四川新荷花中藥飲片股份有限公司

Sichuan Neautus Traditional Chinese Medicine Co., Ltd.

(a joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code : 2206

GLOBAL OFFERING

Joint Sponsors, Sponsor-Overall Coordinators, Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

广发证券 GF SECURITIES

ABCI 農銀國際

Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

ICBC 工银国际

民銀資本 CMBC CAPITAL HOLDINGS LIMITED

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

Sichuan Neautus Traditional Chinese Medicine Co., Ltd.
四川新荷花中藥飲片股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

GLOBAL OFFERING

Number of Offer Shares in the Global Offering	**:**	**6,517,300 H Shares**
Number of Hong Kong Offer Shares	**:**	**651,750 H Shares (subject to reallocation)**
Number of International Offer Shares	**:**	**5,865,550 H Shares (subject to reallocation)**
Maximum Offer Price	**:**	**HK$50.55 per H Share, plus brokerage fee of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal Value	**:**	**RMB1.00 per H Share**
Stock Code	**:**	**2206**

Joint Sponsors, Sponsor-Overall Coordinators, Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

广发证券 GF SECURITIES　　ABCI 農銀國際

Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

ICBC 工银国际　　民銀資本 CMBC CAPITAL HOLDINGS LIMITED

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

uSMART 盈立證券　　老虎證券 TIGER BROKERS　　ZTSC 中泰國際

Joint Bookrunners

中銀國際 BOCI　　國投證券國際 SDICSI

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Appendix VII — Documents Delivered to the Registrar of Companies and Available on Display" to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be determined by agreement between the Sponsor-Overall Coordinators (for themselves and on behalf of the Underwriters) and the Company on the Price Determination Date. The Price Determination Date is expected to be on or before Monday, November 9, 2026 (Hong Kong time) and, in any event, not later than 12:00 noon on Monday, November 9, 2026 (Hong Kong time). The Offer Price will not be more than HK$50.55 per Offer Share and is currently expected to be not less than HK$40.20 per Offer Share unless otherwise announced. Applicants for Hong Kong Offer Shares may be required to pay, on application (subject to application channels), the maximum Offer Price of HK$50.55 for each Hong Kong Offer Share together with brokerage fee of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%, subject to refund if the Offer Price as finally determined is less than HK$50.55. If, for any reason, the Offer Price is not agreed at or before 12:00 noon on Monday, November 9, 2026 (Hong Kong time) between the Sponsor-Overall Coordinators (for themselves and on behalf of the Underwriters) and the Company, the Global Offering will not proceed and will lapse.

The Sponsor-Overall Coordinators (for themselves and on behalf of the Underwriters) may, where considered appropriate and with the consent of our Company, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range that is stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.xinhehua.com** as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. For more details, see the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including but not limited to the risk factors set out in the section headed "Risk Factors" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Sponsor-Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. For details, see "Underwriting" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. Persons (as defined in Regulation S), except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in reliance on Regulation S.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.xinhehua.com**. **If you require a printed copy of this prospectus, you may download and print from the website addresses above.**

October 30, 2026

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk under the "*HKEXnews* > *New Listings* > *New Listing Information*" section, and our website at www.xinhehua.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

To apply for the Hong Kong Offer Shares, you may:

(1) apply online through the **HK eIPO White Form** service at **www.hkeipo.hk**;

(2) apply electronically through the **HKSCC EIPO** channel and cause HKSCC Nominees to apply on your behalf by instructing your broker or custodian who is a HKSCC Participant to give electronic application instructions via HKSCC's FINI system to apply for the Hong Kong Offer Shares on your behalf.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an **intermediary**, **broker** or **agent**, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

Please refer to the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

Your application through the **HK eIPO White Form** service or the **HKSCC EIPO** channel must be for a minimum of 50 Hong Kong Offer Shares and in one of the numbers set out in the table.

If you are applying through the **HK eIPO White Form** service, you may refer to the table below for the amount payable for the number of Hong Kong Offer Shares you have selected. You must pay the respective maximum amount payable on application in full upon application for Hong Kong Offer Shares.

If you are applying through the **HKSCC EIPO** channel, you are required to pre-fund your application based on the amount specified by your **broker** or **custodian**, as determined based on the applicable laws and regulations in Hong Kong.

No. of Hong Kong Offer Shares applied for	Maximum Amount payable[2] on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable[2] on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable[2] on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable[2] on application/ successful allotment
	HK$		*HK$*		*HK$*		*HK$*
50	2,552.99	800	40,847.83	7,000	357,418.57	100,000	5,105,979.68
100	5,105.99	900	45,953.82	8,000	408,478.38	200,000	10,211,959.36
150	7,658.97	1,000	51,059.80	9,000	459,538.16	325,850[1]	16,637,834.78
200	10,211.96	1,500	76,589.69	10,000	510,597.97		
250	12,764.95	2,000	102,119.59	20,000	1,021,195.94		
300	15,317.94	2,500	127,649.49	30,000	1,531,793.90		
350	17,870.94	3,000	153,179.39	40,000	2,042,391.86		
400	20,423.92	3,500	178,709.30	50,000	2,552,989.83		
450	22,976.91	4,000	204,239.18	60,000	3,063,587.80		
500	25,529.90	4,500	229,769.08	70,000	3,574,185.78		
600	30,635.88	5,000	255,298.98	80,000	4,084,783.75		
700	35,741.86	6,000	306,358.78	90,000	4,595,381.71		

(1) Maximum number of Hong Kong Offer Shares you may apply for and this is approximately 50% of the Hong Kong Offer Shares initially offered.

(2) The amount payable is inclusive of the brokerage fee, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, the brokerage fee will be paid to the Exchange Participants (as defined in the Listing Rules) or to the **HK eIPO White Form** Service Provider (for applications made through the application channel of the **HK eIPO White Form** service) while the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published on the Company's website at www.xinhehua.com and the website of the Stock Exchange at www.hkexnews.hk.

The Hong Kong Public Offering commences	9:00 a.m. on Friday, October 30, 2026
Latest time to complete electronic applications under the **HK eIPO White Form** service through the designated website at **www.hkeipo.hk**[2]	11:30 a.m. on Friday, November 6, 2026
Application lists open[3]	11:45 a.m. on Friday, November 6, 2026
Latest time to (a) complete payment for **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (b) to give **electronic application instructions** to HKSCC[4]	12:00 noon on Friday, November 6, 2026

If you are instructing your **broker** or **custodian** who is a HKSCC Participant to give **electronic application instructions** via FINI to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

Application lists close[3]	12:00 noon on Friday, November 6, 2026
Expected Price Determination Date[5]	at or before 12:00 noon on Monday, November 9, 2026
Announcement of the Offer Price	11:00 p.m. on Tuesday, November 10, 2026
Announcement of the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, and the basis of allocation of the Hong Kong Offer Shares to be published on the website of the Stock Exchange at **www.hkexnews.hk** and the website of the Company at **www.xinhehua.com**[6] on or before	11:00 p.m. on Tuesday, November 10, 2026

The results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels, including:

• in the announcement to be posted on our website and the website of the Stock Exchange at **www.xinhehua.com**[6] and **www.hkexnews.hk**, respectively	No later than 11:00 p.m. on Tuesday, November 10, 2026

- from the "Allotment Results" page at the designated results of allocation at **www.hkeipo.hk/IPOResult** or **www.tricor.com.hk/ipo/result** with a "search by ID" function from ..... 11:00 p.m. on Tuesday, November 10, 2026 to 12:00 midnight on Monday, November 16, 2026

- from the allocation results telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from ..... Wednesday, November 11, 2026 to Monday, November 16, 2026 (excluding Saturday, Sunday and public holiday in Hong Kong)

H Share certificates in respect of wholly or partially successful applications to be dispatched or deposited into CCASS on or before[7][9] ..... Tuesday, November 10, 2026

HK eIPO White Form e-Auto Refund payment instructions/refund cheques in respect of wholly or partially successful applications if the final Offer Price is less than the maximum Offer Price per Offer Share initially paid on application (if applicable) or wholly or partially unsuccessful applications to be dispatched on or before[8][9] ..... Wednesday, November 11, 2026

Dealings in the H Shares on the Stock Exchange expected to commence at ..... 9:00 a.m. on Wednesday, November 11, 2026

The application for the Hong Kong Offer Shares will commence on Friday, October 30, 2026 through Friday, November 6, 2026, being longer than normal market practice of three and a half days. Investors should be aware that the dealings in the H Shares on the Stock Exchange are expected to commence on Wednesday, November 11, 2026.

Notes:

(1) All times and dates refer to Hong Kong local times and dates unless otherwise stated.

(2) You will not be permitted to submit your application under the **HK eIPO White Form** service through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website at or prior to 11:30 a.m., you will be permitted to continue the application process by completing payment of application money until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a "black" rainstorm warning signal, a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, November 6, 2026, the application lists will not open or close on that day. For further information, please refer to the section headed "How to Apply for Hong Kong Offer Shares — E. Severe Weather Arrangements" in this prospectus.

(4) Applicants who apply for the Hong Kong Offer Shares through **HKSCC EIPO** channel should refer to "How to Apply for Hong Kong Offer Shares — 2. Application Channels."

