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OVERVIEW

We are a private chain TCM healthcare service provider in China, with a particularly strong and established presence in Northern China. Our business principally operates through a network of self-established and self-operated (自建自營) offline licensed medical institutions, including TCM out-patient healthcare centers and TCM clinics, which collectively account for a substantial majority of our revenue. We provide TCM healthcare services which integrate (i) medical consultations and the dispensing of prescription medication, including personalized TCM prescription preparations (中藥臨方製劑) and in-hospital preparations (院內製劑), and (ii) ancillary therapeutics, including therapeutic massage, orthopedic manipulation, guasha, cupping, acupuncture and moxibustion, into a single, ongoing treatment plan, targeting primarily targeting chronic disease treatment for heart disease (胸痹), stroke (中風), hypertension (眩暈), insomnia (不寐), diabetes (消渴), preventive care (未病) and long-term health management (康養). According to Frost & Sullivan, we ranked fifth among all private chain TCM healthcare service providers in China, and second in Northern China, in terms of total revenue generated by TCM out-patient healthcare centers and TCM clinics in 2025.

Our provision of TCM healthcare services is distinguished by our market performance, as evidenced by the increasing number of our patient visits from 370,787 in 2023 to 862,490 in 2025 and from 287,077 in the five months ended May 31, 2025 to 383,447 in the five months ended May 31, 2026. According to Frost & Sullivan, we ranked fifth among all private chain TCM healthcare service providers in China, and second in Northern China, in terms of total revenue generated by TCM out-patient healthcare centers and TCM clinics in 2025.

Focusing on primary care, our integrated TCM healthcare service model connects our offline licensed medical institutions with our proprietary online platform. Our operational model is structured around a “prerequisite offline, supplemental online”(線下為主，線上為輔) framework. This unified structure allows us to deliver a comprehensive range of TCM healthcare services designed to address patients’ diverse medical and long-term health management needs. As of the Latest Practicable Date, we have established a TCM healthcare service network comprising 60 self-established and self-operated offline licensed medical institutions and a proprietary online platform. Benefiting from our well-established “Gao Zhen Tang”(膏珍堂) brand, we have consolidated substantial clinical resources with a purpose-built online platform, creating a cohesive TCM healthcare service continuum.

Our unified TCM healthcare service model offers comprehensive TCM healthcare services that guide patients through a complete journey from consultation, diagnosis and treatment to long-term chronic disease and health management. Rooted in the TCM principle of “preventive treatment”(治未病), our model addresses the complete disease spectrum across four clinical stages: pre-illness (未病), impending illness (欲病), active disease (已病), and post-recovery (愈後). Leveraging modern TCM assessment systems, personalized treatment protocols, and big data analytics, we perform detailed health evaluations to develop customized “prevention-regulation-treatment-rehabilitation”(防調治養) plans. This systematic full cycle approach enables proactive disease prevention, early intervention, effective condition management, and recurrence prevention, establishing continuous health protection throughout the human lifespan. Our TCM healthcare services embody three essential, interconnected characteristics:

- **Consultation and Diagnosis Services:** This is the critical and mandatory first step in our clinical process. All patients are required to attend our offline licensed medical institutions for their initial, in-person consultation. Conducted by our directly employed physicians, these foundational sessions result in a personalized treatment plan tailored to the individual’s constitution and condition, based on TCM principles. Follow-up consultations are conveniently available through both our offline licensed medical institutions and online platform, facilitating continuous care and monitoring. This stage validates the professional expertise of our physicians and establishes the essential clinical foundation for all subsequent therapeutic actions.

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- ***Prescription Fulfillment and Ancillary Therapeutics:*** The fulfillment of prescription medication is the crucial next step that translates clinical diagnosis into tangible therapeutic outcomes, forming the core of the prescribed therapy. This process is intrinsically linked to the preceding consultation. Under our “one prescription, one preparation”(一人一方) protocol, our TCM prescription preparations are fully customized for each patient based on syndrome differentiation. They are processed into various traditional dosage forms, including solid forms (such as powders and granules), semi-solid forms (such as our best-selling paste), and liquid forms. Our offerings are further distinguished by our portfolio of in-hospital preparations, which are developed in-house and have received regulatory approval to be used in our licensed entity. These preparations are derived from clinically validated recipes and represent a key focus of our ongoing research and development.

Additionally, our concept of prescription fulfillment extends beyond medication to include ancillary therapeutic services, which are essential for ensuring treatment efficacy, patient safety, and adherence. These services, such as our clinically administered TCM external therapies, including therapeutic massage, orthopedic manipulation, guasha, cupping, acupuncture and moxibustion, are prescribed as a complementary part of the holistic treatment plan. They act synergistically with medications to enhance overall therapeutic outcomes, providing a comprehensive, multimodal approach to chronic disease management and long-term health support that is deeply embedded within the prescription cycle.

- ***Chronic Disease and Long-term Health Management:*** Following the initial treatment phase, we provide continuous support through structured follow-up consultations, health tracking through our proprietary online platform, and personalized lifestyle guidance. This stage focuses on consolidating therapeutic outcomes, preventing disease recurrence, and promoting sustained wellness, particularly through proactive chronic disease management. This approach embodies our commitment to whole lifecycle healthcare, transforming episodic care into a continuum for long-term patient health.

This integrated revenue structure underscores the depth of our TCM healthcare service model, where each component, from diagnosis to prescription medication fulfillment and supportive therapeutics, is fundamentally connected to the clinical judgment of our physicians. It ensures a coherent, effective, and personalized patient journey from diagnosis to recovery and sustained well-being. The direct connection between our offline licensed medical institutions and online platform forms the core of our operational strategy, enabling scalable expansion and delivering distinct competitive advantages, including:

- ***Extensive Geographic Reach:*** Leveraging our offline TCM healthcare service network supplemented by our online platform, we can provide comprehensive TCM healthcare service to patients across Northern China. This hybrid model allows us to extend high-quality care beyond the footprint of our offline licensed medical institutions, delivering accessibility and continuity regardless of a patient’s location.
- ***Integrated High-caliber Clinical and Research Talent Network:*** We have established a synergistic talent network that unites our in-house medical professional team with a collaborative research and development committee. As of the Latest Practicable Date, our medical professional team comprised of 427 directly employed, full-time medical professionals, including: (i) 221 physicians whose clinical practice is focused primarily on TCM internal medicine; and (ii) 206 other medical professionals, including nurses, pharmacists, rehabilitation specialists, medical assistants, and healthcare technicians. Working under unified clinical protocols and integrated digital systems, this medical professional team delivers standardized, high-quality care across our TCM healthcare network. Our research and development committee comprised 98 experts, integrating the

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expertise of 47 members of our medical professional team and 51 external scientific collaborators, as of the Latest Practicable Date. Together, this clinical-research talent network drives continuous innovation and rigorously advanced patient care.

- **Growing and Engaged Customer Base:** Our integrated TCM healthcare service model facilitates effective follow-up consultations, chronic disease and long-term health management, and personalized “prevention-regulation-treatment-rehabilitation” plans. This consistent engagement across physical and digital channels has cultivated a loyal and expanding patient community with strong retention rates. We believe this deeply engaged foundation is critical to building a sustainable, leading TCM healthcare service system in China.

We operate in the TCM healthcare service industry in China, the market size of which has expanded continuously at a CAGR of 7.7% from RMB768.3 billion in 2021 to RMB1,031.8 billion in 2025, and is expected to grow at a CAGR of 8.1% from RMB1,102.8 billion in 2026 to RMB1,506.3 billion in 2030. In particular, the promulgation of multiple favorable governmental policies in recent years, such as the *15th Five-Year Plan for Traditional Chinese Medicine Development* (《“十五五”中醫藥發展規劃》), the *Major Project Implementation Plan for the Revitalization and Development of Traditional Chinese Medicine* (《中醫藥振興發展重大工程實施方案》) and “*Health China 2030*” *Plan Outline* (《「健康中國2030」規劃綱要》), has been stimulating the development potential of TCM healthcare service providers, including us. See “Industry Overview” in this document for more information.

Our business demonstrated significant and rapid growth during the Track Record Period. The number of our offline medical institutions increased from 14 in 2023 to 31 in 2024 and 47 in 2025 and further to 59 in the five months ended May 31, 2026. Our revenue increased from RMB150.0 million in 2023 to RMB215.2 million in 2024 and further to RMB399.7 million in 2025, and increased from RMB127.7 million in the five months ended May 31, 2025 to RMB182.8 million in the five months ended May 31, 2026. Our net profit increased from RMB20.5 million in 2023 to RMB27.1 million in 2024 and further to RMB70.5 million in 2025, and increased from RMB18.1 million in the five months ended May 31, 2025 to RMB26.2 million in the five months ended May 31, 2026. See “Financial Information” in this document for more information.

OUR STRENGTHS

We believe the following competitive strengths could enable us to achieve rapid and sustainable growth and maintain our industry position among private TCM healthcare providers.

A private chain TCM healthcare service provider in China, with a particularly strong and established presence in Northern China.

We are a private chain TCM healthcare service provider in China, with a particularly strong and established presence in Northern China, notwithstanding our highly competitive and fragmented industry with relatively limited revenue contribution of TCM out-patient healthcare centers and TCM clinics to the overall TCM healthcare service industry in China. In particular, private TCM out-patient healthcare centers and TCM clinics accounted for approximately 1.7% of the total TCM healthcare services market in terms of revenue in 2025, and TCM healthcare institutions in Northern China accounted for approximately 37.3% of the total TCM healthcare institutions in China in terms of revenue in 2025 according to Frost & Sullivan. According to Frost & Sullivan, we ranked fifth among all private chain TCM healthcare service providers in China, and second in Northern China, in terms of total revenue generated by TCM out-patient healthcare centers and TCM clinics in 2025, with a market share of 2.3% and 7.0%, respectively. Additionally, the total revenue of paste of TCM prescription preparations in China reached approximately RMB3.0 billion in 2025, accounting for approximately 4.7% of the total revenue in 2025 of TCM prescriptions in China, and we ranked first among all private chain TCM

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healthcare service providers in China in terms of revenue of paste of TCM prescription preparations with a market share of approximately 8.4%, and second among all private chain TCM healthcare service providers in China in terms of revenue of TCM prescription preparations in the same year. We have made steady progress due to our commitment toward the following aspects:

- ***Deep urban community integration and strategic focus on chronic disease management for an aging population***

Our customer network is strategically embedded within local communities, positioning our offline licensed medical institutions in close proximity to residential areas to maximize accessibility and convenience. This community-centric model is specifically designed to address two interrelated demographic and health trends: the ongoing aging of China’s population and the rising prevalence of chronic diseases. As TCM is particularly suited for holistic, long-term health management, our focus on chronic conditions positions us at the heart of a growing market need. The ongoing nature of chronic disease care fosters a high patient revisit rate, creating a structurally recurring engagement model. Our core competence lies in delivering accessible, continuous, and professional TCM care for these conditions, establishing a foundation for sustainable patient relationships and long-term health outcomes.

- ***Service excellence and exceptional patient loyalty***

We have built our reputation on proven therapeutic efficacy, efficient service processes, and a consistent commitment to humanized, patient-centric care. This dedication to service excellence has fostered growth within our patient community, as exemplified by the increasing number of our patient visits from 370,787 in 2023 to 862,490 in 2025 and from 287,077 in the five months ended May 31, 2025 to 383,447 in the five months ended May 31, 2026. This customer loyalty directly results from our holistic TCM healthcare service model designed for effective chronic disease and health management. Our TCM healthcare service approach, which combines mandatory in-person initial consultations at our licensed medical institutions with continuous follow-up consultations and chronic disease and health management through our proprietary online platform, transforms individual consultations and treatments into long-term health management. By maintaining consistent, accessible engagement across both physical and digital touchpoints, we have established a sustainable, recurring service model anchored in clinical efficacy and deep patient trust.

- ***Leveraging technology to deepen offline-online TCM healthcare services integration***

Our operational model is anchored in a mandatory offline-first consultation framework, as stipulated by PRC laws and regulations, which we enhance through our proprietary online platform. We leverage advancements in information technology to create a deeply integrated offline-online ecosystem, strengthening the interaction and resource sharing between our licensed medical institutions and online platform. This achieves significant operational synergies and elevates service delivery. Our cloud-based HIS is a comprehensive information system to streamline our core business operations, covering various aspects including patient appointment scheduling, electronic medical records, physician workflows, and supply chain management. We record patient data on HIS, and keep track of patients’ health status, enabling our physicians to optimize subsequent therapeutic regimen accordingly. This technological foundation supports a “prerequisite offline, supplemental online” framework while facilitating a convenient patient journey, allowing for a natural transition from the mandatory initial in-person consultation, diagnosis and treatment to subsequent online follow-up consultations, prescription management, and long-term health monitoring.

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An integrated TCM healthcare service model that offers a regulatory-compliant initial in-person consultation, supported by an on platform that provides optional follow-up consultation and TCM healthcare services.

Our TCM healthcare services are rooted in fundamental TCM methodology, specifically “treatment based on syndrome differentiation”(辨證施治) guided by a holistic patient assessment. This clinical philosophy enables effective long-term management of chronic conditions and sub-health states through fully personalized treatment protocols. These protocols systematically integrate our TCM prescription preparations, including our signature paste, with our in-hospital preparations and complementary external therapies, forming a cohesive therapeutic regimen.

We operate a unified TCM healthcare service model where physician consultations and prescription fulfillment are intrinsically linked components of a single patient journey. This is delivered through a comprehensive “prevention-regulation-treatment-rehabilitation” framework. The model facilitates continuous patient engagement via our integrated network of offline licensed medical institutions and online platform. In full compliance with PRC regulations, all patients undergo an initial, mandatory in-person consultation at one of our offline licensed medical institutions to establish a foundational diagnosis and treatment plan. Our proprietary online platform enhances patient care continuity by supporting critical follow-up consultations and ongoing chronic disease and health management, ensuring a continuous, well-coordinated, and convenient healthcare experience across our licensed medical institutions and online platform.

Our clinical and business strategy is concentrated on chronic disease treatment, targeting a substantial and expanding patient demographic driven by China’s accelerating aging population. The proportion of individuals aged 60 and above is projected to rise from 23.4% in 2026 to 28.6% in 2030, according to Frost & Sullivan, increasing demand for long-term, personalized TCM healthcare services. This demographic shift is deepening the integration of chronic disease management within primary healthcare, a trend where TCM’s holistic and preventive approach holds a distinct advantage. Our focus has enabled us to develop specialized therapeutic expertise and standardized protocols for prevalent chronic conditions. The recurring nature of these conditions, combined with our whole lifecycle TCM healthcare approach, fosters a structurally high frequency of patient visit rate and establishes a sustainable, recurring revenue model. Supported by our deeply integrated offline-online network, this strategic focus positions us as an emerging leader in a critical and high-growth segment of the healthcare market.

Proprietary heritage paste and in-hospital preparations, supported by integrated in-house production.

Our TCM prescription preparations, produced under our “one prescription, one preparation” protocol, represent the core of our customized therapeutic offerings. These preparations encompass a range of dosage forms tailored to individual patient needs, with our heritage paste being a prominent and distinctive example.

Our TCM paste are manufactured through a complex heritage process involving multiple extractions and concentration of authentic decocting pieces. This method yields a final product that is a potent, palatable, and portable concentrate for oral consumption. The compact, portable nature of our paste directly addresses medication adherence challenges, offering a convenient solution for patients requiring consistent, long-term therapy for chronic conditions. This focus on patient-centric design and localized efficacy creates a significant competitive advantage in treatment outcomes and patient experience. Additionally, our TCM prescription preparations include other dosage forms, such as granules, and powder, that are developed to deliver enhanced bioavailability and superior palatability, ensuring patient comfort and compliance for oral administration.

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Complementing our TCM prescription preparations is our portfolio of in-hospital preparations. Developed from years of clinical experience and continuously refined within our TCM healthcare service network, these preparations originate from classical and empirical prescriptions that have demonstrated consistent efficacy and an excellent safety profile through long-term use. As proprietary therapeutic assets, these preparations serve as cornerstone elements within our specialized disease management protocols, providing standardized, clinically validated cornerstones within our chronic disease management protocols.

Our manufacturing excellence is rooted in complete vertical integration and stringent quality control. We maintain comprehensive oversight from the sourcing of high-quality decocting pieces through to final product inspection. Our central production facility operates under strict pharmaceutical manufacturing standards, supported by robust quality management systems that ensure batch-to-batch uniformity, stability, and safety. This integrated approach guarantees therapeutic reliability and supports our optimized, low-inventory operational model. Our closed-loop production system exclusively serves our integrated TCM healthcare service network, producing both fully customized TCM prescription preparations and in-hospital preparations, ensuring end-to-end quality control, traceability, and operational efficiency.

Technology-enabled online platform, integrating TCM healthcare services with technological innovation.

Our TCM healthcare service networks are powered by a proprietary cloud-based HIS that serves as the operational core of our integrated service model. This unified platform connects our offline licensed medical institutions with the online platform, managing the entire patient journey from appointment scheduling and physician workstations to patient management and prescription fulfillment. The system maintains comprehensive patient profiles that unify treatment records, assessment data, and prescription information, enabling continuous care coordination across all service channels.

We operate a structured “prerequisite offline, supplemental online” TCM healthcare service model. This model is designed in strict accordance with applicable regulations, most notably the Internet Diagnosis and Treatment Management Measures (Trial)(《互聯網診療管理辦法(試行)》), which mandates that initial consultations must be conducted in person. We rigorously adhere to this requirement, ensuring all patients commence their patient journey with a comprehensive face-to-face assessment at one of our offline licensed medical institutions. This initial consultation involves a thorough TCM diagnostic process based on inspection, auscultation, interrogation and palpation (望、聞、問、切), establishing an accurate clinical foundation. Our proprietary online platform enhances patient care continuity by supporting critical follow-up consultations and ongoing chronic disease and health management. This integrated approach maintains the essential clinical rigor of offline in-person consultations and diagnosis while leveraging digital convenience to enhance accessibility, patient compliance, and continuity for chronic disease and ongoing health management.

Our competitive edge is anchored in a sophisticated, proprietary online platform designed to standardize service delivery, systematize clinical expertise, and facilitate continuous clinical optimization. We enhance clinical decision-making through a suite of intelligent support tools, including digital TCM diagnosis and assessment systems for syndrome differentiation, online platform-assisted prescription and review systems to ensure accurate personalized formulations, and a dedicated chronic disease management system that structures long-term care. Treatment outcomes are continuously analyzed through our cloud analytics and TCM efficacy evaluation systems, creating an evidence-based feedback loop that drives the ongoing refinement of clinical approaches. This online platform has three key advantages. First, it enables standardized, scalable delivery across our TCM healthcare service network through unified operational protocols. Second, it systematizes clinical expertise, enhancing decision-making consistency while reducing over-reliance on individual experience. Third, it supports continuous clinical optimization driven by aggregated treatment data and real-time analytics.

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Collectively, this technology-driven model increases operational efficiency while preserving the personalized, holistic principles of TCM, establishing a sustainable competitive edge in modern TCM healthcare service delivery.

A cohesive professional structure which integrates full-time medical professionals with a strategic research and development committee, and a robust talent acquisition regime, underscoring our clinical excellence and operational consistency.

Our integrated TCM healthcare service network is established upon a cohesive professional structure that integrates full-time medical professionals with a strategically assembled research and development committee. As of the Latest Practicable Date, our medical professional team comprised of 427 directly employed medical professionals practicing within our TCM healthcare service network, including: (i) 221 physicians comprising 18 chief physicians (主任醫師), 29 associate chief physicians (副主任醫師), 57 attending physicians (主治醫師), and 117 physicians; and (ii) 206 other medical professionals, including nurses, pharmacists, rehabilitation specialists, medical assistants, and healthcare technicians. All medical professionals are directly employed by us under full-time labor contracts. This unified team operates under standardized clinical protocols and is fully integrated into our corporate culture and quality assurance systems. Our direct employment model has several key advantages:

- **Consistent service standards and quality control:** Direct employment allows for unified implementation of our medical protocols, treatment philosophies, and quality assurance systems across all our licensed medical institutions.
- **Service continuity and clinical accountability:** Patients receive continuous care from professionals who are fully integrated into our corporate culture and operational systems, fostering stronger physician-patient relationships essential for chronic disease management and long-term health partnerships.
- **Unified dispatch and management:** Our medical professionals operate under a centralized human resource management system. In addition to permanent physicians at each offline medical institution, we can efficiently allocate and dispatch our physicians, primarily chief physicians and associate chief physicians, according to the specific service demands and patient volumes of different institutions within our network, optimizing resource utilization and operational efficiency and offering patients with more choices of their preferred physicians. This is different from the typical clinical model where physicians reside in one hospital or clinic awaiting the walk-in or scheduled patients, according to Frost & Sullivan.
- **Enhanced training and compliance:** A unified team facilitates the organization of systematic, standardized training programs and ensures consistent adherence to all applicable medical regulations and licensing requirements.

To underpin this clinical practice with academic rigor and innovation, we have also established a collaborative internal-external research and development committee that engages leading TCM universities, public hospitals, and research institutions. As of the Latest Practicable Date, this committee comprised of 98 experts, integrating the expertise of 47 members of our medical professional team and 51 external scientific collaborators. These experts focus on standardizing treatment protocols, validating clinical efficacy, and driving pharmaceutical and technological innovation for our proprietary in-hospital preparations. See “Research and Development — Research and Development Committee” for details.

To sustain and elevate the quality of our services, we have implemented a robust and systematic talent development framework that complements our medical professionals and research and development committee:

- **Talent acquisition and integration:** We leverage multiple channels to attract high-caliber professionals, including dedicated recruitment teams, industry engagement at academic conferences, and a strategic partnership with the School of Pharmacy of Heilongjiang

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University of Traditional Chinese Medicine, which serves as a key talent pipeline. A robust internal referral program further supports our recruitment efforts. This multi-faceted approach allows us to attract, integrate and develop high-caliber professionals who align with our clinical philosophy and operational culture.

- ***Unified and systematic training:*** A core component of our talent management is a structured, unified training system. We conduct regular, standardized training programs covering clinical skills, service protocols, regulatory updates, and our treatment methodologies. These programs are supplemented by a “mentor-apprentice” mechanism, through which our chief physicians and associate chief physicians guide and train junior colleagues, ensuring the transfer of valuable expertise and accelerating professional growth. This integrated approach maintains high and consistent service standards across our expanding TCM healthcare service network.
- ***Internal and external research and development strategy:*** We foster collaboration between our internal clinical teams and an external network of scientific experts, including professors, researchers, and chief physicians from leading universities and public hospitals. This collaboration focuses on standardizing treatment protocols, developing TCM prescription preparations, and conducting clinical efficacy research. The insights from this research and development synergy are fed back into our unified training and operational systems, creating a virtuous cycle of continuous improvement.

Together, this integrated model — combining a centrally managed full-time medical team, a unified training regime, and synergistic research collaboration — forms a solid foundation for operational excellence. It ensures efficient resource allocation, consistent high-quality patient care, and the continuous enhancement of our TCM healthcare services. This strategic focus on human capital is critical to executing our whole lifecycle TCM healthcare service model, building long-term patient trust, and maintaining our competitive advantage.

An experienced and visionary management team, guided by preeminent academic advisors.

Our core management comprises a group of seasoned professionals with deep expertise the TCM healthcare service industry, a proven track record of leadership, and a clear for vision for strategic growth. The management team’s diverse expertise spans clinical operations, pharmaceutical manufacturing, digital transformation, and multi-site management, providing comprehensive leadership across all aspects of our integrated healthcare service model.

