nomination Committee and Member of Remuneration Committee)* |
| Ms. Zhang Bin | |
| Mr. Zhang Chaoyang | |
| Ms. Zhao Xiaohong | |

**Non-executive Director**

| | |
|---|---|
| Dr. Wang David Guowei | *(Member of Audit Committee)* |

**Independent Non-executive Directors**

| | |
|---|---|
| Mr. Kong Chi Mo | *(Chairman of Audit Committee and Member of each of Remuneration Committee and Nomination Committee)* |
| Dr. Li Shu Wing David | *(Chairman of Remuneration Committee and Member of each of Audit Committee and Nomination Committee)* |
| Dr. Gao Wei | *(appointed with effect from 18 June 2024)* |
| Mr. Eric Wang | *(Retired with effect from 18 June 2024)* |

The biographical information of the Directors are set out in the section headed "Board of Directors and Senior Management" on pages 23 to 28 of this annual report. The relationships between the Directors, if any, are disclosed in the respective Director's biography under the section "Board of Directors and Senior Management".

## Board Meetings and Directors' Attendance Records

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

The attendance record of each Director at the Board meetings and the general meeting of the Company held during the year is set out in the table below:

| | Attendance/Number of Meetings | |
|---|---|---|
| **Name of Directors** | **Board Meetings** | **Annual General Meeting** |
| **Executive Directors** | | |
| Mr. Li Zhijiang *(Chairman)* | 5/5 | 1/1 |
| Ms. Zhang Bin | 5/5 | 1/1 |
| Mr. Zhang Chaoyang | 5/5 | 1/1 |
| Ms. Zhao Xiaohong | 5/5 | 1/1 |
| **Non-executive Director** | | |
| Dr. Wang David Guowei | 5/5 | 1/1 |
| **Independent Non-executive Directors** | | |
| Mr. Kong Chi Mo | 5/5 | 1/1 |
| Dr. Li Shu Wing David | 5/5 | 1/1 |
| Mr. Eric Wang (Note 1) | 0/1 | 0/1 |
| Dr. Gao Wei (Note 2) | 4/4 | N/A |

Notes:

(1) Mr. Eric Wang retired as an independent non-executive Director with effect from the conclusion of the 2024 annual general meeting held on 18 June 2024.

(2) Dr. Gao Wei was appointed as an independent non-executive Director by the Shareholders with effect from the conclusion of the 2024 annual general meeting held on 18 June 2024.

## Chairman and Chief Executive Officer

The chairman is tasked with providing leadership to the Board, ensuring that the Board works effectively and performs its responsibilities. The chairman also ensures that all key and appropriate issues are discussed in a timely manner and that all Directors are properly briefed on matters arising at Board meetings and that they receive accurate, clear, complete, and reliable information promptly.

As the primary individual responsible for drawing up and approving the agenda for each board meeting, the chairman will take into account any relevant matters proposed by other Directors for inclusion in the agenda. The Chairman takes the lead in establishing good corporate governance practices and procedures, encouraging active participation from Directors and providing an environment where they can voice their concerns.

Furthermore, the chairman ensures that the Board acts in the best interest of the Company and fosters a culture of openness and debate. In contrast, the Chief Executive Officer primarily focuses on the business's day-to-day management and operations.

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Group deviates from this Code Provision because the roles of chairman and chief executive officer of the Company are held by Mr. Li Zhijiang, who is one of the founders of the Group and has extensive experience in the industry.

The Board believes that Mr. Li Zhijiang can provide the Company with strong and consistent leadership that allows for effective and efficient planning and implementation of business decisions and strategies.

The Board is of the view that given that Mr. Li Zhijiang had been responsible for leading the strategic planning and business development of the Group, the arrangement would allow for effective and efficient planning and implementation of business decisions and strategies under the strong and consistent leadership, and should be overall beneficial to the management and development of the Group's business.

## Independent Non-executive Directors

During the year ended 2024, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines as set out in Rule 3.13 of the Listing Rules for the year ended 31 December 2024. The Company is of the view that all independent non-executive Directors are independent.

## Board Independence Evaluation

The Company has established a Board Independence Evaluation Mechanism during the year which sets out the processes and procedures to ensure a strong independent element on the Board, which allows the Board effectively exercises independent judgment to better safeguard Shareholders' interests.

The objectives of the evaluation are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to betaken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Board Independence Evaluation Mechanism, the Board will conduct annual review on its independence. During the year ended 31 December 2024, the Board has reviewed the implementation and effectiveness of the Board Independence Evaluation Mechanism and the results were satisfactory.

## Appointment and Re-election of Non-executive Directors

The non-executive Directors (including independent non-executive Directors) of the Company are appointed for a specific term of three years, subject to renewal after the expiry of the current term.

The Articles of Association provide that all Directors appointed to fill a casual vacancy or as an addition to the Board shall be subject to election by Shareholders at the first annual general meeting after appointment.

Under the Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or if their number is not a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The retiring Directors shall be eligible for re-election.

## Responsibilities of the Board and Management

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

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

All Directors, including non-executive Director and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations. Through participation in Board meetings and taking the lead in managing issues involving potential conflicts of interests, the independent non-executive Directors have made contributions to the effective direction of the Company and provided adequate checks and balances to safeguard the interests of both the Group and the Shareholders.

According to the Code Provision D.1.2 of part 2 of the CG Code, the management shall provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. The Company has provided all members of the Board monthly updates of financial, compliance and operation matters to enhance the corporate governance of the Group and provide more adequate and complete information to the Board in a timely manner.

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

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

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

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities.

Dr. Gao Wei, an independent non-executive Directors appointed with effect from 18 June 2024, have obtained legal advice pursuant to Rule 3.09D of the Listing Rules on 10 April 2024 of their appointments and such he has confirmed that he understood his obligations as a Director of the Company.

## Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director (if any) will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

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

The record of CPD relating to director's duties and regulatory and business development that have been received by the Directors for the year ended 31 December 2024 are summarized as follows:

| **Name of Directors** | **Attending Internally-facilitated Briefings or Training, Attending seminars, Reading materials** |
|---|---|
| **Executive Directors** | |
| Mr. Li Zhijiang *(Chairman)* | ✓ |
| Ms. Zhang Bin | ✓ |
| Mr. Zhang Chaoyang | ✓ |
| Ms. Zhao Xiaohong | ✓ |
| **Non-executive Director** | |
| Dr. Wang David Guowei | ✓ |
| **Independent Non-executive Directors** | |
| Mr. Kong Chi Mo | ✓ |
| Dr. Li Shu Wing David | ✓ |
| Mr. Eric Wang (Note 1) | ✓ |
| Dr. Gao Wei (Note 2) | ✓ |

Notes:

(1) Mr. Eric Wang retired as an independent non-executive Director with effect from the conclusion of the 2024 annual general meeting held on 18 June 2024.

(2) Dr. Gao Wei was appointed as an independent non-executive Director by the shareholders with effect from the conclusion of the 2024 annual general meeting held on 18 June 2024.

## BOARD COMMITTEES

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

The list of the chairman and members of each Board committee is set out under the section headed "Corporate Information" on page 2.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

### Audit Committee

The Audit Committee consists of two independent non-executive Directors, namely Mr. Kong Chi Mo and Dr. Li Shu Wing David, and one non-executive Director, namely Dr. Wang David Guowei. Mr. Kong Chi Mo is the chairman of the Audit Committee. The composition of the Audit Committee has complied with the requirements as set out in Rule 3.21 of the Listing Rules that majority of the members of the Audit Committee should be independent non-executive Directors.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The Audit Committee is responsible for reviewing and monitoring the financial reporting and internal control principles of the Company, and assist the Board to fulfill its responsibility over the audit. The duties and powers of the Audit Committee include:

1. Relationship with the Company's external auditors;

2. Review of the Company's financial information;

3. Oversight of the Company's financial reporting system, risk management and internal control systems; and

4. Performing the Company's corporate governance functions.

The Audit Committee held two meetings to review, in respect of the year ended 31 December 2024, the planned audit scope and timing, significant issues on financial reporting, the interim and annual financial results and reports, the effectiveness of the risk management and internal control systems, appointment of external auditors, and discussed with the Board, management and external auditors about the tasks they performed.

The Audit Committee also met the external auditors twice during the year ended 31 December 2024.

The attendance record of each Director at the said Audit Committee meetings of the Company held in 2024 is set out in the table below:

| Name of Directors | Attendance/ Number of Meetings |
|---|---|
| Mr. Kong Chi Mo *(Chairman)* | 2/2 |
| Dr. Li Shu Wing David | 2/2 |
| Dr. Wang David Guowei | 2/2 |

## Remuneration Committee

The Remuneration Committee consists of three members, including two independent non-executive Directors, namely Dr. Li Shu Wing David and Mr. Kong Chi Mo, and one executive Director namely Mr. Li Zhijiang. Dr. Li Shu Wing David is the chairman of the Remuneration Committee. The composition of the Remuneration Committee has complied with the requirements as set out in Rule 3.25 of the Listing Rules that a majority of the members of the Remuneration Committee should be independent non-executive Directors and chaired by an independent non-executive Director.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The duties and powers of the Remuneration Committee include:

1. To make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing the remuneration policy;

2. To review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

3. To make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

4. To make recommendations to the Board on the remuneration of non-executive Directors;

5. To consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

6. To review and approve the compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

7. To review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

8. To ensure that no Director or any of his associates (as defined in the Listing Rules) is involved in deciding his own remuneration;

9. To review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules;

10. In respect of any service agreement to be entered into between any members of the Group and its director or proposed director, to review and provide recommendation to the Shareholders (other than Shareholder(s) who is/are director(s) with a material interest in the relevant service agreements and their respective associates) as to whether the terms of the service agreements are fair and reasonable and whether such service agreements are in the interests of the Company and the Shareholders as whole, and to advise Shareholders on how to vote; and

11. To consider other matters, as defined or assigned by the Board from time to time.

The Remuneration Committee held one meeting to review and make recommendation to the Board on the remuneration policy and structure of the Company, the remuneration packages of the Directors and senior management and other related matters.

The attendance record of each Director at the said Remuneration Committee meeting of the Company held in 2024 is set out in the table below:

| Name of Directors | Attendance/ Number of Meetings |
|---|---|
| Dr. Li Shu Wing David *(Chairman)* | 1/1 |
| Mr. Li Zhijiang | 1/1 |
| Mr. Kong Chi Mo | 1/1 |

The remuneration of the Directors and the senior management by band for the year ended 31 December 2024 is set out below:

| Annual Income | Number of Persons |
|---|---|
| Below RMB500,000 | 5 |
| RMB500,000 to RMB999,999 | 1 |
| Over RMB1,000,000 | 7 |

The Company's remuneration policy is to ensure that the remuneration offered to employees, including Directors and senior management, is based on skill, knowledge, responsibilities and involvement in the Company's affairs. The remuneration packages of executive Directors are determined with reference to his/her role and duties, experience and responsibilities as well as the prevailing market conditions and are subject to revision in future by the decision of the Board based on the recommendation of the Remuneration Committee. The remuneration for the independent non-executive Directors mainly comprises Director's fee which is determined with reference to his duties and responsibilities.

During the year, the remuneration committee reviewed and approved matters relating to the share schemes of the Company, which mainly comprises of the grant of the awarded shares pursuant to the Share Award Scheme on 15 July 2024.

## Nomination Committee

The Nomination Committee consists of three members, including one executive Director, namely Mr. Li Zhijiang, and two independent non-executive Directors, namely Mr. Kong Chi Mo and Dr. Li Shu Wing David. Mr. Li Zhijiang is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The duties and powers of the Nomination Committee include:

1. To review the structure, size and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

2. To identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

3. To assess the independence of independent non-executive Directors;

4. To make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive;

5. To review the policy on Board diversity (the "**Board Diversity Policy**") and any measurable objectives for implementing such Board Diversity Policy as may be adopted by the Board from time to time and to review the progress on achieving the objectives, and to make disclosure or its review results in the annual report of the Company annually; and

6. To consider other matters, as defined or assigned by the Board from time to time.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience etc. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence, time commitment and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board. For details of nomination procedures and nomination policy, please refer to the section headed "Director Nomination Policy" and "Procedures for Nomination of Directors" below.

The Nomination Committee met twice to review the structure, size and composition of the Board, the independence of the independent non-executive Directors and to consider the qualifications of the retiring directors standing for election at the annual general meeting. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

The attendance record of each Director at the said Nomination Committee meeting of the Company held in 2024 is set out in the table below:

| **Name of Directors** | **Attendance/ Number of Meetings** |
|---|---|
| Mr. Li Zhijiang *(Chairman)* | 2/2 |
| Dr. Li Shu Wing David | 2/2 |
| Mr. Kong Chi Mo | 2/2 |

## Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board and is available on the website of the Company. With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development.

Pursuant to the Board Diversity Policy, Board nomination and appointments will continue to be made on merit basis based on its business needs from time to time while taking into account diversity. The Nomination Committee has primary responsibility for identifying suitably qualified candidates to become members of the Board and shall give adequate consideration to the Board Diversity Policy in selection of Board candidates. Selection of Board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience.

The Nomination Committee will develop and review measurable objectives to implement the Board Diversity Policy and monitor the progress on achieving these measurable objectives.

At present, the Nomination Committee is of the view that the current composition of the Board has achieved the objectives set out in the Board Diversity Policy and considered that the Board is sufficiently diverse.

The Nomination Committee has reviewed the implementation and effectiveness of the Board Diversity Policy and considers it to be effective during the year.

## Gender Diversity

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

| | Female | Male | Other Gender |
|---|---|---|---|
| **Board** | 25% (2) | 75% (6) | 0% (0) |
| **Senior management** | 6 | 3 | 0 |
| **Other employees** | 320 | 620 | 1 |

The Board had targeted to achieve and had achieved at least 25% (2 persons) of female Directors, 66.7% (6 persons) of female senior management and 34% (320 persons) of female employees of the Group and considers that the above current gender diversity is satisfactory.

## Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

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

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

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committees of the Company.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and reelection of Directors at general meetings.

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

## Procedures for Nomination of Directors

Appointment of New Director

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

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

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

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

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

Re-election of Director at General Meeting

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

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

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

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

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

During the year Dr. Gao Wei was appointed as an independent non-executive Director according to the nomination process and criteria above.

## Corporate Governance Functions

The Board is responsible for performing the functions set out in the CG Code. During the year ended 31 December 2024, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Employees Written Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

## RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

The Group has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including policy on securities trading, safety control system for production and fire, methods of prevention from occupational disease, guidelines regarding using official seal, policy on confidential control (updated version), policy on employees' external training, guidelines regarding information management and transition.

All divisions/departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. The management, in coordination with division/department heads, assessed the likelihood of risk occurrence, provided treatment plans, and monitored the risk management progress.

The management has confirmed to the Board and the Audit Committee the effectiveness of the risk management and internal control systems for the year ended 31 December 2024.

The internal control team is responsible for performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The internal control team examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit Committee.

The Board, as supported by the Audit Committee, reviewed the risk management and internal control systems from time to time during the year ended 31 December 2024, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

Whistleblowing procedures are in place to facilitate employees of the Company to raise, in confidence, concerns such as criminal offence, financial impropriety or other matters of the Company.

The Company has also in place the Anti-Corruption Policy to safeguard against corruption and bribery within the Company. The Company has an internal reporting channel that is open and available for employees of the Company to report any suspected corruption and bribery. Employees can also make reports to the internal anti-corruption department/internal audit function, which is responsible for investigating the reported incidents and taking appropriate measures. The Company continues to carry out anti-corruption and anti-bribery activities to cultivate a culture of integrity ensure the effectiveness of anti-corruption and anti-bribery.

The Company has developed its inside information policy which provides a general guide to the Company's Directors, officers and all relevant employees of the Company to ensure that inside information of the Company is disseminated to the public in equal and timely manner in accordance with the applicable laws and regulations.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

## DIRECTORS' RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31 December 2024.

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

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company, KPMG, about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 162 to 168 of this annual report.

## AUDITORS' REMUNERATION

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

| **Service Category** | **Fees Paid/Payable** |
|---|---|
| | RMB'000 |
| Audit Services | 3,018 |
| Other services* | 1,300 |
| Total | 4,318 |

* Nil non-audit services included.

There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditors.

## COMPANY SECRETARY

Ms. Ma Rongkun as been appointed as the Company's company secretary in place of Ms. Han Yu with effect from 30 August 2024. All Directors have access to the advice and services of the company secretary on corporate governance and board practices and matters.

For the year ended 31 December 2024, Ms. Ma Rongkun has undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

## SHAREHOLDERS' RIGHTS

The Company engages with Shareholders through various communication channels.

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

### Convening an Extraordinary General Meeting by Shareholders

Pursuant to Articles 58 of the Articles of Association, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may convene a physical meeting at only one location which will be the Principal Meeting Place (as defined in the Articles of Association, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

### Putting Forward Proposals at General Meetings

There is no provision allowing Shareholders to move new resolutions at general meetings under the Cayman Islands Companies Law or the Articles of Association. Members who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

### Putting Forward Enquiries to the Board

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

### Contact Details

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

| | |
|---|---|
| Address: | 2nd Floor, Xingye Building, No.10 Baifuquan Road, Changping District, 102200 Beijing, China (for the attention of the Company Secretary) |
| Fax: | (86)10 8010-9583 |
| Email: | ir@ak-medical.net |

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, apart from the registered office of the Company, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law. Shareholders may call the Company at (86) 10 8010-9581 for any assistance.

## COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

The Company discloses information and publishes periodic reports and announcements to the public in accordance with the Listing Rules and relevant laws and regulations. The primary focus of the Company is to ensure information disclosure that is timely, fair, accurate, truthful and complete, thereby enabling Shareholders and investors as well as the public to make rational and informed decisions.

During the year under review, the Company has not made any changes to the Articles of Association. An up to date version of the Articles of Association is also available on the Company's website and the website of HKEX news operated by Hong Kong Exchanges and Clearing Limited.

### Policies relating to Shareholders

The Company has in place a Shareholders' communication policy to ensure that Shareholders' views and concerns are appropriately addressed. During the year ended 31 December 2024, the Company has reviewed the Shareholders' Communication Policy and considered that the policy was effectively implemented with the measures under the paragraphs headed "Communications with Shareholders and Investors" and "Shareholders' Rights".

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

### *(a) Enquiries about Shareholdings*

The Board will maintain an on-going dialogue with the Shareholders and will review Shareholders' communication policy regularly to ensure its effectiveness. Shareholders may at any time make a request for the Company's information to the extent such information is publicly available.

Shareholders will be provided with designated contacts, email addresses and enquiry telephone number of the Company in order to enable them to make any query in respect of the Company.

### *(b) Corporate Communication*

"Corporate Communication" as defined under the Listing Rules will be provided to Shareholders in plain language and in both English and Chinese versions to facilitate the Shareholders' understanding. Shareholders have the right to choose the language (either English or Chinese) or means of receipt of the Corporate Communication (in hard copy or through electronic means). Shareholders are encouraged to provide, among other things, in particular, their email addresses to the Company in order to facilitate timely and effective communications.

### *(c) Corporate Website*

A dedicated investor relations section is available on the Company's website at www.ak-medical.net. Information on the Company's website is updated on a regular basis. Information released by the Company to the Hong Kong Stock Exchange is also posted on the Company's website immediately thereafter. Such information includes financial statements, results announcements, circulars and notices of general meetings and associated explanatory documents etc. All presentation materials provided in conjunction with the annual general meeting and results announcement each year will be made available on the Company's website. All press releases and Shareholders' newsletters will be made available on the Company's website.

### *(d) Shareholders' Meetings*

Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at the meetings for and on their behalf if they are unable to attend the meetings. Appropriate arrangements for the general meetings will be in place to encourage Shareholders' participation. The process of the Company's general meeting will be monitored and reviewed on a regular basis, and if necessary, changes will be made to ensure that shareholders' needs are best served. Board members, in particular, the chairmen of Board committees or their delegates, appropriate senior management and the external auditors will attend the annual general meetings to answer Shareholders' questions. Shareholders are encouraged to attend shareholders' activities organised by the Company, where information about the Company, including its latest strategic plan, products and services will be communicated.

### *(e) Shareholder Privacy*

The Company recognizes the importance of Shareholders' privacy and will not disclose Shareholders' information without their consent, unless required by law to do so.

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

## 1. ABOUT AK MEDICAL

### 1.1 Statement of the Board

As the Company's business continues to develop and its economic contributions steadily increase, the Board of AK Medical is committed to strengthening environmental, social, and governance ("ESG") practices, promoting balanced progress across all three areas to build a sustainable and better future. The Board hereby makes the following statements regarding the management of ESG matters:

As the highest decision-making body for the Company's ESG work, the Board is responsible for formulating the overall ESG strategies and the annual ESG reporting. In order to effectively manage and supervise the environmental, social and corporate governance issues, the Company's executive director and senior vice president is responsible for the specific implementation of various ESG resolutions of the Board, reviewing ESG risks and monitoring the development of specific ESG matters. In 2024, the Company continued to standardize the governance and management processes for ESG and actively organize ESG-related training in order to ensure that all ESG work was effectively performed.

AK Medical regards ESG as an important part of the Company's strategy establishment. The Company adheres to the corporate mission of "Make you move for a better life" and the vision of "Excel to be a world-class business organization through innovation" and has continuously promoted the sustainable development of the Group's business. On this basis, AK Medical has established a comprehensive ESG system, deeply integrates ESG with the Company's businesses, and actively assumes its environmental and social responsibilities.

AK Medical will conduct the materiality assessment annually according to macro-policies, economic situations, industry trends, and company's strategy and operation and management status. During the assessment, the Company continuously improves the ways in which stakeholders participate in communication. The Company communicates with stakeholders such as Shareholders and employees through various channels to collect opinions extensively and draw a matrix diagram of materiality issues. In addition, the results of materiality issues are analyzed and compared with the analysis results of previous years to provide guidance for the Company's ESG management and effectively enhance ESG management capabilities.

In terms of ESG information disclosure, the Company actively promotes relevant work, and the ESG Working Group is responsible for preparing the annual ESG report, which will ultimately be reviewed by the Board to ensure the authenticity and effectiveness of information disclosure. This process enables the sufficient reflection of importance of ESG in the Company's decision-making and demonstration of transparency and sense of responsibility of the Company.

This report discloses the progress and effectiveness of AK Medical's ESG work in 2024, and was reviewed and approved by the Board on 26 March 2025. The Board of AK Medical and all directors guarantee that there is no false or misleading information or major omissions in the content of this report, and take joint and several liability for the truth, accuracy and completeness of the content.

## 1.2 About AK Medical

### *1.2.1 Enterprise Profile*

AK Medical was established in 2003 and listed on the Main Board of the Hong Kong Stock Exchange in 2017 (01789. HK). With headquarters based in Beijing, China, the Company is a multinational high and new-technology enterprise integrating cutting-edge orthopedic technology research, innovative product development, large-scale manufacturing and professional marketing. As a leading enterprise in the field of artificial joints in China, the Company's business has served nearly 7,000 medical institutions in all provinces, municipalities and autonomous regions across China and more than 40 countries and regions around the world.

Led by innovative technology and focusing on the integration of expertise, AK Medical has become one of the first leading companies in the world to commercialize additive manufacturing technology (3D printing technology) and applies it to implants such as joint replacement, spine, and trauma repair. Currently, the Company has established R&D centers in Beijing, China and the UK, established the largest additive manufacturing base for orthopedic implants in the Asia Pacific region, and set up multiple manufacturing bases in Beijing, Changzhou, and the UK, forming a global manufacturing network. In order to further meet the market demand, the Company has initiated the construction project of Beijing Changping Intelligent Manufacturing Base, with the preliminary construction completed. It will continue to embrace AK Medical's green and low-carbon philosophy, employing advanced energy management technologies and sustainable manufacturing processes, with a commitment to delivering outstanding products and services to customers worldwide.

The four subsidiaries of AK Medical include: Beijing AK Medical Co., Ltd. (focusing on orthopedic implants and 3D printing technology, referred to as "AK Medical Beijing"), ITI Medical Co., Ltd. (dedicated to artificial joints and ancillary products, referred to as "ITI Medical"), JRI Orthopaedics Ltd (a UK-based orthopedic implants company, referred to as "JRI"), and Beijing Libeier Bio-engineering Institute Co., Ltd (specialized in spinal and trauma implants products and assistive devices, referred to as "Libeier"). These four subsidiaries have demonstrated significant R&D and manufacturing capabilities in the field of orthopedics, and jointly constitute the comprehensive and strong business layout of AK Medical in this field.

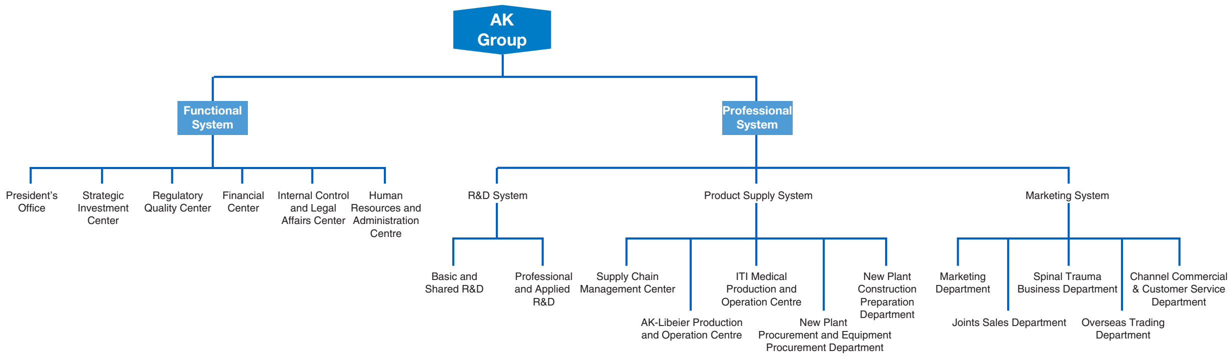
### *1.2.2 Corporate Culture*

With two decades of technology accumulation and market development, AK Medical has created a profound and unique corporate culture. This culture has been integrated into the daily routine of employees, symbolizing a common sense of mission and vision, and inspiring all employees to unite and face the future challenges together.

| | |
|---|---|
| AK Medical's Mission | Make you move for a better life |
| AK Medical's Vision | Excel to be a world-class business organization through innovation |
| AK Medical's Core Value | Integrity: Customer first, honesty, seeking truth from facts |
| | Innovation: Bravely embracing change and making a difference |
| | Sharing: Willing to share experiences and success |
| | Passion: Pursuing progress with passion and applauding progress every day |

### *1.2.3 Organizational Structure*

The day-to-day operation and production management of AK Medical is divided into two major systems: functional and professional. The functional system consists of six functional departments, including the President's Office, the Strategic Investment Center, the Regulatory Quality Center, the Finance Center, the Internal Control and Legal Affairs Center and the Human Resources and Administration Center, which provide efficient back-office support for the daily operations of the entire Group. The professional system mainly consists of R&D, product supply and marketing, which are the core processes of AK Medical from product R&D, production to final delivery to customers. Such system is committed to providing comprehensive medical treatment services for the majority of patients with orthopedic diseases and building a complete treatment chain.




### *1.2.4 Business Overview*

Over the long term, AK Medical has maintained a leading position in the global medical market and is one of the leading orthopedic companies in the PRC. The products of the Company are widely used in nearly 7,000 medical institutions in over 40 countries and regions, including China, the UK, South Korea, Spain, Mexico, and Vietnam.

Benefiting from the orderly implementation of the volume-based procurement (VBP) policy of joints nationwide, the uncertainties faced by the orthopedic industry in China have been gradually alleviated. By the introduction of advanced technologies and diversification of product lines, AK Medical has successfully met the needs of market differentiation. In addition, AK Medical has actively promoted digital orthopedic equipment and digital orthopedics to further upgrade clinical applications and support customer technological advancements. The Company has successfully established partnership with more national and provincial hospitals, actively promoted the trend of local product substitution, and provided domestic medical institutions with more economical, efficient and sustainable options.

Meanwhile, AK Medical has actively expanded overseas markets and further consolidated its share in the international market. In September 2024, the first Visual Treatment Solution (VTS) system was sold overseas, bringing a new digital assistance solution to orthopedic surgeries in Mexico and successfully entering the international market. As at 31 December 2024, the Company's overseas revenue increased by 20.8% as compared to the corresponding period of last year, laying a solid foundation for future global business development.

### *Main products*

| | |
|---|---|
| Hip joint | Including hip-conserving products, primary hip joint replacement, complex hip joint revision and customized hip joints |
| Knee joint | Including knee-conserving solutions, total knee joints, knee revision and tumor and customized knee joints |
| Pelvis | Including standard pelvic reconstruction systems as well as customized pelvic prosthesis |
| Spine | Including conventional spine products and 3D printed spine products |
| Trauma | Including standard trauma products and customized trauma products |
| Small joint | Including shoulder joints, elbow joints, wrist joints and ankle joints |
| Visual Intelligent Assistance System | Including the host, optical navigation equipment and trolley |

### *Upstream Procurement*

AK Medical has achieved industry leadership with excellent supply chain management. In the production of orthopedic implants, AK Medical pays attention to the selection of high-quality raw materials, mainly including titanium alloy, cobalt-chrome-molybdenum alloy, ultra-high molecular weight polyethylene and other materials, as well as several key product components such as ceramic head to ensure the high quality and reliability of its products. The Company's supply chain strategy takes into account several key factors, including the business size of suppliers, market reputation, equipment capabilities, employee skills, technical level, and abilities to deliver raw materials of quality standards on time. By establishing strong cooperative relationships with major suppliers and implementing a rigorous compliance management system, the Company not only ensures the stability of product quality but also achieves efficient collaboration and win-win development in the supply chain.

### *Downstream Sales*

AK Medical adheres to the common practice in the Chinese market and brings its products to market mainly through cooperation with third-party distributors. With authorization of the Company, these distributors supply products directly to hospitals or secondary distributors in their designated areas, and eventually successfully sell the products to medical institutions. In addition, the Company sells some of its products directly to hospitals through wholly-owned subsidiaries with medical device business certificates in order to maintain a direct sale model and establish and maintain close relationships with key end hospital customers and surgeons, which provides strong support for product promotion and brand influence.

### *Horizontal Cooperation*

AK Medical actively promotes the development of cooperation projects, and has in-depth cooperation with many institutions such as the National Clinical Research Center for Orthopedics, Sports Medicine and Rehabilitation and National Trauma Center. Through specific cooperation projects, AK Medical has continuously consolidated its strategic cooperative relationship with national-level core hospitals, providing strong support for the Company to participate more deeply in medical research and clinical practice, and improve product innovation.

In addition, AK Medical has also achieved remarkable results in international cooperation. In May 2024, the "Silk Road Health International Cooperation Alliance" was established successfully, further deepening the cooperation between the Company and overseas medical institutions, academic institutions and industry partners, and promoting the wide application of products and technologies worldwide. In addition, AK Medical and JRI jointly participated in the Annual Meeting of the American Academy of Orthopaedic Surgeons (AAOS) in San Francisco, showcasing its latest technologies and products to global orthopedic experts, and won wide attention and high praise.

## 1.3 ESG Highlights in 2024

| Metric Dimension | | | Key Performance | Goals in 2025 |
|---|---|---|---|---|
| Governance | Corporate governance | ESG Governance | • The number of operating sites where bribery and corruption occurred was 0. | Dynamically monitor the industry rule changes to strengthen the internal control and risk management, and improve the governance and operational efficiency so as to achieve compliance assurance. |
| Environmental | Earth Protection by AK Medical | Energy Management | • AK Medical's energy consumption per working hour decreased by 5% compared to the previous year.<br>• The estimated annual power generation of the photovoltaic power station at Beijing Changping Intelligent Manufacturing Base can reach 1.988 million kWH.<br>• The ground source heat pump project of Beijing Changping Intelligent Manufacturing Base utilizes the heat from underground soil for heating and cooling with a COP (coefficient of performance) value about 40% higher than that of air source heat pumps. The operating cost can be reduced by 30%-40%. | Beijing Changping Intelligent Manufacturing Base has reduced its electricity consumption by 15% and will ensure the implementation of this goal through refined data. |
| | | Resource Recycling | • AK Medical's overall packaging loss rate is extremely low, with a qualification rate of up to 99%. | Strengthen the refined management to ensure that there is no resource waste in daily operations. |
| | | Environmental Protection | • There were zero related negative incidents in environmental management at AK Medical.<br>• The green coverage rate at Beijing Changping Intelligent Manufacturing Base reaches 15%. | Protect the environment, enhance green buildings and ecological benefits, and improve the ecological sustainability level of the plant area. |

| Metric Dimension | | | Key Performance | Goals in 2025 |
|---|---|---|---|---|
| Social | Innovation at AK Medical | Overcoming R&D Challenges and Promoting Import Substitution | • The proportion of R&D investment reached 10.3%<br>• The self-developed metal 3D printing technology was approved, which promotes the development of personalized customization of orthopedic implants.<br>• The knee joint surgical robotic system was launched, completing the digital orthopedic layout for hip and knee joints.<br>• The K3 Orthopedic Robotic System was released, promoting China's high-end medical equipment industry from "technology follower" to "rule maker". | Improve the development and launch of new products to enhance product competitiveness. |
| | | Enhance Product Quality and Services | • We strengthened the full lifecycle management of products and services to earn customer recognition, with the average customer satisfaction maintained over 95% for the year. | Refine the adjustment of the quality system, enhance coordination and communication at the production level, and ensure no major non-conformities in external audits. |
| | Growth at AK Medical | Occupational Health and Safety | • The investment in occupational health and safety production reached RMB 2.172 million. | Strengthen the investigation of occupational health risks, with a focus on preventing fatal accidents and occupational diseases to ensure zero incidents |
| | | Employee Empowerment | • The promotion system was improved, and professional training sessions were conducted to empower 354 employees. | Strengthen the talent mobility mechanism, improve quality and efficiency, and enhance overall operational efficiency and work quality. |
| | | Happiness Plan | • Regular employee satisfaction surveys were conducted to address topics of concern. | Enhance cultural development, boost employee interaction, and listen to employee voices. |

| Metric Dimension | | Key Performance | Goals in 2025 |
|---|---|---|---|
| Universal Benefits | Supplier Management | • We have partnered with 424 compliant suppliers worldwide, and AK Medical Beijing, Libeier and ITI Medical have achieved 100% signing of integrity statements from suppliers.<br>• We strengthened our supplier audit process, auditing a total of 187 suppliers, which represents a 7.5% increase compared to the same period last year. | Ensure supply and increase efficiency, realize a win-win situation with suppliers through cost reduction, and centralize the purchasing share to achieve scale effect. |
| | Affordability of Medical Products | • We have advanced healthcare accessibility by offering more cost-effective product pricing, leading to collaborations with 2,100 medical institutions. | Strengthen the development of multi-indication products to meet the hospitals' needs for multi-functional devices, and optimize the product delivery processes and commercial cost-effectiveness. |
| | Promoting the Healthy Development of the Industry | • AK Institute has hosted a total of 65 external medical education and training sessions.<br>• During the Reporting Period, more than 30 industry exchange events were held. | Drive high-quality industry development and achieve sustainable competitive advantages with innovation and technology enhancement as the core. |

## 2. CORPORATE GOVERNANCE

AK Medical has always integrated the concept of sustainable development into corporate governance, further improved the governance mechanism, strictly implemented strategic planning, and continuously strengthened communication and cooperation with stakeholders. By paying close attention to industry trends and regulatory requirements, AK Medical continuously optimizes the assessment and analysis of materiality issues and proposes targeted internal improvement measures, aiming to achieve coordinated development of the economy, society, and environment. Through scientific management and efficient execution, the Company is committed to building a sustainable enterprise.

| | |
|---|---|
| **Responses in this section** | **United Nations Sustainable Development Goals**<br>Goal 16: Peace, justice and strong institutions<br>**Global Reporting Initiative Sustainability Reporting Standards**<br>GRI 2: General disclosure<br>GRI 205: Anti-corruption<br>GRI 3: Material topics<br>**Environmental, Social and Governance Reporting Code set out in Appendix C2 to the Listing Rules (the "ESG Code")**<br>Governance structure<br>Aspect B7: Anti-corruption |
| **Key performance** | ➢ The number of operating sites where bribery and corruption occurred was 0. |

### 2.1 ESG Governance

AK Medical is committed to deeply integrating the concept of sustainable development into its governance system and aims to achieve long-term and comprehensive development goals. The Company has embedded ESG principles into every aspect of its operations through effective environmental management, social responsibility practices, and robust compliance monitoring and reporting mechanisms. In order to ensure long-term development, AK Medical has formulated and implemented anti-corruption policies, established a comprehensive compliance management framework, and continuously optimized its governance structure through risk assessment, internal control and business ethics practices, so as to build a solid foundation for sustainable growth.

#### *2.1.1 Governance Structure*

To effectively advance ESG work, AK Medical has formulated and implemented the ESG Working Group Management Measures and formed a three-tier management structure of "Board of Directors – ESG Working Group – Functional Departments and Subsidiaries" to ensure the systematic and efficient implementation of governance work.

The Board is the highest level of decision-making body for ESG-related matters and is fully responsible for formulating the ESG strategy, supervising the implementation of related matters, and reviewing the annual ESG report. The Board annually reviews and discusses regularly significant ESG issues, assesses and defines the ESG-related risks faced by the Company, so as to ensure the effective operation of risk management mechanisms and the continuous optimization of the internal control system, thereby providing strong strategic support and guarantee for ESG work.

The ESG Working Group is the coordinating body for the Company's sustainable governance efforts, with Ms. Zhang Bin, an Executive Director and Senior Vice President of the Company, as the top responsible person, and the heads of various business units of the Company as members. The ESG Working Group is responsible for implementing the ESG strategy approved by the Board, coordinating and managing the day-to-day ESG work, conducting ESG-related training, and preparing annual ESG reports in collaboration with external experts. Additionally, the Group regularly evaluates the progress of ESG implementation and report to the Board on a regular basis to ensure the efficient advancement and continuous improvement of ESG goals.

