



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

2025

ANNUAL REPORT





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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

COMPANY SECRETARY

Ms. Ma Rongkun

AUTHORIZED REPRESENTATIVES

Ms. Zhang Bin

Ms. Ma Rongkun

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”)

Dr. Li Shu Wing David (*Chairman*)

(*appointed as chairman on 25 June 2025*)

Mr. Li Zhijiang

(*ceased to be chairman and member on 25 June 2025*)

Mr. Kong Chi Mo

Ms. Zhang Bin (*appointed on 25 June 2025*)

REGISTERED OFFICE

Conyers Trust Company (Cayman) Limited

Cricket Square

Hutchins Drive

PO Box 2681

Grand Cayman

KY1-1111

Cayman Islands

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AK Medical Industrial Park

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Changping District

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China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

AUDITOR

KPMG

Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance

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10 Chater Road, Central, Hong Kong

HONG KONG LEGAL ADVISER

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Cayman Islands

SHARE REGISTRAR IN HONG KONG

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17/F, Far East Finance Centre
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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 2025 (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		Variance %
	2025 RMB’000	2024 RMB’000	
Revenue	1,482,439	1,346,377	10.1%
Gross profit	897,395	808,193	11.0%
Profit for the year	339,094	273,926	23.8%
Profit for the year attributable to equity shareholders of the Company	339,094	273,926	23.8%
Earnings per share			
Basic	RMB0.304	RMB0.246	
Diluted	RMB0.303	RMB0.244	

For the year ended 31 December 2025, the Group recorded revenue of approximately RMB1,482.4 million, representing an increase of 10.1% as compared to the same period of 2024. In 2025, under accelerated import substitution driven by the volume-based procurement (the “**VBP**”) policy, the demand for the Company’s surgical products continued to grow. As the number of surgeries rose rapidly, supported by the digital orthopedics whole process solutions, the Company further expanded the coverage of its products in hospitals and the sales of products was also improved. Meanwhile, through active market expansion, the Company achieved significant growth in overseas revenue as well as in revenue from digital orthopedics customized products and services. The Group recorded a net profit of approximately 339.1 million for the year ended 31 December 2025, representing a significant increase of 23.8% as compared to the same period of 2024. The remarkable increase in profit was primarily attributable to revenue growth as well as the impact of improved gross profit margin driven by the increase in overseas revenue and revenue from digital orthopedics customized products and services.

FIVE YEARS' FINANCIAL SUMMARY

	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
Revenue	1,482,439	1,346,377	1,093,862	1,052,047	761,441
Profit for the year	339,094	273,926	182,104	204,772	92,619
Assets					
Non-current assets	962,781	1,157,343	1,028,208	709,135	670,913
Current assets	2,699,965	2,178,055	1,974,816	2,065,357	1,934,371
Total assets	3,662,746	3,335,398	3,003,024	2,774,492	2,605,284
Liabilities					
Current liabilities	657,942	596,416	498,173	436,384	489,435
Non-current liabilities	91,890	100,796	112,948	94,347	84,298
Total liabilities	749,832	697,212	611,121	530,731	573,733
Total equity	2,912,914	2,638,186	2,391,903	2,243,761	2,031,551

CHAIRMAN'S STATEMENT



Li Zhijiang
Chairman

Dear investors and friends,

On 11 November 2025, the General Office of the State Council issued the Implementation Opinions on Accelerating the Cultivation and Opening of Scenarios to Promote Large-Scale Application of New Scenarios (hereinafter referred to as the Opinions). The Opinions propose that in the healthcare sector, efforts should be made to promote the integrated application of big data and intelligent devices such as medical robots, and to innovate medical application scenarios including telemedicine. While continuously consolidating its leading position in the domestic implant market and driving high-quality growth in overseas operations, the Group steadfastly advanced its innovation-driven strategy. Since pioneering the introduction of a medical-engineering interactive digital platform in 2014, we have spent over a decade continuously refining and iterating the intelligent ecosystem of the iCOS Digital Orthopedic Customization Product and Service Platform (hereinafter referred to as the “iCOS Digital Orthopedic Platform”). This has accelerated the commercialization of orthopedic surgical robots, comprehensively built a “digital + intelligent” competitive advantage, and achieved steady growth and structural improvement in operating results.

The Company achieved stable growth in both income and profit during its 2025 operations. Revenue reached RMB1,482.4 million during the period, representing a 10.1% increase over the previous year, while net profit reached RMB339.1 million, marking a 23.8% increase over the previous year.

In 2025, AK's strategic focus centered on three pillars: domestic hospital-based operations, overseas expansion, and orthopedic robotics. Traditional businesses maintained steady growth, while new businesses drove leveraged breakthroughs.

The domestic hospital business remained in a period of policy and standard adjustments, while competition in the mass market intensified. The Company has established a dual-structure competitive system that balanced offense and defense. The ITI brand was positioned as a mass-market brand, serving as the Company's mass production center focusing on cost optimization and scale expansion. It precisely met the cost-performance demands of hospitals in the mass market, expanding into nearly 500 hospitals in 2025. AK positions itself as a brand for high-tier hospital, adhering to a high-value development path. It focuses on building quality reputation and brand influence, and leads industry value creation by providing premium products for complex revision surgeries and comprehensive digital solutions. Thanks to centralized procurement policies, implant procedures in regions traditionally dominated by Multinational Corporations including Shanghai, Guangdong, Zhejiang, Jiangsu, and Fujian achieved rapid growth in 2025.

For overseas market operations, AK pursued a dual-brand strategy of "AK + JRI" to achieve brand empowerment in mature markets and scale breakthroughs in emerging markets. JRI served as the source of the Company's credit assets and R&D technology, while AK's export brand enjoys extensive coverage, establishing a global value network and forming the foundation for order growth and sales volume. Meanwhile, we provided overseas clients with comprehensive orthopedic solutions covering the entire product line for joint, spine, and trauma orthopedics, including 3D-printed custom prostheses and orthopedic robotic systems. Leveraging China's scale manufacturing cost advantages, AK consistently pursued a non-price-driven overseas development strategy. The Company was committed to building its brand image abroad and achieving high-quality order growth. Its strategic goal extended beyond "taking Chinese manufacturing global", aiming to secure a position within the global orthopedic value chain. In 2025, the Company's overseas business achieved growth of 20%, reaching RMB329.5 million, with its export brands achieving growth of 30%, reaching RMB230.0 million.

In 2025, the state continued advancing the medical insurance reform. In December 2025, the National Healthcare Security Administration ("NHSA") initiated efforts to streamline and consolidate pricing for auxiliary procedure categories. On 20 January 2026, it issued the "Guidelines for Establishing Pricing Items for Surgical and Therapeutic Auxiliary Procedures (Trial)" to promote the focus on cutting-edge medical technologies. This initiative established

unified pricing frameworks for medical 3D reconstruction, medical 3D model printing, medical 3D guide plate printing, biological 3D printing, surgical navigation, robotic arms, and remote surgery.

The rapid growth of the robotics business stems from the Company's long-term commitment to deepening technological expertise and building systematic capabilities. While continuously strengthening its independent R&D capabilities, it relies on the systematic layout of its implant channel network over the years to achieve synergy and fulfill its strategy. In terms of independent R&D technology, the Group's independently developed K3 Intelligent Surgical Robot received its registration certificate from the National Medical Products Administration on 14 May 2025. The K3 system features fully self-developed robotic arms and control algorithms, offering advantages such as high degrees of freedom and sub-millimeter precision control. This marks the Group's advancement into a new phase in the field of digital orthopedic intelligent equipment, driving the localization of surgical robots and the continuous deepening of the digital orthopedic ecosystem. In terms of the systematic layout of the implant channel network, due to the high synergy between implant channels and orthopedic robotics channels, the Group has become the first implant company in the industry to achieve commercial deployment of surgical robots. In 2025, it secured bids for two surgical robots in China, having already secured bids for a cumulative total of six surgical robots and navigation systems to date.

In the field of digital orthopedics, AK Medical has consistently pursued medical-engineering integration and continuous innovation since 2014. It has now established the iCOS Digital Orthopedics Platform intelligent ecosystem, covering the entire workflow from preoperative to intraoperative stages – encompassing key aspects such as 3D modeling, surgical planning, model and guide plate printing, surgical navigation, and surgical robotics. In January 2026, a provincial-level key hospital in Shandong began charging for digital orthopedic services. Also in January 2026, a strategic cooperation agreement on digital orthopedics was signed with a provincial-level key hospital in Henan.

AK Medical consistently adheres to a long-term perspective as its strategic cornerstone, proactively choosing a development path with the ability to create long-term value. While steadily advancing the implementation of its strategy, it continues to deliver on operating results and shareholder returns. 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, and 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND OUTLOOK

Overview

On 11 November 2025, the General Office of the State Council issued the Implementation Opinions on Accelerating the Cultivation and Opening of Scenarios to Promote the Large-Scale Application of New Scenarios (hereinafter referred to as the “Opinions”). The Opinions specify that in the healthcare sector, efforts should be made to promote the integrated application of intelligent devices such as big data and medical robots, while innovating new healthcare scenarios like telemedicine. In December 2025, the National Healthcare Security Administration (“NHSA”) initiated the consolidation and standardization of auxiliary procedure pricing projects. On 20 January 2026, it issued the Guidelines for Establishing Medical Service Pricing Projects for Surgical and Therapeutic Auxiliary Procedures (Trial). Focusing on cutting-edge medical technologies, the Guidelines establish unified pricing frameworks for medical 3D reconstruction, medical 3D model printing, medical 3D guide plate printing, biological 3D printing, surgical navigation, surgical robots, and remote surgery. The implementation of these policies has provided clear institutional support and commercialization pathways for the large-scale application of intelligent devices such as medical robots, significantly enhancing the certainty of bringing technology into use.

Committed to innovation in the field of digital orthopedics for over a decade, AK Medical has successfully developed the iCOS Digital Orthopedics Customized Products and Services (hereinafter referred to as the “iCOS Digital Orthopedics Platform”), a comprehensive whole-process solution and intelligent ecosystem. The year 2025 saw a flurry of policy releases for surgical robots, propelling the industry toward commercialization and the iCOS Digital Orthopedics Platform is poised to usher in more smooth commercialization path as the relevant charging policies are clarified after long-term accumulation, seizing broader industrial development opportunities.

In 2025, the NHSA’s procurement policy for artificial joint replacements was fully implemented across all provinces, accelerating the shift towards domestic alternatives. Meanwhile, the Group’s gradual rollout of digital orthopedics and orthopedic robotics created incremental opportunities for its implant products’ to achieve further coverage in high-tier hospitals and key customer segments. In the second half of 2025, the Group established a dual-structure competitive system of “AK Medical + ITI” that is equally adept at offense and defense whereby premium brands lead academic innovation while mass-market brands drive scale, achieving synergistic growth in market share expansion and brand value enhancement amid the normalization of centralized procurement.

In 2025, the Group continued its commitment to achieving high-quality business growth in overseas markets through “AK Medical + JRI”. Leveraging its leading technology combined with cost advantages, AK Medical built differentiated competitiveness and rapidly expanded its market. Meanwhile, the JRI, leveraging its established brand reputation and solid clinical data in Europe, collaborated closely with top-tier medical institutions in target countries, steadily building its brand professional influence. Since the second half of 2025, the overseas business of the Group has achieved breakthroughs in new country markets, establishing a global market presence supported by multiple pillars, and progressively capturing share in mature markets with high entry barriers. Currently, AK Medical’s joint business ranks 12th globally and has established a meaningful level of brand awareness in the international market.

In 2025, with the completion and commissioning of the New Industrial Park of AK Medical for 3D and Smart Manufacturing, the industrial park was developed based on the concept of green technology. While achieving reduction of energy consumption and emissions, the Group rapidly achieved the integration of operations across multiple locations and promoted the integrated and coordinated operation of marketing, R&D, and production, significantly improving overall operational efficiency and collaborative performance. Meanwhile, the industrial parks completed the construction of a digital orthopedic interactive platform and experience centre, blending physical exhibits with virtual simulation technology to deliver integrated, end-to-end digital orthopedic solutions.

As of 31 December 2025, the Group recorded sales revenue of approximately RMB1,482.4 million, representing an increase of approximately 10.1% compared to the same period last year, and net profit of approximately RMB339.1 million, representing an increase of approximately 23.8% compared to the same period last year.

Business of Hip and Knee Implants

The Group's hip and knee implant business encompasses 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 2025, the Company maintained its industry-leading market share in the hip and knee joint replacement implant sector. In response to the evolving competitive landscape within the industry, the Company established a dual-structure competitive system of "AK + ITI", leveraging differentiated brand positioning to achieve synergistic expansion across distinct market tiers.

Against the backdrop of normalized national centralized procurement policies, the core brand AK continued to deepen strategic collaborations with national medical centres and provincial key medical institutions. Leveraging its digital orthopedic ecosystem and innovative orthopedic robotics model, the brand has consistently enhanced its academic influence and clinical penetration. AK has achieved breakthrough application progress in high-end medical institutions, driven by its product reputation and R&D capabilities, further accelerating import substitution in leading markets. This is particularly evident in economically developed regions traditionally dominated by imported brands, such as the Yangtze River Delta and the Pearl River Delta, including Shanghai, Guangdong, Zhejiang, Jiangsu, and Fujian, where implant volumes have increased by approximately 40% year-on-year, gradually reshaping the competitive landscape in the high-end market. This fully demonstrates the Group's comprehensive competitive advantages and long-term value creation capabilities in product quality, technological innovation, and clinical service systems.

In the second half of 2025, ITI, a mass-market brand, continued to strengthen its coverage in the mass-market segment, adding nearly 500 hospitals to its network. In 2025, competition in the mass market remained intense. As a key platform for the Group's mass production and cost optimization, ITI focused on enhancing efficiency and supply capacity to precisely meet the core demand for high cost-performance products in grassroots and mass markets.

As of 31 December 2025, the Group's hip and knee joint products generated revenue of approximately RMB1,281.2 million, representing a year-on-year increase of 13.0%.

Spinal and Trauma Implants Business

In addition to a complete line of conventional spinal and trauma products, the Group's main projects are 3D-printed spinal fusion products. Leveraging its unique 3D printing technology, the Group has developed a differentiated product portfolio that has gained significant market recognition. Due to the impact of the policy, 3D-printed spinal products are still in an adjustment period. Going forward, the Group is committed to rebuilding its conventional spinal business while actively promoting the development of 3D products and customized trauma businesses, aiming to enhance the overall profit contribution of the spinal and trauma businesses.

As of 31 December 2025, the Group's spinal and trauma implant products generated revenue of approximately RMB101.5 million, representing a year-on-year decrease of approximately 20.2%.

Digital Orthopedics Customised Products and Services

Since the Group pioneered the introduction of a medical-engineering interactive digital platform in China in 2014, AK Medical has established a comprehensive digital orthopedics whole-process solution and intelligent ecosystem centred around the iCOS Digital Orthopedics Platform. This platform encompasses a series of products and services including AI-powered 3D modeling, AI-assisted surgical planning, 3D surgery model printing, 3D surgical guide, 3D standardized and customized implants or prostheses, intelligent surgical navigation, surgical robots, and postoperative data monitoring and analysis, covering the whole process from preoperative planning and intraoperative assistance to postoperative monitoring. Since 2025, the digital orthopedics and surgical robotics sectors have witnessed a surge in commercialization policies, accelerating industry development. The Group's iCOS Digital Orthopedics Platform, which encompasses intelligent services, implants, instruments, and surgical robots and other intelligent equipment and processes, is embracing these commercialization opportunities, supporting broader market opportunities and growth prospects for the Group.

In 2025, the Group's orthopedic surgical robots were the first to achieve sales and implementation at national-level class A tertiary hospitals such as Peking University Third Hospital. By 2026, the business expanded further to include multiple national and regional benchmark key Class A tertiary hospitals, such as Peking Union Medical College Hospital and the First Affiliated Hospital of Zhejiang University School of Medicine, creating a strong demonstration effect.

In 2025, transparency and standardization in the healthcare sector significantly improved. Despite increasingly stringent industry policies, the customized products of the Group have seen a steady recovery in surgical procedures, driven by comprehensive customized registration certificates and well-established solutions. Meanwhile, the rapid development of digital orthopedics and intelligent equipment business has further driven a significant increase in digital orthopedic-related business.

As of 31 December 2025, the Group's digital orthopedic customized products and services and surgical robots generated revenue of approximately RMB63.0 million, representing an increase of approximately 22.8% compared to the same period last year.

International Business

In 2025, AK's export brand secured five new clients with orders each exceeding 10 million, establishing multiple sizable growth drivers and forming a multiple foundational business pillars supporting the sustained growth of its international business. The brand expanded its overseas presence with registrations in eight new countries, while registration and market access procedures are underway in an additional 15 countries. In addition to 10 new international distributors, existing international distributors have further expanded their product lines beyond joint products, adding new businesses including refurbished products, unicondylar products, oncology products and trauma products. As a technological benchmark, robotic devices have successfully captured the attention of the international market, becoming the core engine driving the expansion of overseas channels. Notably, Pakistan saw the first overseas sale of an orthopedic robot during the Reporting Period.

AK's export brand business achieved a compound annual growth rate of approximately 40% from 2020 to 2025, maintaining sustained rapid growth and effectively boosting the Group's overall profitability.

Throughout 2025, the Group's overseas products generated revenue of approximately RMB329.5 million, representing an increase of approximately 20.1% compared to the same period in 2024. This portion of revenue has been included in the aforementioned hip and knee joint revenue, as well as in the revenue from customized digital orthopedic products and services.

Research and Development

Innovation Pathway for Implants

On 3 July 2025, the NMPA issued an announcement to comprehensively optimize the full lifecycle regulation of high-end medical devices, with a focus on supporting the development of innovative products such as surgical robots and metal additive manufacturing bone implants. This move aims to accelerate the transformation and upgrading of China's high-end medical device industry, promote high-quality development in the healthcare sector, and enhance global competitiveness. In alignment with the country's long-term development strategy for the healthcare industry, the Group will continue to build an innovative R&D system encompassing "technology leadership, clinical guidance, and market transformation".

On 26 March 2025, the NMPA's Center for Medical Device Evaluation announced a list of innovative medical devices undergoing special review. The Group's "Magnetic Control Non-Invasive Extendable Prosthesis System" was successfully approved for special review. As a key R&D project of the Group, this product has undergone eight years of collaborative clinical and engineering innovation, breaking through international technological barriers and pioneering the localization of core orthopedic non-invasive extension technology. It provides safer and more convenient treatment options for patients with growing bone tumors, filling a technological gap in China.

On 5 September 2025, the Group's "Hip Joint Prosthesis Components" were also accepted into the review pathway for innovative medical devices. This product achieves a breakthrough in dual regulation of osseointegration efficacy and antibacterial properties for 3D-printed hip prostheses by loading functional substances onto the prosthesis surface. After nearly a decade of interdisciplinary research and development, the product has overcome the limitations of traditional implants in long-term stability and postoperative infection prevention. It can significantly enhance bone ingrowth while effectively inhibiting biofilm formation, providing orthopedic patients with a solution featuring long-term stability and infection prevention.

As of 31 December 2025, the Group had four more products accepted into the review pathway for innovative medical devices, bringing the total number of products entering the national review pathway for innovative medical devices to eight and maintaining the Group's leading position in the number of approvals received in China's orthopedics field. This fully reflects the Group's deep accumulation of multi-level innovation capabilities in terms of basic research, core algorithms, key materials, system integration, etc.

Orthopedic Robot

In addition to innovative R&D of implants, the Group's independently developed K3 intelligent surgical robot obtained its registration certificate approved by the NMPA on 14 May 2025. Equipped with a fully self-developed robotic arm and control algorithm, K3 system offers advantages such as high degrees of freedom and sub-millimeter precision control. It marks a new stage for the Group in the field of digital orthopedic intelligent equipment, promoting the localization of surgical robots and the continued in-depth development of the digital orthopedic ecosystem. On 10 February 2025, the K3+ Intelligent Surgical Robot, a fully domestically developed robotic system by AK Medical, entered the registration review phase with the NMPA. On 15 January 2026, the robot received NMPA approval for market launch, becoming a pioneering total joint replacement surgical robot capable of performing hip, knee, unicondylar, and revision surgeries in China.

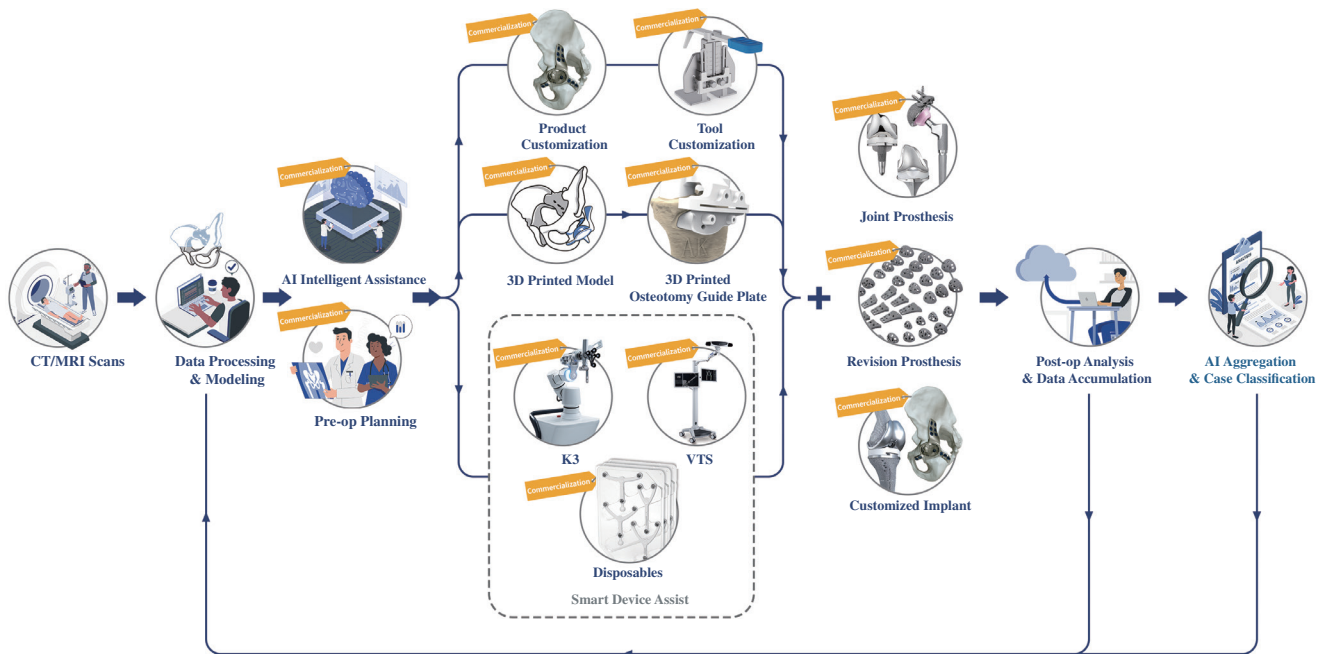
iCOS Digital Orthopedics Platform

Built on AI imaging algorithms and biomechanical models, powered by the digital orthopedics platform, and centred on clinical data, the Group has continuously driven the evolution of orthopedic diagnosis and treatment towards greater intelligence and precision.

In 2025, the Group initiated the local deployment of generative AI large models and advanced the development of an intelligent R&D assistance system. By leveraging technologies such as large language model (LLM) deep learning, enterprise knowledge bases, and Retrieval-Augmented Generation (RAG), the Group enables intelligent retrieval and solution generation for clinical cases, while enhancing cross-document search and content generation capabilities for internal R&D documentation, thereby improving R&D efficiency and accelerating technological iteration. Embracing the era of artificial intelligence, the Group will continue to promote the deep integration of device platforms, clinical data, and AI algorithms, progressively building the AK Medical Digital Orthopedics ecosystem driven by data and intelligent algorithms.