(5) The Price Determination Date is expected to be on or around Monday, November 9, 2026 and, in any event, not later than 12:00 noon on Monday, November 9, 2026. If, for any reason, we do not agree with the Sponsor-Overall Coordinators (for themselves and on behalf of the Underwriters) on the pricing of the Offer Shares by 12:00 noon on Monday, November 9, 2026, the Global Offering will not proceed and will lapse.

(6) None of the websites or any of the information contained on the websites forms part of this prospectus.

(7) H Share certificates will only become valid evidence of title at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" has not been exercised. Investors who trade H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid do so entirely at their own risks.

(8) **HK eIPO White Form** e-Auto Refund payment instructions/refund checks will be issued in respect of wholly or partially unsuccessful applications and in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering if the final Offer Price is less than the maximum Offer Price payable per Offer Share on application. Part of the applicant's identification document numbers, or, if the application is made by joint applicants, part of the identification document numbers of the first-named applicant, provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's identification document numbers before encashment of the refund checks. Inaccurate completion of an applicant's identification document numbers may invalidate or delay encashment of the refund checks.

(9) Applicants who have applied for Hong Kong Offer Shares through the **HKSCC EIPO** channel should refer to "How to Apply for Hong Kong Offer Shares — D. Despatch/Collection of H Share Certificates and Refund of Application Monies" for details.

Applicants who have applied through the **HK eIPO White Form** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the bank account in the form of **HK eIPO White Form** e-Auto Refund payment instructions. Applicants who have applied through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund checks in favor of the applicant (or, in the case of joint applications, the first-named applicant) by ordinary post at their own risk.

Further information is set out in the section headed "How to Apply for Hong Kong Offer Shares — D. Despatch/Collection of H Share Certificates and Refund of Application Monies."

The above expected timetable is a summary only. For details of the structure of the Global Offering, and the conditions and procedures for applications for Hong Kong Offer Shares, please read "Underwriting", "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" carefully.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such case, the Company will make an announcement as soon as practicable thereafter.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or a solicitation of an offer to subscribe for or buy, any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Hong Kong Offer Shares or the distribution in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Hong Kong Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, the Sponsor-Overall Coordinators, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and the Capital Market Intermediaries, any of our or their respective directors, officers, employees, agents or representatives, or any other person or party involved in the Global Offering.

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

OVERVIEW

Who We Are

We are a large-scale traditional Chinese medicine ("**TCM**") decoction-ready products[(i)] provider in China. We rank second in China in terms of revenue from TCM decoction-ready products in 2025, capturing a market share of 0.4% within a competitive landscape where the top five market players collectively hold 2.7% of market shares, according to Frost & Sullivan.

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

Our Market Opportunities

TCM is a distinctive health resource and economic force rooted in Chinese culture, and is uniquely positioned to serve the health-conscious demands of global emerging economies. According to Frost & Sullivan, in China alone, TCM product market reached RMB426.6 billion in 2025 and is expected to reach RMB469.2 billion by 2035 driven by health and wellness awareness, as well as increasing digitalization and AI adoption. Despite TCM's significance, it has remained a largely traditional industry with significant challenges in standardization, resulting in lack of scalability.

Beyond traditional hospital and pharmacy clients, we see potential in serving underserved segments, including over 97,000 small clinics and health-conscious consumers seeking modernized TCM solutions. Aligned with China's digital transformation and rising wellness demand, we are improving accessibility through product formats and digital platforms tailored for today's market. We are building localized teams to support our business in selected international markets. For more details, see "Industry Overview."

Our Business Model

As of the Latest Practicable Date, we offered over 770 types and 4,900 varieties of decoction-ready products, encompassing all major medicines used in TCM industry. During the Track Record Period, we primarily served institutional clients with our decoction-ready products, including over 1,000 hospitals and medical institutions, and major pharmacy chains primarily through offline channels, as well as small pharmacies, clinics and practitioners. In addition, we also offer consumer-oriented wellness products. Moreover, we export TCM wellness products and operate in selected international markets through localized operations.

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

Our Key Capabilities

Standardization. We developed a DNA barcoding system that utilizes molecular biology techniques to identify and authenticate the species of medicinal materials used in TCM decoctions, now adopted in the Chinese and British Pharmacopoeias. Since obtaining Good Manufacturing Practice of Pharmaceutical Products certification in 2003, we have developed standardized manufacturing processes designed to support product consistency and safety. Through collaborations with institutions like the Institute of Chinese Materia Medica, China Academy of Chinese Medical Sciences (中國中醫科學院中藥研究所), we continue to enhance our capabilities and advance TCM modernization in production and quality control.

New business lines through digital channels. Beyond traditional hospital and pharmacy channels, we broaden TCM access through digital channels. We launched Jinfang Caotang in January 2024, which is a platform streamlining procurement for over 7,000 customers. During the Track Record Period, our revenue from Jinfang Caotang amounted to RMB3.6 million, RMB10.2 million, RMB2.9 million and RMB3.3 million in 2024, 2025, and the four months ended April 30, 2025 and 2026, representing approximately 0.3%, 0.8%, 0.8% and 0.8% of our total revenue, respectively. We also launched an online TCM medicine platform, Jinfang Cloud (金方雲), enabling patients to purchase high-quality ready-to-use TCM products after receiving their prescription offline from hospitals and medical institutions. Further, we also launched Golden Lotus (金色荷花), which provides TCM wellness products through machine learning, analyzing health data to create bespoke wellness and supplement regimens. These TCM wellness products are for health maintenance and enhancement purposes, which are merely repackaged from our TCM decoction-ready products and do not involve any further processing. Globally, we leverage partnerships in Vietnam, Malaysia, as well as Taiwan and Hong Kong to export high-quality TCM decoction-ready products and TCM wellness products, positioning TCM as a global wellness staple. During the Track Record Period, we did not record any revenue from Golden Lotus and Jinfang Cloud. Since May 2026, we have been gradually integrating Golden Lotus and Jinfang Cloud into Neautus TCM Pharmacy (新荷花中藥), a new online platform, and have already launched a WeChat mini-program under the Neautus name.

Advanced manufacturing. Some of our raw materials are sourced from GAP-certified plantation bases, and we use automated production lines and supply chain traceability systems to support consistent production at scale. Our laboratory is accredited by CNAS, and its accreditation is recognized in the United States and certain major European countries, which helps us work toward compliance with applicable regulatory standards in the markets we serve. We believe this infrastructure has contributed to our revenue growth and may serve as a useful reference for the modernization of our industry. As of December 31, 2023, 2024 and 2025, and April 30, 2026, we engaged 12, 20, 24 and 20 GAP-certified suppliers, respectively. Among these suppliers, there were 15, 24, 31 and 23 GAP-certified plantation bases, with a total area of approximately 17.9 square kilometers, 29.7 square kilometers, 31.0 square kilometers and 29.7 square kilometers as of December 31, 2023, 2024, and 2025, and April 30, 2026, respectively. In 2023, 2024, 2025 and the four months ended April 30, 2025 and 2026, our purchases from GAP-certified plantation bases amounted to RMB79.6 million, RMB57.1 million, RMB63.2 million, RMB19.7 million and RMB19.8 million, representing 8.4%, 5.6%, 6.1%, 6.8% and 5.9% of our total procurement amount, respectively.

OUR PRODUCTS AND SERVICES[1]

Under our "新荷花" brand, we deliver high-quality TCM products to our customers. Since our inception, we have focused primarily on decoction-ready products. Building upon our experience in decoction-ready products and accumulated sales network to hospitals, clinics and pharmacies, we are strategically extending our business to the retail market with new revenue growth points. In the world of TCM, where an ingredient is grown is just as important as what it is. The most widely recognized geo-authentic regions include Sichuan, Zhejiang, and Guangdong provinces, and the Western China region, among others. The unique attributes of these geo-authentic materials derived from the distinct geographical and climatic conditions in their original regions, position them as highly effective and sought-after ingredients in the TCM industry. Many of our products are geo-authentic medicines that are produced in specific regions and are highly renowned for their superior quality and therapeutic effects compared to the same species of herbs grown in other regions.

In the context of TCM decoction-ready products, product types (品種) refer to a broad category of TCM decoction-ready products, which are raw herbal materials[2] processed in accordance with the Chinese Pharmacopoeia and intended for use in clinical prescription and dispensing; and variety (規格) refer to distinct herbal species or processed form within a given type, as identified by its pharmacopoeia name or specific processing method. For example, derived from the raw herb Coptis (黄連), distinct processed forms like Coptis slices (黄連片) or wine-processed Coptis (酒黄連) are considered different product types, while the specific grading under each type, such as 'elected grade'(選貨) or 'tandard grade'(統貨), represents the variety.

Toxic Decoction-Ready Products

We are a well-established provider of toxic decoction-ready medicines. As of the Latest Practicable Date, only 28 types of toxic decoction-ready medicines were included in the Medical Toxic Pharmaceuticals Management Procedure (《醫療用毒性藥品管理辦法》), of which we produce ten major types. Toxic decoction-ready medicines have a long-standing tradition in TCM and are among the most representative types of TCM, commonly used in TCM prescriptions. Our major toxic decoction-ready medicines include *Rhizoma pinelliae preparatum* (法半夏), *Rhizoma pinelliae preparata* (清半夏), *Ginger processed pinelliae* (薑半夏), *White aconitum carmichaelii* (白附片) and *Black aconitum carmichaelii* (黑順片).