We are lead by our founder and chairman of the Board, Mr. Guo Yang, who brings around 20 years of experience in the healthcare service industry, among which around 10 years are related to TCM healthcare service industry. Mr. Guo Yang provides strategic directions for the Company’s overall planning, resource allocation, and organizational development. His extensive industry experience has been instrumental in executing our growth strategy and establishing the operational systems that support our business. Our leadership team is further strengthened by other key management members who have been instrumental to our expansion:

- ***Director Ms. Yujuan Jiang,*** who joined us in June 2023, brings extensive pharmaceutical manufacturing process experience, and production quality control, alongside a distinguished record in TCM formulation development, playing a key role in strategic planning and decision-making.
- ***Dean Gang Chen,*** who joined us in 2019, is a distinguished chief physician with over 40 years of experience in clinical practice, hospital administration, and academic leadership. He has served as dean of multiple hospitals, which provided him with extensive operational and strategic management experience. His expertise in TCM rehabilitation techniques and integrated Chinese-Western medicine has been instrumental in standardizing our treatment protocols and advancing our disease management programs.

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Collectively, our management team brings a profound understanding of the intricacies of managing a TCM healthcare service provider, with expertise ranging from healthcare service operations to multi-site management, physician team development, pharmaceutical supply chain coordination, and technological integration.

To complement our management’s operational strengths and drive innovation, we engage with a panel of eminent academic experts who provide high-level strategic and scientific guidance.

- **Professor Zhongguang Zhou**, a Doctor of Medicine, serves as a distinguished professor for our Group. A provincial-level leading academic talent, his research focuses on “medication and food homology” products, TCM preventive health, and the treatment of specific chronic conditions. Having led multiple national-level research initiatives, and with extensive experience as a laboratory review expert, Professor Zhou provides invaluable strategic insight into research and development direction and high-level industry trends.
- **Professor Xianglong Yu**, also serves as a distinguished professor for our Group. A veteran in TCM pharmaceutical research since 1975, Professor Yu has held senior positions at the Heilongjiang Provincial Academy of Chinese Medicine and has led the development of several award-winning TCM products. His decades of expertise in TCM processing, proprietary formulation development, and clinical research significantly enhance our capabilities in pharmaceutical control and product innovation.

We are confident that the combined strength of our experienced, execution-focused management team and the strategic, innovative guidance from our senior academic advisors positions us exceptionally well for sustainable growth. This dual foundation of operational excellence and scientific acumen is crucial for navigating the competitive landscape, driving continuous improvement in our services, and capturing the significant opportunities in China’s rapidly evolving integrated TCM healthcare market.

OUR STRATEGIES

We have developed and intend to implement the following strategies to expand and grow our business:

Further deepen regional presence and accelerate TCM healthcare service network coverage.

We are dedicated to continuously deepening our regional presence and enhancing our TCM healthcare service network coverage. We will pursue a two-pronged strategy: (i) intensify our high-density penetration strategy in our mature markets, with a primary focus on Liaoning Province, leveraging our existing operational expertise, concentrated resources, and strong brand recognition to capture a greater market share in this region; and (ii) capitalize on the structural growth in broader regional markets, by focusing expansion efforts on high-potential regions, specifically Shandong Province, Hebei Province, Henan Province, Tianjin City and Jiangsu Province, to build density and market leadership in these regions.

Our expansion will continue to adhere to our core strategy centered on self-established and self-operated licensed medical institutions, ensuring consistent service quality, operational control, and brand equity while enabling rapid and scalable network growth. This approach enhances service accessibility, patient convenience, and creates internal operational synergies across our TCM healthcare service network. To execute this strategy, we maintain a disciplined approach to evaluating new locations, focusing on the growth potential for TCM healthcare services, availability of physician resources, local patient preferences, and the estimated working capital investment required.

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We have been actively expanding our geographical footprint, with 16 new licensed medical institutions under development in Shandong Province, Liaoning Province, Hebei Province, Tianjin City and Jiangsu Province as of the Latest Practicable Date. This planned expansion represents a targeted step towards increasing our regional market penetration, optimizing resource allocation, and systematically elevating our market influence.

Enhance production capabilities and optimize supply chain integration.

We will accelerate the enhancement of our proprietary production capabilities through the construction of a new, modern production facility and comprehensive technological upgrades. This initiative is dedicated to significantly increasing production capacity and advancing the standardization of our manufacturing processes in strict accordance with GPP standards.

A core strategic pillar is the construction of a dedicated facility for producing decocting pieces. By internalizing this critical stage, we secure our supply chain at its source, ensuring superior quality control from raw materials to final prescription dispensation. This vertical integration mitigates external volatility, reduces supplier dependency, and improves cost efficiency. The facility will implement a stringent, internally managed quality system and provide specialized capacity to flexibly handle individualized prescriptions, thereby transforming “superior medicine”(好藥) into a core operational strength and completing our “quality physician, superior medicine, excellent service”(良醫、好藥、優服) value loop.

Concurrently, we will undertake a comprehensive digital transformation of our manufacturing facilities, centered on enhancing quality assurance. This initiative includes developing specialized hardware for workshop automation to streamline tasks and improve production consistency and implementing an integrated production information system. This platform will enable real-time monitoring and data-driven coordination, creating a more intelligent, responsive and quality-centric operational foundation.

Together, these investments will build a deeply integrated and resilient supply chain, encompassing the entire lifecycle from decocting pieces cultivation to final distribution. A cornerstone of this system is a vertically oriented quality traceability system, crucial for guaranteeing drug safety, batch-to-batch consistency, and the therapeutic efficacy fundamental to our clinical reputation. This future-ready production ecosystem is engineered to reliably underpin our expanding service network with consistent, high-quality outputs.

Systematically improve our information technology systems to build an intelligent TCM healthcare service ecosystem.

We expect to further invest in our digital transformation to enhance our integrated offline-online service model and elevate the sophistication of our TCM healthcare service platforms. At the core of this initiative is the ongoing development of our proprietary, cloud-based HIS, which serves as the cornerstone of our operations. We will further refine our intelligent TCM assessment tools to provide practical, decision-support applications for our physicians, reinforcing diagnostic consistency and improving clinical workflow efficiency.

A key strategic priority is the continued enhancement of our online platform to solidify our TCM healthcare service model. We will bolster platform functionality to better facilitate online follow-up consultations, electronic prescription management, and streamline the connection between diagnosis at our offline licensed medical institutions and prescription fulfillment through our centralized dispensing service. This deeper operational integration between our licensed medication institutions and online platform is essential for delivering a continuous and convenient patient journey, forming the foundation for effective chronic disease management and the cultivation of long-term patient relationships.

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Underpinning this service ecosystem is the ongoing unification of our data infrastructure. We will further integrate information from our core operational systems, including our cloud-based HIS and supply chain management, with clinical data to create a consolidated and actionable information asset. This enhanced data foundation will support more sophisticated operational oversight, generate valuable insights to inform clinical processes, and facilitate the continuous refinement of our healthcare services, all while upholding our stringent commitments to data security and patient privacy.

Continue to develop and optimize our TCM healthcare services through our “research-clinical” initiative.

We strive to continue to develop and optimize our TCM healthcare services. Our strategy centers on our “research-clinical” initiative, which systematically connects our medical professional team with the expertise of our research and development committee. This model transforms academic and scientific insights directly into enhanced clinical practice.

A cornerstone of this effort is our full-time, directly employed medical professional team. This professional structure ensures continuity of care and fosters long-term physician-patient relationships essential for effective chronic disease management. We will sustain and strengthen this team through strategic recruitment and structured internal training programs. Our clinical practice is directly elevated by our internal-external collaborative research and development committee of 98 experts, which integrates the expertise of 47 members of our medical professional team and 51 external scientific collaborators. This committee includes esteemed academic advisors and clinical experts from leading TCM institutions, such as Professor Zhongguang Zhou and Professor Xianglong Yu. This committee focuses on standardizing treatment protocols, driving pharmaceutical innovation, and validating clinical efficacy. The resulting insights are systematically translated into our clinical workflows.

To standardize this integration and enhance TCM healthcare service delivery, we intend to leverage enabling technology. Our proprietary cloud-based HIS and suite of intelligent clinical tools support our physicians with big data-driven insights, standardized workflows, and efficient tools for follow-up care and comprehensive disease management. By synergizing a dedicated medical professional team, a robust research and development committee, and enabling digital systems, we will deliver more personalized and effective treatment plans and consistently provide the superior TCM healthcare services that define our brand and build lasting patient trust.

Pursue sustainable growth through enhanced customer awareness, trust and loyalty.

We will pursue continuous growth by systematically enhancing customer awareness, building lasting trust, and fostering deep loyalty to our “Gao Zhen Tang” brand. Additionally, we intend to cultivate recognition and patient volume for specialized TCM healthcare services under our “Yu Yan Tang”(譽研堂) brand. Our strategy is centered on establishing our brands as a reliable and modern TCM healthcare partner through scientifically grounded educational content, community-based health initiatives, and a strategic multi-channel media presence. These integrated efforts will effectively communicate the value of TCM healthcare service in proactive health management, thereby strengthening brand credibility and expanding our patient base.

Underpinning this growth is the systematic development of a patient-centric ecosystem. Building on the foundational reach of our promotion network, we implement proactive reputation management and robust customer satisfaction monitoring. Through personalized engagement, we foster lasting relationships that improve patient retention and encourage customer revisits, transforming initial trust into loyalty. This integrated approach, connecting community outreach with deep patient relationships, creates a virtuous cycle that reinforces our service model and drives sustainable, high-quality growth. Our brand enhancement initiative is designed not only to attract a wider patient base but to nurture enduring relationships, solidifying our position as a leading provider of TCM healthcare services.

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OUR BUSINESS AND REVENUE MODEL

We provide TCM healthcare services which integrate (i) medical consultations and the dispensing of prescription medication, including personalized TCM prescription preparations (中藥臨方製劑) and in-hospital preparations (院內製劑), and (ii) ancillary therapeutics, including therapeutic massage, orthopedic manipulation, guasha, cupping, acupuncture and moxibustion, into a single, ongoing treatment plan, primarily targeting chronic disease treatment for chest heart disease (胸痹), stroke (中風), hypertension (眩暈), insomnia (不寐), diabetes (消渴), preventive care (未病) and long-term health management (康養). As of the Latest Practicable Date, we operated a TCM healthcare service network comprising 60 self-established and self-operated offline licensed medical institutions and an online platform. We provide personalized healthcare services to patients with typically aged 60 years old or above with chronic diseases according to each individual’s health profile, disease complexity, treatment stage, and location, ensuring a coherent and patient-centric healthcare experience.

Our operational model is structured around a “prerequisite offline, supplemental online” (線下為主，線上為輔) framework. Under this framework, initial patient consultations are mandatory and must be conducted in person at our offline licensed medical institutions. Patients can choose our offline medical institutions or online platform for their follow-up consultations. Online follow-up consultations are not a standalone healthcare service offering; they are permitted only for patients who have completed an initial in-person consultation. While online follow-up consultations are available for patient convenience and to alleviate geographical constraints, the vast majority of our patients opt to attend in-person follow-up consultations at our offline licensed medical institutions. Physicians in our offline medical institutions conduct initial diagnosis and follow-up consultations, and prescribe, renew and adjust prescription preparations, while physicians in our online platform conduct follow-up consultations, and prescribe, renew and adjust in-hospital preparations.

During the Track Record Period, our revenue was derived primarily from our provision of TCM healthcare services through our offline medical institutions across Northern China, a region encompassing numerous provinces and cities including Heilongjiang, Jilin, Liaoning, Hebei, Shandong and Tianjin. The following table sets forth a breakdown of our total revenue by service/product type for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2023		2024		2025		2025		2026	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
							(Unaudited)			
Consultation and diagnosis	1,318	0.9	1,728	0.8	2,665	0.7	927	0.7	1,116	0.6
Prescription preparations	145,506	97.0	206,215	95.8	375,241	93.9	120,610	94.4	168,981	92.4
In-hospital preparations	2,581	1.7	7,118	3.3	21,781	5.4	6,165	4.8	12,738	7.0
Others ⁽ⁱ⁾	618	0.4	160	0.1	38	0.0 ⁽ⁱⁱ⁾	19	0.0 ⁽ⁱⁱ⁾	–	–
Total	150,023	100.0%	215,221	100.0%	399,725	100.0%	127,721	100.0%	182,835	100.0%

Note:

- (i) Represented revenue from ancillary business activities, including primarily (i) the service fees earned from third-party medical institutions for secondment of our physicians in 2023 and 2024; and (ii) the sales of topical plasters by HQFM.
- (ii) Less than 0.1%.

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We charge patients healthcare service fees for the provision of our service including (i) medical consultation fees for consultation and diagnosis by our physicians, (ii) medication fees for our prescription preparations prescribed offline and in-hospital preparations prescribed online, and (iii) service fees for our physical therapies. We price our healthcare service fees for each service or product based primarily on a market-based model. Final prices are determined primarily by prevailing market rates for comparable services and competitor pricing. These market-derived prices are then evaluated against our internal financial parameters, which include physicians’ remunerations, the direct costs of materials, primarily including decocting pieces and medicinal ingredients, and operational expenses.

We rely on physician teams, comprising different levels of physicians, and other medical professionals, to provide healthcare services, including consultation and diagnosis, prescription, and physical therapies, to our patients. In addition, TCM raw materials, such as decocting pieces and medicinal materials, are critical in treating patients’ diseases. As a result, physicians’ remunerations and raw materials constitute the two largest cost components of our operations, and have a material impact on our financial performance.

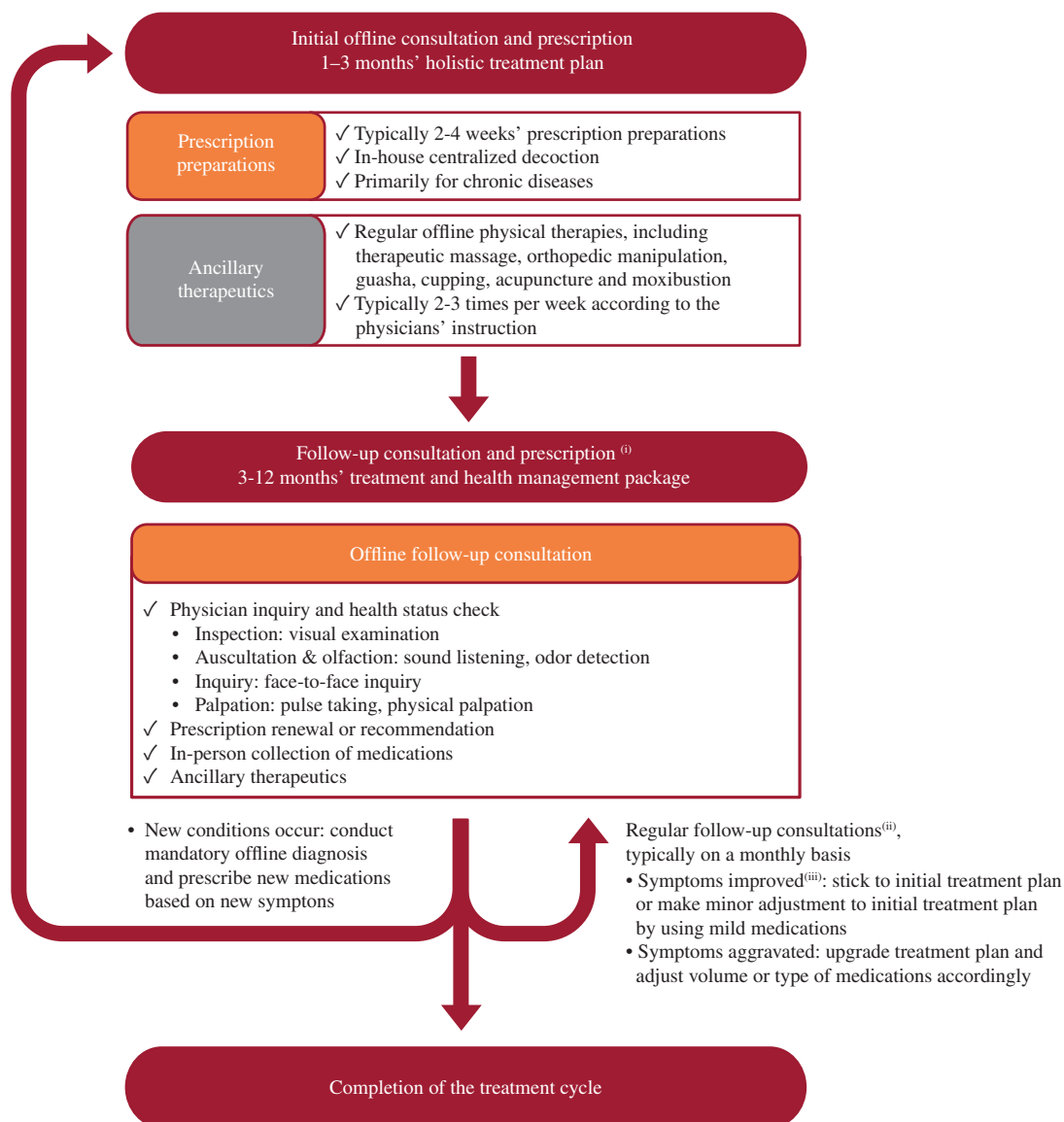
OUR TCM HEALTHCARE SERVICES

We are a private chain TCM healthcare service provider in China, with a particularly strong and established presence in Northern China. Our business principally operates through a network of self-established and self-operated offline licensed medical institutions, including TCM out-patient healthcare centers and TCM clinics, which collectively account for a substantial majority of our revenue. Our service capability is built upon three pillars: (i) the expertise of our medical professionals and members of our research and development committee; (ii) our portfolio of proprietary TCM prescription preparations and in-hospital preparations; and (iii) our TCM healthcare service network comprising our offline licensed medical institutions and an online platform. For years, we have focused on offering holistic TCM healthcare services that encompass the entire continuum of diagnosis, treatment, and long-term chronic disease and health management.

Our provision of TCM healthcare services is distinguished by our market performance, as evidenced by the increasing number of our patient visits from 370,787 in 2023 to 862,490 in 2025 and from 287,077 in the five months ended May 31, 2025 to 383,447 in the five months ended May 31, 2026. According to Frost & Sullivan, we ranked fifth among all private chain TCM healthcare service providers in China, and second in Northern China, in terms of total revenue generated by TCM out-patient healthcare centers and TCM clinics in 2025.

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The following chart illustrates the work flow of our TCM healthcare services:



Note:

- (i) Follow-up consultation are primarily delivered through offline in-person visits. If new diagnosis are made during the online follow-up consultations, patients are required to return to our offline medical institutions for initial offline consultation for the new diagnosis.
- (ii) Physicians are not allowed to issue and adjust prescription preparations during online follow-up consultations.
- (iii) Physicians may switch patients from prescription preparations to in-hospital preparations, if patients' symptoms improve after initial treatment with prescription preparations. This is because in-hospital preparations have milder therapeutic effects, making them suitable for sustaining long-term health management.

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Our TCM Healthcare Service Network

As a patient-centric TCM healthcare service provider, we strive to deliver high-quality TCM healthcare service and an optimal customer experience. Through years of dedicated effort, we have built an integrated TCM healthcare service network, comprising offline licensed medical institutions and an online platform that operates synergistically. Our online platform extends and enhances the reach of our offline licensed medical institutions, offering convenient services such as follow-up consultations, and access to electronic medical records and online payments. Together, these channels create a complementary TCM healthcare service ecosystem, ensuring continuous, accessible, and patient-centered TCM healthcare service support.

Offline Licensed Medical Institutions

Through our offline licensed medical institutions, we provide customers with comprehensive TCM healthcare services. We offer customers consultation and diagnosis, medication and treatment, as well as follow-up consultation services, enabling customers to access a variety of TCM healthcare services. We continue to improve our TCM healthcare services based on customer feedback, which in turn helps us drive patient visits.

At each stage of our TCM healthcare services, we aim to offer customers various options to cater to their diversified needs and preferences. The following chart illustrates the steps throughout the course of TCM healthcare services.



Consultation and diagnosis

Consultation and diagnosis form the foundational stage of our TCM healthcare services. An initial consultation is always conducted in person at one of our licensed medical institutions, where patients undergo thorough consultation and diagnosis by our physicians. After receiving examination results, patients can present these reports to their physicians for further evaluation and treatment planning. For follow-up consultations, patients may choose from our proprietary online platform, facilitating convenient remote care. This “prerequisite offline, supplemental online” service model provides patients with flexible options for physician interaction, accommodating face-to-face or remote consultations based on individual needs and preferences. Patient data, including consultation notes, diagnosis records, and medication history, are securely stored in the individual’s electronic medical record within our proprietary cloud-based HIS, ensuring continuity and completeness of care.

Medication and physical therapy

Following consultation and diagnosis conclusions, our physicians provide personalized medical recommendations that constitute a comprehensive treatment plan. This plan is typically translated into a prepaid package, at the patient’s choice, integrating medication with ancillary physical therapies, a synergistic approach central to TCM’s holistic methodology. Medication is the cornerstone of our treatment. Our physicians primarily prescribe TCM prescription preparations, tailored to the individual patient’s condition. Our prescription preparations are offered through offline medical institutions only, and are typically in the form of paste, powder, or granules administered orally.

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Additionally, a key differentiator of our TCM healthcare service is the integrated prescription of ancillary physical therapies, which include therapeutic massage, orthopedic manipulation, guasha, cupping, acupuncture and moxibustion. These therapies are not offered as standalone services but are prescribed as a complementary component of the holistic treatment plan to address specific pathogenic factors, promote circulation, and enhance the overall therapeutic outcome of internal medication. By combining targeted internal medication with clinically administered external therapies, we provide a multimodal treatment approach designed to address the root cause of the condition and accelerate patient recovery.

Follow-up consultation

Typically, our patients conduct follow-up consultation on a monthly basis, during which we review the therapeutic effect of our treatment plan, check and monitor patients’ health conditions, renew previous prescriptions, and recommend and prescribe new treatment and health management medications based on each patient’s specific condition. Prepaid packages of medications for follow-up consultations are typically prescribed for a period of three to 12 months, and offer approximately a 10% off from the purchase price of the initial offline consultation. Similarly, before each medication is consumed, a patient needs to visit the physician for prescription. We offer both offline and online options to patients for their follow-up consultations and prescription renewals, which provide our patients with convenient services, in particular those non-local customers. In addition to customers visiting our offline licensed medical institutions, leveraging our online platform, our physicians also provide online follow-up consultation services to customers, who have visited other offline licensed medical institutions, after their initial consultation for the same kind of disease. If a patient is diagnosed with a new disease, he or she has to return to our offline medical institutions for initial offline consultation. We record patient data on our cloud-based HIS, and keep track of patients’ health status, enabling our physicians to optimize subsequent therapeutic regimen accordingly.

The following table sets forth the movement in the number of our offline licensed medical institutions for the periods indicated:

	Year ended December 31,			Five months ended May 31,	From June 1, 2026 to the Latest Practicable Date
	2023	2024	2025	2026	
Number of licensed medical institutions					
at the beginning of the period:	9	14	31	47	59
Number of medical institutions newly licensed:	5	17	19	12	1
Number of licensed medical institutions disposed/ closed:	—	—	3 ⁽¹⁾	—	0
Number of licensed medical institutions at the end of the period:	14	31	47	59	60

Note:

- (1) In 2025, we deconsolidated/closed three offline licensed medical institutions. This comprised: (i) the deconsolidation of licensed medical institution under Heilongjiang Qingzhu Female Medicine Management Co., Ltd. (“HQFM”). HQFM was established by us and our two former employees in June 2024. This deconsolidation was due to the loss-making position of HQFM, which has not yet changed to profit-making. One of the previous minority shareholder, also our former employee, made capital injection of RMB6.0 million to HQFM at the initial price per share in 2025, and our equity interests in HQFM decreased to 15.0% accordingly; (ii) the closure of one licensed medical institution upon the non-renewal of its operating lease; and (iii) the closure of one licensed medical institution upon the early termination of its operating lease. See “History, Development and Corporate Structure — Our Major Subsidiaries.”