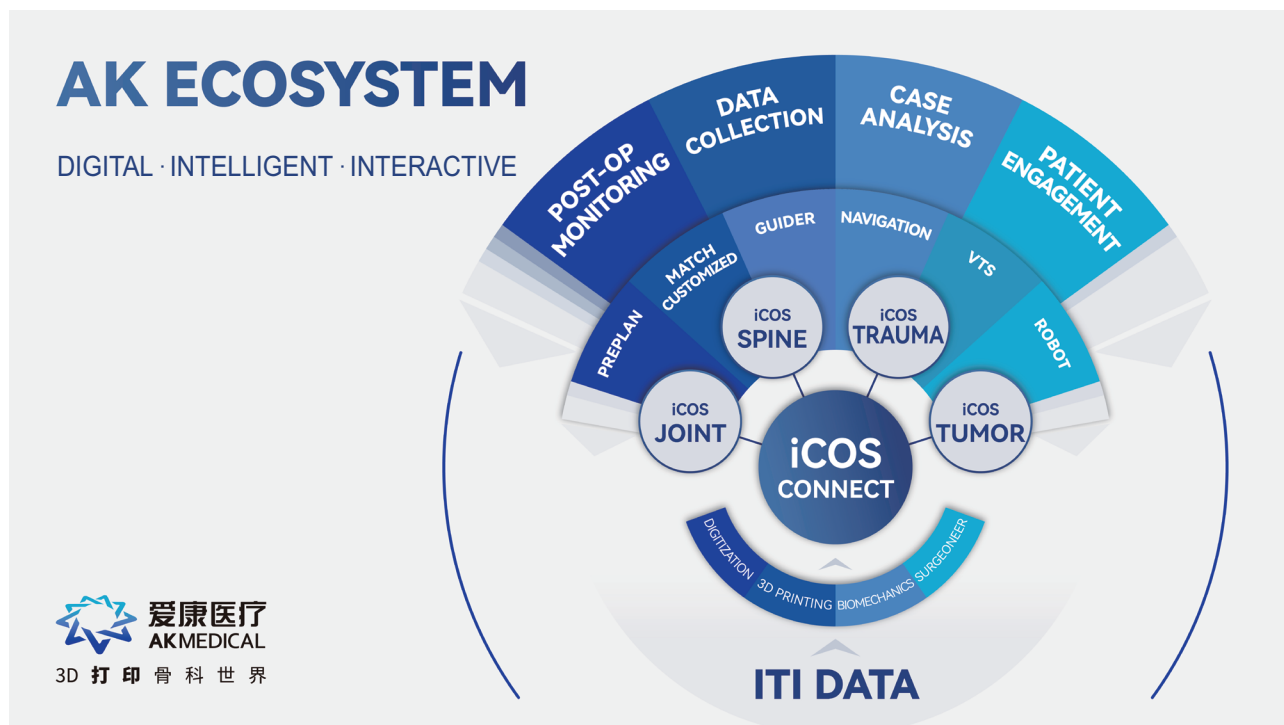
In 2025, the Group continued to advance core technology breakthroughs in intelligent medical imaging and digital orthopedics. The Group independently developed a deep learning-based CT, MRI, and X-ray multimodal image fusion algorithm, combined with biomechanical modeling to establish the “dynamic mechanical matching for the implant-bone interface” model. Through high-precision 3D image reconstruction and AI algorithms analyzing bone biomechanical properties, the Group achieved personalized prosthesis solutions that match the patient’s bone modulus, providing important technical support for precise surgeries.

Building on this, the Group established a digital twin technology system by constructing a full lifecycle digital model for patients, enabling integrated digital simulations of “preoperative planning – intraoperative navigation – postoperative rehabilitation.” The Group also created a comprehensive data management system covering implant design, production, surgical robot implantation, and postoperative tracking, providing continuous data support for optimizing treatment plans and rehabilitation pathway management.



Based on the aforementioned technological capabilities, the Group has developed the iCOS Digital Orthopedics Platform, and achieved cross-regional collaborative R&D among clinical experts, engineers, and algorithm teams through the medical-engineering collaborative cloud platform. Full-process registration certificate coverage was completed for related products and technologies, allowing the Group to provide medical institutions with digital solutions that support phased deployment and continuous upgrades in accordance with applicable laws and regulations. These solutions have entered the clinical application stage at numerous hospitals both domestically and internationally.

With the continuous application of the iCOS platform in real-world surgical scenarios, the Group has progressively established a technology iteration mechanism driven by clinical data. Through an ongoing cycle of “clinical application – data accumulation – algorithm optimization – application expansion”, the Group is continuously advancing its digital orthopedics technology system and gradually building a digital orthopedics ecosystem tailored for the era of artificial intelligence.



Sales and Marketing

Conventional Joints and Spine Business Promotion

In terms of conventional products, during the Reporting Period, the Group continued to promote a series of academic activities focused on differentiated solutions for joint, spinal, and other implant prostheses, centred around themes such as “knee preservation,” “developmental dysplasia of the hip,” and “complex revision.” These activities highlighted the Group’s conventional joint products, which utilize precise anatomical matching, intelligent navigation technology, and modular patch design to effectively address traditional prosthetic fit issues. These innovations enhance surgical precision and acetabular coverage, filling a technological gap in China.

In the spine sector, the Group focused on vertebral reconstruction to address the critical issue of spinal stability restoration for spinal tumor patients, promoting innovative development in spinal tumor diagnosis and treatment technologies. The Group launched the “Bone Warrior” series of academic activities, reaching a cumulative total of over 20,000 online participants.

Promotion of Digital Orthopedics and Orthopedic Robotics

In the field of digital orthopedics and intelligent devices, the Group has adhered to the integration of medical expertise with engineering innovation and continuous innovation for many years. It has established a comprehensive workflow spanning from preoperative to intraoperative stages, covering critical processes such as 3D modeling, surgical planning, model and guide plate printing, 3D standard and customized product printing, surgical navigation, and surgical robotics. The introduction of the NHSA's "Guidelines for Establishing Medical Service Pricing Projects for Surgical and Therapeutic Auxiliary Procedures (Trial)" not only provides institutional support for the industry's development but also offers a clearer application and commercialization value pathway for the Group's comprehensive digital orthopedic solutions.

In 2025, the Company continued to deepen its strategic deployment in the fields of digital orthopedics and orthopedic surgical robotics. Leveraging the advantages of the Group's integrated closed-loop business model combining "devices, implants, and data," along with the Group's market leadership and coverage of over 5,000 hospitals in the implant sector, the Group will seize critical growth opportunities in the industry, accelerate market penetration, and steadily advance toward achieving its device sales targets through structured clinical trial promotions. Since the first robot bid win in 2025, the development of intelligent devices has accelerated significantly. By the end of the reporting date in 2026, multiple successful bids have been secured, covering key national and regional benchmark tertiary hospitals such as Peking Union Medical College Hospital and the First Affiliated Hospital of Zhejiang University, creating a strong demonstration effect in the regions. During the Reporting Period, the K3 robot achieved its first overseas sale, and as of the reporting date, an additional two K3+ robots were sold.

As of 31 December 2025, the Group had achieved digital orthopedics billing in three key regional hospitals and established three regional training centres for intelligent devices. Nearly 100 navigation and robotic devices had been deployed in the market, and intelligent assistance devices had been used in over 4,000 clinical surgeries, forming effective synergy between robotics and prosthesis businesses. Leveraging the National Health Commission's "Digital Orthopedics" project, the Group continued to carry out activities related to the "Clinical Application Capability Enhancement of Digital Orthopedics Technology" research initiative.

Rapid Growth of International Business

In terms of international business, the Group continued to advance the development of a global academic network. The Group has long believed that medical education is an important pathway to promote the conversion of technological innovation into clinical value. With the development of its international business, and by leveraging the international medical education platform established by AK Academy, the Group continued to deepen exchanges and cooperation with global orthopedic experts and medical institutions, whilst continuously enhancing the brand's international academic influence. The Group remained committed to establishing recognition of Chinese brands, Chinese technologies and Chinese quality in emerging markets, improving surgical skills, and changing the traditional perception of "Made in China" among doctors in European countries.

In 2025, the Group integrated the high-quality academic resources accumulated by JRI in Europe and the expert network of AK in leading domestic medical institutions, and promoted international cooperation through the "Silk Road Health International Exchange Program". During the Reporting Period, a total of 11 sessions of the "Silk Road Health International Cooperation Alliance" series activities were held, covering four countries in three continents, namely Asia, Europe and Africa, attracting over 140 international orthopedic doctors to participate in exchanges, with related activities achieving over 200,000 reads across domestic and international media.

The Group is gradually forming a globally coordinated academic promotion system featuring "product innovation – international exchange – technical training". While achieving breakthrough progress in areas such as the popularization of intelligent orthopedic technologies, innovative R&D of domestic prostheses, and the export of international standards, the Group continued to enhance the international influence of Chinese orthopedic solutions.

Production and Manufacturing

The Group is actively committed to constructing a digitalized and highly efficient internal production and supply chain. On 23 July 2025, following the launch of the new factory, the production and supply system fully leveraged the technological advantages of the new process, rapidly increasing production capacity.

With a total construction area exceeding 39,500 square meters, AK Medical Industrial Park will be able to support future growth and meet increasing product demand. Its integrated digital management system will significantly improve operational efficiency. The park embraces green building concepts and utilizes a ground-source heat pump system, which saves over 30% energy compared to traditional air conditioning systems. Moreover, the park features a 1.5-megawatt rooftop photovoltaic clean energy power station, expected to reduce carbon dioxide emissions by 1,575 tons annually. By continuing to promote clean energy substitution and optimize its energy structure, the Group fully implements the national strategy of “carbon peak and carbon neutrality”, and provides strong support for the Group’s long-term development in the healthcare industry.

The AK Industrial Park features three independent digital manufacturing systems, namely the iCOS R&D and production workshop, the 3D printing workshop, and the digital manufacturing workshop, achieving a coordinated and integrated approach to functions and businesses. The iCOS workshop specializes in utilizing cutting-edge digital technologies to achieve efficient and precise manufacturing of personalized prostheses. The 3D printing workshop leverages advanced multi-material 3D printing (such as metal, polymer powder/photosensitive resin printing) and automated post-processing equipment to directly transform digital models into high-quality prosthetic components (such as joints, bone defect prostheses, and tumor reconstruction prostheses). The digital workshop is committed to shortening delivery cycles and improving product precision and consistency. The workshops integrate CAD/CAM/CAE systems, establishing a closed-loop management process from data acquisition, intelligent design, digital processing, to quality traceability. All workshops adhere to Good Manufacturing Practices (GMP) of medical devices, ensuring product safety and effectiveness, providing more efficient and high-quality solutions for clinical practice, and promoting the innovative development and intelligent manufacturing upgrades of orthopedic medical devices.

In addition, the AK Industrial Park has fully introduced the digitalized management system, integrating the R&D centre, smart manufacturing centre, finished product warehousing, and sales operation center under an “integrated” construction concept. This promotes efficient collaboration and information sharing among departments, forming a collaborative innovation force that enables rapid iterations of products and technological transformation, further consolidating the foundation for the enterprise’s sustainable and high-quality development.

Meanwhile, ITI Medical will complete the construction of its Phase II project and put it into operation in early 2026, which is expected to be delivered in early 2026. Building on its existing knee joint production line, the facility will adopt the JRI “SuperVait” vacuum coating process to expand and upgrade its hip joint production line. ITI Medical has now achieved a production and delivery capacity of 200,000 sets for both knee and hip joints, forming two major domestic bases in the north and south of China, along with an international base in Sheffield, UK, providing a solid foundation for the Group’s high-quality development.



Strategic Prospect

Looking ahead, as the VBP policy for high-value medical consumables enters a critical period, the Group will actively respond to the NHTA's policy guidance of "supporting the globalization of innovative pharmaceuticals and medical devices, promoting the globalization of medicine", focusing on building a dual-engine development model driven by "digital transformation and upgrading + international market expansion". Leveraging its personalized diagnosis and treatment service system built on the iCOS Digital Orthopedics Platform, the Group will continue to advance the construction of an intelligent, interactive ecosystem and explore innovative business models. Upholding the dual-brand collaborative development strategy of "AK Medical + JRI", the Group will accelerate its overseas market deployment, promote high-quality development in the high-end orthopedic medical device industry, and deliver sustainable value returns to the shareholders of the Company (the "Shareholders").

Orthopedic Robotics Business

Looking ahead to 2026, with the implementation of the NHTA's robot-assisted project, the commercialization path for orthopedics has become clear. The guidelines have a structurally positive impact on surgical robots, establishing a consistent billing pathway. Supported by these pricing policies, joint surgery robots will see broader clinical adoption.

In 2026, the Group will focus on developing its orthopedic surgical robotics business. In the domestic market, leveraging the unique advantages of its integrated closed-loop business model combining "devices and implants" and capitalizing on the Group's extensive channel network and leading market share in the implant sector, the Group will seize this strategic window to accelerate market expansion. Through systematic clinical trial promotions, the Group will lay a solid foundation for ultimately achieving its device sales targets. With the steady progress of European CE certifications, it is expected to significantly boost sales of orthopedic robots in overseas markets after obtaining certification. Leveraging the cost-effectiveness advantages of Chinese manufacturing, AK's orthopedic robot is poised to become the first orthopedic surgical robot introduced in emerging market countries.

Dual-brand Strategy to Expand Overseas Markets

In overseas markets, the Group adheres to a dual-brand synergy strategy of “AK + JRI”, aiming to achieve the dual objectives of enhancing brand value in mature markets and expanding scale and coverage in emerging markets. JRI serves as a vital source of technology and credit assets, continuously empowering R&D and brand development. Meanwhile, the AK brand leverages its extensive market coverage to actively build a global value network, laying the foundation for sustained growth in orders and sales volume. The Group provides comprehensive orthopedic solutions covering joint, spine, and trauma care for its international clients, including 3D-printed customized prostheses and orthopedic surgical robotics, among other products and services. From December 2025 to March 2026, the Group sold a total of three surgical robots in international markets, with multiple orders being signed, demonstrating the growth potential of its orthopedic surgical robots and products with strong brand appeal in the international market. While leveraging China’s manufacturing scale and cost advantages, AK has consistently pursued a non-price-driven overseas development strategy, focusing on building its international brand image and driving growth in high-quality orders. The strategic goal of the Group is not only to propel “Made in China” onto the global stage, but also to secure a pivotal position in the global orthopedic industry value chain.

Construction of the Digital Orthopedics Ecosystem

Since 2014, the Group has continuously advanced the construction of its digital orthopedics ecosystem. Leveraging its 3D printing technology and product capabilities, the Company has gradually developed digital services such as preoperative planning, 3D models, and personalized guide plates, and launched its first navigation system and the VTS hip navigation system in 2022. Through more than a decade of continuous investment and technological accumulation, the Group has progressively established a digital orthopedics technology system covering preoperative planning, surgical assistance and data management, and has completed the initial deployment of AI capabilities.

In the future, the Group will further advance the localized deployment of generative AI large models and initiate the development of the AK intelligent R&D assistance system. At present, through localized deployment of LLMs, the construction of knowledge bases and knowledge graphs, retrieval-augmented generation (RAG), and multimodal AI technologies, the Group has achieved rapid retrieval of similar cases and iterative optimization of personalized solutions, while supporting cross-document retrieval and intelligent content generation for internal R&D documentation. These AI capabilities have been gradually integrated into key processes such as preoperative planning, with their technological value continuously validated and application scenarios optimized in controlled environments.

Looking ahead, as orthopedic diagnosis and treatment accelerate toward AI-driven digitalization and data-driven models, the Group will continue to strengthen the synergy across the “data-algorithm-product-clinical” value chain. Through continuous iteration of technology platforms and clinical applications, the Group will advance the construction of the digital orthopedics ecosystem, laying a foundation for long-term technological innovation and sustainable development.

FINANCIAL REVIEW

Overview

	As of 31 December		
	2025	2024	Variance
	RMB'000	RMB'000	%
Revenue	1,482,439	1,346,377	10.1%
Gross profit	897,395	808,193	11.0%
Profit for the year	339,094	273,926	23.8%
Profit for the year attributable to equity shareholders of the Company	339,094	273,926	23.8%

Earnings per share

Basic	RMB 0.304	RMB 0.246
Diluted	RMB 0.303	RMB 0.244

For the year ended 31 December 2025, the Group recorded revenue of approximately RMB1,482.4 million, representing an increase of 10.1% as compared to the same period of 2024. In 2025, under accelerated import substitution driven by the volume-based procurement (the “VBP”) policy, the demand for the Company’s surgical products continued to grow. As the number of surgeries rose rapidly, supported by the digital orthopedics whole process solutions, the Company further expanded the coverage of its products in hospitals and the sales of products was also improved. Meanwhile, through active market expansion, the Company achieved significant growth in overseas revenue as well as in revenue from digital orthopedics customized products and services. The Group recorded a net profit of approximately 339.1 million for the year ended 31 December 2025, representing a significant increase of 23.8% as compared to the same period of 2024. The remarkable increase in profit was primarily attributable to revenue growth as well as the impact of improved gross profit margin driven by the increase in overseas revenue and revenue from digital orthopedics customized products and services.

The Directors have resolved to recommend the payment of a final dividend of HK\$11.8 cents per share for the year ended 31 December 2025.

Revenue

	2025	2024	Variance
	RMB'000	RMB'000	%
Hip replacement implants ⁽¹⁾	845,191	729,084	15.9%
Knee replacement implants ⁽²⁾	435,992	405,110	7.6%
Spinal and trauma implants ⁽³⁾	101,546	127,326	-20.2%
Digital orthopedics customised products and services ⁽⁴⁾	63,044	51,335	22.8%
Others ⁽⁵⁾	36,666	33,522	9.4%
Total	1,482,439	1,346,377	10.1%

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

For the year ended 31 December 2025, the Group recorded revenue of approximately RMB1,482.4 million, representing an increase of approximately 10.1% as compared to the same period of 2024. The increase in revenue was largely driven by the nationwide VBP policy for joint implants, growth in the surgical implants of the Company supported by the digital orthopedics whole process solutions, and significant increase in sales of hip and knee replacement implants within the scope of the VBP. Meanwhile, through active market expansion of the Company, the overseas revenue and the revenue from digital orthopedics customised products and services recorded remarkable growth.

Hip and Knee Replacement Implant Products

The hip and knee replacement implant products of the Group 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 2025 amounted to RMB845.2 million, representing a significant increase of 15.9% from approximately RMB729.1 million for the year ended 31 December 2024. Revenue from knee replacement implants for the year ended 31 December 2025 amounted to RMB436.0 million, representing an increase of 7.6% from approximately RMB405.1 million for the year ended 31 December 2024.

In 2025, further driven by the national VBP policy for joint implants, and supported by the digital orthopedics whole process solutions, the demand for the Company's surgical products kept growing, leading to a continuous growth in sales revenue from hip and knee replacement implant products within the scope of VBP. The Company achieved significant growth in overseas revenue from its hip and knee replacement implant products through active market expansion of the Company.

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 2025 amounted to RMB101.5 million, representing a decrease of 20.2% from RMB127.3 million for the year ended 31 December 2024. Affected by the policy, revenue from spinal replacement implants in 2025 has decreased. With its unique 3D printing technology, the Group has developed a differentiated product portfolio and has been highly recognized by the market. The Group recorded 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 digital orthopedics customised products and services for the year ended 31 December 2025 amounted to RMB63.0 million, representing an increase of 22.8% from RMB51.3 million for the year ended 31 December 2024. In 2025, relying on the advantages of its products and technologies, the Group has successfully expanded its business into multiple hospitals to offer customised surgical procedures, resulting in a growth in revenue from digital orthopedics customised products and services. Through active market expansion, the Group successfully achieved a remarkable increase of over 200% in sales revenue of orthopedic surgical robots in China and overseas regions in 2025.

Others

Other revenue includes revenue from surgical instruments, medical irrigators and third party orthopedic products. In 2025 and 2024, the Group's revenue from surgical instruments, medical irrigators and third-party orthopedic products amounted to approximately RMB36.7 million and approximately RMB33.5 million, representing approximately 2.5% and approximately 2.5% of its revenue, respectively.

Domestic and Overseas Sales

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

	2025 RMB'000	2024 RMB'000	Variance %
China	1,152,903	1,072,059	7.5%
Other countries	329,536	274,318	20.1%
Total	1,482,439	1,346,377	10.1%

For the year ended 31 December 2025, the Group's overseas sales revenue amounted to approximately RMB329.5 million, representing a notable increase of approximately 20.1% as compared to the year ended 31 December 2024. The increase was primarily due to an increase in the number of overseas surgeries in 2025 as a result of the Company's active expansion of overseas markets. Revenue from China for the year ended 31 December 2025 amounted to approximately RMB1,152.9 million, representing an increase of approximately 7.5% from approximately RMB1,072.1 million for the year ended 31 December 2024, primarily due to the impact of the aforementioned increase in the number of surgeries.

Cost of Sales

For the year ended 31 December 2025, the cost of sales was approximately RMB585.0 million, representing an increase of approximately 8.7% from approximately RMB538.2 million for the year ended 31 December 2024. 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 2025 amounted to approximately RMB897.4 million, representing an increase of approximately 11.0% as compared to approximately RMB808.2 million for the year ended 31 December 2024. The increase in gross profit was primarily due to the increase in revenue and the improvement in gross margin.

Gross margin is calculated as gross profit divided by revenue. The Group's gross margin was approximately 60.5% for the year ended 31 December 2025, an increase of approximately 0.5% from approximately 60.0% for the year ended 31 December 2024. Through proactive cost management, the company has reduced costs for its main products, leading to an increase in gross profit margin. The proportion of revenue from overseas and Digital orthopedics customised products and services increased, which led to a further increase in gross margin.

Other Income, Net

Other income for the year ended 31 December 2025 was approximately RMB30.1 million, representing an increase of approximately RMB13.4 million from approximately RMB16.7 million for the year ended 31 December 2024. Other income mainly represents income from government subsidy in 2025.

Selling and Distribution Expenses

Selling and distribution expenses were approximately RMB265.6 million for the year ended 31 December 2025, representing an increase of approximately 10.3% from approximately RMB240.9 million for the year ended 31 December 2024. 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 RMB152.0 million for the year ended 31 December 2025, representing an increase of approximately 5.6% from approximately RMB143.9 million for the year ended 31 December 2024. The increase was mainly due to the one-off expenses incurred by the relocation and an increase in relevant taxes arising from the increase in revenue.

Research and Development Expenses

Research and development expenses for the year ended 31 December 2025 were approximately RMB136.0 million, representing a decrease of approximately 2.3% from approximately RMB139.2 million for the year ended 31 December 2024. In 2025, the Group continued to actively invest in R&D, strengthen its R&D team, actively implement R&D projects, as well as develop new products.

Net Finance Income

Net finance income was approximately RMB21.1 million for the year ended 31 December 2025, representing an increase of approximately RMB2.1 million from approximately RMB19.0 million for the year ended 31 December 2024. The increase 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 RMB55.9 million for the year ended 31 December 2025, representing an increase of approximately 21.8% from approximately RMB45.9 million for the year ended 31 December 2024. The increase was primarily due to the increase in profit before tax.

Liquidity and Financial Resources

The Group adopts a prudent fund management policy to maintain a solid and healthy financial position. The Group funds its operations principally from cash generated from its operations, equity financing from investors and bank loans. Its cash requirements relate primarily to production and operating activities, capital expenditures, interest and dividend payments, and repayment of liabilities as they become due.

As at 31 December 2025, the Group had cash and cash equivalents of approximately RMB357.2 million, principal-guaranteed floating return structured deposits of approximately RMB847.2 million, time deposits over three months of approximately RMB35.1 million, pledged deposits of approximately RMB204.1 million and restricted cash of approximately RMB17.7 million, amounting to approximately RMB1,461.3 million in aggregate, as compared with approximately RMB1,027.7 million as at 31 December 2024. 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

The Group had net current assets of approximately RMB2,042.0 million as at 31 December 2025, representing an increase of approximately RMB460.4 million from approximately RMB1,581.6 million as at 31 December 2024. 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, Hong Kong dollars and Euros. For the year ended 31 December 2025, the Group recorded a net exchange loss of approximately RMB5.3 million, as compared to an exchange loss of approximately RMB3.4 million for the year ended 31 December 2024. 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 2025, the Group's total capital expenditure amounted to approximately RMB123.2 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.

Charge of Assets/Pledge of Assets

As at 31 December 2025, the Group's certain bank loans and bills payable were secured by the Group's properties, plants and equipments of approximately RMB81.2 million, pledged deposits for bank loans of approximately RMB200.0 million, bills receivable of approximately RMB29.4 million and pledged deposits for bills of approximately RMB4.1 million (as at 31 December, 2024: nil properties, plants and equipments, pledged deposits for bank loans of approximately RMB196.3 million, bills receivable of approximately RMB22.9 million and pledged deposits for bills of approximately RMB7.5 million), amounting to approximately RMB314.7 million (as at 31 December, 2024: approximately RMB226.7 million). Other than the above, the Group did not have any charge or pledge of assets.

Borrowings and Gearing Ratio

As at 31 December 2025, the balance of the Group's short-term bank loans of approximately RMB72.0 million (as at 31 December 2024: approximately RMB60.4 million), which were repayable on demand within one year, and the balance of the Group's long-term borrowings of approximately RMB5.2 million (as at 31 December 2024: approximately RMB17.7 million) (which were repayable within five years) were invested in the construction of the new plant and supplementing daily working capital demand. All borrowings are all denominated in Renminbi and Hong Kong dollars. The Group's loans have a term of less than five years, with interest rate being 1.5% to 3.0%. Gearing ratio represents the percentage of bank borrowings to total equity. As at 31 December 2025, the gearing ratio of the Group was approximately 2.6% (as of 31 December 2024: approximately 3.0%).