Non-Toxic Decoction-Ready Products

As of April 30, 2026, we offer over 760 types of non-toxic TCM decoction-ready products in China. A major pain point in non-toxic decoction-ready products is that it is very challenging to meet all of the needs of customers in terms of type, variety, volume and quality. Our key non-toxic decoction-ready products include *Fritillaria cirrhosa* (川貝母), *Dwarf lilyturf* (麥冬), *Astragalus* (黄芪), stir-fried *Ziziphi spinosae semen* (炒酸棗仁), *Coptis root* (黄連) and *Angelica sinensis* (當歸).

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

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

SALES AND MARKETING

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

	For the year ended December 31,						For the four months ended April 30,			
	2023		2024		2025		2025		2026	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Hospitals and medical institutions	371,904	32.5	461,875	37.0	512,741	38.4	161,767	42.3	170,438	39.4
Medical trading companies	385,253	33.6	443,828	35.5	471,769	35.3	99,787	26.1	148,127	34.3
Pharmacies	238,449	20.8	210,608	16.9	179,036	13.4	69,874	18.3	61,816	14.3
Pharmaceutical companies	149,965	13.1	133,091	10.6	171,161	12.8	51,391	13.3	51,804	12.0
Total	**1,145,571**	**100.0**	**1,249,402**	**100.0**	**1,334,707**	**100.0**	**382,819**	**100.0**	**432,185**	**100.0**

During the Track Record Period, our revenue from pharmacies decreased from RMB238.4 million in 2023 to RMB210.6 million in 2024, and further to RMB179.0 million in 2025. This downward trend continued in the first four months of 2026, with revenue dropping to RMB61.8 million for the four months ended April 30, 2026, compared to RMB69.9 million for the same period in 2025. This decline was primarily attributable to: (i) weaker end-market sales by our pharmacy customers, driven by medical insurance policy adjustments that reduced prescription dispensing at retail pharmacies. On October 16, 2024, the NHSA General Office issued the Circular on Regulating the Management of Externally Dispensed Prescriptions for Medical Insurance Drugs (Yi Bao Ban Han [2024] No. 86). The Circular tightened the management of externally dispensed prescriptions at designated medical institutions and retail pharmacies, strengthened prescription circulation management, and accelerated the construction of electronic prescription centers. In particular, prescriptions now generally need to be mainly issued through medical institutions or internet hospitals connected to the electronic prescription platform. This creates a direct barrier for retail pharmacies, as they can no longer seamlessly process traditional non-electronic (paper) prescriptions, which now require cumbersome verification steps to be recognized, thereby introducing administrative friction into the out-of-hospital dispensing process. In addition, the Circular requires hospitals to stock medicines on their own, with in-hospital dispensing as the primary mode and external dispensing as a supplement, such that most patient demand can be met through in-hospital dispensing. Consequently, the increased administrative friction in processing out-of-hospital prescriptions, combined with the policy-driven enhancement of in-hospital dispensing, has led patients to increasingly prefer the convenience of having their TCM prescriptions filled directly at hospitals, leading to a decline in prescription volumes flowing to retail pharmacies. To a lesser extent, weaker end-market sales were also driven by the decrease in certain high-value products, such as *Fritillaria cirrhosa* (川貝母) (decreasing by 26% and 21% year-on-year from 2023 to 2024 and 2024 to 2025) and stir-fried *Ziziphi spinosae semen* (炒酸棗仁) (decreasing by 31% and 65% year-on-year from 2023 to 2024 and 2024 to 2025), which together led to the slower expansion or contraction of certain pharmacy customers; (ii) lower average selling prices for certain products, in line with decreasing raw material costs. Overall, our average selling prices from pharmacy channels decreased by 12% and 11% from 2023 to 2024 and 2024 to 2025. In the meantime, our average procurement unit price decreased from RMB93.06 in 2023 to RMB91.80 in 2024 and RMB82.12 in 2025; and (iii) the decreased orders under tender-based framework agreements with major pharmacies. For example, our tender-based framework agreements with three major pharmacy customers, comprising a nationwide pharmaceutical retail and healthcare services group and two leading nationwide pharmacy chains listed on the Shanghai

Stock Exchange, remained in effect throughout the Track Record Period, but these customers placed fewer orders with us amid intensified competition from other suppliers. As a result, our sales of the principal affected products to these customers decreased by over 50% from 2023 to 2025, mainly due to Fritillaria cirrhosa and stir-fried Ziziphi spinosae semen, which together accounted for over 75% of the decrease.

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

For details, see "Business — Sales and Marketing."

PRODUCTION

We operate our TCM manufacturing facility in Chengdu, Sichuan province, which has a total gross floor area of approximately 55,475 square meters as of April 30, 2026. Our Chengdu facility has been GMP certified by the NMPA since July 2003.

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

	For the year ended December 31,									For the four months ended April 30,		
	2023			2024			2025			2026		
	Designed production capacity[(1)]	Production volume	Utilization rate[(2)]	Designed production capacity[(1)]	Production volume	Utilization rate[(2)]	Designed production capacity[(1)]	Production volume	Utilization rate[(2)]	Designed production capacity[(1)]	Production volume	Utilization rate[(2)]
	Tonnes	*Tonnes*	*%*	*Tonnes*	*Tonnes*	*%*	*Tonnes*	*Tonnes*	*%*	*Tonnes*	*Tonnes*	*%*
Our Manufacturing Facility	8,570	7,020	81.9	10,223	8,576	83.9	11,526	9,521	82.6	3,842	2,915	75.9

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

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

For details, see "Business — Production."

OUR CUSTOMERS

During the Track Record Period, our customers were mainly hospitals and medical institutions, medical trading companies, pharmacies, and pharmaceutical companies. Revenue generated from our five largest customers in each period during the Track Record Period amounted to RMB319.3 million, RMB379.8 million, RMB347.5 million and RMB121.5 million, respectively, representing approximately 27.9%, 30.4%, 25.9% and 28.1% of our total revenue for the respective periods in 2023, 2024, 2025 and the four months ended April 30, 2026. Revenue generated from our largest customer in each period during the Track Record Period amounted to RMB108.5 million, RMB107.9 million, RMB105.9 million and RMB33.9 million, representing approximately 9.5%, 8.6%, 7.9% and 7.9% of our total revenue for the respective periods in 2023, 2024, 2025 and the four months ended April 30, 2026.

OUR SUPPLIERS

We source raw TCM materials for our production from various third-party suppliers in the PRC. As of December 31, 2023, 2024, 2025 and April 30, 2026, we had a total of 316, 452, 463 and 344 suppliers of raw TCM materials for our production, respectively. We select suppliers based on the quality, production bases, and prices of their raw Chinese herbs, as well as their relevant experience and reputation in the TCM industry. In each period during the Track Record Period, purchases from our five largest suppliers accounted in aggregate for approximately 36.0%, 23.3%, 20.6% and 28.7% of our total purchases in 2023, 2024, 2025 and the four months ended April 30, 2026. In each period during the Track Record Period, our single largest supplier accounted for approximately 11.9%, 7.2%, 6.1% and 10.1% of our total purchases in 2023, 2024, 2025 and the four months ended April 30, 2026.

OUR COMPETITIVE STRENGTHS

We believe that the following are our competitive strengths:

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

For details, see "Business — Our Competitive Strengths."

OUR STRATEGIES

We intend to implement the following business strategies:

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

For details, see "Business — Our Strategies."

OUR SHAREHOLDING STRUCTURE

Our Controlling Shareholders

Immediately following the completion of the Global Offering, Mr. Jiang Yun, our founder, chairman of the Board and executive Director, will be able to exercise approximately 42.4% of the voting rights in our Company through: (i) 18,498,500 Shares held directly by himself; and (ii) 9,151,965 Shares held by Kinna Investment. Accordingly, Mr. Jiang Yun and Kinna Investment will be the Controlling Shareholders of our Company after the Listing. For further details, see "Relationship with Our Controlling Shareholders."

Pre-IPO Investments

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

SUMMARY OF KEY FINANCIAL INFORMATION

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

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

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

	For the year ended December 31,						For the four months ended April 30,			
	2023		2024		2025		2025		2026	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Revenue	1,145,571	100.0	1,249,402	100.0	1,334,707	100.0	382,819	100.0	432,185	100.0
Cost of sales	(933,553)	(81.5)	(1,036,329)	(82.9)	(1,081,546)	(81.0)	(310,585)	(81.1)	(337,957)	(78.2)
Gross profit	212,018	18.5	213,073	17.1	253,161	19.0	72,234	18.9	94,228	21.8
Profit before tax	104,636	9.1	90,316	7.2	107,494	8.1	20,740	5.4	34,612	8.0
Profit for the year/period	103,974	9.1	89,112	7.1	106,441	8.0	20,740	5.4	33,878	7.8
Total comprehensive income for the year/period	103,961	9.1	89,091	7.1	106,559	8.0	20,728	5.4	34,041	7.9

Revenue

During the Track Record Period, we primarily generated revenue from sales of decoction-ready products. For the years ended December 31, 2023, 2024 and 2025, and for the four months ended April 30, 2025 and 2026, our revenue amounted to RMB1,145.6 million, RMB1,249.4 million, RMB1,334.7 million, RMB382.8 million and RMB432.2 million, respectively.