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As of the Latest Practicable Date, we have established a TCM healthcare service network comprising 60 offline licensed medical institutions. As of December 31, 2023, 2024, 2025 and May 31, 2026, we had 2, 13, 10 and 20 loss-making offline medical institutions, respectively. The loss-making institutions were primarily because they were either (i) newly opened institutions in the relevant period, or (ii) promotion outlet focusing on community education, brand building, and patient acquisition rather than profit-making.

Online Platform

Having witnessed vast growth potential of internet-based healthcare, which achieved great market penetration and operational efficiency in recent years, we have expanded our service model through the operation of our proprietary online platform. This online platform is designed to capture emerging market opportunities, enhance patient engagement, and maximize the synergistic value of our offline-online TCM healthcare service network.

Our online platform supports follow-up consultations, prescription renewals and recommendations of in-hospital preparations, and ongoing chronic disease and health monitoring and management, rather than medical diagnosis. We typically only charge our patients for our in-hospital preparations after they have consumed their prescription preparations, and do not charge service fees for our online follow-up consultations. Our in-hospital preparations are currently offered through online platform, and are typically in the form of granules, powder and pills administered orally. Specifically, only after initial consultation at our offline medical institutions, can patients use our online services for follow-up consultations and prescription of in-hospital preparations. Patients can choose to use our online services or visit our offline medical institutions for follow-up consultations and prescription renewals depending on their preference without any restrictions, except that when new diagnosis is made through our online platform patients are required to return to our offline medical institutions for initial consultation for the new disease. Notwithstanding, the vast majority of our patients opt to attend in-person follow-up consultations at our offline licensed medical institutions. During online follow-up consultations, our physicians can change prescription preparations prescribed at offline medical institutions to in-hospital preparations based on patients’ health status and treatment need.

Prescription Preparation versus In-hospital Preparation

Prescription preparations comprise patient-specific TCM ingredients prepared on receipt of a physician’s prescription, tailored in composition and dosage for that specific patient and dispensed promptly. As prescription preparations are inherently personalized “one prescription, one preparation” treatments, the herbal composition is dynamically adjusted according to each patient’s condition, constitution, syndrome and treatment stage. Consequently, the ingredients in each patient’s prescription vary and cannot be standardized into a uniform composition as with proprietary Chinese medicines, such as in-hospital preparations.

In-hospital preparations are standardized medicinal formulations manufactured or compounded according to hospital-approved, pre-determined formulas for repeat use to the same patient or patients with similar conditions. We typically prescribe the same in-hospital preparation to patients for an initial period of three to six months, and dynamically adjust the types according to such patient’s evolving health conditions.

Traditional TCM dosage forms such as pills, powders and pastes are the most representative and commonly used forms. We select the optimal dosage form based on specific patient’s clinical needs.

- ***Pills:*** provide gentle, sustained release and slower absorption with longer-lasting effects. They are particularly suitable for chronic conditions, convalescent patients with deficiency, later stages of treatment for recuperation, or for resolving masses and nodules.

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- **Powders:** are absorbed relatively quickly and act rapidly. Their core advantage is simple preparation and prompt onset of effect.
- **Pastes:** provide steady release while, owing to their processing, facilitating fuller absorption of active constituents. They are suitable for both general health management and treatment purposes, and can be taken over extended periods as recommended by physicians.

Our physicians choose the most appropriate TCM medications for each patient according to factors including acuity and severity of the condition, age, general physical status, comorbidities (併發症), patient tolerance and preference, and economic considerations.

The following table sets forth the major differences between our prescription preparations and in-hospital preparations.

	Prescription preparations	In-hospital preparations
Prescribed medication ⁽ⁱ⁾ . .	Prescribed	Prescribed
Formulation and ingredients . . .	Patient-specific TCM formulations prepared immediately on receipt of a physician’s prescription, based on “one prescription, one preparation” protocol. Each formulation comprises a combination of one or more of over 450 ingredients, including primarily poecilobdella manillensis (菲牛蛭), astragali radix (黄芪), salvia miltiorrhiza bunge (丹参) and kudzu root (葛根), wolfiporia extensa (茯苓), and ligusticum striatum (川芎).	Hospital-approved, standardized, pre-determined formulations. Each formulation comprises a combination of some of approximately 80 ingredients, including primarily astragali radix (黄芪), salvia miltiorrhiza bunge (丹参) and kudzu root (葛根), wolfiporia extensa (茯苓), and ligusticum striatum (川芎).
Scope of application . . .	Tailored in composition and dosage for a specific patient	Broadly applicable to patients with similar conditions
Dosage form	Primarily pastes, powder, and granules	Primarily granules, powders, and pills
Type of medication	TCM	TCM
Indication	Symptom-based treatment	Primarily recuperation-focused with specific therapeutic functions
Manufacturing . . .	Primarily small-batch decoction and preparation by in-house medical professionals based on specific prescription	Batch production by in-house ⁽ⁱⁱ⁾ /outsourced manufacturing, requiring a Medical Institution Preparation Permit. We determine the allocation between in-house and outsourced manufacturing based on various factors, including our available production capacity, seasonal demand fluctuations, and the cost-effectiveness of producing the various types of in-hospital preparations.
Pricing	Priced per prescription	Fixed pricing

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	Prescription preparations	In-hospital preparations
Authorization . . .	N/A	<p>Medic institutions shall (i) obtain Medical Institution Preparation Permit for the preparation and prescription of in-hospital preparations and (ii) file with the relevant provincial drug regulatory department where it is located for the preparation and prescription of each in-hospital preparation. Harbin Yuyantang Traditional Chinese Medicine Outpatient Group Co., Ltd., i.e. our Company, has obtained the Medical Institution Preparation Permit from and filed with the Heilongjiang Provincial Drug Administration for the preparation and prescription of our in-hospital preparations. Pursuant to the relevant PRC laws and regulations, our Company, which also holds a Medical Institution Practicing License for internet hospital, is not prohibited from providing online diagnosis, treatment and medications to patients outside the province where it is located. As a result, our Company may prescribe in-hospital preparations to patients across the nation through our online platform. Specifically, patients from any province who have completed their initial offline consultation at one of our nationwide offline licensed medical institutions may opt to receive online follow-up consultations and obtain our in-hospital preparations from our online platform, and such in-hospital preparations will be couriered to our patients. Accordingly, all revenue generated from our in-hospital preparations is attributable to our online platform operated by our Company⁽ⁱⁱⁱ⁾.</p>
Primary prescription venue	Offline medical institutions ^(iv)	<p>Online platform^(v), as the Medical Institution Preparation Permit required for the preparation and prescription of our in-hospital preparations is held by our Company which is the only member of our Group that possess the relevant license for our online operations</p>

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Prescription preparations

Product image. . .



In-hospital preparations



Note:

- (i) Our licensed physicians are entitled to prescribe prescription preparations and in-hospital preparations after their probation period, during which they need to complete regulatory registration and filing for change of practice premises.
- (ii) Our in-house manufacturing operations for in-hospital preparations commenced in 2025.
- (iii) During the Track Record Period, geographic coverage for prescriptions of our in-hospital preparations expanded from Heilongjiang Province and Liaoning Province to Jilin Province, Hebei Province, Shandong Province and Tianjin City. Despite that all revenue generated from in-hospital preparations was attributable to our online platform operated by our Company, Heilongjiang Province, Liaoning Province and Jilin Province were the top three geographic coverage of in-hospital preparations in terms of sales revenue and patients' location in 2025, accounting for 45.5%, 31.7% and 12.5% of our total revenue generated from in-hospital preparations respectively in 2025 based on internal records.
- (iv) We strictly adhere to our internal policy that prescription preparations must be prescribed offline, despite that prescription preparations are allowed to be prescribed through online platform pursuant to applicable laws and regulations.
- (v) After initial offline consultations, patients can choose offline medical institutions or online platform for their follow-up consultations. During online follow-up consultations, our physicians evaluate patients' current health status by observation and enquiring about patient's subjective assessment. Subsequently, guided by physicians' clinical judgment, they prescribe appropriate in-hospital preparations.

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Key Operational and Financial Information of Our Geographical Footprint and Offline Licensed Medical Institutions

The following table sets forth a breakdown of our total revenue from our offline licensed medical institutions further detailed by key geographical regions, alongside certain other key operational and financial information for each period during the Track Record Period.

	Year ended December 31,												Five months ended May 31,							
	2023					2024					2025					2026				
	Number of institutions	Revenue	% of total revenue	Number of patient visits	Average revenue per patient visit ⁽¹⁾	Number of institutions	Revenue	% of total revenue	Number of patient visits	Average revenue per patient visit	Number of institutions	Revenue	% of total revenue	Number of patient visits	Average revenue per patient visit	Number of institutions	Revenue	% of total revenue	Number of patient visits	Average revenue per patient visit
(RMB'000)	(RMB)	(RMB'000)	(RMB)	(RMB'000)	(RMB)	(RMB'000)	(RMB)	(RMB'000)	(RMB)	(RMB'000)	(RMB)	(RMB'000)	(RMB)							
Offline licensed medical institutions																				
- Liaoning Province	8	74,921	49.9	202,739	370	17	102,384	47.6	269,273	380	19	150,967	37.8	381,638	396	21	62,054	33.9	153,481	404
- Heilongjiang Province	5	66,378	44.2	168,048	395	8	70,458	32.7	191,515	368	12	111,913	28.0	231,016	484	12	42,978	23.5	89,790	479
- Jilin Province	⁽²⁾	-	-	-	-	2	25,712	11.9	64,614	398	5	55,156	13.8	120,181	459	6	23,612	12.9	52,039	454
- Shandong Province	-	-	-	-	-	3	4,251	2.0	12,050	353	7	37,872	9.5	81,957	462	11	29,311	16.0	61,047	480
- Hebei Province	-	-	-	-	-	1	3,061	1.4	9,965	307	2	13,796	3.5	31,355	440	5	7,380	4.0	16,944	436
- Tianjin City	-	-	-	-	-	-	-	-	-	-	2	7,740	1.9	16,342	474	3	4,530	2.5	10,146	446
- Jiangsu Province	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	⁽³⁾	-	-	-	-
Total	14	141,299	94.1%	370,787	381	31	205,866	95.6%	547,417	376	47	377,444	94.5%	862,490	438	59	169,865	92.8%	383,447	443

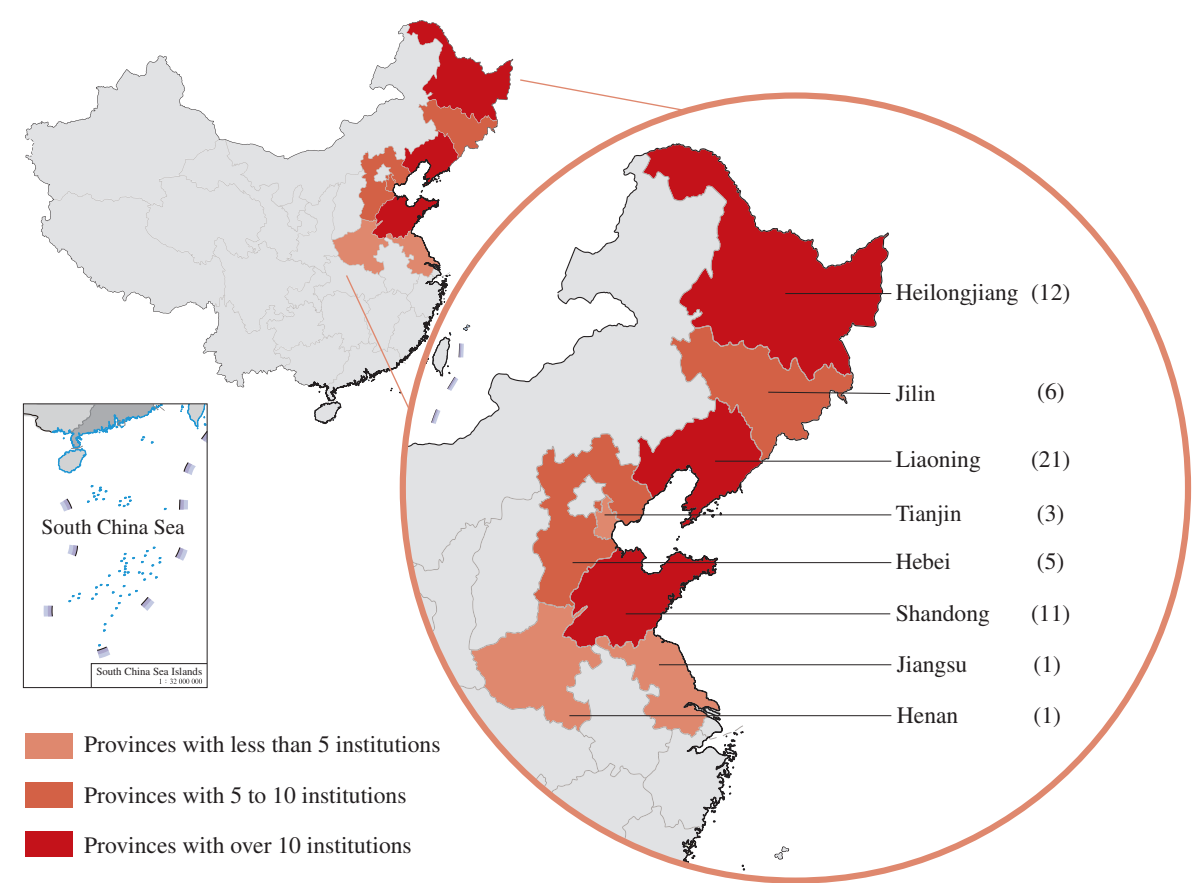
Notes:

- (1) Average revenue per patient visit is calculated based on the revenue divided by the number of patient visits.
- (2) This offline licensed medical institution in Jilin Province acquired its Medical Institution Practicing License in December 29, 2023.
- (3) This offline licensed medical institution in Jiangsu Province acquired its Medical Institution Practicing License in May 2026 and commenced operation in June 2026.

The increases in the number of our offline medical institutions, our revenue, the number of patient visits in each period during the Track Record Period, were primarily due to (i) our continuous efforts to expand our business and (ii) the strong demand for TCM healthcare services in line with the growing TCM healthcare service industry. Our average revenue per patient visit in 2024 remained relatively stable at RMB376, as compared to RMB381 in 2023. The increase in our average revenue per patient visit from RMB376 in 2024 to RMB438 in 2025 and further to RMB443 in the five months ended May 31, 2026 was primarily due to (i) our periodic adjustment in service fees and medication fees to reflect the changes in our costs and (ii) the increasing sales of our high premium medications.

As of the Latest Practicable Date, we operated a TCM healthcare service network of 60 offline licensed medical institutions across Northern China. These licensed medical institutions are self-established and self-operated by us, ensuring uniform operational standards, integrated clinical protocols, and consistent quality of care across of TCM healthcare service network. All 60 licensed medical institutions are private for-profit entities. They operate under a unified governance and management structure, and all premises are held under operating leases. This centralized, self-established and self-operated approach is a strategic cornerstone that enables streamlined resource allocation, efficient implementation of our whole lifecycle TCM healthcare service model, and robust brand consistency. Set out below is an illustration of the geographical coverage of our TCM healthcare service network as of the Latest Practicable Date. The TCM healthcare service network coverage depicted in the map below corresponds to the geographical locations of our offline licensed medical institutions that have established operational linkages with our online platform.

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Note: For illustrative purpose only, the map (Map Review Number (審圖號) : GS(2023)2764) is presented to demonstrate our footprint in China.

Our offline licensed medical institutions are designed according to a replicable blueprint. A typical licensed medical institution has a GFA ranging from 400 to 800 sq.m and is primarily located in high-density, community-centric settings. These include street-level premises in densely populated residential neighborhoods and units within community commercial centers or retail complexes, ensuring high visibility and convenient access for our target patient demographic. The estimated initial investment for a standard institution, including fit-out, equipment and launch-related expense, ranges around RMB1 million to RMB2 million. Each institution shall be equipped with a medical team comprising one to four attending physicians or above, supported by one to five physicians to deliver our integrated TCM healthcare service model. The standard personnel configuration includes six physicians and five medical professionals, ensuring comprehensive TCM healthcare service delivery from initial consultation to dispensation of prescribed medication. Additionally, 38 senior physicians, primarily chief physicians and associate chief physicians, roam across our TCM healthcare service network according to patient demand and scheduling availability as of the Latest Practicable Date. The following tables set forth certain key operational and financial information of our five largest offline licensed medical institutions, all of which are TCM out-patient healthcare centers, by revenue contribution for each period during the Track Record Period:

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Five months ended May 31, 2026

	Name of offline licensed medical institution	Location	GFA (sq.m)	Revenue (RMB'000)	Percentage of our total revenue (%)	Gross profit (RMB'000)	Gross profit margin (%)	Operating profit (RMB'000)	Major functions
1.	Shenyang Tiexi Gaozhentang Comprehensive Outpatient Co., Ltd. (瀋陽鐵西膏珍堂綜合門診部有限公司)	Shenyang City	1,101.6	16,333	8.9	12,704	77.8	7,999	Initial offline consultation and diagnosis, and issuance of prescription preparations
2.	Harbin Yuyantang Traditional Chinese Medicine Outpatient Group Co., Ltd. (哈爾濱譽研堂中醫門診集團股份有限公司)	Harbin City	1,343.7	12,707	7.0	10,890	85.7	2,417	Initial offline consultation and diagnosis, and issuance of prescription preparations and in-hospital preparations
3.	Shenyang Gaozhentang Traditional Chinese Medicine Outpatient Group Co., Ltd. (瀋陽膏珍堂中醫門診部有限公司)	Shenyang City	701.0	10,920	6.0	7,640	70.0	4,237	Initial offline consultation and diagnosis, and issuance of prescription preparations
4.	Changchun Gaozhentang Shande Medical Service Co., Ltd. Jingkai Gaozhentang Traditional Chinese Medicine Outpatient Department (長春膏珍堂善德醫療服務有限公司經開膏珍堂中醫門診部)	Changchun City	887.7	8,546	4.7	5,362	62.7	3,611	Initial offline consultation and diagnosis, issuance of prescription preparations, follow-up consultation and physical therapy
5.	Harbin Gaozhentang Shangzhi Specialized Outpatient Clinic Co., Ltd. (哈爾濱膏珍堂尚質專科門診有限公司)	Harbin City	847.2	7,685	4.2	5,474	71.2	3,174	Initial offline consultation and diagnosis, and issuance of prescription preparations
Total			4,881.1	56,191	30.8%	42,070	74.9%	21,438	

Year ended December 31, 2025

	Name of offline licensed medical institution	Location	GFA (sq.m)	Revenue (RMB'000)	Percentage of our total revenue (%)	Gross profit (RMB'000)	Gross profit margin (%)	Operating profit ⁽ⁱⁱ⁾ (RMB'000)	Major functions
1.	Harbin Yuyantang Traditional Chinese Medicine Outpatient Group Co., Ltd. (哈爾濱譽研堂中醫門診集團股份有限公司)	Harbin City	1,343.6	51,341 ⁽ⁱ⁾	12.8	42,494	82.8	22,088	Initial offline consultation and diagnosis, and issuance of prescription preparations and in-hospital preparations
2.	Shenyang Gaozhentang Traditional Chinese Medicine Outpatient Co., Ltd. (瀋陽膏珍堂中醫門診部有限公司)	Shenyang City	701.0	40,569	10.1	30,147	74.3	20,079	Initial offline consultation and diagnosis, and issuance of prescription preparations
3.	Shenyang Tiexi Gaozhentang Comprehensive Outpatient Co., Ltd. (瀋陽鐵西膏珍堂綜合門診部有限公司)	Shenyang City	1,101.6	32,431	8.1	25,540	78.8	18,098	Initial offline consultation and diagnosis, and issuance of prescription preparations
4.	Changchun Yuyuan Gaozhentang Medical Services Co., Ltd. Chaoyang Gaozhentang Traditional Chinese Medicine Outpatient (長春譽遠膏珍堂醫療服務有限公司朝陽膏珍堂中醫門診部)	Changchun City	888.0	24,952	6.2	20,187	80.9	14,483	Initial offline consultation and diagnosis, and issuance of prescription preparations
5.	Harbin Gaozhentang Renhe Traditional Chinese Medicine Outpatient Co., Ltd. (哈爾濱膏珍堂仁和中醫門診有限公司)	Harbin City	464.8	17,360	4.3	6,202	35.7	2,606	Follow-up consultation and physical therapy
Total:			4,499.0	166,653	41.5%	124,570	74.8%	77,354	

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Year ended December 31, 2024

	Name of offline licensed medical institution	Location	GFA (sq.m)	Revenue (RMB'000)	Percentage of our total revenue (%)	Gross profit (RMB'000)	Gross profit margin (%)	Operating profit ⁽ⁱⁱ⁾ (RMB'000)	Major functions
1.	Shenyang Gaozhentang Traditional Chinese Medicine Outpatient Co., Ltd. (瀋陽膏珍堂中醫門診部有限公司)	Shenyang City	701.0	39,386 ⁽ⁱ⁾	18.3	28,453	72.2	16,950	Initial offline consultation and diagnosis, and issuance of prescription preparations
2.	Harbin Yuyantang Traditional Chinese Medicine Outpatient Group Co., Ltd. (哈爾濱譽研堂中醫門診集團股份有限公司)	Harbin City	1,343.6	33,595	15.6	27,729	82.5	18,569	Initial offline consultation and diagnosis, and issuance of prescription preparations and in-hospital preparations
3.	Harbin Gaozhentang Renhe Traditional Chinese Medicine Outpatient Co., Ltd. (哈爾濱膏珍堂仁和中醫門診有限公司)	Harbin City	464.8	15,300	7.1	5,699	37.2	2,340	Follow-up consultation and physical therapy
4.	Changchun Yuyuan Gaozhentang Medical Services Co., Ltd. Chaoyang Gaozhentang Traditional Chinese Medicine Outpatient (長春譽遠膏珍堂醫療服務有限公司朝陽膏珍堂中醫門診部)	Changchun City	888.0	14,591	6.8	11,167	76.5	8,570	Initial offline consultation and diagnosis, and issuance of prescription preparations
5.	Shenyang Gaozhentang Shenzhou Traditional Chinese Medicine Outpatient Co., Ltd. (瀋陽膏珍堂沈州中醫門診部有限公司)	Shenyang City	704.0	13,005	6.0	4,369	33.6	3,027	Follow-up consultation and physical therapy
Total:			4,101.4	115,877	53.8	77,417	66.8%	48,456	

Year ended December 31, 2023

	Name of offline licensed medical institution	Location	GFA (sq.m)	Revenue (RMB'000)	Percentage of our total revenue (%)	Gross profit (RMB'000)	Gross profit margin (%)	Operating profit ⁽ⁱⁱ⁾ (RMB'000)	Major functions
1.	Harbin Yuyantang Traditional Chinese Medicine Outpatient Group Co., Ltd. (哈爾濱譽研堂中醫門診集團股份有限公司)	Harbin City	1,343.6	33,688 ⁽ⁱ⁾	22.5	26,815	79.6	18,363	Initial offline consultation and diagnosis, and issuance of prescription preparations and in-hospital preparations
2.	Shenyang Gaozhentang Traditional Chinese Medicine Outpatient Co., Ltd. (瀋陽膏珍堂中醫門診部有限公司)	Shenyang City	701.0	28,058	18.7	19,325	68.9	8,721	Initial offline consultation and diagnosis, and issuance of prescription preparations
3.	Harbin Gaozhentang Renhe Traditional Chinese Medicine Outpatient Co., Ltd. (哈爾濱膏珍堂仁和中醫門診有限公司)	Harbin City	464.8	14,458	9.6	7,758	53.7	2,705	Follow-up consultation and physical therapy
4.	Shenyang Gaozhentang Shenzhou Traditional Chinese Medicine Outpatient Co., Ltd. (瀋陽膏珍堂沈州中醫門診部有限公司)	Shenyang City	704.0	12,716	8.5	6,197	48.7	4,445	Follow-up consultation and physical therapy
5.	Shenyang Tiexi Gaozhentang Xingshun Traditional Chinese Medicine Outpatient Co., Ltd. (瀋陽鐵西膏珍堂興順中醫門診部有限公司)	Shenyang City	1,101.6	11,323	7.5	5,476	48.4	3,688	Follow-up consultation and physical therapy
Total:			4,315.0	100,243	66.8%	65,571	65.4%	37,922	

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Notes:

- (i) *Harbin Yuyantang Traditional Chinese Medicine Outpatient Group Co., Ltd., our Company, holds the Medical Institution Practicing License for both our offline operations and online operations. As a result, revenue from our Company also includes revenue from our online platform for the respective periods.*
- (ii) *Operating profit is calculated based on revenue plus bank interest income, net of cost of sales, finance costs, selling and distribution expenses and administrative expenses.*

As a private chain TCM healthcare service provider, our different offline medical institutions undertake different functions, such as treatment, physical therapies, and education and promotion, among others. As a result, our offline medical institutions may have different operational scale and different staff structure, and record different margins. During the Track Record Period, certain of our offline medical institutions recorded relatively low gross profit margins, primarily because such institutions were staffed with more medical professionals for (i) physical therapies or (ii) educating and training medical advisors, physicians and other medical professionals, in particular those with the lowest gross profit margins among the top five offline medical institutions in each period during the Track Record Period.