All functional departments and subsidiaries, as the core execution layer for ESG work, are responsible for fully implementing ESG strategic requirements, organizing relevant activities, systematically collecting and reporting ESG data, and ensuring transparency and efficient communication of information. Moreover, each department regularly reports the progress to the ESG Working Group to jointly drive the efficient implementation and further optimization of ESG goals.

| **Governance Levels** | **Governance Functions** |
|---|---|
| The Board<br><br>*The highest level of accountable and decision-making body* | ➢ Develop Company's ESG strategy and supervise ESG issues<br>➢ Review annual ESG report<br>➢ Assess ESG-related risks and provide advices |
| ESG Working Group<br><br>*Coordinating Body* | ➢ Implement actions in response to the Company's ESG strategy<br>➢ Coordinate day-to-day ESG management work<br>➢ Evaluate the progress of ESG implementation and report back to the Board<br>➢ Prepare annual ESG report<br>➢ Identify climate-related risks and opportunities |
| Functional Departments and Subsidiaries of the Company<br><br>*Functional Bodies* | ➢ Collect, report and update ESG-related data, management practices, performance metrics, and excellent cases<br>➢ Help to launch ESG initiatives |

### *2.1.2 Business Ethics*

In today's increasingly complex business environment, AK Medical understands the importance of anti-corruption efforts for the healthy development of enterprises. The Company firmly believes that compliance and integrity are the cornerstones of sustainable business operation, and strictly abides by all applicable anti-bribery and anti-corruption laws and regulations. AK Medical creates a fair and transparent business environment through sound system construction, regular training and publicity, and efficient supervision mechanism to ensure the steady development of AK Medical and win the long-term trust of stakeholders such as customers, partners and investors, creating the lasting value for all parties and truly achieving the win-win development.

AK Medical strictly complies with the applicable anti-bribery and anti-corruption laws and regulations in the jurisdictions where it operates and has established a comprehensive anti-corruption compliance system. At present, the Company has formulated and implemented core systems such as the Anti-Corruption & Staff Integrity Management System and the Staff Integrity Management and Reporting Protection & Incentives, which specify the specific requirements and implementation standards for anti-corruption. Meanwhile, subsidiaries actively respond to AK Medical's efforts to combat corruption, such as the Anti-Corruption and Anti-Bribery Policy formulated by JRI. The policy proposes a zero-tolerance approach to bribery and corruption and a commitment to act professionally, fairly and honestly in all business activities.

To ensure the effective implementation of the policy, AK Medical has adopted a range of measures including regular training, internal audits, and a reporting mechanism. These efforts aim to enhance the compliance awareness of all employees and establish a comprehensive supervisory network that covers the entire business chain, thereby ensuring the legality and ethics nature of operations.

AK Medical is committed to enhancing employees' awareness of business ethics. The Company regularly conducts anti-corruption training for all employees and members of the Board via both online and offline means. The training covers anti-corruption laws and regulations as well as the Company's rules and regulations, and requires employees to pass relevant examinations to verify the effectiveness of the training, with the aim of enhancing employees' understanding of the importance of anti-corruption. In addition, for new employees, AK Medical focuses on introducing the anti-corruption system in the induction training and ensures that employees understand and comply with it. All employees are required to complete the Relationship and Rights and Interests Survey and sign the Integrity and Self-Discipline Commitment Letter. During the Reporting Period, the Company conducted multiple anti-corruption training sessions for all employees, totaling 933 hours, which effectively improved the awareness and implementation capacity of employees.

To further enhance the efficiency of the supply chain management and to completely eliminate any form of bribery, the Company's Procurement Department continues to improve and implement the AK Medical Supplier ESG Statement. The Statement requires all suppliers to sign the agreement and strictly adhere to anti-bribery and anti-corruption rules and regulations. It explicitly states that suppliers must comply with anti-corruption laws and regulations in all countries/regions in which they operate, uphold the principles of transparency and integrity in their business practices, and shall not promise, pay, or solicit bribes and/or facilitate in any form or obtain improper benefits from third parties. In addition, suppliers are obliged to disclose any significant conflicts of interest during the conduct of their business in a timely manner, and strongly oppose all forms of money laundering. As of 2024, AK Medical Beijing, Libeier and ITI Medical achieved 100%, 100% and 100% of our Category A[1] suppliers signed the Statement, respectively, reflecting the Company's outstanding performance and firm determination in supply chain compliance management.

AK Medical evaluates corruption risks annually and optimizes measures to reduce corruption risks based on the evaluation results. All operating sites are strictly monitored to ensure that there is no corruption related to the employees or suppliers of the Company, and to maintain the reputation and brand value of AK Medical. During the Reporting Period, there were no legal incidents related to bribery, monopoly, blackmail, extortion, fraud and money laundering that had a significant impact on the Company, nor were there any concluded legal cases related to corrupt practices brought against AK Medical or its subsidiaries or their employees by the Company or its employees. In addition, there were no relevant laws and regulations relating to bribery, extortion, fraud and money laundering the compliance of which have a significant impact on AK Medical and its subsidiaries.

In order to strengthen the standardized management and clean governance of the Company, AK Medical has formulated relevant systems to encourage its employees, suppliers, agents and other stakeholders to report any violations of the Company's business ethics system, and ensure that the reporting channels are transparent and smooth. According to the Staff Integrity Management and Reporting Protection Incentives, AK Medical promises to protect the legitimate rights and interests of whistleblowers, and to award whistleblowers according to the investigation results, the recovered losses and other factors. The act of disclosing the information of the whistleblowers will be subject to criticism, demotion, administrative sanctions, and the termination of the labor contract depending on the severity of the case. Those involved in violation of the law will be transferred to the judicial authority for handling in accordance with law.

Channels for reporting corruption
Email for reporting: **jianju@ak-medical.net**

[1] AK Medical classifies suppliers into two categories, A and B, based on the impact of material procurement, commissioned production or service on the final product quality. Among them, suppliers who provide important raw materials, commission production or special service are classified as Category A suppliers.

### 2.1.3 *Compliance and Internal Control Management*

AK Medical always adheres to the principle of lawful and compliant business operations, strictly abides by the laws and regulations of the jurisdictions in which it operates, and strengthens the compliance governance to effectively control risks. For important business areas and key links, the Company has established clear compliance systems and requirements, and ensures that all employees understand and implement them through systematic training. On this basis, AK Medical continues to strengthen risk management and internal control mechanism, effectively identifying, assessing and responding to potential risks, and providing a solid guarantee for future sound operation.

In terms of compliance, AK Medical has newly formulated the Contract Management System, Litigation Management System, and Seal Management System during the Reporting Period to effectively identify and control risks and maintain the legality and standardization of business processes. In day-to-day operations, the Company focuses on compliance in various aspects, including business operations, finance and taxation, information security and data, labor, and intellectual property rights, and strengthens the systematic compliance training. During the Reporting Period, AK Medical conducted four rounds of training, mainly covering anti-terrorism compliance and compliance promotion. The Company plans to continue deepening related training in 2025 to enhance the compliance awareness of all employees and strengthen the implementation of relevant systems and documents, thereby providing strong support for overall compliance operations.

AK Medical places great emphasis on risk management and internal control, highlighting business compliance, information security, and financial transparency. The Company maintains its integrity and compliance culture through a reporting mechanism and anti-corruption policies. A management system has been established with clear responsibilities and tasks. The Board is responsible for evaluating and determining the nature and extent of risks that are acceptable to achieve the Group's strategic objectives, and establishing and maintaining the effective risk management and internal control system. The Audit Committee assists the Board in overseeing the design, implementation, and monitoring of the system to ensure its effective operation.

Additionally, in order to ensure the effective management of various risks in the Group's operation, AK Medical has formulated comprehensive risk management procedures and guidelines, covering a number of areas, such as securities trading, production safety and occupational disease protection. The Company also regularly assesses risk factors such as information security and management compliance. Various departments work together to identify the risks that may impact the business, assess the probability of risk occurrence, and develop response strategies. In addition, the Company's internal control team independently evaluates the effectiveness of the risk management system, focuses on accounting practices and significant monitoring matters, and regularly reports to the Audit Committee with recommendations for improvement.

The Board and the Audit Committee conduct an annual review of the risk management and internal control system, covering financial reporting, internal audit functions, as well as staff qualifications, experience and relevant resources, to ensure the effectiveness and adequacy of the system. Meanwhile, AK Medical has established a reporting procedure to allow employees to report criminal offenses, financial irregularities or other problems anonymously, further strengthening the internal supervision mechanism.

## 2.2 Stakeholders Communication

AK Medical is well aware that the sustainable development of the Company can not be achieved without the understanding, support and participation of all stakeholders. ESG work has always been a key focus of communication between AK Medical and its stakeholders. The Company's stakeholders mainly include government and regulatory authorities, Shareholders and investors, directors, supervisors and senior management, employees, channel distributors, customers, partners, suppliers, communities and the public, media and non-profit organizations. Through regular communication with various stakeholders, AK Medical gains insight into the demands and feedback of all parties to promote the implementation of sustainable development management measures.

| Stakeholders | Expectations from stakeholders | Communication methods |
|---|---|---|
| Government and regulatory authorities | Implement national policies, laws and regulations<br>Promote local economic development<br>Create local employment<br>Promote health protection for people's livelihood | Roadshow<br>Report submission<br>Advice and suggestions<br>Special reports |
| Shareholders/Investors | Increase the level of ESG information disclosure<br>Guarantee product quality<br>Achieve sustainable development<br>Increase brand marketing | Company announcement<br>Special reports<br>Field trip |
| Directors, supervisors and senior management | Promote leadership with innovation<br>ESG standardization and system construction<br>Focus on employee development | Special reports |
| Employees | Strengthen the promotion of ESG concept<br>Ensure product quality and customer rights and interests<br>Promote green healthcare and leadership with innovation<br>Improve the working environment<br>Protect the rights and interests of employees | WeChat official account<br>Staff communication meeting<br>Employee Engagement Survey<br>Questionnaire-Q12<br>Collective negotiation<br>Democratic communication platform<br>Remuneration Committee |
| Distributors | Product promotions<br>Quality assurance<br>Stable supply<br>Leadership with innovation and technology | Product training<br>Customer needs survey and patient's follow-up<br>Regular customer visits<br>Distributor meeting<br>Business communication<br>Customer feedback<br>Exchange and discussion<br>Negotiation and cooperation |

| Stakeholders | Expectations from stakeholders | Communication methods |
|---|---|---|
| Customers | Quality assurance<br>Customer service and support | Collaborative academic and scientific research projects<br>Academic exchange activities<br>Technology training<br>Roadshow<br>Database construction |
| Partners (e.g. scientific research and academic institutions/industry experts) | Cost reduction and efficiency improvement<br>Achieve universal healthcare<br>Win-win cooperation | Collaborative academic and scientific research projects<br>Academic exchange activities<br>Technology training<br>Roadshow<br>Database construction<br>Collaborative academic and scientific research projects<br>Signing of cooperation agreement |
| Suppliers | Win-win cooperation<br>Ensure product quality and safety<br>Product update<br>Promote sustainable development<br>Strengthen the promotion and implementation of ESG concept | Email<br>Telephone<br>Online meeting<br>Offline visiting<br>Negotiation and cooperation<br>Bidding platform |
| Communities and the public | Product quality improvement<br>Price concession<br>Fulfill social responsibility | Company website<br>Company announcement<br>Interview and communication |
| Media organizations | R&D and innovation<br>Accessibility to medical services | Roadshow |
| Non-profit organizations | R&D and innovation<br>People-oriented<br>Compliance and ethical standards | Collaborative academic and scientific research projects<br>Academic exchange activities<br>Technology training<br>Roadshow |

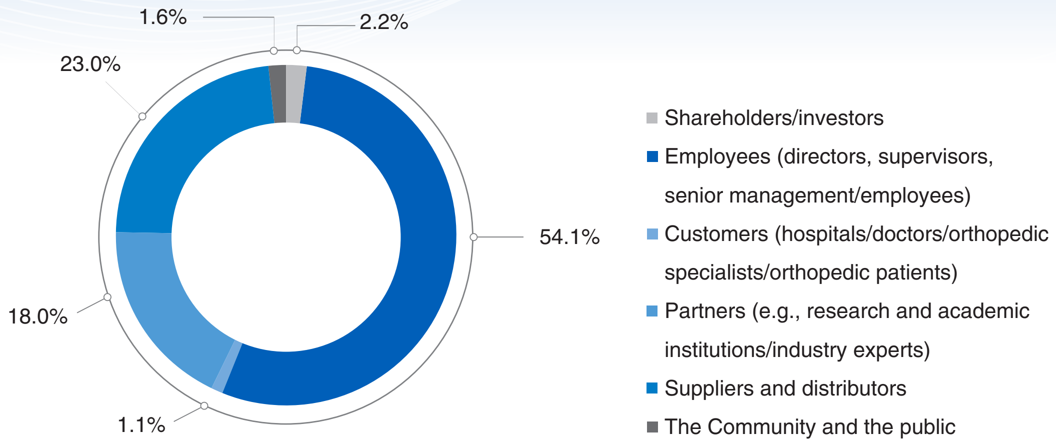
## 2.3 Materiality Assessment

By identifying key materiality issues, AK medical can conduct an in-depth assessment of the ESG-related important factors, determine the scope of the sustainable impact assessment, and clarify the focus of ESG disclosure to respond to the expectations of stakeholders. In 2024, AK Medical identified key issues based on the three dimensions of peers of the industry, policy changes and standard requirements, upon which it sorted out the communication methods and the concerns of stakeholders through departmental interviews, and compiled a list of materiality issues of the Company.

The Company has identified the basic list of material issues based on the following three dimensions:

| | |
|---|---|
| **Standard requirements** | Integrate domestic and foreign ESG related information disclosure standards such as Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB), conduct comparison on the same dimensions and stakeholders' expectations, and carry out semantic integration on this basis, laying the foundation for the list of materiality issues of AK Medical. |
| **Policy changes** | Summarize and analyze the policies of the medical industry at home and abroad, and the general environmental protection and social responsibility policies, and supplement the policy perspective for the sorting out of materiality issues, so as to help identify regulatory priorities and social development trends. |
| **Peers of the industry** | Analyze the ESG key issues of competing enterprises, and conduct comparison with those disclosed in the previous year. At the same time, the focus of peers and policy trends are combined to finally form a preliminary framework for the basic list of material issues. |

Based on the identification of materiality issues, AK Medical conducted interviews with various functional departments to fully understand the concern of stakeholders. On this basis, a questionnaire was conducted to screen the issues of significance to stakeholders, and these issues were analyzed to determine the priority of material issues. In respect of the questionnaire on the analysis of material issues conducted in this year, 183 questionnaires were received from stakeholders, including customers, investors, employees and suppliers, providing important data support for the Company's materiality assessment. The sample structure of the questionnaire was as follows:




Through feedback from senior management and extensive stakeholder surveys, AK Medical has conducted a comprehensive assessment of the importance of identified ESG materiality issues. Based on this assessment, AK Medical will more accurately allocate resources to drive the development of ESG priorities, thereby supporting the Company's sustainable development. After thorough discussion by the Company's management and review and approval by the Board, the ESG materiality topics of AK Medical for this year are as follows:

## 3. EARTH PROTECTION BY AK MEDICAL

AK Medical is committed to achieving the synergistic development of human health and ecological balance, integrating the green development goals of the national "14th Five-Year Plan" into the Company's strategy, and consistently applying the concept of sustainable development throughout all aspects of production and daily operations. During the Reporting Period, the Company actively promoted energy conservation and consumption reduction, improved resource utilization efficiency, reduced waste, strengthened environmental impact control, proactively built a healthy ecological civilization, and actively promoted the harmonious coexistence with the Earth.

| | |
|---|---|
| **Responses in this section** | **United Nations Sustainable Development Goals**<br>Goal 6: Clean water and sanitation<br>Goal 7: Affordable and clean energy<br>Goal 12: Responsible consumption and production<br>Goal 13: Climate action<br>Goal 15: Life on land<br>**Global Reporting Initiative Sustainability Reporting Standards**<br>GRI 2: General disclosure<br>GRI 301: Materials<br>GRI 302: Energy<br>GRI 303: Water and effluents<br>GRI 304: Biodiversity<br>GRI 305: Emissions<br>GRI 306: Waste<br>**The ESG Code**<br>Aspect A1: Emissions<br>Aspect A2: Use of resource<br>Aspect A3: The environment and natural resources |
| **Key performance** | ➢ AK Medical's energy consumption per working hour decreased by 5% compared to the previous year.<br>➢ The estimated annual power generation of the photovoltaic power station at Beijing Changping Intelligent Manufacturing Base can reach 1.988 million kWH.<br>➢ The ground source heat pump project of Beijing Changping Intelligent Manufacturing Base utilizes the heat from underground soil for heating and cooling, with a COP (coefficient of performance) value about 40% higher than that of air source heat pumps. The operating cost can be reduced by 30%-40%.<br>➢ AK Medical's overall packaging loss rate is extremely low, with a qualification rate of up to 99%.<br>➢ There were zero negative incidents in environmental management at AK Medical.<br>➢ The green coverage rate at Beijing Changping Intelligent Manufacturing Base reaches 15%. |

## 3.1 Energy Management

AK Medical consistently adheres to the Environmental Protection Law of the People's Republic of China and the Energy Conservation Law of the People's Republic of China, among other relevant laws and regulations, improving the internal energy management system and focusing on optimizing the energy structure layout. The main types of energy used in the Company's production and operations include electricity and gasoline consumed by company-owned vehicles. Currently, the Company is actively promoting energy management to achieve more efficient energy allocation and lower environmental impact, facilitating the Company's green transformation and sustainable development.

AK Medical places high importance on energy management and has set clear energy governance goals: by 2030, the Company aims to reduce electricity intensity by 31% compared to 2020 as the baseline year. During the Reporting Period, the Company actively promoted energy-saving measures, optimized energy use efficiency, and increased the application of sustainable energy sources such as photovoltaic power generation and ground source heat pumps to reduce reliance on traditional energy sources and contribute to the protection of the Earth.

**AK Medical Energy Use Targets by 2030**

| Type of Target | Base year (2020) | Target year (2030) | Reduction rate |
|---|---|---|---|
| Electricity intensity (kWh/RMB10,000) | 58.3 | 40.5 | 31% |

### *3.1.1 Energy Conservation*

Against the backdrop of increasingly strained global resources, AK Medical has made energy conservation a key initiative to drive sustainable development. The Company has improved relevant management systems and comprehensively implemented energy-saving and consumption-reduction measures across all aspects of daily production and operations to minimize energy consumption and carbon emissions.

During the Reporting Period, AK Medical revised the Energy Consumption Management System in accordance with national and local laws and regulations, and set clear targets, strengthening equipment energy-saving management, and refining responsibilities and management processes to ensure the efficient advancement of energy management efforts. The Company regularly organizes energy management meetings with department heads to track the progress and issues of energy-saving measures, and invites external experts or internal technical specialists to provide energy-saving technology training and consultations. This system has effectively enhanced AK Medical's ability to monitor and optimize energy use, helping achieve energy-saving and emission-reduction goals and laying a solid foundation for sustainable development.

Additionally, AK Medical continues promoting green office practices and comprehensively implements energy-saving management measures. The Company strictly controls the consumption of electricity, water, and gas by strengthening energy management across departments and implementing measures such as "turning off lights when leaving" and "shutting down equipment when on standby". Meanwhile, the Company optimizes the use of office equipment and air conditioning temperature control to minimize energy waste. To further promote energy conservation, AK Medical has introduced intelligent management systems in office spaces and production workshops to monitor energy usage in real time, and conducts regular energy audits to ensure the effective implementation of energy-saving goals.

In terms of production, AK Medical regularly analyzes energy usage, and focuses on managing major energy-consuming equipment to fully reduce costs, ensuring cost-effective and efficient energy utilization. The Company actively explores improvements in production processes, and adopts new technologies, materials, and equipment to further reduce energy consumption quotas. In the construction of Beijing Changping Intelligent Manufacturing Base, the Company is actively advancing the development of a green factory. Currently, AK Medical is working with relevant parties to calculate costs and evaluate implementation plans, striving to integrate sustainable development concepts into the entire production process and setting a new benchmark for green manufacturing in the industry.

**Green Empowerment: Smart Energy Saving Creates a Low-Carbon Future** **Case**

Since 2015, AK Medical has been gradually advancing automation transformation. By now, the overall automation coverage of production lines has exceeded 80%. During the reporting period, the Company prioritized optimization of power consumption and equipment management. Through coordinated efforts between the Equipment Department and Production Department , with focused improvements in raw material utilization and labor efficiency, We successfully achieved a 5% year-on-year reduction in energy consumption per working hour while improving average energy utilization rate by 50%, resulting in comprehensive reduction of energy waste.

In terms of electricity energy management, AK Medical has implemented multiple refined measures to improve energy use efficiency and reduce waste. On one hand, the Company has strengthened on-site inspections, strictly monitoring equipment “preheating status” and “commissioning” times to ensure that equipment idle time does not exceed 15 minutes, thereby reducing ineffective operation time. On the other hand, the Company regular inspects equipment to control production temperature requirements and ensure equipment operates at optimal conditions. If equipment damage or non-compliance is found, timely repairs and adjustments are required to reduce material waste.

In the future, AK Medical will continue to promote electricity conservation and set more challenging electricity-saving targets for 2025. Specifically, the original site plans to reduce electricity consumption by 3% in the first half of 2025 compared to 2024 as the baseline year. The Company will continue to optimize equipment management and strengthen energy-saving technologies to comprehensively advance energy conservation efforts.

### *3.1.2 Application of Sustainable Energy Technologies*

With the popularization and continuous development of environmental protection technology, enterprises around the world have adopted innovative green solutions, which can not only reduce environmental pollution, but also provide new opportunities for enterprises to enhance competitiveness and achieve long-term development.

AK Medical keeps up with the trend of the times, actively adopts renewable energy, uses photovoltaic power generation system and ground source heat pump technology to reduce dependence on traditional energy. In addition, the Company continues to promote the electrification of transportation, gradually replace traditional fuel vehicles, and reduce carbon emissions and energy consumption. Through a series of initiatives to apply sustainable energy, AK Medical further optimizes its energy structure, reduces its environmental footprint and contributes to a green future.

**Technology Empowerment: Environmental Technologies Make a Green Blueprint for the New Plant** **Case**

In 2024, with the expansion of business scale and the growth of market demand, AK Medical started the construction of Beijing Changping Intelligent Manufacturing Base. From the beginning of planning, it deeply integrated the concept of green and low carbon into the design, committed to building a leading sustainable development benchmark in the industry. During the construction process, the Company adopted innovative energy management solutions to significantly enhance the application of sustainable energy. Through the installation of photovoltaic power generation system and ground source heat pump technology, AK Medical effectively reduced energy consumption in production and operation, and promoted the realization of energy-saving goals. The estimated annual power generation of the photovoltaic power station at Beijing Changping Intelligent Manufacturing Base can reach 1.988 million kWH. At the same time, compared with the ordinary split heating and cooling process, the ground source heat pump project of Beijing Changping Intelligent Manufacturing Base utilizes the heat from underground soil for heating and cooling, with a COP (coefficient of performance) value about 40% higher than that of air source heat pumps. The operating cost can be reduced by 30%-40%. Combined with photovoltaic power generation, it is enough to meet the energy demand of factories in key high energy-consuming areas. Through this series of measures, AK Medical has effectively reduced its dependence on traditional energy sources and made positive contributions to achieving carbon emission reduction goals.

On this basis, AK Medical also applied for and obtained financial support from relevant departments in Beijing, which further promoted the implementation of energy-saving projects such as ground source heat pump, marking the Company's leading position in the application of sustainable technology, and demonstrating the pioneer force of green transformation.

During the Reporting Period, the renewable energy consumption of AK Medical reached 851,804.0 kWh, and the details are as follows:

| Energy use indicators | 2024 | 2023 | 2022 |
|---|---|---|---|
| Total energy consumption (kWh) | **11,863,406.8** | 12,379,777.7 | 10,331,902.6 |
| Energy consumption intensity (kWh/RMB10,000) | **88.1** | 113.2 | 98.2 |
| Renewable energy use (kWh) | **851,804.0** | 904,507.0 | 1,020,285.0 |

For details of the energy consumption intensity of AK medical and its subsidiaries, please refer to "8.2.1 Table of Environmental Performance Information" of this ESG report.

## 3.2 Resource Recycling

AK Medical attaches great importance to the recycling of resources and is committed to promoting sustainable development. The Company optimizes water resources management and establishes a recycling system to improve the efficiency of water resources use. Meanwhile, in terms of raw materials and packaging management, AK Medical promotes recyclable packaging materials to further reduce resource consumption and waste. However, AK Medical does not stop here. The Company will continue to explore more efficient resource utilization methods and more environmentally friendly innovative materials, striving to achieve greater breakthroughs in the future and make even greater contributions to green development and environmental protection.

### *3.2.1 Conservation of Water Resources*

With the aggravation of pollution and the impact of climate change and other factors, the pressure of global water resources continues to rise. AK Medical is deeply aware of the importance of efficient water use, and actively takes a series of measures to optimize water resources management, promote water recycling and enhance sustainable development. The Company primarily sources water from municipal supplies for daily office and production operations. Through scientific allocation and efficient management, the Company achieves the conservation and recycling of water resources. AK Medical has not encountered any difficulty in sourcing water during the Reporting Period.

In 2024, the water consumption of AK Medical was basically the same as last year with small overall fluctuation. Although the Company has implemented meticulous management measures in production cleaning, laboratory operations, and daily usage, changes in production tasks have limited impact on water resource consumption. Water demand remains relatively stable, with no significant changes observed. In the future, AK Medical will continue to pay attention to the allocation and efficient utilization of water resources, and continue to optimize water use strategies according to actual needs.

In addition, AK Medical has been continuously improving its system and norms, strengthening water resources management and utilization efficiency, and promoting water conservation in daily operations. The Company entrusts professional organizations to check, count and assess the total water consumption every month to ensure transparency and effective management. At the same time, AK Medical strengthens the awareness of water saving, actively promotes the secondary utilization of water resources. The Company strictly controls the waste of water resources, giving corresponding punishment according to the seriousness of the circumstances, so as to ensure that the responsibility of water saving is fulfilled.

During the Reporting Period, Beijing Changping Intelligent Manufacturing Base fully integrated the design of recycling water in the construction process, and earnestly fulfilled its environmental responsibility. Currently, tap water is used as the water source for environmental cleaning and ground source heat pump systems in the project area. Once municipal reclaimed water conditions mature in the future, reclaimed water supplied by the Changping Reclaimed Water Plant will be used for daily operational activities such as environmental cleaning and green space irrigation in the project area. Moreover, rainwater and sewage separation system is introduced into the plant area, and rainwater storage facilities are equipped. Rainwater is stored in the retention pond through the collection system, and then used for non-domestic water use scenarios such as plant greening, road sprinkling and landscape supply after filtration and precipitation.

In addition, the project heavily invests in water resources management, which is mainly used to further enhance the storage capacity of rainwater and optimize the recycling efficiency of water resources. With the above series of comprehensive water resources management schemes, the plant has been approved by the Changping District Water Authority of Beijing in terms of water assessment, which provides a strong guarantee for compliance operation.

In 2024, AK Medical's utilization of water resources is as follows:

| Water resources indicators | 2024 | 2023 | 2022 |
|---|---|---|---|
| Total water consumption (tons) | **32,293.0** | 41,533.7 | 35,261.0 |
| Total water consumption intensity (tons/RMB10,000) | **0.2** | 0.4 | 0.3 |

### 3.2.2 *Sustainability of Raw Materials and Packaging*

The sustainability of raw materials and packaging helps to improve the efficiency of resource utilization, and reduce carbon footprint and dependence on natural resources, protecting the ecological environment from the source. AK Medical is well aware of the importance of material recycling. Starting from R&D and production of products, through policy guidance, practice promotion and internal and external coordination, the Company steadily implements environmental protection measures to promote green circular economy.

AK Medical has formulated the Resource and Energy Management System to regulate the use of main raw and auxiliary materials, and has taken a number of measures at the operational level to promote the conservation and rational use of raw materials with the goal of low consumption, low emission and high efficiency. At the same time, the Company continues to improve the regulatory mechanism, and optimize the management of raw materials, effectively controlling the consumption of materials while reducing the waste of resources.

The Company requires all workshops to strengthen management, and strictly implement process operation specifications, minimizing the impact of waste on the environment and enterprise costs. For the residual waste of raw materials, such as high molecular polyethylene and titanium alloy, the Company will continue to promote recycling and further improve the efficiency of material utilization.

In addition, AK Medical actively uses PLA, a degradable material, whose degradable characteristics help to reduce environmental impact. It is widely used in 3D printing of bone models and printing of patient bone models after CT data reconstruction, promoting the sustainable development of medical products. However, limited by the choice of medical materials, the introduction of new materials requires a rigorous validation period. Therefore, sustainable raw materials have not yet been adopted on a large scale. Nevertheless, AK Medical will continue to explore more environmentally friendly material solutions, and continuously optimize the allocation of resources to promote the sustainable application of medical materials in the future on the premise of ensuring medical safety standards.

Moreover, AK Medical also continues to promote sustainable measures in the packaging sector, and improves the use efficiency of packaging materials, helping save resources and protect the environment. The Company mainly realizes the recycling of packaging materials by reusing large packaging boxes, and cooperates with third-party logistics enterprises to ensure that packaging boxes are reasonably recycled and reused in the logistics process. Besides, due to the Company's packaging qualification rate reaching as high as 99%, the overall packaging loss is extremely low, further reducing the waste of packaging materials. In the future, with the expansion of production capacity, AK Medical will continue to explore more environmentally friendly packaging solutions, promote the implementation of the concept of green packaging, and reduce the use of disposable packaging, achieving sustainable management of resources.

During the Reporting Period, AK Medical's utilization of raw materials and packaging for the production is as follows:

| **Raw material for production indicators** | **2024** | **2023** | **2022** |
|---|---|---|---|
| Polyethylene (tons) | **18.8** | 22.0 | 21.9 |
| Stainless steel (tons) | **60.2** | 58.6 | 46.7 |
| Titanium alloy (tons) | **92.1** | 96.7 | 104.1 |
| Cobalt-chromium-molybdenum (tons) | **75.7** | 81.4 | 53.9 |

| **Packaging material indicators** | **2024** | **2023** | **2022** |
|---|---|---|---|
| Total volume of packaging materials used in finished goods (tons) | **65.6** | 35.5 | 32.7 |
| Packaging material used in finished goods per unit of production (tons/RMB10,000) | **0.0005** | 0.0003 | 0.0003 |

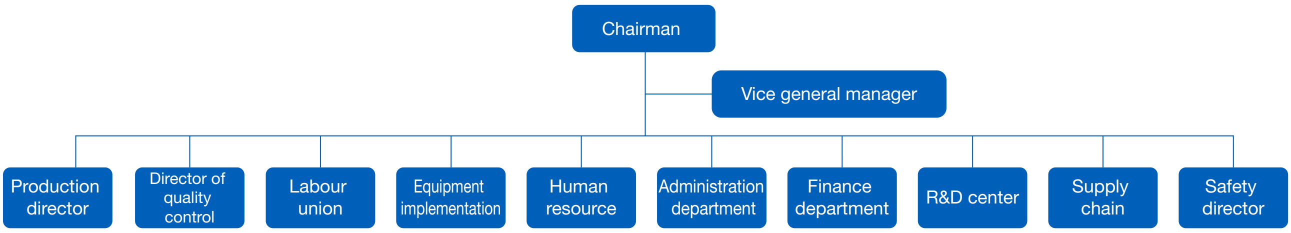
## 3.3 Environmental Protection

AK Medical always adheres to the concept of sustainability and actively integrates environmental protection into all aspects of production and operation. In accordance with a number of international and local environmental protection standards, the Company continues to improve its environmental governance framework and measures, and insists on implementing them in various fields such as waste management and ecological protection, so as to ensure compliance with regulatory requirements relating to the environment and natural resources and ensure long-term development in the future.

### *3.3.1 Environmental Management*

AK Medical always keeps in mind its social responsibility and mission, and insists on fulfilling its commitments to reduce waste of resources, prevent pollution and create a green environment. At present, the Company has successfully passed the ISO 14001: 2015 Environmental Management System Certification. With this as the core, the Company further improve the Occupational Health, Safety and Environmental Management Manual and the environmental management system with reference to the requirements of national and local operational laws and regulations, comprehensively clarifying the management norms of all operations and activities of the Company, and ensuring the effective implementation and continuous improvement of various measures. During the Reporting Period, AK Medical did not experience any negative incidents related to environmental management and the operations and activities of AK Medical did not have a significant impact on the environment and natural resources.

AK Medical conducts regular internal and external audits and inspections to ensure the effective operation of the environmental management system, and take necessary improvement measures according to the audit results. The coverage and execution of all activities are documented and reported in detail to ensure transparency and traceability. For the business expansion of AK Medical, the Company always follows the principles and standards of environmental protection in due diligence, mergers and acquisitions. This ensures that the expansion process does not negatively impact the environment, promoting the organic integration of business growth and sustainable development.




**Structure of the safety committee**

The safety management organization (safety committee) is responsible for:

1 Organizing or participating in the formulation of the unit's work safety rules and regulations, operating procedures, and emergency rescue plans for work safety accidents;

2 Organizing or participating in the unit's work safety education and training and making records on work safety education and training truthfully;

3 Organizing and conducting identification and assessment of sources of danger, supervising and ensuring the implementation of the unit's safety management measures for major sources of danger;

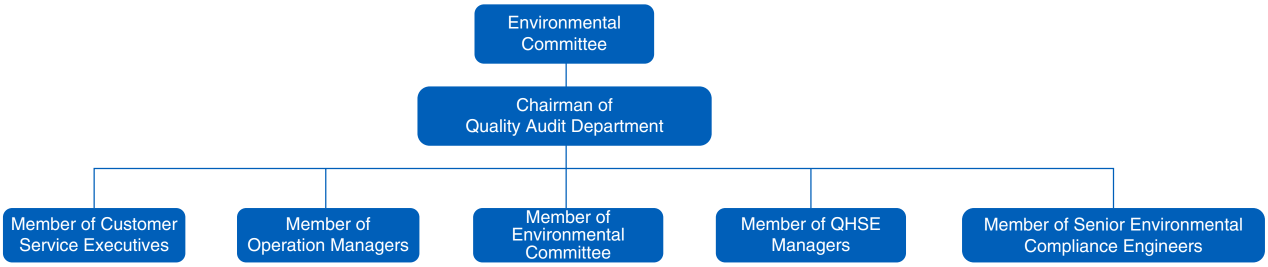
4 Organizing or participating in the unit's emergency rescue drills;

5 Inspecting the work safety situation of the unit, promptly inspecting potential work safety accidents hazards, and providing suggestions for improving work safety management;

6 Stopping and correcting practices involving direction of business operations in violation of regulations, compelling employees to work at risk, and violations of operating procedures;

7 Supervising the implementation of work safety rectification measures of the unit.

Moreover, JRI strictly complies with the UK Environmental Permitting (England and Wales) Regulations 2010, Environment Protection Act, as well as relevant industry regulations such as the European Union Registration, Evaluation, Authorization and Restriction of Chemicals Regulation and other laws and regulations, without any violations. In addition, JRI has established an Environmental Committee to coordinate environment-related activities of the Company, including external compliance and internal operational management. The Environmental Committee communicates with employees on a regular basis, listens to their suggestions on environmental improvement, and works with all employees to promote environmental governance.




**Environmental Committee Structure of JRI**

### *3.3.2 Management on Waste Gas, Waste Water and Other Wastes*

The major emissions of AK Medical are waste gas, waste water as well as certain hazardous and non-hazardous waste. AK Medical actively fulfills its social responsibilities, strictly abides by the waste management regulations of the People's Republic of China and the places where its production and operation are located. AK Medical has formulated and implemented the Waste Gas, Wastewater, Dust and Noise Management System, continuously improving the environmental management system to ensure that the Company fully meets the relevant certification requirements. At the same time, the Company strictly manages the waste gas, waste water, other wastes and noise involved in the production and operation process to achieve standardized emission. The Company is committed to minimizing the negative impact on the environment and promoting green development and construction.

#### *Waste Gas Management*

To ensure compliant exhaust emissions, AK Medical regularly monitors exhaust emissions during the production process. Each year, the Company entrusts local environmental monitoring agencies to conduct emission tests to verify compliance with relevant regulatory standards. For high-emission equipment, negative pressure dust removal system and bag filter are used for dust treatment, and annual inspection of all vehicles is carried out regularly to reduce the environmental burden.

In 2024, in the construction project of Beijing Changping Intelligent Manufacturing Base, the Company installed two sets of waste gas treatment systems. These systems strictly adhere to the emission requirements set by the local environmental protection bureau, ensuring compliance with standards. In processes such as dry polishing and sandblasting, the Company deploys dust collection hoods and pipeline collection systems to efficiently capture dust. After purification through wet dust collectors, emissions are ensured to meet environmental standards. In the future, AK Medical plans to install real-time monitoring equipment on exhaust stacks to facilitate data collection and management, ensuring that the emission process remains consistently compliant with regulations.

For the types of emissions and respective emission data in respect of waste gas of AK Medical and its subsidiaries, please refer to "8.2.1 Table of Environmental Performance Information" of this ESG report.

### *Waste Water Management*

In terms of waste water management, AK Medical has formulated a series of measures, including the independent allocation of pipelines and classified collection of waste water, striving for the precise implementation of various process operation procedures to ensure proper disposal of all sewage. Meanwhile, the Company implements rain and sewage separation measures to treat rainwater and sewage separately. This not only effectively prevents rainwater from entering the sewage system to reduce the pressure of discharge, but also improves the efficiency of waste water treatment to lessen the burden of sewage treatment, thereby promoting sustainable construction of green environmental protection.