Revenue by Types of Goods

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

	For the year ended December 31,						For the four months ended April 30,			
	2023		2024		2025		2025		2026	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Toxic decoction-ready products	192,492	16.8	172,433	13.8	137,626	10.3	44,466	11.6	39,023	9.0
Non-toxic decoction-ready products	953,079	83.2	1,076,969	86.2	1,197,081	89.7	338,353	88.4	393,162	91.0
Total	**1,145,571**	**100.0**	**1,249,402**	**100.0**	**1,334,707**	**100.0**	**382,819**	**100.0**	**432,185**	**100.0**

For the years ended December 31, 2023, 2024 and 2025, and for the four months ended April 30, 2025 and 2026, our revenue generated from sales of over 770 types and 4,900 varieties of decoction-ready products, with *Rhizoma pinelliae preparatum* (法半夏) and *Ginger processed pinelliae* (薑半夏) from our toxic decoction-ready products and *Fritillaria cirrhosa* (川貝母), *Dwarf lilyturf* (麥冬), stir-fried *Ziziphi spinosae semen* (炒酸棗仁), *Angelica sinensis* (當歸) and *Coptis root* (黃連) from our non-toxic decoction-ready products contributing significantly to our revenue during the Track Record Period. Revenue from our non-toxic decoction-ready products increased from RMB953.1 million in 2023 to RMB1,077.0 million in 2024 and further to RMB1,197.1 million in 2025, and from RMB338.4 million in the four months ended April 30, 2025 to RMB393.2 million in the four months ended April 30, 2026. The increase was primarily driven by the overall increase in sales volume of our non-toxic decoction-ready products, including the continued revenue growth of our major products such as *Coptis root* (黃連).

During the Track Record Period, revenue from our toxic decoction-ready products decreased, from RMB192.5 million in 2023 to RMB172.4 million in 2024 and further to RMB137.6 million in 2025, and from RMB44.5 million in the four months ended April 30, 2025 to RMB39.0 million in the four months ended April 30, 2026. From 2023 to 2024, the decrease in revenue was primarily driven by a decline in sales volume of our toxic decoction-ready products, partially offset by a slight increase in their overall average selling price. From 2024 to 2025, the decrease in revenue was primarily driven by a decline in the overall average selling price of our toxic decoction-ready products, which followed the drop in raw material costs, partially offset by a slight increase in sales volume. For the four months ended April 30, 2025 and 2026, the decrease in revenue was primarily driven by a decline in sales volume, while the overall average selling price remained relatively stable. The decline in sales volume was mainly attributable to lower market demand for toxic TCM decoction-ready products in the four months ended April 30, 2026, especially from pharmaceutical companies. Fluctuations in the average selling price of our toxic decoction-ready products were primarily driven by changes in raw material costs due to market conditions. Meanwhile, variations in sales volume largely reflect the impact of fierce market competition.

For example, revenue from *Rhizoma pinelliae preparatum* (法半夏), which accounted for a majority of our revenue from toxic decoction-ready products, was RMB57.7 million, RMB60.3 million, RMB48.8 million, RMB17.9 million and RMB15.2 million in 2023, 2024 and 2025 and in the four months ended April 30, 2025 and 2026, respectively. From 2023 to 2024, its sales volume remained relatively stable while its average selling price increased slightly, as the price lock-up in our framework agreements with hospitals, which typically have a term of two years, led to a lag in price adjustments while raw material costs continued to rise throughout the year. From 2024 to 2025, both its sales volume and average selling price declined, with the decline in average selling price mainly following the drop in its raw material costs. For the four months ended April 30, 2025 and 2026, its sales volume decreased while its average selling price increased, primarily as a result of the reduction in raw material costs being partially offset by relatively stable selling prices maintained under framework agreements with our customers.

Gross Profit and Gross Profit Margin

For the years ended December 31, 2023, 2024 and 2025, and for the four months ended April 30, 2025 and 2026, our gross profit amounted to RMB212.0 million, RMB213.1 million, RMB253.2 million, RMB72.2 million and RMB94.2 million, respectively. Our gross profit margin was 18.5%, 17.1%, 19.0%, 18.9% and 21.8% for the same periods, respectively. The following table sets forth a breakdown of our gross profit and gross profit margin for the periods indicated:

	For the year ended December 31,						For the four months ended April 30,			
	2023		2024		2025		2025		2026	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Toxic decoction-ready products	46,158	24.0	32,862	19.1	32,372	23.5	10,051	22.6	11,913	30.5
Non-toxic decoction-ready products	165,860	17.4	180,211	16.7	220,789	18.4	62,183	18.4	82,315	20.9
Total gross profit/overall gross profit margin	**212,018**	**18.5**	**213,073**	**17.1**	**253,161**	**19.0**	**72,234**	**18.9**	**94,228**	**21.8**

Our gross profit margin decreased from 18.5% in 2023 to 17.1% in 2024 because our percentage of sales to medical trading companies increased, and such customer types generally had lower margins due to market competition. Our gross profit margins during the Track Record Period were also affected by the raw material costs of certain major product types. These TCM raw materials exhibit notable price dynamics, primarily resulting from climate factors, cultivation patterns, supply-demand imbalances, and periodic overproduction. Because we may not always be able to immediately pass increased procurement costs onto our customers through pricing adjustments, such market volatility directly impacts our overall profitability. For details, see "Financial Information — Description of Selected Components of the Consolidated Statements of Profit or Loss and Other Comprehensive Income — Gross Profit and Gross Profit Margin — Gross Profit and Gross Profit Margin of Top Five Best-Selling Products." Our gross profit margin increased from 17.1% in 2024 to 19.0% in 2025, primarily due to the decrease in our raw materials costs associated with certain major products, including *Coptis root* (黄連), *Fritillaria cirrhosa* (川貝母), and *Rhizoma pinelliae preparatum* (法半夏). Our gross profit margin increased from 18.9% in the four months ended April 30, 2025 to 21.8% in the same period in 2026, primarily due to the decrease in our raw materials costs associated with certain major products, including *Fritillaria cirrhosa* (川貝母) and *Rhizoma pinelliae preparatum* (法半夏).

Profit for the Year/Period

For the years ended December 31, 2023, 2024 and 2025, and for the four months ended April 30, 2025 and 2026, our profit for the year/period amounted to RMB104.0 million, RMB89.1 million, RMB106.4 million, RMB20.7 million and RMB33.9 million, respectively. The decrease in our profit for the year from 2023 to 2024 was mainly attributable to the increase in raw materials costs of certain major products and administrative expenses resulting from the listing expenses incurred in 2024. The increase in our profit from 2024 to 2025 was primarily attributable to the stable increase in revenue from hospitals and medical institutions and revenue from non-toxic decoction-ready products. The increase in our profit for the four months ended April 30, 2026 as compared with the corresponding period in 2025 was primarily due to an increase in sales to hospitals and medical trading companies, while maintaining our overall costs and expenses at a relatively low level. For details, see "Financial Information — Period to Period Comparison of Results of Operations."

Summary of Consolidated Statements of Financial Position

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

	As of December 31,			As of April 30,
	2023	2024	2025	2026
	(RMB'000)			
Total non-current assets	166,640	184,054	220,831	214,104
Total current assets	932,470	1,048,033	1,106,237	1,119,237
Total current liabilities	627,589	765,299	680,967	656,307
Net current assets	304,881	282,734	425,270	462,930
Total assets less current liabilities	471,521	466,788	646,101	677,034
Total non-current liabilities	13,014	12,785	85,539	82,431
Net assets	458,507	454,003	560,562	594,603

Our net assets slightly decreased from RMB458.5 million as of December 31, 2023 to RMB454.0 million as of December 31, 2024, primarily due to a capital reduction by shareholders amounting to RMB93.7 million, which offset the profit for the year of RMB89.1 million in 2024. Our net assets increased from RMB454.0 million as of December 31, 2024 to RMB560.6 million as of December 31, 2025, mainly due to our profit for the year of RMB106.4 million. Our net assets increased from RMB560.6 million as of December 31, 2025 to RMB594.6 million as of April 30, 2026, primarily due to our profit for the period of RMB33.9 million for the four months ended April 30, 2026.

Our net current assets slightly decreased from RMB304.9 million as of December 31, 2023 to RMB282.7 million as of December 31, 2024, primarily due to an increase in current liabilities, particularly interest-bearing bank borrowings and other payables. Our net current assets increased from RMB282.7 million as of December 31, 2024 to RMB425.3 million as of December 31, 2025, primarily due to an increase in trade and bills receivables and a decrease in other payables and accruals. Our net current assets increased from RMB425.3 million as of December 31, 2025 to RMB462.9 million as of April 30, 2026, primarily due to an increase in trade and bills receivables and financial assets at fair value through profit or loss, and a decrease in trade and bills payables, partially offset by a decrease in cash and bank balances. For more details, see "Financial Information — Description of Selected Items from The Consolidated Statements of Financial Position."

