

SUMMARY

This summary aims to give you an overview of the information contained in this document. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full document. You should read the whole document before you decide to [REDACTED] in the [REDACTED]. There are risks associated with any [REDACTED]. Some of the particular risks in [REDACTED] in the [REDACTED] are set forth in the section headed “Risk Factors” of this document. You should read that section carefully before you decide to [REDACTED] in the [REDACTED].

OVERVIEW

Who We Are

We are a large-scale traditional Chinese medicine (“TCM”) decoction-ready products⁽ⁱ⁾ provider in China. We rank second in China in terms of revenue from TCM decoction-ready products in 2024, capturing a market share of 0.4% within a competitive landscape where the top five market players collectively hold 2.7% of market shares, according to Frost & Sullivan.

We set and implement stringent practices in TCM production and quality control, and integrate digital technologies into our production and quality control process. We serve a broad range of institutional and retail clients — including hospitals and medical institutions, medical trading companies, pharmacies, pharmaceutical companies, and more recently, individual consumers — with traditional herbal preparations, wellness products, and health management services. Our footprint extends across most of the provinces in Chinese Mainland, as well as Hong Kong, Taiwan, and overseas in regions with strong TCM demand, such as Vietnam and Malaysia.

Our Market Opportunities

TCM is a distinctive health resource and economic force rooted in Chinese culture, and is uniquely positioned to serve the health-conscious demands of global emerging economies. According to Frost & Sullivan, in China alone, TCM product market reached RMB432.6 billion in 2024 and is expected to reach RMB492.3 billion by 2030 driven by health and wellness awareness, as well as increasing digitalization and AI adoption. Decoction-ready products, as the most widely used form of TCM, command a vast RMB306.7 billion market in 2024 and were the fastest-growing pharmaceutical sub-sector in 2024. Concurrently, overseas markets demonstrate surging demand for herbal medicine exports, driven by global recognition of TCM’s preventative care value.

Despite TCM’s significance, it has remained a largely traditional industry with significant challenges in standardization, resulting in lack of scalability. By participating in industry advancements — through national standard-setting, automated smart manufacturing, and rigorous quality control — we are well-prepared to capture growth opportunities. Beyond traditional hospital and pharmacy clients, we see significant potential in serving underserved segments, including over 97,000 small clinics and health-conscious consumers seeking modernized TCM solutions. Aligned with China’s digital transformation and rising wellness demand, we are improving accessibility through product formats and digital platforms tailored for today’s market. To strengthen our geographical presence, we are actively building localized teams to serve international markets with strong demand for TCM. For more details, see “Industry Overview.”

(i) Decoction-ready products refer to medicines that have been processed and prepared to be directly used in traditional Chinese medicine clinical practice or in the production of pharmaceutical preparations

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Our Business Model

During the Track Record Period, we primarily served institutional clients, including over 1,000 hospitals and medical institutions, and major pharmacy chains primarily through offline channels, as well as small pharmacies, clinics and practitioners. In addition, we are unlocking the retail segment growth by offering consumer-oriented wellness products. Moreover, we are capturing global opportunities through herbal supplement exports and localized operations in high potential international markets.

With a solid foundation that ensures consistent quality across over 770 decoction-ready products, we source raw materials mostly from GAP-certified suppliers and establish CNAS-accredited lab testings, creating a scalable and reliable ecosystem that serves both institutional and retail markets in China and globally.

Our Key Capabilities

Industry-leading standardization. As the first TCM decoction-ready enterprise to achieve Good Manufacturing Practice of Pharmaceutical Products (“GMP”) certification in China, we actively promoted the integration of molecular biology into TCM — most notably through our DNA barcoding system, now adopted in the Chinese and British Pharmacopoeias. Our expertise allows us to develop standardized manufacturing processes that ensure product consistency and safety. Through collaborations with institutions like the Institute of Chinese Materia Medica, China Academy of Chinese Medical Sciences (中國中醫科學院中藥研究所), we continue to enhance our capabilities and advance TCM modernization in production and quality control.

