
FUTURE PLANS AND [REDACTED]

FUTURE PLANS

See "Business—Our Strategies" in this document.

[REDACTED]

Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the stated range of the [REDACTED] of between HK\$[REDACTED] and HK\$[REDACTED] per [REDACTED]), we estimate that we will receive [REDACTED] of approximately HK\$[REDACTED] (equivalent to RMB[REDACTED]) from the [REDACTED] after deducting the [REDACTED] and other estimated expenses in connection with the [REDACTED] and assuming that the [REDACTED] is not exercised. We intend to use the [REDACTED] from the [REDACTED] as follows:

- (i) Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used primarily to upgrade and enhance our SaaS products (with a focus on Smart Decision Cloud, Smart Retail Cloud and Smart Medical Cloud), and their marketing and promotion. Our SaaS products have contributed to steady increases in revenue generated from this business segment throughout the Track Record Period as this segment moved from its initial stage into a rapid growth stage. Revenue generated from SaaS increased by approximately 304.0% from RMB7.0 million for the year ended 31 December 2020 to RMB28.2 million for the year ended 31 December 2021. For the same periods, we recorded an increase in gross profit margin of 8.0% to 60.4% due to an increase in the number of our SaaS clients as a result of our direct marketing efforts and cross-selling opportunities. We plan to attract new clients and also to increase penetration of our SaaS products among our existing clients through cross-selling, which will also help strengthen our existing relationships and increase their engagement level and retention rate. Our clients have increasing demand for specific solutions and evolving business needs, which we intend to address through our SaaS products. In addition to cross-selling opportunities, our SaaS products also create synergies with our other business segments by acting as data sources for our Data Insight Solutions and Data-driven Publications and Events. We plan to leverage our industry knowledge to add industry data and insights to create additional synergies between our Data Insight Solutions and SaaS to aid in strategic development of our clients' businesses. Our SaaS clients also become clients and participants of our Data Insight Solutions and Data-driven Publications and Events.

We plan to continue our research and development on various SaaS products and to focus on functions according to market demand such as those that help clients transform from traditional operation and management methods to more efficient digital operation methods to increase their competitiveness. At the same time, we plan to strengthen our operational capabilities and enhance the user experience of our SaaS products through management of our channels, our brand, and the supply chain. We expect marketing and promotion expenditure to increase in order to continue building our user base and product activities.

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- For Smart Decision Cloud, we are planning to establish modules and tools for the following client types and users:
 - **Pharmacies.** Increase functions within Pharmacy Connect for digital marketing and to connect online and offline consumer marketing platforms, and tools for using feedback from consumer preferences to broaden scope of healthcare solutions and products;
 - **Pharmaceutical distribution companies.** Increase functions and support for cloud-based solutions for various internal management systems to enhance their operational efficiency, including a pharmaceutical drug tracking platform; and
 - **Medical product manufacturers.** Increase functions and more powerful tools within LinkedSee and to support their internal management systems and collect data in a similar fashion to our existing SIC, and consumer marketing management systems including tools to gain feedback on consumer preferences and a public opinion monitoring platform to assist in optimizing marketing decisions.

We plan to establish and maintain a suite of SaaS products that supports digitalization of the entire healthcare industry chain, such that all participants, from pharmacies and those upstream from them, will gain additional insight into the supply chain and consumer preferences. These upgraded operation and promotion capabilities are intended to maximize the value of Smart Decision Cloud products to the industry and our clients and also to accelerate the digital transformation of the healthcare industry.

- For Smart Retail Cloud, we are planning to develop and upgrade tools and functions for pharmacies, such as smart replenishment tools for inventory management, tools for tracking origin and manufacturing details of products, health management plans for their members, an online market place and further iterations of our current CRM offerings and modules to allow for more advanced membership, inventory and staff management to support increased digitalization of their stores. We are also planning to build a private platform to connect chain pharmacies and medical product manufacturers to allow for a feedback loop and cross-promotion of related products.
- For Smart Medical Cloud, due to the high degree of specialization in the medical field, the requisite data structure to be processed is highly complex. We plan to continue the research and development remaining before this offering is completed, including developing and upgrading precise CRM modules utilizing comprehensive patient records and intelligent diagnostic systems. We intend to leverage our cloud capabilities to allow institutions using our products to be empowered to provide a complete online diagnosis and treatment service chain to improve service efficiency and potential coverage, and to be supported by an intelligent platform where doctors can have real-time access to electronic medical

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records and diagnostic references and treatment suggestions during the consultation process. Another element will be an intelligent follow-up function as an important extension of diagnosis and treatment services. We plan to develop this intelligent follow-up tool to assist medical staff to automatically screen, arrange, and plan the patient management queue efficiently, as well as dynamically adjusting the follow-up plan in a personalized manner according to patient data. This is designed to alleviate the demand and workload on medical staff from increasing demands from patients for pre-diagnosis prevention, post-diagnosis rehabilitation and the subsequent follow-up.