Contingent Liabilities

As at 31 December 2025, the Group did not have any material contingent liabilities (as at 31 December 2024: Nil).

Significant Investments

Other than structured deposits, the Group did not hold other significant investments during the year ended 31 December 2025.

Future Plans for Material Investments and Capital Assets

As at 31 December 2025, the Group had one project under construction: a new plant in Changzhou West Taihu Lake Park. Subject to the actual situation at the relevant time, the Company currently expects to provide funding for the project through the use of internal funds and/or external funds. Other than the above, the Group has no other plans for material investments and capital assets.

Employee and Remuneration Policy

As at 31 December 2025, the Group had 983 employees (as at 31 December 2024: 954 employees). Total staff remuneration expenses including Directors' remuneration for the year ended 31 December 2025 amounted to approximately RMB263.3 million (for the year ended 31 December 2024: approximately RMB254.9 million).

Remuneration is determined with reference to performance, skills, qualifications and experience of the staff concerned, in accordance with the prevailing industry practice. Beyond base salary, the Group offers a comprehensive benefits package comprising social insurance contributions, housing provident contributions, performance-based compensation, bonuses and a share option scheme.

Material Acquisitions or Disposal of Subsidiaries, Associates and Joint Ventures

During the year ended 31 December 2025, 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 31 December 2025.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Li Zhijiang (李志疆), aged 58, 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 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 58, 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. She is a member of the Nomination Committee. 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 56, 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 48, 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 (王國璋), aged 64, 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 in Hong Kong Stock Exchange, stock code: 2407), a director of Sichuan Biokin Pharmaceuticals Co., Ltd. (a company listed in Shanghai Stock Exchange, stock code: 688506), a non-executive director of Laekna, Inc. (a company listed on Hong Kong Stock Exchange, stock code: 2105) and a non-executive director of Edding Genor Group Holdings Limited (a company listed on Hong Kong Stock Exchange, stock code: 6998). From April 2006 to July 2011, he served as managing director at 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 in 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. 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, 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, a director of Amoy Diagnostics Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 300685) on 13 August 2021 and a director of Sinovac Biotech Ltd. (a company listed on Nasdaq, stock code: SVA) on 18 June 2025.

Dr. Wang received his doctorate in developmental biology from California Institute of Technology in June 1995. He received his bachelor degree in medicine from Beijing Medical University (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 50, 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 the 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 (李樹榮), aged 61, 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 each of the Remuneration Committee and the Nomination Committee and a member of the Audit 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 59, 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 a member of Independent Directors Committee of China Association for Public Companies (中國上市公司協會獨立董事專業委員會). Dr. Gao 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 Minsheng Securities Company Limited (國聯民生證券股份有限公司), 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 2025 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 52, is currently the vice president and head of the compliance and quality management committee of AK Medical, and the head of the Human Resources Center of AK Medical Group. 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. Since April, 2025, she was responsible for the Group's Human Resources and Administration Center.

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.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Wang Caimei (王彩梅), aged 53, 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 41, 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.

Ms. Ma Rongkun (馬榮堃), aged 32, 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 Master of Business Administration degree from the University of Hong Kong in November 2025 and a 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

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 2025 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 2025.

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. The scale of overseas sales has continued to expand, leading to a significant growth in the sales volume of the Group's products. As the number of surgeries rose rapidly, supported by the digital orthopedics whole process solutions, the Company further expanded the coverage of its products in hospitals and the sales of products was also improved. For the year ended 31 December 2025, the Group achieved revenue of approximately RMB1,482.4 million, representing an increase of approximately 10.1% as compared to 2024, and a net profit of approximately RMB339.1 million, representing an increase of approximately 23.8% as compared to the year of 2024.

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 23 of this annual report.

An analysis of the Group's performance during the year ended 31 December 2025 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 as 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 2025, 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 2025, 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 RMB478,000 during the year ended 31 December 2025.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2025 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\$11.8 cents per ordinary share of the Group for the year ended 31 December 2025 (2024: HK\$7.2 cents) to the Shareholders whose names appear on the register of members of the Group on Monday, 29 June 2026. The final dividend, if approved by the Shareholders at the annual general meeting, will be payable on or around Friday, 17 July 2026.

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, 17 June 2026, the register of members of the Company will be closed from Friday, 12 June 2026 to Wednesday, 17 June 2026, both days inclusive, during which period no transfer of Shares will be registered. The record date will be Wednesday, 17 June 2026. In order to qualify for attending and voting at the AGM, all transfer documents should be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Thursday, 11 June 2026.
- (b) For the purpose of determining Shareholders who qualify for the final dividend, the register of members of the Company will be closed from Thursday, 25 June 2026 to Monday, 29 June 2026, both days inclusive, during which period no transfer of Shares will be registered. The record date will be Monday, 29 June 2026. In order to qualify for the final dividend, all transfer documents should be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Wednesday, 24 June 2026.

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 2025, the balance of the Group's short-term bank loans of approximately RMB72.0 million, which were repayable on demand within one year, and the balance of the Group's long-term borrowings of approximately RMB5.2 million (which were repayable within five years) were invested in the construction of the new plant and supplementing daily working capital demand.

PLEDGE OF ASSETS

As at 31 December 2025, the Group's certain bank loans and bills payable were secured by the Group's properties, plants and equipments of approximately RMB81.2 million, pledged deposits for bank loans of approximately RMB200.0 million, bills receivable of approximately RMB29.4 million and pledged deposits for bills of approximately RMB4.1 million (as at 31 December, 2024: nil properties plants and equipments pledged deposits for bank loans of approximately RMB196.3 million, bills receivable of approximately RMB22.9 million and pledged deposits for bills of approximately RMB7.5 million), amounting to approximately RMB314.7 million (as at 31 December 2024: approximately RMB226.7 million). Other than the above, the Group did not have any charge or pledge of assets.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2025, sales to the Group's five largest customers accounted for approximately 29.6% of the Group's total sales and sales to the largest customer included therein amounting to approximately RMB198.4 million, which amounts to approximately 13.4% of the Group's total sales.

Purchases from the Group's five largest suppliers in aggregate accounted for approximately 63.4% of the Group's total purchases for the year and purchase from the largest supplier included therein amounting to approximately RMB129.6 million, which amounts to approximately 35.7% 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 2025.

SHARE CAPITAL

Details of the movements in the share capital of the Company for the year ended 31 December 2025 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 2025 are set out in the section headed "Consolidated Statement of Changes in Equity" of this annual report.

At 31 December 2025, 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 RMB873.2 million.

DIRECTORS

Directors during the year ended 31 December 2025 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

In accordance with Article 84 of the Company's articles of association (the "Articles of Association"), Mr. Li Zhijiang, Ms. Zhang Bin and Dr. Wang David Guowei 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 2025, 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 2025.

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 2025.

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 2025 or at any time during the year ended 31 December 2025. 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 2025 or at any time during the year ended 31 December 2025.

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 2025. 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 2025 or subsisted at the end of the year.

ISSUE OF DEBENTURE

The Group has not issued any debentures during the year ended 31 December 2025.

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 2025.

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 2025, 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:

REPORT OF THE DIRECTORS

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)	44.95%
	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)	44.95%
Mr. Zhang Chaoyang ^(Note 5)	Founder of a discretionary trust	58,818,500 (L)	5.23%
Ms. Zhao Xiaohong ^(Note 6)	Beneficial interest	2,775,357 (L)	0.25%

Notes:

- (1) The letter "L" denotes our Directors' long position in the Shares.
- (2) The percentage is calculated based on the total number of 1,123,920,264 Shares in issue as at 31 December 2025.
- (3) Mr. Li Zhijiang, being the founder of LZT 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 504,354 Shares pursuant to the Share Option Scheme; (ii) 69,471 awarded Shares granted under the Share Award Scheme; and (iii) 2,201,532 Shares.

Save as disclosed above, as at 31 December 2025, 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 2025, 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 2025, 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)	44.95%
	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)	44.95%
Ximalaya Limited ^(Note 3)	Beneficial owner	505,157,500 (L)	44.95%
Rainbow Holdings Limited ^(Note 3)	Interest in a controlled corporation	505,157,500 (L)	44.95%
Mr. Zhang Chaoyang ^(Note 5)	Founder of a discretionary trust	58,818,500 (L)	5.23%
Suntop Limited ^(Note 5)	Beneficial owner	58,818,500 (L)	5.23%
Bamboo Group Management Limited ^(Note 5)	Interest of a controlled corporation	58,818,500 (L)	5.23%
Trident Trust Company (HK) Limited ^(Notes 3 and 5)	Trustee of a discretionary trust	563,976,000 (L)	50.18%
Platinum Investment Management Limited	Investment manager	55,902,917 (L)	4.97%
Platinum International Fund	Trustee	20,863,487 (L)	1.86%
Platinum Global Fund ⁽⁶⁾	Trustee	688,688 (L)	0.06%
Platinum Asia Fund ⁽⁶⁾	Trustee	14,791,087 (L)	1.32%
Platinum Global Fund ⁽⁶⁾	Trustee	3,547,605 (L)	0.32%

REPORT OF THE DIRECTORS

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 1,123,920,264 Shares in issue as at 31 December 2025.
- (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 55,902,917 Shares held by Platinum Investment Management Limited, 16,012,050 Shares were held as an investment manager, and the remaining 39,890,867 Shares were held as trustee of the Platinum International Fund (in respect of 20,863,487 Shares), Platinum Global Fund (in respect of 688,688 Shares), Platinum Asia Fund (in respect of 14,791,087 Shares) and Platinum Global Fund (in respect of 3,547,605 Shares), respectively.

Save as disclosed above, as at 31 December 2025, 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 2025.

As at 31 December 2025, 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 2025 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 2025.

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 2025, the number of Shares in respect of which options had been granted and remained outstanding under the Pre-IPO Share Option Scheme was 1,175,000, representing approximately 0.10% 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 1 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.

REPORT OF THE DIRECTORS

During the period from 1 January 2025 to 31 December 2025 (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 2025	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 2025	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	-	-	-	-	See paragraph (bb) above	-	-	-	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	2,025,000	-	850,000	HK\$5.73	See paragraph (bb) above	-	-	1,175,000	10 years	HK\$1.34	N/A (Note 1)
Total		2,025,000	-	850,000	HK\$5.73		-	-	1,175,000			

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:

 - (i) motivating the Eligible Participants to optimize their performance efficiency for the benefit of the Group; and
 - (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**”):

 - (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;
 - (ii) any Directors (including non-executive Directors and independent non-executive Directors) of the Company or any of its subsidiaries;
 - (iii) any advisors, consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and
 - (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:
 - (aa) contribution to the development and performance of the Group;
 - (bb) quality of work performed for the Group;
 - (cc) initiative and commitment in performing his/her duties; and
 - (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

93,072,059 ordinary Shares and 8.28% 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:

 - (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;
 - (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
 - (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 1 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;
- (iii) 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, among which, all such 2,574,709 share options were vested; 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, among which, all such 339,807 share options were vested;
- (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.

REPORT OF THE DIRECTORS

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 2025	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 2025	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	396,184	-	-	-	3,090	393,094	(i) 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	111,696	-	-	-	436	111,260	(i) 41,886 on 11/4/2026; (ii) 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	5,280,539	-	398,827	HK\$5.93	395,387	4,486,325	(i) 1,845,644 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	1,135,408	-	-	-	118,410	1,016,998	(i) 364,315 on 11/4/2026; (ii) 364,315 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		6,923,827	-	398,827	-	517,323	6,007,677				

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 2025 and 31 December 2025 were 92,554,736 Shares and 93,072,059 Shares, respectively, representing approximately 8.23% and 8.28% 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 2025 were 8,113,633 Shares. The dilutive effect of such is 0.72%, 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 2025.

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.

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. |

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 | <p>There is no specific amount on application or acceptance of the award of the Share Award Scheme.</p> <p>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.</p> |
| 8. Basis of determination of the purchase price of shares awarded | <p>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.</p> |

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 2025, there were 5,371,959 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.

REPORT OF THE DIRECTORS

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:

												Weighted average closing price of the Shares	
													immediately before the date on which the Awarded Shares were vested
Category and name of grantee (Note 1)	Date of grant of the Awarded Shares	Closing price		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 2025	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 2025		
		Purchase price of the Awarded Shares	of Shares immediately before the date of grant										
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	-	69,472	-	-	69,471	HK\$5.57	
Senior management and other employees of the Group													
Senior management and other	31/3/2022	-	HK\$4.66	HK\$4.52-HK\$4.64	31/3/2023-31/3/2026 ^(Note 3)	404,510	-	174,761	-	56,339	173,410	HK\$5.87	
employees of the Group	15/7/2024	-	HK\$4.53	HK\$4.40-HK\$4.45	14/7/2025-11/4/2026 ^(Note 4)	1,546,943	-	758,410	-	100,458	688,075	HK\$5.57	
Total						2,090,396	-	1,002,643	-	156,797	930,956		

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;

REPORT OF THE DIRECTORS

- (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, among which 174,761 Awarded Shares were vested and 76,874 Awarded Shares were lapsed; 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, among which 827,882 Awarded Shares were vested and 25,598 Awarded Shares were lapsed; 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 2025 and 31 December 2025, the number of awards available for grant under the Share Award Scheme were 109,310,206 and 109,467,003, 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 2025 were 8,113,633 Shares. The dilutive effect of such is 0.72%, 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 2025, 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 2025.

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 24 to 29 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 2025 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, 17 June 2026. 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 55 to 71 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 2025 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 2025.

SUBSEQUENT EVENTS

No material events have occurred since 31 December 2025.

AUDITOR

The Company has appointed KPMG as the auditor of the Company for the year ended 31 December 2025. 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, 25 March 2026

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report for the year ended 31 December 2025 in the Company's annual report for the year ended 31 December 2025.

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 2025, 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 2025.

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 2025.

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	<i>(Chairman of the Board, Chief Executive Officer, and Member of Remuneration Committee)</i>
Ms. Zhang Bin	<i>(Member of Nomination Committee)</i>
Mr. Zhang Chaoyang	
Ms. Zhao Xiaohong	

Non-executive Director

Dr. Wang David Guowei	<i>(Member of Audit Committee)</i>
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Independent Non-executive Directors

Mr. Kong Chi Mo	<i>(Chairman of Audit Committee and Member of each of Remuneration Committee and Nomination Committee)</i>
Dr. Li Shu Wing David	<i>(Chairman of each of Remuneration Committee and Nomination Committee and Member of Audit Committee)</i>
Dr. Gao Wei	

The biographical information of the Directors are set out in the section headed "Board of Directors and Senior Management" on pages 24 to 29 of this annual report. Save as disclosed in the section headed "Board of Directors and Senior Management, there are no relationship (including financial, business, family or other material/relevant relationship(s)) among members of the Board.

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:

Name of Directors	Attendance/Number of Meetings	
	Board Meetings	Annual General Meeting
Executive Directors		
Mr. Li Zhijiang (<i>Chairman</i>)	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
Dr. Gao Wei	5/5	1/1

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 Group with strong and consistent leadership that allows for effective and efficient planning and implementation of business decisions and strategies.

The Board also considers that the current structure of vesting the roles of chairman and chief executive officer in the same person will not impair the balance of power and authority between the Board and the management of the Group. The Board shall review this structure from time to time to ensure appropriate and timely action to meet changing circumstances.

Independent Non-executive Directors

During the year ended 2025, 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 2025. 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 be taken 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 2025, 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.

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 2025 are summarized as follows:

Name of Directors	Attending Internally-facilitated Briefings or Training, Attending seminars, Reading materials
Executive Directors	
Mr. Li Zhijiang (<i>Chairman</i>)	✓
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	✓

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 2025, 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 2025.

The attendance record of each Director at the said Audit Committee meetings of the Company held in 2025 is set out in the table below:

Name of Directors	Attendance/ Number of Meetings
Mr. Kong Chi Mo (<i>Chairman</i>)	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.

CORPORATE GOVERNANCE REPORT

The attendance record of each Director at the said Remuneration Committee meeting of the Company held in 2025 is set out in the table below:

Name of Directors	Attendance/ Number of Meetings
Dr. Li Shu Wing David (<i>Chairman</i>)	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 2025 is set out below:

Annual Income	Number of Persons
Below RMB500,000	5
RMB500,000 to RMB999,999	4
Over RMB1,000,000	3

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.

Nomination Committee

The Nomination Committee consists of three members, including one executive Director, namely Ms. Zhang Bin, and two independent non-executive Directors, namely Mr. Kong Chi Mo and Dr. Li Shu Wing David. Dr. Li Shu Wing David is the chairman of the Nomination Committee. The composition of the Nomination Committee has complied with the requirements as set out in Rule 3.27A of the Listing Rules that a majority of the members of the Nomination Committee should be independent non-executive Directors and chaired by the chairman of the Board or an independent non-executive Director.

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, assist the Board in maintaining a board skills matrix, 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 once 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 2025 is set out in the table below:

Name of Directors	Attendance/ Number of Meetings
Dr. Li Shu Wing David (<i>Chairman</i>) (<i>appointed as chairman on 25 June 2025</i>)	1/1
Mr. Li Zhijiang (<i>ceased to be chairman and member on 25 June 2025</i>)	1/1
Mr. Kong Chi Mo	1/1
Ms. Zhang Bin (<i>appointed on 25 June 2025</i>)	N/A

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	75% (6)	25% (2)	0% (0)
Other employees	35% (335)	65% (636)	0% (0)

The Board had targeted to achieve and had achieved at least 25% (2 persons) of female Directors, 75% (6 persons) of female senior management and 35% (335 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.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the CG Code. During the year ended 31 December 2025, 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 2025.

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 2025, 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 2025.

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 154 to 160 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 2025 is set out below:

Service Category	Fees Paid/Payable
	RMB'000
Audit Services	2,600
Other services*	1,300
Total	3,900

* 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 has been appointed as the Company's company secretary. 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 2025, 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: AK Medical Industrial Park, No. 5 Wen'an Street, Changping District, Beijing 102299, 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 2025, 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT AK MEDICAL

1.1 Statement of the Board

Listed on the Main Board of the Hong Kong Stock Exchange, AK Medical is a multinational high-tech enterprise with over 20 years of development history, integrating technological research, product development, large-scale manufacturing, and specialized marketing. Guided by the mission of “Make you move for a better life,” the Company continuously enhances its ESG governance to promote balanced development across environmental, social and governance issues, creating a sustainable and better future. The Board hereby makes the following statements regarding the management of ESG matters:

AK Medical regards ESG as an important part of the Company’s strategy establishment. The Company adheres to 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.

As the highest decision-making body for the Company’s ESG work, the Board of AK Medical 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 coordinating the development of specific ESG matters. In 2025, 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 will conduct the materiality assessment annually according to macro-policies where it operates, industry trends, and company’s strategy and operation and management status. During the assessment, the Company actively engages various stakeholders and continuously improves the ways in which stakeholders participate in communication. The Company communicates with stakeholders such as Shareholders, employees and clients through various channels to understand their perspectives on the Company’s material ESG issues. At the same time, it analyzes the results of significant issues, and draws 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 2025, and was reviewed and approved by the Board on 25 March 2026. The Board of AK Medical and all directors guarantee that there are no false or misleading information or major omissions in the content of this report, and take joint and several liabilities for the truth, accuracy and completeness of the content.

1.2 About AK Medical

1.2.1 Enterprise Profile

AK Medical Holdings Limited (01789.HK) is an innovative leader in China’s orthopedic implant sector. Since its establishment in 2003, the Company has been dedicated to advancing orthopedic medical development through cutting-edge technology. Listed on the Main Board of the Hong Kong Stock Exchange in 2017, AK Medical is the first Chinese company to commercialize and apply 3D printing technology for orthopedic implants.

The Company has established a research and development system centered around platforms such as 3D printing, navigation/robotic intelligent technology, and customized medical-engineering interactive solutions. Its product portfolio comprehensively covers areas including the hip, knee, spine, and trauma. Leveraging its outstanding products and technological innovations, AK Medical holds a leading position in the Chinese joint market and ranks among the top 10 in the global hip joint market.

In January 2026, the joint replacement surgical navigation and positioning system (K3+ Orthopedic Robotic System) independently developed by the Company successfully obtained Class III medical device registration certification from the National Medical Products Administration (NMPA). It has become the first surgical robot for total joint replacement in China capable of performing revision surgeries, covering indications for the hip, knee, and unicompartmental knee. This marks a significant breakthrough for the Company in the field of intelligent surgery.

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 constitute the comprehensive and strong business layout of AK Medical in this field.

Leveraging the “AK+JRI” dual-brand strategy, the Company is actively expanding into overseas markets while achieving large-scale application in the domestic high-end medical market. Currently, AK Medical has established R&D centers in Beijing and Shanghai, China, as well as in the United Kingdom. Its manufacturing bases are located in Changping, Beijing; Changzhou, Jiangsu; and Sheffield, UK. The products of the Company are widely used in over 7,500 medical institutions in over 40 countries and regions, including China, the UK, Japan, South Korea, Spain, and South Africa. Looking ahead, AK Medical will continue to deepen its digitalization and internationalization strategies, striving to provide more precise and reliable orthopedic overall solutions for doctors and patients worldwide.

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 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 over 7,500 medical institutions in over 40 countries and regions, including China, the UK, Japan, South Korea, Spain, and South Africa.

In 2025, with the implementation of the joint procurement policy across all provinces, the Company's renewal procurement volume continued to rank among the top tier of all brands. By optimizing its sales organizational structure, implementing a hospital tiered coverage strategy, and driving product technology innovation, the Company has further expanded its market share. In terms of digital transformation, AK Medical has actively laid out intelligent equipment and digital orthopedics, aiming to provide clinicians with more precise, affordable and sustainable treatment options.

In addition, AK Medical's overseas business has continued to expand. Through the dual-brand strategy of JRI and AK, the Company has continuously enhanced its brand awareness and influence, steadily broadening the scope of countries where its products are registered. In 2025, the first overseas sale of the K3 surgical robot was achieved, marking a new milestone in the Company's international 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
Tumour	Including limb tumor reconstruction
Digital products	Including the main unit, optical navigation equipment, and trolley
ICOS medical-engineering interaction	Accurately construct 3D tissue models based on patient imaging data, quickly design personalized implants and surgical tools, provide surgeons with customized surgical planning solutions tailored to individual patient needs, and offer clinical diagnosis and treatment with personalized orthopedic implant product systems and complete sets of tools, improving treatment outcomes.

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 collaborative projects and maintains in-depth cooperation with institutions including Peking University People's Hospital, the Chinese People's Liberation Army General Hospital, Shanghai Jiao Tong University, the Second Affiliated Hospital of Xi'an Jiaotong University, and the First Affiliated Hospital of Xinjiang Medical University. 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. During the Reporting Period, the "Silk Road Health International Cooperation and Exchange Project" organized a total of 11 sessions to promote advanced medical technologies in China and countries along the Belt and Road, enhance the exchange of medical professionals between China and foreign countries, and foster medical cooperation and shared progress among nations. The 2025 PATHWAYS International Artificial Joint Summit Forum • 3rd Session was successfully held in Beijing. Nearly 100 orthopedic experts from China, the United Kingdom, Mexico, and various other countries gathered to focus on cutting-edge challenges and innovative technologies in orthopedics, jointly promoting exchange and mutual advancement in the global orthopedic field. In addition, AK Medical showcased multiple innovative products and technologies at the American Academy of Orthopaedic Surgeons (AAOS) Annual Meeting, comprehensively presenting complete solutions covering all anatomical sites and age groups, from standard products to customized offerings, and demonstrating the VTS Visual Treatment Solution.

1.3 ESG Highlights in 2025

Metric Dimension			Key Performance	Goals in 2026
Governance	Corporate governance	ESG Governance	- During the Reporting Period, no incidents of bribery or corruption occurred. - The signing rate of the “AK Medical Supplier ESG Statement” among suppliers of AK Medical Beijing and Libeier was 100%.	Track changes in industry regulations, strengthen risk control, and ensure compliant operations.
		Earth Protection by AK Medical	The photovoltaic system at AK Medical Beijing’s North Changping new plant (北京愛康昌北新廠) has been delivered and put into operation, featuring a 10,000-square-meter rooftop solar installation with a capacity of 1.38 MW.	AK Medical Beijing’s North Changping new plant aims to reduce electricity consumption by 15%, and will ensure the effective realization of this goal through subsequent detailed data monitoring.
Environmental	Earth Protection by AK Medical	Energy Management	Large sterilization cartons can be reused an average of 2 to 3 times.	AK Medical Beijing’s North Changping new plant plans to use rainwater for green space irrigation around May 2026.
		Resource Recycling	There were zero related negative incidents in environmental management at AK Medical.	Protect the environment and biodiversity, enhance green buildings and ecological benefits, and improve the ecological sustainability level of the plant area.
		Environmental Protection	A total of 183 management personnel participated in ESG training, with an average of 1 training hour per person.	Further strengthen the quantitative analysis of climate change-related risks and opportunities.