New business lines for scalable growth. Beyond traditional hospital and pharmacy channels, we broaden TCM access through digital channels. Jinfang Caotang streamlines procurement for over 5,900 customers. We also launched an online TCM medicine platform, Jinfang Cloud (金方雲), enabling patients to seamlessly purchase high-quality ready-to-use TCM products after receiving their personalized prescription offline from hospitals and medical institutions. Further, we are developing Golden Lotus (金色荷花), which provides personalized TCM wellness products through machine learning, analyzing health data to create bespoke wellness and supplement regimens. Globally, we leverage partnerships in Vietnam, Malaysia, as well as Taiwan and Hong Kong to export high-quality decoction-ready products and herbal supplements, positioning TCM as a global wellness staple.

Advanced manufacturing and quality control. Our vertically integrated system ensures reliable quality control of our products, tracing the origins from farm to patient. GAP-certified cultivation bases supply raw materials, while automated production lines and supply chain traceability guarantee precision at scale. Our CNAS-accredited lab — recognized in the United States and major European countries — ensures compliance with global regulatory standards. This infrastructure not only supports our revenue growth but also sets a replicable model for industry-wide modernization.

OUR PRODUCTS AND SERVICES⁽¹⁾

Under our “新荷花” brand, we deliver high-quality TCM products to our customers. Since our inception, we have focused primarily on decoction-ready products. Building upon our experience in decoction-ready products and accumulated sales network to hospitals, clinics and pharmacies, we are strategically extending our business to the retail market with new revenue growth points.

(1) Unless the context indicates otherwise, our “products” in this document refer to the specific product varieties that we produce and sell, each of which is recorded as a standalone stock keeping unit in our system.

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Toxic Decoction-Ready Products

We are a well-established provider of toxic decoction-ready medicines. As of the Latest Practicable Date, only 28 types of toxic decoction-ready medicines were included in the Medical Toxic Pharmaceuticals Management Procedure (《醫療用毒性藥品管理辦法》), of which we produce ten major types. Toxic decoction-ready medicines have a long-standing tradition in TCM and are among the most representative types of TCM, commonly used in TCM prescriptions. Our major toxic decoction-ready medicines include *Rhizoma pinelliae preparatum* (法半夏), *Rhizoma pinelliae preparata* (清半夏), *Ginger processed pinelliae* (薑半夏), *White aconitum carmichaelii* (白附片) and *Black aconitum carmichaelii* (黑順片). In the context of TCM decoction-ready products, product types (“品種”) refer to a broad category of TCM decoction pieces, which are raw herbal materials⁽²⁾ processed in accordance with the Chinese Pharmacopoeia and intended for use in clinical prescription and dispensing; and variety (規格) refer to distinct herbal species or processed form within a given type, as identified by its pharmacopoeial name or specific processing method.

Non-Toxic Decoction-Ready Products

As of December 31, 2025, we offer over 760 non-toxic TCM decoction-ready products in China. Many of our products are geo-authentic medicines that are produced in specific regions and are highly renowned for their superior quality and therapeutic effects compared to the same species of herbs grown in other regions. The most widely recognized geo-authentic regions include Sichuan, Zhejiang, and Guangdong provinces, and the Western China region, among others. The unique attributes of these geo-authentic materials derived from the distinct geographical and climatic conditions in their original regions, position them as highly effective and sought-after ingredients in the TCM industry. A major pain point in non-toxic decoction-ready products is that it is very challenging to meet all of the needs of customers in terms of type, variety, volume and quality. As we continue to scale our operations and enhance our production capabilities, we are well-positioned to meet the increasing demand for high-quality non-toxic decoction-ready products, thereby driving substantial growth in this segment. Our key non-toxic decoction-ready products include *Fritillaria cirrhosa* (川貝母), *Dwarf lilyturf* (麥冬), *Astragalus* (黃芪), stir-fried *Ziziphi spinosae semen* (炒酸棗仁), *Coptis root* (黃連) and *Angelica sinensis* (當歸).

SALES AND MARKETING

Our products are sold to various types of customers, including hospitals and medical institutions, medical trading companies, pharmacies, and pharmaceutical companies. The table below sets out a breakdown of our revenue by customer type for the years indicated:

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Hospitals and medical institutions	371,904	32.5	461,875	37.0	512,741	38.4
Medical trading companies	385,253	33.6	443,828	35.5	471,769	35.4
Pharmacies	238,449	20.8	210,608	16.9	179,036	13.4
Pharmaceutical companies	149,965	13.1	133,091	10.6	171,161	12.8
Total	1,145,571	100.0	1,249,402	100.0	1,334,707	100.0

(2) Unless the context indicates otherwise, “herb” or “herbal” refer to the raw materials used in producing our TCM decoction-ready products.