Synergistic offline-online TCM Healthcare Service Network

Our online platform extends the reach and augments the service capacity of our offline licensed medical institutions, enabling us to serve patients across Northern China. The platform digitizes administrative and clinical functions, including appointment scheduling, access to electronic medical records, follow-up consultations, and payment processing. This integration provides a continuous pathway that begins with a mandatory in-person initial consultation at an offline institution and continues through online channels for ongoing chronic disease and health management.

The online platform directly addresses practical barriers to healthcare access, such as geographical distance and the inconvenience of repeated travel for follow-up consultations. Patients can use it to schedule in-person consultations, review medical reports, consult with physicians through text, voice, or video calls, and manage prescription renewals remotely. This integrated model facilitates efficient coordination among medical professionals across our TCM healthcare service network and supports structured, long-term health tracking, which is particularly critical for chronic disease management.

Additionally, the online platform functions as a dedicated channel for sustained patient engagement. It enables general online health inquiries and holds a directory of our medical professionals. Underpinning these functions is a centralized electronic medical record system that consolidates all patient data from both offline and online interactions. This comprehensive health record supports informed clinical decision-making and enables personalized care planning throughout the patient journey.

OUR HEALTHCARE SERVICE PROFESSIONALS

Our integrated TCM healthcare service network is built upon a dual-driven professional structure that combines a directly employed full-time clinical workforce and a strategically assembled research and development committee. This model ensures scientific rigor, operational consistency and scalable service quality.

Full-time Direct-Employed Medical Professionals

We employ a full-time, direct-employment model for all our medical professionals to ensure service continuity, accountability, and uniform patient experience. We implement a team-based treatment structure. That said, after the initial diagnosis of a patient by a physician, other medical professionals supporting the same physician team will take charge of follow-up consultations and prescriptions. As of

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the Latest Practicable Date, we directly employed a total of 427 medical professionals practicing within our TCM healthcare service network, including: (i) 221 physicians comprising 18 chief physicians (主任醫師), 29 associate chief physicians (副主任醫師), 57 attending physicians (主治醫師), and 117 physicians; and (ii) 206 other medical professionals, including nurses, pharmacists, rehabilitation specialists, medical assistants, and healthcare technicians. This unified team operates under standardized clinical protocols and is fully integrated into our corporate culture and quality assurance systems. Our physicians specialize in “general internal medicine”(「中醫大內科」) focusing primarily on heart disease, stroke, hypertension, insomnia, and diabetes, and do not have a specific specialty. Contrary to western medicine, our physicians emphasize on pattern (syndrome) rather than solely disease-based diagnosis, and holistic and individualized treatment plans. During the Track Record Period, the scale of our physicians team increased significantly with turnover rate (calculated as dividing the number of physician departure by the sum of the number of physicians at the beginning of a relevant period and the number of newly recruited physicians in the same period) of 29.5%, 22.7%, 26.1% and 17.6% in 2023, 2024, 2025 and the five months ended May 31, 2026, respectively. Most of the departed physicians were newly recruited physicians who failed to pass their probation period, as a result of our stringent physician selection and review standard. These newly recruited physicians, most of which were junior physicians, are not allowed to make any diagnosis and prescription by themselves during their probation. Accordingly, their departure did not have any material impact on our operations or on our consultations on and prescription to our patients.

The following table sets forth the movement in the number of physicians practicing at our offline licensed medical institutions for the periods indicated:

	Year ended December 31,			Five months ended May 31,
	2023	2024	2025	2026
At the beginning of the period	50	67	116	170
Increase	45	83	114	80
Decrease	28	34	60	44
Number of physicians at the end of the period	67	116	170	206

The following table sets forth the movement in the number of other medical professionals practicing at our offline licensed medical institutions for the periods indicated:

	Year ended December 31,			Five months ended May 31,
	2023	2024	2025	2026
At the beginning of the period	32	51	83	149
Increase	48	65	123	68
Decrease	29	33	57	24
Number of other medical professionals⁽ⁱ⁾ at the end of the period	51	83	149	193

Note:

- (i) Other medical professionals include nurses, pharmacists, rehabilitation specialists, medical assistants and healthcare technicians.

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The significant increases in the scale of our physicians team and other medical professionals team during the Track Record Period reflected our continuous efforts to further grow our business and were in line with our significant revenue growth.

The following table sets forth a breakdown of our physicians by qualification as of May 31, 2026:

Qualification	Number	Years of relevant experience
Chief physicians (Senior level)	18	Above 20 years
Associate chief physicians (Associate senior level).	29	Above 15 years
Attending physicians (Intermediate level)	50	Above 15 years
Physicians (Junior level).	109	Above 5 years
Total	206	

During the Track Record Period, all of our physicians were our full-time employees and were compensated pursuant to their respective employee contracts with us, typically comprising base salaries and performance-based bonuses on a monthly basis. They are allowed to practice at our multi-site offline medical institutions in compliance with the relevant laws and regulations in China. Our employee contracts also include confidentiality clause and non-compete clause that prohibits our physicians to work part-time independently or at other medical institutions than ours or to compete with us for similar medical services.

During the Track Record Period and up to the Latest Practicable Date, each of the physicians practicing at our healthcare service network obtained the physician qualification certificate. We were not subject to reliance on any particular physician during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, each of the other medical professionals practicing at our TCM healthcare service network had obtained the necessary qualification certificate for his or her medical practice in the PRC. We also closely monitor the qualification registration and licensing records on a continuing basis to ensure that all physicians practicing at our healthcare service network comply with all applicable requirements under PRC laws and regulations, in particular, each physician’s practice is within the scope of his or her qualification and license. We have adopted the following internal control measures to ensure our physicians have valid practice licenses, including: (i) during recruitment and onboarding process, we enforce a rigorous verification process for all prospective physicians. Following interview process, our medical affairs department vets each candidate’s credentials, including the validity of practice certificates, before a formal offer is extended. Upon joining, new physicians undergo a mandatory probation period and must complete formal regulatory registration and filing for change of practice premises. Physicians are strictly prohibited from consulting or prescribing until their registration is finalized; and (ii) during subsequent continuous supervision and compliance periods, to maintain practice eligibility, physicians must pass mandatory assessments every three years. Our regional medical affairs teams proactively monitor these assessment cycles, providing enrollment reminders and maintaining real-time compliance records. Registration is revoked by authorities if a physician fails consecutive assessments or fails to participate. During the Track Record Period and up to the Latest Practicable Date, none of our physicians had had their registration canceled due to assessment failure or missed filings. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material complaints or penalties in relation to our medical professionals. On the basis of the foregoing, our Directors believe that, during the Track Record Period and up to the Latest Practicable Date, we were in compliance with the applicable PRC laws and regulations related to the necessary qualifications of our medical professionals practicing at our TCM healthcare service network in all material respects.

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Research and Development Committee

To underpin this clinical practice with academic rigor and innovation, we have also established a collaborative research and development committee that engages TCM universities, public hospitals, and research institutions. Our research and development committee is responsible for formulating our overall research and development strategy and advising on our critical research and development initiatives. As of the Latest Practicable Date, this committee was comprised of 98 experts, integrating the expertise of 47 members of our medical professional team and 51 external scientific collaborators. Our internal members comprised one chief physicians and 46 R&D staff, while external members comprise 18 professors of the local TCM university, seven public hospital physicians and 26 other R&D members as of the same date. These experts focus on standardizing treatment protocols, validating clinical efficacy, and driving pharmaceutical and technological innovation for our proprietary in-hospital preparations, while do not implement on specific research and development activities.

Integrated “Research-to-Application” Model

We operate a closed-loop “research-to-application” system designed to translate scientific innovation directly into clinical practice. Our research and development committee generates scientific insights, standardized treatment protocols, and product innovations. Our medical professionals systematically implements these advances, ensuring consistent, high-quality patient care. This seamless integration enhances our capabilities in specialized areas such as chronic disease management and whole lifecycle healthcare delivery.

Recruitment of Medical Professionals

Our talent strategy is aligned with the research-to-application model. We employ a multi-faceted strategy to attract and recruit high-quality medical professionals, with a strong emphasis on building a dedicated, full-time team. Our primary recruitment channels include:

- **Direct Recruitment and Internal Referrals:** We maintain a dedicated physician recruitment team that actively sources candidates through various channels. This is supplemented by a robust internal referral system that incentivizes our existing medical staff to recommend qualified professionals;
- **University Partnerships:** We have established a strategic collaboration with the School of Pharmacy of Heilongjiang University of Chinese Medicine, which serves as a pipeline for recruiting and cultivating new talent. This partnership includes initiatives for the directed cultivation of graduates and provides a platform for ongoing academic exchange and professional development; and
- **Industry Engagement:** Our medical professionals and leadership actively organize and participate in academic conferences, seminars, and symposiums. This not only facilitates knowledge sharing but also serves as a channel to identify and approach seasoned TCM experts to invite them to join our team.

In our recruitment process, we rigorously assess candidates based on their academic and professional qualifications, years of clinical experience, and their alignment with our corporate values and medical ethics. Upon joining, all physicians and medical professionals are required to register or file their practice with our institutions, ensuring a fully compliant and integrated workforce.

Together, this cohesive professional framework, uniting a dedicated medical professionals team, a strategic research and development committee, and a systematic talent pipeline, forms the foundation of our clinical excellence and operational scalability. It enables the delivery of consistent, evidence-based patient care and supports our sustainable growth in China’s fragmented TCM healthcare market.

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OUR CUSTOMERS

We have accumulated a vast customer base during years of operation in the TCM healthcare service industry. Our customers base consists primarily of individual patients within the PRC who utilize our TCM healthcare services. We had 20,077, 37,137, 56,857 and 30,393 patient customers in 2023, 2024, 2025 and the five months ended in May 31, 2026, respectively. Given the dispersed base of our customers, we do not have substantial reliance on any single customer. The revenue contributed by our five largest customers in each period during the Track Record Period accounted for less than 3.0% of our total revenue.

Customer Acquisition and Retention

We employ a distinctive customer engagement model centered on organic growth and service excellence, rather than traditional marketing. Our strategy focuses on attracting new patients through community integration and trusted referrals, while retaining existing customers by delivering demonstrable treatment efficacy and a comprehensive whole lifecycle TCM healthcare service experience.

Additionally, our offline licensed medical institutions serve as the foundational touchpoints for clinical care. Located in densely populated communities and commercial areas, these facilities attract local residents, particularly older demographics who place high trust in physical healthcare providers. A significant portion of new patients originates from word-of-mouth referrals, a core strength in TCM where effective treatment naturally encourages patients to recommend our services to family and friends. We amplify this effect by consistently delivering our “quality physicians, superior medicine, excellent service” value proposition. Further, the reputational influence and dedicated patient followings of our highly recognized physicians directly attract substantial patient flows to the licensed medical institutions where they practice.

To broaden our reach, we complement our physical presence with strategic brand and community initiatives to raise awareness and attract health-conscious individuals. This includes organizing health lectures and community outreach events, which effectively showcase our expertise and convert engaged audiences into patients. We also leverage digital content marketing through official social media channels to publish authoritative, accessible TCM wellness education, building a professional and approachable brand image that attracts and nurtures potential customers online.

Customer retention is sustained through treatment efficacy and continuity of care. Our integrated TCM healthcare service model, which combines personalized TCM treatment with ongoing health management, fosters long-term patient relationships and demonstrated health outcomes encourage repeat visits and deepen patient loyalty, creating a sustainable foundation for growth.

We have achieved significant growth and engagement within our customer base during the Track Record Period, which is reflected in the following key metrics: (i) we successfully engaged 9,950, 30,894, 49,547 and 21,046 new customers in 2023, 2024, 2025 and the five months ended May 31, 2026, respectively; and (ii) our frequency of patient visits was 17, 15 and 13 in 2024, 2025 and the five months ended May 31, 2026, respectively. These metrics collectively underscore our ability to not only expand customer base but also to foster lasting, engaged relationships with our customers.

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Payment Methods

Our business operates on a direct payment model, with all services at our offline licensed medical institutions settled directly by customers to us. We do not participate in any government or commercial medical insurance reimbursement schemes, nor do we accept third-party insurance payments. This strategic approach is central to our operational philosophy and reflects a deliberate choice to preserve clinical integrity, ensure financial clarity, and deliver a differentiated patient experience. It allows our physicians to focus entirely on patient-centric care, free from the administrative complexities, pricing constraints, and treatment limitations often associated with insurance systems, and enables us to fully leverage high-quality medicinal materials and specialized TCM treatment modalities. Patients may conveniently settle payments through multiple channels, including cash, bank card, or online payments via widely used third-party platforms such as WeChat Pay and Alipay.

Customer Services and Customer Feedback

Since our inception, we have accumulated a large customer base and have valued customer experience as a high priority. In order to acquire new customers and enhance loyalty of existing customers, we strive to continue to offer unparalleled customers experience both offline and online through the following efforts:

Customer Experience

We provide a continuous customer journey through our synergistic offline-online platform. Patients benefit from initial in-person consultations and diagnostics at our community-based clinics, followed by continuous care management through our online platform or offline licensed medical institutions for follow-ups, prescription refills, and health tracking. This integrated approach, combined with our “one prescription, one preparation” personalized TCM prescription preparations and complimentary external therapies, ensures a comprehensive and convenient healthcare experience that prioritizes patient well-being and treatment adherence.

Customer Feedback System

We maintain a proactive and structured system for monitoring service quality and patient satisfaction. This includes standardized post-consultation surveys, direct feedback channels via our customer service team, and regular analysis of treatment outcomes and retention rates. This data is systematically reviewed to identify areas for improvement and to ensure consistent delivery of high-quality care across our healthcare service network.

Management of Customer Complaints

Due to the nature of our business, we receive customer complaints from time to time. Customer complaints are usually in relation to: (i) customer experience, particularly when customers find the TCM healthcare services provided by us below their expectations, such as imperfect decoction of preparations, dissatisfying treatment efficacy, longer waiting time required and less responsiveness of physicians; and (ii) logistics matters such as delay in issuance of invoices, or prescriptions.

We have established a clear and efficient protocol for addressing patient concerns. All complaints are centrally logged, promptly investigated, and managed by dedicated teams to ensure timely resolution. Specifically, we have established a tiered customer complaint handling mechanism covering complaints, enquiries and suggestions, with end-to-end traceability and escalation. Events are classified into five levels (Level 1: major; Level 2: significant; Level 3: general; Level 4: routine; Level 5: suggestions/reminders), each with specified responders: Level 1 — escalation to CEO office and senior provincial management, acknowledge within ten minutes, initial response within one hour, resolution

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within 24 hours; Level 2 — provincial management, acknowledge within 30 minutes, initial response within two hours, resolution within 48 hours; Level 3 — regional/branch management, acknowledge within one hour, initial response within four hours, resolution within 72 hours; Level 4 — site management, acknowledge within four hours, initial response within eight hours, resolution within 72 hours; Level 5 — site management with preventive outreach. All cases are logged, tracked through a standard workflow, from accept, verify, coordinate, resolve, to close, subject to daily monitoring and post-incident review; material incidents require a seven-day post-mortem. Designated owners at each level are accountable for timely action, and non-compliance triggers defined disciplinary penalties. This structured process allows us to address individual patient issues effectively while implementing systemic improvements to prevent recurrence, thereby upholding our commitment to service excellence and continuous enhancement of patient experience.

We maintain detailed records of the customer complaints. To prevent recurring complaints of a similar nature, we hold discussions to review the relevant complaints and implement appropriate measures for rectification. During the Track Record Period and up to the Latest Practicable Date, we did not receive any material customer complaints nor paid any material penalties to relevant government authorities in terms of customer complaints.

Product Return

Our customers are entitled to rights of return in connection with the sales of our undelivered medications in accordance with the relevant laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we did not have any material product returns.

SUPPLIERS AND PROCUREMENT

Our supply chain is integral to the quality and efficacy of our TCM services. We primarily purchase decocting pieces and medicinal materials in the PRC from our suppliers. To ensure consistency, cost efficiency, and stringent quality control across our entire network, we employ a centrally managed procurement model.

Our central procurement department is responsible for the end-to-end procurement process. This includes the critical tasks of qualifying and auditing suppliers, approving all procurement channels, and negotiating framework agreements and pricing terms. Individual licensed medical institutions and the online platform submit their demand forecasts to this central department, which consolidates requirements to achieve economies of scale and executes purchases from a vetted list of high-quality suppliers. This centralized approach is a key component of our inventory-light strategy and is fundamental to maintaining the integrity of our supply chain.

Supplier Selection and Management

We select our suppliers based on stringent criteria and in full compliance with applicable PRC laws and regulations to ensure the quality of our purchases. Our selection process prioritizes reputable suppliers with established market positions, known for consistent quality, timely delivery due to geographic convenience and reliable sourcing of authentic regional herbs. Key evaluation factors include product quality, timely delivery due to geographic convenience, sourcing traceability, pricing, service experience and regulatory compliance. Our standardized supplier selection and management system enables us to improve the security, transparency and stability of procurement. Our suppliers are required to possess all licenses and permits necessary to conduct their operations, such as Pharmaceutical Operation Permit (藥品經營許可證). Only those companies that have fulfilled all our selection criteria and passed our random inspections on the pharmaceuticals can be selected and listed in our supplier list. We routinely review and assess our suppliers' performance and check their qualifications to maintain the quality and stability of our supplies. We dynamically update the supplier list based on our annual

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evaluation of the suppliers. Those suppliers who fail to meet our requirements or standards are removed from our supplier list. In addition to our internal inspections, we also invite third-party testing institutes to randomly test the quality of decocting pieces used by us during the provision of TCM healthcare services. If such institutes identify unqualified decocting pieces, we timely track the relevant suppliers.

Supplies

We primarily source decocting pieces, medicinal materials, and health management products from our suppliers, which also include suppliers of capital expenditure, such as those providing equipment and construction services. Our agreements with suppliers typically grant us the right to return or exchange materials that fail to meet the specifications outlined in our internal quality standards or accompanying quality documentation upon delivery and inspection. This system, supported by our quality control team, ensures that non-conforming materials are prevented from entering our production and dispensing processes. The below sets forth key terms of our framework agreements with our major suppliers:

- **Quality and sourcing.** All supplied products must comply with national quality standards and be free from defects within their designated shelf life. Suppliers are obligated to assist with returns or exchanges for quality issues attributable to them, while issues arising from non-supplier causes are generally not eligible for such remedies.
- **Quantity and pricing.** Product lists and specifications are attached to the supplier agreements as appendices. The final tax-inclusive supply price for settlement is determined based on the price agreed upon in the specific purchase order the accompanying delivery note for each transaction.
- **Delivery schedule.** Delivery timelines are agreed upon by purchase order. Typical terms include shipment within three to 25 days from order confirmation or advanced payment receipt, with delivery to our designated address.
- **Inspection and acceptance.** Upon delivery, our receiving personnel must verify the consistency between the delivery note, quality inspection certificate, and the corresponding purchase record. The physical goods must be checked against the delivery note for conformity. We may not refuse receipt based on batch number, mixed packaging, or delivery delays. For goods with observable damage, including broken packaging, contamination, unclear labeling, leakage, or broken seals, our personnel must confirm the received quantity in the presence of the logistics carrier, sign the note accordingly, and request compensation from the carrier for the discrepant portion. The signed delivery note receipt must bear our official or specialized receiving seal.
- **Payment.** Our supplier payment terms are primarily governed by two methods: (i) post-delivery credit terms under annual supply agreements, typically requiring settlement between two to four months following delivery; and (ii) advance payment terms for individual purchase orders, generally requiring full or partial payment prior to shipment.

Owing to our disciplined supplier qualification and inspection protocols, we have not experienced any significant returns or exchanges of supplies that materially impacted our operations during the Track Record Period and up to the Latest Practicable Date. Our procurement strategy, combined with our just-in-time inventory model that maintains an average of less than 10 days of stock, effectively minimizes inventory obsolescence and ensures the consistent delivery of high-quality TCM healthcare services to our patients. During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant shortage of or delay in the delivery of supplies.

For risks in relation to our relationships with suppliers, see “Risk Factors — Risks Relating to Our Business and Industry — Our failure to maintain our business relationship with our suppliers, or any decrease, shortage, or delay in the supply, or an increase in the cost of our purchases may affect our business, financial condition and results of operations.”

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Our Major Suppliers

Purchases from our single largest supplier (excluding suppliers of capital nature) in each period during the Track Record Period accounted for 38.3%, 15.5%, 16.4% and 9.5% of our total purchases in 2023, 2024, 2025 and the five months ended May, 31 2026, respectively, and purchases from our five largest suppliers (excluding suppliers of capital nature) in each period during the Track Record Period accounted for 51.7%, 22.7%, 32.5% and 28.1% of our total purchases in the same periods, respectively. The following tables set forth certain information of our five largest suppliers (excluding suppliers of capital nature) during each period of the Track Record Period, including their identities, background information and transaction details with us.

Five months ended May 31, 2026

Supplier	Major products purchased by us	Credit terms	Amount of purchases (RMB'000)	As a percentage of our total purchases (%)	Commencement of business relationship
Supplier C	Decocting pieces used for prescription medications and in-hospital preparations	Within 90 days of receipt of invoice	6,034	9.5	2025
Supplier B	Poecilobdella manillensis used for prescription medications and in-hospital preparations	Partial prepayment, with the remaining balance payable upon delivery	5,950	9.4	2022
Supplier A	Decocting pieces used for prescription medications and in-hospital preparations	Within 60 days of receipt of invoice	4,462	7.1	2021
Supplier J ⁽¹⁾	Oxhide Gelatin used for prescription medications and in-hospital preparations	Full prepayment	696	1.1	2025
Supplier D	Far-infrared physiotherapy patches used for physical therapies	Partial prepayment, with the remaining balance payable upon delivery	619	1.0	2024
			17,762	28.1%	

Note:

- (1) Supplier J was incorporated in Zhoukou, Henan Province, China, with a registered share capital of RMB20,000,000. Its principal business activities involve the production and sale of gelatin preparations and related derivatives, as well as the procurement of raw medicinal materials, Chinese herbal medicines, health supplements and bulk agricultural raw materials.