Summary of Consolidated Statements of Cash Flows

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

	For the year ended December 31,			For the four months ended April 30,	
	2023	2024	2025	2025	2026
			(RMB'000)		
				(unaudited)	
Net cash flows generated from/(used in) operating activities	74,853	(467)	154,051	(22,868)	(26,996)
Net cash flows used in investing activities	(15,997)	(7,699)	(46,177)	(49,457)	(34,517)
Net cash flows (used in)/generated from financing activities	(53,763)	15,184	(70,749)	21,434	(476)
Net increase in cash and cash equivalents	5,093	7,018	37,125	(50,891)	(61,989)
Cash and cash equivalents at beginning of year/period	132,123	137,198	144,310	144,310	181,377
Effect of foreign exchange rate changes, net	(18)	94	(58)	9	(86)
Cash and cash equivalents at end of year/period	137,198	144,310	181,377	93,428	119,302

For the four months ended April 30, 2026, we recorded net cash used in operating activities of RMB27.0 million. This was primarily attributable to seasonal and timing factors, including (i) slower collection of trade receivables in the first quarter, as business activity of our customers slows during the Chinese Lunar New Year holidays, which was reflected in an increase in trade and bills receivables of RMB37.8 million; (ii) the payment of annual year-end bonuses to our employees in the first quarter; and (iii) a decrease in trade and bills payables of RMB28.6 million, mainly because a portion of our procurement payments from December 2025 was deferred and subsequently settled in January 2026. Our operating cash flows are subject to seasonality. We also recorded net cash used in operating activities of RMB22.9 million in the four months ended April 30, 2025, compared with net cash generated from operating activities of RMB154.1 million for the year ended December 31, 2025.

In 2024, we recorded a net cash outflow from operating activities of RMB0.5 million, which was primarily due to (i) we settled a significant amount of the trade payables as of December 31, 2023 and (ii) we generally granted a longer credit term to our customers, as compared to the credit terms we were granted by our suppliers in 2024. We plan to implement the following measures to improve our operating cash flow: (i) strengthening control over trade receivable collections; (ii) improving inventory management policies to enhance inventory turnover days; and (iii) negotiate longer credit terms with our suppliers.

Key Financial Ratios

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

	As of December 31,			As of April 30,
	2023	2024	2025	2026
Current ratio[(1)]	1.49	1.37	1.62	1.71
Quick ratio[(2)]	1.14	1.05	1.26	1.32
Net profit margin	9.1%	7.1%	8.0%	7.8%
Net debt-to-equity ratio[(3)]	(3.7%)	4.1%	6.3%	16.7%
Interest coverage ratio[(4)]	–	5,653.06	71.55	70.15
Return on assets[(5)]	10.4%	7.6%	8.3%	2.5%
Return on equity[(6)]	25.3%	19.5%	21.0%	5.9%

Notes:

(1) Current ratio represents current assets divided by current liabilities as of the same date.

(2) Quick ratio represents current assets minus inventories, divided by current liabilities as of the same date.

(3) Net debt-to-equity ratio represents total debt (being interest-bearing bank borrowings and lease liabilities net of cash and cash equivalents) divided by total equity as at the end of the respective periods.

(4) Interest coverage ratio represents profit before interest and tax divided by interests on lease liabilities for the relevant periods.

(5) Return on assets represents profit for the year/period divided by the average of the beginning and ending total assets for that year and multiplied by 100%.

(6) Return on equity represents profit for the year/period divided by the average of the beginning and ending balance of total equity for that year, then multiplied by 100%.

GLOBAL OFFERING STATISTICS

The statistics in the following table are based on the assumptions that (i) the Global Offering has been completed and 6,517,300 H Shares are newly issued in the Global Offering, and (ii) 65,172,741 Shares are issued and outstanding following the completion of the Global Offering:

	Based on an Offer Price of HK$40.20 per H Share	Based on an Offer Price of HK$50.55 per H Share
Market capitalization of our H Shares[(1)]	HK$2,619.9 million	HK$3,294.5 million
Unaudited pro forma adjusted consolidated net tangible assets per Share[(2)(3)]	HK$14.32 (RMB12.26)	HK$15.30 (RMB13.10)

Notes:

(1) The market capitalization is calculated on the basis that 65,172,741 H Shares are in issue upon the completion of the Global Offering.

(2) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus and on the basis that 65,172,741 Shares were in issue, assuming that the Global Offering had been completed on April 30, 2026.

(3) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to April 30, 2026.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$229.7 million, after deducting underwriting commissions, fees and estimated expenses payable by us in connection with the Global Offering, and assuming an Offer Price of HK$45.38 per H Share, being the mid-point of the indicative Offer Price range stated in this prospectus. Assuming an Offer Price at the mid-point of the indicative Offer Price range, we intend to use our proceeds from the Global Offering for the purposes and in the amounts set out below:

- approximately 33.4%, or HK$76.7 million, will be used to expand our production capacity of TCM decoction-ready products and enhance our production system with digital and intelligent capabilities;

- approximately 29.0%, or HK$66.6 million, will be used for our sales and marketing activities; including (i) 12.5% to enhance our brand awareness through increasing advertising efforts; (ii) 8.2% to strengthen our sales team to expand market penetration and sales coverage across China; (iii) 4.6% to establish our flagship TCM product stores in China; and (iv) 3.7% for tailored sales marketing strategies for our to-C business;

- approximately 11.4%, or HK$26.2 million, will be used for our to-C business, including (i) 7.1% for the R&D of herbal wellness products tailored for individual customers; and (ii) 4.3% to establish our to-C operating team;

- approximately 10.2%, or HK$23.4 million, for building our overseas sales channels in Vietnam and Malaysia;

- approximately 6.0%, or HK$13.8 million, will be used for strategic investments and potential acquisitions, with a focus on upstream TCM supply chain; and

- approximately 10.0%, or HK$23.0 million, will be used for working capital and other general corporate purposes.

For details, see "Future Plans and Use of Proceeds."

DIVIDENDS

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

LISTING EXPENSE

Listing expenses to be borne by us are estimated to be approximately HK$66.1 million assuming an Offer Price of HK$45.38 per H Share, representing approximately 22.3% of the estimated gross proceeds from the Global Offering. The listing expenses consist of (i) underwriting-related expenses, including underwriting commission, of approximately HK$4.2 million, and (ii) non-underwriting-related expenses of approximately HK$61.9 million, comprising (a) fees and expenses of our legal advisors and reporting accountants of approximately HK$32.0 million, and (b) other fees and expenses of approximately HK$29.9 million. During the Track Record Period, the listing expenses charged to our consolidated statements of profit or loss were HK$45.7 million and the issue costs, which were recognized as prepayments and are expected to be deducted from equity upon the Listing, were HK$4.4 million. After the Track Record Period, approximately HK$11.1 million is expected to be charged to our consolidated statements of profit or loss, and approximately HK$4.9 million is expected to be accounted for as a deduction from equity upon the Listing. We do not believe any of the above fees or expenses are material or are unusually high to us. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

CENTRALIZED PROCUREMENT SCHEME

In February 2025, the results of the first round of the nationwide centralized procurement bid for 45 TCM decoction-ready product types (comprising 84 varieties) were announced. In this round of procurement, we were awarded bids for 29 product types comprising 55 varieties, representing 55 distinct product items. As of the Latest Practicable Date, the hospital selection ("勾選") process for the first round of the centralized procurement had been completed. A total of 1,302 public hospitals have selected our products, resulting in an aggregate selected contract amount of RMB32.9 million. Among these, 1,217 hospitals are new customers, accounting for a total selected contract amount of RMB20.9 million, while 85 hospitals are existing customers, contributing a total selected contract amount of RMB12.0 million. In 2026, the second round of the centralized procurement scheme for TCM decoction-ready products covered 41 TCM decoction-ready product types comprising 82 varieties. We submitted bidding tenders for all 41 product types, of which 40 product types comprising 79 varieties were selected. As of the Latest Practicable Date, we had not generated any revenue under the second round of the centralized procurement scheme. We anticipate that the inclusion of our products in the national centralized procurement list will further expand our hospital coverage, enhance product visibility and contribute to our revenue growth in the forthcoming years.

RECENT DEVELOPMENTS AND NO MATERIAL CHANGE

In the nine months ended September 30, 2026, our business continued to grow. In the nine months ended September 30, 2026, we had 341 new customers, including 155 hospitals and medical institutions, 156 medical trading companies, 22 pharmacies and eight pharmaceutical companies. In the nine months ended September 30, 2026, we sold and delivered a total of 10,118 tonnes of TCM decoction-ready products, including 918 tonnes of toxic TCM decoction-ready products and 9,200 tonnes of non-toxic TCM decoction-ready products, as compared to a total of 7,517 tonnes, comprising 886 tonnes of toxic TCM decoction-ready products and 6,631 tonnes of non-toxic TCM decoction-ready products, in the same period in 2025. In the nine months ended September 30, 2026, the sales volume of our principal products demonstrated overall growth compared to the corresponding period in 2025, with the exception of *Rhizoma Pinelliae Preparatum* (法半夏). Notably, we recorded increases in the sales volume of *Coptis root* (黃連) and *Dwarf Lilyturf* (麥冬), which surged from 70 tons and 197 tons for the nine months ended September 30, 2025, to 205 tons and 606 tons in the same period of 2026, respectively. Furthermore, the sales volumes of *Fritillaria Cirrhosa* (川貝母) and *Stir-fried Ziziphi Spinosae Semen* (炒酸棗仁) experienced steady year-over-year growth, increasing from 13 tons and 44 tons for the nine months ended September 30, 2025, to 21 tons and 57 tons in the same period of 2026, respectively. Conversely, the sales volume of *Rhizoma Pinelliae Preparatum* (法半夏) experienced a moderate decline, decreasing from 271 tons

to 223 tons over the same period, primarily reflecting a decrease in sales through the pharmaceutical company channel. Overall, the average selling price of our TCM decoction-ready products for the nine months ended September 30, 2026 slightly decreased by approximately 8% compared to the same period in 2025, primarily due to market conditions.