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We sell our TCM decoction-ready products primarily through our own sales and marketing team directly to hospitals and medical institutions, medical trading companies, pharmacies, and pharmaceutical companies. As a Chengdu-based company, we began our business primarily focused on customers in Sichuan province. Despite the localized nature of this industry, we had been able to extend our sales reach nationwide across over 30 provinces as of the Latest Practicable Date, which, we believe, is a reflection of our high product quality and our ability to offer a full range of decoction-ready products to serve purchasing needs of customers. We intend to continue to deepen our presence in China to cover more cities and regions as well as smaller hospitals and clinics.

For details, see “Business — Sales and Marketing.”

PRODUCTION

We operate our TCM manufacturing facility in Chengdu, Sichuan province, which has a total gross floor area of approximately 44,320 square meters. Our Chengdu facility has been GMP certified by the NMPA since July 2003.

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The following table sets forth the designed capacity, actual production volume, and utilization rate of our production lines in our Chengdu manufacturing facility for the years indicated:

	For the year ended December 31,								
	2023			2024			2025		
	Designed production capacity ⁽¹⁾ <i>Tonnes</i>	Production volume <i>Tonnes</i>	Utilization rate ⁽²⁾ %	Designed production capacity ⁽¹⁾ <i>Tonnes</i>	Production volume <i>Tonnes</i>	Utilization rate ⁽²⁾ %	Designed production capacity ⁽¹⁾ <i>Tonnes</i>	Production volume <i>Tonnes</i>	Utilization rate ⁽²⁾ %
Our Manufacturing Facility	8,570	7,020	81.9	10,223	8,576	83.9	11,526	9,521	82.6

(1) The designed production capacity refers to the theoretical maximum units of products that our manufacturing facility can produce in a year.

(2) Utilization rate refers to the percentage of the production volume to designed production capacity during the year.

For details, see “Business — Production.”

OUR CUSTOMERS

During the Track Record Period, our customers were mainly hospitals and medical institutions, medical trading companies, pharmacies, and pharmaceutical companies. Revenue generated from our five largest customers in each year during the Track Record Period amounted to RMB319.3 million, RMB379.8 million and RMB347.5 million, respectively, representing approximately 27.9%, 30.4% and 25.9% of our total revenue for the respective years in 2023, 2024 and 2025. Revenue generated from our largest customer in each year during the Track Record Period amounted to RMB108.5 million, RMB107.9 million and RMB105.9 million, representing approximately 9.5%, 8.6% and 7.9% of our total revenue for the respective years in 2023, 2024 and 2025.

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OUR SUPPLIERS

We source raw TCM materials for our production from various third-party suppliers in the PRC. As of December 31, 2023, 2024 and 2025, we had a total of 316, 452 and 463 suppliers of raw TCM materials for our production, respectively. We select suppliers based on the quality, production bases, and prices of their raw Chinese herbs, as well as their relevant experience and reputation in the TCM industry. In each year during the Track Record Period, purchases from our five largest suppliers accounted in aggregate for approximately 36.0%, 23.3% and 20.6% of our total purchases in 2023, 2024 and 2025. In each year during the Track Record Period, our single largest supplier accounted for approximately 11.9%, 7.2% and 6.1% of our total purchases in 2023, 2024 and 2025.

OUR COMPETITIVE STRENGTHS

We believe that the following are our competitive strengths:

- Well-established player in the fast-growing TCM decoction industry with immense potential and a focus on modern TCM practices
- A key participant in advancing the standardization of TCM decoction-ready products, promoting greater quality consistency and modernization across the industry
- Differentiated business model featuring wide product and market segment coverage
- Integrated manufacturing and quality control system enabling scalable production and product supply
- Seasoned and insightful management of industry veterans

For details, see “Business — Our Competitive Strengths.”

OUR STRATEGIES

We intend to implement the following business strategies:

- Strategically expand market penetration and sales coverage across China
- Diversify revenue source by cultivating retail market
- Continuously expand product offerings to enhance our one-stop solutions
- Drive the technological development of China’s TCM decoction industry by continuously optimizing and upgrading processing technologies
- Enhance operational efficiency and production capabilities
- Strategically expand our footprint

For details, see “Business — Our Strategies.”