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Year ended December 31, 2025

Supplier	Major products purchased by us	Credit terms	Amount of purchases (RMB'000)	As a percentage of our total purchases (%)	Commencement of business relationship
Supplier A	Decocting pieces used for prescription medications and in-hospital preparations	Within 60 days of receipt of invoice	18,036.2	16.4	2021
Supplier B	Poecilobdella manillensis used for prescription medications and in-hospital preparations	Partial prepayment, with the remaining balance payable upon delivery	11,487.5	10.5	2022
Supplier C	Decocting pieces used for prescription medications and in-hospital preparations	Within 90 days of receipt of invoice	2,796.1	2.5	2025
Supplier D	Far-infrared physiotherapy patches used for physical therapies	Partial prepayment, with the remaining balance payable before delivery	1,742.8	1.6	2024
Supplier E	Oxhide Gelatin used for prescription medications and in-hospital preparations	Full prepayment	1,635.4	1.5	2023
			35,698.0	32.5%	

Notes:

- (1) Supplier A was incorporated in Heilongjiang, China, with a registered share capital of RMB3,000,000. Its principal business activities involve wholesale of pharmaceuticals, as well as the purchase and sale of agricultural byproducts, Chinese herbal medicines, and primary agricultural products.
- (2) Supplier B was incorporated in Anhui, China, with a registered share capital of RMB30,000,000. Its principal business activities include pharmaceutical manufacturing, the production, sale, processing, transportation and storage of agricultural products.
- (3) Supplier C was incorporated in Heilongjiang, China, with a registered share capital of RMB38,000,000. Its principal business activities include pharmaceutical production, sale and wholesale, food production and sale, cultivation and purchase of Chinese medicinal herbs, and purchase of primary agricultural products.
- (4) Supplier D was incorporated in Shandong, China, with a registered share capital of RMB50,000,000. Its principal business activities include manufacturing and sales of medical devices, cosmetics, and household goods.
- (5) Supplier E was incorporated in Hunan, China, with a registered share capital of RMB10,600,000. Its principal business activities include pharmaceutical wholesale and sales operations including medical devices, prepackaged food, health supplements, cosmetics, and general merchandise.

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Year ended December 31, 2024

<u>Supplier</u>	<u>Major products purchased by us</u>	<u>Credit terms</u>	<u>Amount of purchases</u> (RMB'000)	<u>As a percentage of our total purchases</u> (%)	<u>Commencement of business relationship</u>
Supplier A	Decocting pieces used for prescription medications and in-hospital preparations	Within 60 days of receipt of invoice	14,562.6	15.5	2021
Supplier B	Poecilobdella manillensis used for prescription medications and in-hospital preparations	Partial prepayment, with the remaining balance payable upon delivery	3,907.1	4.2	2022
Supplier F ⁽¹⁾	Medicinal plaster products used for prescription medications and physical therapies	Partial prepayment, with the remaining balance payable before delivery	1,215.3	1.3	2023
Supplier E	Oxhide Gelatin used for prescription medications and in-hospital preparations	Full prepayment	853.8	0.9	2023
Supplier G ⁽²⁾	Oxhide Gelatin used for prescription medications and in-hospital preparations	Payment upon delivery	764.3	0.8	2021
			<u>21,303.1</u>	<u>22.7%</u>	

Notes:

- (1) Supplier F was incorporated in Anhui, China, with a registered share capital of RMB20,000,000. Its principal business activities include production and sales of Chinese and Western medicines, medical devices, daily chemical disinfection products, food supplements.
- (2) Supplier G was incorporated in Shandong, China, with a registered share capital of RMB20,000,000. Its principal business activities include production, research and development, import and export sales of food and agricultural by-products.

BUSINESS

Year ended December 31, 2023

Supplier	Major products purchased by us	Credit terms	Amount of purchases (RMB'000)	As a percentage of our total purchases (%)	Commencement of business relationship
Supplier A	Decocting pieces used for prescription medications and in-hospital preparations	Within 60 days of receipt of invoice	12,478.1	38.3	2021
Supplier B	Poecilobdella manillensis used for prescription medications and in-hospital preparations	Partial prepayment, with the remaining balance payable upon before delivery	2,331.6	7.1	2022
Supplier H ⁽¹⁾	Foot soak powder used for physical therapies	Partial prepayment, with the remaining balance payable upon delivery	814.4	2.5	2023
Supplier G	Oxhide Gelatin used for prescription medications and in-hospital preparations	Payment upon delivery	767.8	2.4	2021
Supplier I ⁽²⁾	Oxhide Gelatin used for prescription medications and in-hospital preparations	Full prepayment	467.5	1.4	2023
			16,859.4	51.7%	

Notes:

- (1) Supplier H was incorporated in Hainan, China, with a registered share capital of RMB1,000,000. Its principal business activities include pharmaceutical manufacturing, processing of Chinese herbal medicine slices, medical device production as well as cultivation of Chinese medicinal herbs.
- (2) Supplier I was incorporated in Henan, China, with a registered share capital of RMB274,160,000. Its principal business activities include pharmaceutical manufacturing, medical device manufacturing, and processing of Chinese decocting pieces.

To the best knowledge of our Directors, each of our five largest suppliers for each period during the Track Record Period is an Independent Third Party. Additionally, to the best knowledge of our Directors, there was no past or present relationships (including financing, trust or otherwise) between us and each of our five largest suppliers, their respective substantial shareholders, directors or senior management, or any of their respective associates during the Track Record Period. None of our Directors, their close associates, or any Shareholder, which to the best knowledge of our Directors owns more than 5% of the total number of issued Shares, had any interest in any of our five largest suppliers for each period during the Track Record Period.

BUSINESS

QUALITY CONTROL

We believe that quality control is the fundamental pillar to our reputation and success. We have therefore established a stringent, multi-layered quality management system that governs our entire supply chain, from initial supplier vetting to the final prescription dispensed to patients. This system is designed to ensure the integrity, safety, and consistent quality of all raw materials, including decocting pieces, and finished TCM prescription preparations and in-hospital preparations.

Our revenue is derived from the provision of TCM healthcare services, which includes personalized prescription fulfillment. As prescription fulfillments are personalized therapies and not standard off-the-shelf commodities, they fall outside the scope of conventional consumer return or exchange frameworks. Under this personalized treatment model, the integrity of each prescription is assured through rigorous pre-dispensing quality controls. Our management system, encompassing diagnosis, personalized formulation, preparation, and distribution, ensures any quality or safety concerns are addressed proactively within our internal processes, thereby precluding the need for a market-wide recall mechanism. Additionally, pursuant to the Good Supply Practice for Pharmaceutical Products (2016 Revision) (《藥品經營質量管理規範》(2016年修訂)), pharmaceutical products sold are not returnable for any reasons except for quality issues. We have established dedicated personnel within our quality control department to oversee any potential returns, and products requiring return are subjected to investigation, testing, and evaluation prior to any formal handling decision. During the Track Record Period and up to the Latest Practicable Date, no TCM prescription preparation or in-hospital preparation has been subject to recall.

Supplier Quality Control

Our quality assurance is anchored by a rigorous supplier management protocol, which includes maintaining a qualified supplier list of established, reputable vendors known for their superior quality within the industry. We conduct thorough pre-qualification audits and source high-grade, superior quality decocting pieces prioritizing authentic regional herbs and select materials over commoditized bulk-grade products. Supplier performance is subject to annual reviews to ensure ongoing compliance with our standards. This commitment to quality is evidenced by our proactive approach to supplier relationships, whereby we have terminated agreements with partners during the Track Record Period that repeatedly failed to meet our stringent requirements for material consistency, purity, and processing standards.

Upon arrival, every batch of material undergoes a stringent two-stage inspection process. Warehouse personnel perform an initial verification of identity, quantity, and packaging integrity against supplier documentation. Subsequently, our quality control personnel conduct a full review and performs analytical testing against our internal quality standards, which are developed in strict adherence to the Chinese Pharmacopoeia and other national pharmaceutical regulations. Materials are only released for use after passing all checks; non-conforming materials are categorically rejected, returned, or destroyed.

This system is underpinned by a clear governance framework, including detailed agreements with suppliers that define accountability for defects. In the event of recurring quality issues, we implement a formal corrective action process. Should these measures prove ineffective, we swiftly transition procurement to alternative suppliers. This disciplined, systematic approach to quality control is integral to our operational integrity. It effectively mitigates inventory impairment risk and, most importantly, ensures the consistent quality, safety, and reliability that underpin our patients’ trust and therapeutic outcomes.

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To maintain this rigor, we audit new supplier qualifications, conduct periodic on-site quality audits for key material suppliers, perform annual supplier reviews, and maintain an updated qualified supplier directory. Suppliers are required to promptly submit accurate qualification documentation and notify us of any changes that may affect material quality. Our quality department holds the authority to disqualify suppliers that do not meet our evaluation criteria.

Production Process Quality Control

Our production quality control is implemented through a comprehensive GPP compliant system, covering our TCM prescription preparations and in-hospital preparations production. The entire production workflow, from prescription receiving and material dispensing to decoction, concentration, and packaging, is governed by standardized operating procedures and management protocols. For our “one prescription, one preparation” protocol, we enforce a strict “one prescription, one audit” principle. Pharmacists conduct a rigorous review of each prescription for legality, appropriateness, and potential interactions before any processing begins, ensuring every preparation is tailored and accurate for the individual patient.

During production, we maintain stringent process control. This includes precise control over key parameters such as soaking and decoction time, temperature, and concentration relative density. Our quality control team conducts real-time monitoring and sampling of intermediate products for critical quality attributes like solubility and microbial limits. Each batch of finished TCM prescription preparations undergoes full testing against established specifications, including characteristics, identification, and microbial limits, before release. For personalized preparations, we perform 100% quality control checks on appearance, weight, sealing, and viscosity. This meticulous, dual-track quality assurance system for both standardized and personalized products ensures that every item delivered to patients meets the highest standards of safety, identity, strength, quality, and purity.

Logistics Quality Control

All shipments are securely packaged and tracked, allowing both us and the patient to monitor the parcel in real-time until its safe arrival. Together with our stringent warehousing policies, this integrated approach creates a complete quality loop, ensuring products maintain their integrity and efficacy from our center to the patients’ doorstep.

BUSINESS

INVENTORY MANAGEMENT

Our procurement strategy is strictly based on the daily demand forecasts from our centralized dispensing center, enabling minimal working capital commitment and significantly mitigating the risk of inventory obsolescence. We have implemented a comprehensive and stringent inventory management and quality control system governed by a suite of internal protocols. These protocols ensure end-to-end oversight across procurement, storage, and distribution:

- **Receiving and inspection:** All incoming materials undergo a rigorous inspection against quality reports and supplier documentation upon arrival, verifying identity, quantity, packaging integrity, and batch-specific quality certificates.
- **Organized storage and classification:** Materials are classified by type, specification, and batch, and stored in designated areas within our central production and dispensing facilities. Our storage areas are separated into ambient and climate-controlled zones, including areas maintained at or below 20°C, in compliance with GSP standards. Access is strictly limited to authorized personnel to ensure security and prevent contamination.
- **Systematic material maintenance:** We implement targeted maintenance procedures, including routine environmental monitoring such as temperature and humidity control, pest control, and specific protocols for materials susceptible to spoilage, discoloration, or pest infestation.
- **Strict issuance and traceability:** Materials are issued on a strict “first-in, first-out” basis. A robust electronic traceability system is maintained, with detailed records allowing any batch to be traced back to its source, underpinning our quality assurance.

In the five months ended May 31, 2026, our inventory turnover days were 14.6 days, a direct benefit of our just-in-time procurement and efficient inventory management. Consequently, we have not made any provision for inventory impairment losses, as our lean inventory model and rapid turnover effectively minimize the risks associated with material expiration or devaluation.

PRICING

Pursuant to the applicable PRC laws and regulations, including the “Notices on Issues Concerning the Implementation of Market-based Pricing for Medical Services of Non-Public Medical Institutions”(《關於非公立醫療機構醫療服務實行市場調節價有關問題的通知》), private for-profit medical institutions and online healthcare platforms are entitled to autonomously determine the pricing for their healthcare services. This market-based pricing mechanism allows for flexibility in setting fees based on cost structure, service value, and local market dynamics.

Our pricing strategy for each service or product follows a market-based model. Final prices are determined primarily by prevailing market rates for comparable services and competitor pricing. These market-derived prices are then evaluated against our internal financial parameters, which include physicians’ remunerations, the direct costs of materials, primarily including decocting pieces and medicinal ingredients, and operational expenses. This assessment ensures financial sustainability while accounting for factors specific to each service, such as treatment complexity, required physician expertise, and local market conditions. This approach allows us to remain competitive and responsive to the market while maintaining the discipline necessary to invest in clinical quality, professional talent, and service innovation.

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Our market-based pricing autonomy supports several strategic objectives: it (i) allows for localized pricing adjustments to align with regional economic conditions and patient demographics; (ii) facilitates the development of diversified service tiers and innovative treatment protocols; and (iii) enhances our ability to attract and retain skilled medical professionals through competitive compensation structures linked to service value. This pricing flexibility is integral to our brand positioning and supports our long-term growth across a diversified service network.

We offer our TCM prescription medications in prepaid packages, at patient’s choice, which typically comprise prescription medications and physical therapies, subject to dynamic adjustment by physicians based on patients’ health status. Compared to our pay-as-you-go packages, our prepaid packages offer (i) approximately 10% off from the purchase price for follow-up patients and (ii) convenience for patients as chronic disease typically requires long-term treatment and recuperation. Such packages typically include syndrome-based treatment medications with relatively high price and long-term health management medications with relatively low price, all of which are prescription medications. Syndrome-based treatment medications are typically intended for therapeutic treatment designed with higher dosage volumes, reflecting their immediate clinical objectives. Conversely, long-term health management medications are administered in comparatively lower dosage volumes, suitable for sustained intake. Notwithstanding this difference in administered quantity, the core formulations between these two categories remain largely similar, with no material qualitative distinctions. Medications in such packages for initial offline consultations are prescribed for a treatment period of two weeks or one month, and those for follow-up consultations (primarily through offline medical institutions, and to a lesser extent through online platform) are prescribed for a treatment period ranging from three to 12 months (primarily three months). Prepaid packages have an average monthly fee ranging from RMB833 (being all health management medications) to RMB2,900 (being all treatment medications), with similar margins. Notwithstanding the prepayment nature of such packages, before each medication is consumed, a patient needs to visit the physicians for prescription, and the corresponding contract liabilities are recognized as revenue accordingly. That said, prepayment for undelivered medications is recorded in contract liabilities and will not be recognized as revenue in any event. Patients are entitled to full refund on unused medications, without time limitations. As a result, there is no forfeiture arrangement between the patients and us. Physicians may modify the prescriptions based on patients’ health status and such prescription modifications typically do not have material impact on our profitability, as our various prepaid packages have similar margins. Our prepaid packages offer (i) approximately 10% off from the purchase price for follow-up patients and (ii) convenience for patients as chronic disease typically requires long-term treatment and recuperation.

MANUFACTURING

We currently conduct manufacturing at our production facility in Harbin, Heilongjiang Province, which produces a variety of TCM prescription preparations, including our best-selling paste, and in-hospital preparations. Our manufacturing operations are exclusively dedicated to supporting our integrated TCM healthcare service model and are solely for internal use within our own network of licensed medical institutions and online platform. We do not sell our proprietary TCM prescription preparations or in-hospital preparations as standalone products to third parties or on the open market. Our primary manufacturing activities are designed and managed in compliance with relevant GPP standards. Key aspects of our manufacturing operations include:

- **Personalized preparation:** A significant portion of our manufacturing is dedicated to fulfilling personalized prescriptions. Under our “one prescription, one preparation” protocol, our facilities produce fully customized TCM prescription preparations tailored to each individual patient’s diagnosis. This includes producing specific dosages of TCM prescription preparations in various forms, such as pills, powders, granules, and paste. Our TCM prescription preparations complied with all relevant laws and regulations regarding TCM paste services in all material respects in the PRC during the Track Record Period and up to the latest practicable date.

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- **Proprietary in-hospital preparations production:** In addition to customized TCM prescription preparations, we manufacture a portfolio of proprietary in-hospital preparations. These are standardized, clinically validated formulations, which have received regulatory approval, can be used in our licensed entity. We received our Medical Institution Preparation Permit in October 2021, the expiration date of which was further renewed to October 2026. For details regarding the applicable laws and regulation, see “Regulatory Overview — Regulations Relating to In-hospital Preparations.”
- **Integrated quality control:** Our manufacturing process is supported by an in-house quality control team that conducts rigorous testing on all incoming raw materials and decocting pieces and maintains strict quality assurance throughout the production lifecycle, from weighing and extraction to concentration and packaging, ensuring batch-to-batch consistency, purity, and safety.

Our production scheduling is driven by real-time demand either from our network of 60 licensed medical institutions or online platform as of the Latest Practicable Date. Leveraging our just-in-time procurement model, we manufacture based on daily and weekly order forecasts generated through our HIS, which ensures high inventory turnover and minimizes waste. We expect that our existing manufacturing facilities, coupled with our established supply chain, will be sufficient to meet the anticipated demand for our TCM healthcare services in the near future.

Production Capacity

Our manufacturing operations are separated into two primary categories: TCM prescription preparations, and in-hospital preparations, each supported by dedicated production lines in Harbin City, Heilongjiang Province. The following tables set for the production volume, production capacity, and utilization rate of our TCM prescription preparations, and in-hospital preparations for the periods indicated:

Manufactured product	Year ended December 31,									Five months ended May 31,					
	2023			2024			2025			2025			2026		
	Production Volume ⁽²⁾	Production Capacity ⁽¹⁾	Utilization Rate ⁽³⁾	Production volume ⁽²⁾	Production capacity ⁽¹⁾	Utilization rate ⁽³⁾	Production volume ⁽²⁾	Production capacity ⁽¹⁾	Utilization rate ⁽³⁾	Production volume ⁽²⁾	Production capacity ⁽¹⁾	Utilization rate ⁽³⁾	Production volume ⁽²⁾	Production capacity ⁽¹⁾	Utilization rate ⁽³⁾
TCM prescription preparations (units, except for %)	37,250	51,480	72.4%	61,559	51,480	119.6%	89,757	100,800	89.0%	30,891	29,736	103.9%	38,723	49,560	78.1%

Notes:

- (1) Production capacity is calculated based on a 12-hour daily operating schedule and 330 working days per year. The utilization rate of our production capacity exceeded 100% in 2024, as a result of the strong customer demand, in line with our scaled business in 2024. As a result, we implemented a strategic upgrade to our manufacturing infrastructure to increase our production capacity. After operating from a leased facility in 2023 and 2024, we transitioned to our own dedicated manufacturing facility at the end of 2024. The full commencement of operations at this new facility in 2025 directly enabled the expansion of our overall production capacity.
- (2) Production volume refers to the actual output for the relevant period.
- (3) Utilization rate is calculated by dividing production volume by production capacity for the same period.

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Manufactured product	Year ended December 31,									Five months ended May 31,					
	2023			2024			2025			2025			2026		
	Production Volume ⁽²⁾	Production Capacity ⁽¹⁾	Utilization Rate ⁽³⁾	Production volume ⁽²⁾	Production capacity ⁽¹⁾	Utilization rate ⁽³⁾	Production volume ⁽²⁾	Production capacity ⁽¹⁾	Utilization rate ⁽³⁾	Production volume ⁽²⁾	Production capacity ⁽¹⁾	Utilization rate ⁽³⁾	Production volume ⁽²⁾	Production capacity ⁽¹⁾	Utilization rate ⁽³⁾
In-hospital preparations (granules) (boxes, except for %)	-	-	-	-	-	-	65,655	225,225	29.2%	1,875	102,375	1.8%	7,775	51,187.5 ⁽⁴⁾	15.2%
In-hospital preparations (powder) (boxes, except for %)	-	-	-	-	-	-	13,500	315,000	4.3%	10,500	157,500	6.7%	28,500	157,500	18.1%
In-hospital preparation (pills) (boxes, except for %)	-	-	-	-	-	-	3,000	207,900	1.4%	-	94,500	-	4,800	94,500	5.1%

Notes:

- (1) For granules and pills, production capacity is calculated based on a 12-hour daily operating schedule and 330 working days per year. For powder, production capacity is calculated based on a 12-hour daily operating schedule and 300 working days per year.
- (2) Production volume refers to the actual output for the relevant period.
- (3) Utilization rate is calculated by dividing production volume by production capacity for the same period.
- (4) The reduction in production capacity as in the five months ended May 31, 2026 was due to the lease of our production equipment to a third party in 2026.

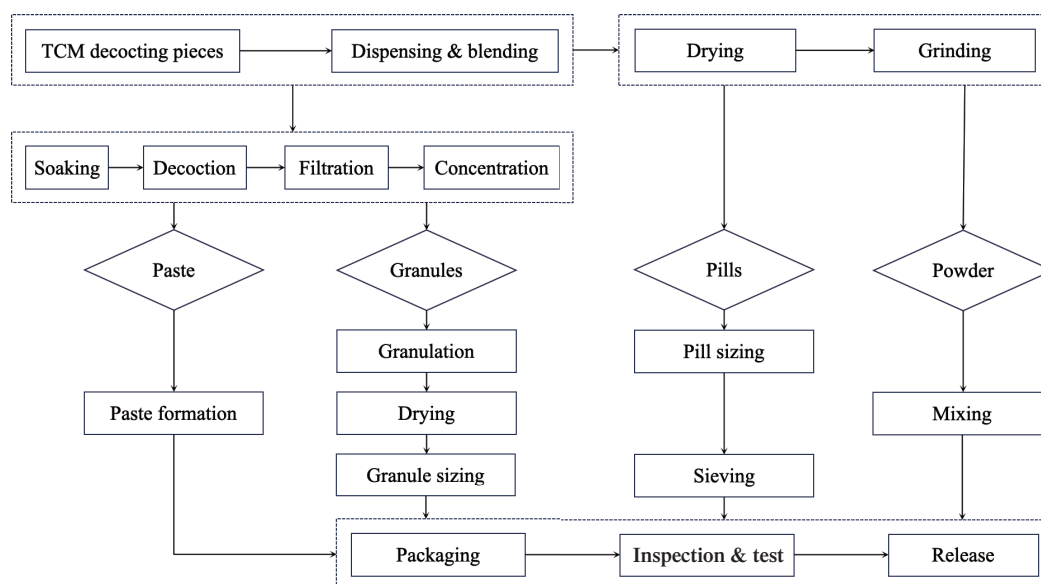
Our in-house manufacturing for in-hospital preparations commenced operations in 2025, and in the meanwhile we outsourced the manufacturing of in-hospital preparations to independent third party manufacturers during the Track Record Period. Outsourcing of in-hospital preparations had a higher gross profit margin than in-house manufacturing of in-hospital preparations, as we can formulate a more flexible manufacturing plan and incur lower manufacturing costs compared to in-house manufacturing. As we do not have control over the third party manufacturers, we cannot guarantee that they will always follow the stringent manufacturing requirement as we do. If our in-hospital preparations manufactured by them have any quality issue, our patients will be harmed, and our results of operations and reputation will be adversely affected. See “Risk Factors — Risks Relating to Our Business and Industry — We cannot assure you that the quality of all supplies we procure from suppliers can meet the expectation of our customers, which may expose us to liabilities and materially and adversely affect our reputation, business, results of operations, financial condition and prospects.”

Production Process

Prescription preparations and in-hospital preparations cover multiple dosage forms with sophisticated manufacturing workflows, where processing procedures are critical to finished product quality. Processing enhances and transforms active ingredients of herbal decoction pieces, reduces toxicity and side effects, improves therapeutic efficacy, and optimizes product storability and administration convenience. Decoctions serve as the primary dosage form of clinical TCM prescription preparations, while pills, powders and pastes remain widely adopted.