- We recognize that marketing and promotion are vital to the success of our SaaS products, and intend to establish a professional promotion team to promote our offerings and educate potential clients.

This marketing and promotion team will also help to a) expand the current marketing channel coverage, b) further strengthen our brand, c) promote our after-sales service abilities, d) increase the quality of our client service, and e) improve our overall management and operations. Their focus will be on medical product manufacturers, medical service institutions, chain pharmacies and other potential clients in the healthcare industry.

Specifically, for illustration purposes, we intend to implement our planned [REDACTED] on the above initiatives for our SaaS products over the next four years, with the detailed breakdown of the [REDACTED] to be allocated as follows:

- Approximately [REDACTED]%, or approximately HK\$[REDACTED], will be used to intensify our efforts to develop and market our SaaS products by expanding our talent base by hiring approximately 393 new employees. The need for our Group to hire more employees to support the initiatives related to our SaaS products is vital, as the current workforce is not sufficient to support and sustain the expected increase in business from our SaaS products. In particular, corporate clients for our SaaS products and revenue from SaaS products have grown rapidly throughout the Track Record Period, from 226 corporate clients and revenue of approximately RMB4.4 million for the year ended 31 December 2019 to 432 corporate clients and revenue of approximately RMB28.2 million for the year ended 31 December 2021. Revenue generated from our SaaS products as a percentage of our total revenue has grown from approximately 3.5% for 2020 to 8.7% for 2021, and this trend is expected to continue in the future. Our SaaS business segment is in its growth stage, with two products recently entering the revenue-generating stage, namely Smart Health Management Cloud in the latter half of 2020 and Smart Medical Cloud in the first half of 2021, necessitating an increase in our employee teams. They will comprise:
 - a professional promotion team of approximately 143 employees who will be responsible for promoting and establishing the full sales and distribution channels both regionally and nationwide. Among these new hires, ten of them are expected to be director-level recruits, namely Sales Directors, a Brand Director, and a Marketing Director, with extensive experience in the

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technology or healthcare industry, 110 of them are expected to be managers responsible for sales, brand promotion, marketing and regional coverage, eight of them are expected to be graphic designers, and 15 of them are expected to be marketing specialists;

- a team of approximately 126 employees who will be responsible for operation and maintenance of these SaaS products and related client service functions. Among these new hires, four of them are expected to be experienced director-level recruits, namely a Director of Implementation, Directors of Operations, and a Director of Solutions, with extensive experience in the technology or healthcare industry, 51 of them are expected to be managers responsible for implementation and operations, projects, product operations, solutions, online operations and search engine marketing, and 71 of them are expected to be operations support staff; and
 - a team of approximately 124 employees to enlarge our research and development team, including R&D directors, development and testing engineers, and product managers. Among these new hires, eight of them are expected to be director-level recruits, namely a senior technical director, directors of products and directors of research and development, with extensive experience in the technology or healthcare industry, six of them are expected to be architects responsible for technical design and leading development projects, 15 of them are expected to be managers responsible for products and testing, and 95 are expected to be engineers or analysts responsible for front-end and back-end development, data testing and development, operations and maintenance, demand analysis, and other projects.
- Approximately [REDACTED]%, or approximately HK\$[REDACTED], will be used to enhance and upgrade our technology infrastructure specific to the promotion of our SaaS products, which will primarily be hardware and software to support demo environments for SaaS product sales, and also office equipment for corresponding personnel.
- (ii) Approximately [REDACTED]%, or HK\$[REDACTED], will be used primarily to conduct further research and development of our technology and data warehouse, and in particular for the following projects: a) our AI technologies, including our Big Data & AI Lab, our woodpecker medical cognition aPaaS and life science solution aPaaS, and b) the middleware for Sinohealth Engine, which will involve big data aPaaS technical research and development, internet data center ("IDC") (including internet resources cooperation services) and application for the requisite certification. We expect research and development in this area to improve the efficiency of our SaaS products and the quality and delivery speed of non-SaaS insight solutions.