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OUR SHAREHOLDING STRUCTURE

Our Controlling Shareholders

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Mr. Jiang Yun, our founder, chairman of the Board and executive Director, will be able to exercise approximately [REDACTED]% of the voting rights in our Company through: (i) 18,498,500 Shares held directly by himself; and (ii) 9,151,965 Shares held by Kinna Investment. Accordingly, Mr. Jiang Yun and Kinna Investment will be the Controlling Shareholders of our Company after the [REDACTED]. For further details, see “Relationship with Our Controlling Shareholders.”

Pre-[REDACTED] Investments

Since the establishment of our Group, we have attracted certain Pre-[REDACTED] Investors through equity financing and share transfers. For further details of the backgrounds of our Pre-[REDACTED] Investors and the principal terms of the Pre-[REDACTED] Investments, see “History and Corporate Structure — Pre-[REDACTED] Investments.”

SUMMARY OF KEY FINANCIAL INFORMATION

The following tables set forth summary financial data from our financial information during the Track Record Period, extracted from the Accountants’ Report as set out in Appendix I to this document. The summary financial data set forth below should be read together with, and is qualified in its entirety by reference to, our financial statements in this document, including the related notes. Our consolidated financial information has been prepared in accordance with the International Financial Reporting Standards (“IFRS Accounting Standards”).

Summary of Consolidated Statements of Profit or Loss and Other Comprehensive Income

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income for the years indicated.

	For the year ended December 31,					
	2023		2024		2025	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Revenue	1,145,571	100.0	1,249,402	100.0	1,334,707	100.0
Cost of sales	(933,553)	(81.5)	(1,036,329)	(82.9)	(1,081,546)	(81.0)
Gross profit	212,018	18.5	213,073	17.1	253,161	19.0
Profit before tax	104,636	9.1	90,316	7.2	107,494	8.1
Profit for the year	103,974	9.1	89,112	7.1	106,441	8.0
Total comprehensive income for the year	103,961	9.1	89,091	7.1	106,559	8.0

Revenue

During the Track Record Period, we primarily generated revenue from sales of decoction-ready products. For the years ended December 31, 2023, 2024 and 2025, our revenue amounted to RMB1,145.6 million, RMB1,249.4 million and RMB1,334.7 million, respectively.

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Revenue by Types of Goods

The following table sets forth a breakdown of our revenue by type of goods both in absolute amount and as a percentage of our total revenue for the years indicated:

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Toxic decoction-ready products .	192,492	16.8	172,433	13.8	137,626	10.3
Non-toxic decoction-ready products	953,079	83.2	1,076,969	86.2	1,197,081	89.7
Total	1,145,571	100.0	1,249,402	100.0	1,334,707	100.0

For the years ended December 31, 2023, 2024 and 2025, our revenue generated from sales of over 770 types and 4,900 varieties of decoction-ready products, with *Rhizoma pinelliae preparatum* (法半夏) and *Ginger processed pinelliae* (薑半夏) from our toxic decoction-ready products and *Fritillaria cirrhosa* (川貝母), *Dwarf lilyturf* (麥冬), stir-fried *Ziziphi spinosae semen* (炒酸棗仁), *Angelica sinensis* (當歸) and *Coptis root* (黃連) from our non-toxic decoction-ready products contributing significantly to our revenue during the Track Record Period. From 2023 to 2024, sales volume of *Fritillaria cirrhosa* (川貝母), *Rhizoma pinelliae preparatum* (法半夏) and *Ginger processed pinelliae* (薑半夏) remained relatively stable, while sales volumes of other products, such as *Dwarf lilyturf* (麥冬) and new product types increased and drove our overall revenue growth. From 2024 to 2025, the increased revenue from non-toxic decoction-ready products was mainly driven by the increased sales volume of major products such as *Coptis root* (黃連), while the decreased revenue from toxic decoction-ready products was mainly due to the decreased sales volume of major products such as *Rhizoma pinelliae preparatum* (法半夏). Average selling prices of products fluctuated generally in line with movements in raw material costs.

Gross Profit and Gross Profit Margin

For the years ended December 31, 2023, 2024 and 2025, our gross profit amounted to RMB212.0 million, RMB213.1 million and RMB253.2 million, respectively. Our gross profit margin was 18.5%, 17.1% and 19.0%, respectively. The following table sets forth a breakdown of our gross profit and gross profit margin for the years indicated:

	For the year ended December 31,					
	2023		2024		2025	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%
Toxic decoction-ready products	46,158	24.0	32,862	19.1	32,372	23.5
Non-toxic decoction-ready products	165,860	17.4	180,211	16.7	220,789	18.4
Total gross profit/overall gross profit margin	212,018	18.5	213,073	17.1	253,161	19.0

During the Track Record period, our gross profit margin decreased because our percentage of sales to medical trading companies and pharmacies increased, and such customer types generally had lower margins due to market competition. Our gross profit margins during the Track Record Period were also affected by the raw material costs of certain major product types.