Our Directors confirm that up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since April 30, 2026, and there is no event since April 30, 2026 that would materially affect the information as set out in the Accountants' Report included in Appendix I to this prospectus.

RISK FACTORS

Our operations and the Global Offering involve certain risks and uncertainties, including (i) risks relating to our business, (ii) risks relating to our financial performance, and (iii) risks relating to the Global Offering, which are set out in the section headed "Risk Factors" in this prospectus. You should read that section in its entirety carefully before you decide to invest in the Offer Shares.

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

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

For details, see "Risk Factors."

In this prospectus, unless the context otherwise requires, the following terms and expressions shall have the meanings set out below. Certain technical terms are explained in the section headed "Glossary of Technical Terms" in this prospectus.

"Accountants' Report"	the accountants' report of our Company for the Track Record Period, as set out in Appendix I to this prospectus
"affiliate"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	the Accounting and Financial Reporting Council of Hong Kong
"Articles of Association" or "Articles"	the articles of association of the Company adopted on March 26, 2025 which will become effective upon the Listing Date and as amended from time to time, a summary of which is set out in Appendix V to this prospectus
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of Directors of our Company
"Business Day" or "business day"	any day on which banks in Hong Kong are generally open for normal business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"Capital Market Intermediaries"	has the meaning ascribed thereto under the Listing Rules, and unless the context requires otherwise, refers to the capital market intermediaries named in "Directors and Parties Involved in the Global Offering"
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Chengdu Neautus"	Chengdu Neautus Western Daodi Traditional Chinese Medicine Co., Ltd. (成都新荷花西部道地中藥有限公司) (formerly known as Yan Sang Neautus Traditional Chinese Medicine (Sichuan) Co., Ltd. (仁生荷花中藥(四川)有限公司)), a limited liability company established in the PRC on August 21, 2013, and a wholly-owned subsidiary of our Company
"China" or "PRC"	the People's Republic of China, but for the purpose of this prospectus and for geographical reference only and except where the context requires otherwise, references in this prospectus to "China" and the "PRC" do not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

"CNAS"	China National Accreditation Service for Conformity Assessment (中國合格評定國家認可委員會)
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Sichuan Neautus Traditional Chinese Medicine Co., Ltd. (四川新荷花中藥飲片股份有限公司), a limited liability company established in the PRC on December 30, 2001 and converted into a joint stock company with limited liability on June 9, 2009, formerly known as Sichuan Neautus Traditional Chinese Medicine Limited Liability Company (四川新荷花中藥飲片有限公司)
"Company Law" or "PRC Company Law"	the Company Law of the PRC (《中華人民共和國公司法》), as amended, supplemented or otherwise modified from time to time
"Compliance Advisor"	First Shanghai Capital Limited
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to Mr. Jiang Yun and Kinna Investment
"Conversion of Unlisted Shares into H Shares"	the conversion of 58,655,441 Unlisted Shares into H Shares on a one-for-one basis upon the completion of Global Offering, filing of which has been completed with the CSRC on April 15, 2026
"CSDC"	China Securities Depository and Clearing Co., Ltd. (中國證券登記結算有限責任公司)
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
"Director(s)" or "our Director(s)"	the director(s) of our Company, including all executive, non-executive and independent non-executive directors
"EIT"	enterprise income tax
"EIT Law"	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》)
"ESG"	environmental, social and governance

"EU"	European Union
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
"FDA"	the United States Food and Drug Administration
"FIL"	Foreign Investment Law of the PRC (《中華人民共和國 外商投資法》)
"FINI" or "Fast Interface for New Issuance"	an online platform operated by HKSCC that is mandatory for admission to trading and, where applicable, the collection and processing of specified information on subscription in and settlement for all new listings
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a market research and consulting company and Independent Third Party, which prepared the Frost & Sullivan Report
"Frost & Sullivan Report"	an independent market research report commissioned by us and prepared by Frost & Sullivan for the purpose of this prospectus
"General Rules of HKSCC"	the General Rules of HKSCC as may be amended or modified from time to time and where the context so permits, shall include the HKSCC Operational Procedures
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Group," "our Group," "our," "we" or "us"	our Company and its subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)
"Guide for New Listing Applicants"	the Guide for New Listing Applicants as published by the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"H Share(s)"	listed ordinary share(s) in our share capital, with nominal value of RMB1.00 each, which are to be subscribed for and traded in HK dollars, and for which an application has been made for listing and permission to trade on the Stock Exchange
"H Share Registrar"	Tricor Investor Services Limited
"**HK eIPO White Form**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website at **www.hkeipo.hk**

"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designated by our Company, as specified on the designated website at **www.hkeipo.hk**
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC EIPO"	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your designated HKSCC Participant's stock account through causing HKSCC Nominees to apply on your behalf, including by instructing your broker or custodian who is a HKSCC Participant to give **electronic application instructions** via HKSCC's FINI system to apply for the Hong Kong Offer Shares on your behalf
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"HKSCC Operational Procedures"	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operation and functions of CCASS, as from time to time in force
"HKSCC Participant"	a participant admitted to participate in CCASS as a direct clearing participant, a general clearing participant or a custodian participant
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars," "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Offer Shares"	the 651,750 H Shares being initially offered by us for subscription pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus)
"Hong Kong Public Offering"	the offer for subscription of the Hong Kong Offer Shares to the public in Hong Kong, on and subject to the terms and conditions described in the section headed "Structure of the Global Offering — The Hong Kong Public Offering" in this prospectus
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in the section headed "Underwriting — Hong Kong Underwriters" in this prospectus

"Hong Kong Underwriting Agreement"	the underwriting agreement dated October 28, 2026 relating to the Hong Kong Public Offering entered into by our Company, the Controlling Shareholders, the Joint Sponsors, the Sponsor-Overall Coordinators, and the Hong Kong Underwriters, as further described in the section headed "Underwriting — Hong Kong Public Offering — Hong Kong Underwriting Agreement" in this prospectus
"IASB"	International Accounting Standards Board
"IFRS Accounting Standards"	the International Financial Reporting Standards as issued by the IASB, which comprise the IFRS Accounting Standards, International Accounting Standards, Interpretations developed by the IFRS Interpretations Committee or its predecessor body, the Standing Interpretations Committee
"Independent Third Party(ies)"	an individual or a company which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is not a connected person of the Company within the meaning of the Listing Rules
"International Offer Shares"	the 5,865,550 H Shares being initially offered by us for subscription under the International Offering (subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus)
"International Offering"	the conditional placing of the International Offer Shares by the International Underwriters at the Offer Price outside the United States in offshore transactions in reliance on Regulation S, in each case on and subject to the terms and conditions of the International Underwriting Agreement, as further described in the section headed "Structure of the Global Offering" in this prospectus
"International Underwriters"	the group of international underwriters who are expected to enter into the International Underwriting Agreement to underwrite the International Offering
"International Underwriting Agreement"	the underwriting agreement relating to the International Offering which is expected to be entered into on or about the Price Determination Date by our Company, the Controlling Shareholders, the Joint Sponsors, the Sponsor-Overall Coordinators, and the International Underwriters, as further described in the section headed "Underwriting — International Offering" in this prospectus
"ISO"	International Organization for Standardization
"Joint Bookrunners"	the joint bookrunners as named in "Directors and Parties Involved in the Global Offering"
"Joint Global Coordinators"	the joint global coordinators as named in "Directors and Parties Involved in the Global Offering"

"Joint Lead Managers"	the joint lead managers as named in "Directors and Parties Involved in the Global Offering"
"Joint Sponsors"	the joint sponsors as named in "Directors and Parties Involved in the Global Offering"
"Kinna Investment"	Chengdu Kinna Investment Co., Ltd. (成都國嘉投資股份有限公司) (formerly known as Chengdu Kinna Biopharmaceutical Co., Ltd. (成都國嘉生物股份有限公司)), a company established in the PRC on April 3, 1996 and one of our Controlling Shareholders. Mr. Jiang Yun owns 47.0% in and controls Kinna Investment. The remaining 53% equity interest is owned as to 20.0%, 14.0%, 10.0%, 7.0% and 2.0% by Wu Lingnan, Liu Wei, Yang Yan, Liu Huaqing and Chen Shiyu, each an Independent Third Party and passive investor
"Latest Practicable Date"	October 21, 2026, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its publication
"Listing"	the listing of our H Shares on the Stock Exchange
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date expected to be on or about Wednesday, November 11, 2026, on which dealings in our H Shares first commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange, which is independent from and operated in parallel with the GEM of the Stock Exchange
"MIIT"	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
"MOFCOM" or "Ministry of Commerce"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"NDRC"	the National Development and Reform Commission (中華人民共和國國家發展和改革委員會)
"Neautus Hong Kong"	Neautus (H.K.) Natural Medicine Co., Limited (新荷花(香港)中藥有限公司), a limited liability company incorporated in Hong Kong on January 21, 2020, and a wholly-owned subsidiary of our Company