Metric Dimension			Key Performance	Goals in 2026
Social	Innovation at AK Medical	Overcoming R&D Challenges and Promoting Localization Substitution	- The K3+ Orthopedic Robotic System was officially released. - We have achieved a new breakthrough in national-level scientific research projects by being approved for the Beijing Key Laboratory. - Our project was awarded the First Prize in Invention and Entrepreneurship by the China Invention Association in 2025. - Our R&D technical personnel achieved a new breakthrough in professional title promotions: 3 individuals were promoted to Senior Engineer (Professor-level), and 4 individuals were promoted to Senior Engineer.	Improve the development and launch of new products to enhance product competitiveness and further expand overseas markets.
		Enhance Product Quality and Services	We have strengthened the full lifecycle management of products and services to earn customer recognition, with the average customer satisfaction maintained over 87% for the year.	Refine the quality management system, and ensure no major non-conformities in external audits.

Metric Dimension		Key Performance	Goals in 2026
Growth at AK Medical	Employee Rights and Interests	Adhere to the principles of fairness, justice, and transparency in recruitment, and safeguard the legitimate rights and interests of employees in all aspects.	Protect employee rights and well-being, and promote employee growth.
	Occupational Health and Safety	The investment in occupational health and safety production reached RMB2.153 million.	Strengthen occupational health and safety management, with a focus on preventing fatal accidents and occupational diseases to ensure zero fatalities.
	Employee Empowerment	We have organized multiple internal and external training sessions, with 964 full-time employees participating.	Provide effective incentives and empowerment measures for employees to stimulate their initiative and innovative vitality.
	Happiness Plan	We have conducted regular employee satisfaction surveys and responded to topics of concern to employees.	Actively interact with employees and listen to their voices.
Universal Benefits	Supplier Management	- We have partnered with 291 compliant suppliers globally. - We have strengthened audits of suppliers regarding the occupational health dimension, auditing a total of 191 suppliers, of which 38 underwent on-site inspections.	Ensure supply and increase efficiency, and realize a win-win situation with suppliers.
	Inclusive Healthcare	During the Reporting Period, AK Medical invested RMB1.6 million in social welfare projects and carried out 20 public welfare projects.	Optimize product delivery processes and commercial cost-effectiveness, and carry out social welfare activities.
	Promote the Healthy Development of the Industry	This year, a total of 11 sessions of the “Silk Road Health International Cooperation and Exchange Project” were conducted.	Carry out industry exchange activities both domestically and internationally around innovation-driven and technology improvement, promoting the common development of the industry.

2. CORPORATE GOVERNANCE

AK Medical regards sustainable development as the core of its governance. By improving governance mechanisms and strengthening communication with stakeholders, it is committed to achieving coordinated development of economic, social, and environmental. AK Medical closely monitors industry trends and regulatory requirements, regularly conducts materiality issue assessments, and proposes targeted internal improvement measures to promote the sustainable development of the Company.

Responses in this section	United Nations Sustainable Development Goals
	Goal 16: Peace, justice and strong institutions
	Global Reporting Initiative Sustainability Reporting Standards
	GRI 2: General disclosure
	GRI 205: Anti-corruption
	GRI 3: Material topics
	HKEX Environmental, Social and Governance Reporting Code
	Governance structure
	Aspect B7: Anti-corruption

Key performance	➤ During the Reporting Period, no incidents of bribery or corruption occurred.
	➤ The signing rate of the “AK Medical Supplier ESG Statement” among suppliers of AK Medical Beijing and Libeier was 100%.

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. AK Medical has established an effective ESG governance structure to ensure the Board’s highest supervisory responsibility over ESG issues, and has built a comprehensive compliance management framework, laying a solid foundation for achieving sustainable growth.

2.1.1 Governance Structure

To effectively advance ESG governance 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 ESG governance work, align ESG issues with the Company’s strategy, and guarantee their practical feasibility.

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 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. To ensure the effective implementation of ESG work, relevant departments have designated ESG work coordinators, ensuring that responsibilities are assigned to specific individuals.

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

2.1.2 Business Ethics

In the complex and ever-changing business environment, business ethics are a critical priority in the medical industry. AK Medical adopts a "zero-tolerance" attitude towards corruption, firmly believes that compliance and integrity are the cornerstones of sustainable business operation, and strictly abides by all domestic and international 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 win the long-term trust of stakeholders such as customers, partners and investors, creating the lasting value for all parties.

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. Its subsidiary JRI has formulated the Anti-Corruption and Anti-Bribery Policy, which emphasizes zero-tolerance 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, members of the Board, suppliers, and other stakeholders and establish a comprehensive supervisory network that covers the entire business chain, thereby ensuring the legality and ethics nature of operations.

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, with examinations to assess the effectiveness of the training and reinforce participants' emphasis on 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 senior management, middle management, and general staff, totaling 46 hours, 139 hours, and 707 hours, respectively, which effectively improved the integrity and self-discipline awareness of all employees and management.

For the supply chain, the Procurement Department of AK Medical implements the AK Medical Supplier ESG Statement, requiring all suppliers to sign the statement and 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. During the Reporting Period, the signing rate among suppliers of AK Medical Beijing and Libeier reached 100%.

AK Medical evaluates corruption risks annually and implements optimization 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 significant legal incidents related to bribery, monopoly, blackmail, extortion, fraud and money laundering, nor were there any corruption-related legal cases involving the Company or employees. In addition, there were no relevant laws and regulations relating to bribery, extortion, fraud and money laundering the compliance with which have a significant impact on AK Medical and its subsidiaries.

To strengthen the integrity construction, 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 labour 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

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, to maintain the legality and standardization of business processes and effectively identify and address potential risks through regular assessments. AK Medical ensured that all employees understand and implement relevant standards through systematic training and reporting procedures, thus providing a solid guarantee for stable and sound operation of the Company.

AK Medical has established and adheres to the Contract Management System, Litigation Management System, and Seal Management System, and comprehensive risk management procedures and guidelines covering multiple areas including securities trading, production safety, and occupational disease prevention. The Company regularly assesses risk factors such as information security and management compliance. Departments collaborate to identify risks that may impact business operations, evaluate the probability of risk events occurring, and develop response strategies. In addition, the Company's internal control team independently assesses the effectiveness of the risk management system, focusing on accounting practices and significant monitoring matters. It regularly reports to the Audit Committee and provides recommendations for improvement.

The Company has established a compliance and internal control management system with clearly defined responsibilities and scope of work. The Board and the Audit Committee conduct an annual review of the risk management and internal control systems, covering financial reporting, internal audit functions, as well as employee qualifications, experience, and relevant resources, to ensure the effectiveness and adequacy of the systems. 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.

To foster a compliance culture and enhance operational compliance, information security, and financial transparency, the Company has integrated compliance knowledge across multiple areas – including business operations, finance and taxation, information security and data, labor practices, and intellectual property – into its systematic compliance training program. During the Reporting Period, AK Medical conducted five new employee training sessions, incorporating compliance-related content. This ensures that compliance standards are instilled from the outset of new hires' employment, reinforces the implementation of relevant policies and procedures, and provides robust support for overall compliant operations. In addition, AK Medical has established a reporting procedure that allows employees to anonymously report criminal offenses, financial misconduct, or other issues, further strengthening its internal oversight mechanisms.

2.2 Stakeholders Communication

AK Medical is well aware that the sustainable development of the Company cannot 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 and by diversifying communication channels with them, 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 Promote local economic development Create local employment Promote health protection for people's livelihood	Roadshow Report submission Advice and suggestions Special reports
Shareholders/Investors	Increase the level of ESG information disclosure Guarantee product quality Achieve sustainable development Increase brand marketing	Company announcement Special reports Site visit
Directors, supervisors and senior management	Promote leadership with innovation ESG standardization and system construction Focus on employee development	Special reports
Employees	Strengthen the promotion of ESG concept Ensure product quality and customer rights and interests Promote green healthcare and leadership with innovation Improve the working environment Protect the rights and interests of employees	WeChat official account Staff communication meeting Employee Engagement Survey Questionnaire-Q12 Collective negotiation Democratic communication platform Remuneration Committee
Distributors	Product promotions Quality assurance Stable supply Leadership with innovation and technology Clear product labels Technical training support	Product training Customer needs survey and patient's follow-up Regular customer visits Distributor meeting Business communication Customer feedback Exchange and discussion Negotiation and cooperation

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

2.3 Materiality Assessment

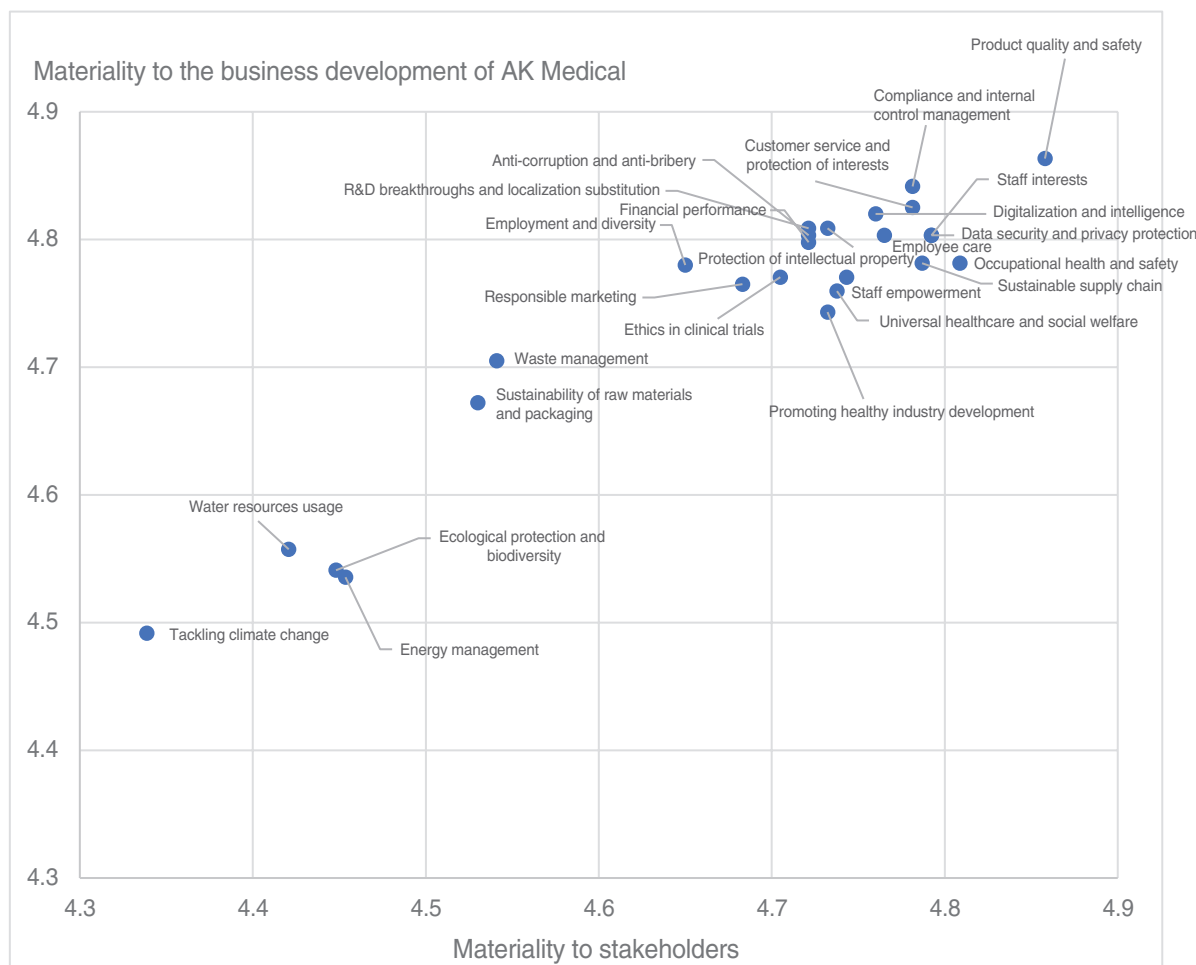
By identifying key materiality issues, AK Medical can conduct an in-depth assessment of the ESG-related important factors, determine the scope of the sustainable impact assessment, and clarify the focus of ESG disclosure to respond to the expectations of stakeholders.

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

Standard requirements	Integrate major global ESG related information disclosure standards such as HKEX ESG Code, Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB), conduct comparison on the same dimensions, 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 device industry in the operating region, 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, and consolidate these into potential material issues.
Peers of the industry	Analyze the ESG key issues of competing enterprises, and conduct comparison with those disclosed in the previous year. Standard requirements and policy trends are combined to finally form a preliminary framework for the basic list of material issues.

Questionnaires and interviews serve as important channels for AK Medical to understand stakeholder concerns. Based on the preliminary framework for identifying material issues, AK Medical has conducted in-depth interviews with various functional departments to understand the demands and concerns of external stakeholders when interacting with each department, thereby comprehensively identifying the key focus areas of both internal and external stakeholders. On this basis, AK Medical prioritizes material issues through questionnaire surveys. Given the industry's relatively stable development and minimal shifts in key ESG topics of stakeholder interest, the Company conducts surveys and interviews on a biennial basis.

The year 2025 marks the second year of this cycle. Building upon the questionnaire survey and interviews conducted in 2024, and integrating analyses of peer company practices, policy changes, regulatory requirements, as well as recommendations from external ESG experts, AK Medical, following the confirmation by senior management, has developed this year's ESG materiality matrix. Based on this materiality matrix, AK Medical will allocate resources more precisely to advance the development of ESG priorities, thereby supporting the Company's sustainable development. Through in-depth discussions by management and review and approval by the Board, the following are the ESG priority issues identified by AK Medical for this year:



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 nation 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, promote ecological progress.

Responses in this section	United Nations Sustainable Development Goals Goal 6: Clean water and sanitation Goal 7: Affordable and clean energy Goal 12: Responsible consumption and production Goal 13: Climate action Goal 15: Life on land
	Global Reporting Initiative Sustainability Reporting Standards (GRI standards) GRI 2: General disclosure GRI 301: Materials GRI 302: Energy GRI 303: Water and effluents GRI 101: Biodiversity GRI 305: Emissions GRI 306: Waste HKEX ESG Code Aspect A1: Emissions Aspect A2: Use of resource Aspect A3: The environment and natural resources Section D: Climate-related disclosures
Key performance	➤ The photovoltaic system at North Changping new plant of AK Medical Beijing (北京愛康昌北新廠) has been delivered, featuring a 10,000-square-meter rooftop photovoltaic power generation system with an installed capacity of 1.38 MW. ➤ Large sterilization cartons can be reused an average of 2-3 times. ➤ AK Medical Beijing’s North Changping new plant plans to commence using rainwater for landscaping irrigation around May 2026. ➤ AK Medical recorded zero negative incidents related to environmental management. ➤ A total of 183 managers participated in ESG training, with an average of one training hour per person.

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. The main types of energy used in the Company's production and operations include electricity and gasoline consumed by company-owned vehicles. The Company is actively promoting energy management to achieve more efficient energy efficiency and lower environmental impact, facilitating sustainable development.

AK Medical places high importance on energy management and has set quantifiable energy utilization 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.

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 strengthened equipment energy-saving management, and refined responsibilities and management processes to ensure the efficient advancement of energy management efforts in accordance with national and local laws and regulations in all operating locations, and the Energy Consumption Management System. 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 in ways to help achieve energy-saving and emission-reduction goals.

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.

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, and 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.

New Plant Commences Operation – Sustainable Energy Powers the Company's Green Development

Case

In 2025, AK Medical Beijing's North Changping new plant commenced operations with its photovoltaic system delivered and put into service. The rooftop features a 10,000-square-meter photovoltaic power generation system with an installed capacity of 1.38 MW. It is projected to generate 1.5 million kWh of electricity, covering 30%-45% of the plant's production and operational power consumption. This significantly contributes to the Company's energy structure optimization and advances its energy conservation goals.

Meanwhile, the adoption of ground-source heat pump technology achieves energy savings of approximately 20-30% compared to conventional split-system heating and cooling systems, and reduces energy consumption by more than two-thirds compared to coal-fired boilers. This contributes significantly to lowering energy consumption and actively supports the achievement of carbon emission reduction targets.

Based on these measures, AK Medical Beijing's North Changping new plant received district-level energy-saving subsidies.

Additionally, AK Medical Beijing's North Changping new plant incorporates green building principles with a prefabrication rate of 50%, receiving the Structural Great Wall Cup Award.



During the Reporting Period, the renewable energy consumption of AK Medical reached 972,736.0 kWh, and the details are as follows:

Energy use indicators	2025	2024	2023
Total energy consumption (kWh)	12,265,790.2	11,863,406.8	12,379,777.7
Energy consumption intensity (kWh/RMB10,000)	82.7	88.1	113.2
Renewable energy use (kWh)	972,736.0	851,804.0	904,507.0

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, AK Medical promotes recyclable packaging materials to further reduce resource consumption and waste. AK Medical will continue to explore more efficient resource utilization methods and more environmentally friendly innovative materials, and make even greater contributions to green development and environmental protection.

3.2.1 Conservation of Water Resources

With the pressure of global water resources continues to rise, AK Medical is deeply aware of the importance of conserving water resources, and 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 continues to implement meticulous management measures in production cleaning, laboratory operations, and daily usage, maintaining relatively stable water demand. Moving forward, AK Medical will remain committed to optimizing water resource allocation and efficient utilization, continuously refining its water usage strategy based on actual requirements.

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.

In 2025, AK Medical Beijing's North Changping new plant commenced operations. The new plant utilizes tap water as the water source for project environmental cleaning and ground-source heat pump systems. Plans are in place to transition to reclaimed water supplied by the Changping Reclaimed Water Plant for routine operations such as environmental cleaning and landscaping irrigation within the project area once municipal reclaimed water becomes available. 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. AK Medical Beijing's North Changping new plant is scheduled to fully utilize rainwater for landscaping irrigation by around May 2026.

During the Reporting Period, AK Medical's utilization of water resources is as follows:

Water resources indicators	2025	2024	2023
Total water consumption (tons)	87,111.0	32,293.0	41,533.7
Total water consumption intensity (tons/RMB10,000)	0.6	0.2	0.4

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 sustainable material utilization. Starting from three key areas – reducing waste, using biodegradable materials, and promoting recycling, through policy guidance, practice promotion and internal and external coordination across production, transportation, and other processes, the Company steadily implements environmental protection measures to promote green circular economy.

AK Medical has adhered to 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 large sterilization cartons can be reused an average of 2-3 times; 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	2025	2024	2023
Polyethylene (tons)	25.5	18.8	22.0
Stainless steel (tons)	25.5	60.2	58.6
Titanium alloy (tons)	53.1	92.1	96.7
Cobalt-chromium-molybdenum (tons)	107.4	75.7	81.4
Packaging material indicators			
Total volume of packaging materials used in finished goods (tons)	118.8	65.6	35.5
Packaging material used in finished goods per unit of production (tons/RMB10,000)	0.0008	0.0005	0.0003

3.3 Environmental Management

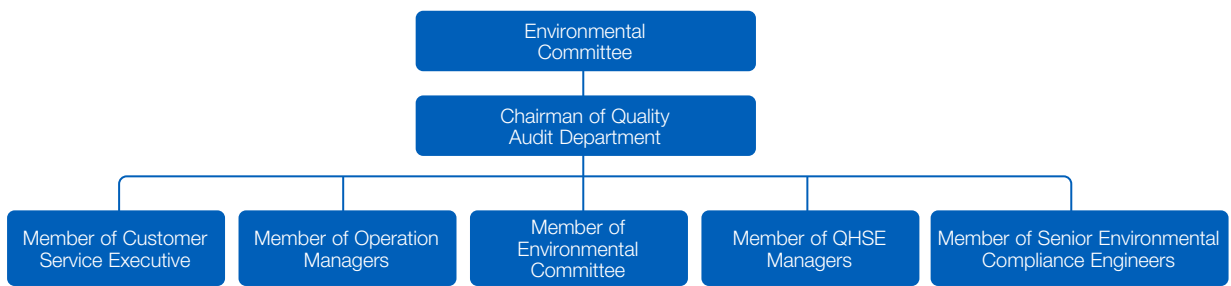
AK Medical always adheres to the concept of sustainability and actively integrates environmental protection into all aspects of production and operation. In accordance with a number of international and local environmental protection standards, the Company continues to improve its environmental governance 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 and ensure long-term development in the future.

3.3.1 Environmental Management System

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 improves 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.

AK Medical conducts regular internal and external audits and inspections to ensure the effective operation of the environmental management system, and takes 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.

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 EC Regulation 1907/2006 on Registration, Evaluation, Authorisation and Restriction of Chemicals 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

In terms of biodiversity, AK Medical is fully aware that the construction of natural ecosystems plays a key role in sustainable development, 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.

3.3.2 Emissions

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. Furthermore, the Company utilizes Venturi wet scrubbers to effectively reduce the discharge of atmospheric pollutants.

AK Medical installed waste gas treatment systems within its facilities. 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. During the Reporting Period, the Company's environmental monitoring results were in compliance with the DB11501-2017 integrated emission standard of air pollutants.

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 2025, 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 and complying with the DB11307-2013 integrated wastewater discharge standard.

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.

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 265.9 tons, while the total treated volume of non-hazardous waste generated amounted to 140,146.0kg. 97.6% waste was fully treated, with details:

Waste discharge indicators			2025	2024	2023
Hazardous waste	Waste liquid	Total waste liquid production (tons)	251.7	49.9	177.1
		Waste liquid handling volume (tons)	249.7	49.9	177.1
	Dust	Total dust production (kg)	14,217.0	17,134.4	24,949.0
		Dust handling volume (kg)	14,217.0	17,134.4	24,949.0
Non-hazardous waste	Solid waste	Titanium waste handling volume (kg)	6,366.0	3,877.0	7,404.0
		Cobalt-chromium-molybdenum waste handling volume (kg)	1,780.0	687.0	1,575.0
		Other waste handling volume (kg)	132,000.0	37,702.0	10,577.4

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's environmental monitoring was in compliance with the GB-12348-2008 Emission Standard for Industrial Enterprises Noise at Boundary. In order to reduce noise pollution, AK Medical improved the noise reduction of the sandblasting room, 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 were no relevant laws and regulations relating to the aforesaid aspects the compliance with which has a significant impact on AK Medical and its subsidiaries.

The Company plans to gradually reduce emission intensity per unit of output value by continuously promoting water recycling and the upgrading of waste gas treatment facilities while achieving performance growth and rapid expansion of overseas operations. As the Company's performance grows rapidly, particularly with a significant increase in overseas revenue, the volume of wastewater, waste gas, and solid waste emissions increases in a nonlinear way. Since emission reduction measures such as water recycling are planned for implementation in 2026, the Company's baseline data for emissions have yet to be calculated and confirmed. The Company intends to publish quantitative emission targets after completing the baseline calculation to more accurately assess and track emission reduction performance.

3.4 Addressing Climate Change

As global challenges such as global warming, extreme weather events, and rising sea levels intensify, addressing climate change has become an urgent priority. AK Medical actively identifies 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.

3.4.1 Governance

AK Medical 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.

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. During the Reporting Period, a total of 183 management personnel participated in ESG training and received an average of 1 hour of ESG training per person.

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.

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 takes into account the risks and opportunities related to climate change. 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.

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.

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.

3.4.2 Strategy

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.

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.

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.

Climate scenario analysis

Physical risk scenario identification

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 disorderly 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).

➤ **SSP1-2.6 low emission scenario**

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.

➤ **SSP5-8.5 high emission scenario**

Scenario description: CO₂ 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.

Transition risk scenario identification

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.

➤ **Existing policies for the greenhouse world**

Scenario description: Current climate policies unchanged; low rate of technology innovation; low use of CO₂ removal technology; temperature rise over 3°C.

➤ **Orderly transition: net-zero 2050**

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 CO₂ removal technology; temperature rise by 1.5°C.

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.

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.

Through climate scenario analysis, AK Medical identified the climate-related risks in terms of physical and transition risks covering short-term (3-5 years), medium-term (5-10 years) and long-term (10-50 years):

- **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.
- **Transition risks:** AK Medical has identified risks related to changes in policies and laws, market shifts, reputational impacts, and technological advancements, including the equipment cost impacts, materials and energy efficiency updates driven by regulations, and increased compliance management pressure. All of such risks could influence the value of the Company.

Impact of climate-related risks on business models

- 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.
- 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.
- 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.

Impact of climate-related risks on value chains

- 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.
- 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.
- 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.

Impact of climate-related risks on finance

- 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 significant funds 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.
- 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.
- 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.

Countermeasures

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.

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' 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.

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.

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.

Climate-related opportunity analysis

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. To manage climate-related risks and capitalize on climate opportunities, the Company continues to invest in areas such as renewable energy. 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.

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.

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.

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.

AK Medical continued to apply the basic logic of climate scenario analysis, 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.

3.4.3 Risk Management

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.

