
FUTURE PLANS AND USE OF [REDACTED]

FUTURE PLANS AND PROSPECTS

See “Business — Our Strategies” for a detailed description of our future plans and strategies.

[REDACTED]

We estimate that we will receive [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED] million, after deducting [REDACTED], fees and estimated expenses payable by us in connection with the [REDACTED], and assuming an [REDACTED] of HK\$[REDACTED] per Share. We currently intend to apply these [REDACTED] for the following purposes:

- Approximately 33.0%, or HK\$[REDACTED] million, supplemented by cash generated from our operating activities, will be used to expand the geographical footprint of our TCM healthcare service network through establishing new licensed medical institutions. This expansion is a core component of our growth strategy, aimed at enhancing our geographical coverage, accessibility, and market leadership. We will pursue a two-pronged expansion strategy: (i) intensify our penetration in established markets, with a primary focus on Liaoning Province, leveraging our existing operational expertise, concentrated resources, and strong brand recognition to capture greater market share; and (ii) capitalize on structural growth opportunities in broader regional markets by focusing expansion efforts on high-potential regions, specifically Shandong Province, Hebei Province, Henan Province, and Tianjin to establish market leadership.

Specifically, this investment involves a strategic rollout to scale our TCM healthcare service network, following a phased implementation schedule: (i) approximately 30 new licensed medical institutions in 2026; (ii) 35 to 40 new licensed medical institutions in 2027; (iii) 40 to 45 new licensed medical institutions in 2028; and (iv) 50 to 55 new licensed medical institutions in 2029. According to Frost & Sullivan, the size of and customer demand for the private TCM healthcare services market demonstrates promising prospects and opportunities for our future expansion.

The majority of these [REDACTED] will be allocated for initial setup costs, with each new licensed medical institution requiring an estimated investment of RMB1.0 million to RMB2.0 million for fit-out, equipment, and other launch-related expense in premises averaging 600-800 sq.m in GFA. This planned growth will substantially increase our service capacity, extend our brand reach, and create a scalable platform for sustainable long-term revenue growth.

Our network expansion of offline medical institutions across the nation will increase our capital expenditures and operating costs and expenses, resulting in net cash outflow and loss-making in the first eight to ten months. Around one year after the launch of an institution, we expect to achieve breakeven, net cash inflow, decreased operating costs and expenses, and improved profitability.

FUTURE PLANS AND USE OF [REDACTED]

- Approximately 24.0%, or HK\$[REDACTED] million, will be used to enhance our production capabilities by expanding our manufacturing capacity and integrating advanced technologies across our operations. Specifically, this investment will support the expansion of physical production capacity, including securing production space, fitting out workshops, and acquiring key equipment such as: (i) smart automated dispensing systems to ensure accuracy, speed, and traceability; (ii) advanced decoction and packaging lines to improve efficiency and quality, and (iii) comprehensive environmental protection installations to ensure regulatory compliance, workplace safety, and our commitment to best ESG practices. Additionally, these [REDACTED] will fund comprehensive technological upgrades across our entire manufacturing function, including: (i) the development of automation hardware to streamline labor-intensive tasks, improve consistency and scalability; and (ii) the implementation of a unified production information system to enable real-time monitoring, inventory management, quality assurance, and enhanced supply chain coordination, thereby creating a more intelligent and responsive operational foundation.

This combined [REDACTED] in physical infrastructure and intelligent technology systems is engineered to build a resilient, high efficiency, and future-ready production ecosystem, which will reliably underpin our expanding TCM healthcare service network with consistent, high-quality and compliant outputs.

Our expansion of manufacturing capacity and enhancement of operational equipment will increase our costs of depreciation and capital expenditures. This initiative, in the long run, is in turn expected to increase our production capacity and sales volume, growing our revenue and gross profit margin.