The flow chart below sets forth our general production process for our prescription preparations and in-hospital preparations by dosage form. The process for each specific prescription preparation and in-hospital preparation differs, which adds to the complexity of production management for a large product portfolio.

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Our core manufacturing procedures for prescription preparations and in-hospital preparations primarily involve the following major production techniques.

- Extraction.** Extraction removes toxic and ineffective components from raw herbs while maximizing recovery of active ingredients to boost product efficacy and safety, laying the foundation for finished prescription preparations and in-hospital preparations.
 - Soaking: Raw herbal decoction pieces are soaked in water to facilitate dissolution and diffusion of active ingredients including alkaloids, glycosides, flavonoids and organic acids. Water dosage, soaking duration and operating conditions directly affect extraction efficiency.
 - Decoction: Gradual decoction fully releases active herbal ingredients and eliminates certain undesirable components to lower adverse reaction risks. Precise control over decoction temperature and duration is essential.
 - Concentration: Excess water is evaporated from decoction liquid to produce high-potency concentrated herbal extracts via atmospheric concentration or vacuum concentration, as the case may be.
- Formulation.** Unique proprietary formulation technologies have been developed through long-term clinical practice for various TCM dosage forms.
 - Paste formation: A critical step for pastes determining paste consistency, stability and therapeutic release. Glutinous medicinal materials and excipients are added to concentrated extracts and stirred under mild heat until the liquid reaches the standard viscosity.
 - Granulation: Herbal extracts are blended with appropriate excipients or fine herbal powder and extruded through mesh screens to form uniform granules.
 - Granule sizing & pill sizing: Dried extract powder is mixed with excipients such as dextrin and sucrose, followed by granulation, particle size screening and packaging.
 - Drying: Drying equipment reduces moisture of herbal materials to meet manufacturing specifications. The maximum drying temperature is controlled at 80°C for general herbal pieces and 50°C for herbs containing volatile aromatic components.

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- Blending: Uniform distribution of medicinal materials is achieved to stabilize overall product efficacy, improve appearance and taste, and boost patient acceptance via stirring, grinding, sieving or rotary drum blending methods.

Quality Control

The quality and safety of our TCM prescription medications are crucial to our business and reputation. We endeavor to ensure the quality of our products through a comprehensive quality management system, formulated in accordance with applicable laws and national standards, including the Drug Administration Law and the GPP standards, covering substantially every aspect of our operations including raw materials, manufacturing, and quality inspection, among others.

- **Quality Control of Raw Materials.** We have established detailed internal rules governing the selection of raw material suppliers and raw material quality control. We purchase raw materials only from suppliers in our list of qualified suppliers. We have established management procedures for materials and products to ensure the proper receipt, storage, issuance, usage and dispatch of materials and products, and to prevent contamination, cross-contamination, mix-ups and other quality issues. Each batch of incoming raw materials and excipients is sampled and checked with respect to name, batch number, manufacturer, appearance and other attributes. Safety tests are conducted for special raw materials as required. For primary packaging materials (such as composite films), at least microbial limit tests are performed to eliminate potential contamination risks.
- **Quality Control of Manufacturing.** For prescriptions preparations, medicines are formulated for each patient in strictly compliance with technical process requirements and operational specifications. Key parameters are monitored throughout intermediate procedures to ensure quality. For in-hospital preparations, each batch of hospital preparations is assigned a unique production batch number and completed within the same formulation cycle to ensure consistent quality. Formulation rooms are regularly disinfected to prevent cross-contamination and different preparations shall not be formulated simultaneously in the same operating room. Thorough cleaning is performed and recorded before and after each formulation run to avoid mix-ups caused by residual substances. All operations are conducted in accordance with Standard Operating Procedures (“SOP”), including material feeding, process parameters and equipment usage, so as to ensure full traceability.
- **Quality Inspection and Retention Samples.** Our pharmaceutical laboratory is compliant with GPP requirements and equipped with reference books relevant to our inspection requirements. Its facilities, equipment and instruments are sufficient to meet all necessary quality control needs. Quality control personnel conduct environmental monitoring of the manufacturing area. All personnel have received professional training and GPP training and are competent to perform their respective duties. Each batch of in-hospital preparations must pass inspection by the pharmaceutical laboratory before release and use. A retention sample observation system is implemented for review and traceability in the event of abnormalities, with a retention period of no less than one year after the expiry date of the preparation.

We have established a comprehensive documentation system, including formulation procedures, testing protocols, equipment maintenance records, area clearance records and batch production records. All records should be accurate, complete and traceable, and properly filed. We also offer trainings to our employees in respect of quality control and conduct regular reviews on quality control to ensure the high quality of our prescription medications, thereby entrenching our competency in this regard.

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MARKETING AND PROMOTION

As of the Latest Practicable Date, our TCM healthcare services network, particularly our offline licensed medical institutions, was predominantly operated under our “Gao Zhen Tang” brand, which is synonymous with our whole lifecycle TCM healthcare service model and a reputation for clinical efficacy. Our marketing and customer acquisition strategy is distinctively community-driven and experience-led, eschewing traditional sales team.

A fundamental component of this strategy is our community-based promotion network, which are strategically situated within local residential communities to promote wellness and preventative care, as well as serve as accessible health gateways for residents. Their primary function is to provide TCM wellness services, health science education, and brand experience, thereby building trust and awareness in a non-clinical setting. Here, community members can gain a deeper understanding of their own health status and TCM preventative principles. Individuals with clear, identified medical needs proceed to our offline licensed institutions for formal diagnosis and treatment.

Our promotion network directly fuels our primary customer acquisition channel: organic, word-of-mouth referral. We did not pay any referral fees, commissions, or offer any form of monetary or non-monetary incentives to referrers during the Track Record Period. We believe all referrals were made voluntarily by satisfied patients based on their positive treatment experiences. A positive initial experience at a promotion outlet leads individuals to seek more comprehensive care, translating them into patients at our full-service licensed medical institutions. Satisfied patients, whose journey frequently begins with these community interactions, naturally become brand advocates, recommending our trusted healthcare services within their personal networks. Consequently, our promotion outlets are not merely service outlets; they are vital, integrated drivers for community education, brand building, and patient funnel generation, creating a self-sustaining cycle of growth rooted in demonstrated efficacy and local trust.

SEASONALITY

Our business operations are subject to seasonality. In line with the TCM healthcare service industry in China, our licensed medical institutions typically witness fewer patient visits in the first quarter of a calendar year, mainly due to the general public’s postponed demands in healthcare services before and during the Chinese New Year holiday. As a result of the foregoing, our revenue was slightly lower in the first quarter of each financial year during the Track Record Period. We expect our business operations and financial performance to continue to fluctuate based on seasonal factors. For more details, see “Risk Factors — Risks Relating to Our Business and Industry — Our business is subject to seasonality. We expect to continue to experience seasonal fluctuations in our revenue, results of operations and financial condition.”

COMPETITION

We operate in a highly competitive and fragmented industry. Our licensed medical institutions face direct competition from other regional TCM healthcare service providers, including: (i) TCM departments of general hospitals; (ii) public TCM hospitals; (iii) private TCM hospitals; and (iv) other private TCM clinics. These competitors possess varying strengths across key competitive factors such as talent, equipment, service scope, and service quality.

Additionally, the TCM healthcare service market in China is characterized by a large number of participants and intense competition. According to Frost & Sullivan, as of December 31, 2025, there were over 100,000 TCM healthcare service providers in China. The private sector has grown significantly in recent years, with private TCM healthcare providers accounting for approximately 26.7% of the market in terms of revenue in 2025, according to the same source. The private segment itself is also fragmented. For instance, while the total revenue of TCM out-patient healthcare centers and TCM

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clinics generated by private TCM healthcare providers in China reached approximately RMB17.7 billion in 2025, the top five private chain TCM healthcare service providers in terms of revenue generated by TCM out-patient healthcare centers and TCM clinics accounted for only approximately 21.0% of that total, according to Frost & Sullivan. This competitive landscape is shaped by several key competitive factors: the quality and consistency of healthcare services, the overall patient service experience, access to critical healthcare resources, especially seasoned TCM medical professionals, and customer accessibility and convenience.

We believe that we are able to compete with our competitors effectively by leveraging our (1) self-established and self-operated offline medication institutions to ensure (i) adherence to uniform standards by direct control over daily operations, (ii) service quality by quality control over clinical treatment and customer services, (iii) safeguarded brand reputation free of third-party misconduct risks, (iv) greater authority to upgrade services capabilities and offerings and keep up with industry trends, without reliance on franchise brand, and (v) shorter payback cycles without franchising fees or profit-sharing arrangement compared to franchised and acquired medical institutions; (2) focus on chronic diseases and TCM pastes. In particular, pastes of TCM prescription preparations are generally mild in nature and convenient to consume, which helps improve patient adherence and aligns with the needs of long-term chronic disease treatment and ongoing health management, and (3) full-time physicians under flexible and efficient senior physicians’ dispatch mechanism, ensuring physician stability and service quality and enhancing the flexibility of physician allocation and utilization of physician capacity, while some competitors use part-time physicians or permanent physicians at a single medical institution. See “Industry Overview” for a more detailed discussion regarding the industries and markets where we operate.

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INFORMATION TECHNOLOGY SYSTEMS

We have established an information technology infrastructure centering around our proprietary cloud-based HIS. This infrastructure integrates core functional modules including appointment scheduling, physician workstations, payment processing, and customer relationship management, which together streamline and standardize the entire patient treatment experience. It serves as the technological backbone for our online platform, supporting our offline TCM healthcare services.

Our information technology department, comprised of 42 professionals as of May 31, 2026, is responsible for the ongoing research, development, maintenance, and data protection of these systems. The team, which includes management, business support, and research and development personnel, holds advanced professional certifications and is structured to ensure deep integration of technology with our core clinical and operational workflows.

Our TCM healthcare service network is supported by a multi-layered information technology architecture, developed in-house and supported by 27 registered software copyrights as of May 31, 2026. These proprietary systems span key functions such as chronic disease management, intelligent TCM auxiliary diagnosis, prescription management, TCM efficacy evaluation, production quality tracking, and centralized data analytics. The architecture is organized into three distinct layers:

- **Front-end interaction layer:** This layer serves as the primary interface for patient engagement, brand communication, and initial data acquisition. It includes our official website, WeChat official account, online platform system interface, and the TCM assessment system interface. Key intelligent features include a digital consultation system that provides diagnostic support and risk alerts to physicians, and a digital prescription efficacy model that analyzes treatment outcome data to optimize formulations and improve patient recovery rates. A key feature is the integration with smart TCM diagnostic devices, such as pulse diagnostic systems, enabling the automated and encrypted upload of patient health data to drive a data-initiated consultation process.
- **Business middle-office layer:** This layer functions as the central digital command hub for our digital ecosystem. It integrates our core operational systems, including the HIS, online reporting and business-travel systems, online platform, ERP and logistics system, and proprietary TCM assessment system, into a unified data platform. This integration creates a unified data platform that ensures seamless information flow across all functions. All business and clinical data is consolidated into a central data depository, where it is processed and structured to support comprehensive analytics. The resulting insight feeds into a management dashboard that aids both operational and clinical decision-making, enhancing the precision and efficiency of our end-to-end patient journey from initial assessment through diagnosis, prescription, and fulfilment.
- **Management support layer:** This layer provides the foundation for our internal administrative, production supply chain, and financial processes. It enhances organizational efficiency and control through automation and deep integration with the business layer. The layer incorporates an integrated business-finance platform that connects our office automation system, online reporting system, business-travel system, robotic process automation digital workforce, enterprise WeChat smart forms, electronic signature system, tax cloud services, and the U8c financial module. This integration ensures seamless linkage between core operational workflows and financial accounting, enabling streamlined approvals, accurate record-keeping, and enhanced process transparency across the organization.

Our information technology systems leverage third-party cloud services and infrastructures for hosting, storage, and foundational computing power. This enables us to store, backup, retrieve and process that vast amounts of data derived from our daily operations efficiently. These underlying technology infrastructures are fully integrated with our business middle-office layer, forming a cohesive

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and scalable information technology ecosystem that supports our current operations and future growth. We connect such underlying technology infrastructures with our middle-office layer and integrate them into our existing information technology system.

DATA PRIVACY AND PROTECTION

There has been regulatory development in relation to cybersecurity and data privacy and protection in recent years. On June 10, 2021, the *PRC Data Security Law* (《中華人民共和國數據安全法》) was adopted by the Standing Committee of the National People’s Congress (全國人民代表大會常務委員會) and became effective on September 1, 2021. On August 20, 2021, the *PRC Personal Information Protection Law* (《中華人民共和國個人信息保護法》)(the “PIPL”) was adopted by the Standing Committee of the National People’s Congress and became effective on November 1, 2021. On December 28, 2021, the Cyberspace Administration of China (中華人民共和國國家互聯網信息辦公室)(the “CAC”), together with certain other PRC government authorities, promulgated the revised *Measures for Cybersecurity Review* (《網絡安全審查辦法》), which became effective on February 15, 2022. On August 8, 2022, the NHC, NATCM, and National Disease Control and Prevention Administration (國家疾病預防控制局) jointly promulgated the *Administrative Measures for the Cybersecurity of Medical and Healthcare Institution* (《醫療衛生機構網絡安全管理辦法》) with immediate effect, which requires all-around management of cybersecurity and data security, including but not limited to strengthening system construction, implementing daily network maintenance and monitoring, conducting annual self-inspection and rectification, and classifying and grading data assets. For further details of these laws and regulations, see “Regulatory Overview — Regulations Relating to Personal Information or Data Protection.” The above regulatory development relevant to cybersecurity and data privacy and protection could impact China’s healthcare service industry, especially healthcare service providers with online businesses.

During the provision of our TCM healthcare services, and in accordance with the PRC’s Data Security Law (《中華人民共和國數據安全法》), Cybersecurity Law (《中華人民共和國網絡安全法》), the PRC PIPL (《中華人民共和國個人信息保護法》), Basic Medical and Healthcare and Health Promotion Law (《中華人民共和國基本醫療衛生與健康促進法》), and Measures for the Administration of Cybersecurity in Medical and Health Institutions (《醫療衛生機構網絡安全管理辦法》), we collect, process and maintain personal information in the course of our business under the following circumstances: (i) we collect patients’ basic personal information, which mainly includes, among others, name, phone number, ID number, and address; and we collect patients’ medical information, which mainly includes, among others, chief complaint, medical history, diagnosis, and treatment plan; (ii) we collect our physician and pharmacist employees’ personal information, which mainly includes, among others, name, phone number, ID number and photo, area of expertise, professional title and certificate; and (iii) we collect consultation interaction information between patients and physicians or pharmacists. We collect personal information above for the purposes of providing medical services, only to the extent necessary, and with the individuals’ prior informed consent either (i) through online user interfaces where individuals accept the privacy policy or relevant terms, or (ii) through offline notice during medical consultation and treatment, with the individual’s express consent or, where permitted by applicable law, implied consent evidenced by the individual’s voluntary acceptance of services after being duly informed, except where personal information is collected to comply with legal obligations or is necessary for the conclusion or performance of a contract with the individual, in which case such processing is based on statutory lawful basis and does not require consent.

To ensure the confidentiality, integrity, and security of our data, we have established a structured, multi-layered data governance framework, formalized in our internal data security management policies. Under this framework, we have formulated the Customer Information Management Policy establishing standardized principles and procedures governing the processing and protection of personal information, including: (i) purpose limitation controls requiring processing within authorized scope and specified legitimate purposes; (ii) access controls based on the principle of minimum necessity, supported by

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confidentiality undertakings, approval procedures and data tracking; (iii) data transmission and storage security measures, including encryption, monitoring, intrusion prevention, alerts and periodic security testing, as appropriate; (iv) data classification and grading based on confidentiality, with enhanced protection for sensitive personal information where applicable; and (v) data retention and deletion procedures to retain personal information for the minimum amount of time necessary for its purposes, and to delete or anonymize it in accordance with applicable laws, regulations and internal policies. We conduct periodic internal reviews of our data protection controls as part of our compliance management processes.

Structured Data Governance and Access Control

Our data security regime is centered on our proprietary HIS, which serves as the primary data repository. We enforce a principle-based, role-specific access control model:

- **Role-based permissions:** System access is strictly segmented by function and seniority. We maintain a six-tier permission hierarchy, ensuring each employee can access only the data necessary for their specific duties.
- **Data minimization and de-identification:** Direct personal identifiers, including national ID numbers and phone numbers, are systematically masked or partially redacted in accordance with role-based “need-to-know” rules. Sensitive fields such as patient addresses and full contact details are hidden from non-essential personnel.
- **Function-specific modules:** Different departments interact with designated HIS modules. For instance, finance with billing and statistics, medical with consultation and treatment records, and administration with archives and inventory, ensuring data segregation and operational clarity.

Comprehensive Security Measures

- **Encryption and network security:** All sensitive data in transit and at rest is encrypted. Highly confidential data is stored within a secured intranet environment protected by enterprise-grade firewalls.
- **Systematic data lifecycle management:** We enforce strict protocols for data entry, storage, backup, and destruction. Patient records are backed up regularly to approved cloud storage; physical documents are archived securely and destroyed under supervision with recorded proof.
- **Employee training and confidentiality obligations:** Employees who may have access to customer information undergo data security training and are required to maintain the confidentiality of customer information in accordance with our internal policies. Regular drills and assessments are conducted to reinforce compliance with our *HIS Operation Guidelines* (《膏珍堂雲HIS系統使用規範要求》).

Ongoing Monitoring and Compliance Verification

We maintain a six-level inspection mechanism (六級檢查機制), from daily frontline checks to quarterly audits, and unscheduled reviews, using standardized checklists that cover system access, password hygiene, file encryption, electronic and physical record handling, and reporting protocols. Any deviation triggers immediate corrective action and follow-up verification.

During the Track Record Period and up to the Latest Practicable Date, there had been no investigation, administrative penalty or litigation relating to infringement on personal information rights or violation of data privacy and protection laws against us, nor had there been any material data leakage incident, any of which would materially and adversely affect our business. Our Directors and PRC Legal Advisors in respect of data compliance are of the view that, during the Track Record Period and up to the

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Latest Practicable Date, we had not been and were not involved in any material non-compliance incident related to data privacy and cybersecurity, which, individually or in the aggregate, had or were reasonably likely to have a material and adverse, financial or operational, impact on us, and we were in compliance with all applicable data protection and cybersecurity laws and regulations in the PRC in all material respects. However, as the laws and regulations in the data security, cybersecurity and privacy protection are still developing, we cannot assure you that we can always timely adapt to all the aspects of such laws and regulations. See “Risk Factors — Risks Relating to Our Business and Industry — We are subject to evolving laws, regulations and governmental policies regarding privacy, cybersecurity and data protection. Actual or alleged failure to comply with such laws, regulations and governmental policies could adversely affect our business and reputation.”

INTELLECTUAL PROPERTY

As of May 31, 2026, we had (i) 194 registered trade marks in the PRC; (ii) 20 registered patents in the PRC; (iii) 27 registered software copyrights in the PRC; (iv) eight registered work copyrights in the PRC; and (v) 14 registered domain names, which were material to our business. See “Appendix IV — Statutory and General Information — B. Further Information About Our Business — 2. Intellectual Property Rights” for more details of our material intellectual property rights.

We rely on a combination of intellectual property right protection laws in the PRC, confidentiality procedures, contractual provisions and strict internal procedures to protect our intellectual properties. Our principal intellectual properties include our trademarks for the “Gao Zhen Tang” brand and software copyrights in relation to our proprietary cloud-based HIS. Our legal department closely monitors our intellectual properties, ensuring that all necessary application, renewal or filing for such intellectual properties have been timely made to competent authorities, or that any third-party intellectual properties have been reasonably circumvented.

During the Track Record Period and up to the Latest Practicable Date, we had not been sued on the basis of, and had not undergone arbitration in respect of, nor had we received any notification from third parties claiming, infringement of any intellectual property or sale of counterfeit products that have had a material adverse effect on our business. In addition, during the Track Record Period and up to the Latest Practicable Date, we had not been the subject of any adverse finding in an investigation or audit by any government authorities in respect of infringement of any intellectual property of third parties or sale of counterfeit products that had a material adverse effect on our business.

EMPLOYEES

As of May 31, 2026, we had 2,925 employees. The following table sets forth the breakdown of our employees by function as of the same date.

Function	Number of Employees
Physicians and other medical professionals	399
Promotion network personnel	1,093
Customer service	517
Management	146
Operations management	305
Administration and logistics	258
Manufacturing	54
Finance	111
Information technology	42
Total	2,925

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Our success depends on our ability to attract, retain and motivate qualified personnel, especially qualified medical professionals. Our recruitment strategy utilizes multiple channels, including campus recruitment, internal and external referrals, and targeted social recruitment. We maintain high standards and rigorous procedures in our hiring process to ensure the quality of new hires. Our employees typically enter into standard labor contracts with us and are bound by confidentiality agreements effective during their employment and for a period thereafter.

To foster long-term commitment and align employee interests with our sustained growth, we have implemented a structured and multi-faceted talent retention framework. This strategy is built on the principles of combining incentives with accountability, balancing short-term and long-term rewards, and fostering shared success between us and our employees. We offer a competitive total compensation package that includes a market-aligned base salary and a performance-linked bonus system, where variable pay is directly tied to individual, departmental, and corporate performance metrics.

Beyond competitive remuneration, our retention model emphasizes medium to long-term incentives and comprehensive career development. This includes share-based incentive plans designed to create a shared ownership culture among our core talent, as well as structured cash incentive programs aligned with our multi-year strategic objectives. We support continuous professional growth through a dual-track career progression system, offering both management and specialist pathways, and invest in dedicated leadership and advanced technical training programs for high-potential employees. Additionally, we cultivate a supportive and engaging work environment through a holistic employee care program, which encompasses superior benefits, initiatives promoting work-life balance, and a formal recognition system to acknowledge and reward outstanding contributions. The implementation and ongoing refinement of this integrated talent strategy are overseen by a dedicated internal committee to ensure its effectiveness in supporting our strategic objectives.

As required by the PRC laws and regulations, we participate in various employee benefit plans, including pension insurance, unemployment insurance, medical insurance, maternity insurance, work-related injury insurance and the housing provident fund and pay social insurance premiums and housing provident fund contributions in amounts equal to certain percentages of salaries, including bonuses and allowances, of employees up to the maximum amounts specified by the local government. During the Track Record Period, we did not make adequate contributions to social insurance and housing provident fund with respect to our employees as required by the relevant PRC laws and regulations. The total shortfall for the contribution to the social insurance and housing provident fund during the Track Record Period was RMB6.8 million.

As advised by our PRC Legal Advisors, according to the relevant PRC laws and regulations: (i) with respect to social insurance, the relevant government authorities may order us to pay the outstanding amounts within the prescribed time period with a late charge at the daily rate of 0.05% on the outstanding amounts, and if and only if we fail to do so, they may impose a fine or penalty ranging from one to three times the outstanding amounts; and (ii) with respect to housing provident funds, the relevant government authorities may order us to pay the outstanding amounts within the prescribed time period, and they may apply to a competent court for enforcement of the outstanding amounts if we fail to do so.