"Neautus Pharmacy"	Sichuan Neautus Wisdom Pharmacy Co., Ltd. (四川新荷花智慧大藥房有限公司), a limited liability company established in the PRC on April 1, 2021, and a wholly-owned subsidiary of our Company
"NMPA"	the National Medical Products Administration of the PRC (國家藥品監督管理局)
"Nomination Committee"	the nomination committee of the Board
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"NRDL"	National Reimbursement Drug List (國家醫保藥品目錄)
"Offer Price"	the final offer price per Offer Share in Hong Kong dollars (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%) at which Offer Shares are to be subscribed or purchased under the Hong Kong Public Offering and the International Offering, to be determined in the manner further described in the section headed "Structure of the Global Offering — Pricing and Allocation" in this prospectus
"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares
"Overall Coordinators"	the overall coordinators as named in "Directors and Parties Involved in the Global Offering"
"Overseas Listing Trial Measures"	Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》)
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC Legal Advisors"	Jingtian & Gongcheng, the legal advisors to the Company as to PRC laws
"PRC Securities Law"	the Securities Law of the PRC (《中華人民共和國證券法》), as amended, supplemented or otherwise modified from time to time
"Pre-IPO Investment(s)"	the pre-IPO investment(s) in the Company undertaken by the Pre-IPO Investor(s), details of which are set out in the section headed "History and Corporate Structure — Pre-IPO Investments"
"Pre-IPO Investor(s)"	the investor(s) of the Pre-IPO Investment(s)

"Price Determination Agreement"	the agreement to be entered into by the Sponsor-Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or about Monday, November 9, 2026 and in any event not later than 12:00 noon on Monday, November 9, 2026, on which the Offer Price is determined
"prospectus"	this prospectus being issued in connection with the Hong Kong Public Offering
"R&D"	research and development
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration and Appraisal Committee"	remuneration and appraisal committee of the Board
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAMR"	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
"SCNPC"	the Standing Committee of the National People's Congress of the PRC (中華人民共和國全國人民代表大會常務委員會)
"Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"SFC"	the Securities and Futures Commission of Hong Kong
"Share(s)"	ordinary share(s) in the capital of our Company with a nominal value of RMB1.00 each, comprising Unlisted Shares and H Shares
"Shareholder(s)"	holder(s) of our Share(s)
"Sichuan Jinfang Caotang"	Sichuan Jinfang Caotang E-commerce Co., Ltd. (四川金方草堂電子商務有限公司), a limited liability company established in the PRC on August 28, 2024, and owned by our Company, Ms. Zhang Xiaojia (張曉佳) (deputy general manager of our Company), Mr. Luo Yujin (羅玉金) (an executive Director and deputy general manager of our Company), Mr. Li Xueran (李雪然) (an Independent Third Party) and Ms. Liu Jing (劉靜) (an Independent Third Party) as to 68.0%, 20.0%, 8.0%, 2.0% and 2.0%, respectively

"Sponsor-Overall Coordinators"	the sponsor-overall coordinators as named in "Directors and Parties Involved in the Global Offering"
"STA"	the State Taxation Administration (中華人民共和國國家税務總局)
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Strategy Committee"	the strategy committee of the Board
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the three years ended December 31, 2023, 2024 and 2025, and the four months ended April 30, 2026
"U.S. dollars," "US$" or "USD"	United States dollars, the lawful currency of the United States
"U.S. Securities Act"	the United States Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"Unlisted Share(s)"	ordinary share(s) issued by our Company, with a nominal value of RMB1.00 each, which is/are not listed on any stock exchange
"VAT"	value added tax
"%"	per cent

For the purpose of this prospectus, references to "provinces" of China include provinces, municipalities under direct administration of the central government and provincial-level autonomous regions.

In this prospectus the terms "associate(s)," "close associate(s)," "connected person(s)," "core connected person(s)," "connected transaction(s)," "substantial shareholder(s)" and "treasury share(s)" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

For ease of reference, the names of PRC laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language are provided for identification purposes only.

In this prospectus, unless the context otherwise requires, explanations and definitions of certain terms used in this prospectus in connection with our Company and our business shall have the meanings set out below. The terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

"*Aconitum carmichaelii* (附片)"	a processed product from the roots of *Monkshood* (烏頭) in the Ranunculaceae family and a toxic TCM material to enhance vital energy, strengthen body functions and relieve pain
"*Angelica sinensis* (當歸)"	a medicinal herb commonly used in TCM to nourish blood, promote blood circulation, regulate menstruation, alleviate pain, and strengthen the immune system
"*Astragalus* (黃芪)"	a medicinal herb commonly used in TCM to enhance energy, maintain body fluid balance, and help relieve water retention and swelling
"*Black aconitum carmichaelii* (黑順片)"	a processed product from the roots of *Monkshood* (烏頭) in the Ranunculaceae family, processed by soaking fresh aconite in bile, steaming, boiling, slicing, dyeing and other processing techniques
"B2B"	business to business, a commercial transaction model between businesses, such as between a manufacturer and a wholesaler, or between a wholesaler and a retailer
"CAGR"	compound annual growth rate
"centralized procurement"	a centralized procurement mechanism implemented by the PRC government to purchase pharmaceutical products in bulk at negotiated prices
"Chinese Pharmacopoeia"	Chinese Pharmacopoeia (《中國藥典》), the official compendium of drugs, officially published and updated from time to time by the Chinese Pharmacopoeia Commission, which is divided into four parts. The first part includes medicinal materials and decoction products, plant oils and extracts, compound formulations and single-ingredient preparations
"*Coptis root* (黃連)"	a medicinal herb commonly used in TCM to relieve internal heat and moisture retention, supporting the heart, stomach, and liver functions
"decoction-ready products"	medicines that have been processed and prepared to be directly used in TCM clinical practice or in the production of pharmaceutical preparations

"DNA barcoding system"	a molecular biology technique that uses a concise, standardized DNA sequence to identify and authenticate TCM materials by comparing genetic labels against a reference database
"*Dwarf lilyturf* (麥冬)"	a medicinal herb commonly used in TCM to nourish yin, promote body fluid secretion, nourish the lung, and clear the heart
"formula granules"	granules made from single TCM decoction-ready products through water extraction, separation, concentration, drying, and granulation processes
"*Fritillaria cirrhosa* (川貝母)"	a medicinal herb commonly used in TCM to clear heat nourish the lung, reduce phlegm and relieve cough
"GAP"	Good Agricultural Practice, a set of principles, regulations and technical recommendations applicable to agricultural production processes, ensuring safety and quality of crops, including TCM raw materials
"geo-authentic TCM materials"	TCM raw materials that originate from specific geographical regions renowned for producing the high quality types due to unique environmental conditions, cultivation techniques, and processing methods
"*Ginger processed pinelliae* (薑半夏)"	a processed product of *Pinellia ternata* (半夏), using ginger and alum as auxiliary materials to reduce toxicity and enhance therapeutic effects
"GMP"	Good Manufacturing Practice of Pharmaceutical Products, a system of regulations, codes, and guidelines for pharmaceutical production management and quality control to ensure the consistent production of pharmaceutical products that comply with their intended use and registration requirements
"IoT"	internet of things
"molecular biology"	a branch of biology that deals with the molecular basis of biological activity, particularly the study of DNA, RNA, proteins and their interactions, applied in TCM for authentication and quality control
"NDA"	new drug application, a formal submission to drug regulatory authorities seeking permission to market a new pharmaceutical product
"O2O"	online to offline, a business strategy that draws potential customers from online channels to physical stores

"OTC"	over-the-counter, referring to medicines that can be purchased directly by consumers without a prescription from a healthcare professional
"*Pinellia ternata* (半夏)"	a medicinal herb commonly used in TCM to eliminate blood stasis, control bleeding, reduce edema, and alleviate pain
"prepared *Rehmannia* (熟地黃)"	a processed product of *Rehmannia glutinosa* (地黃) and a TCM decoction-ready product to improve blood nourishment and relieve fatigue
"processed *Pinellia ternata* (製半夏)"	*Pinellia ternata* (半夏) decoction-ready products that has undergone specific processing methods to reduce toxicity and enhance therapeutic effects with common types including *Rhizoma pinelliae preparatum* (法半夏), *Ginger processed pinelliae* (薑半夏) and *Rhizoma pinelliae preparata* (清半夏)
"products"	collectively TCM decoction-ready products and standardized TCM decoction-ready products produced and sold by us under valid Drug Production Licences and Drug Distribution Licences, which are legally recognized medicines that comply with the Drug Administration Law of the PRC and related regulations
"*Rhizoma pinelliae preparatum* (法半夏)"	a processed product of *Pinellia ternata* (半夏), using licorice and lime as auxiliary materials to reduce toxicity and enhance therapeutic effects
"*Rhizoma pinelliae preparata* (清半夏)"	a processed product of *Pinellia ternata* (半夏), using alum as auxiliary material, with boiling and soaking as two processing methods
"SKU"	stock keeping unit, distinct item offered for sale with unique identifiers that enable inventory tracking
"SME"	small and middle-sized enterprise
"TCM"	traditional Chinese medicine, referring to medicines for the prevention and treatment of diseases under the guidance of Chinese medicinal theories, including medicines with herbal, animal or mineral materials
"TCM raw material(s)"	unprocessed natural substances derived from plants, animals or minerals
"TCM wellness products"	products we sold to consumers for health maintenance and enhancement purposes, which are merely repackaged from our TCM decoction-ready products and do not involve any further processing

"type (品種)"	a broad category of TCM decoction-ready products, which are raw herbal materials processed in accordance with the Chinese Pharmacopoeia and intended for use in clinical prescription and dispensing
"variety (規格)"	distinct herbal species or processed form or product type with different quality grade or commercial classification within a given type, as identified by its pharmacopoeial name or specific processing method
"*White aconitum carmichaelii* (白附片)"	a processed product from the roots of *Monkshood* (烏頭) in the Ranunculaceae family, processed by soaking fresh aconite in bile, peeling, slicing, steaming, boiling and other processing techniques
"*Ziziphi spinosae semen* (酸棗仁)"	a medicinal herb commonly used in TCM to nourish the heart and liver, calm the mind and relieve mental stress, reduce sweating, and stimulate body fluid secretion

We have included in this prospectus forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

This prospectus contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words "aim," "anticipate," "believe," "could," "estimate," "expect," "going forward," "intend," "may," "might," "ought to," "plan," "potential," "predict," "project," "seek," "should," "will," "would" and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change.