In addition, AK Medical always abides by relevant laws and regulations. The Company regularly has the treated sewage tested, and entrusts qualified third-party agencies to monitor the waste water discharge indicators in accordance with the requirements of the Integrated Sewage Discharge Standard and the Water Quality Standard for Sewage Discharged into Urban Sewers, so as to ensure that the water quality meets the standards before discharge. Production waste water undergoes pretreatment using underground waste water treatment facilities and is then processed together with domestic sewage in septic tanks. Ultimately, it is discharged into the Beijing Changping Wastewater Treatment Center through municipal pipelines, ensuring stable and compliant operations. In 2024, the Company met all requirements of environmental quality testing, with indicators such as suspended solids, pH levels, and chemical oxygen demand (COD) all reaching the specified limits.

### *Waste Management*

In accordance with national and local laws and regulations, the Company continues to strengthen the standardized management and compliant disposal of solid waste. AK Medical has formulated the Regulations on the Administration of Solid Waste to clearly regulate a series of processes for waste collection, classification, storage and disposal. For hazardous wastes, the Company has specially established the Safety Management System for Hazardous Chemicals and the Regulations on the Administration of Hazardous Waste Transfer Manifests to clarify the responsibilities of each department and strictly supervise the storage, use and disposal of hazardous wastes. AK Medical also entrusts qualified third-party agencies to carry out unified management to ensure safety and compliance, and to ensure the safety of the environment and personnel. Meanwhile, AK Medical reduces waste emissions by recycling non-hazardous waste materials (e.g., cobalt-chromium-molybdenum alloy and titanium alloy). The Company plans to establish waste reduction targets by 2025, with a focus on exploring the potential for circular utilization of raw and packaging materials. Additionally, the Company is actively collaborating with downstream partners to jointly develop pathways for a circular economy, further minimizing waste generation and alleviating environmental burdens.

| | |
|---|---|
| Non-hazardous waste | AK Medical has signed contracts with qualified recycling agencies to classify and recycle non-hazardous waste materials (e.g., cobalt-chromium-molybdenum alloy and titanium alloy) for reuse. The recovery cycle is determined according to the production workload, usually once every two months. |
| Hazardous waste | The Company has a special hazardous waste room and appropriate containers. Different types of waste are stored by area and recorded in ledgers. AK Medical entrusts qualified third-party company, Hongshulin, to regularly handle hazardous waste, ensuring compliant management. |

During the Reporting Period, the hazardous waste generated by AK Medical's production segment amounted to 67 tons, while the non-hazardous waste generated amounted to 51,680 kg. The particulars are as follows:

| Waste discharge indicators | | | 2024 | 2023 | 2022 |
|---|---|---|---|---|---|
| Hazardous waste | Waste liquid | Total waste liquid production (tons) | **49.9** | 177.1 | 148.0 |
| | | Waste liquid handling volume (tons) | **49.9** | 177.1 | 148.0 |
| | Dust | Total dust production (kg) | **17,134.4** | 24,949.0 | 10,405.0 |
| | | Dust handling volume (kg) | **17,134.4** | 24,949.0 | 10,405.0 |
| Non-hazardous waste | Solid waste | Forging blank titanium alloy waste processing volume (kg) | **3,877.0** | 7,404.0 | 8,335.0 |
| | | Cobalt-chromium-molybdenum casting blank waste processing volume (kg) | **687.0** | 1,575.0 | 2,007.0 |
| | | Other waste handling volume (kg) | **37,702.0** | 10,577.4 | 10,140.0 |

For details of intensity of hazardous and non-hazardoues waste produced by AK Medical and its subsidiaries, please refer to "8.2.1 Table of Environmental Performance Information" of this ESG report.

### *Noise Management*

AK Medical deeply understands the impact of noise on the health of employees and the community environment, and strengthens the effective management and control of noise in daily production and operation. During the factory construction, the Company emphasizes implementing noise control measures, such as sound insulation and vibration damping for high-noise equipment, to reduce noise pollution and improve the quality of the working environment. In addition, AK Medical also strengthens noise protection training for employees to ensure that all employees understand and abide by noise management regulations, and wear personal protective equipment correctly, reducing the impact of noise on health.

Besides, AK Medical entrusts local environmental monitoring agencies to conduct regular noise testing every year to ensure that the noise level in the production environment meets all relevant regulatory requirements. During the Reporting Period, the Company improved the noise reduction of the sandblasting room, having reduced the noise below the threshold of occupational health requirements. In order to further reduce noise pollution, AK Medical has carried out sound insulation treatment on the equipment, added sound insulation materials, and optimized the production process. These measures ensure that noise emissions are reduced without affecting production efficiency, laying a solid foundation for the sustainable development of production.

During the Reporting Period, AK Medical diligently complied with all environmental laws and regulations related to air and greenhouse gas emissions, water and land emissions, as well as hazardous and non-hazardous waste management. No violations were recorded. There was no relevant laws and regulations relating to the aforesaid aspects the compliance with having a significant impact on AK Medical and its subsidiaries.

### *3.3.3 Ecological Protection and Biodiversity*

The protection of natural ecosystems is a core element of ecological balance. It is essential to maintain their health and stability. AK Medical is fully aware that the construction of natural ecosystems plays a key role in sustainable development. Therefore, the Company strictly abides by relevant laws and regulations, scientifically assesses the impact of production and operation on the ecological environment, continuously optimizes production methods, actively promotes ecological protection measures, and is committed to harmonious coexistence with nature in all aspects of its business.

In 2024, during the construction of Beijing Changping Intelligent Manufacturing Base, AK Medical actively integrated the concept of environmental protection and carried out construction in strict accordance with Beijing's planning requirements and architectural design standards. The Company works closely with the design institute to conduct in-depth communication on key elements such as prefabricated buildings, greening rate and equipment installation, so as to ensure the performance of the project in terms of environmental protection and sustainability. Eventually, the index of prefabricated buildings reached 68%, and the greening rate reached 15%, far exceeding initial targets.

## 4. INNOVATION AT AK MEDICAL

AK Medical is a high-tech enterprise that integrates cutting-edge orthopedic technology research, product development, and industrial application. Innovation has always been the core driving force behind the Company's development. In 2024, the Company continued to focus on industry challenges, driving the development of orthopedic medicine toward precision and intelligence through technological research and digital innovation. At the same time, the Company strictly complies with laws and regulations, prioritizes data security and privacy protection, adheres to clinical ethics, continuously improves product quality, protects customer rights and interests, and engages in responsible marketing, striving to enable more medical institutions and patients to enjoy the health and well-being brought by cutting-edge technological innovation.

| | |
|---|---|
| **Responses in this section** | **United Nations Sustainable Development Goals**<br>Goal 9: Industry, innovation, and infrastructure<br>Goal 12: Responsible consumption and production<br>Goal 17: Partnerships for the goals<br>**Global Reporting Initiative Sustainability Reporting Standards**<br>GRI 416: Customer health and safety<br>GRI 417: Marketing and labeling<br>GRI 418: Customer privacy<br>**The ESG Code**<br>Aspect B6: Product responsibility |
| **Key performance** | ➢ The proportion of R&D investment reached 10.3%.<br>➢ The self-developed metal 3D printing technology was approved, which promotes the development of personalized customization of orthopedic implants.<br>➢ The knee joint surgical robotic system was launched, completing the digital orthopedic layout for hip and knee joints.<br>➢ The K3 Orthopedic Robotic System was released, promoting China's high-end medical equipment industry from "technology follower" to "rule maker".<br>➢ The full lifecycle management of products and services was strengthened to enhance customer recognition, with average customer satisfaction maintained at over 95% for the year. |

## 4.1 Overcoming R&D Challenges and Promoting Domestic Substitution

With the fierce global competition in the high-end medical equipment field, domestic substitution is the key to breakthroughs in China's medical equipment market. As a leading enterprise in China's medical device industry, AK Medical recognizes the importance of innovation. To stimulate innovation, the Company strategically plans innovation strategies, builds an appropriate organizational framework, establishes professional teams, enhances innovation incentive mechanisms, and strengthens R&D risk management. At the same time, the Company has continuously strengthened layouts of intellectual property rights, actively applying for patents to protect its innovations. Through these multi-dimensional initiatives, AK Medical has effectively overcome numerous challenges in R&D, leading the industry's development, and contributing to the domestic substitution for high-end medical equipment in China.

### *4.1.1 Technology Innovation System*

#### *Innovation Planning*

AK Medical adheres to a long-term development strategy. It has continuously invested in R&D for over twenty years, built diversified product lines, and formed a comprehensive technology portfolio. The Company has established a 3D printing technology platform and a digital orthopedic platform for intelligent navigation robotics. With a strong focus on innovation leadership, the Company builds an R&D system that integrates technology with market needs, driving the iterative upgrade of joint implants to meet market demands. At the same time, AK Medical leverages its 3D printing technology to develop differentiated and customized products that address diverse clinical needs while actively expanding into the digital intelligent orthopedic and small joint sector.

#### *Innovation Organizational Structure*

To address the challenges of rapid technological iteration and intensified market competition in the medical industry, AK Medical established a Technology Committee, aiming to enhance core competitiveness, accelerate the transformation of technological achievements, and meet the industry trends and patients' expectations for high-quality medical services. The committee is composed of a chairperson, standing committee members, regular members, and a secretariat, with clear responsibilities and collaborative promotion of technical decision-making and project implementation. To improve decision-making and management efficiency, the committee has a standing committee, consisting of the chairperson (or rotating chairperson), standing committee members, and a secretary. This organizational structure provides a strong guarantee for the company's technological progress and business development through clear responsibilities and efficient management.

#### *Innovation Team Development*

AK Medical places great importance on the quality of its R&D team, aiming to build a highly skilled and professional research force. The Company's R&D team comprises outstanding talents from prestigious institutions in and outside China. These highly educated talents have profound professional knowledge and cutting-edge academic vision, providing a solid theoretical foundation for technological innovation.

To further enhance professional skills and innovation capabilities, AK Medical has established a comprehensive training program. Training courses tailored for different positions and skill levels are provided for R&D personnel, covering new technology learning, interpretation of industry regulations, clinical application knowledge, and other aspects. The company regularly invites industry experts and scholars to conduct internal lectures and training exchange activities, sharing the latest scientific research results and industry trends to broaden the vision of R&D personnel. In addition, AK Medical actively encourages its R&D personnel to participate in academic conferences, seminars, and professional training programs in and outside China, fostering in-depth communication with and learning from peers to stay abreast of cutting-edge technologies.

AK Medical provides broad career development space and clear promotion paths for R&D personnel. The promotion system for R&D personnel is divided into two paths: technical and managerial. In the technical path, R&D personnel can progress from junior engineers to senior engineers, technical experts, and chief scientists, specializing in R&D and continuous innovation in the professional field. In the managerial path, high-performing R&D personnel have the opportunity to become project leaders, department managers, and other leadership positions who are responsible for team management and project coordination, leading the team to achieve greater innovation breakthroughs.

### *Innovation Incentive Mechanisms*

In the highly competitive medical device market, innovation is the core driving force behind the Company's development. To maintain continuous momentum in technological innovation and sustain its industry-leading position, AK Medical recognizes the critical importance of establishing a scientific and effective innovation activation mechanism.

In response, AK Medical has established a sound system construction and management system to ensure that the promotion of technological innovation can be continued. AK Medical has formulated the Patents and Articles Award Management Measures and the Projects Award Management Measures of AK Medical Group. During the Reporting Period, the Project Award Management Measures of AK Medical Group have been revised, further refining the specific award measures that fall into six categories: qualifications, intellectual property rights, corporate honors and awards, government special projects or support, talent projects, and major/special internal projects of the Company. This effectively stimulates innovation enthusiasm among researchers and drives the Company's long-term innovation and development goals.

### *Intellectual Property Management*

AK Medical attaches great importance to the coordinated development of technology, product development, and intellectual property protection. The Company has established a three-dimensional intellectual property protection system encompassing methods, technologies, and products for orthopedic implant design and manufacturing. This system is in multiple dimensions effective with comprehensive intellectual property protection for various innovation achievements in the design and manufacturing processes of orthopedic implants, including unique design methods, advanced manufacturing technologies, and final product forms, fully securing AK Medical's core technologies and product advantages.

At the same time, the Company attaches great importance to the protection of intellectual property rights and actively carries out regular intellectual property training and publicity activities. Training covers professional knowledge such as intellectual property laws and regulations, application processes, and infringement prevention. The publicity activities are diverse in form, leveraging online platforms and other channels to widely disseminate cases and the important significance of intellectual property protection. These efforts aim to enhance employees' awareness of intellectual property, fostering an internal environment conducive to the Company's sustained innovation and development, thereby solidifying the foundation for long-term competitiveness.

### *R&D Risk Management*

AK Medical places a high priority on R&D risk management, recognizing it as a key factor in ensuring the smooth progression of R&D projects. AK Medical strictly adheres to relevant national regulations, preparing risk analysis reports for each R&D project. These reports systematically identify and assess potential risks, providing risk guidance for subsequent R&D activities and ensuring that all stages of R&D projects receive appropriate risk evaluation and management. By predicting and controlling uncertainties in R&D, AK Medical safeguards the Company's investments, accelerates the transformation of innovative achievements, and delivers safer and more effective medical products and services to customers.

### *R&D Investment and Achievements for 2024*

During the Reporting Period, the R&D investment of AK Medical accounted for 10.3%. As of December 31, 2024, the Company has obtained a total of 466 invention patents, 615 utility model patents, and 32 granted PCT patents.

**Technology-Driven Advancements in Orthopedic Development** **Awards**


First Prize of the 2023 Beijing Science and Technology Advancement Award


First Prize of the Jiangsu Machinery Industry Science and Technology Advancement Award


Second Prize of the Jiangsu Machinery Industry Patent Award

### *4.1.2 Digital and Intelligent Innovation Achievements*

In an era where digital and intelligent technologies are deeply integrated, the medical industry is undergoing unprecedented transformation. As a pioneer in the industry, AK Medical actively captures emerging trends and invests heavily in digital and intelligent innovation with a forward-thinking strategy.

With strong technical expertise and a spirit of exploration, AK Medical has steadily advanced in digital and intelligent innovation, integrating digital and intelligent technologies into product R&D and clinical applications. These efforts have resulted in unique innovation achievements that significantly enhance surgical precision and safety, providing patients with superior treatment experiences and setting new benchmarks for the future development of orthopedic medicine.

As a leading 3D printing orthopedic enterprise, AK Medical remains steadfast in its commitment to providing high-quality products and continues to deepen its expertise in the field of digital orthopedic technology. In 2024, AK Medical achieved remarkable milestones in the realm of digital and intelligent innovation, with multiple innovative projects and products gaining global recognition and application. These achievements not only reflect the Company's profound technical expertise but also underscore its pivotal role in advancing the global orthopedic healthcare industry toward intelligent solutions. The following are some cases of digital and intelligent innovation achievements in 2024:

**Precise Customization: A New Era of Personalized Orthopedic Implants** **Case**

In February 2024, AK Medical's self-developed metal 3D printing technology received approval from China's National Medical Products Administration (NMPA), launching patient-matched hip prostheses. This milestone marks the official entry of hip reconstruction surgery into the era of 3D-printed customization. These prostheses are designed for acetabular reconstruction and pelvic tumor surgeries, offering a "tailor-made" solution based on the patient's specific bone defects. It enables "reconstructing the missing part" and "repairing the damaged part", effectively addressing the limitations of traditional custom prostheses in meeting personalized needs.

Utilizing patient CT data, the 3D printing technology accurately reconstructs a three-dimensional model of the acetabulum, ensuring a perfect fit between the prosthesis and the bone, thereby enhancing surgical precision and safety. At the same time, the 3D-printed porous structure mimics trabecular bone, promoting bone cell ingrowth and achieving long-term stable integration between the prosthesis and the bone. The personalized design balances anatomical reconstruction, restoration of the biomechanical environment, and prosthesis fixation, maximizing the restoration of hip joint function and improving patients' postoperative quality of life. The successful approval of AK Medical's 3D-printed personalized prostheses not only enriches the Company's comprehensive hip joint product line but also advances the development of orthopedic implants from standardization to personalized customization, providing global patients with higher-quality and more precise medical solutions.

| Technology Empowerment: A New Chapter in Orthopedic Knee Surgery | Case |
|---|---|

In April 2024, AK Medical's knee surgery robotic system received market approval from the NMPA. The approved knee navigation and positioning system consists of a robotic arm cart, optical navigation device, trolley, control equipment, and accessories. This surgical robotic system features preoperative 3D surgical planning and intra-operative full-process assistance. During surgery, the robotic arm offers real-time guidance for knee osteotomy, soft tissue balancing, and prosthesis implantation, delivering more precise and reliable outcomes. It enhances the surgeon's operational experience, significantly improves surgical precision, minimizes errors, and ensures better postoperative results for patients.

As a technological leader in China's orthopedic industry, the knee navigation and positioning system represents another major achievement in AK Medical's digital orthopedic product line, following the VTS system – Visual Intelligent Assistance System and the iBot Hip Navigation and Positioning System. The certification of this knee surgery robotic system fills the gap in AK Medical's portfolio of intelligent knee devices and marks the completion of the Company's comprehensive layout in the digital orthopedic field for both hip and knee joints.

| Intelligent Navigation: A New Stage for Domestic Orthopedic Technology | Case |
|---|---|

In December 2024, AK Medical officially launched the K3 Orthopedic Robotic System. This product originates from a long-term, in-depth collaboration between medical and engineering teams as well as their relentless innovation, with a strong focus on clinical needs and user experience optimization. Utilizing a fully self-developed robotic arm system and high-precision navigation technology, it provides intelligent support across the entire surgical process, including preoperative planning, intra-operative navigation, and postoperative evaluation. K3 Orthopedic Robotic System features dynamic soft tissue balance, which can significantly improve the precision and safety of surgeries, especially for complex cases. In addition, it further expands AK Medical's intelligent surgical ecosystem, integrating seamlessly with the VTS system to optimize the standardization and efficiency of surgical workflows.

The K3 Orthopedic Robotic System holds important significance. As a high-end intelligent platform for joint surgeries, its positioning goes beyond domestic substitution. By achieving self-sufficiency in core components and leveraging cost advantages, it accelerates the Company's international expansion. This advancement drives the transformation of China's high-end medical equipment from "technology follower" to "rule maker", injecting new momentum into the global development of intelligent orthopedic surgery and having a profound impact on the development of the industry.

| Intelligent Expansion: A New Journey for the Internationalization of Orthopedic Equipment | Case |
|---|---|
| In December 2024, AK Medical's the Visual Treatment Solution (VTS) Navigation System has assisted in more than 1,000 surgeries in China and abroad. With eight years of efforts in research and development, this system has achieved a broad operational scope, covering more than 30 hospitals in over 20 cities worldwide and supporting over 100 orthopedic surgeons. By leveraging dynamic 3D modeling and optical navigation, this system delivers millimeter-level precision in hip surgeries, transforming traditional experience-dependent orthopedic surgeries into a standardized and reproducible precision medical model. It has not only accomplished the first high-dislocation DDH surgery and revision surgery in China but has also demonstrated its international applicability through its first installation outside China. This milestone signifies a pivotal shift for domestically developed intelligent orthopedic devices, moving from technological breakthroughs to large-scale clinical adoption. | |

### 4.1.3 Data Security and Privacy Protection

In the medical industry, it is very important to protect the privacy of institutions and patients. With the advancement of global digitalization, enterprises must fulfill their responsibilities for customer privacy while ensuring information security, which is a basic requirement for business operations.

AK Medical strictly complies with the laws and regulations related to information security of the People's Republic of China and in places where the Company conducts business. Employees are required to strictly adhere to the principle of information confidentiality, especially for non-public information from third parties such as customers and distributors. The subsidiaries also adhere to a philosophy of protecting customer privacy and data security. For example, JRI has developed a Marketing Manual specifying that the use of personal data and information in the promotion, marketing, and sale of products requires prior authorized consent from customers or patients.

AK Medical places a high priority on data privacy and security, implementing a series of professional measures to ensure robust data security and privacy protection. The Company has developed stringent data processing standards, specifying clear requirements for data transmission and anonymization. Even though the relevant data is not currently used for commercial purposes, these standards are established in advance to mitigate the risk of data leakage. At the same time, for patient CT data (used for customized and personalized 3D printing designs), an internal database has been established for centralized management. The database automatically backs up data every night, with disaster recovery backups in place, and is physically isolated from external networks to ensure comprehensive data security.

In addition, AK Medical emphasizes the role of employees in data privacy and security protection, regularly organizing training sessions on data security and privacy protection. Through training, employees gain a deeper understanding of the importance of data security, enhancing their awareness and sense of responsibility in safeguarding data privacy in their daily work. This ensures that every employee becomes a steadfast guardian of the Company's data security. During the Reporting Period, AK Medical did not receive any substantiated complaints relating to the violation of customer privacy and loss of customer data, and no violations of laws and regulations relating to information security occurred in the Company. There are no relevant laws and regulations relating to privacy matters relating to products and services provided, the compliance with which have a significant impact on AK Medical and its subsidiaries.

#### *4.1.4 Upholding Clinical Ethics*

In the medical device industry, ethical review in clinical trials is crucial for protecting the rights and interests of participants, ensuring product safety and efficacy, and fostering the healthy development of the industry. AK Medical places great emphasis on ethical review in clinical trials. Throughout the entire process of product R&D and clinical application, the Company consistently upholds a highly responsible attitude, strictly adhering to high standards of scientific rigor, ethical integrity, and regulatory compliance.

To align with national and international clinical trial standards and regulatory requirements, and to evaluate the safety and efficacy of its products, AK Medical has established the Clinical Evaluation Control Procedure. This procedure rigorously defines the processes of ethical review in clinical trials, covering all critical stages such as planning and preparation before project initiation, real-time monitoring and adjustments during the trial, and post-trial summary and evaluation. This provides a solid and reliable institutional framework for the smooth conduct of ethical review in clinical trials.

At AK Medical, before the initiation of a clinical trial project, the Marketing Department assists the Clinical Project Department in defining the specifications, models, and quantities of medical devices required for the clinical trial. The Supply Chain Management Center ensures an adequate supply of qualified medical devices for the trial. At the same time, the Clinical Project Department prepares the information to be submitted to the Ethics Committee of the clinical institution, ensuring its integrity and accuracy. The Ethics Committee reviews the submitted information and independently evaluates the scientific validity, ethical compliance, and risk management rationality of the trial protocol. During the trial, the Ethics Committee oversees the implementation to ensure compliance with ethical standards.

Throughout the clinical trial process, AK Medical strictly complies with relevant laws and regulations, such as the Quality Management Specifications for Clinical Trials of Medical Devices, and follows the requirements of the Ethics Committee to ensure that the rights, interests, health and safety of participants are protected. The Company provides participants with comprehensive and easily understandable information, covering all key aspects of the trials, to ensure fully informed consent. Participants have the right to make autonomous decisions, including the ability to withdraw from the trial at any time without any adverse consequences. AK Medical places a strong emphasis on protecting participants' privacy, strictly maintaining the confidentiality of personal information. At the same time, throughout the trial, the Company provides necessary medical support and long-term follow-up based on participants' actual needs, comprehensively safeguarding their rights and safety.

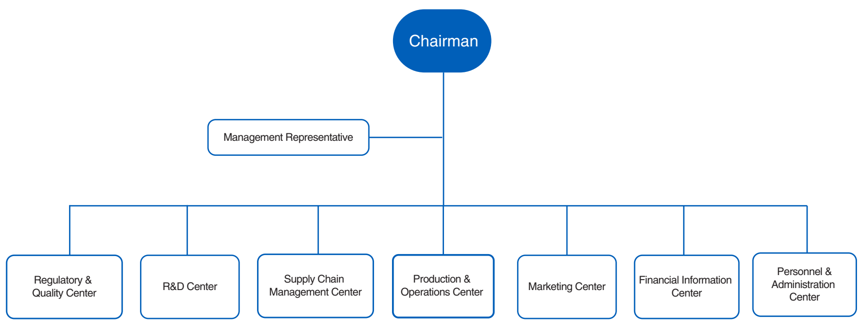
### 4.2 Enhancing Product Quality and Services

AK Medical is committed to continuously improving product quality and service. By establishing a comprehensive quality management system and fostering cross-departmental collaboration, the Company ensures that every stage meets high standards, consistently delivering high performance and safety. At the same time, AK Medical adheres to a responsible marketing philosophy, prioritizing customer needs and providing comprehensive support to drive sustainable development goals.

### *4.2.1 Product Quality Management*

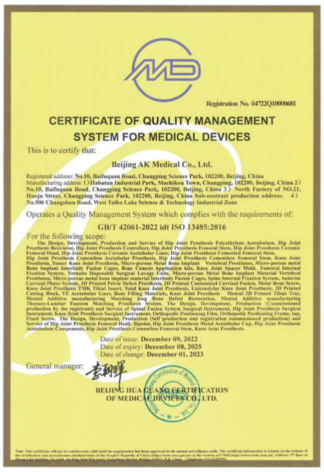
With the continuous development of the global economy and the increasing emphasis on health, the medical device industry has become increasingly critical within the medical system. In this context, global requirements for product quality and safety in the medical device industry are steadily rising. AK Medical consistently upholds a strong sense of responsibility and mission, strictly adhering to international standards and regulatory requirements to deliver safe, reliable, and high-quality products to customers worldwide.

During the reporting period, AK Medical continued to optimize its quality management system. Under the leadership of the Chairman, the company established a Management Representative and multiple collaborative departments, including the Regulatory & Quality Center, R&D Center, Supply Chain Management Center, and Production & Operations Center, to ensure compliance and quality control across all processes. Each department refines quality management processes and workflows based on regulatory requirements and practical operations, ensuring standardized procedures and rigorous implementation. At the same time, the Regulatory and Quality Center conducts regular inspections of departmental implementation, identifies issues based on implementation outcomes, and requires timely improvements to ensure the system's adaptability, adequacy, and effectiveness.




**Organizational Structure Chart of the Quality Management System**

The Company strictly follows the Product Quality Law of the People's Republic of China, the Regulations on the Supervision and Administration of Medical Devices, and other relevant laws and regulations, and has established a comprehensive quality management system, including the Quality Manual and the Working Procedures. Throughout its operations, the Company has achieved strict quality control from raw material procurement to product design, production, and sales. Currently, the four subsidiaries of AK Medical have successfully obtained the ISO 13485:2016 Medical Device Quality Management Systems certification, strongly ensuring high standards and safety of products.


Registration No. 04722Q10000681

CERTIFICATE OF QUALITY MANAGEMENT SYSTEM FOR MEDICAL DEVICES

This is to certify that:

**Beijing AK Medical Co., Ltd.**

Registered address: No.10, Baifuquan Road, Changping Science Park, 102200, Beijing, China
Manufacturing address: 1) Habatun Industrial Park, Machikou Town, Changping, 102200, Beijing, China 2) No.10, Baifuquan Road, Changping Science Park, 102200, Beijing, China 3) North Factory of NO.21, Huoju Street, Changping Science Park, 102200, Beijing, China Sub-contract production address: 4) No.506 Changshun Road, West Taihu Lake Science & Technology Industrial Zone

Operates a Quality Management System which complies with the requirements of:

**GB/T 42061-2022 idt ISO 13485:2016**

For the following scope:

The Design, Development, Production and Service of Hip Joint Prosthesis Polyethylene Acetabulum, Hip Joint Prosthesis Restrictor, Hip Joint Prosthesis Centralizer, Hip Joint Prosthesis Femoral Stem, Hip Joint Prosthesis Ceramic Femoral Head, Hip Joint Prosthesis Ceramic Acetabular Liner, Hip Joint Prosthesis Cemented Femoral Stem, Hip Joint Prosthesis Cementless Acetabular Prosthesis, Hip Joint Prosthesis Cementless Femoral Stem, Knee Joint Prosthesis, Tumor Knee Joint Prosthesis, Micro-porous Metal Bone Implant Vertebral Prostheses, Micro-porous metal Bone Implant Interbody Fusion Cages, Bone Cement Application kits, Knee Joint Spacer Mold, Femoral Internal Fixation System, Tornado Disposable Surgical Lavage Units, Micro-porous Metal Bone Implant Material Vertebral Prostheses, Micro-porous metal bone implant material Interbody Fusion Cages, Spine Internal Fixation System, Anterior Cervical Plates System, 3D Printed Pelvic Defect Prosthesis, 3D Printed Customized Cervical Fusion, Metal Bone Screw, Knee Joint Prosthesis TMK Tibial Insert, Total Knee Joint Prosthesis, Unicondylar Knee Joint Prosthesis, 3D Printed Cutting Block, VE Acetabular Liner, Bone Filling Materials, Knee Joint Prosthesis Mental 3D Printed Tibial Tray, Mental Additive manufacturing Matching long Bone Defect Restoration, Mental Additive manufacturing Thoraco-Lumbar Funsion Matching Prosthesis System. The Design, Development, Production (Commissioned production by the registrant) and Service of Spinal Fusion System Surgical Instrument, Hip Joint Prosthesis Surgical Instrument, Knee Joint Prosthesis Surgical Instrument, Orthopedic Positioning Film, Orthopedic Positioning Frame, tap, Fixed Screw. The Design, Development, Production (Self production and registration commissioned production) and Service of Hip Joint Prosthesis Femoral Head, Bipolar, Hip Joint Prosthesis Metal Acetabular Cup, Hip Joint Prosthesis Acetabulum Components, Hip Joint Prosthesis Cementless Femoral Stem, Knee Joint Prosthesis.

Date of issue: **December 09, 2022**
Date of expiry: **December 08, 2025**
Date of change: **December 01, 2023**

General manager:

BEIJING HUA GUANG CERTIFICATION OF MEDICAL DEVICES CO., LTD.

AK Medical integrates quality control throughout the whole process of product design and development, procurement, production, sales, service, and product scrapping, especially through the use of advanced PLM systems (such as WINDCHILL and DocuWare) to achieve all-around quality control such as product structure management, life cycle management, and engineering change management. In addition, the Company collects and analyzes internal and external information related to customers based on customer feedback, and continuously measures and optimizes the suitability, adequacy, and effectiveness of the quality control system.

At the production level, AK Medical implements internal and external supervision through comprehensive quality control measures, ensuring high-standard execution at every stage and meeting all quality requirements. For critical control points in product design, the Company employs multi-stage and multi-method testing approaches for strict control. This is carried out in coordination with the compliance supervision systems of the National Health Commission and hospitals to ensure that clinical products meet both quality system and NMPA requirements. At the same time, the Company incorporates the "human factors engineering" philosophy into product design, optimizing both product design and clinical experience. This further enhances overall product performance and user satisfaction, contributing to the achievement of high-quality sustainable development goals.

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| **Incoming Inspection** | AK Medical rigorously ensures the quality of raw materials, guaranteeing compliance with medical device registration requirements as well as international and domestic standards. Through multiple testing methods, the Company verifies the source, composition, specifications, and performance of raw materials to ensure they meet safety and compliance standards. |
| **Process Control** | The production department strengthens parameter testing for the stability of key product indicators, ensuring consistent product quality. During the production process, all process parameters are closely monitored to ensure that critical product performance always remains within the ideal range, minimizing the risk of defects. |
| **In-process Inspection** | The Company strictly inspects the dimensional accuracy of products to ensure effective compatibility and guarantee the precision of product usage. With high-precision measuring tools, every dimensional specification is verified to meet design requirements, ensuring smooth product assembly and functionality. |
| **Final Inspection** | Retrospective reviews and microbial testing are conducted to comprehensively assess product compliance, ensuring operational safety and reliability. This includes verifying the absence of harmful microorganisms or bacteria and thoroughly evaluating any factors that may impact product safety, ensuring that all products meet final product standards. |

In addition, quality risk control is also a core focus for AK Medical. For each registered product, the Company conducts systematic analyses to identify potential risks. If an assessment reveals risks exceeding expectations, corrective and preventive measures are promptly implemented to effectively manage and mitigate these risks, ensuring product quality and safety while minimizing potential impacts on the Company and its customers. Additionally, the Company has established the Product Recall Procedure to further ensure the safety and efficacy of medical devices, safeguard human health and life safety, and strictly uphold accountability for product quality and customer rights. During the Reporting Period, AK Medical has maintained stable product quality, with no external recall incidents due to quality issues or safety and health reasons.

### *4.2.2 Protection of Customer Rights and Interests and Responsible Marketing*

AK Medical deeply understands that in the medical and orthopedic fields, protecting customer rights and interests is fundamental to credibility and sustainable development. The Company is consistently committed to offering customers professional and comprehensive protection of their rights and interests, along with robust support. At the same time, the Company upholds the philosophy of “responsible marketing” to ensure transparent information and standardized services, enhancing long-term customer trust and satisfaction.

The Company integrates the protection of customer rights and interests into all stages of the customer relationship. From front-end intervention, product description, and service support to after-sales guarantee, AK Medical ensures that the rights and interests of customers are fully safeguarded.

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| **Front-end intervention** | Through online communication, customer visits, etc., AK Medical's marketing center has an in-depth understanding of the specific needs and expectations of customers. In addition, the Company pays attention to every detail to ensure that the solutions provided can accurately match customers' needs. |
| **Product description** | After clarifying the needs of customers, the Company will dispatch professional technicians to provide introduction and product training to ensure that customers have a comprehensive understanding of the performance, usage, and maintenance of products. The Company also informs customers about ongoing technical support that guarantees long-term product reliability. |
| **Service support** | AK Medical systematically manages pre-sales and after-sales processes through its Service Feedback Control Procedure. The Company regularly collects customer feedback to optimize service workflows and improve product quality, improving customer experience. AK Medical also provides technical consultation, troubleshooting, and repair services, ensuring rapid responses and effective issue resolution. |
| **After-sales guarantee** | AK Medical has established a Customer/Stakeholder Opinion and Complaint Handling Form, ensuring that the customer service department can promptly collect, categorize, track, and address customer feedback and complaints. The Company conducts an in-depth analysis of each complaint, collaborating with R&D and quality assurance departments to develop improvement measures. The entire handling process and outcomes are documented in detail to continuously optimize product and service quality. |

In addition, through tools such as a Customer Satisfaction Form, the Company conducts regular quantitative reviews of service effectiveness to ensure continuous optimization of service quality. During the reporting period, the average annual customer satisfaction rate exceeded 95%. AK Medical and its subsidiaries received a total of 79 customer complaints, with complaint resolution rates reaching 100% at subsidiaries AK Medical Beijing, ITI Medical, and Libeier. Moving forward, the Company will continue to make improvements, further enhancing customer satisfaction and optimizing service experiences and product quality.

AK Medical strictly complies with laws, regulations, and industry standards in its marketing activities, ensuring responsible marketing. The Company is committed to providing accurate and fair information about its products and services, ensuring that communications with stakeholders comply with the requirements of laws and business ethics. In addition, all external communication materials have undergone compliance reviews to avoid infringement or violations of advertising laws. The Company standardizes the management of texts, verbal expressions, and logo usage, with timely updates to ensure compliance and safeguard the Company's growing reputation and customer trust. During the Reporting Period, AK Medical did not have any violations of laws and regulations related to marketing promotion and label usage, nor did it face any significant reputational risks. There were no relevant laws and regulations relating to health and safety, advertising and labelling in respect of products and services provided the compliance with which have a significant impact on AK Medical and its subsidiaries.

## 5. GROWTH AT AK MEDICAL

AK Medical always regards its employees as a key force in the healthy development of the Company. Guided by the core values of employee health, development, and happiness, the Company ensures comprehensive protection of employee rights and interests by offering diverse training and learning opportunities, clear career promotion channels, and a reasonable remuneration and welfare system. In addition, AK Medical actively organizes various employee care activities to enhance employee happiness, fostering mutual growth for both the Company and its employees.

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| **Responses in this section** | **United Nations Sustainable Development Goals**<br>Goal 3: Good health and well-being<br>Goal 4: High quality education<br>Goal 5: Gender equality<br>Goal 8: Decent work and economic growth<br>Goal 10: Reduced inequalities<br>**Global Reporting Initiative Sustainability Reporting Standards**<br>GRI 401: Employment<br>GRI 402: Labor relations<br>GRI 403: Occupational health and safety<br>GRI 404: Training and education<br>GRI 405: Diversity and equal opportunities<br>GRI 406: Non-discrimination<br>GRI 407: Freedom of association and collective bargaining<br>GRI 408: Child labor<br>GRI 409: Forced or compulsory labor<br>**The ESG Code**<br>Aspect B1: Employment<br>Aspect B2: Health and safety<br>Aspect B3: Development and training<br>Aspect B4: Labor standards |
| **Key performance** | ➢ The investment in occupational health and safety production reached RMB 2.172 million.<br>➢ The promotion system was improved, and professional training sessions were conducted to empower 354 employees.<br>➢ Regular employee satisfaction surveys were conducted to address topics of concern. |

## 5.1 Employee Rights and Interests

Employees are the Company's most valuable resource, and safeguarding their rights, interests, and welfare is a fundamental measure to attract and retain talent. AK Medical adheres to a people-oriented philosophy and considers protecting employee rights and interests a fundamental principle of its employment practices. The Company continuously standardizes employment management, provides market-competitive remuneration and welfare, and establishes a comprehensive and standardized human resources management system and policies, fostering a healthy and harmonious employment relationship.

### *5.1.1 Compliant Employment*

Compliant employment is the cornerstone of building harmonious labor relations and ensuring the sustainable development of the Company. AK Medical consistently upholds compliant employment as a fundamental principle of its operations, strictly adhering to a series of relevant laws and regulations, including the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Employment Promotion Law of the People's Republic of China, and the Law of the People's Republic of China on the Protection of Minors. The Company ensures that this principle is integrated into every aspect of its employment management practices. During the Reporting Period, there were no relevant laws and regulations relating to preventing child and forced labour the compliance of which have a significant impact on AK Medical and its subsidiaries.

AK Medical adheres to the principles of fairness, transparency, and equality in employment. The Company has established and implemented a comprehensive recruitment and employment system. In addition, it rigorously enforces various management measures to ensure the legality and standardization of employment practices from the outset, providing employees with a fair and orderly working environment.

In terms of recruitment management, AK Medical has developed a scientific and comprehensive recruitment and employment system, and specially formulated the Recruitment Management Regulations. In these regulations, detailed requirements for key aspects of the recruitment process are provided. The responsible departments, recruitment plans, recruitment channels, processes, evaluation, and record management are clarified, ensuring standardized management of the recruitment process and maintaining fairness and transparency.