The Supreme People’s Court’s Interpretation (II) on Several Issues Concerning the Application of Law in Labor Dispute Cases (《最高人民法院關於審理勞動爭議案件適用法律問題的解釋(二)》)(the “**Judicial Interpretation II**”), promulgated on July 31, 2025, and effective as of September 1, 2025, clarifies the mandatory obligation of the employers to pay social insurance premiums and protect the legitimate rights and interests of employees as well as social public interests. As advised by our PRC Legal Advisor, the Judicial Interpretation II aligns with the regulatory requirements set forth in the Labor Contract Law, which took effect on July 1, 2013; therefore, the release of Judicial Interpretation II will not impact our compliance with PRC social insurance related laws and regulations. If our

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employees for whom we did not make full social insurance contributions file lawsuits to assert the termination of their labor contracts and seek compensation, we may face a loss of workforce. During the Track Record Period and up to the Latest Practicable Date, we had not received any material complaints or notices of lawsuits from employees in this regard requesting to terminate their labor contract and seek economic compensation. In addition, we will make full social insurance and provident fund contributions for relevant employees when required by relevant authorities. Therefore, we do not expect the release of Judicial Interpretation II to have any material adverse impact on our business and financial performance.

We took prompt remedial and/or rectification measures as soon as we identified such incident in relation to social insurance and housing provident fund contributions. For instance, our management from time to time hold meetings to monitor the associated risks and discuss measures to prevent the recurrence of such incident. We also spent efforts to formulate systematic internal measures to make social insurance and housing provident fund contributions in accordance with the applicable laws and regulations going forward.

During the Track Record Period and up to the Latest Practicable Date, no material administrative action had been initiated against us by the relevant PRC government authorities with respect to such non-compliance, nor has any order been received by us to settle the whole outstanding amount of social insurance and housing provident fund contributions. During the Track Record Period and up to the Latest Practicable Date, we were not imposed any administrative penalties as a result of our non-compliance with social insurance and housing provident fund related PRC laws and regulations, nor had we experienced any material claim or complaint filed against us by our employees. As advised by our PRC Legal Advisors, in the absence of any employee complaints to the competent government authorities against us and significant changes in regulatory requirements regarding social insurance and housing provident fund contributions, the likelihood that we would be subject to centralized collection of the outstanding historical social insurance and housing provident fund contributions by relevant government authorities and any material administrative penalties due to failure to make such contributions for our employees is remote, based on: (i) written confirmations from and our consultation with the relevant social insurance authorities and housing provident fund authorities, which indicate that, in the absence of any employee complaints to the competent government authorities against us and significant changes in regulatory requirements regarding social insurance and housing provident fund contributions, they will not proactively require enterprises to make retroactive contributions or impose penalties; and (ii) during the Track Record Period and up to the Latest Practicable Date, no administrative penalties or centralized collection of the outstanding historical social insurance and housing provident fund contributions had been imposed on us with respect to the shortfall of social insurance and housing provident fund contributions, nor had we experienced any material claims raised by employees regarding such shortfall.

We believe we maintain good relationships with our employees. Our employees are not represented by a labor union. During the Track Record Period and up to the Latest Practicable Date, we did not experience any strikes or labor disputes with our employees which have had or are likely to have a material effect on our business.

LICENSES, PERMITS AND CERTIFICATES

We operate in a strictly regulated industry in the PRC. Our offline licensed medical institutions are required to obtain the requisite operating license based on its specific classification: either the Medical Institution Practicing License (醫療機構執業許可證) or the TCM Clinic Filing Certificate (中醫診所備案證). All of our licensed offline medical institutions have undergone periodic verification as required and obtained qualified verification results during the Track Record Period and up to the Latest Practicable Date. See “Regulatory Overview — Regulations Relating to The Management of Medical

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Institutions” for more details regarding the periodic verification requirements. Additionally, our proprietary online platform operates under the Medical Institution Practicing License and the Filing for the Internet Pharmaceutical Information Service Qualification (互聯網藥品信息服務備案), which are mandatory prerequisites for providing online follow-up consultation and pharmaceutical information services. See “Regulatory Overview — Regulations Relating to the Management of Medical Institutions” and “Regulatory Overview — Regulations Relating to Internet Hospital” for details of the relevant requirements.

The following table sets forth the major licenses, permits and certificates for us and our self-established and self-operated medical institutions, which we believe to be material to our operations, the details of which are set forth in the table below.

Holder	License/Permit/ Certificate	Issuing authority	Issuance date	Expiration date
Harbin Yuyantang Traditional Chinese Medicine Outpatient Group Co., Ltd. and its Internet Hospital (哈爾濱譽研堂中醫門診集團股份有限公司及其互聯網醫院)	Medical Institution Practicing License (醫療機構執業許可證)	Health Bureau of Xiangfang District of Harbin (哈爾濱市香坊區衛生健康局)	August 25, 2025	August 24, 2030
Harbin Yuyantang Traditional Chinese Medicine Outpatient Group Co., Ltd. (哈爾濱譽研堂中醫門診集團股份有限公司)	Filing for the Internet Pharmaceutical Information Service Qualification (互聯網藥品信息服務備案)	Heilongjiang Provincial Drug Administration (黑龍江省藥品監督管理局)	September 24, 2025	N/A ⁽¹⁾
Harbin Yuyantang Traditional Chinese Medicine Outpatient Group Co., Ltd. (哈爾濱譽研堂中醫門診集團股份有限公司)	Medical Institution Preparation Permit	Heilongjiang Provincial Drug Administration	November 13, 2025	October 19, 2026
Harbin Gaozhentang Fushun Outpatient Department Co., Ltd. (哈爾濱膏珍堂福順專科中醫門診有限公司)	Medical Institution Practicing License	Health Bureau of Daoli District of Harbin (哈爾濱市道里區衛生健康局)	November 22, 2021	November 21, 2026
Harbin Gaozhentang Renhe Traditional Chinese Medicine Outpatient Co., Ltd. (哈爾濱膏珍堂仁和中醫門診有限公司)	Medical Institution Practicing License	Health Bureau of Nangang District of Harbin (哈爾濱市南崗區衛生健康局)	November 25, 2021	November 24, 2026
Heilongjiang Yuyantang Pharmaceutical Group Co., Ltd. (黑龍江譽研堂藥業集團有限公司) . . .	Pharmaceutical Operation Permit (藥品經營許可證)	Heilongjiang Provincial Drug Administration	November 17, 2022	November 16, 2027

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Holder	License/Permit/ Certificate	Issuing authority	Issuance date	Expiration date
Heilongjiang Yuyantang Pharmaceutical Group Co., Ltd. (黑龍江譽研堂藥業集團有限公司) . . .	Filing for the Internet Pharmaceutical Information Service Qualification	Heilongjiang Provincial Drug Administration	April 16, 2023	April 15, 2028
Changchun Gaozhentang Shande Medical Service Co., Ltd. Jingkai Gaozhentang Traditional Chinese Medicine Outpatient Department (長春膏珍堂善德醫療服務有限公司經開膏珍堂中醫門診部)	Medical Institution Practicing License	Health Bureau of Changchun Economic and Technological Development Zone (長春經濟技術開發區衛生健康局)	March 24, 2025	March 23, 2030
Changchun Gaozhentang Shankang Medical Service Co., Ltd. Chaoyang Gaozhentang Traditional Chinese Medicine Clinic (長春膏珍堂善康醫療服務有限公司朝陽膏珍堂中醫診所)	TCM Clinic Filing Certificate (中醫診所備案證)	Health Bureau of Chaoyang District of Changchun (長春市朝陽區衛生健康局)	May 12, 2025	N/A ⁽¹⁾
Jinan Gaozhentang Medical Service Co., Ltd. Lixia Lishan Road Clinic (濟南膏珍堂醫療服務有限公司歷下歷山路診所)	TCM Clinic Filing Certificate	Health Bureau of Lixia District of Jinan (濟南市歷下區衛生健康局)	June 5, 2025	N/A ⁽¹⁾
Shenyang Gaozhentang Traditional Chinese Medicine Outpatient Department Co., Ltd. (瀋陽膏珍堂中醫門診部有限公司)	Medical Institution Practicing License	Health Bureau of Shenhe District, Shenyang (瀋陽市瀋河區衛生健康局)	September 17, 2024	September 16, 2029
Shenyang Tiexi Gaozhentang Comprehensive Outpatient Co., Ltd. (瀋陽鐵西膏珍堂綜合門診部有限公司)	Medical Institution Practicing License	Health Bureau of Tiexi District of Shenyang (瀋陽市鐵西區衛生健康局)	December 10, 2024	December 9, 2029
Tangshan Gaozhentang Traditional Chinese Medicine Clinic Co., Ltd. Longze Road Branch Traditional Chinese Medicine Clinic (唐山膏珍堂中醫門診有限公司龍澤路分公司中醫診所)	TCM Clinic Filing Certificate	Health Bureau of Lubei District of Tangshan (唐山市路北區衛生健康局)	January 16, 2025	N/A ⁽¹⁾
Tianjin Gaozhentang Traditional Chinese Medicine Clinic Co., Ltd. Hebei Road Traditional Chinese Medicine Clinic (天津膏珍堂中醫門診有限公司河北路中醫診所)	TCM Clinic Filing Certificate	Health Commission of Binhai New Area, Tianjin Municipality (天津市濱海新區衛生健康委員會)	February 25, 2025	N/A ⁽¹⁾

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Holder	License/Permit/ Certificate	Issuing authority	Issuance date	Expiration date
Harbin Yuyantang Traditional Chinese Medicine Outpatient Group Co., Ltd. (哈爾濱譽研堂中醫門診集團股份有 限公司)	Pollutant Discharge Permit (排污許可 證)	Harbin Ecological Environment Bureau (哈爾濱市 生態環境局)	September 23, 2025	September 22, 2030

Note:

(1) “N/A” indicates that there are no expiration dates for the relevant licenses, permits, certificates or filings.

As advised by our PRC Legal Advisors, we and our licensed medical institutions have obtained all material licenses, permits, approvals and certificates required for the current operations and such licenses, permits, approvals and certificates were valid and remained in effect during the Track Record Period and up to the Latest Practicable Date.

As advised by our PRC Legal Advisors, our Directors are of the view that our online platform does not require a value-added telecommunications services license under the current laws, regulations and regulatory policies of the PRC, on the basis that: (i) Pursuant to the Announcement on Issues Concerning the Value-added Telecommunications Business Operation License (關於增值電信業務經營許可證有關問題的公告) issued by the Heilongjiang Provincial Communications Administration on 20 May 2022, where an enterprise directly sells goods or services through its own website on a self-operated basis, and there are no other entities or individuals conducting sales activities on such website in their own names, such sales activity does not constitute value-added telecommunications business and the enterprise operating the website is not required to obtain the Value-added Telecommunications Business Operation License; (ii) According to the consultation with the Heilongjiang Provincial Communications Administration on 8 April, 2026, if an internet hospital (operated through its online platform) provides medical diagnosis and treatment services to patients uniformly in its own name, such activity does not involve value-added telecommunications business. According to the scope of responsibilities of Heilongjiang Communications Administration published on its official website, one of its responsibilities is to supervise and administer the telecommunications and information services market in Heilongjiang Province in accordance with the laws and regulations. Therefore, Heilongjiang Provincial Communications Administration is the competent authority to respond to inquiries regarding the value-added telecommunications business; (iii) Pursuant to the Measures for the Administration of Internet Hospitals (for Trial Implementation)(《互聯網醫院管理辦法(試行)》) and the official guidelines published on the official website of the Heilongjiang Provincial Government regarding “Change Registration of Medical Institutions (Addition of Second Name of Internet Hospital and Service Mode),” neither the application for nor the maintenance of the internet hospital qualification (i.e., the approval of using internet hospital as the second name of a physical medical institution) is subject to the prerequisite of holding a value-added telecommunications services license; and (iv) Our online platform is used for diagnostic and treatment services provided by our Internet hospital in its own name and does not involve any third party accessing our platform to provide services in the name of such third party. Furthermore, when we applied for the internet hospital as our second name, we are not required by the competent government authority to obtain a Value-Added Telecommunications Business Operating License.

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INSURANCE

We maintain a structured insurance program to mitigate operational and personnel-related risks. For our employees, including our physicians and senior management, we hold standard employer’s liability insurance covering death, disability, medical expenses, and loss of work. Additionally, we provide supplemental group accidental injury insurance, which includes coverage for accidental death, disability, medical expenses, hospitalization benefits, and intensive care support. In particular, as advised by our PRC Legal Advisor, we, as private medical institutions, are not required under the relevant PRC laws and regulations to maintain medical liability or product liability insurance. Our overall insurance coverage is in line with industry practice among private TCM healthcare service providers in China, according to Frost and Sullivan, and we believe it is sufficient for our risk management under normal operating conditions. However, we cannot guarantee that our held policies are sufficient to cover all our operational risks. See “Risk Factors — Risks Relating to Our Business and Industry — Our insurance coverage may be inadequate to cover all significant risk exposures.” Our insurance coverage strategy may not be sufficient to protect us from all commercial risks and cannot cover all our potential losses.

We manage our risks relating to insufficient insurance coverage by (i) maintaining strong financial resilience and dedicated liability budget. We closely monitor our liquidity position to ensure that we have sufficient cash to manage our medical or product liability. In addition, we reserve dedicated budget during our operations to solve medical or product liability to ensure our smooth daily operations; (ii) maintaining strategic stock of inventories. We maintain an additional amount of inventories of key raw materials and finished products as well as enter into long-term supply arrangements with key suppliers to prevent business interruption which may lead to medical or product liability; (iii) formulating established emergency and business continuance plans. In the event of medical or product liability, we will follow a full suite of emergency and business continuance plans to respond quickly to business interruptions and financial pressures, and resolve the relevant problems efficiently and effectively; and (iv) ensuring oversight and improvement. We have a dedicated safety and risk committee, formal policies, regular staff training, and internal audits to detect and fix problems at an early stage to prevent any accident. Together these measures aim to prevent liability incidents, solve problems quickly and ensure sustainable operations.

During the Track Record Period and up to the Latest Practicable Date, we did not submit any material insurance claims, nor did we experience any material difficulties in renewing our insurance policies. Additionally, during the Track Record Period and up to the Latest Practicable Date, we did not have any material product or medical liability claims.

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PROPERTIES

Owned Properties

As of the Latest Practicable Date, we owned and occupied two properties with a total GFA of approximately 3,191 sq.m in the PRC, of which we had obtained the relevant property titles.

Leased Properties

As of the Latest Practicable Date, we leased 143 properties in the PRC with an aggregate GFA of approximately 65,662 sq.m. As of the Latest Practicable Date, 64 of our lease agreements had not been registered with the relevant PRC authorities. These non-registrations were primarily because the relevant landlords did not cooperate with us to register the lease agreements. Properties under these unregistered leases are primarily utilized as premises for our operating medical institutions, and offices. Given there are sufficient alternative premises in the market if we need to relocate, our Directors are of the view that such defects would not have any material adverse impact on our ability to use such properties. As advised by our PRC Legal Advisors, failure to register an executed lease agreement will not affect its legality, validity or enforceability. However, we may be subject to a fine of no less than RMB1,000 and not exceeding RMB10,000 for each unregistered lease agreement if the relevant PRC government authorities require us to rectify and we fail to do so within the prescribed time period. We estimate that the maximum penalty we may be subject to for these unregistered lease agreements will be approximately RMB640,000, which we believe is immaterial to our business and results of operations. As advised by our PRC Legal Advisors, the likelihood that we would be penalized by various local authorities at the same time or within a short period due to the failure to register lease agreements is remote, considering that: (i) these leased properties are geographically dispersed; and (ii) we confirm that once the relevant PRC government authorities require us to rectify, we will do as required and within the prescribed time period. Therefore, we believe that failure to register these lease agreements will not have any material adverse impact on our financial condition or results of operations. We will actively liaise with the respective lessors to complete the registration of all such lease agreements, if possible. See “Risk Factors — Risks Relating to Our Business and Industry — If our properties fail to comply with PRC property-related laws and regulations, our business, financial condition and results of operations may be materially and adversely affected.”

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

We regard ESG as a crucial foundation for long-term stable development. We have established a clear three-tier ESG governance structure to systematically identify and manage related risks, and integrate the principles of honest operation and compliance with laws and regulations throughout the entire business process to ensure that while pursuing development, we fulfill the responsibilities to all stakeholders.

ESG Governance

Our Board of Directors is the highest responsibility institution, which conducts final supervision and decision-making on ESG matters. The Board of Directors has established the Environmental, Social and Governance Working Group comprising the general manager, production managers and the finance team to assist the Board in implementing environmental, social and governance actions, policies, goals and strategies. Each functional department is responsible for the execution and implementation of specific tasks.

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The specific responsibilities of the Board of Directors include:

- reviewing and approving the Company’s medium- and long-term ESG strategies, core policies and major goals;
- identifying ESG risks and opportunities, incorporating them into the Company’s overall risk management system to ensure effective management;
- providing necessary resources support to ensure the effective implementation of ESG work;
- reviewing and approving the annual ESG report to ensure the accuracy and completeness of information disclosure.

The Environmental, Social and Governance Working Group is responsible for:

- assisting the Board in managing and monitoring ESG matters, regularly tracking the progress of ESG work plans, evaluating the achievement of ESG goals and performance, and reporting to the Board;
- assessing and supervising ESG risks that are highly relevant to the Company’s business;
- coordinating the collaboration among various functional departments in the ESG field and promoting the implementation of specific tasks, and the preparation of the annual ESG report to ensure it complies with the disclosure standards of regulatory authorities.

Each functional department is responsible for:

- implementing the annual ESG work plan and measures approved by the Board of Directors;
- preparing the annual ESG report, establishing and maintaining the ESG data collection and statistics system; and
- regularly reporting to the Environmental, Social and Governance Working Group on the progress of ESG work plan implementation, ESG risks and opportunities.

The Company places great emphasis on professional competence in the ESG field during the selection and continuous training of Board of Directors, ensuring that the entire Board maintains a balance in terms of skills, experience and diverse perspectives, and is capable of effectively understanding the profound impact of key issues such as climate change, environmental protection, responsible marketing and data security on the strategy.

In terms of review frequency, the Company has established the ESG governance framework, with ESG meetings held annually. We conduct comprehensive reviews of ESG policies, strategies, and implementation on a regular basis to ensure all initiatives align with industry development and regulatory requirements. For major ESG projects or sudden environmental and social incidents, we activate an immediate review mechanism to swiftly assess impacts and adjust response strategies. The Company also has established the three-tier reporting mechanism to ensure effective communication and implementation of ESG strategy and initiatives.

ESG Risk Management

Based on our strategies, policy requirements, industry characteristics, and peer practices, we systematically sort out potential ESG issues. Through communication with various stakeholders such as executives, employees, customers, and suppliers, we comprehensively assess the importance of each issue to business development and the expectations of stakeholders. We classify the issues into high, medium, and general importance levels. Based on the assessment results, we further identify potential ESG-related risks and opportunities of key issues in operations, compliance, and reputation, assess their significance and formulate targeted response measures for major risks and opportunities. Relevant ESG

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risks and opportunities are incorporated into the Company’s daily management and major decision-making processes, enabling the Company to strengthen risk management capabilities, enhance operational resilience, and support long-term sustainable development.

The following table sets forth certain information regarding our ESG risk evaluation and responses.

Risk	Time frame	Potential impact	Our response
Waste disposal and emission	Short-term	Improper disposal of expired medicines, medical waste, wastewater from the production process, and drug residues may pose risks of environmental violations.	<ul style="list-style-type: none"> Strictly abide by relevant laws, regulations, and management provisions for medical waste disposal, and sign agreements with qualified third-party disposal units to ensure that all types of waste are safely and compliantly treated in an environmentally friendly manner.
Climate change and extreme weather	Long-term	Extreme weather conditions (such as heavy rain and drought) directly affect the production volume and quality of medicinal materials, resulting in unstable raw material supply and price fluctuations, and possibly impacting the operation of offline medical institutions.	<ul style="list-style-type: none"> Assess the sensitivity and adaptability of key medicinal material production areas to climate change, identify high-risk varieties and production areas, and provide forward-looking guidance for procurement strategies. Establish strategic inventories for key medicinal materials that are highly susceptible to climate impacts; at the same time, develop alternative supplier regions in different climate zones to diversify supply risks. Closely monitor extreme weather warnings in the operational areas and establish emergency protection measures to ensure the stability of offline medical institutions.

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Risk	Time frame	Potential impact	Our response
TCM healthcare service quality	Short-term	At each stage, such as in the procurement of medicinal materials, the production of TCM prescription preparations, outpatient diagnosis and treatment, as well as the security of remote prescriptions in the online platform, if any mistakes occur, it is likely to lead to efficacy issues or safety incidents.	<ul style="list-style-type: none"> • Establish an integrated quality control system, strictly control the procurement of medicines and the production of preparations, and implement quality monitoring throughout the production process. • Strengthen the professional training of outpatient medical workers, and at the same time, strictly review the online services of the online platform, continuously improve the service level, and ensure the safety of diagnosis and treatment.
Business ethics and compliance	Short-term	In marketing, procurement, or cooperation with medical institutions, if there are acts such as commercial bribery or improper promotion, one will face legal sanctions and significant reputational damage.	<ul style="list-style-type: none"> • Establish a sound compliance and anti-corruption management system and provide regular training and commitment letter signing for all employees (including senior management). • Set up independent internal and external reporting channels and ensure that whistleblowers are protected. • Strengthen internal auditing, conduct regular compliance audits of sensitive business processes to ensure business compliance.

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We devote adequate resource and budget to ESG risk management and compliance. For example, we annually allocate budget to initiatives related to staff training and professional development, internal compliance monitoring, as well as environmental management measures such as waste disposal and energy management. Such costs have been incorporated into the Company’s ordinary operating expenses and did not constitute a material financial burden during the Track Record Period. The Board expects that future ESG compliance costs will remain stable and manageable and are not expected to have a material adverse impact on the Company’s financial position or operating results.

Business Ethics

We abide by the laws and regulations such as the *Company Law of the People’s Republic of China*, the *Law of the People’s Republic of China on Traditional Chinese Medicine*, and the *Medicinal Product Administration Law of the People’s Republic of China*. We have formulated the *Compliance Management Measures* to ensure that the management and operation behaviors of the Company and employees are in accordance with the law.

We have established the commercial ethics risk management mechanism, covering dimensions such as risk identification and assessment, compliance review, risk response and reporting, compliance management evaluation and supervision. Based on the actual situation, we have further formulated the *Compliance Risk List of the Group* and updated it dynamically. In addition, we continuously improve the compliance guarantee mechanism, incorporating the fulfillment of compliance responsibilities into the annual performance assessment of each department and employees, and regularly conducting employee compliance training to ensure that employees understand the Company’s business ethics principles.

Anti-corruption and Anti-bribery

We have issued the *Management Regulations on Gift Exchange* to all employees, providing them with correct guidance for their daily behaviors. We have also systematically identified the risks of corruption and embezzlement in our operations and clearly stated that we have “zero tolerance” for acts such as embezzlement, corruption, and bribery. To facilitate timely feedback from employees and external stakeholders, we have established channels for reporting violations, including mailboxes, phone numbers, and email addresses, and strictly keep the information of the reporters confidential. Additionally, we regularly organize integrity training sessions, through which we conduct case publicity and education activities to enhance employees’ integrity awareness. From 2023 to May 31 2026, no incidents of corruption, bribery, or embezzlement occurred in the Company.

Privacy Protection

We abide by laws and regulations such as the *Cybersecurity Law of the People’s Republic of China* and the *Regulation on Protecting the Security of Critical Information Infrastructure*, and formulate management systems such as the *Information System Management Measures*, *Emergency Response Plan for Information System Incidents*, *Information System Control Management System*, *Customer Personal Information Management System*, and *Data Security*, effectively ensuring the security of internal operational data.

To address the risks of information system disruptions and cyber-attacks, we regularly conduct information system emergency drills. We evaluate the drill results and produce the *Emergency Plan Drill Report* to fully ensure service continuity and prevent the occurrence of risk events where patient information is leaked due to system issues.

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We conduct regular information system security training, covering topics such as information system security laws and regulations, unit security management systems, security technical knowledge, and emergency response methods. We have developed annual information system security training plans for new employees, current employees, and personnel in special positions.