In the assessment stage, AK Medical uses mainstream international scenario analysis pathways 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.

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.

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.

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.

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.

3.4.4 Indicators and Targets

Indicators

- Organizational boundaries for greenhouse gas accounting

The statistical scope of AK Medical's greenhouse gas emission data covers the production plants and office buildings of Beijing AK Medical, ITI Medical, Libeier and JRI. Scope 1 greenhouse gas emissions cover gasoline; Scope 2 greenhouse gas emissions cover purchased electricity and heating.

- Greenhouse gas accounting method

Scope 1 greenhouse gas emissions are converted to fossil fuel CO₂ emissions in accordance with the "Guidelines on Provincial Greenhouse Gas Emission Inventory".

In the process of accounting for greenhouse gas emissions in Scope 2, domestic electricity emissions are calculated in accordance with the Announcement on the Release of 2024 Electricity Carbon Footprint Factor Data, while heating emissions are calculated 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 CO₂ emissions according to the UK Government's Conversion factors 2022: condensed set (for most users).

AK Medical fully recognizes the importance of Scope 3 greenhouse gas accounting for formulating carbon reduction plans and achieving carbon reduction across the upstream and downstream value chain. However, due to current limitations in available data and resources, and based on recommendations from external experts as well as internal analysis and research, the Company has developed the following plan regarding Scope 3 greenhouse gas emissions, as detailed in the table below:

Category	Internal Analysis
Purchased goods and services	To be inventoried in the future
Capital goods	To be inventoried in the future
Fuel – and energy-related activities	To be inventoried in the future
Upstream transportation and distribution	To be inventoried in the future
Waste generated in operations	To be inventoried in the future
Business travel	Publicly disclosed starting from 2024
Employee commuting	To be inventoried in the future
Upstream leased assets	To be inventoried in the future
Downstream transportation and distribution	To be inventoried in the future
Processing of sold products	Not applicable
Use of sold products	Not applicable
Final disposal of sold products	Due to the long product lifecycle, carbon emissions from the final disposal stage constitute a negligible proportion. In addition, as the Company does not have direct contact with product users (patients), it is difficult to obtain relevant data; therefore, this category is temporarily excluded from the accounting boundary
Downstream leased assets	Not applicable
Franchises	Not applicable
Investments	Not applicable

During the Reporting Period, AK Medical's carbon emissions data is detailed in "7.2.1 Table of Environmental Performance Information".

Due to significant uncertainties in the market environment, technological developments, and policy trends, along with the involvement of trade secrets pertaining to the Company's strategic investment plans, the Company is currently unable to determine specific amounts for quantitative information on the impacts and financial effects 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. While the Company recognizes the importance of climate-related factors and is proactively planning, many variables make it impossible to estimate funding sizes before specific projects are implemented. Consequently, it is not feasible to provide the corresponding quantitative data at this time. Considering the level of measurement uncertainty involved in estimating those current and anticipated financial effects is high that the resulting quantitative information would not be useful, qualitative information is provided instead of quantitative information.

At present, AK Medical does not apply an internal carbon price in its decision-making processes because carbon pricing does not materially affect the operations of AK Medical and its subsidiaries. However, AK Medical will regularly review whether the adoption of an internal carbon price becomes material or beneficial for enhancing its climate risk management.

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.

Targets

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.

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 a 32% decrease in carbon intensity by 2030, relative to the 2020 baseline. The targets cover Scope 1 and Scope 2 greenhouse gas emissions, including carbon dioxide (CO₂), methane (CH₄), and nitrous oxide (N₂O), all of which are measured and tracked in terms of carbon dioxide equivalent (CO₂e). The data for the above-mentioned gases are included in the greenhouse gas emission factor database used by the Company. To ensure the scientific and rigorous nature of the target setting, the Company engaged an external ESG service provider to participate in the target setting, which provided the following professional support: (1) assisting in the calculation and inventory of baseline year emission data; (2) assisting in setting the emission reduction pathway based on industry best practices; and (3) reviewing the assumptions and methodology used for target setting. These efforts ensure that the Company's climate targets are aligned with the internationally recognized standard ISO 14064-1 in terms of the calculation. Currently, the Company prioritizes resources for emission data calculation and the setting and review of targets, and has not yet engaged an independent third party to formally verify the climate targets. In order to enhance data transparency, AK Medical will regularly review the timing for third-party verification of its carbon targets. 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.

4. INNOVATION AT AK MEDICAL

AK Medical is a high-tech enterprise that engages in technological research, product development, large-scale manufacturing, and professional marketing, with a focus on cutting-edge orthopedic technology research, product development, and industrial application. Innovation serves as the core driving force behind the Company’s development. In 2025, the Company continued to advance the development of orthopedic medicine toward precision and intelligence through technological research and digital innovation, providing surgeons with solutions grounded in the concept of precision medicine. 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 benefit from cutting-edge technological innovation.

Responses in this section	United Nations Sustainable Development Goals Goal 9: Industry, innovation, and infrastructure Goal 12: Responsible consumption and production Goal 17: Partnerships for the goals
	Global Reporting Initiative Sustainability Reporting Standards GRI 416: Customer health and safety GRI 417: Marketing and labeling GRI 418: Customer privacy
	HKEX ESG Reporting Code Aspect B6: Product responsibility
Key performance	➤ The proportion of R&D investment reached 9.18%. ➤ The K3+ Orthopedic Robotic System was officially released. ➤ New breakthroughs were achieved in national-level research projects, and approval was granted for a Beijing Key Laboratory. ➤ A project was awarded the First Prize of the 2025 Invention and Innovation Award by the China Association of Inventions. ➤ Notable progress was made in the promotion of R&D technical personnel titles: 3 individuals were newly promoted to Senior Engineer (Professor-level), and 4 individuals were newly promoted to Senior Engineer. ➤ The full lifecycle management of products and services was strengthened to enhance customer recognition, with average customer satisfaction maintained at over 87% for the year.

4.1 Overcoming R&D Challenges and Promoting Domestic Substitution

With the fierce global competition in the high-end medical equipment market, AK Medical currently operates the largest additive manufacturing base for orthopedic implants in the Asia Pacific region, one of the top two such bases worldwide. This achievement has been made possible by the Company's strong emphasis on innovation. To stimulate innovation, the Company builds an appropriate organizational framework, scientifically plans incentive mechanisms for innovation, establishes professional teams, enhances innovation incentive mechanisms, improves the capabilities of R&D personnel 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.

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. The Company has four platform-based technologies, namely orthopedic metal additive manufacturing technology, vacuum plasma spraying and HA spraying technology, smart orthopedic equipment technology, and ICOS (Innovative Custom Orthopedic Solution) technology. In recent years, based on its 3D ACT technology, AK Medical has successively completed artificial atlantoaxial vertebrae (artificial vertebral body), total cervical vertebrae, multi-segment thoracolumbar vertebrae, artificial elbow joint, artificial wrist joint, total knee joint, artificial full sacrum, half pelvis (sacral iliac joint to pubic bone) and many other personalized design prosthesis replacements. These innovations provide surgeons with anatomical reconstruction solutions based on the concept of precision medicine.

Innovation Organizational Structure

To address the challenges posed by rapid technological iteration and intensified market competition in the medical equipment industry, and to enhance the Company's core competitiveness, AK Medical has established a Technology Committee to accelerate the transformation of technological achievements, and meet the expectations of medical institutions and patients 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. The committee has a standing committee, consisting of the chairperson (or rotating chairperson), standing committee members, and a secretary. This structure ensures efficient decision-making and management, providing a strong guarantee for the Company's technological progress and business development.

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 outstanding scientific and innovative talents have profound professional knowledge and cutting-edge academic vision, providing a solid theoretical foundation for technological innovation.

To continuously 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. In 2025, AK Medical made notable progress in the promotion of R&D technical personnel titles: 3 individuals were newly promoted to Senior Engineer (Professor-level), bringing the total number of Senior Engineers (Professor-level) to 7; and 4 individuals were newly promoted to Senior Engineer, bringing the total number of Senior Engineers to 12.

Innovation Incentive Mechanisms

AK Medical recognizes the critical importance of establishing a scientific and effective innovation incentive mechanism. To this end, AK Medical has established a sound system and management system to ensure the effective implementation of innovation incentive mechanism and that the promotion of technological innovation can be continued. AK Medical complies with the Patents and Articles Award Management Measures and the Projects Award Management Measures of AK Medical Group, which set out 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

Intellectual property protection plays a crucial role in promoting innovation, maintaining market order, and safeguarding the rights of creators. AK Medical has established a three-dimensional intellectual property protection system encompassing methods, technologies, and products for orthopedic implant design and manufacturing. This system provides multi-dimensional intellectual property protection for innovations 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.

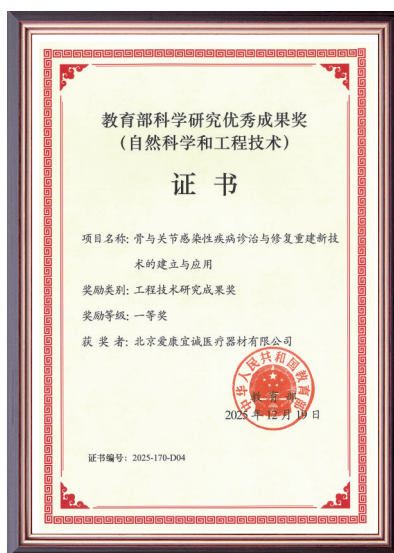
At the same time, the Company actively carries out regular intellectual property training and publicity activities. Training covers professional knowledge such as intellectual property laws and regulations, application processes, and infringement prevention. The publicity activities are diverse in form, leveraging online platforms and other channels to widely disseminate cases and the important significance of intellectual property protection. Through these varied training and promotional activities, employees' awareness of intellectual property protection is enhanced, 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

During the Reporting Period, the R&D investment of AK Medical accounted for 9.18%. Additionally, the Company received multiple honors, including the First Prize of the 2025 Invention and Innovation Award from the China Association of Inventions, the First Prize of the 2024 Beijing Medical Science and Technology Award, and the First Prize for Engineering and Technical Research Achievements under the Outstanding Achievement Award for Scientific Research of Ministry of Education (Natural Sciences and Engineering Technology).



As of December 31, 2025, the Company held a total of 536 invention patents, 335 utility model patents, and 46 granted PCT patents.

4.1.2 Digital Intelligence and Scientific Innovation Achievements

In an era where digital and intelligent technologies are deeply integrated, the medical industry is undergoing unprecedented transformation. 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 2025, 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.

Launch of K3+ – A New Stage for the Intelligent Orthopedic Surgery Platform

Case

During the 2025 COA Conference, the K3+ Orthopedic Robotic System was unveiled, marking a new stage for the intelligent orthopedic surgery platform with integrated hip, knee, and unicompartmental procedures.

The K3+ Orthopedic Robotic System features a self-developed 3+3-axis robotic arm, with a more compact and streamlined design. Enhanced algorithms enable more flexible and precise adaptive osteotomy, effectively addressing clinical challenges caused by patient posture changes. The system is also compatible with THA, TKA, UKA, and revision procedures, meeting the diverse needs of multi-scenario joint replacement surgery.



4.1.3 Data Security and Privacy Protection

To protect the privacy of institutions and patients is very important. 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. 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 implements 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 for employees, enhancing their awareness and sense of responsibility. 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 maintains a strong sense of responsibility, 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.

AK Medical has established sound clinical trial project procedures with clearly defined responsibilities across multiple departments to jointly ensure that the Company complies with ethical standards. Before the initiation of the 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 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.

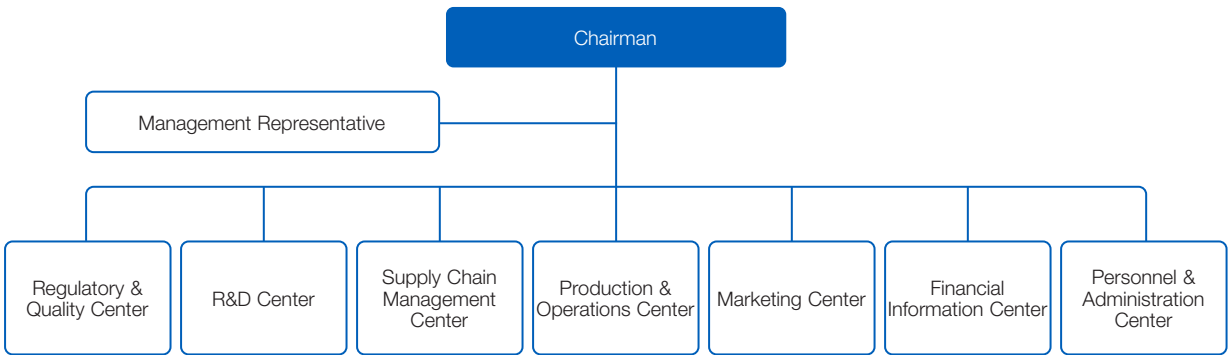
4.2 Enhancing Product Quality and Services

AK Medical is committed to 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

As requirements for product quality and safety continued to increase in the global medical device industry, 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.

AK Medical has established a sound quality management system led by the Chairman. Under 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. AK Medical has obtained the ISO 13485:2016 Medical Device Quality Management Systems certification, strongly ensuring high standards and safety of products.



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.

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 attributable to quality concerns.

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. The Company gathers customer feedback on product quality from various channels, covering multiple stages during and after surgical procedures. If surgeons encounter any issues while using AK Medical products, they can submit feedback through distributors via the Company's OA system, and the Company will provide technical consultation, troubleshooting, and repair services. For post-operative issues, patients can relay the information to the Company through the hospital, and the Company will respond promptly, investigate, and assist in resolving such issues, ensuring that both medical institutions and patients benefit from AK Medical's high-quality products and services.

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, AK Medical conducts a quantitative review of service effectiveness every six months through a Customer Satisfaction Survey Form to ensure continuous optimization of its service quality. During the Reporting Period, customer satisfaction rate exceeded 87%, with satisfaction rates for brand influence, product quality, product labeling, and delivery speed all surpassing 90%. Subsidiaries, AK Medical Beijing and Libeier, received a total of 18 customer complaints, achieving a 100% complaint resolution rate. Moving forward, the Company will continue to make improvements, further enhancing customer satisfaction and optimizing service experience 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. For product labels, the Company strictly follows regulations and SOP procedures, and discloses information such as product name, specification, batch number, serial number, production date and expiration date. 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. In addition, 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 has built a full lifecycle human resources management system covering recruitment, training, promotion, remuneration, welfare, health and safety. 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 to foster mutual growth for both the Company and its employees.

Responses in this section

United Nations Sustainable Development Goals

- Goal 3: Good health and well-being
- Goal 4: High quality education
- Goal 5: Gender equality
- Goal 8: Decent work and economic growth
- Goal 10: Reduced inequalities

Global Reporting Initiative Sustainability Reporting Standards

- GRI 401: Employment
- GRI 402: Labor relations
- GRI 403: Occupational health and safety
- GRI 404: Training and education
- GRI 405: Diversity and equal opportunities
- GRI 406: Non-discrimination
- GRI 407: Freedom of association and collective bargaining
- GRI 408: Child labor
- GRI 409: Forced or compulsory labor

The ESG Code

- Aspect B1: Employment
- Aspect B2: Health and safety
- Aspect B3: Development and training
- Aspect B4: Labor standards

Key performance

- > Investment in occupational health and safety reached RMB2.153 million
- > Organized multiple internal and external trainings, with 964 full-time employees participating

5.1 Employee Rights and Interests

AK Medical regards employees as the cornerstone of the Company's stable operation, adheres to the concept of "employee health, development and happiness", continuously improves employment management, and comprehensively safeguards the legitimate rights and interests of employees by building a diversified training system, transparent promotion mechanism and comprehensive salary and welfare protection. The Company is committed to creating an inclusive, fair and positive working environment to achieve synergistic development between the Company and its employees.

5.1.1 Compliant Employment

AK Medical strictly complies with 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 and other laws and regulations, and has formulated and implemented a series of internal management systems to integrate compliance throughout the Company's employment process.

In terms of recruitment process, AK Medical has made detailed requirements for key aspects of the recruitment process through the Recruitment Management Regulations. These provisions clarify the responsible departments, recruitment planning, recruitment channels, procedures, as well as evaluation and record management, thereby standardizing the recruitment and hiring process and ensuring fairness and transparency in recruitment. AK Medical always adheres to the principle of fairness, justice and openness in recruitment, explicitly prohibits discrimination based on race, gender, age, religion, nationality or disability, and ensures the equity in recruitment, promotion, salary and other links, and does not differentiate based on individual background.

In terms of employee management, AK Medical effectively improved work order and management efficiency through the Employee Handbook, Employee Attendance Management System, Resignation Management System and other systems. The Company, in principle, does not encourage overtime work and keeps the daily working hours of employees within 8 hours. For operational changes that may affect the interests of employees, the Company implements a one-month notice policy to protect employees' right to know and maintain harmonious labor relations.

Official Opening of Building A of Administrative Office Area at the AK Medical Industrial Park

Case

On May 7, 2025, the Building A of the Administrative Office Area at the AK Medical Industrial Park was officially opened, and the Company held a celebration event. With the theme of “Welcoming the Future with Original Aspiration”, this event showed the spirit of AK people’s concentration and continuous struggle through solemn ceremony and warm interaction, and injected profound cultural connotation into the opening of the new office area.

The opening of this office area marks a key step for the Group in advancing intelligent office, cross-departmental collaboration and innovation-driven research and development. The park integrates digital management system and green building concept, which will significantly improve operational efficiency while reducing energy consumption, thereby providing strong support for the further development of the medical and health industry.



For violations, the Company has clearly defined the definitions, examples, and disciplinary procedures, covering 8 categories of violations such as safety, attendance and efficiency, work standards and processes, conduct and colleague interaction, confidentiality, company reputation, conflict of interest, fraud and theft, and illegal acts. Violations are categorized into three levels: minor violations, moderate violations, and serious violations. The Company is committed to creating and maintaining a working atmosphere featuring mutual trust, equal communication and fair competition, and strictly prohibits any form of workplace misconduct and violence. Workplace sexual harassment is classified as a serious violation. The Company provides channels for employees to file complaints and protects the privacy of employees involved in investigations. Once the violation is verified, disciplinary measures of ranging from verbal warning, written warning, affecting promotion and salary adjustment, affecting performance-based remuneration, and termination of labor contract will be imposed according to the prescribed standards. If employees are not satisfied with the handling results, the Company provides an appeal channel.

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. At present, the labor unions of three subsidiaries, AK Medical Beijing, Tianyan Medical and Libeier, have effectively played their role as a communication bridge to protect the rights and interests of employees.

In terms of legal employment, AK Medical strictly adheres to the Regulations on Prohibiting the Employment of Child Labor and Forced Labor, explicitly prohibiting the employment of child labor and forced labor. 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 addition, there were no relevant laws and regulations relating to preventing child and forced labour the compliance with which have a significant impact on AK Medical and its subsidiaries.

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

Basis of Classification	Specific Category	2025	2024	2023
Type of employment	Full-time employee (person)	979	950	1,049
	Part-time employee (person)	4	4	3
Gender	Male (person)	638	623	679
	Female (person)	341	326	369
	Other gender (person)	0	1	1
	Percentage of female employees	34.8%	34.3%	35.2%
Age	Under 30 (person)	230	214	288
	30-39 (person)	405	435	449
	40-49 (person)	233	220	233
	50 and above (person)	111	81	79
Region	Chinese mainland (person)	878	840	928
	Hong Kong, Macao, and Taiwan (person)	0	0	0
	Overseas (person)	101	110	121

For details of employee turnover rate of AK Medical and its subsidiaries, please refer to "7.2.2 Table of Social Performance Information" of this ESG report.

5.1.2 Remuneration and Welfare

The Company has established a comprehensive remuneration management system centered on fairness and competitiveness, ensuring precise alignment between value creation, capability development and remuneration rewards. It has also provided employees with a diverse of non-remuneration benefit mechanisms to cater to their diverse needs and deliver more comprehensive welfare support.

Remuneration Plan

To achieve fair remuneration and ensure internal consistency, while leveraging industry-leading remuneration to motivate employee performance, 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, fostering mutual growth for both the Company and its employees.

AK Medical has formulated the Remuneration Management Policy and the Job Level System, 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 adjusts 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

AK Medical has built a multi-level and humanized welfare system through internal policies such as the Welfare Management Measures and the dynamically optimized “Happiness Plan”, conveying the Company’s humanistic care and sense of responsibility.

The compensation and 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. 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 in accordance with the requirements of their respective local governments. The social insurance covers pension insurance, medical insurance, unemployment insurance, work-related injury insurance, and maternity insurance. AK Medical strictly implements relevant national policies on parental leave to support employees in balancing work and family responsibilities.

AK Medical has continuously enhanced non-remuneration welfare mechanisms, addressing employees' life, health, and family needs. For instance, it organises various activities and offers festive gifts to create a more comfortable and enjoyable work and living environment for its employees.

Festival care	- Employees receive birthday gifts on their special day, fostering a sense of belonging. - On Women's Day, exclusive welfare packages are distributed, and departments may arrange a half-day holiday to foster a warm workplace atmosphere. - 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. - 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. - 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. - 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.

"Caring for Employees - Summer Cooling" Care Initiative Organized by AK Medical Labor Union

Case

In August, AK Medical launched the "Care for Employees – Summer Cooling" special summer care initiative. Continuing the Company's tradition of caring for its employees, this year's "Summer Cooling Care" was delivered to staff in the form of flexible and practical vouchers. With a wide variety of options available, employees could select their preferred summer drinks, seasonal fruits or other summer essentials according to their personal and family needs, turning the Company's thoughtful care into a personalised cooling experience. The care is filled with caring warmth while offering an array of choices, making the care more considerate and tailored.

During the Reporting Period, the Company did not experience any incidents that had a material impact on AK Medical and its subsidiaries as a result of non-compliance with applicable laws and regulations relating to severance compensation, recruitment and promotion, working hours, holidays, equal opportunity, diversity, anti-discrimination, and other employment and welfare matters. In addition, 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

Following the principle of “safety first, prevention first”, AK Medical upholds a clear safety production responsibility system, continuously enhances management efficiency through a hierarchical accountability mechanism, and continuously enhances employees’ safety and protection awareness, working together with employees to strengthen occupational health and safety.

5.2.1 Production Safety Management

AK Medical strictly adheres to relevant laws and regulations such as the Work Safety Law, the Fire Control Law, and the Emergency Response Law, has established a group-wide EHS (Environment, Health, and Safety) system, and 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.

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 Safety Management System for Hazardous Operations, 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.

AK Medical strengthens safety risk identification, assessment and control through a sound top-level management system and institutional framework. AK Medical employs a two-tier management structure for safety production governance. At the group level, a Safety Committee is established to ensure unified management and supervision ensure overall coordination. In addition, the vice president in charge of the production and supply system directly oversees the EHS systems of subsidiaries. All safety and environmental matters are reported directly to the vice president. According to the division of responsibilities for production safety, 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. Through standardized management processes and a hierarchical responsibility mechanism, the Company continuously enhances safety management efficiency, providing a solid foundation for stable business development.

Responsibilities of the Safety Committee:

- Organize or participate in formulating the Company's work safety rules and regulations, operating procedures, and emergency rescue plans for work safety accidents;
- Organize or participate in the Company's work safety education and training, and truthfully record the details of such education and training;
- Organize and conduct hazards identification and assessment, and supervise the implementation of safety management measures for the Company's major hazards;
- Organize or participate in the Company's emergency rescue drills;
- Inspect the Company's work safety conditions, promptly identify and rectify potential work safety hazards, and put forward suggestions for improving work safety management;
- Stop and rectify illegal operation behavior, orders to take risk and violations of operating procedures;
- Supervise the implementation of the Company's work safety rectification measures.

To proactively prevent safety incidents, AK Medical continuously enhances safety management mechanisms and implements multiple safety measures to minimize risks. The Company conducts regular safety production inspections to help identify and rectify potential safety hazards, ensuring the safety of production processes. For example, regular inspections are carried out to identify hazards, and practical simulation drills including fire evacuation, emergency response at spraying sites, and use of fire-fighting equipment are organized to enhance employees' emergency response capabilities. 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.

During the Reporting Period, the Company invested RMB2.153 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 five 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 "7.2.2 Table of Social Performance Information" of this report.

5.2.2 Occupational Health Management

AK Medical is committed to providing comprehensive occupational health protection for its employees. 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 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.

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 2025, a total of 379 employees received occupational health and safety training, with a total of 2,307.5 training hours. The average training hours per frontline operator were 12, and the average training hours per safety management personnel were 17.

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 has a significant impact on AK Medical and its subsidiaries.

5.3 Employee Empowerment

AK Medical, guided by the principle of "employee development first", implements systematic training programs 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, fosters mutual growth between employees and the Company, and lays a solid foundation for sustainable development in the future.

5.3.1 Training and Development

AK Medical fully implements the “3E principle” (Education, Exposure, and Experience) to provide employees with tailored development resources.