In terms of legal employment, AK Medical strictly adheres to the Regulations on Prohibiting the Employment of Child Labor and Forced Labor, by conducting strict age verification during the recruitment process, setting age restrictions in the human resources system, and explicitly prohibiting the employment of child labor (under the age of 18) and forced labor in the "Employee Handbook". The Company resolutely prevents any form of child labor use and forced labor. From recruitment to employment, the Company ensures that employees are not discriminated against based on race, gender, religious beliefs, or other factors. In the event of any identified cases of child labor or forced labor, the Company will take appropriate measures to address the situation. During the Reporting Period, there were no risks of child labor or forced labor in any of AK Medical's business operations, and no incidents of employing minors in hazardous work or forced labor occurred.

In terms of employee management, AK Medical has successively introduced systems such as the Employee Attendance Management System and the Resignation Management System, strengthening the management of attendance and resignation procedures, and effectively improving work order and management efficiency. The Company, in principle, does not encourage overtime work and keeps the working hours of employees within 8 hours. Additionally, in cases of operational changes that may affect employees' interests, the Company has established a minimum notice period policy, requiring formal notification to employees one month in advance of any significant changes. This fully safeguards employees' right to know and maintains a harmonious relationship between the Company and its employees.

In terms of trade union establishment, AK Medical strictly complies with the requirements of the Trade Union Law of the People's Republic of China, fully respecting employees' legal rights to freely associate, join trade unions, and participate in collective bargaining. The Company has established and maintained effective grievance and complaint procedures, providing employees with open channels to express their opinions and needs internally. Currently, at AK Medical Beijing, employees who paid social security in Beijing have joined the trade union; ITI Medical and Libeier have reported near-complete coverage of their employees by trade unions, effectively safeguarding employee rights and interests.

Set out below is the staff composition of AK Medical and its subsidiaries:

| Name of Indicator | Basis of Classification | Specific Category | 2024 | 2023 | 2022 |
|---|---|---|---|---|---|
| Number of employees | Type of employment | Full-time employee (person) | **950** | 1,049 | 1,023 |
| | | Part-time employee (person) | **4** | 3 | 11 |
| | Gender | Male (person) | **623** | 679 | 669 |
| | | Female (person) | **326** | 369 | 354 |
| | | Other gender (person) | **1** | 1 | 0 |
| | | Percentage of female employees | **34.3%** | 35.2% | 34.6% |
| | Age | Under 30 (person) | **214** | 288 | 288 |
| | | 30-39 (person) | **435** | 449 | 455 |
| | | 40-49 (person) | **220** | 233 | 204 |
| | | 50 and above (person) | **81** | 79 | 76 |
| | Region | Chinese mainland (person) | **840** | 928 | 921 |
| | | Hong Kong, Macao, and Taiwan | **0** | 0 | 0 |
| | | Overseas (person) | **110** | 121 | 102 |

For details of employee turnover rate of AK Medical and its subsidiaries, please refer to "8.2.2 Table of Social Performance Information" of this ESG report.

### *5.1.2 Remuneration and Welfare*

#### *Remuneration Plan*

AK Medical has established a comprehensive remuneration management system centered on fairness and competitiveness. Adhering to the principle of equal pay for equal work, the Company evaluates employee contributions based on role value, performance outcomes, and competency, and dynamically adjusts remuneration levels accordingly. This system ensures internal consistency through equitable pay mechanisms while leveraging industry-leading remuneration competitiveness to enhance employee effectiveness. It achieves precise alignment between value creation, capability development, and remuneration rewards, fostering mutual growth for both the Company and its employees.

AK Medical has formulated the Remuneration Management Policy and the Job Level System in compliance with regulations, clearly defining that remuneration consists of base salary, piece-rate wages, performance bonuses, allowances, subsidies, and social security welfare, and standardizing the rules for remuneration adjustments and payments. Based on the business strategy, market benchmarks, and employee performance evaluations, the Company dynamically manages remuneration through mechanisms such as annual salary adjustments and promotion-based salary increases. By closely linking individual performance and team contributions to remuneration incentives, AK Medical ensures the fairness and competitiveness of its remuneration structure.

#### *Employee Welfare*

To further enhance non-remuneration welfare mechanisms and ensure a balance between work and personal life, AK Medical provides comprehensive welfare policies tailored to employee needs. The Company has formulated internal policies such as the Welfare Management Measures to build a multi-level and humanized welfare system. Additionally, through the dynamically optimized "Happiness Plan", AK Medical continuously refines its welfare mechanism, comprehensively addressing employees' life, health, and family needs, while conveying the Company's humanistic care and sense of responsibility.

To ensure employees' basic rights and statutory welfare, AK Medical strictly complies with national and local policies and regulations and fully contributes to statutory social insurance and housing provident funds for employees. The social insurance covers pension insurance, medical insurance, unemployment insurance, work-related injury insurance, and maternity insurance. The specific payment standards and ratios are determined by local government regulations, ensuring compliance and comprehensive implementation of employee welfare.

In addition, AK Medical cares about employees' lives and family needs by organizing various activities and offering festival gifts, striving to create a more comfortable and enjoyable work and living environment. The compensation welfare system of the Company covers onboarding, anniversaries, marriage, and housing provident funds. It is supported by a comprehensive policy framework designed to address employees' diverse needs and expectations.

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| **Festival care** | • Employees receive birthday gifts on their special day, fostering a sense of belonging.<br>• On Women's Day, exclusive welfare packages are distributed, and departments may arrange a half-day holiday to foster a warm workplace atmosphere.<br>• During the Spring Festival and Mid-Autumn Festival, holiday gift packages and customized care packages are distributed, creating a festive and caring holiday atmosphere. |
| **Special care** | • AK Medical has established a comprehensive employee care system, providing benefits for marriage, childbirth, and the passing of immediate family members, along with various emotional support channels.<br>• The Company offers an internship program for employees' children, helping them gain work experience and supporting future talent development. |
| **Health protection** | • Targeted care is implemented during high-temperature periods, offering summer heat relief packages for all employees and cooling stations for frontline staff, ensuring layered protection for health and safety.<br>• Commercial insurance is provided for eligible employees, and specialized health examinations are arranged for high-risk and exposure-prone positions. |
| **Flexible leave** | • Additional annual leave is granted based on years of service, with one extra day for employees who have worked for five years, fostering a long-term talent retention ecosystem.<br>• Non-standard care leave is introduced, covering scenarios such as children's school opening days, with flexible mechanisms to support employees' family responsibilities. |
| **Employee assistance program** | • AK Medical provides financial support for employees in need and special care for those facing serious illnesses, ensuring comprehensive assistance that covers both financial and emotional well-being. |

**Heart-warming Welfare: Summer Cooling Program** **Case**

In July, AK Medical launched the "Summer Cooling Program", distributing refreshing watermelons, cooling beverages, heat-relief supplies, tea, and other materials to employees at various locations, including the Leitmorler Plant, Xingye Office, Libeier Office, Yidian Lingdong Office, and Tianyuan Office. Employees were also reminded to stay cool, take precautions against heat, and maintain a healthy work-rest balance. Moving forward, the Company's labor union will continue to prioritize employee health and welfare, striving to create a harmonious and supportive work environment.

During the Reporting Period, there were no relevant laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare the compliance with which have a significant impact on AK Medical and its subsidiaries.

## 5.2 Occupational Health and Safety

AK Medical prioritizes employees' occupational health and safety by establishing a safety production responsibility system. Through a comprehensive approach – including risk identification and control processes for safety production and occupational health, as well as an emergency response system – the Company continuously enhances safety and protection awareness, working together with employees to build a solid safety defense framework.

### *5.2.1 Production Safety Management*

AK Medical strictly adheres to relevant laws and regulations such as the Safe Production Law, the Fire Control Law, and the Emergency Response Law. The Company regards safety production as the foundation of its development, upholding safety red lines, strengthening safety baselines, and fortifying safety defenses. It continuously improves its safety management system.

The Company employs a two-tier management structure for safety production governance. At the group level, unified management and supervision ensure overall coordination. In addition, the vice president in charge of the production and supply system directly oversees the environment, health, and safety (EHS) systems of subsidiaries. All safety and environmental matters are reported directly to the vice president. Through standardized management processes and a hierarchical responsibility mechanism, the Company continuously enhances safety management efficiency, providing a solid foundation for stable business development.

Following the principle of "safety first, prevention first, and comprehensive governance", AK Medical has developed a range of safety policies, including the Safe Production Responsibility Management System, the Safe Production Inspection Management System, the Safe Management System for Dangerous Operation, and the Safety Incidents Reporting and Handling Management System. These policies define the objectives, responsibilities, implementation measures, and incident response procedures for safe production, ensuring that employees operate in a safe and healthy environment.

During the Reporting Period, Beijing AK Medical formulated the 2025 Safety Production Responsibility System, which outlines the future direction of safety production management and occupational health protection. Under this system, the chairman of the board assumes primary responsibility for safety production, while department heads bear direct responsibility within their respective scopes, ensuring that all production activities align with safety regulations. By establishing a robust set of rules, regulations, and operational procedures, AK Medical places a strong emphasis on risk identification and control, hazard detection and mitigation, emergency response drills, and other key aspects of safety management. The Company is committed to creating a safe and healthy working environment, fostering sustainable corporate development.

AK Medical's EHS management system has obtained dual certifications under the GB/T 24001-2016/ISO 14001:2015 Environmental Management System and the GB/T 45001-2020/ISO 45001:2018 Occupational Health and Safety Management System. During the Reporting Period, AK Medical Beijing was recognized as a 2023-2024 Winner of the "Ankang Cup" Competition by the Beijing Federation of Trade Unions, the Beijing Emergency Management Bureau, and the Beijing Municipal Health Commission.

To proactively prevent safety incidents, AK Medical continuously enhances safety management mechanisms and implements multiple safety measures to minimize risks. The Company has optimized its top-level management system and institutional framework, enhancing safety risk identification, assessment, and control. Regular safety production inspections help identify and rectify potential safety hazards, ensuring the safety of production processes. Additionally, the Company has established a comprehensive emergency management system, including emergency plan development, regular drills, and resource reserves, ensuring rapid and effective responses to safety incidents.

**Safety Drills: Compassion in Action** **Case**

In 2024, AK Medical actively organized safety drills and training activities. During these activities, employees were familiarized with emergency evacuation routes and procedures through simulated fire scenarios, ensuring a quick and orderly evacuation in the event of a fire. The Company also conducted simulated emergency drills for spray-painting operations, addressing potential emergencies such as chemical leaks and fires, to test and improve employees' emergency response and handling capabilities in specific hazardous scenarios. In addition, to enhance employees' practical skills in fire response, specialized training on the use of fire extinguishers was conducted. This included detailed explanations of the types of fire extinguishers, their applicable scenarios, and correct operating methods, followed by hands-on practice. These efforts significantly improved employees' emergency response capabilities, safeguarding the Company's safety production.

During the Reporting Period, the Company invested RMB2.172 million in safety production management and continuously optimized its safety management system to enhance risk prevention and control capabilities. Thanks to these efforts, AK Medical has successfully maintained a record of zero employee fatalities due to work-related incidents over the past four years. For details of the number of lost days due to work injury of AK Medical and its subsidiaries during the Reporting Period, please refer to "8.2.2 Table of Social Performance Information" of this ESG Report.

### *5.2.2 Occupational Health Management*

AK Medical is committed to providing comprehensive occupational health protection for its employees in a scientific, systematic, and standardized manner. The Company strictly complies with relevant laws and regulations, including the Law of the People's Republic of China on Prevention and Control of Occupational Diseases, and continuously improves its employee health and safety management system. To this end, the Company has established a complete set of occupational health management systems to ensure employees work and live in a healthy and safe environment.

AK Medical provides protective equipment that meets national and industry standards, such as noise-canceling ear muffs and dust masks, to safeguard employees working in noisy and dusty environments. For positions with specific risks, the Company implements strict health monitoring, requiring all employees engaged in toxic or hazardous operations to undergo regular occupational health examinations. If any health issues are detected, immediate adjustments are made, such as relocating affected employees from their current positions and providing appropriate reassignment. In 2024, the Company conducted noise reduction renovations in the sandblasting room, successfully reducing noise levels below the occupational health threshold.

To effectively prevent and reduce the occurrence of occupational diseases, AK Medical follows the occupational health hazard management procedure, identifying occupational health hazards and risks and mitigating them through preventive measures such as occupational health examinations and on-site occupational hazard detections. Regular occupational health examinations are conducted in accordance with management requirements, including a status assessment every three years, annual hazard detection, and periodic detection and analysis of employees' occupational health data to ensure the early detection and management of occupational health risks.

AK Medical places great emphasis on employee health education. To enhance employees' occupational health and safety levels, the Company has established a comprehensive Environment and Production Safety Education and Training Management System and developed tailored training plans for different types of employees. These plans cover management-level safety education, environmental and safety training for on-the-job employees, safety education for special operations personnel, and occupational health education. In 2024, a total of 354 employees participated in occupational health and safety training, with an accumulated training duration of 2,106.2 hours.

**Safety Training: Fostering a Culture of Care** **Case**

In 2024, AK Medical implemented comprehensive safety training sessions covering critical areas such as occupational health, hazardous chemical safety, dust control, occupational health protection, and transportation safety, enhancing employees' safety awareness and operational skills. These training activities were designed to increase employees' awareness of potential workplace risks, ensure the proper use of personal protective equipment, and enable effective actions in emergencies. As a result, the Company significantly reduced workplace injury rates, providing a solid foundation for employees' health and safety.

During the Reporting Period, there were no relevant laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards the compliance with which have a significant impact on AK Medical and its subsidiaries.

## 5.3 Employee Empowerment

AK Medical places great emphasis on the comprehensive development of its employees. Guided by the principle of "employee development first", the Company implements systematic training and career development plans, focusing on enhancing employees' professional skills and leadership capabilities. In addition, through open and transparent promotion channels and diversified incentive measures, AK Medical unlocks employees' potential, fostering mutual growth between employees and the Company, and laying a solid foundation for sustainable future development.

### *5.3.1 Training and Development*

AK Medical recognizes that employees' self-motivation is the core driving force behind the Company's growth. The Company is committed to cultivating high-quality professionals and providing strong support for employees to advance their expertise, academic qualifications, and vocational skills. The Company has developed a comprehensive talent development plan, designed for all employees and high-potential individuals, grounded in the 3E principle: Education, Exposure, and Experience.

**Talent Development Principle**

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| Education | Based on talent evaluation, the Company provides customized learning resources and support for employees' professional development. |
| Exposure | High-potential employees are provided with appropriate opportunities to gain visibility, accelerating their personal growth and organizational contributions. |
| Experience | Systematic experience sharing and knowledge transfer programs are implemented to help the next generation of employees develop strong professional competencies. |

The Company has formulated the AK Medical Training System, which aims to develop and implement annual and quarterly training plans for employees at different levels and positions. It covers a wide range of internal and external training courses. The external training courses are divided into two categories: professional skills and management. Employees can apply for external training by filling out the Training Requirement Survey. In terms of internal training, courses are categorized into three areas: general skills, professional skills, and leadership development. In 2024, the Company conducted multiple internal and external training sessions, achieving nearly 100% employee participation coverage.

For details of the percentage of employee trained and the average training hours completed per employee during the Reporting Period, please refer to "8.2.2 Table of Social Performance Information" of this ESG report.

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| **General skill development** | New employees undergo professional onboarding training led by external companies and internal leaders to help them quickly adapt to the work environment. Additionally, AK Medical conducts a mentorship program every six months, pairing new R&D employees with mentors to guide them in gradually adapting to their roles. Moreover, based on each new member's characteristics, the Company arranges rotations across R&D-related departments to promote comprehensive development. |
| **Professional skill training** | AK Medical places special emphasis on the future development of mid-level managers. For key positions such as front-line marketing roles, the Company provides specialized courses to strengthen management capabilities and business skills, ensuring efficient team operations. To strengthen knowledge transfer and experience accumulation, AK Medical regularly organizes training sessions conducted by internal trainers. Additionally, monthly experience-sharing sessions are held to promote interaction and learning among employees, fostering a culture of teamwork and collaboration. |
| **Leadership training** | AK Medical conducts leadership training programs for high-potential employees identified through talent assessments in R&D and production. These programs are designed to enhance the leadership and management capabilities of newly promoted managers, focusing on three key areas: leadership skills, time management, and work philosophy. New managers receive joint coaching from their direct supervisors and HR, with training covering defining work responsibilities and delivering results, developing and empowering subordinates, and building effective interpersonal relationships. These programs assist new managers in building a robust management framework and seamlessly transitioning into their roles. |

### *5.3.2 Promotion Channels*

AK Medical recognizes the critical role of employee development in driving corporate growth and has established a comprehensive performance evaluation and promotion management system to provide fair and transparent career development opportunities. To standardize the promotion process, the Company has implemented the Employee Promotion Management System of AK Medical Group and the AK Medical Performance Appraisal Management Regulations. These policies are based on performance evaluations, emphasizing process management and behavioral assessments, while incorporating culture-driven performance management to ensure an open and fair promotion process.

Through this integrated performance evaluation and promotion management system, the Company has created a fair and challenging work environment for employees. While driving the enhancement of employees' personal capabilities and career development, this system also lays a solid talent foundation for AK Medical's long-term growth and competitiveness improvement. AK Medical employs differentiated performance grading to directly link the performance of mid-level and senior management with bonus allocation, salary adjustments, and long-term incentive plans, further motivating employees and fostering innovation.

In terms of incentive mechanisms, AK Medical has established clear policies and adopted diversified strategies. In 2024, the Company revised the Projects Awards Management Measures of AK Medical Group. The revised policy aims to motivate employees and teams through more refined project categorization, reward amounts, and distribution principles, ensuring steady progress and better economic outcomes. In addition, the Company also implements immediate incentives, competent person selection, and long-term incentive plans, and commends them at the end of the year, so as to form a comprehensive incentive system.

Through this set of comprehensive performance appraisal and promotion management systems, AK Medical has built a fair, just, and challenging working environment for employees. While promoting the enhancement of employees' personal capabilities and career development, this system has also laid a solid talent foundation for the Company's long-term growth and competitiveness improvement.

## 5.4 Happiness Plan

AK Medical is committed to creating a caring and supportive work environment. By establishing communication platforms and innovative mechanisms, the Company deeply inspires employees to actively participate in corporate governance. In addition, supported by a comprehensive employee care mechanism, AK Medical nurtures employee growth in multiple dimensions, fostering an inclusive and fair workplace environment to enhance employee happiness and job satisfaction.

### *5.4.1 Employee Communication*

AK Medical places great emphasis on employee communication, viewing it as a critical driver for the Company's sustainable development. The Company has built a multi-level, integrated communication platform to broaden channels for employee engagement, promptly understand employee needs and ideas, and actively respond to topics of concern, creating a positive communication atmosphere and a harmonious corporate environment.

The Company actively establishes "Online + Offline" communication platforms. Online, it leverages the AK People Platform, WeCom, WeChat official account, OA platform, and ESS system to build digital communication channels. Offline, it strengthens interaction through employee events, executive visits, birthday celebrations, and other activities, ensuring timely and accurate information dissemination within the organization.

In addition, the Company innovatively set up an "idea bank" to systematically collect suggestions from employees and establish a feedback loop, focusing on core issues such as job stability, salary system, performance appraisal, and target rationality that employees are concerned about, and continuously optimizing the management mechanism through research and discussion. AK Medical will further refine its employee communication channels, strengthening two-way interaction with employees to support the Company's high-quality development.

| **Unite in Voice, Build in Harmony** | **Case** |
|---|---|
| In April 2024, AK Medical held the Employee Representative Meeting and the May Day Recognition Ceremony. The meeting focused on "Employee Care" and "Corporate Development". It reviewed and approved the merger of the Libeier Bio-engineering Institute's labor union, elected a new labor union committee, and organized a study session on the "three regulations for labor protection" under the labor union framework. The ceremony recognized outstanding collective and individual contributions to the labor union in 2023. The senior vice president emphasized that the Company would drive sustainable development and promote harmony and stability through management innovation, refined operations, and employee care mechanisms. | |

### *5.4.2 Employee Care*

AK Medical consistently regards employees as the core driving force behind the Company's development. Through the establishment of a comprehensive employee care mechanism, the Company safeguards employee rights and interests across multiple dimensions, including mental health, physical health, career development, and work environment, ensuring the holistic well-being and professional growth of its employees.

AK Medical attaches great importance to the mental health of employees, regularly carries out mental health lectures and counseling activities, and invites professional psychologists to teach employees effective methods and skills to cope with workplace stress, helping employees maintain a good psychological state. To promote communication and understanding among employees, the Company regularly hosts social events for single employees, creating a relaxed and enjoyable platform for interaction and further fostering a harmonious and inclusive work atmosphere.

The Company also cares about employees' family lives. New factories are equipped with dedicated facilities such as nursing rooms and employee lounges to fully address the practical needs of employees with children, providing them with comprehensive environmental support and reflecting the Company's humanistic care. In addition, AK Medical encourages employees to develop personal interests. The Company supports the formation of interest clubs and organizes various sports activities by providing dedicated funding and venue support. This not only enriches employees' leisure time but also greatly enhances team cohesion.

| **Caring for Minds, Supporting Growth** | **Case** |
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| In 2024, AK Medical organized a mental health counseling activity under the theme "Focusing the Mind, Empowering Stress Relief", using an innovative "dance-based stress relief and interactive sharing" model. The activity covered nine key areas, including team collaboration, emotional management, and stress awareness, guiding employees to master psychological adjustment skills. This activity not only enhanced employees' psychological resilience but also deeply integrated personal growth with company care, providing sustained psychological momentum to build a healthy work environment. This activity earned widespread praise among the Company. | |

Additionally, AK Medical is committed to safeguarding the rights and interests of female employees. The Company strictly complies with the Law of the People's Republic of China on the Protection of Women's Rights and Interests and other relevant laws and regulations. The Company has formulated the Female Worker Protection Management System and strictly implements the principle of equal pay for equal work regardless of gender, strengthening the protection of gender equality and women's rights and interests from an institutional level, ensuring the creation of a fair and inclusive workplace ecosystem.

In terms of safeguarding the health of female employees, the Company regularly organizes comprehensive physical examinations for female employees to strengthen maternal and child health care. The Company also provides dedicated maternity rooms to meet the practical needs of female employees nursing their children. In departments and workshops with a higher proportion of female employees, the Company regularly organizes special weekly meetings. This helps to deeply understand employee needs and concerns, and based on this feedback, the Company optimizes working conditions to create a more comfortable and inclusive work environment.

## 6. UNIVERSAL BENEFITS

AK Medical fully understands that the success of a business is not an isolated achievement but rather a result of social development and the progress of the times. As a leader in the industry, the Company has always considered fulfilling its social responsibilities as a core part of its strategic development. In terms of supply chain management, the Company has established a comprehensive supplier evaluation system to promote the collaborative development of the industry chain. Moreover, the Company actively participates in various industry activities, leveraging its advanced medical technology to ensure that high-quality medical resources reach a broader population. This effort helps drive the healthcare sector toward universal coverage, ensuring that cutting-edge medical technologies are widely applied and recognized within society.

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| **Responses in this section** | **United Nations Sustainable Development Goals**<br>Goal 3: Good health and well-being<br>Goal 11: Sustainable cities and communities<br>Goal 12: Responsible consumption and production<br>**Global Reporting Initiative Sustainability Reporting Standards**<br>GRI 204: Procurement practices<br>GRI 308: Supplier environmental assessment<br>GRI 413: Local communities<br>GRI 414: Supplier social assessment<br>**The ESG Code**<br>Aspect B5: Supply chain management<br>Aspect B8: Community investment |
| **Key performance** | ➢ We have partnered with 424 compliant suppliers worldwide, and AK Medical Beijing, Libeier and ITI Medical have achieved 100% signing of integrity statements from suppliers.<br>➢ We strengthened our supplier audit process, auditing a total of 187 suppliers, which represents a 7.5% increase compared to the same period last year.<br>➢ Healthcare accessibility has been advanced through more cost-effective product pricing, resulting in collaborations with 2,100 medical institutions.<br>➢ AK Institute has hosted a total of 65 external medical education and training sessions.<br>➢ During the Reporting Period, more than 30 industry exchange events were held. |

## 6.1 Supplier Management

Supply chain management is vital to a company's growth, as it ensures the steady supply of medical resources while promoting the implementation of environmental responsibilities. To this end, AK Medical has enhanced its supplier auditing and management processes, ensuring compliance across the entire supply chain. The Company is committed to building a stable and sustainable supply chain, with the goal of achieving long-term business success and fostering mutually beneficial partnerships.

### *Supplier Onboarding*

AK Medical maintains a broad and diverse network of suppliers across multiple global regions. By the end of 2024, the Company had established partnerships with 424 suppliers from Asia, Europe, and North America. For details of number of suppliers by geographical region, please refer to "8.2.2 Table of Social Performance Information" of this ESG report. AK Medical has established the Qualified Supplier Selection, Evaluation and Re-evaluation System and the Procurement Control Procedure to regulate the supply process.

The Procurement Department, in collaboration with relevant departments, organizes the initial evaluation of suppliers, typically including on-site audits, to ensure that the supplier's production environment, technical capabilities, raw material quality control, and delivery capacity meet the Company's requirements. AK Medical conducts a comprehensive assessment of each supplier's qualifications, production capabilities, and quality management systems to ensure compliance with relevant laws and regulations, and to verify that suppliers can meet production standards.

For details of number of supplier verification, please refer to "8.2.2 Table of Social Performance Information" of this ESG report.

AK Medical prioritizes suppliers that hold ISO 9001 Quality Management System certification and ISO 13485 Medical Device Quality Management System certification. Currently, 20 suppliers have been selected based on environmental standards.

For details of percentage of suppliers certified in ISO 90001 and ISO 13485, please refer to "8.2.2 Table of Social Performance Information" of this ESG report.

**Supplier Evaluation Criteria for First Cooperation**

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| Quality dimension | The supplier's quality management system and process controls must adhere to established standards, ensuring that both product quality and raw materials meet the required specifications, legal regulations, and national standards. |
| Capability dimension | The supplier's technical expertise, equipment management, and production capacity should align with AK Medical's production needs, guaranteeing effective control and reliable delivery capabilities. |
| Service dimension | The supplier's services must be prompt and efficient, ensuring seamless synchronization with AK Medical's business requirements. |
| Cost dimension | AK Medical must ensure that the supplier's procurement costs are reasonable, within budget, and compliant with market standards. |
| Environment dimension | The supplier's production environment must meet the necessary standards, especially those with specific environmental requirements, which must be effectively controlled and maintained. |

### *Supplier Audit*

To strengthen our audit management, AK Medical established a new Supplier Quality Engineering (SQE) department this year to oversee supplier audits. In line with this, AK Medical developed the Supplier Audit Management System to enhance our supplier management processes and ensure that the quality and service provided by our suppliers consistently meet the Company's standards. During the Reporting Period, AK Medical made notable progress in planning and management. Through effective communication and collaboration with supply chain partners, AK Medical achieved better inventory control, significantly boosting the overall capability of the supply chain and laying a solid foundation for the Company's sustainable development.

AK Medical classifies suppliers into Category A and Category B based on the criticality of the materials they supply to the final product's quality. Differentiated requirements are applied accordingly. For key Category A suppliers, such as those providing primary packaging materials, custom parts, sterilization services, and raw materials for implantable medical devices, on-site evaluations are mandatory, with sample trial production when necessary. For distributors or suppliers outside China, document audits are conducted to ensure compliance.

In AK Medical's audit process, the SQE department adopts a tiered audit management approach. Using documents such as the Qualified Supplier Evaluation Form, Supplier On-site Audit Evaluation Form, and Qualified Supplier Annual Audit Plan, a comprehensive evaluation of suppliers' performance (including safety production) is conducted. Every criterion is assessed through audit records to ensure all standards are met. Key Category A suppliers undergo annual audits, while Category B suppliers are audited at least once every five years. If a supplier undergoes significant changes or experiences quality issues, a re-evaluation is conducted to ensure ongoing compliance with AK Medical's standards.

In 2024, AK Medical reviewed a total of 187 suppliers, with 44 suppliers undergoing on-site audits. For suppliers that did not meet the required standards during the review, corrective action requests were issued, followed by reassessment to ensure compliance with our established criteria. In cases where suppliers committed serious violations, the Company terminated the partnership.

### *Supplier Exchange and Training*

To support the sustainable development of its supply chain, AK Medical fosters continuous communication and collaboration with its suppliers. By issuing the Notice to Related Parties to suppliers, the Company emphasizes the environmental policy of jointly building a safe, healthy, and harmonious green working environment, reducing pollution, and improving energy efficiency. This notice clearly requires partners to take effective measures in production, transportation, on-site services and other areas to ensure environmental protection and pollution prevention, so as to work together to achieve the goal of becoming a respected world-class medical company.

AK Medical proactively offers training to its suppliers, significantly strengthening their quality management capabilities and technical expertise. This ensures alignment between the suppliers' objectives and AK Medical's strategic goals, driving long-term development and collaboration. Through systematic training and ongoing exchange, AK Medical aims to build closer partnerships and strengthen their competitive positions in the marketplace.

Distinct from traditional training methods, AK Medical places a strong emphasis on mutual growth with its suppliers, focusing on technical exchanges with raw material suppliers. These exchanges center on the application of new products and technological innovations. Such exchanges are frequent and varied in formats, averaging more than 10 times a year. The objective is to promote the joint development of upstream and downstream industries, enhance technological capabilities, and ensure continuous progress throughout the entire supply chain in areas such as innovation, efficiency, and quality.

### *Risk Management and Control*

AK Medical places significant importance on risk management and control within its supply chain. Throughout its operations, the Company identifies various risks, including supply disruptions, production capacity constraints, and supplier performance issues, and implements a range of measures to safeguard the stability and reliability of the supply chain. By diversifying its supplier base and enhancing supply chain management, AK Medical reduces reliance on any single supplier, ensuring a continuous supply. Moreover, with precise demand forecasting, AK Medical effectively allocates production resources, avoiding both shortages and overcapacity, thereby maintaining a balance between supply and demand.

In 2025, AK Medical will focus on the objectives of "ensuring supply and boosting efficiency". The Company aims to foster mutually beneficial partnerships with suppliers by leveraging bulk purchasing and cost reduction strategies. Through centralized procurement, AK Medical plans to help suppliers achieve economies of scale, driving joint development and a steady improvement in market competitiveness.

## 6.2 Affordability of Medical Products

Affordability plays a vital role in the development of medical products. Not only does it ease the financial burden on patients, but it also fosters the sustainable development of the medical product industry. AK Medical remains dedicated to its mission, consistently improving the accessibility and affordability of its products through continuous innovation. With the independent development of the VTS and the K3 Orthopedic Robotic System, the Company is overcoming technological barriers, enhancing treatment precision and efficiency, and reducing costs, and thereby ultimately benefiting more patients.

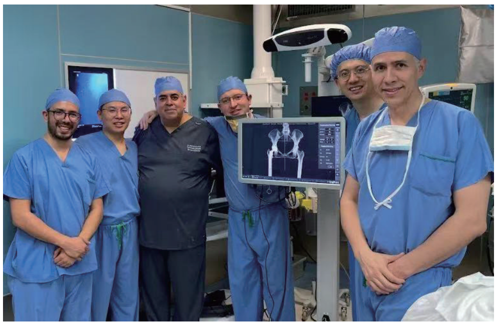
### *Technological Accessibility*

AK Medical independently developed VTS combines 3D printing digital manufacturing technology with visual intelligent assistance, providing comprehensive support throughout the entire process – from pre-surgical planning to real-time intra-operative monitoring. The VTS system allows surgeons to perform surgeries with unprecedented accuracy, advancing from "experience-based medicine" to "precision medicine". The system has already been successfully implemented in over 1,000 clinical cases across more than 20 cities worldwide, involving over 30 hospitals and 100 doctors. It has assisted in complex procedures, such as hip joint revision surgeries and treatments for pyogenic hip arthritis, ensuring more patients can afford and benefit from high-quality medical services driven by cutting-edge technology.

In the future, as technology advances and clinical demands evolve, AK Medical will continue to refine the functionality and performance of VTS, broadening its clinical applications to address more indications and complex surgeries. This will offer patients more precise and efficient treatment options. In response to market needs and the importance of product affordability, AK Medical, consistently embracing its corporate responsibility, is committed to developing the first Chinese hip joint navigation system, which is currently in the registration phase. This initiative aims to expand technological accessibility, offering a broader range of affordable, high-quality surgical solutions to benefit hundreds of millions of patients.

**Bridging Borders to Bring Health to the World** **Case**

In September 2024, the VTS system was applied in the first surgery in Mexico and successfully entered the international horizon. After the surgery, the relevant doctors highly appraised the VTS system, stating that it not only improved the efficiency and accuracy of the surgery, but also fit the doctors' operating habits well. This surgery exchange not only brought a new digital assistant solution for orthopedic surgeries in Mexico, but also highlighted the competitiveness and technological advantages of the VTS system in the global medical market.



### *Affordable Costs*

AK Medical remains steadfast in its mission of "Make you move for a better life", relentlessly pursuing excellence in providing superior treatment solutions and enhancing the quality of patients' lives. In December 2024, the Company proudly launched its fully self-developed "K3 Orthopedic Robotic System". This System supports doctors across a wide range of procedures, further elevating the level of technology in digital orthopedics. It is specifically designed to better meet the needs of Chinese patients while focusing on practical clinical procedures.

With a focus on economic accessibility, AK Medical introduces two versions of the System. One of these versions has completely replaced its core components with alternatives made in China, significantly reducing production costs. Additionally, a tiered pricing strategy has been implemented to address the diverse needs of various groups, ensuring broader accessibility and promoting the sustainable development of the medical industry.

## 6.3 Promoting the Healthy Development of the Industry

Medical education plays an essential role in the progress of modern medicine, especially in the field of orthopedics. High-quality education, training, and exchange activities can significantly drive the innovation and clinical application of medical technologies, offering strong support for the industry's healthy development.

AK Medical has remained steadfast in its mission, actively promoting medical education, fostering industry-research-education collaboration, as well as facilitating international exchanges. Since the establishment of the AK Institute in 2012, the Company has continually enhanced the professional competencies of healthcare providers and facilitated the widespread adoption of advanced treatment technologies. Additionally, AK Medical actively engages in Chinese and international forums, demonstrating the strength of Chinese orthopedic technologies and contributing to the global growth of orthopedics. In the future, AK Medical will further strengthen partnerships with universities, support the development of research and innovation talents, and continue its commitment to driving orthopedic technological innovation and sustainable, green development.

### *6.3.1 Medical Education*

AK Medical has made significant strides in advancing medical education, actively promoting the growth of orthopedic medical education, and providing a structured, practice-oriented learning platform for healthcare professionals, industry stakeholders, and patients.

Since its founding in 2012, the AK Institute has been dedicated to improving the professional expertise of its students and spreading advanced treatment methodologies and techniques through academic programs, international exchanges, and medical technology support programs. In parallel, AK Medical has formed in-depth partnerships with leading medical institutions both in China and internationally, gradually positioning itself as a vital link for academic exchanges between Chinese and global orthopedic professionals. This ongoing work is a key contribution to building a global health and wellness community and advancing the shared future of humanity.

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| Academic education program | The Company regularly organizes thematic seminars, academic salons, and other events that focus on the field of artificial joints and related technologies. By integrating free clinics and hospital training activities, it provides an ideal learning platform for grass-roots doctors. |
| International academic exchange program | This program focuses on phased and series-based courses. In collaboration with renowned hospitals both in China and internationally, it offers opportunities for surgical observation and short-term training to help doctors significantly improve their surgical skills. |
| Medical technology support program | Leveraging the expertise of key hospitals and specialists in Beijing, this program fosters multicenter research, facilitates the exchange of joint replacement technologies, and aims to enhance the clinical capabilities of local doctors. |

### *6.3.2 Benefits Driven by Industry-Research-Education Collaboration*

#### *Partnering to Cultivate Talents*

As a leading enterprise in the orthopedic industry, AK Medical has always considered social responsibility its mission, contributing to the sustainable development of the industry by cultivating talents. In 2024, the Company deepened its collaboration with universities by funding research projects at Beihang University, promoting the development of innovative talents in the orthopedic field. Additionally, AK Medical actively participates in projects funded by the National Natural Science Foundation of China (NSFC), transitioning from a "fund provider" in basic research to a "problem proposer", strengthening the integration of fundamental research with clinical applications, focusing on core challenges, and setting the path for addressing them. This initiative will lay a solid foundation for future talents and technological reserves in the industry.

| **Partnering with Beihang University: A 1-million-RMB Donation to Cultivate Healthcare Talents** | **Case** |
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| The "AK Medical Donation" project, conducted in collaboration with Beihang University, aims to give back to society through donations, promoting the cultivation and development of industry talents. From 2025 to 2029, the Company will donate RMB1,000,000, with the School of Mechanical Engineering & Automation at Beihang University responsible for project execution. The School will provide regular research progress reports to ensure the compliance and proper use of the donated funds. This initiative greatly enhances the cooperation between the Company and the university, combining talent development with technological innovation. | |

| **Continuous Funding to Promote High-Level Scientific Research Outcomes** | **Case** |
|---|---|
| Following a 3-million-RMB investment in 2023, AK Medical Beijing continued to invest in the NSFC in 2024, focusing on "biomedical materials" and "medical robotics". This funding aims to support high-level scientific research and accelerate the conversion and application of these results in the Changping region. In the long run, this not only alleviates the pressure on R&D but also stimulates the enterprise's long-term development, attracts external intellectual resources, promotes industrial upgrades, and creates a "win-win" situation. | |

#### *Communication Promotion*

AK Medical is dedicated to advancing global industry progress, actively promotes communication and international cooperation within the sector, and makes significant contributions to the development of a more integrated medical technology network. As a leader in the industry, the Company actively participates in government-led exhibitions and events, exchanging innovative achievements and further promoting products such as intelligent robotics. Additionally, the Company regularly hosts academic forums and seminars, providing a platform for in-depth communication between experts in China and international experts, thereby driving continuous innovation and development in medical technology.