We have clearly defined the protection requirements and assessment cycles for each level of systems. Our HIS system has passed the Information Classified Protection of Cybersecurity (Level 3) (S3A3) assessment and certification. During the Track Record Period, no privacy leakage incidents occurred in the Company.

Environment

We consistently uphold green development, integrating environmental protection throughout production and operation. We continuously enhance energy conservation, emission reduction, and pollution prevention, promote the efficient use of resources, and actively address the challenges of climate change.

Response to Climate Change

Amid increasing global extreme weather events, we have established a three-tier climate governance framework spanning “Board of Directors — Management — Functional Departments/Business Units”. The Board, as the decision-making body, oversees strategy and supervision to ensure goal attainment; Management provides execution guidance, coordinates resources, and regularly reports progress to the Board; Functional departments and units implement measures and conduct monitoring. This creates a closed-loop climate management mechanism with clear accountability and collaborative efficiency. We remain vigilant about climate risks and opportunities affecting our business model, value chain, financial position, performance, and cash flows, managing them through a structured process of identification, assessment, response, review, and improvement.

We have identified potential impacts from physical climate risks such as extreme cold weather and heavy rainfall. Low temperatures may strain production equipment, pipeline systems, and energy supply, increasing operational failure risks and affecting production continuity. Extreme precipitation could lead to facility flooding and power outages, challenging to logistics and warehouse safety. Meanwhile, advancing “dual-carbon” policies, the Company faces rising energy costs and compliance pressures. The green transition also presents opportunities—through energy-saving upgrades, optimized energy consumption structures, and expanded clean energy adoption, we can reduce long-term operational costs while enhancing energy efficiency and sustainable competitiveness.

Our Scope 1 greenhouse gas emissions cover direct emissions generated from the Company’s operations, primarily calculated based on gasoline consumption. Scope 2 greenhouse gas emissions refer to indirect energy-related emissions resulting from our consumption of purchased electricity.

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The following table sets forth a breakdown of our greenhouse gas emissions during the Track Record Period.

	Unit	Year ended December 31,			Five months ended May 31,
		2023	2024	2025	2026
Scope 1 GHG emissions.	tCO ₂ e	86.90	22.12	72.11	11.38
Scope 2 GHG emissions.	tCO ₂ e	513.43	732.93	1,106.47	713.11
Total GHG emissions (Scope 1 & 2)	tCO ₂ e	600.33	755.05	1,178.58	724.49
GHG emission intensity (Scope 1 & 2)	tCO ₂ e/million RMB	4.00	3.49	2.95	3.95
GHG emissions (Scope 3) – Fuel and Energy Activities	tCO ₂ e	206.56	267.53	414.26	257.57
GHG emissions (Scope 3) – Employee Commuting.	tCO ₂ e	262.74	460.52	628.72	344.06

We set energy conservation and emission reduction targets and actively implement initiatives, committed to reducing our carbon footprint. With 2025 as the baseline year, we aim to achieve 15% absolute reduction in Scope 1 and Scope 2 greenhouse gas emissions, alongside 15% absolute decrease in comprehensive energy consumption by 2030. In order to achieve these goals, the Company continues to implement energy-saving measures, proactively introduce and promote advanced energy-efficient processes, while establishing a tracking and evaluation mechanism to ensure goal attainment. Detailed specific measures are demonstrated in *Energy Management* Chapter.

Energy Management

In compliance with national regulations, we have implemented the *Energy Management System* featuring a three-tier governance structure with defined responsibilities. We enforce “power-off when unused” protocols, eliminate equipment idle operation, optimize production scheduling, and fine-tune equipment such as decoction machines and water pumps and prioritize energy-efficient products and technologies. Regular awareness campaigns and training enhance employee engagement. We are building energy measurement records, with specialists conducting monthly statistical analysis of consumption data for continuous improvement.

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The table below details our energy usage during the Track Record Period.

	Unit	Year ended December 31,			Five months ended May 31,
		2023	2024	2025	2026
Gasoline	Tonnes	28.56	7.27	23.70	3.74
Purchased Electricity	MWh	956.82	1,365.88	2,062.00	1,328.95
Total Comprehensive Energy Consumption	Tce	159.62	178.56	288.29	168.83
Total Comprehensive Energy Consumption Intensity	Tce/million RMB	1.06	0.82	0.72	0.92

Water Resource Management

We strictly comply with relevant regulations and adhere to water conservation principles. During production processes, we control water flow rates, optimize cleaning procedures, and enhance daily inspections to prevent leakage, seepage, dripping, or running water. For domestic water usage, we promote the practice of turning off taps firmly to minimize waste.

The table below details our water resource consumption during the Track Record Period.

	Unit	Year ended December 31,			Five months ended May 31,
		2023	2024	2025	2026
Freshwater Consumption	Tonnes	15,333.33	26,575.10	33,635.58	13,587.96
Total Water Consumption	Tonnes	15,333.33	26,575.10	33,635.58	13,587.96
Total Water Consumption Intensity	Tonnes/million RMB	102.22	122.69	84.15	74.09

Emission

We strictly adhere to national standards including the *Discharge Standard of Water Pollutants for Pharmaceutical Industry Chinese Traditional Medicine Category* (GB 21906-2008), *Integrated Emission Standard of Air Pollutants* (GB 16297-1996), *Standard for Pollution Control on the Non-hazardous Industrial Solid Waste Storage and Landfill* (GB 18599), *Standard for Pollution Control on Hazardous Waste Storage* (GB 18597), and local environmental regulations in our operating areas. Guided by “source reduction, categorized management, safe disposal, and whole-process monitoring,” we implement the *Three Wastes Management Regulation* to minimize waste emissions and ensure proper treatment of all residues. During the tracking period, the Company has recorded no environmental penalties.

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Wastewater Management

We have established the internal *Sewage Treatment System Management Protocol*, implementing categorized collection. Conventional wastewater receives preliminary treatment before discharge into municipal sewage networks, while high-organic wastewater receives advanced treatment to ensure compliance.

Waste Gas Management

For waste gases generated during decoction, concentration, and drying processes, we have installed collection hoods above equipment to capture emissions at source. The captured gases are treated through deodorizing and adsorption integrated purification systems before being discharged via elevated stacks to ensure compliance with emission standards.

Solid Waste Management

We strictly adhere to applicable laws and regulations, including the *Standard for Pollution Control on the Non-hazardous Industrial Solid Waste Storage and Landfill (GB 18599)* and *Standard for Pollution Control on Hazardous Waste Storage (GB 18597)*, to ensure solid and hazardous waste management compliance of the entire process, from on-site storage to final disposal.

The Company implements strict categorized management of solid waste to ensure proper disposal. Herbal residues are processed by licensed contractors through bio-fermentation, composting, or incineration. Hazardous waste is segregated, stored in dedicated facilities and harmlessly treated by licensed operators possessing the Hazardous Waste Business Permits. Detailed digital records — tracking generation, storage, and transfer — are maintained for minimum five-year retention to achieve full traceability.

Furthermore, we conduct regular training programs for employees, particularly those involved in hazardous waste operations, covering waste classification, safe handling, and emergency response procedures. We have also developed contingency plans, equipped necessary emergency supplies, and conducted regular drills. Moreover, we ensure ongoing compliance through continuous supervision and by cooperating fully with regulatory inspections. The table below details our emission management performance during the Track Record Period.

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			Year ended December 31,			Five months ended May 31,
			2023	2024	2025	2026
		Unit				
Hazardous Waste	Herbal Residues . . .	Kilograms	138,431.70	211,536.05	380,709.00	171,759.50
	Total Hazardous Waste	Kilograms	138,431.70	211,536.05	380,709.00	171,759.50
	Total Hazardous Waste Intensity	Kilograms/million RMB	922.88	976.62	952.43	936.49
	Paper Consumption . .	Tonnes	2.67	6.14	9.62	3.48
Non-Hazardous Waste	Total Non-Hazardous Waste	Tonnes	2.67	6.14	9.62	3.48
	Total Non-Hazardous Waste Intensity . . .	Tonnes/million RMB	0.02	0.03	0.02	0.02

Social

In the process of inheriting TCM culture, we actively take on social responsibilities. We are committed to maintaining an equal and diverse working environment and safeguarding employees’ occupational health and safety. We actively join hands with all parties to promote the Company and even the pharmaceutical industry to better serve the social development.

Employee

We adhere to compliant employment and support the career growth of our employees to fully mobilize their enthusiasm and initiative and lay a talent foundation for the Company’s sustainable development.

Employee Engagement

We comply with the *Labor Law of the People’s Republic of China* and regulations in the regions where we operate. The Company firmly upholds the rights and interests of its employees and respects multiculturalism. In terms of employee employment, we ensure equal opportunity for employees of any race, nationality, religion, gender and age, resist all discrimination, and eliminate child labor and forced labor.

In talent introduction, the Company is professionally oriented and strictly checks the professional qualifications of medical professionals. Meanwhile, we adopt a diversified recruitment channel of “a combination of external hiring and internal referrals” and set up a special team to introduce high-quality doctors and professional and technical talents.

The table below details our employee recruitment during the Track Record Period.

			Year ended December 31,			Five months ended May 31,
			2023	2024	2025	2026
		Unit				
Employees by gender	Male	Persons	264	492	721	859
	Female	Persons	642	1,096	1,689	2,066
Employees by age	≤30 years old	Persons	207	416	587	751
	31-50 years old	Persons	608	1,027	1,662	1,990
	>50 years old	Persons	91	145	161	184
Employees by region	Chinese Mainland . .	Persons	906	1,588	2,410	2,925
	Hong Kong, Macao, Taiwan & Overseas	Persons	0	0	0	0
Total number of employees			906	1,588	2,410	2,925

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Employee Development

The Company has established an equal and transparent promotion system, which is divided into management sequence, technical sequence, professional sequence, business sequence and operation sequence according to job content. We have formulated and adhered to internal systems such as *Basic Compensation Management System* and *Performance Management System* to ensure that employees’ abilities are effectively utilized and developed.

The Company has a complete training system to provide job training for new employees, training for reserve managerial personnel, promotional training and other training opportunities. At the same time, we have set up a distinctive employee mentorship system to provide more space and opportunities for employees’ growth and development.

The table below details our employee training performance during the Track Record Period.

		Year ended December 31,			Five months ended May 31,	
			2023	2024	2025	2026
	Unit					
Employee Training	Training Participants	Person-time	3,750	3,986	6,990	5,756
	Total Training Hours	Hours	779	1,246	1,172	670
	Training Coverage Rate	%	100	100	100	100

Occupational Health and Safety

We comply with the *Labor Law of the People’s Republic of China* and actively formulate rules and regulations to protect employees’ occupational health and safety. The Company incorporates preventive measures into every business process to enhance employees’ safety awareness and standardize their safe operation behavior by conducting occupational safety education and organizing them to learn relevant laws, regulations and operating procedures. All new hires must study and pass safety protocols before starting work.

In addition, we have established a safety hazard identification process and emergency response procedures to identify and address safety hazards in a timely manner. The Company arranges regular health assessments for employees to promote health management from “post treatment” to “pre-prevention”, for purposes of protecting employees’ physical and mental health.

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The table below details our employee training performance during the Track Record Period.

		Unit	Year ended December 31,			Five months ended May 31,
			2023	2024	2025	2026
Health and Safety	Number of Fatalities	Persons	0	0	0	0
	Number of Work-Related Injuries	Persons	0	6	0	2
	Lost Days Due to Work-Related Injuries	Days	0	556	0	168
	Number of Work-Related Injury Incidents	Incidents	0	6	0	2

Supply Chain Management

We have established a supplier management system to achieve the full life cycle management of “onboarding, management, evaluation, and elimination”. To ensure supply chain compliance and reliability, we have signed integrity agreements with all core suppliers, explicitly incorporated ESG requirements into standard contract terms and conditions and implemented hierarchical management of suppliers according to the assessment results. We conduct periodic reviews of our suppliers, providing additional training to those with lower scores, assisting unqualified ones in corrective actions, and blacklisting repeatedly non-compliant suppliers for elimination.

The table below details our supplier management profile¹ during the Track Record Period.

		Unit	Year ended December 31,			Five months ended May 31,
			2023	2024	2025	2026
Number of Suppliers by Region	Chinese Mainland	/	71	149	152	224

¹ All the Company’s suppliers are from the Chinese Mainland.

Community Responsibility

We proactively in community responsibility and continue to carry out public welfare activities, including but not limited to holding public lectures on TCM healthcare knowledge, visiting and comforting sick employees and community members, and volunteering to clean streets. From 2023 to May 2026, we participated in 944 hours of community service.

COMPLIANCE AND LEGAL PROCEEDINGS

We are committed to maintaining the highest standards of compliance with the laws and regulations applicable to our business. During the Track Record Period and up to the Latest Practicable Date, we had not been imposed of any material administrative penalties. During the Track Record Period and up to the Latest Practicable Date, we were not involved in any non-compliance incidents that are systemic or have a material adverse effect on our business, financial condition or results of operations.

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any litigation, arbitration or administrative proceedings that could have a material and adverse effect on our business, financial condition or results of operations. As of the Latest Practicable Date, our

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Directors were not involved in any actual or threatened material claims or litigation. However, we may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of business. For the potential impact of legal or administrative proceedings on us, see “Risk Factors — Risks Relating to Our Business and Industry — If we become subject to litigation, legal or contractual disputes, governmental investigations, arbitration or administrative proceedings, our management’s attention may be diverted and we may incur substantial costs and liabilities.”

Failure to Complete Fire Safety Procedures for Certain Leased Properties

Background and reasons for non-compliance

As of December 31, 2023, 2024, 2025, May 31, 2026 and the Latest Practicable Date, we had ten premises (including nine offline medical institutions and one support operating premise), 25 premises (including 21 licensed medical institutions and four support operating premises), 29 premises (including 21 licensed medical institutions and eight support operating premises), 45 premises (including 27 licensed medical institutions and 18 support operating premises) and 60 premises (including 28 licensed medical institutions and 32 support operating premises) (the “**Non-compliant Premises**”), respectively, that had not completed fire safety filing (消防備案). Our failure to complete the fire safety filing for the Non-compliant Premises was primarily because (i) some of the properties where we leased partial premises have not completed the fire safety procedures as a whole, rendering us unable to apply for our own fire safety filing; (ii) our employees were not familiar with or had misunderstandings regarding the regulatory requirements for the fire safety filings before we implemented our enhanced internal control measures, as a result of the evolving regulations and practices adopted by local government authorities in various cities, and (iii) our certain Non-compliant Premises are in the process of completing the fire safety filing.

We allowed the relevant offline medical institutions under the Non-Compliant Premises to commence operations prior to completing the fire-safety filings, on the basis that: (i) pursuant to the Fire Protection Law, public assembly venues are required to apply for a fire safety inspection with the competent fire rescue authority before being put into use or commencing operations, and such application shall be filed by the constructor or the owner. All of our current premises are used for licensed medical institutions or support operating premises, which do not fall under the category of “public assembly venues”; therefore, our operating premises are not subject to the aforesaid fire safety inspection which must be done prior to commencing operations. Furthermore, the Fire Protection Law does not require premises such as our licensed medical institutions and support operating outlets to complete fire safety filing before commencing operations; (ii) prior to commencing operations, our licensed medical institutions are required to obtain a Medical Institution Practicing License from, or complete filing with, the competent health authority, and the relevant regulations and the competent health authority do not require the completion of fire safety filing as a precondition for issuing such license or filing certificate; and (iii) prior to commencing operations under the Non-Compliance Premises, we have equipped fire safety facilities in such premises. In addition, we have engaged the Fire Safety Consultant, who is qualified to conduct fire safety inspections on such premises. As confirmed by the Fire Safety Consultant, the fire-protection facilities of the Non-Compliant Premises comply with the applicable fire-safety codes in all material respects, and no fire-safety hazards were identified during on-site inspections. In the five months ended May 31, 2026, our revenue and net profit derived from the Non-compliant Premises amounted to RMB54.7 million, accounting for 29.9% of our total revenue, and our net profit derived from the Non-compliance Premises accounted for less than 5.0% of our total net profit.

Legal Consequences

According to applicable PRC laws and regulations, for each Non-compliant Premise where we fail to complete the fire safety filing, we and our relevant subsidiary may be ordered by relevant government authorities to rectify and subject to a fine of up to RMB5,000. As of the Latest Practicable Date, 14 of

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the licensed medical institutions within the Non-compliant Premises were in the process of completing the fire safety filing. As of the Latest Practicable Date, we engaged a qualified Fire Safety Consultant, an independent certified fire safety expert with extensive experience in the maintenance and inspection of fire safety facilities and fire safety assessments to conduct inspections for all of the Non-Compliant Premises. The Fire Safety Consultant confirmed that the fire-protection facilities at these properties substantially comply with applicable safety codes, and no fire-safety hazards were identified during their on-site inspections.

Our PRC Legal Advisors are of the opinion that: (i) the Fire Protection Law does not provide any other penalties other than the aforementioned fines for the above Non-compliant Premises solely due to not completing fire safety filings, therefore the legality of the operating income of the non-compliant stores will not be affected solely due to the failure of fire safety filings; (ii) pursuant to the Fire Protection Law, each Non-compliant Premises that fails to complete fire safety filings may be subject to a fine of up to RMB5,000. As of the Latest Practicable Date, a total of 60 leased properties had failed to complete fire safety filings. Therefore, the maximum risk exposure arising from the failure to complete fire safety filings for the Non-compliant Premises as of the Latest Practicable Date is a fine of up to RMB300,000. Given that these Non-compliant Premises are located in different regions and are relatively dispersed, the likelihood of these Non-compliant Premises being subject to administrative penalties simultaneously within a short period is remote; (iii) with respect to the Medical Institution Preparation License (醫療機構製劑許可證), the address registered on such license has completed fire safety acceptance inspection and does not fall within the scope of Non-compliant Premises. Accordingly, the validity of the Medical Institution Preparation License (醫療機構製劑許可證) will not be affected due to the failure to complete fire safety filing of Non-compliant Premises; (iv) the Administrative Measures on Medical Institutions (醫療機構管理條例) and its Implementation Measures, the Basic Standards for Medical Institutions (Trial)(醫療機構基本標準(試行)), the Interim Measures for the Administration of Clinic Filing (診所備案管理暫行辦法), the Interim Measures for the Filing Administration of TCM Clinics (中醫診所備案管理暫行辦法), and the Basic Standards for TCM Clinics (2023 Edition)(中醫診所基本標準(2023年版)) do not require, and as confirmed by the Group, when applying to the relevant competent health authorities for the Medical Institution Practicing License or the Clinic Filing Certificate for the relevant offline licensed medical institutions, such competent health authorities did not require, the completion of fire safety filing for our offline licensed medical institutions as a prerequisite for issuing a Medical Institution Practicing License (醫療機構執業許可證) or the Clinic Filing Certificate (診所備案證). Therefore, the failure to complete fire safety filing of Non-compliant Premises will not affect the validity of the Medical Institution Practicing License and Clinic Filing Certificate of our relevant licensed medical institutions.

Internal Control Measures

We have established a set of internal control measures in respect of fire safety, covering fire usages, firefighting facilities management, fire safety inspections, rectification of hidden fire hazards, fire safety education and training, fire extinguishment and emergency evacuation plans, and fire drills. The major measures we have undertaken are as follows:

- *Training.* We conduct fire safety training for employees, including regular training on general fire safety awareness and knowledge, as well as training on the proper use of fire safety equipment and emergency evacuation plans. We also conduct fire drills at our premises to familiarize our employees with our evacuation plans.
- *Accountability.* We have established the Gaozhentang Group Safety Management Committee as our highest coordinating and decision-making body for safety matters, providing organizational assurance for internal control. In addition, we have designated personnel at our headquarters responsible for conducting periodic review of the fire safety measures at our leased premises.

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- *Fire safety policy.* We have implemented detailed fire safety measures and procedures for our leased premises, including regular inspections on our electrical appliances and fire safety equipment. We have also formulated an evacuation plan, firefighting and rescue plan in case of emergency.
- *Equipment.* We equip our premises with the proper fire safety equipment and systems, and regularly assess the need to upgrade our equipment and facilities to achieve better ventilation, humidity, fire and heat protection.
- *Post-incident control.* To minimize risks and consequences, we have developed a emergency plan to ensure effective post-incident control and recovery capabilities.

In order to ensure that future established licensed medical institutions meet the fire protection regulations, we have strengthened our understanding of relevant laws and regulations in the PRC. Meanwhile, we have strengthened internal control measures and systems for fire protection and strictly implemented these internal control systems in the process of expanding our licensed medical institutions to avoid recurrence of related non-compliance in the future. Further, we will strive to complete the fire safety filing procedures for the Non-Compliant Premises.

After considering the above enhanced internal control measures, our Directors are of the view that our enhanced internal control measures regarding fire safety are adequate and effective. Based on the due diligence conducted, including but not limited to reviewing the internal control procedures adopted by us to prevent the recurrence of the fire safety non-compliance, and interviewing the Fire Safety Consultant to understand the methodologies and procedures involved for arriving at the conclusion that fire-protection facilities at the Non-Compliant Premises comply with applicable fire safety codes in all material respects, and no fire-safety hazards were identified during their on-site inspections, nothing has come to the attention of the Joint Sponsors which caused the Joint Sponsors to disagree with the above view of the Directors.

In addition, see “— Employees” for the details regarding our failure to make full contribution to the social security insurance and housing provident fund, and “— Properties” for the details regarding our failure to obtain real estate property certificates and register lease agreements. Given (i) these non-compliant incidents did not and will not have a material impact on our business operations and financial conditions, (ii) the reasons for many of such non-compliant incidents were not intentional and out of our control, and (iii) our undertaking and rectification measures to rectify these non-compliance incidents, our Directors believe that these non-compliant incidents do not amount to material or systemic noncompliance.

INTERNAL CONTROL AND RISK MANAGEMENT

Our internal control and risk management measures are designed to meet our specific business needs and minimize our risk exposure. We have adopted different internal guidelines, policies and procedures to monitor and reduce the impact of risks which are relevant to our business operations and financial reporting, improve our corporate governance, and ensure compliance with the applicable laws and regulations. Our Board is responsible for establishing our internal control and risk management measures and reviewing their effectiveness. We have resolved to establish an audit committee comprising three Directors, namely Mr. Zhang Wei, Ms. Liu Li and Mr. Mei Rongjun. The audit committee will be effective upon the [REDACTED] of the Company and will also adopt its terms of reference which set out clearly its duties and obligations for reviewing our compliance, accounting policies and financial reporting procedures, supervising the implementation of our internal audit system, advising on the appointment or replacement of external auditors and liaising between our internal audit department and external auditors.

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We adopt a systematic approach to risk assessment, utilizing quantitative and qualitative methods to evaluate the likelihood and potential impact of identified risks. This process involves regular risk assessments at the corporate and departmental levels, enabling us to prioritize risks based on their materiality to business objectives. We have formulated corresponding mitigation strategies for specific risks, such as supply chain diversification, implementation of cybersecurity protocols, and emergency planning for critical operations.

Compliance with all relevant laws, regulations and industry standards is crucial to our operations. Our compliance department is responsible for overseeing adherence to regulatory requirements, conducting regular audits, and providing training to employees to ensure they deepen their compliance awareness and understand their compliance obligations. We proactively communicate with regulators to understand the evolving regulatory landscape, thereby minimizing the risk of non-compliance and related penalties.

To ensure the above compliance culture is embedded into everyday workflows and to set the expectations for individual behavior across the organization, we will regularly review our risk management and internal control procedures, adopt strict accountability internally and conduct compliance training periodically. We will also continue to implement appropriate internal control measures to ensure compliance with all applicable laws and regulations. We will seek professional advice and assistance from independent internal control consultants, external legal advisors, and other relevant professional experts to address internal control and legal compliance matters, as and when appropriate.