Talent Development Principle

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, and prepares the Annual Training Plan for the subsequent year in the fourth quarter of each year, aiming to provide abundant internal and external training courses for employees at different levels and in various positions. Internal training is organized by the Company, including new employee training, training for management trainees, training for employees engaged in key and special processes, and job transfer training, covering three areas: general skills, professional skills, and leadership development.



The 5th Session of New Employee Training in 2025



Marketing Knowledge Training



Management Training Session

External training is conducted by external learning institutions entrusted by the Company, covering categories such as academic certificates, qualification certificates, and professional certificates, which include professional skills and management. To promote employee development and enhance the Company's talent soft power, AK Medical supports employees in applying for training outside the Annual Training Plan and provides certain support. For employees who pursue academic advancement in their spare time, the Company offers training cost support of up to RMB100,000.

AK Medical provides employees with ample support and opportunities for growth, encouraging them to regard their positions as their own careers, engage in valuable work and avoid superficial or formalistic tasks. In 2025, the Technical Director of the Company's Joint R&D Center was awarded the honorary title of "Beijing Model Worker". The title of "Beijing Model Worker" is conferred by the Beijing Municipal Committee of the Communist Party of China and the Beijing Municipality Government, and is selected every five years, representing the highest honor for workers in the capital city. This honor marks the second time an AK Medical employee has received this recognition, following the award received by the Company's CTO in 2020, reflecting AK Medical's strong tradition of innovation.

In 2025, the Company conducted multiple internal and external training sessions, with 964 full-time employees participating. For details of the percentage of employee trained and the average training hours completed per employee during the Reporting Period, please refer to "7.2.2 Table of Social Performance Information" of this report.

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

In terms of performance appraisal, 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, motivating employees and fostering innovation.

In terms of incentive mechanisms, AK Medical complies with the Projects Awards Management Measures of AK Medical Group. AK Medical motivates 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 for employees across different functions.

In terms of the promotion system, the Company implemented the Employee Promotion Management System of AK Medical Group and the AK Medical Performance Appraisal Management Regulations. Based on performance evaluations, it emphasized process management and behavioral assessments, while incorporating culture-driven performance management to ensure an open and fair promotion process. For both professional and management talents, the Company has established clear career progression paths, providing employees with a clearer understanding of their long-term career paths. In 2025, the Company conducted performance and career development reviews for nearly 100% of its employees.

Through performance appraisal, incentive, and promotion management systems described above, the Company has created a fair, just and challenging work environment for employees. While driving the enhancement of employees' personal capabilities and career development, this also lays a solid talent foundation for Company's long-term growth and competitiveness improvement.

5.4 Happiness Plan

AK Medical fully recognizes the importance of employee engagement in corporate development. By establishing communication channels, the Company stimulates employee initiative in engaging in corporate governance, continuously enhances their happiness and sense of belonging, and is committed to creating and maintaining a working atmosphere characterized by mutual trust, equal communication, unity and collaboration, and fair competition.

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 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.

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.

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 broad application and recognition of advanced medical technologies in society.

Responses in this section

United Nations Sustainable Development Goals

Goal 3: Good health and well-being

Goal 11: Sustainable cities and communities

Goal 12: Responsible consumption and production

Global Reporting Initiative Sustainability Reporting Standards

GRI 204: Procurement practices

GRI 308: Supplier environmental assessment

GRI 413: Local communities

GRI 414: Supplier social assessment

HKEX ESG Reporting Code

Aspect B5: Supply chain management

Aspect B8: Community investment

Key performance

- We have partnered with 291 compliant suppliers worldwide.
- We strengthened our supplier audit process, with a total of 191 supplier reviews conducted, including 38 on-site inspections.
- During the Reporting Period, AK Medical invested RMB1.6 million in social welfare projects and launched 20 public welfare initiatives.
- This year, 11 sessions of the “Silk Road Health International Cooperation and Exchange Program” were conducted.

6.1 Supplier Management

Suppliers are vital partners to AK Medical, and supply chain management is crucial to a company’s stability and sustainable development. To this end, AK Medical has established a comprehensive supplier management system covering supplier onboarding, supplier audits, supplier exchange and training, and risk management and control. This ensures compliance across the entire supply chain, enhances suppliers’ environmental and social responsibility. 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. By the end of 2025, the Company had established partnerships with 291 suppliers from Asia, Europe, North America and other continents and had 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. In 2025, AK Medical screened 22 new suppliers using environmental standards.

AK Medical prioritizes suppliers that hold ISO 9001 Quality Management System certification and ISO 13485 Medical Device Quality Management System certification. Of the suppliers for the subsidiary, Tianyan Medical, those certified under ISO 90001 and ISO 13485 represented 91% and 87% of the total number of suppliers, respectively.

Supplier Evaluation Criteria for First Cooperation

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

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.

AK Medical has established an SQE Supplier Audit Management Department to strengthen audit oversight and comply with the Supplier Audit Management System. This initiative further refines the supplier management framework to ensure suppliers consistently meet the Company's quality and service standards over the long term. 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 2025, AK Medical reviewed a total of 191 suppliers, with 38 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 has issued the Notice to Related Parties to suppliers, emphasizing 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. Through diverse and frequent technical exchanges, AK Medical aims 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. With precise demand forecasting, AK Medical effectively allocates production resources, avoiding both shortages and overcapacity, thereby maintaining a balance between supply and demand and better meeting the delivery expectations of distributors. In 2025, AK Medical has focused 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.

6.2 Universal healthcare

6.2.1 Product accessibility and affordability

Accessibility and affordability of medical products play a vital role in the development of medical products. Not only does it ease the financial burden on patients, and enable more individuals to access high-quality medical products and services, but it also fosters the sustainable development of the medical product industry. AK Medical remains dedicated to its mission of “Make you move for a better life”, consistently improving the accessibility and affordability of its products through continuous innovation. With the independent development of the VTS and the Orthopedic Robotic System, the Company is overcoming technological barriers, enhancing treatment precision and efficiency, and reducing lifetime treatment costs, and thereby ultimately benefiting more patients.

Technological Accessibility

AK Medical continues to strive to provide patients worldwide with better medical products and services. In China, since the Group's first robot bid win in 2025, the development of intelligent devices has accelerated significantly. By the end of the reporting date in 2026, multiple successful bids have been secured, covering key national and regional benchmark tertiary hospitals such as Peking Union Medical College Hospital and the First Affiliated Hospital of Zhejiang University. In overseas markets, the K3 robot achieved its first overseas sale in 2025, and as of the reporting date, an additional two K3+ robots were sold. As of 31 December 2025, the Group had achieved digital orthopedics billing in three key regional hospitals and established three regional training centres for intelligent devices. Nearly 100 navigation and robotic devices had been deployed in the market, and intelligent assistance devices had been used in over 4,000 clinical surgeries, covering over 5,000 hospitals in the implant sector. Moving forward, AK Medical's products will continue to enable worldwide patients to experience the advantages of digital orthopedics, bringing new possibilities to hundreds of millions of patients.

Affordable Costs

AK Medical consistently pursues its corporate mission with relentless dedication, striving to provide patients with superior treatment solutions throughout their entire lifecycle and enhance their postoperative quality of life. The Company utilizes 3D printing technology to enhance bone integration outcomes and has established a comprehensive lifecycle management system for personalized implants through its iCOS Digital Orthopedic Platform, covering preoperative, intraoperative, and postoperative stages. Leveraging a case feature database, it delivers predictive services for revision surgeries. Consequently, patients achieve superior surgical outcomes while reducing overall lifecycle treatment costs.

6.2.2 Community Philanthropy

AK Medical collaborates with orthopedic specialists to regularly conduct charitable medical outreach programs, and has repeatedly donated prosthetic implants free of charge to impoverished patients, alleviating the financial burden on their families. During the Reporting Period, AK Medical invested RMB1.6 million in social welfare initiatives, launching 20 public service projects. Employee volunteers participated in these efforts 100 times, contributing a total of 260 volunteer hours.

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. Through the AK Institute, the Company has continually enhanced the professional competencies of healthcare providers and facilitated the widespread adoption of advanced treatment technologies. Launched in 2023, the Silk Road Health International Cooperation and Exchange Program is committed to serving as a bridge for advancing global healthcare development. It promotes advanced medical technologies and fosters exchanges between China and international medical professionals across countries along the Belt and Road initiative, enriching medical cooperation and shared progress among nations. 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 development 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.

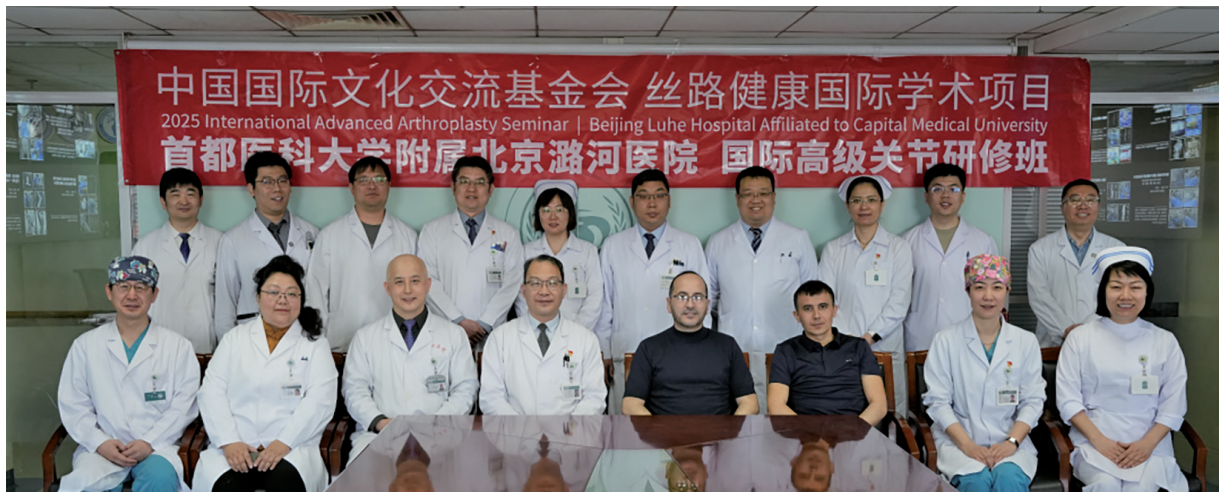
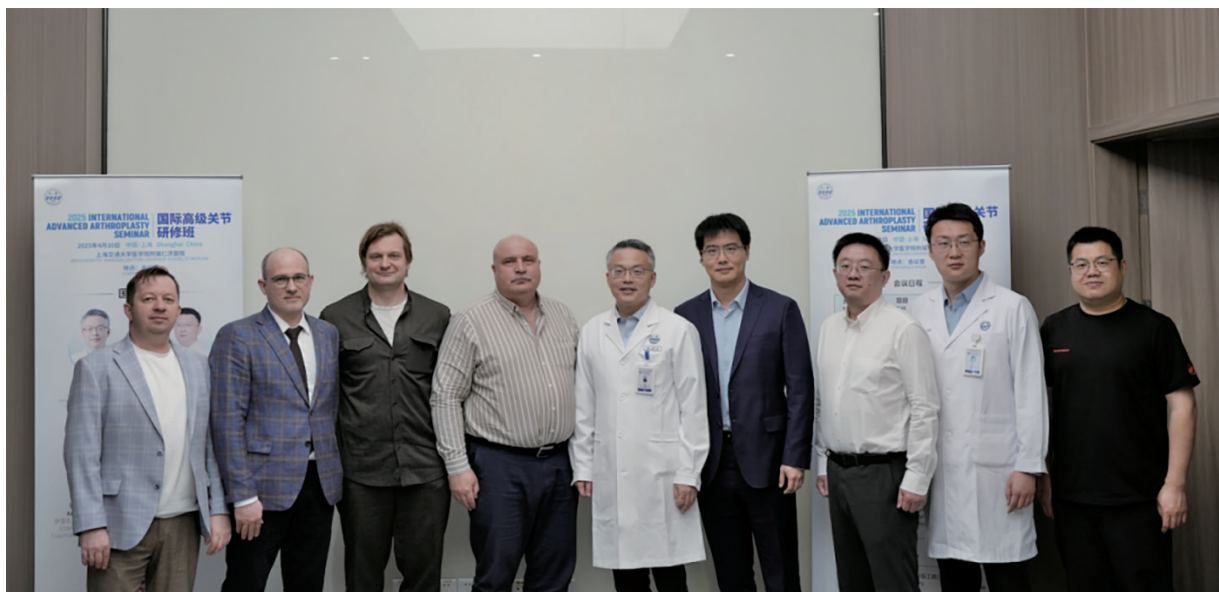
Academic education program	The Company regularly organizes thematic seminars, academic salons, and other events that focus on the field of artificial joints and related technologies. By integrating free clinics and hospital training activities, it provides an ideal learning platform for grass-roots doctors.
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

AK Medical is dedicated to advancing global industry progress, actively promoting domestic and international communication and 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 domestic digital orthopedic technology. In January 2025, at the Knee Preservation Academic Conference, AK Medical hosted the “AK Unicompartamental Workshop” to exchange insights on unicompartamental knee arthroplasty, share surgical expertise, and explore new ideas and approaches to knee preservation treatment with leading industry experts. In March, at the China Medical Equipment Conference & 2025 Medical Equipment Exhibition, AK Medical participated in the joint exhibition booth organized by Changping District, showcasing its innovative achievements in medical technology. At the 2025 Joint Surgery Academic Salon, professors from the Chinese PLA General Hospital conducted live demonstrations of intelligent devices, providing detailed explanations of the VTS Visualization Intelligent Assistance System and the K3 Orthopedic Robotic System. At the Sixth Qinling Orthopedic Joint Surgery Academic Conference & Qinling Orthopedic Basic and Translational Research Symposium, the Knee Preservation Workshop featured demonstrations of the HAUK Fixed Platform Monocompartamental Knee Implant by Ding Yong, Director of the Knee Preservation Department at Xi’an Honghui Hospital Joint Disease Hospital, and Chen Jing, Chief Physician of the Orthopedic Joint Surgery Department at Beijing Aerospace Center Hospital. At the 91st China International Medical Equipment Fair (CMEF) in April, AK Medical prominently showcased its VTS Visualization Intelligent Assistance System, the K3 Orthopedic Robotic System, and the iCOS comprehensive solution, highlighting a series of innovative achievements.

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). A total of 11 events were held in 2025. This program, centered on professional exchanges, aims to build a platform for medical cooperation between China and other countries, fostering the integration and innovation of global medical expertise.



Establishing a strategic partnership with Xi'an Jiaotong University Second Affiliated Hospital to jointly advance the innovation and development of medical robots

Case

On May 8, 2025, AK Medical and the Second Affiliated Hospital of Xi'an Jiaotong University formally signed a strategic cooperation agreement in Xi'an. With the official establishment of Medical Robot Research Center of the Second Affiliated Hospital of Xi'an Jiaotong University, both parties will engage in in-depth collaboration in the field of medical surgical robots, focusing on clinical research, technology transfer, and intelligent surgical solutions to jointly advance the high-quality development of China's medical technology.

This strategic partnership marks a solid step forward in the deep integration of industry, academia, research, and healthcare. As a leading domestic enterprise in intelligent orthopedic medical technology, AK Medical has consistently deepened its research, development, and implementation of orthopedic surgical robots and navigation systems in recent years. Meanwhile, Xi'an Jiaotong University Second Affiliated Hospital, as a National Regional Medical Center and a National Key Clinical Specialty Construction Unit, possesses robust technical capabilities and extensive clinical resources. The two parties will collaborate in multiple areas including orthopedic surgical navigation, clinical demonstration applications of orthopedic robots, remote surgical collaboration, AI algorithm training, and the joint construction of medical engineering innovation platforms.



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. APPENDIX

7.1 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 2025.

Scope of disclosure: This report covers the Group's information and data from 1 January to 31 December, 2025 (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 2026. 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 HKEX ESG Reporting 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)

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" or "the Company".

Language description: This report is published in traditional Chinese.

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.

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7.2 Tables of Key Performance

7.2.1 Table of Environmental Performance Information

Indicators	Unit	2025				2024				2023						
		AK Medical	AK Medical	ITI Medical	Libeier	JRI	AK Medical	Beijing	ITI Medical	Libeier	JRI	AK Medical	Beijing	ITI Medical	Libeier	JRI
Greenhouse gas emissions																
Direct Scope 1 greenhouse gas emission	Tons	89.1	33.6	7.9	0.0	47.6	77.7	32.8	6.0	0.0	38.9	43.0	36.2	6.8	0.0	0.0
Intensity of direct Scope 1 greenhouse gas emission	Tons/ RMB10,000	0.0006	/	/	/	/	0.0006	/	/	/	/	0.0004	/	/	/	/
Indirect Scope 2 greenhouse gas emission	Tons	5,594.0	2,091.5	2,792.4	435.5	264.6	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
Intensity of indirect Scope 2 greenhouse gas emission	Tons/ RMB10,000	0.04	/	/	/	/	0.04	/	/	/	/	0.05	/	/	/	/
Indirect Scope 3 greenhouse gas emission	Tons	604,338.7	/	/	/	/	164,143.8	/	/	/	/	/	/	/	/	/
Intensity of indirect Scope 3 greenhouse gas emission	Tons/ RMB10,000	4.08	/	/	/	/	1.22	/	/	/	/	/	/	/	/	/
Greenhouse gas emission (Scope 1, 2 and 3)	Tons	610,011.8	/	/	/	/	169,398.9	/	/	/	/	/	/	/	/	/
Intensity of greenhouse gas emission (Scope 1, 2 and 3)	Tons/ RMB10,000	4.11	/	/	/	/	1.26	/	/	/	/	/	/	/	/	/
Energy consumption																
Total energy consumption	kWh	12,265,790.2	3,857,615.0	5,838,433.4	901,771.8	1,667,970.1	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	5,229,914.2	2,088,064.3	825,573.3
Energy consumption intensity	kWh/ RMB10,000	82.7	/	/	/	/	88.1	/	/	/	/	113.2	/	/	/	/
Direct energy consumption																
Direct energy consumption	kWh	1,335,532.8	136,659.3	1,004,659.9	0.0	194,014.5	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
Intensity of direct energy consumption	kWh/ RMB10,000	9.0	/	/	/	/	8.7	/	/	/	/	9.9	/	/	/	/
Direct energy consumption – non-renewable energy sources (natural gas, coal, other fuel sources)	kWh	556,811.3	136,659.3	32,122.9	0.0	194,014.5	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

Indicators	Unit	AK Medical				AK Medical				AK Medical				JRI		
		AK Medical	Beijing	ITI Medical	Libeier	JRI	AK Medical	Beijing	ITI Medical	Libeier	JRI	AK Medical	Beijing		ITI Medical	Libeier
Direct energy consumption – renewable energy sources (solar, wind, hydro, other)																
	kWh	972,736.0	0.0	972,736.0	0.0	0.0	851,804.0	0.0	851,804.0	0.0	0.0	904,507.0	0.0	904,507.0	0.0	0.0
Indirect energy consumption																
Indirect energy consumption	kWh	10,930,257.5	3,720,955.6	4,833,574.4	901,771.8	1,473,955.6	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
	kWh/															
Intensity of indirect energy consumption	RMB10,000	73.7	/	/	/	/	79.4	/	/	/	/	103.3	/	/	/	/
Indirect energy consumption – purchased electricity from non-renewable sources																
	kWh	10,930,257.5	3,720,955.6	4,833,574.4	901,771.8	1,473,955.6	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
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	87,111.0	13,083.0	35,046.0	1,473.0	37,509.0	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	1,595.5
Intensity of total water consumption	Tons/Output	0.6	/	/	/	/	0.2	/	/	/	/	0.4	/	/	/	/
Total water discharge volume	Tons	61,450.0	9,812.0	12,880.0	1,104.0	37,654.0	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
Total recycled water	Tons	384.0	0.0	384.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Raw material consumption																
Production raw materials																
Cobalt-chromium-molybdenum	Tons	107.4	11.3	94.0	0.0	2.1	75.7	10.6	48.5	14.1	2.5	81.4	11.9	48.6	15.8	5.1
Titanium alloy	Tons	53.1	18.9	15.0	4.8	14.4	92.1	20.5	58.5	0.0	13.1	96.7	22.6	68.3	0.0	5.8
Polyethylene	Tons	25.5	7.2	17.0	0.0	1.3	18.8	7.6	8.9	0.0	2.3	22.0	7.5	8.6	4.5	1.4
Stainless steel	Tons	25.5	0.0	23.0	0.0	2.5	60.2	0.0	48.0	0.0	12.2	58.6	0.1	50.7	0.0	7.8
Total		211.6					246.7					258.6				
Packaging raw materials																
Total amount of packaging material used in finished product	Tons	118.8	16.9	91.9	5.1	4.9	65.6	16.0	32.0	5.5	12.1	35.5	0.0	15.8	6.7	13.0
Amount per unit of production of packaging materials used in finished products	Tons/															
	RMB10,000	0.0008	/	/	/	/	0.0005	/	/	/	/	0.0003	/	/	/	/

Indicators	Unit	2025				2024				2023							
		AK Medical	AK Medical	AK Medical	Libeier	JRI	AK Medical	AK Medical	Beijing	AK Medical	AK Medical	Beijing	AK Medical	AK Medical	Beijing	AK Medical	Libeier
Waste																	
Hazardous waste																	
Total waste liquid production	Tons	251.7	2.0	33.7	1.4	214.6	49.9	1.3	42.5	3.0	177.1	1.2	44.9	4.0	127.0		
Waste liquid handling volume	Tons	249.7	2.0	33.7	1.4	212.6	49.9	1.3	42.5	3.0	177.1	1.2	44.9	4.0	127.0		
Intensity of waste liquid produced	Tons/ RMB10,000	0.0017	/	/	/	/	0.0004	/	/	/	0.002	/	/	/	/	/	/
Total volume of dust production	Kg	14,217.0	504.0	1,500.0	93.0	12,120.0	17,134.4	1,124.0	8,800.0	560.4	24,949.0	3,328.0	8,500.0	6,474.0	6,647.0		
Total volume of dust handling	Kg	14,217.0	504.0	1,500.0	93.0	12,120.0	17,134.4	1,124.0	8,800.0	560.4	24,949.0	3,328.0	8,500.0	6,474.0	6,647.0		
Non-hazardous waste																	
Total waste generation from Forging blank titanium alloy waste	Kg	8,141.0	1,050.0	5,000.0	316.0	1,775.0	3,877.0	1,350.0	1,577.0	950.0	7,404.0	1,500.0	4,225.0	800.0	879.0		
Forging blank titanium alloy waste processing volume	Kg	6,366.0	1,050.0	5,000.0	316.0	0.0	3,877.0	1,350.0	1,577.0	950.0	7,404.0	1,500.0	4,225.0	800.0	879.0		
Cobalt-chromium-molybdenum casting blank waste production volume	Kg	2,200.0	280.0	1,500.0	0.0	420.0	1,261.0	400.0	287.0	0.0	1,575.0	600.0	745.0	0.0	230.0		
Total waste generation from Cobalt-chromium-molybdenum casting blank waste	Kg	1,780.0	280.0	1,500.0	0.0	0.0	687.0	400.0	287.0	0.0	1,575.0	600.0	745.0	0.0	230.0		
Total other waste production	Kg	137,860.0	42,000.0	90,000.0	0.0	5,860.0	46,542.0	35,000.0	2,702.0	0.0	10,577.4	3,000.0	4,496.0	0.4	3,081.0		
Other waste handling volume	Kg	132,000.0	42,000.0	90,000.0	0.0	0.0	37,702.0	35,000.0	2,702.0	0.0	10,577.4	3,000.0	4,496.0	0.4	3,081.0		
Total volume of non-hazardous waste produced	Tons	148.2	/	/	/	/	51.7	/	/	/	19.6	/	/	/	/	/	/
Intensity of non-hazardous waste produced	Tons/ RMB10,000	0.10%	/	/	/	/	0.04%	/	/	/	0.02%	/	/	/	/	/	/