AK Medical remains committed to fostering industry growth, with a strong focus on the promotion and application of digital orthopedic technology. In May 2024, the Company organized a theoretical training course on digital orthopedic technology in Hangzhou, marking a significant step in the promotion and application of this technology and officially launching a new chapter in digital orthopedics. In September 2024, in collaboration with the National Health Commission Capacity Building and Continuing Education Center, AK Medical conducted a pilot training program for digital orthopedic technology at the Affiliated Hospital of Yanbian University, further advancing the adoption and spread of this technology. In November, the project "Establishment and Application Promotion of Key Technologies for the Diagnosis and Treatment of Hip Dysplasia", jointly implemented by AK Medical and several hospitals, was honored with the First-Class Scientific and Technological Progress Award. These initiatives and accolades highlight AK Medical's active efforts in promoting the application and development of digital orthopedic technology, focusing on the comprehensive advancement of orthopedics for the future.

**Promoting Mutual Learning and Progress: Advancing Digital Orthopedics Exchange through VTS Tutorials** **Case**

Under the guidance of the NHC, AK Medical is fully committed to advancing the VTS Tutorials series events. As an integral part of the "Digital Orthopedic Technology Clinical Application Enhancement Research Project", the VTS Tutorials events seek to promote the clinical application of digital orthopedic technology through expert guidance, equipment trials, and online training courses. The objective is to enhance medical precision and provide patients with superior healthcare services.

On the international stage, AK Medical actively participates in the "Silk Road Health International Cooperation Alliance" activity, organized by the China International Culture Exchange Center (CICEC). In November 2024, AK Medical was invited to participate in the International Joint Replacement Frontiers Progress Seminar, hosted by the National Center for Orthopaedics. AK Medical engaged in in-depth discussions with renowned experts and professors from countries including the UK and Mexico, further enhancing academic exchange and collaboration among medical institutions worldwide. Additionally, AK Medical hosted several foreign doctor delegations, organizing academic seminars, case discussions, and surgical observations, as well as facilitating visits to the Jishuitan 3D Printing Joint Laboratory. These efforts have significantly advanced cooperation and communication between Chinese and international orthopedic doctors.

Currently, AK Medical provides health services to millions of orthopedic patients in over 40 countries and regions worldwide. By leveraging innovative digital technologies, it helps promote China's "smart manufacturing" globally and actively participates in international exchanges, showcasing the technological expertise and brand image of Chinese orthopedic enterprises.

## 7. CLIMATE REPORT

As global challenges such as global warming, extreme weather events, and rising sea levels intensify, addressing climate change has become an urgent priority. Based on Part D: Climate-related Disclosures of the ESG Code, AK Medical has conducted internal analyses and discussions on corporate climate-related information in order to align with the upcoming disclosure requirements. During the year, the Company adhered to existing requirements to identify climate-related risks and opportunities in its operations and implemented measures to manage climate change risks, enhancing its resilience and contributing to green and sustainable development.

| Part D: Climate-related Disclosures of the Environmental, Social and Governance Reporting Code | Climate-related Financial Disclosure | Disclosure by AK Medical |
|---|---|---|
| **Governance** | | |
| 19(a), 35 | a) Describe the Board of Directors' oversight of climate-related risks and opportunities. | AK Medical believes that addressing climate-related issues at the organizational level is the cornerstone for integrating climate governance into the Company's operation and management. Accordingly, the Company has incorporated climate change response into daily decision-making and management processes. ESG governance has been continuously enhanced through improved top-level design, with a three-tier management structure established from the top down: Board of Directors of the Company – ESG Working Group – Functional Departments and Subsidiaries.<br><br>Within this framework, the Board of Directors holds ultimate responsibility for climate change related matters, acting as the highest decision-making body. It oversees and approves the Company's climate change initiatives, including strategy formulation, policy management, and performance target setting. In order to ensure that the Board is able to effectively oversee strategies to address climate-related risks and opportunities, the Company conducted targeted ESG training during the Reporting Period. This training aimed to elevate the senior management team's ESG awareness and professional expertise, focusing on the latest developments and international standards in the ESG field. It enriched strategic perspectives and strengthened ESG management capabilities through practical case studies and interactive discussions.<br><br>The ESG Working Group, led by Ms. Zhang Bin, an Executive Director and Senior Vice President, comprises heads of various business units. They are jointly committed to identifying and evaluating climate related risks and opportunities, and formulating corresponding management policies. The ESG Working Group is also tasked with setting the Company's environmental objectives, and regularly reporting to the Board on the overall plan for climate-related work, the implementation of relevant major initiatives, and their performance outcomes. It provides an honest reflection of external stakeholders' demands and expectations regarding the Company's response to climate change, as well as the latest developments and dynamics in the field of climate change. |

| Part D: Climate-related Disclosures of the Environmental, Social and Governance Reporting Code | Climate-related Financial Disclosure | Disclosure by AK Medical |
|---|---|---|
| | | In overseeing the Company's strategy, major transaction decisions, and risk management policies, the Board and its committees consider climate-related risks and opportunities to ensure that the Company's development direction aligns with the changing climate. The Company places great importance on the impact of climate-related factors on overall operations and actively integrates climate-related risks into its remuneration policy. The Company has introduced climate and environmental factors into the performance evaluation system for production operations. Strict penalties are imposed for violations of climate-related regulations or failure to effectively fulfill climate responsibilities, reinforcing climate responsibility awareness among all employees and promoting the Company's sustainable development. |
| 19(b) | b) Describe the role of management in assessing and managing climate-related risks and opportunities. | Each year, the Board reviews the risks and opportunities related to climate change, conducting a comprehensive assessment of its potential impacts on the Company's business operations, market competitiveness, and financial performance. As the highest decision-making body, the Board oversees, manages, and leads climate-related risks and opportunities, using strategic foresight to control the overall direction. The ESG Working Group leverages its expertise and practical experience, along with industry risk reviews, to evaluate the potential impact of factors such as extreme weather and policy changes on the business.<br><br>Based on these evaluation results, the Board formulates overarching strategies to ensure that the Company's operations align with sustainable development principles and regulatory requirements. The ESG Working Group, drawing on these assessments, develops targeted management policies and evaluates the impacts of risks on operations and finance performance, using indicators such as greenhouse gas emissions. This ensures the effective implementation of climate-related risk management measures, enabling the Company to capitalize on climate-related opportunities for sustainable development. |

| Part D: Climate-related Disclosures of the Environmental, Social and Governance Reporting Code | Climate-related Financial Disclosure | Disclosure by AK Medical |
|---|---|---|
| **Strategy** | | |
| 20(a)(b)(c)(d) | a) Describe the climate-related risks and opportunities identified by the organization in the short, medium and long term. | AK Medical actively responds to China's carbon peaking and carbon neutrality goals and aligns with the United Nations Sustainable Development Goals. Climate-related risks are integrated into the comprehensive risk management framework, with ongoing efforts to drive green development and clean production, enhance climate-related information monitoring and disclosure, and refine management and evaluation systems to strengthen the climate resilience of operations.<br><br>The Company also collaborates with partners across the value chain to strengthen joint efforts in sustainable development, encouraging them to take appropriate actions to enhance their climate change response, thereby driving the sustainable transformation of the value chain and collectively addressing climate change.<br><br>With the help of external experts, our ESG Working Group conducted an industry-level risk review, where it identified multiple climate-related risks that may impact our business. In response, proactive measures have been taken to address potential impacts of climate change.<br><br>Climate risks are categorized into **physical risks** and **transition risks**:<br><br>➢ Physical risks refer to the risk of direct damage to economic activities caused by extreme or abnormal weather events, including event-driven impacts and long-term changes in climate patterns.<br><br>➢ Transition risks refer to the economic or financial risks arising from changes in climate-related policies, technological innovations, market sentiment, and shifts in consumer preferences, which affect the valuation of business assets. These risks mainly come from the increasing demand for decarbonization efforts. |

| Part D: Climate-related Disclosures of the Environmental, Social and Governance Reporting Code | Climate-related Financial Disclosure | Disclosure by AK Medical |
|---|---|---|
| | | In 2024, AK Medical identified the following short-term (3-5 years), medium-term (5-10 years) and long-term (10-50 years) climate-related risks in terms of physical and transition risks:<br><br>**Physical risks:** As a provider of medical equipment and services with operations and supply chains spanning multiple regions, AK Medical may face acute and chronic physical risks in the short, medium, and long term. These risks include extreme weather events causing disruptions to urban infrastructure, rising average temperatures, rising sea levels leading to flooding and frequent waterlogging, among other climate-related risks that vary with different climate scenarios.<br><br>**Transition risks:** AK Medical has identified risks related to changes in policies and laws, market shifts, reputational impacts, and technological advancements, all of which could influence the value of the Company. These risks include the equipment cost, materials and energy efficiency updates driven by regulations, and increased compliance management pressure.<br><br>**Opportunities:** In response to the challenges of climate change, AK Medical can also find and grasp the opportunities brought by climate. These opportunities include market demand growth, technological innovation, policy support and cooperation, supply chain optimization and other opportunities to enhance the Company's brand value and market competitiveness. |

| Part D: Climate-related Disclosures of the Environmental, Social and Governance Reporting Code | Climate-related Financial Disclosure | Disclosure by AK Medical |
|---|---|---|
| 21(a) (b), 22(a) (b), 23, 24(a) (b), 25(a) (b) | b) Describe the impact of climate-related risks and opportunities on the organization's operational, strategic, and financial planning. | **Impact of climate-related risks on business models, value chains, and finance**<br><br>**Impact on business models**<br><br>➢ Global warming has led to more frequent and severe extreme weather events. Rainstorms, floods, hurricanes and other disasters may directly destroy the production facilities of AK Medical, and may directly damage the production bases and R&D centers in Beijing, Shanghai, Changzhou, and Sheffield, UK, resulting in equipment damage, production stagnation, and affecting the timeliness and quality stability of product delivery.<br><br>➢ As the impact of climate change intensifies, the market demand for medical products and services that can adapt to extreme climatic conditions is likely to increase. Chronic risks, such as long-term temperature rise, may alter the usage scenarios of medical products. A high-temperature environment could impose higher demands on the performance of orthopedic implant materials, prompting companies to integrate climate adaptability into their product design standards. The Company may need to develop new product features, such as devices that are resistant to high temperatures, waterproof, or can operate under unstable energy conditions, to meet these emerging needs.<br><br>➢ With growing concern for environmental protection and sustainable development, regulatory policies on environmental standards in the medical industry have become more stringent. In order to comply with these policies, AK Medical needs to ensure that its products meet these new regulatory requirements, which may involve technological upgrades, process improvements or product redesign to reduce carbon footprint and improve sustainability. At the same time, the technological transformation process carries uncertainties, and if R&D efforts fail or the promotion of new technologies is ineffective, it could lead to resource waste and impact business development. |

| Part D: Climate-related Disclosures of the Environmental, Social and Governance Reporting Code | Climate-related Financial Disclosure | Disclosure by AK Medical |
|---|---|---|
| | | **Impact on value chains**<br><br>➢ Physical risks such as extreme weather will seriously impact the supply of raw materials for AK Medical. Extreme weather events, such as rainstorms and debris flows, may damage mining facilities, disrupt the extraction and transportation of metal ores, and result in shortages of raw materials like titanium alloy and cobalt-chromium-molybdenum alloy. Furthermore, natural disasters could disrupt the production of ultra-high molecular weight polyethylene and ceramic heads, affecting both the supply of chemical raw materials and the production process.<br><br>➢ In the production process, physical risks may directly damage the production facilities of AK Medical. Disasters such as earthquakes and hurricanes can damage plants and production equipment, especially advanced equipment used for the precision machining of orthopedic implants. Repairing or replacing such equipment is not only costly, but also leads to production stagnation, disruption of production schedules, and delays in product delivery.<br><br>➢ On the sales side, physical risks can alter demand patterns. The demand for emergency orthopedic implants in disaster-stricken areas may increase. AK Medical mainly relies on third-party distributors and some direct sales models. Extreme weather will hinder logistics distribution, so that products cannot reach hospitals or sub-distributors in designated areas in time, affecting sales progress and customer satisfaction. |

| Part D: Climate-related Disclosures of the Environmental, Social and Governance Reporting Code | Climate-related Financial Disclosure | Disclosure by AK Medical |
|---|---|---|
| | | **Impact on finance**<br><br>➢ Extreme weather, such as rainstorms, floods, and hurricanes, may directly damage the production facilities of AK Medical, including plant and production equipment, resulting in direct financial losses and increased insurance costs. In order to resume production as soon as possible, the Company needs to invest a lot of money in emergency repair of facilities and maintenance or replacement of equipment. These sudden large expenditures will lead to a sharp rise in production costs in the short term and reduce profit margins.<br><br>➢ After the transformation, the Company may need to use new environmentally friendly raw materials, which could be relatively expensive due to limited market supply or complex production processes. As AK Medical purchases these raw materials, costs will rise, which will increase the production cost of products and reduce profit margins.<br><br>➢ During the transformation process, competitors may also undergo similar changes, so market competition intensifies. If AK Medical cannot stand out in technological innovation, product quality, and price advantage, it may lose market share, which would impact profitability. Even if the transformation is successful, the expansion of market share and revenue growth will take time, during which the financial situation may experience greater fluctuations.<br><br>Although quantitative information on the current and future financial impacts of climate-related risks cannot be provided at present, the Company is committed to continuously monitoring climate-related issues, gradually strengthening data collection and analysis capabilities, and improving the level of understanding and management of climate risks. |

| Part D: Climate-related Disclosures of the Environmental, Social and Governance Reporting Code | Climate-related Financial Disclosure | Disclosure by AK Medical |
|---|---|---|
| | | **Countermeasures**<br><br>AK Medical will strengthen flexibility and adaptability in its business model. In view of the fact that physical risks may lead to production disruption, the Company will optimize the production layout, build a multi-regional production network, and reduce the impact of a single regional disaster on the overall production. At the same time, it is important to closely monitor market demand changes driven by climate factors. To adapt to the evolving disease spectrum under different climatic conditions, the Company will plan product R&D direction in advance, diversify the product lines, and address diverse needs. In addition, following the trend of environmental protection and sustainable development, AK Medical will increase investment in green medical technology R&D, and launch innovative products and services that are both environmentally conscious and adaptable to climate change.<br><br>In view of the value chain, AK Medical actively strengthens risk management and collaboration. Strategic partnerships with suppliers will be deepened to jointly assess climate risks and develop contingency plans. In addition to the existing strict criteria for screening suppliers, consideration will be given to suppliers's ability to cope with climate risks, with support provided to enhance their risk resilience and ensure a stable supply of raw materials. At the same time, the climate adaptability of production facilities will be strengthened, along with enhanced capacity to withstand physical risks. On the downstream sales and service side, changes in demand driven by climate risks will be closely monitored. Logistics and distribution systems will be optimized to improve efficiency and reliability, ensuring the timely and accurate delivery of products to customers. By improving the customer experience, customer loyalty will be enhanced and market position further solidified. |

| Part D: Climate-related Disclosures of the Environmental, Social and Governance Reporting Code | Climate-related Financial Disclosure | Disclosure by AK Medical |
|---|---|---|
| | | At the financial level, AK Medical has developed robust and flexible strategies. In response to short-term cost increases and income fluctuations arising from physical risks, an emergency fund reserve will be established to ensure sufficient resources are available to handle emergencies such as production facility repairs or urgent raw material procurement. Additionally, the cost structure will be optimized, unnecessary expenditures reduced, and capital efficiency improved. Cost control and budgeting will also be strengthened, with strict cost assessments and benefit evaluations implemented for transformation projects to improve investment returns. In addition, full advantage will be taken of government environmental protection subsidies, tax incentives, and other relevant policies to reduce transformation costs and enhance financial sustainability.<br><br>Through these measures, AK Medical is expected to effectively address the challenges posed by climate-related risks. While ensuring the Company's stable operations, efforts are directed toward achieving sustainable development and enhancing long-term competitiveness and value.<br><br>**Climate-related opportunity analysis**<br><br>Climate opportunities bring positive changes to the business. The growing market demand for environmentally friendly medical products has prompted the Company to expand the scale of related product lines and optimize the production process to improve the efficiency of green product manufacturing. Collaborating with suppliers to drive the low-carbon transformation of the supply chain can enhance its stability and sustainability. Policy-supported scientific research collaborations help integrate resources and boost technological innovation capabilities and management performance. |

| Part D: Climate-related Disclosures of the Environmental, Social and Governance Reporting Code | Climate-related Financial Disclosure | Disclosure by AK Medical |
|---|---|---|
| | | Leveraging climate opportunities, AK Medical can develop new strategies. AK Medical can integrate the concept of environmental protection into its brand strategy to enhance brand image and market recognition; increase investment in green technology R&D and application, build technological advantages, and consolidate market position; and utilize policy support to strengthen cooperation with all parties, expand business areas, achieve diversified development, and enhance the overall strength and risk resistance.<br><br>Seizing opportunities is expected to yield positive financial performance. New markets and products bring revenue growth, while cost control and efficiency improvement increase profit margins. Policy subsidies and tax incentives directly reduce operating costs and enhance profitability. Investments in green technologies can attract policy-based financing support, such as green bonds and low-interest loans, lowering capital costs. Additionally, strong sustainable development performance can attract investors, enhance the Company's market value, and provide a broader space and a solid foundation for financial planning. |

| Part D: Climate-related Disclosures of the Environmental, Social and Governance Reporting Code | Climate-related Financial Disclosure | Disclosure by AK Medical |
|---|---|---|
| 26(a) (b) | c) Describe the resilience of the organization's strategy in scenarios that take into account different climates, including temperatures of 2°C or lower. | Scenario analysis helps AK Medical to understand the potentially significant impacts of climate change on the Company's business, which in turn forms references for the strategy and planning. AK Medical continued the basic logic of the scenario analysis of the previous year, and comprehensively referred to the climate scenarios publicly released by the United Nations Intergovernmental Panel on Climate Change (IPCC), the International Energy Agency (IEA) and Network for Greening the Financial System (NGFS) for an annual update. Through the simulation of climate scenarios and pathways based on greenhouse gas emissions and other factors, the Company qualitatively assessed the potential impact of physical and transition risks on core business operations under its control.<br><br>**Physical risk scenario identification**<br><br>AK Medical's scenario analysis is designed to cover a wide range of potential future physical climate conditions. In order to facilitate comparison with low-emission orderly scenarios and high-emission chaotic scenarios, the Company selected two scenarios for physical risk assessment. These scenarios are derived from the latest definitions provided in the IPCC Sixth Assessment Report (AR6).<br><br>➢ **SSP1-2.6 low emission scenario**<br><br>Scenario description: Keep a global temperature rise below 2°C by 2100, in line with existing commitments under the Paris Agreement; promote sustainable development in all countries, focusing on environmental protection and reducing inequalities between nations; invest in education and health to accelerate the demographic transition; and shift consumption patterns to reduce resource use and energy consumption.<br><br>➢ **SSP5-8.5 high emission scenario**<br><br>Scenario description: $CO_2$ emissions will triple by 2100; follow a "business-as-usual" development pathway, assuming that climate policies remain unchanged; nations compete for growth, heavily investing in technology and human resources as a strategy to achieve sustainable development; countries still extract abundant fossil fuel resources and adopt resource – and energy-intensive lifestyles; the global economy experiences rapid growth, while the global population peaks in the 21st century and gradually declines. |

| Part D: Climate-related Disclosures of the Environmental, Social and Governance Reporting Code | Climate-related Financial Disclosure | Disclosure by AK Medical |
|---|---|---|
| | | **Transition risk scenario identification**<br><br>In the assessment of transition risks and opportunities, the Company has analyzed climate transition risks and opportunities in the short, medium, and long term. At the same time, the Company chose the Current Policies scenario and the more ambitious Net Zero 2050 scenario under NGFS.<br><br>➢ **Existing policies for the greenhouse world**<br><br>Scenario description: Stringent and responsive climate policies; rapid technology innovation; the United States, the European Union and other countries achieving net-zero targets; relatively frequent use of $CO_2$ removal technology; temperature rise by 1.5°C.<br><br>➢ **Orderly transformation: net-zero emissions by 2050**<br><br>Scenario description: Current climate policies unchanged; low rate of technology innovation; low use of $CO_2$ removal technology; temperature rise over 3°C.<br><br>Scenario analysis reveals that AK Medical will face varying degrees of transition and physical risks under different climate conditions in the future. However, the Company already possesses a certain level of climate resilience to tackle these challenges. AK Medical's production bases are spread across different regions, which helps mitigate the impact of regional extreme weather events on overall operations and financial performance. At the same time, the Company has been progressively enhancing its low-carbon transformation plan across the entire value chain – from suppliers and internal production operations to warehousing, logistics, and consumers – working together and taking multiple measures to continuously reduce its environmental and climate impact, thereby strengthening its resilience to climate risks.<br><br>In the future, AK Medical will monitor climate-related data in the short, medium, and long terms, while conducting deeper analysis to obtain more specific insights, which will provide guidance for subsequent strategic adjustments. |

| Part D: Climate-related Disclosures of the Environmental, Social and Governance Reporting Code | Climate-related Financial Disclosure | Disclosure by AK Medical |
|---|---|---|
| **Risk management** | | |
| 27(a) | a) Describe the organization's process for identifying and assessing climate-related risks. | AK Medical identifies and assesses climate-related risks through a multi-dimensional process. In the identification stage, the Board and the ESG Working Group play a key role in considering the potential impact of extreme weather, rising temperatures, rising sea levels, and changes in policy and legislation on the business from acute, chronic, and transition risk perspectives through an industry-level risk review.<br><br>In the assessment stage, AK Medical uses mainstream international scenario analysis pathway to evaluate ecosystem risks under various warming scenarios and assess the potential impact of climate change on the Company's business. The evaluation results are regularly reported to the Board. Additionally, greenhouse gas emissions data and other relevant indicators are incorporated to provide a comprehensive evaluation of the impact on the Company's operations and finances, ensuring a clear and accurate understanding of climate-related risks. |
| 27(b) | b) Describe the organization's process for managing climate-related risks. | AK Medical has developed a sound management process for climate-related risks. The Board is responsible for formulating strategies and policies, while the ESG Working Group handles the execution of these tasks. To address identified risks, the Company has implemented measures such as establishing an early warning system for natural disasters, enhancing the resilience of the supply chain, and strengthening equipment risk management.<br><br>Additionally, climate-related risks are integrated into the Company's remuneration policy, with climate and environmental factors included in performance evaluations for production and operations. This encourages employees to actively engage in risk management. The Company also periodically reviews and updates its risk management strategies to stay aligned with evolving climate conditions and the Company's business development needs, ensuring effective management of climate-related risks. |

| Part D: Climate-related Disclosures of the Environmental, Social and Governance Reporting Code | Climate-related Financial Disclosure | Disclosure by AK Medical |
|---|---|---|
| 27(c) | c) Describe how the processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management. | AK Medical integrates the identification, assessment, and management of climate-related risks into its comprehensive risk management framework. In terms of organizational structure, the Board, as the highest decision-making body, oversees the management of climate-related risks alongside other risks. The ESG Working Group is responsible for coordinating and driving specific actions, ensuring that climate risk management aligns with the Company's overall management structure.<br><br>Regarding processes, the identification, assessment, and management of climate-related risks are carried out concurrently with the comprehensive risk management processes, sharing information and resources, such as considering climate factors during industry risk reviews. For goal setting, the Company aligns climate-related targets (e.g., emission reduction goals) with its broader strategic objectives, ensuring effective implementation across all departments through performance evaluations. This approach facilitates the seamless integration of climate risk management with overall risk management. |

| Part D: Climate-related Disclosures of the Environmental, Social and Governance Reporting Code | Climate-related Financial Disclosure | Disclosure by AK Medical |
|---|---|---|
| **Indicators and targets** | | |
| 30, 31, 32, 33, 34, 38 | a) Disclose the indicators used by the organization to assess climate-related risks and opportunities in line with its strategies and risk management processes. | AK Medical provides climate-related indicators, updated annually, including Scope 1 and Scope 2 emissions, emission intensity, and energy and electricity use (including renewable electricity), as part of our annual ESG report.<br><br>In line with climate-related disclosure requirements, the Company is expected to provide quantitative information on the impacts of climate-related transition risks, physical risks, the amount and percentage of assets or business activities associated with climate-related opportunities, as well as the capital expenditure, financing, or investment tied to climate risks and opportunities. However, due to significant uncertainties in the market environment, technological developments, and policy trends, the Company is currently unable to determine specific amounts for future capital expenditure, financing, or investment plans involving climate-related risks and opportunities. While the Company recognizes the importance of climate-related factors and is proactively planning, many variables make it impossible to accurately estimate funding sizes before specific projects are implemented. Consequently, it is not feasible to provide the corresponding quantitative data at this time.<br><br>Despite these challenges, the Company places high importance on climate-related issues and is committed to improving its data collection and management systems, fostering cross-departmental collaboration, and enhancing the identification and assessment of climate-related risks and opportunities. As progress is made and conditions improve, the Company will promptly disclose accurate and complete quantitative information in accordance with regulatory requirements, providing investors and regulators with a more comprehensive basis for decision-making. |
| 28 | b) Disclose Scope 1, Scope 2, and Scope 3 (if applicable) greenhouse gas emissions and related risks. | Please refer to the Tables of Key Performance in this report. |

| Part D: Climate-related Disclosures of the Environmental, Social and Governance Reporting Code | Climate-related Financial Disclosure | Disclosure by AK Medical |
|---|---|---|
| 29(a) (b) (c), 37, 39, 40 | c) Describe the targets used by the organization to manage climate-related risks and opportunities, as well as its performance in achieving them. | AK Medical is committed to its green pledge for the earth's ecological environment and aims to improve the efficiency of natural resource and energy use. Since 2020, the Company has set and published relevant quantitative targets, regularly monitoring and reviewing the progress towards achieving them each year. In alignment with its climate-related strategies and TCFD recommendations, AK Medical has developed a climate risk-related index system. The Company continues to enhance its greenhouse gas emission data collection, accounting, and disclosure processes to track the progress and effectiveness of its climate actions.<br><br>**Organizational boundaries for greenhouse gas accounting**<br><br>AK Medical's Scope1 1& Scope 2 greenhouse gas emission data covers the production plants and office buildings of AK Medical Beijing, ITI Medical, Libeier, and JRI. Scope 1 greenhouse gas emissions cover petrol; Scope 2 greenhouse gas emissions cover purchased electricity and heating. The Scope 3 greenhouse gas emissions data for AK Medical cover emissions generated by employees of AK Medical Beijing, ITI Medical, Libeier, and JRI during business travel.<br><br>**Greenhouse gas accounting method**<br><br>Scope 1 greenhouse gas emissions are converted to fossil fuel $CO_2$ emissions in accordance with the "Guidelines on Provincial Greenhouse Gas Emission Inventory".<br><br>In the process of accounting for greenhouse gas emissions in Scope 2, domestic electricity emissions are discounted in accordance with the Notice on the Management of Greenhouse Gas Emissions Reporting by Enterprises in the Power Generation Industry for the Period 2023-2025, while heating emissions are discounted in accordance with Beijing's local standard DB11/T 1784-2020 "Carbon Dioxide Emission Accounting and Reporting Requirements for the Thermal Power Production and Supply Industry". Electricity and heating in the UK are converted to electricity and heat $CO_2$ emissions according to the UK Government's Conversion factors 2023: condensed set (for most users). |

| Part D: Climate-related Disclosures of the Environmental, Social and Governance Reporting Code | Climate-related Financial Disclosure | Disclosure by AK Medical |
|---|---|---|
| | | **Targets and indicators**<br><br>The Company uses indicators and targets to report to stakeholders on its progress in addressing climate change challenges. AK Medical has set a carbon reduction target for 2030, committing to reducing its carbon intensity from 0.042 tons of $CO_2$ equivalent per RMB 10,000 in 2020 to 0.030 tons of $CO_2$ equivalent per RMB 10,000 by 2030, representing a 32% decrease in carbon intensity. This target encompasses all Scope 1 and Scope 2 greenhouse gas emissions of its subsidiaries. In addition, during the Reporting Period, the Company is also taking action to continue to drive its emissions reduction efforts through stringent energy consumption management in key areas such as production and operations, and by increasing the share of green energy in its energy system. |

# 8. APPENDIX

## 8.1 About this Report

This report provides a comprehensive overview of management initiatives and sustainability performance of AK Medical Holdings Limited in terms of environmental, social and corporate governance in 2024.

**Scope of disclosure:** This report covers the Group's information and data from 1 January to 31 December, 2024 (hereinafter referred to as the "Reporting Period"), and in order to increase the completeness, comparability, and timeliness of the report, some of the content is retrospective to previous years, or extended to 2025. The content of this report covers AK Medical and its subsidiaries, and a small number of the data covers less than the above scope. The disclosure cycle of this report is annual.

**Basis for compilation:**

- It refers to the ESG Code
- It refers to the core ideas of the Global Reporting Initiative (the "GRI") Sustainability Reporting Standards (GRI Standards)
- It refers to the United Nations Sustainable Development Goals (SDGs)

**Reporting Principles**

This report follows the reporting rules set out in the Environmental, Social and Governance Reporting Code of the HKEX.

- Materiality: AK Medical has commissioned external consultants to conduct stakeholder identification and materiality analysis to determine the level of materiality of corporate substantive issues and to ensure that the information disclosed in the report covers the key issues of concern to the Company's development and stakeholders. The substantive issues identified have been endorsed by the ESG Working Group and the Board is aware of the findings.
- Quantitative: AK Medical discloses and explains all environmental and social indicators accordingly, with some environmental indicators providing comparative information for three consecutive years and, where necessary, some explanatory information.
- Balance: This report reviews and discloses the Company's environmental, social and governance-related achievements and areas of information for improvement in order to present an unbiased picture of the Company's performance.
- Consistency: The Company uses a consistent method of statistical disclosure to enable meaningful comparisons of ESG information in the future.

**Information description:** The ESG information in this report is derived from relevant internal statistical reports or documents. The monetary amounts covered in the report are measured in RMB.

**Description of appellation:** For ease of reference and readability, the following abbreviated terms are used AK Medical Holdings Limited is referred to as "AK Medical" / "the Company".

**Language description:** This report is published in Chinese Traditional.

**Confirmation & approval:** This report is issued after confirmation and approval by the Board.

**Form of release:** This report is published electronically. To view or download the report online, please visit our official website.

**Contact information:** The Company values the opinions of our stakeholders and welcomes readers to contact us through the following means.

Official website: www.ak-medical.net

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## 8.2 Tables of Key Performance

### *8.2.1 Table of Environmental Performance Information*

| | | 2024 | | | | | 2023 | | | | | 2022 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Indicators | Unit | AK Medical | AK Medical Beijing | ITI Medical | Libeier | JRI | AK Medical | AK Medical Beijing | ITI Medical | Libeier | JRI | AK Medical | AK Medical Beijing | ITI Medical | Libeier | JRI |
| **Greenhouse gas emissions** | | | | | | | | | | | | | | | | |
| Direct Scope 1 greenhouse gas emission | Tons | 77.7 | 32.8 | 6.0 | 0.0 | 38.9 | 43.0 | 36.2 | 6.8 | 0.0 | 0.0 | 68.6 | 57.8 | 4.0 | 6.9 | 0.0 |
| Intensity of direct Scope 1 greenhouse gas emission | Tons/RMB10,000 | 0.0006 | / | / | / | / | 0.0004 | / | / | / | / | 0.0007 | / | / | / | / |
| Indirect Scope 2 greenhouse gas emission | Tons | 5,177.4 | 1,599.8 | 2,318.5 | 915.9 | 343.2 | 5,824.3 | 2,155.3 | 2,450.5 | 1,048.2 | 170.3 | 4,291.7 | 1,525.0 | 581.9 | 726.4 | 338.2 |
| Intensity of indirect Scope 2 greenhouse gas emission | Tons/RMB10,000 | 0.04 | / | / | / | / | 0.05 | / | / | / | / | 0.04 | / | / | / | / |
| Indirect Scope 3 greenhouse gas emission | Tons | 164,143.8 | / | / | / | / | / | / | / | / | / | / | / | / | / | / |
| Intensity of indirect Scope 3 greenhouse gas emission | Tons/RMB10,000 | 1.22 | / | / | / | / | / | / | / | / | / | / | / | / | / | / |
| Greenhouse gas emission (Scope1, 2 and 3) | Tons | 169,398.9 | / | / | / | / | / | / | / | / | / | / | / | / | / | / |
| Intensity of greenhouse gas emission (Scope 1, 2 and 3) | Tons/RMB10,000 | 1.26 | / | / | / | / | / | / | / | / | / | / | / | / | / | / |
| **Energy consumption** | | | | | | | | | | | | | | | | |
| Total energy consumption | kWh | 11,863,406.8 | 3,269,299.5 | 4,941,812.0 | 1,835,931.9 | 1,816,363.4 | 12,379,777.7 | 4,257,225.9 | 5,228,914.2 | 2,068,064.3 | 825,573.3 | 10,331,902.6 | 3,212,721.9 | 4,021,095.0 | 1,368,778.4 | 1,729,307.3 |
| Energy consumption intensity | kWh/RMB10,000 | 88.1 | / | / | / | / | 113.2 | / | / | / | / | 98.2 | / | / | / | / |
| **Direct energy consumption** | | | | | | | | | | | | | | | | |
| Direct energy consumption | kWh | 1,168,120.4 | 133,471.7 | 876,358.6 | 0.0 | 158,290.1 | 1,079,421.4 | 147,351.2 | 932,070.2 | 0.0 | 0.0 | 1,299,765.4 | 235,323.0 | 1,036,485.0 | 27,957.4 | 0.0 |
| Intensity of direct energy consumption | kWh/RMB10,000 | 8.7 | / | / | / | / | 9.9 | / | / | / | / | 12.4 | / | / | / | / |
| Direct energy consumption – non-renewable energy sources (natural gas, coal, other fuel sources) | kWh | 316,316.4 | 133,471.7 | 24,554.6 | 0.0 | 158,290.1 | 174,914.4 | 147,351.2 | 27,563.2 | 0.0 | 0.0 | 279,480.4 | 235,323.0 | 16,200.0 | 27,957.4 | 0.0 |
| Direct energy consumption – renewable energy sources (solar, wind, hydro, other) | kWh | 851,804.0 | 0.0 | 851,804.0 | 0.0 | 0.0 | 904,507.0 | 0.0 | 904,507.0 | 0.0 | 0.0 | 1,020,285.0 | 0.0 | 1,020,285.0 | 0.0 | 0.0 |
| **Indirect energy consumption** | | | | | | | | | | | | | | | | |
| Indirect energy consumption | kWh | 10,695,286.4 | 3,135,827.8 | 4,065,453.3 | 1,835,931.9 | 1,658,073.3 | 11,300,356.3 | 4,109,874.7 | 4,296,844.0 | 2,068,064.3 | 825,573.3 | 9,032,137.2 | 2,977,398.9 | 2,984,610.0 | 1,340,821.0 | 1,729,307.3 |
| Intensity of indirect energy consumption | kWh/RMB10,000 | 79.4 | / | / | / | / | 103.3 | / | / | / | / | 85.9 | / | / | / | / |
| Indirect energy consumption – purchased electricity from non-renewable sources | kWh | 10,695,286.4 | 3,135,827.8 | 4,065,453.3 | 1,835,931.9 | 1,658,073.3 | 11,300,356.3 | 4,109,874.7 | 4,296,844.0 | 2,068,064.3 | 825,573.3 | 9,032,137.2 | 2,977,398.9 | 2,984,610.0 | 1,340,821.0 | 1,729,307.3 |
| Direct Energy Consumption – purchased Electricity from Renewable Energy Sources | kWh | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Consumption of water** | | | | | | | | | | | | | | | | |
| Total water consumption | Tons | 32,293.0 | 4,130.0 | 22,303.0 | 3,649.0 | 2,211.0 | 41,533.7 | 8,894.2 | 26,624.0 | 4,419.0 | 1,596.5 | 35,261.0 | 5,800.0 | 25,283.0 | 2,930.0 | 1,248.0 |
| Intensity of total water consumption | Tons/Output | 0.2 | / | / | / | / | 0.4 | / | / | / | / | 0.3 | / | / | / | / |
| Total water discharge volume | Tons | 17,927.0 | 4,130.0 | 8,631.0 | 3,649.0 | 1,517.0 | 13,941.6 | 2,850.0 | 8,549.0 | 1,026.0 | 1,516.6 | 17,501.8 | 5,800.0 | 7,129.0 | 2,930.0 | 1,642.8 |
| Total recycled water | Tons | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

| | | 2024 | | | | | 2023 | | | | | 2022 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Indicators** | **Unit** | **AK Medical** | **AK Medical Beijing** | **ITI Medical** | **Libeier** | **JRI** | **AK Medical** | **AK Medical Beijing** | **ITI Medical** | **Libeier** | **JRI** | **AK Medical** | **AK Medical Beijing** | **ITI Medical** | **Libeier** | **JRI** |
| **Raw material consumption** | | | | | | | | | | | | | | | | |
| **Production raw materials** | | | | | | | | | | | | | | | | |
| Cobalt-chromium-molybdenum | Tons | 75.7 | 10.6 | 48.5 | 14.1 | 2.5 | 81.4 | 11.9 | 48.6 | 15.8 | 5.1 | 53.9 | 23.4 | 20.0 | 10.5 | 0.0 |
| Titanium alloy | Tons | 92.1 | 20.5 | 58.5 | 0.0 | 13.1 | 96.7 | 22.6 | 68.3 | 0.0 | 5.8 | 104.1 | 29.1 | 75.0 | 0.0 | 0.0 |
| Polyethylene | Tons | 18.8 | 7.6 | 8.9 | 0.0 | 2.3 | 22.0 | 7.5 | 8.6 | 4.5 | 1.4 | 21.9 | 7.0 | 10.9 | 3.0 | 1.0 |
| Stainless steel | Tons | 60.2 | 0.0 | 48.0 | 0.0 | 12.2 | 58.6 | 0.1 | 50.7 | 0.0 | 7.8 | 46.7 | 0.0 | 40.0 | 0.0 | 6.7 |
| **Packaging raw materials** | | | | | | | | | | | | | | | | |
| Total amount of packaging material used in finished product | Tons | 65.6 | 16.0 | 32.0 | 5.5 | 12.1 | 35.5 | 0.0 | 15.8 | 6.7 | 13.0 | 32.7 | 0.0 | 18.0 | 3.3 | 11.4 |
| Amount per unit of production of packaging materials used in finished products | Tons/RMB10,000 | 0.0005 | / | / | / | / | 0.0003 | / | / | / | / | 0.0003 | / | / | / | / |
| **Waste** | | | | | | | | | | | | | | | | |
| **Hazardous waste** | | | | | | | | | | | | | | | | |
| Total waste liquid production | Tons | 49.9 | 1.3 | 42.5 | 3.0 | 3.0 | 177.1 | 1.2 | 44.9 | 4.0 | 127.0 | 147.6 | 1.3 | 17.3 | 11.0 | 118.0 |
| Waste liquid handling volume | Tons | 49.9 | 1.3 | 42.5 | 3.0 | 3.0 | 177.1 | 1.2 | 44.9 | 4.0 | 127.0 | 143.8 | 1.3 | 13.5 | 11.0 | 118.0 |
| Intensity of waste liquid produced | Tons/Output | 0.0004 | / | / | / | / | 0.002 | / | / | / | / | 0.001 | / | / | / | / |
| Total volume of dust production | kg | 17,134.4 | 1,124.0 | 8,800.0 | 560.4 | 6,650.0 | 24,949.0 | 3,328.0 | 8,500.0 | 6,474.0 | 6,647.0 | 10,405.0 | 750.0 | 0.0 | 450.0 | 9,205.0 |
| Total volume of dust handling | kg | 17,134.4 | 1,124.0 | 8,800.0 | 560.4 | 6,650.0 | 24,949.0 | 3,328.0 | 8,500.0 | 6,474.0 | 6,647.0 | 10,405.0 | 750.0 | 0.0 | 450.0 | 9,205.0 |
| **Non-hazardous waste** | | | | | | | | | | | | | | | | |
| Forging blank titanium alloy waste production volume | kg | 3,877.0 | 1,350.0 | 1,577.0 | 950.0 | 0.0 | 7,404.0 | 1,500.0 | 4,225.0 | 800.0 | 879.0 | / | / | / | / | / |
| Forging blank titanium alloy waste processing volume | kg | 3,877.0 | 1,350.0 | 1,577.0 | 950.0 | 0.0 | 7,404.0 | 1,500.0 | 4,225.0 | 800.0 | 879.0 | 8,335.0 | 1,560.0 | 3,867.0 | 1,350.0 | 1,558.0 |
| Cobalt-chromium-molybdenum casting blank waste production volume | kg | 1,261.0 | 400.0 | 287.0 | 0.0 | 574.0 | 1,575.0 | 600.0 | 745.0 | 0.0 | 230.0 | / | / | / | / | / |
| Cobalt-chromium-molybdenum casting blank waste processing volume | kg | 687.0 | 400.0 | 287.0 | 0.0 | 0.0 | 1,575.0 | 600.0 | 745.0 | 0.0 | 230.0 | 2,007.0 | 340.0 | 820.0 | 550.0 | 297.0 |
| Other waste productions | kg | 46,542.0 | 35,000.0 | 2,702.0 | 0.0 | 8,840.0 | 10,577.4 | 3,000.0 | 4,496.0 | 0.4 | 3,081.0 | / | / | / | / | / |
| Other waste handling volume | kg | 37,702.0 | 35,000.0 | 2,702.0 | 0.0 | 0.0 | 10,577.4 | 3,000.0 | 4,496.0 | 0.4 | 3,081.0 | 10,140.0 | 0.0 | 6,436.0 | 0.0 | 3,704.0 |