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For our AI technologies:

- As part of our Big Data & AI Lab, we are working on projects including using deep learning technology to create models that will have real-life applications and practical utility. Other research projects include using machine learning and big data analysis technology to build tools using high-dimensional data processing, feature extraction, Bayesian statistics, and symbolic machine learning, and also basic biomedical research involving fields such as biomedicine, pre-clinical and clinical medicine, combined with artificial intelligence. One area of focus for our team is a model for medical literature analysis, where we have laid the groundwork and intend to continue improving.
- For our woodpecker medical cognition aPaaS, where we have completed approximately 50% of the planned research and development, we plan to provide powerful medical text analysis capabilities in this aPaaS, including electronic medical records, medical-related documents and other medical texts, and output the results of the analysis as standardized terms. In addition, we hope to develop a knowledge engine tool so that users can use this to configure intelligent clinical tools and calculation paths based on medical evidence, and quickly deploy them for their own solutions.
- For the life science solution aPaaS, we plan to provide AI-based gene and protein bioinformatics tools (such as gene sequence alignment tools and protein spatial structure prediction tools), and also a complex biomedical knowledge graph (such as a drug that targets disease genes) and graph reasoning tools to assist in new drug discovery. At the same time, data integration management tools, ePRO tools and statistical analysis tools will also be provided at the clinical level to support clinical trials and RWS. We hope to allow industrial enterprise and scientific research institution clients to quickly assemble their required capabilities on this platform without any development work.

For Sinohealth Engine, which is our core of applied research and development, we plan to continue investments for iterative development to a) improve its development efficiency to allow developers to quickly build scenario-based intelligent applications on this platform in a low code or no code environment; b) improve its capacity and resource utilization so that it can accumulate core capabilities of different business segments and create application modules which can then be used by other segments; and c) improve its technological realization abilities by simplifying numerous development links and reducing integration difficulties, which will allow developers to focus instead on implementing their module's technology. We also plan to use proceeds for setting up an IDC to support Sinohealth Engine.

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Specifically, for illustrative purposes, we intend to implement our planned [REDACTED] on research and development for our technology and data warehouse over the next four years, with the detailed breakdown of the [REDACTED] to be allocated as follows:

- Approximately [REDACTED]%, or approximately HK\$[REDACTED], will be used to enhance and upgrade our technology infrastructure, including the IDC and purchase of IT and office equipment, data and management software, operating system, security software and cloud storage and cloud security services to expand storage and computing capabilities. Data is our crucial and core asset, and data security is a top priority from our perspective, whether for security of digital systems or the security of the operating systems, software, or cloud resources. These are crucial to the backbone of our operations, and an important factor in the need to set up an IDC to support Sinohealth Engine. In addition, purchase of additional relevant data processing software is necessary for continued support of our data processing capabilities and offerings.
- Approximately [REDACTED]%, or approximately HK\$[REDACTED], will be used to expand our talent base by hiring approximately 204 new employees, which is vital to implement the planned research and upgrade of our technology and data warehouse and initiatives set out above, as our current workforce is not sufficient to support full implementation. For example, we had only completed part of the research and development project for our woodpecker medical cognition aPaaS and the life science solutions aPaaS and require additional employees to carry out the next phases, including opening up to third-party developers and business partners. Among these new hires, one of them is expected to be a chief scientist with extensive experience in the technology or healthcare industry, nine of them are expected to be director-level recruits, namely directors of products, projects, data, and research and development, two of them are expected to be architects responsible for technical design and leading development projects, 12 of them are expected to be specialists in medicine, clinical medicine, epidemiology, and laboratory operations, 24 of them are expected to be managers responsible for products, data and data processing, testing, medical and clinical data, and biostatistics, and 156 are expected to be engineers, analysts or researchers responsible for data warehouse development, data analysis and processing, front-end and back-end development, deep learning and AI programs development, bioinformatics development, and academic and intellectual property projects.

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Implementation Timeline

The following table sets forth a breakdown of the [REDACTED] estimated to be applied in the years indicated.

	2022	2023	2024	2025	Total
(in millions of HK\$)					
(i) upgrade and enhance SaaS products	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(ii) research and development of technology and data warehouse	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total.	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

In the event that the [REDACTED] is fixed below or above the mid-point of the indicative [REDACTED] range, the [REDACTED] allocated to the above purposes will be adjusted on a pro rata basis.

In the event that the [REDACTED] is set at HK\$[REDACTED] per Share (being the bottom end of the indicative [REDACTED] range), the estimated [REDACTED] we will receive will be reduced by approximately HK\$[REDACTED] (assuming that the [REDACTED] is not exercised). If we make a Downward [REDACTED] Adjustment to set the final [REDACTED] at HK\$[REDACTED] per Share, the estimated [REDACTED] we will receive from the [REDACTED] will be further reduced by an additional amount of approximately HK\$[REDACTED]. In the event that the [REDACTED] is set at HK\$[REDACTED] per Share (being the top end of the indicative [REDACTED] range), the estimated [REDACTED] we will receive will be increased by approximately HK\$[REDACTED] (assuming that the [REDACTED] is not exercised). In such events, we will increase or decrease the allocation of the [REDACTED] to the above purposes on a pro-rata basis and we will consider internal resources or external financing for the relevant purposes in the case of decrease of [REDACTED] allocated.

To the extent that the [REDACTED] are not immediately applied or required for the above purposes and to the extent permitted by applicable law and regulations, we will only place the [REDACTED] in short-term interest-bearing accounts at authorized licensed banks.