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Profit for the Year

For the years ended December 31, 2023, 2024 and 2025, our profit for the year amounted to RMB104.0 million, RMB89.1 million and RMB106.4 million, respectively. The decrease in our profit for the year from 2023 to 2024 was mainly attributable to the increase in raw materials costs of certain major products and administrative expenses resulting from the [REDACTED] expenses incurred in 2024. The increase in our profit for the 2024 to 2025 was primarily attributable to the stable increase in revenue from hospitals and medical institutions and revenue from non-toxic decoction-ready products. For details, see “Financial Information — Results of Operations.”

Summary of Consolidated Statements of Financial Position

The following table sets forth a summary of our consolidated statements of financial position as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	<i>(RMB'000)</i>		
Total non-current assets	166,640	184,054	220,831
Total current assets	932,470	1,048,033	1,106,237
Total current liabilities	627,589	765,299	680,967
Net current assets	304,881	282,734	425,270
Total assets less current liabilities	471,521	466,788	646,101
Total non-current liabilities	13,014	12,785	85,539
Net assets	458,507	454,003	560,562

Our net assets slightly decreased from RMB458.5 million as of December 31, 2023 to RMB454.0 million as of December 31, 2024, primarily due to a capital reduction by shareholders amounting to RMB93.7 million, which offset the profit for the year of RMB89.1 million in 2024. Our net assets increased from RMB454.0 million as of December 31, 2024 to RMB560.6 million as of December 31, 2025, mainly due to our profit for the year of RMB106.4 million.

Our net current assets slightly decreased from RMB304.9 million as of December 31, 2023 to RMB282.7 million as of December 31, 2024, primarily due to an increase in current liabilities, particularly interest-bearing bank borrowings and other payables. Our net current assets increased from RMB282.7 million as of December 31, 2024 to RMB425.3 million as of December 31, 2025, primarily due to an increase in trade and bills receivables and a decrease in other payables and accruals. For more details, see “Financial Information — Description of Selected Items from The Consolidated Statements of Financial Position.”

Summary of Consolidated Statements of Cash Flows

The following table sets forth the components of our consolidated statements of cash flows for the years indicated.

	For the year ended December 31,		
	2023	2024	2025
	<i>(RMB'000)</i>		
Net cash flows generated from/(used in) operating activities	74,853	(467)	154,051
Net cash flows used in investing activities	(15,997)	(7,699)	(46,177)

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	For the year ended December 31,		
	2023	2024	2025
		<i>(RMB'000)</i>	
Net cash flows (used in)/generated from financing activities	(53,763)	15,184	(70,749)
Net increase in cash and cash equivalents	5,093	7,018	37,125
Cash and cash equivalents at beginning of year	132,123	137,198	144,310
Effect of foreign exchange rate changes, net	(18)	94	(58)
Cash and cash equivalents at end of year .	137,198	144,310	181,377

In view of the net cash outflow from operating activities of RMB0.5 million for the year ended December 31, 2024, which was primarily due to an increase in trade and bill receivables and inventories, as well as a slowdown in the increase in trade and bill payables, we plan to implement the following measures to improve our operating cash flow: (i) strengthening control over trade receivable collections; (ii) improving inventory management policies to enhance inventory turnover days; and (iii) negotiate longer credit terms with our suppliers.