### 8.2.2 Table of Social Performance Information

| | | 2024 | | | | | 2023 | | | | | 2022 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Indicators | Unit | AK Medical | AK Medical Beijing | ITI Medical | Libeier | JRI | AK Medical | AK Medical Beijing | ITI Medical | Libeier | JRI | AK Medical | AK Medical Beijing | ITI Medical | Libeier | JRI |
| **Employees** | | | | | | | | | | | | | | | | |
| **Employment of employee** | | | | | | | | | | | | | | | | |
| Total number of employees employed | person | 954 | 559 | 188 | 93 | 114 | 1,052 | 602 | 224 | 102 | 124 | 1,034 | 576 | 245 | 100 | 113 |
| **Number of employees by employment type** | | | | | | | | | | | | | | | | |
| Full-time employee | person | 950 | 559 | 188 | 93 | 110 | 1,049 | 602 | 224 | 102 | 121 | 1,023 | 576 | 245 | 100 | 102 |
| Part-time employee | person | 4 | 0 | 0 | 0 | 4 | 3 | 0 | 0 | 0 | 3 | 11 | 0 | 0 | 0 | 11 |
| **Number of employees by gender** | | | | | | | | | | | | | | | | |
| Male | person | 623 | 357 | 119 | 65 | 82 | 679 | 375 | 139 | 71 | 94 | 669 | 368 | 155 | 68 | 78 |
| Female | person | 326 | 202 | 69 | 28 | 27 | 369 | 227 | 85 | 31 | 26 | 354 | 208 | 90 | 32 | 24 |
| Other gender | person | 1 | 0 | 0 | 0 | 1 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 |
| **Number of employees by age** | | | | | | | | | | | | | | | | |
| Under 30 | person | 214 | 114 | 41 | 24 | 35 | 288 | 163 | 64 | 25 | 36 | 288 | 153 | 83 | 28 | 24 |
| 30-39 | person | 435 | 275 | 87 | 44 | 29 | 449 | 264 | 103 | 51 | 31 | 455 | 270 | 113 | 47 | 25 |
| 40-49 | person | 220 | 134 | 52 | 20 | 14 | 233 | 139 | 47 | 21 | 26 | 204 | 120 | 39 | 20 | 25 |
| 50 and above | person | 81 | 36 | 8 | 5 | 32 | 79 | 36 | 10 | 5 | 28 | 76 | 33 | 10 | 5 | 28 |
| **Number of employees by region** | | | | | | | | | | | | | | | | |
| Mainland China | person | 840 | 559 | 188 | 93 | 0 | 928 | 602 | 224 | 102 | 0 | 921 | 576 | 245 | 100 | 0 |
| Hong Kong, Macau and Taiwan | person | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Overseas | person | 110 | 0 | 0 | 0 | 110 | 121 | 0 | 0 | 0 | 121 | 102 | 0 | 0 | 0 | 102 |
| **Employee turnover rate by gender** | | | | | | | | | | | | | | | | |
| Male | % | 13.8 | 12.3 | 20.2 | 20.0 | 6.1 | 20.5 | 17.9 | 33.8 | 22.5 | 9.6 | 27.1 | 20.1 | 47.1 | 16.2 | 29.5 |
| Female | % | 17.5 | 16.8 | 24.6 | 14.3 | 7.4 | 19.5 | 14.5 | 27.1 | 19.4 | 38.5 | 26.0 | 20.2 | 37.8 | 37.5 | 16.7 |
| **Employee turnover rate by age** | | | | | | | | | | | | | | | | |
| Under 30 | % | 23.8 | 22.8 | 51.2 | 12.5 | 2.9 | 29.5 | 26.4 | 50.0 | 24.0 | 11.1 | 37.5 | 23.5 | 69.9 | 28.6 | 25.0 |
| 30-39 | % | 14.0 | 11.3 | 17.2 | 25.0 | 13.8 | 19.8 | 14.8 | 31.1 | 25.5 | 16.1 | 24.6 | 22.2 | 31.0 | 19.1 | 32.0 |
| 40-49 | % | 10.0 | 9.7 | 9.6 | 15.0 | 7.1 | 12.9 | 12.2 | 10.6 | 14.3 | 19.2 | 19.1 | 11.7 | 33.3 | 25.0 | 28.0 |
| 50 and above | % | 11.1 | 22.2 | 0.0 | 0.0 | 3.1 | 8.9 | 2.8 | 10.0 | 0.0 | 17.9 | 18.4 | 18.2 | 0.1 | 20.0 | 21.4 |
| **Employee turnover rate by region** | | | | | | | | | | | | | | | | |
| Mainland China | % | 16.2 | 14.0 | 21.8 | 18.3 | 0.0 | 20.7 | 16.6 | 31.3 | 21.6 | 0.0 | 26.7 | 0.2 | 0.4 | 0.2 | 0.0 |
| Hong Kong, Macau and Taiwan | % | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Overseas | % | 6.4 | 0.0 | 0.0 | 0.0 | 6.4 | 15.7 | 0.0 | 0.0 | 0.0 | 15.7 | 26.5 | 0.0 | 0.0 | 0.0 | 0.3 |

| | | 2024 | | | | | 2023 | | | | | 2022 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Indicators | Unit | AK Medical | AK Medical Beijing | ITI Medical | Libeier | JRI | AK Medical | AK Medical Beijing | ITI Medical | Libeier | JRI | AK Medical | AK Medical Beijing | ITI Medical | Libeier | JRI |
| **Occupational health and safety** | | | | | | | | | | | | | | | | |
| Number of employees who died arising out of work in the past three years | person | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Percentage of employees who died arising out of work in the past three years | % | / | 0.0 | 0.0 | 0.0 | 0.0 | / | 0.0 | 0.0 | 0.0 | 0.0 | / | 0.0 | 0.0 | 0.0 | 0.0 |
| Number of days of work injury leave of employees | days | 233.0 | 194.0 | 39.0 | 0.0 | 0.0 | 82.0 | 72.0 | 0.0 | 0.0 | 10.0 | 37.0 | 37.0 | 0.0 | 0.0 | 0.0 |
| Number of employees trained on occupational health and safety | person | 354 | 100 | 188 | 13 | 53 | 382 | 121 | 224 | 11 | 26 | 310 | 31 | 245 | 10 | 24 |
| Total number of training hours trained on occupational health and safety | hours | 2,106.2 | 1,600.0 | 230.0 | 52.0 | 224.2 | 2,549.0 | 1,936.0 | 343.0 | 88.0 | 182.0 | 1,139.0 | 248.0 | 490.0 | 169.0 | 232.0 |
| Firstline operating staff's per capita security training hours | hours | 36.2 | 8.0 | 16.0 | 8.0 | 4.2 | 39.0 | 8.0 | 16.0 | 8.0 | 7.0 | 43.8 | 16.0 | 8.0 | 16.0 | 3.8 |
| Safety management personnel's average per capita security training hours | hours | 56.0 | 16.0 | 24.0 | 16.0 | 0.0 | 72.0 | 24.0 | 24.0 | 24.0 | 0.0 | 123.0 | 24.0 | 40.0 | 24.0 | 35.0 |
| Amounts invested on security | RMB10,000 | 217.2 | 18.4 | 170.6 | 18.7 | 9.5 | 276.9 | 18.6 | 221.0 | 13.1 | 24.2 | 205.5 | 45.0 | 110.0 | 36.0 | 14.5 |
| **Employee training** | | | | | | | | | | | | | | | | |
| **Percentage of employees trained by gender** | | | | | | | | | | | | | | | | |
| Male | % | 98.2 | 100.0 | 100.0 | 100.0 | 86.6 | 98.4 | 100.0 | 100.0 | 100.0 | 88.3 | 98.4 | 100.0 | 100.0 | 100.0 | 85.9 |
| Female | % | 99.4 | 100.0 | 100.0 | 100.0 | 92.6 | 98.9 | 100.0 | 100.0 | 100.0 | 84.6 | 98.6 | 100.0 | 100.0 | 100.0 | 79.2 |
| **Percentage of employees trained by employee level** | | | | | | | | | | | | | | | | |
| Senior management | % | 95.9 | 100.0 | 100.0 | 100.0 | 0.0 | 96.1 | 100.0 | 100.0 | 100.0 | 0.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Middle management | % | 93.4 | 100.0 | 100.0 | 100.0 | 9.1 | 96.5 | 100.0 | 100.0 | 100.0 | 50.0 | 98.0 | 100.0 | 100.0 | 100.0 | 77.8 |
| General employees | % | 99.7 | 100.0 | 100.0 | 100.0 | 97.9 | 98.9 | 100.0 | 100.0 | 100.0 | 91.0 | 98.4 | 100.0 | 100.0 | 100.0 | 84.6 |
| **Average number of hours of training by gender** | | | | | | | | | | | | | | | | |
| Male | hours | 29.4 | 40.0 | 6.7 | 27.0 | 18.2 | 27.0 | 40.0 | 8.2 | 23.0 | 5.8 | 28.7 | 40.0 | 26.0 | 3.0 | 3.5 |
| Female | hours | 30.1 | 40.0 | 7.5 | 25.0 | 19.4 | 28.7 | 40.0 | 9.0 | 19.0 | 5.5 | 29.9 | 40.0 | 22.7 | 4.2 | 3.9 |
| **Average number of hours of training by employee level** | | | | | | | | | | | | | | | | |
| Senior management | hours | 35.2 | 40.0 | 3.0 | 18.0 | 0.0 | 35.8 | 40.0 | 22.5 | 26.0 | 0.0 | 24.1 | 20.0 | 64.0 | 8.0 | 2.0 |
| Middle management | hours | 33.8 | 40.0 | 11.7 | 20.0 | 3.3 | 30.1 | 40.0 | 12.9 | 23.0 | 1.5 | 39.5 | 50.0 | 58.0 | 4.0 | 5.7 |
| General employees | hours | 25.8 | 40.0 | 6.8 | 27.7 | 0.2 | 26.8 | 40.0 | 7.7 | 21.5 | 6.1 | 28.0 | 40.0 | 21.4 | 3.1 | 3.4 |

| | | 2024 | | | | | 2023 | | | | | 2022 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Indicators | Unit | AK Medical | AK Medical Beijing | ITI Medical | Libeier | JRI | AK Medical | AK Medical Beijing | ITI Medical | Libeier | JRI | AK Medical | AK Medical Beijing | ITI Medical | Libeier | JRI |
| **Employee compensation and benefits** | | | | | | | | | | | | | | | | |
| **Ratio of basic salary and remuneration of women to men** | | | | | | | | | | | | | | | | |
| Male | % | / | 58.8 | 59.0 | 69.3 | 100.0 | / | 62.0 | 54.0 | 63.0 | 11.0 | / | 67.9 | 50.1 | 69.9 | / |
| Female | % | / | 72.0 | 39.0 | 64.0 | 100.0 | / | 66.0 | 66.0 | 57.0 | 7.0 | / | 71.7 | 50.4 | 65.8 | / |
| **Ratios of standard entry level wage by gender compared to local minimum** | | | | | | | | | | | | | | | | |
| Male | % | / | 6.7 | 1.8 | 5.7 | 1.1 | / | 6.4 | 2.0 | 5.4 | 1.1 | / | 6.2 | 3.7 | 5.2 | 1.1 |
| Female | % | / | 5.8 | 2.1 | 4.3 | 1.1 | / | 5.5 | 2.3 | 4.1 | 1.1 | / | 5.1 | 2.9 | 3.8 | 1.1 |
| **Parental Leave** | | | | | | | | | | | | | | | | |
| Total number of employees who are entitled to parental leave | person | 52 | 23 | 14 | 8 | 7 | 32 | 22 | 0 | 9 | 1 | / | / | / | / | / |
| Total number of employees returning to work after parental leave | person | 52 | 23 | 14 | 8 | 7 | 31 | 22 | 0 | 9 | 0 | / | / | / | / | / |
| **Supplier** | | | | | | | | | | | | | | | | |
| Total number of suppliers | per | 424 | 101 | 60 | 62 | 201 | 409 | 89 | 57 | 61 | 202 | 249 | 78 | 61 | 24 | 86 |
| Number of suppliers in Asia | per | 222 | 96 | 57 | 59 | 10 | 205 | 85 | 55 | 58 | 7 | 160 | 74 | 59 | 21 | 6 |
| Number of suppliers in Europe | per | 194 | 5 | 2 | 3 | 184 | 194 | 4 | 2 | 0 | 188 | 86 | 4 | 2 | 3 | 77 |
| Number of suppliers from North America | per | 7 | 0 | 1 | 0 | 6 | 9 | 0 | 0 | 3 | 6 | 3 | 0 | 0 | 0 | 3 |
| Number of suppliers from other continents | per | 1 | 0 | 0 | 0 | 1 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 |
| **Supplier verification** | | | | | | | | | | | | | | | | |
| Number of supplier verifications | per | 187 | 101 | 14 | 62 | 10 | 174 | 85 | 57 | 26 | 6 | 166 | 78 | 61 | 24 | 3 |
| Number of supplier on-site verifications | per | 44 | 23 | 8 | 6 | 7 | 68 | 19 | 32 | 12 | 5 | 27 | 5 | 17 | 3 | 2 |
| New suppliers screened using environmental criteria | per | 20 | 0 | 0 | 0 | 20 | 18 | 0 | 2 | 0 | 16 | 2 | 0 | 0 | 0 | 2 |
| Percentage of suppliers signed anticorruption agreement | % | / | 100.0 | 100.0 | 100.0 | 21.0 | / | 100.0 | 90.0 | 100.0 | 21.0 | / | 100.0 | 80.0 | 87.0 | 0.0 |
| **Percentage of suppliers certified** | | | | | | | | | | | | | | | | |
| Suppliers who obtained ISO 90001 as a percentage of the the total number of suppliers | % | / | 39.0 | 46.6 | 21.0 | 10.0 | / | 40.0 | 95.0 | 54.0 | 6.0 | / | 36.0 | 98.0 | 12.0 | 30.2 |
| Suppliers who obtained ISO 13485 as a percentage of the total number of suppliers | % | / | 40.0 | 76.7 | 24.0 | 16.0 | / | 53.0 | 80.0 | 54.0 | 15.0 | / | 42.0 | 95.0 | 12.0 | 51.2 |

| | | 2024 | | | | | 2023 | | | | | 2022 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Indicators | Unit | AK Medical | AK Medical Beijing | ITI Medical | Libeier | JRI | AK Medical | AK Medical Beijing | ITI Medical | Libeier | JRI | AK Medical | AK Medical Beijing | ITI Medical | Libeier | JRI |
| **Product responsibility** | | | | | | | | | | | | | | | | |
| Percentage of total products sold or shipped subject to recall due to safety and health reasons | % | / | 0.0 | 0.0 | 0.0 | 1.0 | / | 0.0 | 0.0 | 0.0 | 1.0 | / | 0.0 | 0.0 | 0.0 | 0.2 |
| Number of customer complaints during the year | case | 79 | 6 | 9 | 5 | 59 | 50 | 6 | 4 | 5 | 35 | 45 | 5 | 0 | 0 | 40 |
| Completion rates of customer complaints handled | % | / | 100.0 | 100.0 | 100.0 | 10.0 | / | 100.0 | 100.0 | 100.0 | 33.0 | / | 100.0 | / | / | 67.5 |
| Customer satisfaction for the year | % | / | 88.3 | 98.0 | 99.0 | 100.0 | / | 85.6 | 97.0 | 97.0 | 100.0 | / | 80.0 | 89.0 | 96.0 | 100.0 |
| **Intelligent property rights** | | | | | | | | | | | | | | | | |
| Invention patents | per | 466 | 384 | 56 | 26 | 1 | 288 | 238 | 37 | 12 | 1 | 192 | / | / | / | / |
| Utility model patents | per | 615 | 503 | 46 | 66 | 0 | 403 | 320 | 44 | 39 | 0 | 424 | / | / | / | / |
| Granted PCT patents | per | 32 | 32 | 0 | 0 | 0 | 32 | 31 | 1 | 0 | 0 | 20 | / | / | / | / |
| **Anti-corruption** | | | | | | | | | | | | | | | | |
| Number of operation sites carried out risk assessment on corruption | per | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total number of hours of anti-corruption training (full-time employee only) | hours | 933.0 | 559.0 | 188.0 | 186.0 | 0.0 | 602.0 | 602.0 | 0.0 | 0.0 | 0.0 | 47.0 | 0.0 | 0.0 | 0.0 | 47.0 |
| Number of closed legal cases regarding corrupt practices brought against the issuer or its employees | case | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Social welfare** | | | | | | | | | | | | | | | | |
| Amounts invested in social welfare | RMB | 1,500,000.0 | 1,500,000.0 | 0.0 | 0.0 | 0.0 | 1,940,000.0 | 1,940,000.0 | 0.0 | 0.0 | 0.0 | 1,100,000.0 | 1,100,000.0 | 0.0 | 0.0 | 0.0 |
| Number of hours devoted to social welfare | hours | 280.0 | 230.0 | 0.0 | 0.0 | 50.0 | 234.0 | 224.0 | 0.0 | 0.0 | 10.0 | 50.0 | 50.0 | 0.0 | 0.0 | 0.0 |

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**Independent auditor's report to the shareholders of AK Medical Holdings Limited**
*(Incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of AK Medical Holdings Limited ("the **Company**") and its subsidiaries ("the **Group**") set out on pages 169 to 236, which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes, comprising material accounting policy information and other explanatory information.

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

## BASIS FOR OPINION

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

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## KEY AUDIT MATTERS *(Continued)*

**Revenue recognition**

*Refer to notes 4 and 2(r) to the consolidated financial statements and the accounting policies on pages 194 and 190.*

**The Key Audit Matter**

The Group recognises revenue from the sales of artificial joint implants when the customer takes possession of and accepts the products. The actual point in time when revenue is recognised varies depending on the specific terms and conditions of the sales contracts entered into with customers.

The Group's customers are mainly distributors and sales contracts with customers have a variety of different terms relating to the recognition of revenue of the goods sold by the Group.

We identified the recognition of revenue as a key audit matter because revenue is a key performance indicator of the Group and is, therefore, subject to possible manipulation through the timing of revenue recognition to meet targets or expectations. In addition, the variety of terms of sale may affect the timing of the recognition of revenue.

**How the matter was addressed in our audit**

Our audit procedures to assess the recognition of revenue included the following:

- Obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls in relation to revenue recognition;

- inspecting, on a sample basis, customer contracts to identify terms and conditions relating to goods acceptance of goods sold and assessing the Group's revenue recognition policies with reference to the requirements of the prevailing accounting standards;

- comparing, on a sample basis, specific revenue transactions recorded before and after the financial year end date with relevant underlying documentation, which included goods dispatch notes, shipping documents and goods receipt notes, as applicable under the different sales contracts, to assess whether the related revenue had been recognised in the appropriate financial period on the basis of the terms of sale as set out in the respective sales contracts; and

- inspecting underlying documentation for journal entries relating to revenue which were considered to meet specific risk-based criteria.

## KEY AUDIT MATTERS *(Continued)*

**Impairment of goodwill**

*Refer to notes 15 and 2(j)(ii) to the consolidated financial statements and the accounting policies on pages 207 and 185.*

**The Key Audit Matter**

Goodwill attributable to Beijing Libeier Bio-engineering Institute Co., Ltd. ("**Libeier**"), the subsidiary acquired by the Group, amounted to RMB113,411,000 as at 31 December 2024.

Management performs annual impairment assessment of the Group's goodwill by comparing the carrying values of these assets with their recoverable amounts, which is the greater of the fair value less costs of disposal and the value in use. In assessing the value in use, management prepared discounted cash flow forecasts for each separately identifiable cash-generating unit ("**CGU**") to which the assets have been allocated. The impairment assessments of goodwill are carried out by management with reference to a valuation report prepared by an external valuer appointed by management.

The preparation of discounted cash flow forecasts involves the exercise of significant management judgement, in particular in assessing future revenue, future operating expenses and appropriate discount rates.

**How the matter was addressed in our audit**

Our audit procedures to assess impairment of goodwill included the following:

- evaluating management's identification of CGUs and the allocation of goodwill to each CGU and assessing the methodology adopted by management in its impairment assessment with reference to the requirements of the prevailing accounting standards;
- evaluating the key assumptions adopted in the preparation of the discounted cash flow forecasts by comparing data in the discounted cash flow forecasts with the relevant data, including future revenue, and future operating expenses in the financial budgets with historical trend and available industry statistics;
- involving our internal valuation specialists to assist us in assessing the impairment assessment methodology adopted and discount rates used in the discounted cash flow forecasts;

## KEY AUDIT MATTERS *(Continued)*

**Impairment of goodwill**

*Refer to notes 15 and 2(j)(ii) to the consolidated financial statements and the accounting policies on pages 207 and 185.*

| The Key Audit Matter | How the matter was addressed in our audit |
|---|---|
| We identified the assessment of potential impairment of goodwill as a key audit matter because determining the level of impairment, if any, involves a significant degree of management judgement, which can be inherently uncertain and could be subject to management bias. | • assessing the qualifications, experience and expertise of the external valuer appointed by management in assessing the impairment of goodwill and considering their objectivity;<br>• performing a retrospective review by comparing the prior year's discounted cash flow forecast with the current year's results and evaluating the subsequent re-estimation of assumptions that do not have an outcome in the current year to assess whether there is any indication of management bias;<br>• performing a sensitivity analysis of key assumptions, including future revenue, future operating expenses and the discount rates applied in the discounted cash flow forecasts and considering the resulting impact on the impairment charge for the year and whether there were any indicators of management bias in the selection of these key assumptions; and<br>• assessing the reasonableness of the disclosures in the consolidated financial statements in respect of management's impairment assessment of goodwill with reference to the requirements of the prevailing accounting standards. |

## INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Man Siu Kei.

**KPMG**
*Certified Public Accountants*

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

26 March 2025

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2024
(Expressed in Renminbi ("RMB"))

| | Note | Year ended 31 December 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|---|
| **Revenue** | 4 | **1,346,377** | 1,093,862 |
| Cost of sales | | **(538,184)** | (419,376) |
| **Gross profit** | | **808,193** | 674,486 |
| Other income, net | 5 | **16,654** | 26,370 |
| Selling and distribution expenses | | **(240,911)** | (218,806) |
| General and administrative expenses | | **(143,949)** | (133,441) |
| Research and development expenses | | **(139,206)** | (137,126) |
| **Operating profit** | | **300,781** | 211,483 |
| Net finance income | 7 | **19,041** | 19,634 |
| **Profit before taxation** | 6 | **319,822** | 231,117 |
| Income tax | 8(a) | **(45,896)** | (49,013) |
| **Profit for the year** | | **273,926** | 182,104 |
| **Profit attributable to equity shareholders of the Company** | | **273,926** | 182,104 |
| **Other comprehensive income** | | | |
| **Item that is or may be reclassified subsequently to profit or loss** | | | |
| Exchange differences on translation of financial statements of entities outside mainland China | | **8,626** | 13,475 |
| **Other comprehensive income, net of tax** | | **8,626** | 13,475 |
| **Total comprehensive income** | | **282,552** | 195,579 |
| **Total comprehensive income attributable to equity shareholders of the Company** | | **282,552** | 195,579 |
| **Earnings per share** | | | |
| Basic | 11(a) | **RMB0.25** | RMB0.16 |
| Diluted | 11(b) | **RMB0.24** | RMB0.16 |

The notes on pages 175 to 236 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 12.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2024
(Expressed in RMB)

| | Note | At 31 December 2024 RMB'000 | At 31 December 2023 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 13 | **683,616** | 574,970 |
| Intangible assets | 14 | **83,338** | 87,966 |
| Goodwill | 15 | **113,411** | 113,411 |
| Deferred tax assets | 28(b) | **70,677** | 67,260 |
| Time deposits | 21 | **206,301** | 184,601 |
| | | **1,157,343** | 1,028,208 |
| **Current assets** | | | |
| Inventories | 17 | **488,668** | 595,514 |
| Trade receivables | 18 | **494,820** | 451,401 |
| Bills receivable | 18 | **81,858** | 78,777 |
| Deposits, prepayments and other receivables | 19 | **80,517** | 87,207 |
| Other financial assets | 31(e) | **615,235** | 395,455 |
| Time deposits | 21 | **64,784** | 35,245 |
| Cash and cash equivalents | 20 | **352,173** | 331,217 |
| | | **2,178,055** | 1,974,816 |
| **Current liabilities** | | | |
| Trade payables | 22 | **122,100** | 151,451 |
| Bills payable | | **30,001** | 23,470 |
| Contract liabilities | 23 | **102,905** | 85,299 |
| Accruals and other payables | 24 | **244,040** | 184,724 |
| Bank loans | 25 | **60,447** | 21,394 |
| Lease liabilities | 26 | **12,123** | 14,239 |
| Current taxation | 28(a) | **24,800** | 17,596 |
| | | **596,416** | 498,173 |
| **Net current assets** | | **1,581,639** | 1,476,643 |
| **Total assets less current liabilities** | | **2,738,982** | 2,504,851 |

| | Note | At 31 December 2024 RMB'000 | At 31 December 2023 RMB'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Deferred income | 29 | **19,641** | 10,425 |
| Other payables | | **5,800** | 5,926 |
| Lease liabilities | 26 | **9,152** | 16,311 |
| Bank loans | 25 | **17,667** | 32,259 |
| Deferred tax liabilities | 28(b) | **48,536** | 48,027 |
| | | **100,796** | 112,948 |
| **NET ASSETS** | | **2,638,186** | 2,391,903 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | 30(b) | **9,515** | 9,508 |
| Reserves | 30(c) | **2,628,671** | 2,382,395 |
| **Total equity attributable to equity shareholders of the Company** | | **2,638,186** | 2,391,903 |
| **TOTAL EQUITY** | | **2,638,186** | 2,391,903 |

Approved and authorised for issue by the board of directors on 26 March 2025 and signed on behalf of the board by:

**Li Zhijiang**
*Directors*

**Zhao Xiaohong**
*Directors*

The notes on pages 175 to 236 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2024
(Expressed in RMB)

| | Note | Share capital RMB'000 30(b) | Share premium RMB'000 30(c)(i) | Shares held for share award scheme RMB'000 27(c)/30(c)(iv) | Capital reserve RMB'000 30(c)(ii) | Share-based payment reserve RMB'000 30(c)(v) | Exchange reserve RMB'000 30(c)(vi) | Retained profits RMB'000 | Total equity RMB'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2023** | | 9,453 | 1,008,641 | (49,833) | 55,174 | 11,978 | (4,769) | 1,213,117 | 2,243,761 |
| Total comprehensive income for the year | | – | – | – | – | – | 13,475 | 182,104 | 195,579 |
| Equity settled share-based transactions | 27/30(c)(v) | – | – | – | – | 5,056 | – | – | 5,056 |
| Shares issued under share option scheme | 30(b)(i)/30(c)(v) | 55 | 13,860 | – | – | (4,982) | – | – | 8,933 |
| Unlock of restricted shares | 27(c)/30(c)(iv) | – | (93) | 1,141 | – | (1,048) | – | – | – |
| Dividends declared | 12 | – | (61,426) | – | – | – | – | – | (61,426) |
| **Balance at 31 December 2023 and 1 January 2024** | | **9,508** | **960,982** | **(48,692)** | **55,174** | **11,004** | **8,706** | **1,395,221** | **2,391,903** |
| Total comprehensive income for the year | | **-** | **-** | **-** | **-** | **-** | **8,626** | **273,926** | **282,552** |
| Equity settled share-based transactions | 27/30(c)(v) | **-** | **-** | **-** | **-** | **8,778** | **-** | **-** | **8,778** |
| Shares issued under share option scheme | 30(b)(i)/30(c)(v) | **7** | **5,538** | **-** | **-** | **(4,601)** | **-** | **-** | **944** |
| Dividends declared | 12 | **-** | **-** | **-** | **-** | **-** | **-** | **(45,991)** | **(45,991)** |
| **Balance at 31 December 2024** | | **9,515** | **966,520** | **(48,692)** | **55,174** | **15,181** | **17,332** | **1,623,156** | **2,638,186** |

The notes on pages 175 to 236 form part of these financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2024
(Expressed in RMB)

| | Year ended 31 December | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| **Operating activities** | | |
| Profit before taxation | **319,822** | 231,117 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | **75,567** | 76,508 |
| Amortisation of intangible assets | **20,767** | 14,431 |
| Recognition of deferred income | **(1,395)** | (3,961) |
| Interest on lease liabilities | **923** | 1,287 |
| Interest income | **(23,371)** | (22,772) |
| Credit losses recognised for trade receivables | **21,580** | 13,698 |
| Loss on disposal of property, plant and equipment | **2,273** | 173 |
| Equity settled share-based payment expenses | **8,778** | 5,056 |
| Changes in working capital: | | |
| Inventories | **106,846** | (193,184) |
| Trade and bills receivables | **(69,673)** | 3,328 |
| Deposits, prepayments and other receivables | **6,690** | (52,845) |
| Pledged deposits | **(2,303)** | (5,712) |
| Contract liabilities | **17,606** | 5,453 |
| Trade and bills payables | **(30,054)** | 19,754 |
| Accruals and other payables | **38,632** | (12,328) |
| **Cash generated from operations** | **492,688** | 80,003 |
| Income tax paid | **(41,616)** | (46,068) |
| **Net cash generated from operating activities** | **451,072** | 33,935 |

| | Year ended 31 December | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| **Investing activities** | | |
| Interest received | **14,222** | 17,578 |
| Proceeds from sale of property, plant and equipment | **385** | 313 |
| Uplift of wealth management products and time deposits | **1,551,000** | 1,620,890 |
| Placement of wealth management products and time deposits | **(1,807,597)** | (1,761,908) |
| Acquisition of intangible assets | **(9,148)** | (12,280) |
| Acquisition of property, plant and equipment | **(152,819)** | (183,796) |
| Government grants received relating to assets | **10,611** | 1,055 |
| **Net cash used in investing activities** | **(393,346)** | (318,148) |
| **Financing activities** | | |
| Capital element of lease rentals paid | **(15,985)** | (13,167) |
| Interest element of lease rentals paid | **(923)** | (1,287) |
| Proceeds from bank loans | **49,700** | 58,800 |
| Repayments of bank loans | **(25,334)** | (5,258) |
| Borrowing costs paid | **(1,728)** | (533) |
| Dividends paid | **(46,103)** | (61,509) |
| Proceeds from equity settled share-based payment | **944** | 8,933 |
| **Net cash used in financing activities** | **(39,429)** | (14,021) |
| Net increase/(decrease) in cash and cash equivalents | **18,297** | (298,234) |
| **Cash and cash equivalents at 1 January** | **331,217** | 625,829 |
| **Effect of movements in exchange rates on cash held** | **2,659** | 3,622 |
| **Cash and cash equivalents at 31 December** | **352,173** | 331,217 |

The notes on pages 175 to 236 form part of these financial statements.

## 1 ORGANISATION AND PRINCIPAL ACTIVITIES

AK Medical Holdings Limited (the "Company") was incorporated in Cayman Islands on 17 July 2015 as an exempted company with limited liability under the Companies Law (2011 Revision) (as consolidated and revised) of the Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, "the Group") are principally engaged in designing, developing, producing and marketing orthopedic implants and related products. Details of the subsidiaries are set out in note 16.

The Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 20 December 2017 (the "Listing").

## 2 MATERIAL ACCOUNTING POLICIES

### (a) Statement of compliance

The financial statements set out in this report has been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("**IASB**"). These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange. Material accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

### (b) Basis of preparation of the financial statements

The consolidated financial statements are presented in RMB, rounded to the nearest thousand, while the functional currency of the Company is Hong Kong dollars ("**HK$**"). The Company's primary subsidiaries were incorporated in the People's Republic of China (the "**PRC**") and the subsidiaries considered RMB as their functional currency. The Group determined to present these financial statements in RMB, unless otherwise stated.

The consolidated financial statements for the year ended 31 December 2024 comprise the Company and its subsidiaries.

The financial statements are prepared on the historical cost basis, except that other financial assets – investment in wealth management products and investments in unlisted equity instrument are stated at their fair value.

## 2 MATERIAL ACCOUNTING POLICIES *(Continued)*

### (b) Basis of preparation of the financial statements *(Continued)*

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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.

Judgements made by management in the application of IFRS Accounting Standards that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

### (c) Changes in accounting policies

The Group has applied the following amendments to IFRS Accounting Standards as issued by the IASB to these financial statements for the current accounting period:

- Amendments to IAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current* ("2020 amendments") and amendments to IAS 1, *Presentation of financial statements: Non-current liabilities with covenants* ("2022 amendments")

- Amendments to IFRS 16, *Leases: Lease liability in a sale and leaseback*

- Amendments to IAS 7, *Statement of cash flows* and IFRS 7*, Financial instruments: Disclosures – Supplier finance arrangements*

None of these developments have had a material effect on how the Group's results and financial position for the current period have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 2 MATERIAL ACCOUNTING POLICIES *(Continued)*

### (d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in subsidiaries is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of subsidiaries, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in subsidiaries is stated at cost less impairment losses (see note 2(j), unless the investment is classified as held for sale).

### (e) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(j)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

## 2 MATERIAL ACCOUNTING POLICIES *(Continued)*

### (f) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below:

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 31(e). These investments are subsequently accounted for as follows, depending on their classification.

#### *(i) Investments other than equity investments*

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2(r)(ii)).

– fair value through other comprehensive income (FVOCI) - recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

#### *(ii) Equity investments*

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss.

## 2 MATERIAL ACCOUNTING POLICIES *(Continued)*

### (g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(j)), including:

– land use rights, which are leasehold land located in Mainland China with lease term of normally 50 years;

– properties or buildings situated on the leasehold land where the Group is the registered owner of the property interest;

– right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest; and

– items of plant, machinery and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 2(i)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives are as follows:

| | |
|---|---|
| – Properties and buildings | Situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 20 years after the date of completion |
| – Leasehold properties and improvements | Over the remaining unexpired term of the lease |
| – Plant and machinery | 3 – 15 years |
| – Office equipment and furniture | 3 – 5 years |
| – Land use rights | 20 – 50 years |

Both the useful life of assets and its residual value, if any, are reviewed annually.

No depreciation is provided in respect of construction in progress.

## 2 MATERIAL ACCOUNTING POLICIES *(Continued)*

### (h) Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(j)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(j)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

| | |
|---|---|
| Software | 3 – 10 years |
| Patents and products licenses | 5 – 10 years |
| Brand name | 10 years |
| Technical know-how | 5 – 10 years |

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite useful lives as set out above.