- Approximately 10.0%, or HK\$[REDACTED] million, will be used to develop intelligent systems and strengthen our foundational information technology infrastructure. This [REDACTED] will drive the development and optimization of digital capabilities and enhance our operational resilience. Specifically,
 - approximately 5.0%, or HK\$[REDACTED] million, is expected to be used to build, fine-tune, and optimize digital tools to support clinical applications such as patient self-assessment, digital diagnosis (including consultation, tongue, facial, and pulse analysis), intelligent prescription generation, efficacy evaluation, and smart decoction guidance;
 - approximately 3.0%, or HK\$[REDACTED] million, is expected to be used to develop and implement new, integrated management systems. This [REDACTED] will fund the deployment of key digital platforms across several functions, including human resources, administration, and supplier management; and
 - approximately 2.0%, or HK\$[REDACTED] million, is expected to be used to upgrade and enhance foundational information technology systems, including our enterprise resource planning system, HIS, and customer service systems to improve operational integration, clinical workflow, and customer engagement.

Our Development of digital infrastructure will increase our capital expenditures and operating expenses in the short term, adversely impacting our net profit margin. However, this [REDACTED] is expected to reduce our costs and improve our operational efficiency in the long term, leading to improved net profit margin.

- Approximately 10.0%, or HK\$[REDACTED] million, will be used to execute comprehensive brand enhancement initiatives. This [REDACTED] is aimed at systematically elevating the profile, credibility, and resonance of our “Gao Zhen Tang” and “Yu Yan Tang” brands to build broader customer awareness, foster deep trust, and cultivate lasting loyalty. Our approach will integrate key initiatives, including: (i) develop and disseminate scientifically-grounded

FUTURE PLANS AND USE OF [REDACTED]

educational content and community health programs to position TCM as a modern, proactive pillar of wellness management; and (ii) establish a robust multi-channel media presence to effectively communicate our value proposition. Collectively, these efforts are designed to create a patient-centric ecosystem that not only attracts a wider patient base but also nurtures enduring relationships, ultimately driving sustainable, high-quality growth for our integrated healthcare services.

Our enhancement of brand awareness will increase our selling and marketing expenses, adversely impact our net profit margin. However, this initiative is expected to help us acquire more customers and improve our pricing capability, which is in turn expected to increase our revenue and margins

- Approximately 8.0%, or HK\$[REDACTED] million, will be used for talent acquisition and team building. This [REDACTED] will fund the recruitment of experienced management and medical professionals, comprehensive training programs, incentive programs design and optimization, team-building activities, and the development of career progression pathways.

Our talent acquisition will increase our overall employee benefits expenses, adversely impacting our operating costs and expenses and margins. This initiative is expected to enhance our overall competitiveness, improve our operational efficiency, grow our business network, thus increasing our revenue, profitability and margins.

- Approximately 5.0%, or HK\$[REDACTED] million, will be used to optimize our TCM healthcare services, with a primary focus on advancing our research and development capabilities, particularly for in-hospital preparations. This [REDACTED] is designed to cement our “research-clinical” model by funding the full research and development cycle. Key [REDACTED] include: (i) new research and development projects; (ii) optimization of existing in-hospital preparations; (iii) internal testing and quality assurance; (iv) clinical validation and training; (v) data platform and system development; and (vi) regulatory submission and commercialization. This comprehensive research and development initiative will deepen our proprietary in-hospital preparation portfolio, and enhance our TCM healthcare service offerings.

Our R&D of in-hospital preparations will increase our R&D expenses and capital expenditures, adversely impacting our net profit margin in the short-terms. This initiative, however, in the long run is expected to increase our revenue and margins, as a result of more readily-available TCM drug products.

- Approximately 10.0%, or HK\$[REDACTED] million, will be used for working capital and other general corporate purposes.

FUTURE PLANS AND USE OF [REDACTED]

The following table sets forth a detailed breakdown of the [REDACTED] of our [REDACTED].