Key Financial Ratios

The following table set forth our key financial ratios as of the dates indicated:

	As of December 31,		
	2023	2024	2025
Current ratio ⁽¹⁾	1.49	1.37	1.62
Quick ratio ⁽²⁾	1.14	1.05	1.26
Net profit margin	9.1%	7.1%	8.0%
Net debt-to-equity ratio ⁽³⁾	(3.7%)	4.1%	6.3%
Interest coverage ratio ⁽⁴⁾	–	5,653	71.55
Return on assets ⁽⁵⁾	10.4%	7.6%	8.3%
Return on equity ⁽⁶⁾	25.3%	19.5%	21.0%

Notes:

- (1) Current ratio represents current assets divided by current liabilities as of the same date.
- (2) Quick ratio represents current assets minus inventories, divided by current liabilities as of the same date.
- (3) Net debt-to-equity ratio represents total debt (being interest-bearing bank borrowings and lease liabilities net of cash and cash equivalents) divided by total equity as at the end of the respective years.
- (4) Interest coverage ratio represents profit before interest and tax divided by interests on lease liabilities for the relevant years.
- (5) Return on assets represents profit for the year divided by the average of the beginning and ending total assets for that year and multiplied by 100%.
- (6) Return on equity represents profit for the year divided by the average of the beginning and ending balance of total equity for that year, then multiplied by 100%.

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[REDACTED]

[REDACTED]

We estimate that we will receive [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED], after deducting [REDACTED], fees and estimated expenses payable by us in connection with the [REDACTED], and assuming an [REDACTED] of HK\$[REDACTED] per H Share, being the mid-point of the indicative [REDACTED] range stated in this document.

Assuming an [REDACTED] at the mid-point of the indicative [REDACTED] range, we currently intend to apply these [REDACTED] for the following purposes:

- approximately [REDACTED]%, or HK\$[REDACTED], will be used to expand our production capacity of TCM decoction-ready products and enhancing our production system with digital and intelligent capabilities;
- approximately [REDACTED]%, or HK\$[REDACTED], will be used for our sales and marketing activities; including (i) [REDACTED]% to enhance our brand awareness through increasing advertising efforts; (ii) [REDACTED]% to strengthen our sales team to expand market penetration and sales coverage across China; (iii) [REDACTED]% to establish our flagship TCM product stores in China; and (iv) [REDACTED]% for tailored sales marketing strategies for our to-C business;
- approximately [REDACTED]%, or HK\$[REDACTED], will be used for our to-C business, including (i) [REDACTED]% for the R&D of herbal wellness products tailored for individual customers; and (ii) [REDACTED]% to establish our to-C operating team;
- approximately [REDACTED]%, or HK\$[REDACTED], for building our overseas sales channels in Vietnam and Malaysia;

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- approximately [REDACTED]%, or HK\$[REDACTED], will be used for strategic investments and potential acquisitions, with a focus on upstream TCM supply chain; and
- approximately [REDACTED]%, or HK\$[REDACTED], will be used for working capital and other general corporate purposes.

For details, see “Future Plans and [REDACTED].”

DIVIDENDS

We did not declare or pay any dividends during the Track Record Period. The declaration and payment of any dividends in the future will be determined by our shareholders and subject to our Articles of Association and the PRC Company Law, and will depend on a number of factors, including our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant. Currently, we do not have a dividend policy or pre-determined dividend payout ratio in place. As advised by our PRC Legal Advisors, any future after-tax profit that we make will have to be applied to make up for our historically accumulated losses in accordance with the PRC laws, after which we will be obliged to allocate 10% of our profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital. We will therefore only be able to declare dividends after (i) all our historically accumulated losses have been made up for; and (ii) we have allocated sufficient profit to our statutory common reserve fund as described above. In determining whether to declare a dividend, our Board will need to be satisfied that the declaration of dividend is in the best interest of the Company and may make provision for losses. [REDACTED] should not [REDACTED] our H Shares with the expectation of receiving cash dividends.

[REDACTED] EXPENSE

[REDACTED] expenses to be borne by us are estimated to be approximately HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per H Share, being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per H Share), representing approximately [REDACTED]% of the estimated [REDACTED] from the [REDACTED] assuming no H Shares are issued pursuant to the [REDACTED]. The [REDACTED] expenses consist of (i) [REDACTED]-related expenses, including [REDACTED], of approximately HK\$[REDACTED], and (ii) non-[REDACTED]-related expenses of approximately HK\$[REDACTED], comprising (a) fees and expenses of our legal advisors and reporting accountants of approximately HK\$[REDACTED], and (b) other fees and expenses of approximately HK\$[REDACTED]. During the Track Record Period, the [REDACTED] expenses charged to our consolidated statements of profit or loss were HK\$[REDACTED] and the issue costs, which was recognized as prepayments and are expected to be deducted from equity upon the [REDACTED], were HK\$[REDACTED]. After the Track Record Period, approximately HK\$[REDACTED] is expected to be charged to our consolidated statements of profit or loss, and approximately HK\$[REDACTED] is expected to be accounted for as a deduction from equity upon the [REDACTED]. We do not believe any of the above fees or expenses are material or are unusually high to us. The [REDACTED] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