## 2 MATERIAL ACCOUNTING POLICIES *(Continued)*

### (i) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

Where the contract contains lease components and non-lease components, the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(g) and 2(j)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the principal portion of contractual payments that are due to be settled within twelve months after the reporting period.

## 2 MATERIAL ACCOUNTING POLICIES *(Continued)*

### (j) Credit losses and impairment of assets

#### *(i) Credit losses from financial instruments, contract assets and lease receivables*

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, time deposits, trade and other receivables);

Financial assets measured at fair value, including wealth management products measured at FVPL and equity and debt securities measured at FVPL are not subject to the ECL assessment.

***Measurement of ECLs***

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

## 2 MATERIAL ACCOUNTING POLICIES *(Continued)*

### (j) Credit losses and impairment of assets *(Continued)*

#### *(i) Credit losses from financial instruments, contract assets and lease receivables (Continued)*

***Significant increases in credit risk***

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the customer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is past due. 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 since initial recognition:

– failure to make payments of principal on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

## 2 MATERIAL ACCOUNTING POLICIES *(Continued)*

### (j) Credit losses and impairment of assets *(Continued)*

#### *(i) Credit losses from financial instruments, contract assets and lease receivables (Continued)*

***Basis of calculation of interest income***

Interest income recognised in accordance with note 2(r)(ii) 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 the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the customer will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

***Write-off policy***

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

## 2 MATERIAL ACCOUNTING POLICIES *(Continued)*

### (j) Credit losses and impairment of assets *(Continued)*

#### *(ii) Impairment of other assets*

Internal and external sources of information are reviewed at the end of each year to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment, including right-of-use assets;

– intangible assets;

– goodwill; and

– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount
The recoverable amount of an asset is the greater of its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

– Recognition of impairment losses
An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses
In respect of assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

## 2 MATERIAL ACCOUNTING POLICIES *(Continued)*

### (k) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value as follows.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

A right to recover returned goods is recognised for the right to recover products from customers sold with a right of return. It is measured in accordance with the policy set out in note 3(c).

### (l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see note 2(j)(i)).

Insurance reimbursement is recognised and measured in accordance with note 2(q).

### (m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit loss (ECL) in accordance with the policy set out in note 2(j)(i).

## 2 MATERIAL ACCOUNTING POLICIES *(Continued)*

### (n) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

Refund liabilities arising from rights of returns are recognised in accordance with the policy set out in note 3(c).

### (o) Employee benefits

#### *(i) Short-term employee benefits and contributions to defined contribution retirement plans*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labor rules and regulations in the PRC are recognised as expenses in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

#### *(ii) Share-based payments*

The fair value of equity-settled share-based payment awards granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using certain valuation techniques, taking into account the terms and conditions upon which the equity-settled share-based payment awards were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the equity-settled share-based payment awards, the total estimated fair value of the equity-settled share-based payment awards is spread over the vesting period, taking into account the probability that the equity-settled share-based payment awards will vest.

During the vesting period, the number of equity-settled share-based payment awards that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of equity-settled share-based payment awards that vest (with a corresponding adjustment to the reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the reserve until either the equity-settled share-based payment awards is exercised (when it is included in the amount recognised in share capital and reserve for the share issued) or the equity-settled share-based payment awards expires (when it is released directly to retained profits).

Share-based payment transactions in which the Company grants share-based payment awards to subsidiaries' employees are accounted for as an increase in value of investment in subsidiaries in the Company's statement of financial position.

## 2 MATERIAL ACCOUNTING POLICIES *(Continued)*

### (p) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

– temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

– temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

– taxable temporary differences arising on the initial recognition of goodwill; and

– those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

## 2 MATERIAL ACCOUNTING POLICIES *(Continued)*

### (q) Provisions, contingent liabilities and onerous contracts

#### *(i) Provisions and contingent liabilities*

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

#### *(ii) Onerous contracts*

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of fulfilling the contract. The cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling that contract.

## 2 MATERIAL ACCOUNTING POLICIES *(Continued)*

### (r) Revenue and other income

The Group is the principal for its revenue transactions and recognises revenue on a gross basis, including the sale of orthopedic implants that are sourced externally. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

Further details of the Group's revenue and other income recognition policies are as follows:

#### *(i) Revenue from contracts with customers*

Sales of products are recognised as follows:

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

Revenue is recognised when the customer takes possession of and accepts the products. Payment terms and conditions vary by customers and are based on the billing schedule established in the contracts or purchase orders with customers, but the Group generally provides credit terms to customers within twelve months upon customer acceptance. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component as the period of financing is 12 months or less.

If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis except when a variable consideration is allocated to a specific performance obligation in the contract. Generally, the Group establishes standalone selling prices with reference to the observable prices of products or services sold separately in comparable circumstances to similar customers.

#### *(ii) Revenue from other sources and other income*

(a) Interest income
Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost of the asset (see note 2(j)(i)). Interest income is recognised as it accrues using the effective interest method.

(b) Government grants
Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

## 2 MATERIAL ACCOUNTING POLICIES *(Continued)*

### (s) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the year. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the year. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

### (t) Asset acquisition

Groups of assets acquired and liabilities assumed are assessed to determine if they are business or asset acquisitions. On an acquisition-by-acquisition basis, the Group chooses to apply a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

When a group of assets acquired and liabilities assumed do not constitute a business, the overall acquisition cost is allocated to the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition. An exception is when the sum of the individual fair values of the identifiable assets and liabilities differs from the overall acquisition cost. In such case, any identifiable assets and liabilities that are initially measured at an amount other than cost in accordance with the Group's policies are measured accordingly, and the residual acquisition cost is allocated to the remaining identifiable assets and liabilities based on their relative fair values at the date of acquisition.

## 2 MATERIAL ACCOUNTING POLICIES *(Continued)*

### (u) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

a. has control or joint control over the Group;

b. has significant influence over the Group; or

c. is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

a. The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

b. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

c. Both entities are joint ventures of the same third party.

d. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

e. The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

f. The entity is controlled or jointly controlled by a person identified in note 2(u)(i).

g. A person identified in note 2(u)(i)a has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

h. The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

### (v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial statements provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

## 3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the financial statements. The material accounting policies are set out in note 2. Other key sources of estimation uncertainty in the preparation of the financial statements are as follows:

### (a) Allowance for expected credit losses

Management estimates expected credit loss allowance using a provision matrix based on the Group's historical credit loss experience, included customer credit-worthiness, and historical write-off experience, and adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. If the financial conditions of the customers were to deteriorate, additional allowance may be required.

### (b) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires management to estimate the future cash flows expected to arise from the cash generating units and a suitable discount rate in order to calculate the present value.

### (c) Sales return or exchanges

The Group's distribution agreements do not allow product returns or exchanges without the management's consent. However, in practice, the Group has historically accepted certain returns and exchanges by distributors of orthopedic joint implants. The Group believes that sales exchanges would not result in any significant outflow of the Group's resources embodying economic benefits. The Group uses an expected value approach to estimate variable consideration based on the Group's current and future performance expectations and all information that is reasonably available. Based on this approach, the percentage of subsequent returns will be approximately 2.0% of annual sales for certain products. This estimated amount is included in the transaction price to the extent it is highly probable that a significant reversal of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is resolved. At the time of sale of products, the Group recognises revenue after taking into account adjustment to transaction price arising from returns as mentioned above. A refund liability is recognised for the expected returns, and is included in accruals and other payables (see note 24). A right to refund assets (included in deposits, prepayments and other receivables, see note 19) and corresponding adjustment to cost of sales are also recognised for the right to recover products from customers. This right to refund assets is measured at the former carrying amount of the inventory less any expected costs to recover goods (including potential decreases in the value of the returned goods).

# 4 REVENUE AND SEGMENT INFORMATION

## (a) Revenue

The principal activities of the Group are manufacturing and sale of orthopedic joint implants, spinal implants, trauma implants and their complete set of surgical instruments.

Disaggregation of revenue from contracts with customers by major products is as follows:

| | **2024** **RMB'000** | 2023 RMB'000 |
|---|---|---|
| Revenue from contracts with customers within the scope of IFRS 15 | | |
| Disaggregated by major products of service lines | | |
| – Hip replacement implants | **729,084** | 590,396 |
| – Knee replacement implants | **405,110** | 311,351 |
| – Spinal and trauma implants | **127,326** | 123,268 |
| – Digital orthopedics customised products and services | **51,335** | 49,593 |
| – Others (i) | **33,522** | 19,254 |
| | **1,346,377** | 1,093,862 |

(i) Others primarily include surgical instruments, medical irrigators and third party orthopedic products.

The Group's customer base is diversified. There was no customer with whom transactions have exceeded 10% of the Group's revenue in 2024 (2023: nil). Details of concentrations of credit risk arising from major customers are set out in note 31(a).

No remaining performance obligation under existing contracts has been disclosed as performance obligations under the Group's existing contracts have an original expected duration of one year or less, thus the Group has applied the practical expedient in paragraph 121(a) of IFRS 15 to its sales contracts.

## (b) Segment reporting

The Group acquired JRI Orthopaedics Limited ("JRI"), a private company limited by shares incorporated in England and Wales on 10 April 2018. JRI's operation and assets are mainly based in the United Kingdom (the "UK"). After the acquisition, the Group manages its businesses by geographical location in which the entities operate. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the two reportable segments based on geographical location: China and the UK. No operating segments have been aggregated to form the reportable segments.

## 4 REVENUE AND SEGMENT INFORMATION *(Continued)*

### (b) Segment reporting *(Continued)*

#### *(i) Segment results, assets and liabilities*

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of investments in financial assets and deferred tax assets. Segment liabilities include trade creditors, accruals and lease liabilities attributable to the individual segments and bank loans managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Corporate expenses are allocated to the segment in China as all members of the senior management are based in China.

The measure used for reporting segment profit is "reportable segment profit before taxation".

In addition to receiving segment information concerning reporting segment profit, management is provided with segment information concerning inter segment sales. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Revenue from contracts with customers, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2024 and 2023 is set out below.

| | Orthopedic implants - China | | Orthopedic implants - United Kingdom | | Total | |
|---|---|---|---|---|---|---|
| | **2024 RMB'000** | 2023 RMB'000 | **2024 RMB'000** | 2023 RMB'000 | **2024 RMB'000** | 2023 RMB'000 |
| **Revenue from external customers** | **1,224,155** | 991,365 | **122,222** | 102,497 | **1,346,377** | 1,093,862 |
| Inter-segment revenue | **1,609** | 2,226 | **41,976** | 49,988 | **43,585** | 52,214 |
| **Reportable segment revenue** | **1,225,764** | 993,591 | **164,198** | 152,485 | **1,389,962** | 1,146,076 |
| **Reportable segment profit/(loss)** | **313,133** | 239,787 | **(1,474)** | (7,043) | **311,659** | 232,744 |
| **Reportable segment assets** | **2,488,823** | 2,380,775 | **174,559** | 168,241 | **2,663,382** | 2,549,016 |
| Additions to non-current assets during the year | **195,721** | 228,128 | **10,649** | 2,673 | **206,370** | 230,801 |
| **Reportable segment liabilities** | **606,887** | 525,029 | **30,885** | 29,176 | **637,772** | 554,205 |

## 4 REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Segment reporting *(Continued)*

### *(ii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities*

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| **Revenue** | | |
| Reportable segment revenue | **1,389,962** | 1,146,076 |
| Elimination of inter-segment revenue | **(43,585)** | (52,214) |
| Consolidated revenue | **1,346,377** | 1,093,862 |
| **Profit** | | |
| Reportable segment profit | **311,659** | 232,744 |
| Elimination of inter-segment loss/(profit) | **8,163** | (1,627) |
| Consolidated profit before taxation | **319,822** | 231,117 |
| **Assets** | | |
| Reportable segment assets | **2,663,382** | 2,549,016 |
| Elimination of inter-segment receivables | **(13,896)** | (8,707) |
| | **2,649,486** | 2,540,309 |
| Other financial assets | **615,235** | 395,455 |
| Deferred tax assets | **70,677** | 67,260 |
| Consolidated total assets | **3,335,398** | 3,003,024 |
| **Liabilities** | | |
| Reportable segment liabilities | **637,772** | 554,205 |
| Elimination of inter-segment payables | **(13,896)** | (8,707) |
| | **623,876** | 545,498 |
| Current taxation | **24,800** | 17,596 |
| Deferred tax liabilities | **48,536** | 48,027 |
| Consolidated total liabilities | **697,212** | 611,121 |

## 4 REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Segment reporting *(Continued)*

### *(iii) Geographic information*

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets and goodwill ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, and the location of the operation to which they are allocated, in the case of intangible assets and goodwill.

| | **Revenue from external customers** | | **Specified non-current assets** | |
|---|---|---|---|---|
| | **2024 RMB'000** | 2023 RMB'000 | **2024 RMB'000** | 2023 RMB'000 |
| – China | **1,072,059** | 866,730 | **1,047,489** | 931,045 |
| – United Kingdom | **59,250** | 55,178 | **39,177** | 29,903 |
| – Other countries | **215,068** | 171,954 | **–** | – |
| | **1,346,377** | 1,093,862 | **1,086,666** | 960,948 |

## 5 OTHER INCOME, NET

| | **2024 RMB'000** | 2023 RMB'000 |
|---|---|---|
| Government grants | **14,623** | 19,944 |
| Others | **2,031** | 6,426 |
| | **16,654** | 26,370 |

## 6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

### (a) Staff costs:

| | Note | 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|---|
| Salaries, wages and other benefits | | **225,283** | 229,854 |
| Contribution to defined contribution retirement scheme | | **20,884** | 20,054 |
| Equity settled share-based transactions | 27 | **8,778** | 5,056 |
| | | **254,945** | 254,964 |

Employees of the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administered and operated by the local municipal governments where the subsidiaries are registered. The Group's PRC subsidiaries contribute funds which are calculated on certain percentages of the average employee salary as agreed by the respective local municipal governments to the scheme to fund the retirement benefits of the employees.

The Group's UK subsidiaries operate a stakeholder defined contribution personal pension scheme for the benefit of the employees. The assets of the scheme are administered by trustees in a fund independent from those of the Group. Under the defined contribution personal pension scheme, the employer is required to make contributions to the plan at 8% of the employees' relevant income. Contributions to the plan vest immediately.

The Group has no other material obligation for the payment of retirement benefits other than the annual contributions described above.

There is no forfeited contributions utilised during the year (2023: Nil).

### (b) Other items

| | 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|
| Cost of Inventories* | **551,556** | 435,315 |
| Amortisation cost of intangible assets | **20,767** | 14,431 |
| Depreciation charge | | |
| – Owned property, plant and equipment | **57,704** | 58,495 |
| – Right-of-use assets | **17,863** | 18,013 |
| | **75,567** | 76,508 |
| Credit losses recognised from trade and other receivables | **21,580** | 13,698 |
| Auditors' remuneration | | |
| – Audit services | **3,018** | 3,047 |
| – Other services | **1,300** | 1,300 |
| | **4,318** | 4,347 |

* Cost of inventories includes RMB111,579,000 in 2024 (2023: RMB120,409,000) relating to staff costs, depreciation and amortisation expenses, which are also included in the respective total amounts disclosed separately above.

## 7 NET FINANCE INCOME

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| Interest income from bank deposits and investments in wealth management products | 23,371 | 22,772 |
| Foreign exchange loss | (3,407) | (1,851) |
| Interest on lease liabilities | (923) | (1,287) |
| | 19,041 | 19,634 |

## 8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

### (a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| **Current tax** | | |
| Provision for the year | 51,701 | 40,623 |
| (Over)/under-provision in respect of prior years | (2,881) | 268 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | (2,924) | 8,122 |
| | 45,896 | 49,013 |

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.

The Group has no assessable profit in Hong Kong for 2024 (2023: nil) and is not subject to any Hong Kong profits tax. Hong Kong profits tax rate of 2024 is 16.5% (2023: 16.5%). The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

Taxation on profits outside Hong Kong has been calculated on the estimated assessable profits for 2024 at the rates of taxation prevailing in the countries in which the Group operates.

## 8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

### (a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents *(Continued)*

Applicable statutory enterprise income tax rate of PRC subsidiaries of the Company for 2024 are 25% (2023: 25%). According to the relevant PRC income tax law, the Company's subsidiaries, Beijing AK Medical Co., Ltd. ("**AK Medical Beijing**") and ITI Medical Co., Ltd. ("**ITI Medical**"), together with Beijing Libeier Bio-engineering Institute Co., Ltd. ("**Libeier**") which was certified as a New and High Technology Enterprise for the first time during 2023, are entitled to a preferential income tax rate of 15% for their New and High Technology Enterprises status. The current certification of New and High Technology Enterprise held by AK Medical Beijing, ITI Medical and Libeier will be expired on 25 October 2026, 5 November 2026 and 25 October 2026, respectively.

Taxation for subsidiaries operating mainly in the England and Wales were calculated at statutory enterprise income tax rate of 19% for 2024 (2023: 19%).

According to the Income Tax Law and its implementation rules, dividends receivable by non-PRC resident investors from PRC entities are subject to withholding tax at 10%, unless reduced by tax treaties or arrangements, for profit earned since 1 January 2008. AK Medical International Limited ("AK Medical HK") and Bright AK Limited ("Bright AK HK"), subsidiaries of the Company, are subject to PRC dividend withholding tax at 10% on dividends receivables from the PRC subsidiaries.

### (b) Reconciliation between tax expense and accounting profit at applicable tax rates:

| | **2024**<br>**RMB'000** | 2023<br>RMB'000 |
|---|---|---|
| Profit before taxation | **319,822** | 231,117 |
| Notional tax of PRC statutory tax rate of 25% | **79,956** | 57,779 |
| Effect of PRC preferential tax rate | **(32,039)** | (22,273) |
| Effect of tax rate changes | **–** | 14,183 |
| Effect of lower tax rates in other countries | **320** | 423 |
| Effect of non-deductible expenses | **1,759** | 1,430 |
| Effect of unused tax losses not recognised | **2,539** | 2,235 |
| Effect of additional deduction on research and development expenses * | **(10,439)** | (10,044) |
| PRC dividend withholding tax | **6,681** | 5,012 |
| (Over)/under-provision in respect of prior years | **(2,881)** | 268 |
| Actual tax expenses | **45,896** | 49,013 |

* According to the relevant PRC income tax law, certain research and development costs of PRC subsidiaries are qualified for 100% (2023: 100%) additional deduction for tax purpose.

## 9 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

| **2024** | **Directors' fees RMB'000** | **Salaries, allowances and benefits in kind RMB'000** | **Discretionary bonuses RMB'000** | **Retirement scheme contributions RMB'000** | **Share-based payment RMB'000 (Note 27)** | **Total RMB'000** |
|---|---|---|---|---|---|---|
| **Executive directors** | | | | | | |
| Li Zhijiang (chairman) | **–** | **805** | **320** | **66** | **–** | **1,191** |
| Zhang Bin | **–** | **367** | **–** | **–** | **–** | **367** |
| Zhang Chaoyang | **–** | **844** | **334** | **66** | **–** | **1,244** |
| Zhao Xiaohong | **–** | **882** | **330** | **66** | **655** | **1,933** |
| **Non-executive director** | | | | | | |
| Wang David Guowei* | **–** | **–** | **–** | **–** | **–** | **–** |
| **Independent Non-executive directors** | | | | | | |
| Li Shu Wing David | **181** | **–** | **–** | **–** | **–** | **181** |
| Kong Chi Mo | **181** | **–** | **–** | **–** | **–** | **181** |
| Gao Wei (appointed on 18 June 2024) | **97** | **–** | **–** | **–** | **–** | **97** |
| Wang Eric (retired on 18 June 2024) | **85** | **–** | **–** | **–** | **–** | **85** |
| | **544** | **2,898** | **984** | **198** | **655** | **5,279** |

| **2023** | Directors' fees RMB'000 | Salaries, allowances and benefits in kind RMB'000 | Discretionary bonuses RMB'000 | Retirement scheme contributions RMB'000 | Share-based payment RMB'000 (Note 27) | Total RMB'000 |
|---|---|---|---|---|---|---|
| **Executive directors** | | | | | | |
| Li Zhijiang (chairman) | – | 814 | 210 | 63 | – | 1,087 |
| Zhang Bin | – | 193 | – | – | – | 193 |
| Zhang Chaoyang | – | 852 | 274 | 63 | – | 1,189 |
| Zhao Xiaohong | – | 858 | 267 | 63 | 385 | 1,573 |
| **Non-executive director** | | | | | | |
| Wang David Guowei* | – | – | – | – | – | – |
| **Independent Non-executive directors** | | | | | | |
| Li Shu Wing David | 178 | – | – | – | – | 178 |
| Kong Chi Mo | 178 | – | – | – | – | 178 |
| Wang Eric (retired on 18 June 2024) | 182 | – | – | – | – | 182 |
| | 538 | 2,717 | 751 | 189 | 385 | 4,580 |

* Dr. Wang David Guowei waived 100% of the emoluments under voluntary reduction arrangement due to personal reason.

## 10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, 1 (2023: 1) is director whose emoluments is disclosed in note 9. The aggregate of the emoluments in respect of the other 4 (2023: 4) individuals respectively, are as follows:

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| Salaries and other emoluments | **3,996** | 4,848 |
| Discretionary bonuses | **1,178** | 853 |
| Equity settled share-based transactions | **1,594** | 465 |
| Retirement scheme contributions | **362** | 406 |
| | **7,130** | 6,572 |

The emoluments of the 4 (2023: 4) individuals with the highest emoluments are within the following bands:

| | 2024 | 2023 |
|---|---|---|
| HK$ | | |
| Nil – 1,000,000 | **Nil** | Nil |
| 1,000,001 – 1,500,000 | **Nil** | 1 |
| 1,500,001 – 2,000,000 | **2** | 2 |
| 2,000,001 – 2,500,000 | **2** | 1 |

## 11 EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB273,926,000 (2023: RMB182,104,000) and the weighted average number of issued ordinary shares of 1,115,890,585 (31 December 2023: 1,113,122,158 shares) during the year, calculated as follows:

**Weighted average number of ordinary shares**

| | 2024 | 2023 |
|---|---|---|
| Issued ordinary shares at 1 January | **1,121,896,437** | 1,115,750,000 |
| Effect of issue of shares under the Company's share option scheme (note 27) | **368,750** | 3,796,559 |
| Effect of shares held for share award scheme (note 30(c)(iv)) | **(6,374,602)** | (6,424,401) |
| Weighted average number of ordinary shares at 31 December | **1,115,890,585** | 1,113,122,158 |

## 11 EARNINGS PER SHARE *(Continued)*

### (b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB273,926,000 (2023: RMB182,104,000) and the weighted average number of issued ordinary shares of 1,118,670,467 (31 December 2023: 1,119,189,095 shares) after adjusting the effects of dilutive potential ordinary shares during the year, as follows:

**Weighted average number of ordinary shares (diluted)**

| | 2024 | 2023 |
|---|---|---|
| Weighted average number of ordinary shares at 31 December | **1,115,890,585** | 1,113,122,158 |
| Effect of deemed issue of shares under the Company's equity settled share-based transactions (note 27) | **2,779,882** | 6,066,937 |
| Weighted average number of ordinary shares (diluted) at 31 December | **1,118,670,467** | 1,119,189,095 |

## 12 DIVIDENDS

### (a) Dividends payable to equity shareholders of the Company attributable to the year

| | 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|
| Final dividend proposed after the end of the reporting period of HK$7.2 cents per ordinary share (2023: HK$4.5 cents per ordinary share) | **75,000** | 45,750 |

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

### (b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

| | 2024 RMB'000 | 2023 RMB'000 |
|---|---|---|
| Final dividend in respect of the previous financial year, approved and paid during the year, of HK$4.5 cents per ordinary share (2023: HK$6.0 cents per ordinary share) | **46,103** | 61,509 |

## 13 PROPERTY, PLANT AND EQUIPMENT

### (a) Reconciliation of carrying amount

| | Properties and buildings RMB'000 | Leasehold properties and improvements RMB'000 | Plant and machinery RMB'000 | Office equipment and furniture and others RMB'000 | Land use rights RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| **Cost:** | | | | | | | |
| At 1 January 2023 | 139,325 | 82,515 | 332,368 | 21,622 | 72,718 | 19,482 | 668,030 |
| Additions | – | 6,876 | 63,530 | 2,767 | – | 141,448 | 214,621 |
| Transfer from construction in progress | – | – | 15,676 | – | – | (15,676) | – |
| Disposals | – | (1,446) | (2,740) | (1,347) | – | – | (5,533) |
| Exchange adjustments | – | 902 | 2,795 | 239 | – | – | 3,936 |
| At 31 December 2023 and 1 January 2024 | 139,325 | 88,847 | 411,629 | 23,281 | 72,718 | 145,254 | 881,054 |
| Additions | 8,000 | 11,633 | 39,129 | 5,611 | – | 125,800 | 190,173 |
| Disposals | – | (9,769) | (46,979) | (275) | – | – | (57,023) |
| Lease modification | – | (3,380) | – | – | – | – | (3,380) |
| Exchange adjustments | – | 49 | 125 | 16 | – | – | 190 |
| At 31 December 2024 | 147,325 | 87,380 | 403,904 | 28,633 | 72,718 | 271,054 | 1,011,014 |
| **Accumulated depreciation** | | | | | | | |
| At 1 January 2023 | (23,348) | (40,991) | (148,833) | (15,379) | (3,850) | – | (232,401) |
| Charged for the year | (6,581) | (16,437) | (47,345) | (3,151) | (2,994) | – | (76,508) |
| Written back on disposals | – | 1,446 | 2,264 | 1,337 | – | – | 5,047 |
| Exchange adjustments | – | (268) | (1,778) | (176) | – | – | (2,222) |
| At 31 December 2023 and 1 January 2024 | (29,929) | (56,250) | (195,692) | (17,369) | (6,844) | – | (306,084) |
| Charged for the year | (7,084) | (16,605) | (46,501) | (2,383) | (2,994) | – | (75,567) |
| Written back on disposals | – | 9,762 | 44,337 | 261 | – | – | 54,360 |
| Exchange adjustments | – | (6) | (93) | (8) | – | – | (107) |
| At 31 December 2024 | (37,013) | (63,099) | (197,949) | (19,499) | (9,838) | – | (327,398) |
| **Net book value** | | | | | | | |
| At 31 December 2024 | 110,312 | 24,281 | 205,955 | 9,134 | 62,880 | 271,054 | 683,616 |
| At 31 December 2023 | 109,396 | 32,597 | 215,937 | 5,912 | 65,874 | 145,254 | 574,970 |

Included in the properties and buildings are properties held for own use situated on long-term leasehold land and located in the PRC.

Construction in progress comprises costs incurred on property, plant and equipment not yet completed at the end of each year.

## 13 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

### (b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

| | Notes | **31 December 2024 RMB'000** | 31 December 2023 RMB'000 |
|---|---|---|---|
| Land use rights | (i) | **62,880** | 65,874 |
| Leasehold properties | (ii) | **20,459** | 28,831 |
| | | **83,339** | 94,705 |

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

| | **2024 RMB'000** | 2023 RMB'000 |
|---|---|---|
| Depreciation charge of right-of-use assets by class of underlying asset: | | |
| Leasehold properties | **14,869** | 14,588 |
| Land use rights | **2,994** | 2,994 |
| Others | **–** | 431 |
| | **17,863** | 18,013 |
| Interests on lease liabilities | **923** | 1,287 |
| Expenses relating to short-term leases | **1,312** | 2,055 |

During the year, additions to leasehold properties under new tenancy agreements of the different subsidiaries in the Group were RMB10,089,000 (2023: RMB4,936,000), and there is no additions to land use rights (2023: nil).

**(i) Land use rights**

The Group holds the land use rights with a lease term of 20 to 50 years. Lump sum payments were made upfront to lease the land use rights from the government and there are no ongoing payments to be made under the terms of the land lease.

**(ii) Leasehold properties**

The Group has obtained the right to use leasehold properties as its factories and offices through tenancy agreements. The leases typically run for an initial period of 2 to 5 years (2023: 2 to 5 years).

Some leases include an option to renew the lease when all terms are renegotiated. None of the lease includes variable lease payment terms.

## 14 INTANGIBLE ASSETS

| | Software<br>RMB'000 | Patents and products licenses<br>RMB'000 | Technical know-how<br>RMB'000 | Brand name<br>RMB'000 | Total<br>RMB'000 |
|---|---|---|---|---|---|
| **Cost:** | | | | | |
| At 1 January 2023 | 18,842 | 37,996 | 53,872 | 25,737 | 136,447 |
| Additions | 2,366 | 13,814 | – | – | 16,180 |
| Exchange adjustments | 350 | 237 | 1,252 | 615 | 2,454 |
| At 31 December 2023 and 1 January 2024 | 21,558 | 52,047 | 55,124 | 26,352 | 155,081 |
| Additions | 347 | 15,850 | – | – | 16,197 |
| Exchange adjustments | (37) | (24) | (124) | (62) | (247) |
| At 31 December 2024 | 21,868 | 67,873 | 55,000 | 26,290 | 171,031 |
| **Accumulated amortisation** | | | | | |
| At 1 January 2023 | (12,453) | (13,319) | (16,919) | (8,481) | (51,172) |
| Charged for the year | (2,046) | (4,277) | (5,497) | (2,611) | (14,431) |
| Exchange adjustments | (317) | (213) | (655) | (327) | (1,512) |
| At 31 December 2023 and 1 January 2024 | (14,816) | (17,809) | (23,071) | (11,419) | (67,115) |
| Charged for the year | (1,560) | (11,007) | (5,559) | (2,641) | (20,767) |
| Exchange adjustments | 37 | 23 | 89 | 40 | 189 |
| At 31 December 2024 | (16,339) | (28,793) | (28,541) | (14,020) | (87,693) |
| **Net book value** | | | | | |
| At 31 December 2024 | 5,529 | 39,080 | 26,459 | 12,270 | 83,338 |
| At 31 December 2023 | 6,742 | 34,238 | 32,053 | 14,933 | 87,966 |

The amortisation charge is included in "General and administrative expenses" and "Research and development expenses" in the consolidated statement of profit or loss and other comprehensive income.

## 15 GOODWILL

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| Goodwill | **113,411** | 113,411 |

### Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generation units ("CGU") identified according to operating segment as follow:

| | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|---|---|
| Libeier | **113,411** | 113,411 |

Management engaged an independent valuer to assess the recoverable amounts of the CGUs, which is the higher of fair value less costs of disposal calculation and value-in-use ("VIU") calculation. VIU is determined using cash flow projections based on financial budgets approved by management with the final year representing a steady state in the development of the business.

The key assumptions for the VIU are as follows, which are based on either the past experience or external sources of information:

| | At 31 December 2024<br>Libeier | At 31 December 2023<br>Libeier |
|---|---|---|
| Annualised revenue growth rate during the budget period | **-0.8% – 5%** | 0% – 9% |
| Steady growth rate used in the extrapolation after budget period | **2.0%** | 2.2% |
| Pre-tax discount rate | **17.3%** | 18.9% |

The recoverable amount of the CGU of Libeier is estimated to exceed the carrying amount of the CGU at 31 December 2024 by RMB41,620,000 (31 December 2023: RMB51,501,000). Any reasonably possible change in the assumptions used in the calculation of recoverable amount would not result in impairment loss.

(Expressed in RMB unless otherwise indicated)

## 16 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

| Name of company* | Place and date of incorporation/ establishment | Particulars of issued and paid up capital | Percentage of equity attributable to Company: Group's effective interest | Held by the Company | Held by subsidiaries | Principal activities |
|---|---|---|---|---|---|---|
| AK Medical Investment Limited (**"AK Medical BVI"**) | British Virgin Islands 21/07/2015 | United States Dollars ("US$") US$50,000 | 100% | 100% | – | Investing holding company |
| Bright AK HK | Hong Kong 07/07/2015 | HK$10,000 | 100% | – | 100% | Investing holding company |
| AK Medical HK | Hong Kong 28/07/2015 | HK$1 | 100% | – | 100% | Investing holding company |
| AK Medical Beijing 北京愛康宜誠醫療器材有限公司 | The PRC 08/05/2003 | RMB100,000,000 | 100% | – | 100% | Design, develop, produce and market orthopedic joint implants and related products |
| Beijing XMKS Medical Co., Ltd. (**"AK Medical XMKS"**) 北京西麥克斯醫療器械有限公司 | The PRC 24/07/2007 | RMB500,000 | 100% | – | 100% | Sales of orthopedic joint implants products |
| ITI Medical 天衍醫療器材有限公司 | The PRC 28/03/2016 | US$13,200,000 | 100% | – | 100% | Produce and market orthopedic joint implants and related products |
| JRI Orthopaedics Limited | The United Kingdom 06/04/1970 | GBP100,000 | 100% | – | 100% | Design, develop, produce and market orthopedic joint implants and related products |
| Libeier 北京理貝爾生物工程研究所有限公司 | The PRC 15/07/1996 | RMB30,000,000 | 100% | – | 100% | Design, manufacture and supply spinal and trauma implants and related products |

* The nature of all the legal entities established in the PRC are limited liability companies.

## 17 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

| | As at 31 December | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| Raw materials | **119,565** | 133,998 |
| Work in progress | **72,019** | 72,882 |
| Finished goods | **297,084** | 388,634 |
| | **488,668** | 595,514 |

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

| | **2024** | 2023 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Carrying amount of inventories sold | **531,666** | 419,759 |
| Write down/(reversal) of inventories | **6,518** | (383) |
| Cost of inventories directly recognised as research and development expenses | **13,372** | 15,939 |
| | **551,556** | 435,315 |

## 18 BILLS RECEIVABLE/TRADE RECEIVABLES

| | **31 December** | 31 December |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| Bills receivable | **81,858** | 78,777 |
| Trade receivables | **561,392** | 496,393 |
| Less: allowance for credit loss | **(66,572)** | (44,992) |
| | **494,820** | 451,401 |

As at 31 December 2024, approximately RMB22,907,000 (31 December 2023: RMB18,771,000) of bills receivable was pledged for bills payable.

## 18 BILLS RECEIVABLE/TRADE RECEIVABLES *(Continued)*

### Ageing analysis

Bills receivable are bank acceptance bill received from customers, with expiration dates within 12 months.

As at 31 December 2024, the ageing analysis of trade receivables based on the invoice date (or date of revenue recognition, if earlier) and net of allowance for credit loss, is as follows:

| | As at 31 December | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| Current to 3 months | **315,041** | 188,537 |
| 4 to 6 months | **57,641** | 139,093 |
| 7 to 12 months | **65,512** | 82,478 |
| Over 12 months | **56,626** | 41,293 |
| | **494,820** | 451,401 |

The credit terms agreed with customers were normally ranged from 1 month to 1 year (2023: 1 month to 1 year) from the date of billing. No interest is charged on the trade receivables. Further details on the Group's credit policy are set out in note 31(a).

## 19 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

| | **31 December 2024 RMB'000** | 31 December 2023 RMB'000 |
|---|---|---|
| Prepayments to suppliers | **12,923** | 18,022 |
| Refund assets (note 24(i)) | **10,194** | 8,250 |
| Deposits | **2,499** | 2,876 |
| VAT recoverable | **41,187** | 46,453 |
| Others | **13,714** | 11,606 |
| | **80,517** | 87,207 |

The above deposits, prepayments and other receivables do not contain impaired assets and expected to be settled within one year.

## 20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

### (a) Cash and cash equivalents comprise:

| | As at 31 December | |
|---|---|---|
| | **2024** **RMB'000** | 2023 RMB'000 |
| Cash at bank | **352,170** | 331,211 |
| Cash on hand | **3** | 6 |
| Cash and cash equivalents in the consolidated statement of financial position and consolidated cash flow statement | **352,173** | 331,217 |

As at 31 December 2024, cash and cash equivalents of the Group held in bank in the PRC amounted to RMB267,671,000 (31 December 2023: RMB247,636,000). The remittance of funds out of the PRC is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

### (b) Reconciliation of liabilities arising from financing activities

| | **Bank loans and other borrowings** RMB'000 | **Lease liabilities** RMB'000 | **Total** RMB'000 |
|---|---|---|---|
| At 1 January 2023 | – | 38,781 | 38,781 |
| Proceeds from bank loans | 58,800 | – | 58,800 |
| Repayments of bank loans | (5,258) | – | (5,258) |
| Capital element of lease rentals paid | – | (13,167) | (13,167) |
| Interest element of lease rentals paid | – | (1,287) | (1,287) |
| Borrowing costs paid | (533) | – | (533) |
| Total changes from financing cash flows | 53,009 | (14,454) | 38,555 |
| Other changes: | | | |
| Increase in lease liabilities from entering into new leases during the period | – | 4,936 | 4,936 |
| Interest expenses | – | 1,287 | 1,287 |
| Capitalised borrowing costs | 644 | – | 644 |
| At 31 December 2023 and 1 January 2024 | 53,653 | 30,550 | 84,203 |
| Proceeds from bank loans | 49,700 | – | 49,700 |
| Repayments of bank loans | (25,334) | – | (25,334) |
| Capital element of lease rentals paid | – | (15,985) | (15,985) |
| Interest element of lease rentals paid | – | (923) | (923) |
| Borrowing costs paid | (1,728) | – | (1,728) |
| Total changes from financing cash flows | 22,638 | (16,908) | 5,730 |
| Other changes: | | | |
| Increase in lease liabilities from entering into new leases during the period | – | 10,090 | 10,090 |
| Lease modification | – | (3,380) | (3,380) |
| Interest expenses | – | 923 | 923 |
| Capitalised borrowing costs | 1,823 | – | 1,823 |
| At 31 December 2024 | 78,114 | 21,275 | 99,389 |

## 20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(Continued)*

### (c) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

| | **2024** **RMB'000** | 2023 RMB'000 |
|---|---|---|
| Within operating cash flows | **1,312** | 2,055 |
| Within financing cash flows | **16,908** | 14,454 |
| | **18,220** | 16,509 |

## 21 TIME DEPOSITS

| | **31 December 2024** **RMB'000** | 31 December 2023 RMB'000 |
|---|---|---|
| Non-current assets | | |
| Time deposits | | |
| – Unpledged time deposits | **10,041** | – |
| – Pledged deposits | **196,260** | 184,601 |
| | **206,301** | 184,601 |
| Current assets | | |
| Time deposits | | |
| – Unpledged time deposits | **56,770** | 30,033 |
| – Pledged deposits | **8,014** | 5,212 |
| | **64,784** | 35,245 |
| | **271,085** | 219,846 |

As of 31 December 2024, the Group had pledged deposits of US$27,302,000 (approximately RMB196,260,000) for standby letters of credit (31 December 2023: US$25,993,000, (approximately RMB184,101,000)).