7.2.2 Table of Social Performance Information

		2025				2024				2023						
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	983	620	225	33	105	954	559	188	93	114	1,052	602	224	102	124
Number of employees by employment type																
Full-time employee	Person	979	620	225	33	101	950	559	188	93	110	1,049	602	224	102	121
Part-time employee	Person	4	0	0	0	4	4	0	0	0	4	3	0	0	0	3
Number of employees by gender																
Male	Person	638	401	142	19	76	623	357	119	65	82	679	375	139	71	94
Female	Person	341	219	83	14	25	326	202	69	28	27	369	227	85	31	26
Other gender	Person	0	0	0	0	0	1	0	0	0	1	1	0	0	0	1
Number of managements by gender																
Male	Person	114	95	5	7	7	/	/	/	/	/	/	/	/	/	/
Female	Person	54	44	4	3	3	/	/	/	/	/	/	/	/	/	/
Other gender	Person	0	0	0	0	0	/	/	/	/	/	/	/	/	/	/
Number of employees by age																
Under 30	Person	230	142	57	6	25	214	114	41	24	35	288	163	64	25	36
30-39	Person	405	254	101	18	32	435	275	87	44	29	449	264	103	51	31
40-49	Person	233	152	60	7	14	220	134	52	20	14	233	139	47	21	26
50 and above	Person	111	72	7	2	30	81	36	8	5	32	79	36	10	5	28
Number of employees by region																
Chinese Mainland	Person	878	620	225	33	0	840	559	188	93	0	928	602	224	102	0
Hong Kong, Macau and Taiwan	Person	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Overseas	Person	101	0	0	0	101	110	0	0	0	110	121	0	0	0	121
Employee turnover rate by gender																
Male	%	16.5	17.5	16.9	52.6	1.3	13.8	12.3	20.2	20.0	6.1	20.5	17.9	33.8	22.5	9.6
Female	%	12.9	12.3	13.3	42.9	0.0	17.5	16.8	24.6	14.3	7.4	19.5	14.5	27.1	19.4	38.5

Indicators	Unit	2025				2024				2023						
		AK Medical	AK Medical	AK Medical	Libeier	JRI	AK Medical	Beijing	ITI Medical	Libeier	JRI	AK Medical	Beijing	ITI Medical	Libeier	JRI
Employee turnover rate by age																
Under 30	%	20.4	21.1	24.6	50.0	0.0	23.8	22.8	51.2	12.5	2.9	29.5	26.4	50.0	24.0	11.1
30-39	%	16.3	15.7	15.8	55.6	0.0	14.0	11.3	17.2	25.0	13.8	19.8	14.8	31.1	25.5	16.1
40-49	%	10.3	11.2	6.7	28.6	7.1	10.0	9.7	9.6	15.0	7.1	12.9	12.2	10.6	14.3	19.2
50 and above	%	10.8	13.9	14.3	50.0	0.0	11.1	22.2	0.0	0.0	3.1	8.9	2.8	10.0	0.0	17.9
Employee turnover rate by region																
Chinese Mainland	%	16.9	15.6	15.6	48.5	0.0	16.2	14.0	21.8	18.3	0.0	20.7	16.6	31.3	21.6	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	%	1.0	0.0	0.0	0.0	1.0	6.4	0.0	0.0	0.0	6.4	15.7	0.0	0.0	0.0	15.7
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	0.0
Number of days of work injury leave of employees	Day	186.0	56.0	130.0	0.0	0.0	233.0	194.0	39.0	0.0	0.0	82.0	72.0	0.0	0.0	10.0
Number of employees trained on occupational health and safety	Person	379	110	225	7	37	354	100	188	13	53	382	121	224	11	26
Total number of training hours trained on occupational health and safety	Hour	2,307.5	1,760.0	225.0	63.0	259.5	2,106.2	1,600.0	230.0	52.0	224.2	2,549.0	1,936.0	343.0	88.0	182.0
Total safety training hours per frontline operator	Hour	/	8.0	24.0	8.0	8.0	/	8.0	16.0	8.0	4.2	/	8.0	16.0	8.0	7.0
Total safety training hours per safety management personnel	Hour	/	16.0	36.0	16.0	0.0	/	16.0	24.0	16.0	0.0	/	24.0	24.0	24.0	0.0
Amounts invested in security	RMB10,000	215.3	17.7	171.0	15.8	10.8	217.2	18.4	170.6	18.7	9.5	276.9	18.6	221.0	13.1	24.2
Employee training																
Percentage of employees trained by gender																
Male	%	98.1	100.0	100.0	100.0	84.2	98.2	100.0	100.0	100.0	86.6	98.4	100.0	100.0	100.0	88.3
Female	%	99.1	100.0	100.0	100.0	88.0	99.4	100.0	100.0	100.0	92.6	99.9	100.0	100.0	100.0	84.6

Indicators	Unit	AK Medical	AK Medical	JRI	Libeier	ITI Medical	Beijing	AK Medical	AK Medical	JRI	Libeier	ITI Medical	Beijing	AK Medical	AK Medical	JRI	Libeier	ITI Medical
Percentage of employees trained by employee level																		
Senior management	%	97.9	100.0	100.0	100.0	0.0	96.9	100.0	100.0	100.0	100.0	100.0	98.1	100.0	100.0	0.0	100.0	100.0
Middle management	%	95.9	100.0	100.0	100.0	40.0	93.4	100.0	100.0	100.0	100.0	100.0	96.5	100.0	100.0	9.1	100.0	100.0
General employees	%	99.0	100.0	100.0	100.0	91.1	99.7	100.0	100.0	100.0	100.0	100.0	98.9	100.0	100.0	97.9	100.0	100.0
Average number of hours of training by gender																		
Male	Hour	30.2	40.0	21.4	25.0	17.5	29.4	40.0	6.7	18.2	27.0	8.2	40.0	23.0	5.8	19.4	28.7	40.0
Female	Hour	28.8	40.0	12.3	25.0	9.6	30.1	40.0	7.5	19.4	25.0	9.0	40.0	19.0	5.5	18.2	27.0	8.2
Average number of hours of training by employee level																		
Senior management	Hour	38.7	40.0	4.8	25.0	0.0	35.2	40.0	3.0	0.0	18.0	22.5	40.0	26.0	0.0	0.0	35.8	40.0
Middle management	Hour	37.0	40.0	30.4	25.0	6.0	33.8	40.0	11.7	3.3	20.0	12.9	40.0	23.0	1.5	3.3	30.1	40.0
General employees	Hour	27.6	40.0	16.7	25.0	16.0	25.8	40.0	6.8	0.2	27.7	7.7	40.0	21.5	6.1	0.2	26.8	40.0
Percentage of employees participated in ESG trainings by employee level																		
Senior management	%	97.9	100.0	100.0	100.0	0.0	/	/	/	0.0	100.0	100.0	/	/	0.0	0.0	100.0	100.0
Middle management	%	93.2	100.0	100.0	100.0	0.0	/	/	/	0.0	100.0	100.0	/	/	0.0	0.0	100.0	100.0
General employees	%	88.5	100.0	100.0	100.0	0.0	/	/	/	0.0	100.0	100.0	/	/	0.0	0.0	100.0	100.0
Average number of hours of participating in ESG trainings by employee level																		
Senior management	Hour	0.98	1	1	1	0	/	/	/	0	1	0	/	/	0	0	1	1
Middle management	Hour	0.93	1	1	1	0	/	/	/	0	1	0	/	/	0	0	1	1
General employees	Hour	0.89	1	1	1	0	/	/	/	0	1	0	/	/	0	0	1	1
Employee compensation and benefits																		
Ratio of basic salary and remuneration of women to men																		
Male	%	/	63.8	53.7	68.2	/	/	58.8	59.0	100.0	69.3	54.0	62.0	63.0	11.0	100.0	66.0	57.0
Female	%	/	70.9	56.7	64.6	/	/	72.0	39.0	100.0	64.0	66.0	66.0	57.0	7.0	100.0	66.0	57.0

Indicators	Unit	2025			2024			2023		
		AK Medical	AK Medical	AK Medical	AK Medical	AK Medical	AK Medical	AK Medical	AK Medical	AK Medical
		Beijing	ITI Medical	Libeier	JRI	AK Medical	Beijing	ITI Medical	Libeier	JRI
Ratios of standard entry level wage by gender compared to local minimum										
Male	Time	/	6.4	1.8	8.7	1.1	/	6.4	2.0	5.4
Female	Time	/	5.7	2.0	4.6	1.1	/	5.5	2.3	4.1
Parental Leave										
Total number of employees who are entitled to parental leave	Person	53	24	17	4	8	52	23	14	8
Total number of employees returning to work after parental leave	Person	50	24	16	4	6	52	23	14	8
Supplier										
Total number of suppliers	Number	291	72	0	18	201	424	101	60	62
Total number of suppliers in Asia	Number	93	67	/	16	10	222	96	57	59
Total number of suppliers in Europe	Number	191	5	/	2	184	194	5	2	3
Total number of suppliers from North America	Number	6	0	/	0	6	7	0	1	0
Total number of suppliers from other continents	Number	1	0	/	0	1	1	0	0	0
Supplier verification										
Number of supplier verifications	Number	191	102	54	25	10	187	101	14	62
Number of supplier on-site verifications	Number	38	12	15	4	7	44	23	8	6
New suppliers screened using environmental criteria	Number	22	0	2	0	20	20	0	0	0
Percentage of suppliers signed anti-corruption agreement	%	/	100.0	90.0	100.0	21.0	/	100.0	100.0	100.0
Percentage of suppliers signed ESG Statements with AK Medical	%	/	100.0	0.0	100.0	0.0	/	/	/	/
Percentage of suppliers signed Safety Notices with AK Medical	%	/	100.0	0.0	100.0	0.0	/	/	/	/

Indicators	Unit	AK Medical				AK Medical				AK Medical				JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI Medical	Beijing	JRI	Libeler	ITI 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INDEPENDENT AUDITOR'S REPORT



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 161 to 232, which comprise the consolidated statement of financial position as at 31 December 2025, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 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 2025 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**") as 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**"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT 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 Note 4 to the consolidated financial statements and the accounting policies in Note 2(t).

The Key Audit Matter

The Group recognises revenue from the sales of artificial organ 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.

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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, sales transactions recorded during the financial reporting period with relevant underlying documentation, which included goods dispatch notes, shipping documents and goods receipt notes, which contained evidence of acknowledgement of the customers' receipt of the goods, and assessing if the related revenue was properly recognised in accordance with the trade terms set out in the respective sales contracts; and
- 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.

KEY AUDIT MATTERS *(Continued)*

Assessment of potential impairment of goodwill

Refer to Note 15 to the consolidated financial statements and the accounting policies in Note 2(j)(ii).

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 2025.

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)*

Assessment of potential impairment of goodwill

Refer to Note 15 to the consolidated financial statements and the accounting policies in Note 2(i)(ii).

The Key Audit Matter

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.

How the matter was addressed in our audit

- assessing the qualifications, experience and expertise of the external valuer appointed by management in assessing the impairment of goodwill and considering their objectivity;
- 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;
- 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
- 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 when it becomes available 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 HKSAAs 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 HKSAAs, 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 consolidated 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 Wong Chi Kin (practising certificate number: P08076).

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

25 March 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2025
(Expressed in Renminbi ("RMB"))

	Note	Year ended 31 December	
		2025 RMB'000	2024 RMB'000
Revenue	4	1,482,439	1,346,377
Cost of sales		(585,044)	(538,184)
Gross profit		897,395	808,193
Other income, net	5	30,085	16,654
Selling and distribution expenses		(265,622)	(240,911)
General and administrative expenses		(151,958)	(143,949)
Research and development expenses		(136,020)	(139,206)
Operating profit		373,880	300,781
Net finance income	7	21,099	19,041
Profit before taxation	6	394,979	319,822
Income tax	8(a)	(55,885)	(45,896)
Profit for the year		339,094	273,926
Profit attributable to equity shareholders of the Company		339,094	273,926
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		(839)	8,626
Other comprehensive income, net of tax		(839)	8,626
Total comprehensive income		338,255	282,552
Total comprehensive income attributable to equity shareholders of the Company		338,255	282,552
Earnings per share			
Basic (RMB)	11(a)	0.304	0.246
Diluted (RMB)	11(b)	0.303	0.244

The notes on pages 167 to 232 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 2025

(Expressed in RMB)

	Note	At 31 December 2025 RMB'000	At 31 December 2024 RMB'000
Non-current assets			
Property, plant and equipment	13	699,739	683,616
Intangible assets	14	81,131	83,338
Goodwill	15	113,411	113,411
Deferred tax assets	28(b)	68,500	70,677
Time deposits	21	–	206,301
		962,781	1,157,343
Current assets			
Inventories	17	459,218	488,668
Trade receivables	18	627,655	494,820
Bills receivable	18	66,508	81,858
Deposits, prepayments and other receivables	19	80,504	80,517
Other financial assets	31(e)	851,915	615,235
Time deposits and restricted cash	21	256,934	64,784
Cash and cash equivalents	20(a)	357,231	352,173
		2,699,965	2,178,055
Current liabilities			
Trade payables	22	138,812	122,100
Bills payable		58,294	30,001
Contract liabilities	23	85,723	102,905
Accruals and other payables	24	278,728	244,040
Bank loans	25	71,958	60,447
Lease liabilities	26	4,985	12,123
Current taxation	28(a)	19,442	24,800
		657,942	596,416
Net current assets		2,042,023	1,581,639
Total assets less current liabilities		3,004,804	2,738,982

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2025
(Expressed in RMB)

	Note	At 31 December 2025 RMB'000	At 31 December 2024 RMB'000
Non-current liabilities			
Deferred income	29	18,885	19,641
Other payables		7,372	5,800
Lease liabilities	26	4,273	9,152
Bank loans	25	5,218	17,667
Deferred tax liabilities	28(b)	56,142	48,536
		91,890	100,796
NET ASSETS		2,912,914	2,638,186
CAPITAL AND RESERVES			
Share capital	30(b)	9,528	9,515
Reserves		2,903,386	2,628,671
Total equity attributable to equity shareholders of the Company		2,912,914	2,638,186
TOTAL EQUITY		2,912,914	2,638,186

Approved and authorised for issue by the board of directors on 25 March 2026 and signed on behalf of the board by:

Li Zhijiang
Directors

Zhao Xiaohong
Directors

The notes on pages 167 to 232 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2025

(Expressed in RMB)

		Share capital	Share premium	Shares held for share award scheme	Capital reserve	Share- based payment reserve	Exchange reserve	Retained profits	Total equity
Note		RMB'000 30(b)	RMB'000 30(c)(i)	RMB'000 27(c)/30(c)(iv)	RMB'000 30(c)(ii)	RMB'000 30(c)(v)	RMB'000 30(c)(vi)	RMB'000	RMB'000
Balance at 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 and 1 January 2025		9,515	966,520	(48,692)	55,174	15,181	17,332	1,623,156	2,638,186
Total comprehensive income for the year		-	-	-	-	-	(839)	339,094	338,255
Equity settled share-based transactions	27/30(c)(v)	-	-	-	-	7,632	-	-	7,632
Shares issued under share option scheme	30(b)(i)/30(c)(v)	13	5,395	-	-	(2,671)	-	-	2,737
Unlock of restricted shares	27(c)/30(c)(iv)	-	(3,267)	7,659	-	(4,392)	-	-	-
Dividends declared	12	-	-	-	-	-	-	(73,896)	(73,896)
Balance at 31 December 2025		9,528	968,648	(41,033)	55,174	15,750	16,493	1,888,354	2,912,914

The notes on pages 167 to 232 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2025

(Expressed in RMB)

	Note	Year ended 31 December	
		2025 RMB'000	2024 RMB'000
Operating activities			
Profit before taxation		394,979	319,822
Adjustments for:			
Depreciation of property, plant and equipment	6(b)	83,656	75,567
Amortisation of intangible assets	6(b)	23,224	20,767
Recognition of deferred income	29	(2,004)	(1,395)
Interest on lease liabilities	7	450	923
Net Interest income		(26,894)	(23,371)
Credit losses recognised for trade receivables	6(b)	22,054	21,580
Loss on disposal of property, plant and equipment and intangible assets		630	2,273
Equity settled share-based payment expenses	6(a)	7,632	8,778
Changes in working capital:			
Inventories		29,450	106,846
Trade and bills receivables		(139,539)	(69,673)
Deposits, prepayments and other receivables		13	6,690
Pledged deposits and restricted cash		(14,216)	(2,303)
Contract liabilities		(17,182)	17,606
Trade and bills payables		47,823	(30,054)
Accruals and other payables		37,492	38,632
Cash generated from operations		447,568	492,688
Income tax paid	28(a)	(51,587)	(41,616)
Net cash generated from operating activities		395,981	451,072

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2025
(Expressed in RMB)

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Investing activities		
Interest received	19,967	14,222
Proceeds from sale of property, plant and equipment and intangible assets	1,013	385
Uplift of wealth management products and time deposits	2,268,097	1,551,000
Placement of wealth management products and time deposits	(2,470,956)	(1,807,597)
Acquisition of intangible assets	(18,305)	(9,148)
Acquisition of property, plant and equipment	(105,674)	(152,819)
Government grants received relating to assets	1,248	10,611
Net cash used in investing activities	(304,610)	(393,346)
Financing activities		
Capital element of lease rentals paid	(10,066)	(15,985)
Interest element of lease rentals paid	(450)	(923)
Proceeds from bank loans	78,379	49,700
Repayments of bank loans	(79,462)	(25,334)
Borrowing costs paid	(2,975)	(1,728)
Dividends paid	(73,633)	(46,103)
Proceeds from equity settled share-based payment	2,737	944
Net cash used in financing activities	(85,470)	(39,429)
Net increase in cash and cash equivalents	5,901	18,297
Cash and cash equivalents at 1 January	352,173	331,217
Effect of movements in exchange rates on cash held	(843)	2,659
Cash and cash equivalents at 31 December	357,231	352,173

The notes on pages 167 to 232 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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 of Hong Kong Limited. Material accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new or amended 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 2025 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

New and amended IFRSs

The Group has applied amendments to IAS 21, *The effects of changes in foreign exchange rates – Lack of exchangeability* issued by the IASB to these financial statements for the current accounting period. The amendments do not have a material impact on these financial statements as the Group has not entered into any foreign currency transactions in which the foreign currency is not exchangeable into another currency.

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)(ii)), 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)(ii)).

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 securities

The Group's policies for investments in securities, other than investments in subsidiaries, associates and joint ventures, are set out below:

Investments in 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 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) Non-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(t)(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)(ii)), 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 and others	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)(ii)). 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)(ii)). 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(t)(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 2(t)(i).

(l) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(t)(i)). A contract liability is also recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such latter cases, a corresponding receivable is also recognised (see note 2(m)).

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(m) 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(s).

(n) 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).

(o) 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 2(t)(i).

(p) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with note 2(u).

2 MATERIAL ACCOUNTING POLICIES (Continued)

(q) 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)*

(r) 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)*

(s) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under that contract and an allocation of other costs directly related to fulfilling that contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

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.

(t) 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.

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(t) Revenue and other income *(Continued)*

(i) Revenue from contracts with customers (Continued)

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.

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).

(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)

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(v) 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.

(w) 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)*

(x) 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(x)(i).
 - g. A person identified in note 2(x)(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.

(y) 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.

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:

	2025 RMB'000	2024 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products		
– Hip replacement implants	845,191	729,084
– Knee replacement implants	435,992	405,110
– Spinal and trauma implants	101,546	127,326
– Digital orthopedics customised products and services	63,044	51,335
– Others (i)	36,666	33,522
	1,482,439	1,346,377

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

The Group's customers with whom transactions have exceeded 10% of the Group's revenue are set out below:

	2025 RMB'000	2024 RMB'000
Customer A	198,407	*

* Transactions with the customer A did not exceed 10% of the Group's revenue for 2024.

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.

4 REVENUE AND SEGMENT INFORMATION (Continued)

(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.

(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 2025 and 2024 is set out below.

	Orthopedic implants – China		Orthopedic implants – United Kingdom		Total	
	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000
Revenue from external customers	1,351,700	1,224,155	130,739	122,222	1,482,439	1,346,377
Inter-segment revenue	3,278	1,609	39,865	41,976	43,143	43,585
Reportable segment revenue	1,354,978	1,225,764	170,604	164,198	1,525,582	1,389,962
Reportable segment profit/(loss)	392,192	313,133	416	(1,474)	392,608	311,659
Reportable segment assets	2,580,643	2,488,823	173,996	174,559	2,754,639	2,663,382
Additions to non-current assets during the year	119,341	195,721	3,834	10,649	123,175	206,370
Reportable segment liabilities	664,983	606,887	21,573	30,885	686,556	637,772

4 REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment reporting (Continued)

(ii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2025 RMB'000	2024 RMB'000
Revenue		
Reportable segment revenue	1,525,582	1,389,962
Elimination of inter-segment revenue	(43,143)	(43,585)
Consolidated revenue	1,482,439	1,346,377
Profit		
Reportable segment profit	392,608	311,659
Elimination of inter-segment loss	2,371	8,163
Consolidated profit before taxation	394,979	319,822
Assets		
Reportable segment assets	2,754,639	2,663,382
Elimination of inter-segment receivables	(12,308)	(13,896)
	2,742,331	2,649,486
Other financial assets	851,915	615,235
Deferred tax assets	68,500	70,677
Consolidated total assets	3,662,746	3,335,398
Liabilities		
Reportable segment liabilities	686,556	637,772
Elimination of inter-segment payables	(12,308)	(13,896)
	674,248	623,876
Current taxation	19,442	24,800
Deferred tax liabilities	56,142	48,536
Consolidated total liabilities	749,832	697,212

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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	
	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000
– China	1,152,903	1,072,059	861,615	1,047,489
– United Kingdom	67,009	59,250	32,666	39,177
– Other countries	262,527	215,068	–	–
	1,482,439	1,346,377	894,281	1,086,666

5 OTHER INCOME, NET

	2025 RMB'000	2024 RMB'000
Government grants	23,307	14,623
Others	6,778	2,031
	30,085	16,654

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Staff costs:

	Note	2025 RMB'000	2024 RMB'000
Salaries, wages and other benefits		233,643	225,283
Contribution to defined contribution retirement scheme		22,073	20,884
Equity settled share-based transactions	27	7,632	8,778
		263,348	254,945

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 (2024: Nil).

6 PROFIT BEFORE TAXATION (Continued)

(b) Other items

	2025 RMB'000	2024 RMB'000
Cost of Inventories*	597,789	551,556
Amortisation cost of intangible assets	23,224	20,767
Depreciation charge		
– Owned property, plant and equipment	69,540	57,704
– Right-of-use assets	14,116	17,863
	83,656	75,567
Credit losses recognised from trade and other receivables	22,054	21,580
Auditors' remuneration		
– Audit services	2,600	3,018
– Other services	1,300	1,300
	3,900	4,318

* Cost of inventories includes RMB121,207,000 in 2025 (2024: RMB111,579,000) relating to staff costs, depreciation and amortisation expenses, which are also included in the respective total amounts disclosed separately above.

7 NET FINANCE INCOME

	2025 RMB'000	2024 RMB'000
Interest income from bank deposits and investments in wealth management products	29,385	23,371
Foreign exchange loss	(5,345)	(3,407)
Interest expenses on bank loans	(3,120)	(1,823)
Less: Interest expenses capitalised into properties under development*	629	1,823
Interest on lease liabilities	(450)	(923)
	21,099	19,041

* The borrowing costs have been capitalised at a rate of 1.5% – 3.0% per annum (2024: 2.5% – 3.0%).

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

	2025 RMB'000	2024 RMB'000
Current tax		
Provision for the year	48,145	51,701
Over-provision in respect of prior years	(1,916)	(2,881)
Deferred tax		
Origination and reversal of temporary differences	9,656	(2,924)
	55,885	45,896

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 2025 (2024: nil) and is not subject to any Hong Kong profits tax. Hong Kong profits tax rate of 2025 is 16.5% (2024: 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 2025 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 2025 are 25% (2024: 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 2025 (2024: 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.

Given that the Group's full-year revenue is less than Euro750 million, the Group is not subject to the Global Anti-Base Erosion Model Rules ("Pillar Two model rules") published by the Organisation for Economic Co-operation and Development. Consequently, the Group has not recognised any current tax relating to the Pillar Two model rules.