CENTRALIZED PROCUREMENT SCHEME

In February 2025, the results of the nationwide centralized procurement bid for 45 TCM decoction-ready products (comprising 84 varieties) were announced. In this round of procurement, we were awarded bids for 29 product types comprising 55 varieties, representing 55 distinct product items. As of the Latest Practicable Date, the hospital selection (“勾選”) process for centralized procurement had been completed. A total of 1,264 public hospitals have selected our products, resulting in an aggregate selected contract amount of RMB29.2 million. Among these, 1,183 hospitals are new customers, accounting for a total selected contract amount of RMB17.8 million,

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while 81 hospitals are existing customers, contributing a total selected contract amount of RMB11.4 million. We anticipate that the inclusion of our products in the national centralized procurement list will further expand our hospital coverage, enhance product visibility and contribute to our revenue growth in the forthcoming years.

RECENT DEVELOPMENTS AND NO MATERIAL CHANGE

In the first quarter of 2026, our business continued to grow. In the three months ended March 31, 2026, we had 96 new customers, including 44 hospitals and medical institutions, 48 medical trading companies, 3 pharmacies and 1 pharmaceutical companies. In this quarter, we sold and delivered a total of 2,956 tonnes of TCM decoction-ready products, including 267 tonnes of toxic TCM decoction-ready products and 2,689 tonnes of non-toxic TCM decoction-ready products, as compared to 294 tonnes of toxic TCM decoction-ready products and 1,652 tonnes of non-toxic TCM decoction-ready products.

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2025, and there is no event since December 31, 2025 that would materially affect the information as set out in the Accountants’ Report included in Appendix I to this document.

RISK FACTORS

Our operations and the [REDACTED] involve certain risks and uncertainties, including (i) risks relating to our business, (ii) risks relating to our financial performance, and (iii) risks relating to the [REDACTED], which are set out in the section headed “Risk Factors” in this document. You should read that section in its entirety carefully before you decide to [REDACTED] in the [REDACTED].

Some of the major risks we face include, but are not limited to:

- The traditional Chinese medicine industry is highly fragmented and competitive.
- Our business and profitability may be adversely affected by price fluctuations and supply shortages of TCM raw materials.
- We derived a considerable portion of our revenue from limited types of products.
- We cannot guarantee that our new business initiatives, including retail business, will be successfully implemented or generate sustainable revenue or profit.
- Failure to maintain the quality of our products could materially and adversely affect the level of market recognition of, and trust, in our products.
- Our business may be affected by the TCM centralized procurement scheme.
- The TCM industry is highly regulated and the regulatory framework, requirements and enforcement may evolve in the future.
- If the tax exemptions and preferential tax treatments granted by PRC government become unavailable, our results of operation and financial condition may be adversely affected.
- We may not be able to protect our intellectual property rights, trade secrets and know-how, or prevent unfair competition by third parties.

For details, see “Risk Factors.”

SUMMARY

IMPACT OF COVID-19

During the Track Record Period and up to the Latest Practicable Date, we had not experienced material disruptions in our operations as a result of COVID-19. During the COVID-19 pandemic, we maintained operational continuity under the support of Chengdu government to ensure the uninterrupted operation of certain manufacturing enterprises. In addition, supportive national and local policies had a positive impact on the sales of our TCM products. For example, official guidelines such as the Notice on Further Leveraging the Characteristic Advantages of Traditional Chinese Medicine in the Medical Treatment of Novel Coronavirus Infection (《關於在新型冠狀病毒感染醫療救治中進一步發揮中醫藥特色優勢的通知》) and various diagnosis and treatment protocols emphasized the role of TCM in epidemic prevention and control. These policies contributed to the increased demand for our TCM products related to epidemic prevention. As a result, our Directors are of the view that, during the Track Record Period and up to the Latest Practicable Date, the COVID-19 pandemic did not have any material adverse impact on our operations and financial performance. As COVID-19’s impact continued to lessen as of the Latest Practicable Date, our Directors did not expect COVID-19 to have a material adverse impact on our business going forward. See also “Risk Factors — Risks Relating to Our Business — We may be subject to natural disasters, health epidemics, acts of war or terrorism or other factors beyond our control.”