## 22 TRADE PAYABLES

As at 31 December 2024, the ageing analysis of trade payables, based on the invoice date, is as follows:

| | As at 31 December | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| Within 3 months | **70,926** | 104,965 |
| 4 to 6 months | **29,527** | 29,662 |
| 7 to 12 months | **12,990** | 12,708 |
| 1 year to 2 years | **5,490** | 3,506 |
| Over 2 years | **3,167** | 610 |
| | **122,100** | 151,451 |

All trade payables are expected to be settled within one year.

## 23 CONTRACT LIABILITIES

| | | **31 December 2024** | 31 December 2023 |
|---|---|---|---|
| | Notes | **RMB'000** | RMB'000 |
| Advance and deposit from customers | (i) | **60,375** | 38,672 |
| Sales rebates | (ii) | **42,530** | 46,627 |
| | | **102,905** | 85,299 |

### (i) Advance and deposit from customers

Advance and deposit from customers primarily represent advances made by customers for purchases of products. The Group normally requires certain customers to pay 30% – 100% deposits upfront.

### (ii) Sales rebates

Sales rebates represents rebates granted to the customers the right to redeem the rebates through purchase of the Group's products at a discount in the future. Under the Group's loyalty programme, the sales rebates granted give the customer the right to purchase the Group's products at a discount in the future. The amount of this contract liability is based on the stand-alone selling price of goods delivered and undelivered, and takes into account the amount of rebates granted to customers that have not been redeemed and the expected forfeiture rate.

RMB35,017,611 has been recognised as revenue in 2024 that was included in the contract liabilities at the beginning of the year (2023: RMB19,742,000).

## 24 ACCRUALS AND OTHER PAYABLES

| | Note | 31 December 2024 RMB'000 | 31 December 2023 RMB'000 |
|---|---|---|---|
| Payables to contractors and equipment suppliers | | **58,053** | 37,242 |
| Accrued charges | | **49,579** | 36,270 |
| Salary and welfare payable | | **34,754** | 32,298 |
| Deposits | | **34,242** | 30,274 |
| Refund liabilities | (i) | **22,264** | 17,621 |
| Other taxes payable | | **9,132** | 5,934 |
| Others | | **36,016** | 25,085 |
| | | **244,040** | 184,724 |

(i) Refund liabilities and refund assets

The Group historically accepted certain returns from distributors of orthopaedic joint implants. A return liability relating to sales with a right of return in practice was recognised based on historical sales return data associated with similar products. A refund asset was recognised accordingly for a right to recover products from distributors on settling the refund liability.

All of the above balances are expected to be settled within one year.

## 25 BANK LOANS

(a) The analysis of the repayment schedule of bank loans is as follows:

| | 31 December 2024 RMB'000 | 31 December 2023 RMB'000 |
|---|---|---|
| Within 1 year or on demand | **60,447** | 21,394 |
| After 1 year but within 2 years | **17,667** | 21,745 |
| After 2 years but within 5 years | **–** | 10,514 |
| | **17,667** | 32,259 |
| | **78,114** | 53,653 |

## 25 BANK LOANS *(Continued)*

### (b) Assets pledged as security for bank loans

At 31 December 2024, the bank loans were secured as follows:

| | 31 December 2024 RMB'000 | 31 December 2023 RMB'000 |
|---|---|---|
| Secured bank loans | 48,374 | 53,653 |
| Unsecured bank loans | 29,740 | – |
| | 78,114 | 53,653 |

As at 31 December 2024, the Group had secured bank loans of RMB48,374,000 (31 December 2023: RMB53,653,000), and these bank loans were secured by the Group's non-current pledged deposits of US$27,302,000 (approximately RMB196,260,000) (31 December 2023: US$25,993,000 (approximately RMB184,101,000)).

## 26 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods:

| | At 31 December | |
|---|---|---|
| | 2024 RMB'000 | 2023 RMB'000 |
| Within 1 year | 12,123 | 14,239 |
| After 1 year but within 2 years | 5,862 | 10,678 |
| After 2 years but within 5 years | 3,290 | 5,633 |
| | 9,152 | 16,311 |
| | 21,275 | 30,550 |

## 27 EQUITY SETTLED SHARE-BASED TRANSACTIONS

### (a) Share option scheme adopted on 17 November 2017

The Company has a share option scheme which was adopted on 17 November 2017 whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including full-time employees, executives or officers of any company in the Group, to take up share options to subscribe for shares of the Company.

The exercise price payable by a participant upon the exercise of an option will be HK$1.34. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

#### *(i) The terms and conditions of the grants are as follows:*

| | Number of instruments | Contractual life of options |
|---|---|---|
| Options granted to a director: | | |
| – on 17 November 2017 | 4,000,000 | 10 years |
| Options granted to employees: | | |
| – on 17 November 2017 | 32,000,000 | 10 years |
| Total share options granted | 36,000,000 | |

Options granted will become exercisable in four equal batches upon the satisfaction of certain performance targets in a financial year. The exercisable period will begin from the first business day after 1 May of the immediately following year, until 16 November 2027. Initially, the management required any shares obtained from the exercise would be subject to claw-back if service conditions were not met. In 2019, the directors decided not to demand the grantee to return any entitlement or interest obtained from the exercise of the options granted if the grantee of share option terminates its service contract with the Company in the vesting period.

#### *(ii) The number and weighted average exercise prices of share options are as follows:*

| | **2024** Weighted average exercise price HK$ | **2024** Number of options '000 | 2023 Weighted average exercise price HK$ | 2023 Number of options '000 |
|---|---|---|---|---|
| Outstanding at the beginning of the year | **1.34** | **2,800** | 1.34 | 8,425 |
| Exercised during the year | **1.34** | **775** | 1.34 | 5,625 |
| Outstanding at the end of the year | **1.34** | **2,025** | 1.34 | 2,800 |
| Exercisable at the end of the year | **1.34** | **2,025** | 1.34 | 2,800 |

The options outstanding at 31 December 2024 had a weighted average remaining contractual life of 3 years (2023: 4 years).

(Expressed in RMB unless otherwise indicated)

## 27 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

### (a) Share option scheme adopted on 17 November 2017 *(Continued)*

#### *(iii) Fair value of share options and assumptions*

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

**Fair value of share options and assumptions**

| | |
|---|---|
| Fair value at measurement date | HK$0.7182 – HK$0.7592 |
| Share price | HK$1.48 |
| Exercise price | HK$1.34 |
| Expected volatility (expressed as weighted average volatility used in the modelling under binomial lattice model) | 42.94% |
| Option life (expressed as weighted average life used in the modelling under binomial lattice model) | 10 years |
| Expected dividends | 1.20% |
| Risk-free interest rate | 4.37% |

The expected volatility is based on the average historic volatility of the comparable companies (calculated based on the remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on average historical dividends of the comparable companies. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

### (b) Share option scheme adopted in March 2022 and April 2023 ("New Share Option")

In March 2022, 8,582,362 share options at a fair value of RMB19,930,000 were granted at a consideration of HK$1.00 for each grantee to employees of the Group under the Company's share option scheme. Each option gives the holder the right to subscribe for one ordinary share of the Company. These share options will vest in four batches and the grantees shall be entitled to exercise, on 31 March 2023 until 30 March 2032, if certain performance conditions are met. The exercise price is HK$4.66.

In April 2023, 1,699,036 share options at a fair value of RMB8,800,000 were granted at a consideration of HK$1.00 for each grantee to employees of the Group under the Company's share option scheme. Each option gives the holder the right to subscribe for one ordinary share of the Company. These share options will vest in four batches and the grantees shall be entitled to exercise, on 11 April 2024 until 11 April 2033, if certain performance conditions are met. The exercise price is HK$10.18.

(Expressed in RMB unless otherwise indicated)

## 27 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(b) Share option scheme adopted in March 2022 and April 2023 ("New Share Option") *(Continued)*

### *(i) The terms and conditions of the grants are as follows:*

| | Number of instruments | Contractual life of options |
|---|---|---|
| Options granted to a director: | | |
| – on 31 March 2022 | 660,304 | 10 years |
| – on 11 April 2023 | 139,620 | 10 years |
| Options granted to employees: | | |
| – on 31 March 2022 | 7,922,058 | 10 years |
| – on 11 April 2023 | 1,559,416 | 10 years |
| Total share options granted | 10,281,398 | |

The above share options are vested in instalments over an explicit vesting period of four years. Each instalment is accounted for as a separate share-based transaction. The contractual life of options is ten years.

### *(ii) The number and weighted average exercise prices of share options are as follows:*

| | **2024** | | 2023 | |
|---|---|---|---|---|
| | **Weighted average exercise price HK$** | **Number of options** | Weighted average exercise price HK$ | Number of options |
| Outstanding at the beginning of the year | **5.64** | **9,169,479** | 4.66 | 8,379,747 |
| Granted during the year | **–** | **–** | 10.18 | 1,699,036 |
| Exercised during the year | **4.66** | **–** | 4.66 | 521,437 |
| Forfeited during the year | **5.60** | **2,245,652** | 5.63 | 387,867 |
| Outstanding at the end of the year | **5.65** | **6,923,827** | 5.64 | 9,169,479 |
| Exercisable at the end of the year | **4.66** | **1,149,844** | 4.66 | 1,149,844 |

For the share option scheme adopted in March 2022, the options outstanding as of 31 December 2024 had a weighted average remaining contractual life of 8 years (2023: 9 years).

For the share option scheme adopted in April 2023, the options outstanding as of 31 December 2024 had a weighted average remaining contractual life of 9 years (2023: 10 years).

(Expressed in RMB unless otherwise indicated)

## 27 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

### (b) Share option scheme adopted in March 2022 and April 2023 ("New Share Option") *(Continued)*

#### *(iii) Fair value of share options and assumptions*

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

**Fair value of share options and assumptions**

| | **2023** | 2022 |
|---|---|---|
| Fair value at measurement date | **HK$4.9710 – HK$6.9325** | HK$2.1810 – HK$3.0340 |
| Share price | **HK$10.18** | HK$4.66 |
| Exercise price | **HK$10.18** | HK$4.66 |
| Expected volatility (expressed as weighted average volatility used in the modelling under binomial lattice model) | **71.53%** | 67.06% |
| Option life (expressed as weighted average life used in the modelling under binomial lattice model) | **10 years** | 10 years |
| Expected dividends | **0.59%** | 0.54% |
| Risk-free interest rate | **3.02%** | 2.06% |

The expected volatility is determined by the historical volatility of the Company. Expected dividend yield is based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

Share-based payment reserve will be transferred to reserve as and when such option are exercised or when they expire or be forfeited.

### (c) Shares held for share award scheme

On 8 December 2020, the Company adopted a share award scheme (the "Share Award Scheme"), to recognise and reward the contribution of certain eligible participants to the growth and development of the Group through an award of the Company's shares. The Share Award Scheme will be valid and effective for a period of 10 years commencing from 8 December 2020.

The Company's shares to be granted under the Share Award Scheme were purchased and held by a trustee. The maximum number of shares to be subscribed for and/or purchased by trustee for the purpose of the scheme shall not exceed 10% of the total number of issued shares as at the adoption date.

## 27 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

### (c) Shares held for share award scheme *(Continued)*

In March 2022, the Company granted 838,784 shares to the Group's executives and employees with a fair value of RMB3,106,000. The fair value of the employee services received in exchange for the grant of shares is recognised as staff costs in profit or loss with a corresponding increase in share-based payment reserve, which is measured based on the grant date share price of the Company, taking into account the discount due to the present value of dividends expected to be paid by 0.61% to 2.36%, where applicable. These shares will unlock in four batches and the grantees shall be vested with such shares on each of 31 March 2023, 2024, 2025 and 2026 for nil consideration if certain performance conditions are met.

In July 2024, the Company granted 1,706,959 shares to the Group's executives and employees with a fair value of RMB6,893,000. The fair value of the employee services received in exchange for the grant of shares is recognised as staff costs in profit or loss with a corresponding increase in share-based payment reserve, which is measured based on the grant date share price of the Company, taking into account the discount due to the present value of dividends expected to be paid by 4.33% to 4.80%, where applicable. These shares will unlock in two batches and the grantees shall be vested with such shares on each of 15 July 2025 and 2026 for nil consideration if certain performance conditions are met.

Set out below are details of the movements of the shares held for share award scheme:

| | **2024** | 2023 |
|---|---|---|
| Outstanding at the beginning of the year | **556,433** | 752,823 |
| Granted during the year | **1,706,959** | – |
| Unlocked during the year | **–** | (149,398) |
| Forfeited during the year | **(172,996)** | (46,992) |
| Outstanding at the end of the year | **2,090,396** | 556,433 |

## 28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### (a) Current taxation in the consolidated statement of financial position represents:

| | **2024 RMB'000** | 2023 RMB'000 |
|---|---|---|
| At 1 January | **17,596** | 22,773 |
| Provision for the year | **51,701** | 40,623 |
| (Over)/under-provision in respect of prior years | **(2,881)** | 268 |
| Provisional tax paid | **(41,616)** | (46,068) |
| At 31 December | **24,800** | 17,596 |

## 28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

(b) Deferred tax assets and liabilities recognised:

### *(i) Movement of each component of deferred tax assets and liabilities*

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

| Deferred tax arising from: | Sales rebate RMB'000 | Unrealised profits of intra-group transaction RMB'000 | Sales return RMB'000 | Provision for price discount RMB'000 | Tax losses RMB'000 | PRC dividend withholding tax (iv) RMB'000 | Fair value adjustment in respect of net assets acquired in business combinations RMB'000 | Right of use assets RMB'000 | Lease liabilities RMB'000 | Others RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| At 1 January 2023 | 1,844 | 17,810 | 1,436 | 6,713 | 32,181 | (36,558) | (10,853) | (8,195) | 8,231 | 14,800 | 27,409 |
| Credited/(charged) to profit or loss (note 8) | – | 10,054 | (29) | (2,339) | (14,655) | (5,013) | 4,742 | 3,201 | (3,183) | (900) | (8,122) |
| Exchange adjustments | – | – | – | – | – | – | (345) | – | – | 291 | (54) |
| At 31 December 2023 and 1 January 2024 | **1,844** | **27,864** | **1,407** | **4,374** | **17,526** | **(41,571)** | **(6,456)** | **(4,994)** | **5,048** | **14,191** | **19,233** |
| Credited/(charged) to profit or loss (note 8) | **548** | **(1,403)** | **405** | **(997)** | **(2,681)** | **(1,681)** | **1,191** | **1,533** | **(1,631)** | **7,640** | **2,924** |
| Exchange adjustments | **-** | **-** | **-** | **-** | **-** | **-** | **(19)** | **-** | **-** | **3** | **(16)** |
| At 31 December 2024 | **2,392** | **26,461** | **1,812** | **3,377** | **14,845** | **(43,252)** | **(5,284)** | **(3,461)** | **3,417** | **21,834** | **22,141** |

### *(ii) Reconciliation to the consolidated statement of financial position*

| | **2024 RMB'000** | 2023 RMB'000 |
|---|---|---|
| Net deferred tax asset recognised | **70,677** | 67,260 |
| Net deferred tax liability recognised | **(48,536)** | (48,027) |
| | **22,141** | 19,233 |

## 28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

(b) Deferred tax assets and liabilities recognised: *(Continued)*

### *(iii) Deferred tax assets not recognised*

In accordance with the accounting policy set out in note 2(p), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB43,469,000 (31 December 2023: RMB76,864,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

As at 31 December 2024, the certain subsidiaries of the Group located in PRC had unrecognised tax losses carried forward of RMB34,548,000 (31 December 2023: RMB28,531,000) as the management is of the view that it was not probable that such benefit of tax losses would be realised before they expire. The year of expiry of the tax losses unrecognised is as below:

| | **2024**<br>**RMB'000** | 2023<br>RMB'000 |
|---|---|---|
| Year of expiry of PRC entities | | |
| 2026 | **9,086** | 9,394 |
| 2027 | **10,683** | 10,683 |
| 2028 | **8,454** | 8,454 |
| 2029 | **6,325** | – |
| | **34,548** | 28,531 |

### *(iv) Deferred tax liabilities not recognised*

Pursuant to Enterprise Income Tax Law in the PRC and its related regulations, the Group is subject to withholding tax at 10% (unless reduced by tax treaties/arrangements) on dividends receivable from its PRC subsidiaries in respect of their profits generated and on distribution of statutory surplus reserve upon liquidation. As at 31 December 2024, temporary differences relating to the reserves of the Company's PRC subsidiaries amounted to RMB1,217,665,000 (2023: RMB1,051,535,000), comprised retained earnings of RMB1,146,828,000 (2023: RMB984,031,000) and statutory surplus reserve of RMB70,837,000 (2023: RMB67,504,000). The Company controls the dividend policy of these subsidiaries and it has been determined that at least 70% of profit for 2024 will not be distributable in the foreseeable future (2023: the retained earnings before 31 December 2023 and at least 70% of profit for 2023 will not be distributable). The Company has no plan to liquidate these subsidiaries in the foreseeable future. As a result, no deferred tax liability was recognised for the above mentioned temporary differences of profit of the Company's PRC subsidiaries.

## 29 DEFERRED INCOME

| | Government subsidies for research and development projects RMB'000 |
|---|---|
| **At 1 January 2023** | 13,331 |
| Additions | 1,055 |
| Government grant recognised as other income | (3,961) |
| **At 31 December 2023 and 1 January 2024** | **10,425** |
| Additions | **10,611** |
| Government grant recognised as other income | **(1,395)** |
| **At 31 December 2024** | **19,641** |

## 30 CAPITAL AND RESERVES

### (a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

**Company**

| | Note | Share capital RMB'000 | Share premium RMB'000 | Shares held for share award scheme RMB'000 | Capital reserve RMB'000 | Share-based payment reserve RMB'000 | Exchange reserve RMB'000 | Accumulated losses RMB'000 | Total equity RMB'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2023** | | 9,453 | 1,008,641 | (49,833) | 60,700 | 11,978 | 27,566 | (31,411) | 1,037,094 |
| Total comprehensive income for the year | | – | – | – | – | – | 15,524 | (4,209) | 11,315 |
| Equity settled share-based transactions | 27/30(c)(v) | – | – | – | – | 5,056 | – | – | 5,056 |
| Shares issued under share option scheme | 30(b)(i)/30(c)(v) | 55 | 13,860 | – | – | (4,982) | – | – | 8,933 |
| Unlock of restricted shares | 27(c)/30(c)(iv) | – | (93) | 1,141 | – | (1,048) | – | – | – |
| Dividends declared | 12 | – | (61,426) | – | – | – | – | – | (61,426) |
| **Balance at 31 December 2023 and 1 January 2024** | | **9,508** | **960,982** | **(48,692)** | **60,700** | **11,004** | **43,090** | **(35,620)** | **1,000,972** |
| Total comprehensive income for the year | | **-** | **-** | **-** | **-** | **-** | **21,252** | **34,314** | **55,566** |
| Equity settled share-based transactions | 27/30(c)(v) | **-** | **-** | **-** | **-** | **8,778** | **-** | **-** | **8,778** |
| Shares issued under share option scheme | 30(b)(i)/30(c)(v) | **7** | **5,538** | **-** | **-** | **(4,601)** | **-** | **-** | **944** |
| Dividends declared | 12 | **-** | **-** | **-** | **-** | **-** | **-** | **(45,991)** | **(45,991)** |
| **Balance at 31 December 2024** | | **9,515** | **966,520** | **(48,692)** | **60,700** | **15,181** | **64,342** | **(47,297)** | **1,020,269** |

## 30 CAPITAL AND RESERVES *(Continued)*

### (b) Share capital

| | Note | 2024 No. of shares | 2024 Amount RMB'000 | 2023 No. of shares | 2023 Amount RMB'000 |
|---|---|---|---|---|---|
| Authorised-ordinary shares of HK$0.01 each: | | | | | |
| At 1 January and 31 December | | **20,000,000,000** | **168,981** | 20,000,000,000 | 168,981 |
| Ordinary shares, issued and fully paid: | | | | | |
| At 1 January | | **1,121,896,437** | **9,508** | 1,115,750,000 | 9,453 |
| Shares issued under share option scheme | (i) | **775,000** | **7** | 6,146,437 | 55 |
| At 31 December | | **1,122,671,437** | **9,515** | 1,121,896,437 | 9,508 |

The holders of ordinary shares as at 31 December 2024 are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(i) In 2024, options were exercised to subscribe for 775,000 ordinary shares in the Company pursuant to the share option scheme (see note 27) at the consideration of RMB944,000, of which RMB7,000 was credited to share capital and RMB937,000 was credited to share premium. RMB4,601,000 was transferred to share premium from the share-based payment reserve in accordance with the policy set out in note 2(o)(ii).

In 2023, options were exercised to subscribe for 6,146,437 ordinary share in the Company pursuant to the share option scheme (see note 27) at the consideration of RMB8,933,000, of which RMB55,000 was credited to share capital and RMB8,878,000 was credited to share premium. RMB4,982,000 was transferred to share premium from the share-based payment reserve in accordance with the policy set out in note 2(o)(ii).

### (c) Reserves

#### *(i) Share premium*

Share premium represented the difference between the share capital and the amount of the net proceeds received from its shareholders of the Company.

#### *(ii) Capital reserve*

Capital reserve comprises contributions by the shareholders at the respective dates and balances arising from transactions with shareholders in their capacity as the equity shareholders.

## 30 CAPITAL AND RESERVES *(Continued)*

### (c) Reserves *(Continued)*

#### *(iii) Statutory reserve*

Retained profit of the Group contains statutory reserve of the PRC subsidiaries of RMB70,837,000 (2023: RMB67,504,000).

Pursuant to applicable PRC regulations, all PRC subsidiaries of the Group are required to appropriate 10% of their after-tax profit (after offsetting prior year losses) as determined in accordance with the PRC accounting rules and regulations, to the statutory reserve until such reserve reaches 50% of the registered capital of each relevant PRC subsidiary. The transfer to the statutory surplus reserve must be made before distribution of dividends to shareholders. The statutory reserve can be utilised upon approval by the relevant authorities, to offset accumulated losses or to increase capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

#### *(iv) Shares held for share award scheme*

The Company adopted a share award scheme as described in note 27. In 2021, the trustee purchased 6,524,000 shares of the Company on the open market at a total cost of RMB49,833,000. The trustee did not purchase any shares of the Company in 2023 and 2024.

In 2024, no restricted shares were unlocked.

In 2023, 149,398 restricted shares were unlocked, and the repurchase cost of related share repurchases amounted to RMB1,141,000, which was transferred into share premium from the shares held for share award scheme. Concurrently, RMB1,048,000 was transferred to the share premium from the share-based payment reserve accordance with the accounting policy.

#### *(v) Share-based payment reserve*

The Company adopted share option and a share award schemes to directors and employees as described in note 27. The Group recognises the grant-date fair value of the share options and shares ratably over the vesting period. Accordingly, a total amount of RMB8,778,000 (2023: RMB5,056,000) was charged as an equity settled share-based payment to profit or loss with a corresponding increase in share-based payment reserve for the year. Such share-based payment reserve will be transferred to share premium as and when such option are exercised, restricted shares unlocked.

#### *(vi) Exchange reserve*

The exchange reserve comprises exchange differences arising from the translation of the financial statements of foreign operation. The reserve is dealt with in accordance with accounting policies set out in note 2(s).

### (d) Capital management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders’ value in the long-term.

## 30 CAPITAL AND RESERVES *(Continued)*

### (d) Capital management *(Continued)*

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a gearing ratio. Gearing ratio represents the percentage of bank loans to total equity.

The Group's gearing ratio at 31 December 2024 and 2023 as follows:

| | Note | **31 December 2024 RMB'000** | 31 December 2023 RMB'000 |
|---|---|---|---|
| Bank loans | | | |
| Current | 25 | **60,447** | 21,394 |
| Non-current | 25 | **17,667** | 32,259 |
| Total bank loans | | **78,114** | 53,653 |
| Total equity | | **2,638,186** | 2,391,903 |
| **Gearing ratio** | | **3.0%** | 2.2% |

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

## 31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

### (a) Credit risk

The Group's credit risk is primarily attributable to cash and cash equivalents, trade receivables and other receivables. The director has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group's cash and cash equivalents are held with banks, which have sound reputation.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group normally requires certain customers to pay 30% – 100% deposits upfront and the remaining trade receivables are normally due within 1 month to 1 year (2023: 1 month to 1 year) from the date of billing. Commercial customers with past due balances are requested to settle all outstanding balances before any further credit is granted. Balances from hospitals customers are settled within the period set by the hospitals' payment policy, within 3 to 12 months. The Group does not obtain collateral from customers.

All bills receivable as at the end of each year are bank acceptance bills with the aging of less than 12 months.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 December 2024: 6.0% (2023: 2.4%) of the total trade receivables was due from the Group's largest customer in 2024, and 19.3% (2023: 16.1%) was due from the five largest customers in 2024.

The maximum exposure to credit risk is represented by the carrying amount of each financial assets in the consolidated statement of financial position. The Group does not provide any other guarantees which would expose the Group or the Company to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables and deposits, prepayments and other receivables are set out in notes 18 and 19.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix according to different segments.

## 31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

### (a) Credit risk *(Continued)*

The following table provides information about the Group's PRC subsidiaries exposure to credit risk and ECLs for trade receivables as at 31 December 2024:

| | **2024** | | |
|---|---|---|---|
| | **Expected loss rate %** | **Gross carrying amount RMB'000** | **Loss allowance RMB'000** |
| Current | **1%** | **79,889** | **(799)** |
| 1 – 3 months past due | **5%** | **237,217** | **(11,862)** |
| 4 – 6 months past due | **5%** | **60,268** | **(3,013)** |
| 7 – 12 months past due | **5%** | **69,284** | **(3,464)** |
| 1 – 2 years past due | **27%** | **60,251** | **(16,505)** |
| 2 – 3 years past due | **98%** | **22,221** | **(21,676)** |
| More than 3 years past due | **100%** | **9,126** | **(9,126)** |
| | | **538,256** | **(66,445)** |

| | 2023 | | |
|---|---|---|---|
| | Expected loss rate % | Gross carrying amount RMB'000 | Loss allowance RMB'000 |
| Current | 1% | 33,435 | (334) |
| 1 – 3 months past due | 5% | 158,134 | (7,907) |
| 4 – 6 months past due | 5% | 141,899 | (7,095) |
| 7 – 12 months past due | 5% | 84,954 | (4,247) |
| 1 – 2 years past due | 20% | 35,345 | (7,069) |
| 2 – 3 years past due | 94% | 12,873 | (12,083) |
| More than 3 years past due | 100% | 6,076 | (6,076) |
| | | 472,716 | (44,811) |

## 31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

### (a) Credit risk *(Continued)*

The following table provides information about the Group's UK subsidiaries exposure to credit risk and ECLs for trade receivables as at 31 December 2024:

| | **2024** | | |
|---|---|---|---|
| | **Expected loss rate %** | **Gross carrying amount RMB'000** | **Loss allowance RMB'000** |
| 1 – 6 months past due | **1%** | **23,136** | **(127)** |

| | 2023 | | |
|---|---|---|---|
| | Expected loss rate % | Gross carrying amount RMB'000 | Loss allowance RMB'000 |
| 1 – 6 months past due | 1% | 23,677 | (181) |

Expected loss rates are based on historical loss experience. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

| | **2024 RMB'000** | 2023 RMB'000 |
|---|---|---|
| Balance at 1 January | **44,992** | 31,294 |
| Credit losses recognised during the year | **21,580** | 13,698 |
| Balance at 31 December | **66,572** | 44,992 |

## 31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

### (b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses, participation in supplier finance arrangements with banks and the raising of loans to cover expected cash demands, subject to approval by management and directors when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the respective end of the year of our financial liability, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay:

| | **2024 Contractual undiscounted cash outflow** | | | | |
|---|---|---|---|---|---|
| | **Within 1 year or on demand RMB'000** | **More than 1 year but less than 2 years RMB'000** | **More than 2 years but less than 5 years RMB'000** | **Total RMB'000** | **Carrying amount RMB'000** |
| As at 31 December 2024 | | | | | |
| Bank loans | **62,020** | **17,867** | **–** | **79,887** | **78,114** |
| Lease liabilities | **12,697** | **6,237** | **3,336** | **22,270** | **21,275** |
| Trade payables | **122,100** | **–** | **–** | **122,100** | **122,100** |
| Bills payable | **30,001** | **–** | **–** | **30,001** | **30,001** |
| Accruals and other payables | **244,040** | **4,836** | **1,370** | **250,246** | **249,840** |
| Total | **470,858** | **28,940** | **4,706** | **504,504** | **501,330** |

| | 2023 Contractual undiscounted cash outflow | | | | |
|---|---|---|---|---|---|
| | Within 1 year or on demand RMB'000 | More than 1 year but less than 2 years RMB'000 | More than 2 years but less than 5 years RMB'000 | Total RMB'000 | Carrying amount RMB'000 |
| As at 31 December 2023 | | | | | |
| Bank loans | 21,394 | 22,700 | 10,610 | 54,704 | 53,653 |
| Lease liabilities | 15,713 | 10,945 | 5,790 | 32,448 | 30,550 |
| Trade payables | 151,451 | – | – | 151,451 | 151,451 |
| Bills payable | 23,470 | – | – | 23,470 | 23,470 |
| Accruals and other payables | 184,724 | 3,200 | 2,900 | 190,824 | 190,650 |
| Total | 396,752 | 36,845 | 19,300 | 452,897 | 449,774 |

## 31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

### (c) Interest rate risk

The Group consistently monitors the current and potential fluctuation of interest rates in managing the interest rate risk on a reasonable level. As at 31 December 2024, the Group had interest-bearing bank loans at fixed rates as RMB78,114,000 (31 December 2023: RMB53,653,000), and had RMB271,085,000 (31 December 2023: RMB219,846,000) of time deposits, which were at fixed rate and expose the Group to fair value interest rate risk. The Group determines the amount of its fixed rate bank loans depending on the prevailing market condition.

The Group had RMB352,170,000 (31 December 2023: RMB331,211,000) of cash at bank, which were at variable rate and expose the Group to cash flow interest rate risk.

Management does not expect fair value interest rate risk and cash flow interest rate risk to be high as the interest involved will not be significant.

### (d) Currency risk

The Group mainly operates in the PRC and is exposed to foreign currency risk, primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e., a currency other than the functional currency of the operations to which the transaction relate. The currencies giving rise to this risk is primarily US$.

The following table details the Group's major exposure as at the end of the reporting period to currency risk arising from assets and liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purpose, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date.

| | **Exposure to foreign currencies (expressed in RMB) As at 31 December 2024** | | |
|---|---|---|---|
| | **HK$ RMB'000** | **US$ RMB'000** | **EUR RMB'000** |
| Cash and cash equivalents | **1,374** | **83,731** | **–** |
| Trade receivables | **–** | **46,128** | **109** |
| | **1,374** | **129,859** | **109** |

| | Exposure to foreign currencies (expressed in RMB) As at 31 December 2023 | | |
|---|---|---|---|
| | HK$ RMB'000 | US$ RMB'000 | EUR RMB'000 |
| Cash and cash equivalents | 1,055 | 27,128 | – |
| Trade receivables | – | 43,826 | 23 |
| Trade payables | – | – | (81) |
| | 1,055 | 70,954 | (58) |

# 31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

## (d) Currency risk *(Continued)*

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

| | **2024** | | 2023 | |
|---|---|---|---|---|
| | **Increase/ (decrease) in foreign exchange rates** | **Effect on profit after tax and retained profits** | Increase/ (decrease) in foreign exchange rates | Effect on profit after tax and retained profits |
| | **%** | **RMB'000** | % | RMB'000 |
| United States Dollars | **5%** | **5,698** | 5% | 3,216 |
| | **(5)%** | **(5,698)** | (5)% | (3,216) |
| Hong Kong Dollars | **5%** | **98** | 5% | 44 |
| | **(5)%** | **(98)** | (5)% | (44) |
| Euros | **5%** | **6** | 5% | (2) |
| | **(5)%** | **(6)** | (5)% | 2 |

## (e) Fair value measurement

Financial instruments are carried at fair value within a fair value hierarchy that categorises, into three levels, inputs to valuation technique as used to measure the fair value. The three different levels are as follows:

– level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

– level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

– level 3: Unobservable inputs for the asset or liability.

## 31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

### (e) Fair value measurement *(Continued)*

| | Notes | Fair value measurements as at 31 December 2024 categorised into | | | |
|---|---|---|---|---|---|
| | | **Fair value at 31/12/2024 RMB'000** | **Level 1 RMB'000** | **Level 2 RMB'000** | **Level 3 RMB'000** |
| **Recurring fair value measurement** | | | | | |
| Financial assets: | | | | | |
| Other financial assets – investments in wealth management products at FVPL | (i) | **610,697** | **–** | **610,697** | **–** |
| Other financial assets – investments in unlisted equity instrument at FVPL | (ii) | **4,538** | **–** | **–** | **4,538** |
| | | **615,235** | **–** | **610,697** | **4,538** |

| | Notes | Fair value measurements as at 31 December 2023 categorised into | | | |
|---|---|---|---|---|---|
| | | Fair value at 31/12/2023 RMB'000 | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 |
| **Recurring fair value measurement** | | | | | |
| Financial assets: | | | | | |
| Other financial assets – investments in wealth management products at FVPL | (i) | 390,935 | – | 390,935 | – |
| Other financial assets – investments in unlisted equity instrument at FVPL | (ii) | 4,520 | – | – | 4,520 |
| | | 395,455 | – | 390,935 | 4,520 |

During the years ended 31 December 2023 and 2024, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(i) Other financial assets of investments in wealth management products are measured at their fair values in the consolidated statement of financial position. The Group benchmarks the costs against fair values of comparable investments as of the end of each reporting period, and categorised all fair value measures of bank financial products as Level 2 of the fair value hierarchy because they are valued using directly or indirectly observable inputs in the market place.

(ii) The fair value of unlisted equity instruments is determined using the price/earning ratios of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability.

## 31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

### (e) Fair value measurement *(Continued)*

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

| | **2024**<br>**RMB'000** | 2023<br>RMB'000 |
|---|---|---|
| Unlisted equity securities | | |
| At 1 January | **4,520** | 4,197 |
| Changes in fair value recognised in profit or loss during the year | **(18)** | (14) |
| Foreign exchange gain | **36** | 337 |
| At 31 December | **4,538** | 4,520 |

## 32 COMMITMENTS

Capital commitments of the Group mainly in respect of construction in progress outstanding as at 31 December 2024 not provided for in this financial statements were as follows:

| | **2024**<br>**RMB'000** | 2023<br>RMB'000 |
|---|---|---|
| Contracted for | **101,409** | 133,157 |
| Authorised but not contracted for | **26,560** | 147,020 |
| | **127,969** | 280,177 |

## 33 MATERIAL RELATED PARTY TRANSACTIONS

### Key management personnel remuneration

In 2023 and 2024, transactions with the related parties are the remuneration for key management personnel of the Group. This including amounts paid to the Company's directors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10 is as follows:

| | **Year ended 31 December** | |
|---|---|---|
| | **2024**<br>**RMB'000** | 2023<br>RMB'000 |
| Salaries and other emoluments | **6,995** | 6,452 |
| Discretionary bonuses | **1,859** | 1,449 |
| Retirement scheme contributions | **493** | 482 |
| Equity settled share-based transactions | **2,681** | 1,563 |
| | **12,028** | 9,946 |

Total remuneration is included in "staff costs" (see note 6(a)).

## 34 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 26 March 2025, the directors proposed a final dividend. Further details are disclosed in note 12.

## 35 IMMEDIATE AND ULTIMATE CONTROLLING PARTIES

As at 31 December 2024, the directors consider the immediate parent to be Ximalaya Limited and the ultimate controlling party of the Group to be Mr. Li Zhijiang. Ximalaya Limited is incorporated in British Virgin Islands and does not produce financial statements available for public use.

## 36 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

### Statement of financial position

| | Note | **At 31 December 2024 RMB'000** | At 31 December 2023 RMB'000 |
|---|---|---|---|
| **Non-current asset** | | | |
| Investments in subsidiaries | | **1,037,275** | 1,009,272 |
| | | **1,037,275** | 1,009,272 |
| **Current assets** | | | |
| Other financial assets | | **4,538** | 4,520 |
| Cash and cash equivalents | | **48,859** | 55,336 |
| | | **53,397** | 59,856 |
| **Current liability** | | | |
| Accruals and other payables | | **70,403** | 68,156 |
| | | **70,403** | 68,156 |
| **Net current liabilities** | | **(17,006)** | (8,300) |
| **Total assets less current liability** | | **1,020,269** | 1,000,972 |
| **NET ASSETS** | | **1,020,269** | 1,000,972 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | 30(b) | **9,515** | 9,508 |
| Reserves | 30(c) | **1,010,754** | 991,464 |
| **TOTAL EQUITY** | | **1,020,269** | 1,000,972 |

(Expressed in RMB unless otherwise indicated)

## 37 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2024

Up to the date of issue of these financial statements, the IASB has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2024 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

| | Effective for years beginning on or after |
|---|---|
| Amendments to IAS 21, The effects of changes in foreign exchange rates – *Lack of exchangeability* | 1 January 2025 |
| Amendments to IFRS 9, *Financial instruments* and IFRS 7, *Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments* | 1 January 2026 |
| Annual improvements to IFRS Accounting Standards – Volume 11 | 1 January 2026 |
| IFRS 18, *Presentation and disclosure in financial statements* | 1 January 2027 |
| IFRS 19, *Subsidiaries without public accountability: disclosures* | 1 January 2027 |

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.