		2026	2027	2028	2029	Total (HK\$ million)
Expansion of self-operated offline medical institutions	Establish self-operated institutions in both new territories and existing ones	N/A ⁽ⁱ⁾	A total of 35 to 40 institutions, including ten in Shandong Province and eight in Hebei Province.	A total of 40 to 45 institutions, including six in each of Jiangsu Province and Henan Province, and five in Hebei Province. In addition, we plan to tap into new territories, such as Beijing City, Shanghai City, Shan'xi Province, Shanxi Province, Hunan Province, among others.	A total of 45 to 50 institutions, by (i) establishing new institutions in our existing market and (ii) covering more Southern China market, such as Guangdong Province, Guangxi Zhuang Autonomous Region, and Sichuan Province.	[REDACTED]
Expansion of manufacturing capacity and enhancement of operational equipment	(a) Land acquisition and facility construction for a new manufacturing plant for the production of prescription preparations, which is expected to be based in Henan Province or Anhui Province. This new production facility is expected to have designed annual capacity of over 500,000 units with expected utilization rate of around 30% to 40% in 2027, 50% to 60% in 2028, and 70% to 80% in 2029.		Land acquisition with gross land area of around 10,000 sq.m., with purchase price of around RMB300/sq.m. and construction price of around RMB3,300/sq.m.			[REDACTED]
	(b) Acquisition of smart operational equipment		(i) smart decoction and dispensing systems and equipment, (ii) advanced filling and packaging equipment, and (iii) comprehensive environmental protection equipment	(i) smart decoction and dispensing equipment and (ii) comprehensive environmental protection equipment		
	(c) Acquisition of smart production equipment		(i) fully automated decoction production lines, (ii) automated raw materials delivery equipment, and (iii) automated water processing equipment	Equipment for automated production lines		[REDACTED]
	(d) Production staff recruitment with relevant experience or qualifications, with an average monthly salary of RMB7000	Around 8	Around 20	Around 25	Around 30	
	(e) System upgrade for production facilities		System control for automated production lines	Management information system, big data platform, decoction delivery platform	Decoction status tracking system	

FUTURE PLANS AND USE OF [REDACTED]

		2026	2027	2028	2029	Total (HK\$ million)
Development of digital infrastructure	Recruitment of engineers for (i) algorithms with rough annual salary of RMB450,000, (ii) the development of digital tools with rough annual salary of RMB350,000, and (iii) full-stack development with rough annual salary of RMB400,000 Build new systems and upgrade existing ones for finance, administration, human resources (“HR”), operations, IT, and production, including the development of digital tools to support our diverse clinical scenarios, the integration of management systems to streamline our operation, and the improvement of our digital infrastructure to enhance our operational resilience		Around 6	Around 6	Around 6	[REDACTED]
Enhancement of brand awareness	Overall brand promotion	Visual identity system update, brand story script, large-scale promotion events, launch of media partnerships, official website revamp, and social media content planning	White paper release, visual fine-tuning, offline/online marketing campaigns, participation in exhibitions/trade shows, short-video making for brand and TCM promotion, and reputation system development	Brand upgrade assessment and optimization, promotional events, public relations communications, live streaming, and operation of user evaluation system	Annual conference, industry leadership events, and continuous operation of digital content	[REDACTED]
Talent acquisition	Administrative staff with rough annual salary of RMB66,000	Around 30	Around 80	Around 110	Around 120	[REDACTED]
	Medical professionals with rough annual salary of RMB180,000	Around 8	Around 10	Around 12	Around 15	
	Senior management with rough annual package ranging from RMB1 million to RMB1.5 million			Around 2	Around 3	
R&D of in-hospital preparations	In-house development of in-hospital preparations for various diseases	Development of formulation and process technologies for stroke	Development of formulation and process technologies for diabetes	Development of formulation and process technologies for bone and joint, and rheumatic diseases	Registration and commercialization of approved in-hospital preparations, and purchase of the relevant production facilities	[REDACTED]
Working capital and general corporate						[REDACTED]
Total (HK\$ million)						[REDACTED]

Notes:

(i) With own capital resources

FUTURE PLANS AND USE OF [REDACTED]

If the [REDACTED] is exercised in full, we will receive additional approximately HK\$[REDACTED] million, at an [REDACTED] of HK\$[REDACTED] per Share. In the event that the [REDACTED] is exercised in full, we intend to apply the additional [REDACTED] to the above purposes in the proportions stated above.

To the extent that the [REDACTED] from the [REDACTED] are not immediately used for the purposes described above and to the extent permitted by the relevant laws and regulations, they will be placed in short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the Securities and Futures Ordinance or other applicable laws and regulations in other jurisdictions).

We will issue an appropriate announcement if there is any material change to the above proposed [REDACTED].