- (b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2025 RMB'000	2024 RMB'000
Profit before taxation	394,979	319,822
Notional tax of PRC statutory tax rate of 25%	98,745	79,956
Effect of PRC preferential tax rate	(37,807)	(32,039)
Effect of lower tax rates in other countries	(25)	320
Effect of non-deductible expenses	769	1,759
Effect of unused tax losses not recognised	1,754	2,539
Utilisation of tax losses previously not recognised	(1,956)	–
Effect of additional deduction on research and development expenses *	(12,422)	(10,439)
PRC dividend withholding tax	8,743	6,681
Over-provision in respect of prior years	(1,916)	(2,881)
Actual tax expenses	55,885	45,896

* According to the relevant PRC income tax law, certain research and development costs of PRC subsidiaries are qualified for 100% (2024: 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:

2025	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)	-	1,101	260	68	-	1,429
Zhang Bin	-	501	-	-	-	501
Zhang Chaoyang	-	1,026	323	68	-	1,417
Zhao Xiaohong	-	963	368	68	667	2,066
Non-executive director						
Wang David Guowei*	-	-	-	-	-	-
Independent Non-executive directors						
Li Shu Wing David	181	-	-	-	-	181
Kong Chi Mo	181	-	-	-	-	181
Gao Wei	181	-	-	-	-	181
	543	3,591	951	204	667	5,956

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9 DIRECTORS' EMOLUMENTS (Continued)

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

* 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, 3 (2024: 1) are directors whose emoluments is disclosed in note 9. The aggregate of the emoluments in respect of the other 2 (2024: 4) individuals respectively, are as follows:

	2025 RMB'000	2024 RMB'000
Salaries and other emoluments	2,471	3,996
Discretionary bonuses	710	1,178
Equity settled share-based transactions	718	1,594
Retirement scheme contributions	258	362
	4,157	7,130

The emoluments of the 2 (2024: 4) individuals with the highest emoluments are within the following bands:

	2025	2024
HK\$		
Nil – 1,000,000	Nil	Nil
1,000,001 – 1,500,000	Nil	Nil
1,500,001 – 2,000,000	1	2
2,000,001 – 2,500,000	Nil	2
2,500,001 – 3,000,000	1	Nil

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 RMB339,094,000 (2024: RMB273,926,000) and the weighted average number of issued ordinary shares of 1,117,129,875 (31 December 2024: 1,115,890,585 shares) during the year, calculated as follows:

Weighted average number of ordinary shares

	2025	2024
Issued ordinary shares at 1 January	1,122,671,437	1,121,896,437
Effect of issue of shares under the Company's share option scheme (note 27)	273,465	368,750
Effect of shares held for share award scheme (note 30(c)(iv))	(5,815,027)	(6,374,602)
Weighted average number of ordinary shares at 31 December	1,117,129,875	1,115,890,585

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 RMB339,094,000 (2024: RMB273,926,000) and the weighted average number of issued ordinary shares of 1,119,805,110 (31 December 2024: 1,118,670,467 shares) after adjusting the effects of dilutive potential ordinary shares during the year, as follows:

Weighted average number of ordinary shares (diluted)

	2025	2024
Weighted average number of ordinary shares at 31 December	1,117,129,875	1,115,890,585
Effect of deemed issue of shares under the Company's equity settled share-based transactions (note 27)	2,675,235	2,779,882
Weighted average number of ordinary shares (diluted) at 31 December	1,119,805,110	1,118,670,467

12 DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2025 RMB'000	2024 RMB'000
Final dividend proposed after the end of the reporting period of HK\$11.8 cents per ordinary share (2024: HK\$7.2 cents per ordinary share)	118,600	75,000

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

	2025 RMB'000	2024 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$7.2 cents per ordinary share (2024: HK\$4.5 cents per ordinary share)	73,633	46,103

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 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 and 1 January 2025	147,325	87,380	403,904	28,633	72,718	271,054	1,011,014
Additions	203	279	37,223	14,611	–	49,808	102,124
Transfer from construction in progress	236,384	–	5,688	533	–	(242,605)	–
Disposals	–	(61,955)	(4,095)	(1,216)	–	–	(67,266)
Exchange adjustments	–	502	1,781	151	–	–	2,434
At 31 December 2025	383,912	26,206	444,501	42,712	72,718	78,257	1,048,306
Accumulated depreciation							
At 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 and 1 January 2025	(37,013)	(63,099)	(197,949)	(19,499)	(9,838)	–	(327,398)
Charged for the year	(12,600)	(12,856)	(52,650)	(2,556)	(2,994)	–	(83,656)
Written back on disposals	–	60,004	3,241	783	–	–	64,028
Exchange adjustments	–	(313)	(1,092)	(136)	–	–	(1,541)
At 31 December 2025	(49,613)	(16,264)	(248,450)	(21,408)	(12,832)	–	(348,567)
Net book value							
At 31 December 2025	334,299	9,942	196,051	21,304	59,886	78,257	699,739
At 31 December 2024	110,312	24,281	205,955	9,134	62,880	271,054	683,616

Included in the properties and buildings are properties held for own use situated on long-term leasehold land and located in the PRC.

As at 31 December 2025, the Group's bank loans of RMB5,692,000 (31 December 2024: nil) and bills payable of RMB24,912,000 (31 December 2024: nil) were secured by the Group's property, plant and equipment, which had an aggregate carrying amount of RMB81,245,000 as of 31 December 2025 (31 December 2024: nil).

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:

	Note	31 December 2025 RMB'000	31 December 2024 RMB'000
Land use rights	(i)	59,886	62,880
Leasehold properties	(ii)	8,757	20,459
		68,643	83,339

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2025 RMB'000	2024 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Leasehold properties	11,122	14,869
Land use rights	2,994	2,994
	14,116	17,863
Interests on lease liabilities	450	923
Expenses relating to short-term leases	1,088	1,312

During the year ended 31 December 2025, there is no addition to right-of-use assets (2024: RMB10,089,000), and there is no addition to land use rights (2024: 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 6 years (2024: 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 RMB'000	Patents and products licenses RMB'000	Technical know-how RMB'000	Brand name RMB'000	Total RMB'000
Cost:					
At 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 and 1 January 2025	21,868	67,873	55,000	26,290	171,031
Additions	1,322	19,729	–	–	21,051
Disposals	–	(700)	–	–	(700)
Exchange adjustments	198	–	668	328	1,194
At 31 December 2025	23,388	86,902	55,668	26,618	192,576
Accumulated amortisation					
At 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 and 1 January 2025	(16,339)	(28,793)	(28,541)	(14,020)	(87,693)
Charged for the year	(1,313)	(13,622)	(5,618)	(2,671)	(23,224)
Disposals	–	344	–	–	344
Exchange adjustments	(198)	–	(452)	(222)	(872)
At 31 December 2025	(17,850)	(42,071)	(34,611)	(16,913)	(111,445)
Net book value					
At 31 December 2025	5,538	44,831	21,057	9,705	81,131
At 31 December 2024	5,529	39,080	26,459	12,270	83,338

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.

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15 GOODWILL

	2025 RMB'000	2024 RMB'000
Goodwill	113,411	113,411
	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:

	2025 RMB'000	2024 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 2025 Libeier	At 31 December 2024 Libeier
Annualised revenue growth rate during the budget period	4.3% – 4.4%	-0.8% – 5%
Steady growth rate used in the extrapolation after budget period	2.0%	2.0%
Pre-tax discount rate	18.0%	17.3%

The recoverable amount of the CGU of Libeier is estimated to exceed the carrying amount of the CGU at 31 December 2025 by RMB38,496,000 (31 December 2024: RMB41,620,000). Any reasonably possible change in the assumptions used in the calculation of recoverable amount would not result in impairment loss.

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			Principal activities
			Group's effective interest	Held by the Company	Held by subsidiaries	
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

* Company not audited by KPMG. The financial statements of the subsidiary not audited by KPMG reflect total net assets and total revenue constituting approximately 4.6% and 8.8% respectively of the related consolidated totals.

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	
	2025 RMB'000	2024 RMB'000
Raw materials	113,417	119,565
Work in progress	83,463	72,019
Finished goods	262,338	297,084
	459,218	488,668

- (b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2025 RMB'000	2024 RMB'000
Carrying amount of inventories sold	572,633	531,666
Write down of inventories	12,411	6,518
Cost of inventories directly recognised as research and development expenses	12,745	13,372
	597,789	551,556

18 BILLS RECEIVABLE/TRADE RECEIVABLES

	31 December 2025 RMB'000	31 December 2024 RMB'000
Bills receivable	66,508	81,858
Trade receivables	716,281	561,392
Less: allowance for credit loss	(88,626)	(66,572)
	627,655	494,820

As at 31 December 2025, bills receivable of RMB29,383,000 (31 December 2024: RMB22,907,000) 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 6 months.

As at 31 December 2025, 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	
	2025 RMB'000	2024 RMB'000
Current to 3 months	427,175	315,041
4 to 6 months	69,237	57,641
7 to 12 months	83,095	65,512
Over 12 months	48,148	56,626
	627,655	494,820

The credit terms agreed with customers were normally ranged from 1 month to 1 year (2024: 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 2025 RMB'000	31 December 2024 RMB'000
Prepayments to suppliers	9,695	12,923
Refund assets (note 24(ii))	11,020	10,194
Deposits	1,175	2,499
VAT recoverable	52,874	41,187
Others	5,740	13,714
	80,504	80,517

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	
	2025 RMB'000	2024 RMB'000
Cash at bank	357,229	352,170
Cash on hand	2	3
Cash and cash equivalents in the consolidated statement of financial position and consolidated cash flow statement	357,231	352,173

As at 31 December 2025, cash and cash equivalents of the Group held in bank in the PRC amounted to RMB296,617,000 (31 December 2024: RMB267,671,000). 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 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 and 1 January 2025	78,114	21,275	99,389
Proceeds from bank loans	78,379	–	78,379
Repayments of bank loans	(79,462)	–	(79,462)
Capital element of lease rentals paid	–	(10,066)	(10,066)
Interest element of lease rentals paid	–	(450)	(450)
Borrowing costs paid	(2,975)	–	(2,975)
Total changes from financing cash flows	(4,058)	(10,516)	(14,574)
Other changes:			
Disposals	–	(1,951)	(1,951)
Interest expenses	2,491	450	2,941
Capitalised borrowing costs	629	–	629
At 31 December 2025	77,176	9,258	86,434

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:

	2025 RMB'000	2024 RMB'000
Within operating cash flows	1,088	1,312
Within financing cash flows	10,516	16,908
	11,604	18,220

21 TIME DEPOSITS AND RESTRICTED CASH

	31 December 2025 RMB'000	31 December 2024 RMB'000
Non-current assets		
Time deposits		
– Unpledged time deposits	–	10,041
– Pledged deposits	–	196,260
	–	206,301
Current assets		
Time deposits		
– Unpledged time deposits	35,117	56,770
– Pledged deposits	204,146	8,014
	239,263	64,784
Restricted cash	17,671	–
	256,934	64,784
	256,934	271,085

As of 31 December 2025, the Group had pledged deposits of US\$28,446,000 (approximately RMB200,087,000) (31 December 2024: US\$27,302,000 (approximately RMB196,260,000)) and RMB4,059,000 (2024: RMB7,514,000) for standby letters of credit.

22 TRADE PAYABLES

As at 31 December 2025, the ageing analysis of trade payables, based on the invoice date, is as follows:

	As at 31 December	
	2025 RMB'000	2024 RMB'000
Within 3 months	107,183	70,926
4 to 6 months	23,549	29,527
7 to 12 months	2,605	12,990
Over 12 months	5,475	8,657
	138,812	122,100

All trade payables are expected to be settled within one year.

23 CONTRACT LIABILITIES

	Note	31 December 2025 RMB'000	31 December 2024 RMB'000
Advance and deposit from customers	(i)	48,133	60,375
Sales rebates	(ii)	37,590	42,530
		85,723	102,905

(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.

During the year ended 31 December 2025, revenue of RMB35,889,473 has been recognised that was included in the contract liabilities at the beginning of the year (2024: RMB35,017,611).

24 ACCRUALS AND OTHER PAYABLES

	Note	31 December 2025 RMB'000	31 December 2024 RMB'000
Payables to contractors and equipment suppliers		53,874	58,053
Accrued charges		79,412	49,579
Deposits		37,499	34,242
Salary and welfare payable		31,966	34,754
Others		36,448	36,016
Financial liabilities measured at amortised cost		239,199	212,644
Refund liabilities	(i)	25,230	22,264
Other taxes payable		14,299	9,132
		278,728	244,040

(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 2025 RMB'000	31 December 2024 RMB'000
Within 1 year or on demand	71,958	60,447
After 1 year but within 2 years	1,044	17,667
After 2 years but within 5 years	4,174	—
	5,218	17,667
	77,176	78,114

25 BANK LOANS (Continued)

(b) Assets pledged as security for bank loans

At 31 December 2025, the bank loans were secured as follows:

	31 December 2025 RMB'000	31 December 2024 RMB'000
Secured bank loans	23,457	48,374
Unsecured bank loans	53,719	29,740
	77,176	78,114

As at 31 December 2025, the Group had secured bank loans of RMB17,765,000 (31 December 2024: RMB48,374,000), and these bank loans were secured by the Group's pledged time deposits of US\$28,446,000 (approximately RMB200,087,000) (31 December 2024: US\$27,302,000 (approximately RMB196,260,000)).

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	
	2025 RMB'000	2024 RMB'000
Within 1 year	4,985	12,123
After 1 year but within 2 years	2,203	5,862
After 2 years but within 5 years	2,070	3,290
	4,273	9,152
	9,258	21,275

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:*

	2025		2024	
	Weighted average exercise price HK\$	Number of options	Weighted average exercise price HK\$	Number of options
Outstanding at the beginning of the year	1.34	2,025,000	1.34	2,800,000
Exercised during the year	1.34	850,000	1.34	775,000
Outstanding at the end of the year	1.34	1,175,000	1.34	2,025,000
Exercisable at the end of the year	1.34	1,175,000	1.34	2,025,000

The options outstanding at 31 December 2025 had a weighted average remaining contractual life of 2 years (2024: 3 years).

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.

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:*

	2025		2024	
	Weighted average exercise price HK\$	Number of options	Weighted average exercise price HK\$	Number of options
Outstanding at the beginning of the year	5.65	6,923,827	5.64	9,169,479
Exercised during the year	4.66	398,827	4.66	–
Forfeited during the year	5.93	517,323	5.60	2,245,652
Outstanding at the end of the year	5.70	6,007,677	5.65	6,923,827
Exercisable at the end of the year	5.17	3,124,051	4.66	1,149,844

For the share option scheme adopted in March 2022, the options outstanding as of 31 December 2025 had a weighted average remaining contractual life of 7 years (2024: 8 years).

For the share option scheme adopted in April 2023, the options outstanding as of 31 December 2025 had a weighted average remaining contractual life of 8 years (2024: 9 years).

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:

	2025	2024
Outstanding at the beginning of the year	2,090,396	556,433
Granted during the year	–	1,706,959
Unlocked during the year	1,002,643	–
Forfeited during the year	156,797	172,996
Outstanding at the end of the year	930,956	2,090,396

28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2025 RMB'000	2024 RMB'000
At 1 January	24,800	17,596
Provision for the year	48,145	51,701
Over-provision in respect of prior years	(1,916)	(2,881)
Provisional tax paid	(51,587)	(41,616)
At 31 December	19,442	24,800

28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(b) Deferred tax assets and liabilities recognized:

(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	Unrealised profits of intra-group transaction	Sales return	Provision for price discount	Tax losses	PRC dividend withholding tax (iv)	Fair value adjustment in respect of net assets acquired in business combinations	Right of use assets	Lease liabilities	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 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 and 1 January 2025	2,392	26,461	1,812	3,377	14,845	(43,252)	(5,284)	(3,461)	3,417	21,834	22,141
Credited/(charged) to profit or loss (note 8)	506	(2,313)	432	(706)	(2,313)	(8,743)	1,328	1,648	(1,644)	2,149	(9,656)
Exchange adjustments	-	-	-	-	-	-	(191)	-	-	64	(127)
At 31 December 2025	2,898	24,148	2,244	2,671	12,532	(51,995)	(4,147)	(1,813)	1,773	24,047	12,358

(ii) Reconciliation to the consolidated statement of financial position

	2025 RMB'000	2024 RMB'000
Net deferred tax asset recognised	68,500	70,677
Net deferred tax liability recognised	(56,142)	(48,536)
	12,358	22,141

28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(b) Deferred tax assets and liabilities recognized: (Continued)

(iii) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(r), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB45,410,000 (31 December 2024: RMB43,469,000) 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 2025, the certain subsidiaries of the Group located in PRC had unrecognised tax losses carried forward of RMB31,037,000 (31 December 2024: RMB34,548,000) 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:

	2025 RMB'000	2024 RMB'000
Year of expiry of PRC entities		
2026	2,260	9,086
2027	10,683	10,683
2028	8,454	8,454
2029	6,325	6,325
2030	3,315	–
	31,037	34,548

(iv) Deferred tax liabilities not recognized

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 2025, temporary differences relating to the reserves of the Company's PRC subsidiaries are retain earnings and amounted to RMB1,350,177,000 (2024: RMB1,146,828,000). The Company controls the dividend policy of these subsidiaries and it has been determined that at least 70% of profit for 2025 will not be distributable in the foreseeable future (2024: the retained profits before 31 December 2024 and at least 70% of profit for 2024 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 2024	10,425
Additions	10,611
Government grant recognised as other income	(1,395)
At 31 December 2024 and 1 January 2025	19,641
Additions	1,248
Government grant recognised as other income	(2,004)
At 31 December 2025	18,885

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 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)(vi)	7	5,538	-	-	(4,601)	-	-	944
Dividends declared 12	-	-	-	-	-	-	(45,991)	(45,991)
Balance at 31 December 2024 and 1 January 2025	9,515	966,520	(48,692)	60,700	15,181	64,342	(47,297)	1,020,269
Total comprehensive income for the year	-	-	-	-	-	(23,440)	(9,664)	(33,104)
Equity settled share-based transactions 27/30(c)(v)	-	-	-	-	7,632	-	-	7,632
Shares issued under share option scheme 30(b)(i)/30(c)(vi)	13	5,395	-	-	(2,671)	-	-	2,737
Unlock of restricted shares 27(c)/30(c)(iv)	-	(3,267)	7,659	-	(4,392)	-	-	-
Dividends declared 12	-	-	-	-	-	-	(73,896)	(73,896)
Balance at 31 December 2025	9,528	968,648	(41,033)	60,700	15,750	40,902	(130,857)	923,638

30 CAPITAL AND RESERVES (Continued)

(b) Share capital

	Note	2025		2024	
		No. of shares	Amount RMB'000	No. of shares	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		1,122,671,437	9,515	1,121,896,437	9,508
Shares issued under share option scheme (i)		1,248,827	13	775,000	7
At 31 December		1,123,920,264	9,528	1,122,671,437	9,515

The holders of ordinary shares as at 31 December 2025 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) During the year ended 31 December 2025, options were exercised to subscribe for 1,248,827 ordinary shares in the Company pursuant to the share option scheme (see note 27) at the consideration of RMB2,737,000, of which RMB13,000 was credited to share capital and RMB2,724,000 was credited to share premium. RMB2,671,000 was transferred to share premium from the share-based payment reserve in accordance with the policy set out in note 2(q)(ii).

During the year ended 31 December 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(q)(ii).

30 CAPITAL AND RESERVES (Continued)

(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.

(iii) *Statutory reserve*

Retained profit of the Group contains statutory reserve of the PRC subsidiaries of RMB74,744,000 (2024: RMB70,837,000).

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 2024 and 2025.

During the year ended 31 December 2025, 1,002,643 restricted shares were unlocked (2024: nil).

(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 RMB7,632,000 (2024: RMB8,778,000) 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(v).

30 CAPITAL AND RESERVES (Continued)

(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.

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 2025 and 2024 as follows:

	Note	31 December 2025 RMB'000	31 December 2024 RMB'000
Bank loans			
Current	25	71,958	60,447
Non-current	25	5,218	17,667
Total bank loans		77,176	78,114
Total equity		2,912,914	2,638,186
Gearing ratio		2.6%	3.0%

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, interest rate 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 (2024: 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 2025: 11.5% (2024: 6.0%) of the total trade receivables was due from the Group's largest customer in 2025, and 29.6% (2024: 19.3%) was due from the five largest customers in 2025.

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 2025:

	2025		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current	1%	213,060	(2,139)
1 – 3 months past due	5%	201,314	(9,569)
4 – 6 months past due	5%	72,428	(3,545)
7 – 12 months past due	5%	87,471	(4,549)
1 – 2 years past due	33%	57,915	(19,009)
2 – 3 years past due	85%	24,890	(21,136)
More than 3 years past due	100%	28,371	(28,371)
		685,449	(88,318)

	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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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 2025:

	2025		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
1 – 6 months past due	1%	30,832	(308)

	2024		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
1 – 6 months past due	1%	23,136	(127)

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:

	2025 RMB'000	2024 RMB'000
Balance at 1 January	66,572	44,992
Credit losses recognised during the year	22,054	21,580
Balance at 31 December	88,626	66,572

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:

	2025 Contractual undiscounted cash outflow				Carrying amount RMB'000
	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	
As at 31 December 2025					
Bank loans	72,605	1,180	4,354	78,139	77,176
Lease liabilities	5,204	2,349	2,201	9,754	9,258
Trade payables	138,812	–	–	138,812	138,812
Bills payable	58,294	–	–	58,294	58,294
Accruals and other payables measured at amortised cost	239,199	–	–	239,199	239,199
Other payables	–	2,000	6,000	8,000	7,372
Total	514,114	5,529	12,555	532,198	530,111

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk *(Continued)*

	2024 Contractual undiscounted cash outflow			Total RMB'000	Carrying amount RMB'000
	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		
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 measured at amortised cost	212,644	–	–	212,644	212,644
Other payables	–	4,836	1,370	6,206	5,800
Total	439,462	28,940	4,706	473,108	469,934

(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 2025, the Group had interest-bearing bank loans at fixed rates as RMB77,176,000 (31 December 2024: RMB78,114,000), and had RMB239,263,000 (31 December 2024: RMB271,085,000) 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 RMB357,229,000 (31 December 2024: RMB352,170,000) 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.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(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 relates. 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 2025			
	HK\$ RMB'000	US\$ RMB'000	EUR RMB'000
Cash and cash equivalents	449	36,562	65
Trade receivables	–	66,054	49
Trade payables	–	–	5,106
	449	102,616	5,220

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

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.

	2025		2024	
	Increase/ (decrease) in foreign exchange rates %	Effect on profit after tax and retained profits RMB'000	Increase/ (decrease) in foreign exchange rates %	Effect on profit after tax and retained profits RMB'000
United States Dollars	5% (5)%	4,403 (4,403)	5% (5)%	5,698 (5,698)
Hong Kong Dollars	5% (5)%	22 (22)	5% (5)%	98 (98)
Euros	(5)% 5%	(212) 212	5% (5)%	6 (6)

(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)*

		Fair value measurements as at 31 December 2025 categorised into			
	Note	Fair value at 31/12/2025 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)	847,198	–	847,198	–
Other financial assets – investments in unlisted equity instrument at FVPL		4,717	–	–	4,717
		851,915	–	847,198	4,717

		Fair value measurements as at 31 December 2024 categorised into			
	Note	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		4,538	–	–	4,538
		615,235	–	610,697	4,538

During the years ended 31 December 2024 and 2025, 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.

32 COMMITMENTS

Capital commitments of the Group mainly in respect of construction in progress outstanding as at 31 December 2025 not provided for in this financial statements were as follows:

	2025 RMB'000	2024 RMB'000
Contracted for	2,453	101,409
Authorised but not contracted for	6,250	26,560
	8,703	127,969

33 MATERIAL RELATED PARTY TRANSACTIONS

Key management personnel remuneration

In 2024 and 2025, 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	
	2025 RMB'000	2024 RMB'000
Salaries and other emoluments	7,085	6,995
Discretionary bonuses	1,630	1,859
Retirement scheme contributions	425	493
Equity settled share-based transactions	2,202	2,681
	11,342	12,028

Total remuneration is included in "staff costs" (see note 6(a)).

34 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 25 March 2026, the directors proposed a final dividend. Further details are disclosed in note 12.

35 IMMEDIATE AND ULTIMATE CONTROLLING PARTIES

As at 31 December 2025, 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 2025 RMB'000	At 31 December 2024 RMB'000
Non-current asset			
Investments in subsidiaries		1,027,676	1,037,275
		1,027,676	1,037,275
Current assets			
Other financial assets		4,717	4,538
Cash and cash equivalents		11,851	48,859
		16,568	53,397
Current liabilities			
Accruals and other payables		87,187	70,403
Bank Loans		33,419	–
		120,606	70,403
Net current liabilities		(104,038)	(17,006)
Total assets less current liability		923,638	1,020,269
NET ASSETS		923,638	1,020,269
CAPITAL AND RESERVES			
Share capital	30(b)	9,528	9,515
Reserves		914,110	1,010,754
TOTAL EQUITY		923,638	1,020,269

37 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2025

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 2025 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 IFRS 9, Financial instruments and IFRS 7, Financial instruments: disclosures – Contracts referencing nature-dependent electricity	1 January 2026
Amendments to IFRS 9, <i>Financial instruments</i> and IFRS 7, <i>Financial instruments</i> : 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, <i>Presentation and disclosure in financial statements</i>	1 January 2027
IFRS 19, <i>Subsidiaries without public accountability: disclosures</i>	1 January 2027
Amendments to IFRS 10, <i>Consolidated financial statements</i> and IAS 28, <i>Investments in associates and joint ventures, Sale or contribution of assets between an investor and its associate or joint venture</i>	To be determined

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 except for the following:

IFRS 18, *Presentation and disclosure in financial statements*

IFRS 18 will replace IAS 1, *Presentation of financial statements*, and aims to improve the transparency and comparability of information about an entity's financial statements. IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and is to be applied retrospectively.

Among other changes, under IFRS 18, entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to provide specific disclosures about management-defined performance measures in a single note in the financial statements.

The Group does not plan to early adopt IFRS 18 and is still in the process of assessing the impact of the adoption.