These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospects;
- our financial conditions and operating results and performance;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals and our ability to successfully implement these strategies, plans, objectives and goals;
- general economic, political and business conditions in the markets in which we operate;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- our ability to continue to maintain our position in the industry;
- our ability to attract customers and build our brand image;
- our ability to control or reduce costs;
- our ability to identify and integrate suitable acquisition targets;
- our dividend policy;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- our future debt levels and capital needs;
- the competitive environment of the industry and markets in which we operate;

- our ability to attract and retain senior management and key employees;
- the actions and developments of our competitors;
- certain statements in "Business" and "Financial Information" in this prospectus with respect to trends in prices, operations, margins, overall market trends, and risk management;
- change or volatility in interest rates, equity prices, volumes, operations, margins, risk management and overall market trends; and
- other statements in this prospectus that are not historical facts.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, the forward-looking statements are not a guarantee of future performance and you should not place undue reliance on any forward-looking information. Moreover, the inclusion of forward-looking statements should not be regarded as representations by us that our plans and objectives will be achieved or realized. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements in this section.

In this prospectus, statements of or references to our intentions or those of the Directors are made as of the date of this prospectus. Any such information may change in light of future developments.

An investment in our H Shares involves various risks. You should carefully consider all of the information set forth in this prospectus, including the risks and uncertainties described below, before making an investment in our H Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material and adverse effect on our business, financial condition and results of operations. In any such case, the market price of our H Shares could decline, and you may lose all or part of your investment.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in "Forward-looking Statements" in this prospectus.

RISKS RELATING TO OUR BUSINESS

The traditional Chinese medicine industry is highly fragmented and competitive.

The TCM industry in the PRC is highly fragmented and competitive. For TCM decoction-ready product market, most market players operate on a relatively small scale and limited production capacity. In 2025, the total number of TCM decoction-ready product companies with production licenses in China has reached 2,337. Our key competitors include national and regional manufacturers of same/similar type of decoction-ready products. We cannot assure that we will be able to remain competitive by continuously distinguishing our products, or maintain our supplier and customer relationships, nor can we assure that we will be able to increase or maintain our existing market share. Competition is likely to intensify if the number of competitors of same products increases due to the increase in market demand; or competitors drastically reduce prices due to the oversupply of products or in response to competition. We expect to face a highly competitive market environment in the foreseeable future. If we fail to react to the rapidly changing market condition, control procurement costs or manage our business operation, our business, financial condition and results of operations could be materially and adversely affected.

The competitiveness of our products depends on a number of factors, including product quality, brand positioning, price, effectiveness of our marketing activities, breadth and depth of our sales networks and other factors. Some of our existing and potential competitors may have greater business resources, financial resources or experience in manufacturing and marketing decoction-ready products than we do. In addition, such competitors may have greater brand recognition, more established or extensive sales networks, or more extensive knowledge of our target consumers and target markets. There is no assurance that our competitors will not adapt more quickly than us to changes in industry trends, market preferences and requirements or consumer behaviors and habits. It is also unpredictable whether our competitors will engage in irrational or predatory pricing behavior, or whether there will be consolidation or cooperative arrangements among our competitors that could negatively affect our competitive position. If we are unable to compete effectively or otherwise respond to competitive pressure promptly or adequately, our product prices and sales may be hampered, which could result in lower profitability and materially and adversely affect our financial condition and results of operations.

Our business and profitability may be adversely affected by price fluctuations and supply shortages of TCM raw materials.

The production of our TCM decoction-ready products and other products depends heavily on the availability and cost of various raw materials, including medicinal herbs, animal substances, minerals and other natural substances. These materials are subject to significant price volatility due

to numerous factors beyond our control, including weather conditions, natural disasters, disease outbreaks, ecological degradation, increasing demand, harvest yields, regulatory changes, and geopolitical tensions affecting cultivation regions.

We are also vulnerable to price fluctuations and supply shortages resulting from any speculative or price manipulation activities engaged by suppliers of these raw materials. Our efforts to secure a stable supply of raw materials may not be successful. We cannot assure that our suppliers will continue to supply materials to us on terms and conditions commercially acceptable to us. Significant increases in raw material prices would have a direct and negative impact on our gross profit margin. Ultimately, we may need to raise our product prices to recover the higher raw material costs and maintain our gross profit margin, which may lower the demand for our products. In addition, we cannot assure that we will be able to pass on any increase in raw material costs to our customers. For example, we agree to fixed pricing for a limited number of hospital customers at their request and may not be able to renegotiate contract prices during the contract term. If we are unable to pass the increase in the cost of raw materials to our customers, our profit margins and profitability would be adversely affected.

If the tax exemptions and preferential tax treatments granted by PRC government become unavailable, our results of operation and financial condition may be adversely affected.

During the Track Record Period, our business related to primary processing of agricultural products was entitled to income tax exemption pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》), the Implementation Regulations of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法實施條例》), and the Notice on Issuing the Scope of Agricultural Product Preliminary Processing Enjoying Preferential Policies for Enterprise Income Tax (Trial) (Cai Shui [2008] No. 149) (《關於發佈享受企業所得税優惠政策的農產品初加工範圍(試行)的通知》(財税[2008]149號)), released by the Ministry of Commerce of the PRC and the State Administration of Taxation on November 20, 2008. We were also entitled to preferential tax treatment as encouraged industrial enterprise based in the western China and certain of our subsidiaries were entitled to preferential tax treatment as micro and small businesses. We have been qualified as an Encouraged Industrial Enterprise based in the western region of Chinese Mainland were entitled to a preferential EIT rate of 15% during the Track Record Period. Our decoction-ready product business related to the primary processing of medicinal plants was entitled to income tax exemption. Our wholly-owned subsidiaries Chengdu Neautus and Neautus Pharmacy have been accredited as micro and small businesses were entitled to an enterprise income tax preferential rate of 20% of its taxable profits during the Track Record Period. See "Financial Information — Description of Selected Components of the Consolidated Statements of Profit or Loss and Other Comprehensive Income — Income Tax Expense." We cannot assure you that the PRC policies on preferential tax treatments will not change or that the current preferential tax treatments we enjoy or will be entitled to enjoy will not be canceled. Moreover, we cannot assure you that our PRC subsidiaries will be able to renew the same preferential tax treatments upon expiration. If any such change, cancelation or discontinuation of preferential tax treatment occurs, the relevant PRC subsidiaries will be subject to the PRC enterprise income tax, or EIT, at a rate of 25% on taxable income. As a result, the increase in our tax charge could materially and adversely affect our results of operations.

We derived a considerable portion of our revenue from limited types of products.

During the Track Record Period, we derived a considerable portion of our revenue from a limited number of products, primarily including *Fritillaria cirrhosa* (川貝母), *Dwarf lilyturf* (麥冬), *Rhizoma pinelliae preparatum* (法半夏), stir-fried *Ziziphi spinosae semen* (炒酸棗仁) and *Coptis Root* (黃連). In 2023, 2024, 2025 and the four months ended April 30, 2025 and 2026, sales of our top five products of each period represented approximately 29.1%, 25.4%, 18.4%, 20.4% and 19.9% of our total revenue for the corresponding periods, respectively.

We expect that the sales of these major products will continue to contribute to a considerable portion of our revenue in the near future. Our business will therefore remain sensitive to the sales volume and pricing of these major products. Any negative publicity in relation to these major products, or any increase in the raw materials costs for these major products could have a significant influence on the sales volume and pricing of these major products. Sales volume and pricing of these major products could also be materially and adversely affected in the event that other market players launch similar products at prices comparable to, or lower than, our prices. If we are unable to maintain our current sales volume and/or pricing of these major products, our business, financial condition and results of operations may be materially and adversely affected.

We cannot guarantee that our new business initiatives, including retail business, will be successfully implemented or generate sustainable revenue or profit.

We continue to execute a number of new business initiatives, strategies and operating plans designed to diversify our business. For example, we launched a TCM wellness product platform, Golden Lotus (金色荷花), offering TCM wellness products for retail consumption. In addition, to enhance our brand recognition and customer reach, we have been actively developing our online sales channels, including digital platforms like Jinfang Caotang (金方草堂) and Jinfang Cloud (金方雲). Since May 2026, we have been gradually integrating Golden Lotus and Jinfang Cloud into Neautus TCM Pharmacy (新荷花中藥), a new online platform, and have already launched a WeChat mini-program under the Neautus name. However, these business initiatives are new and evolving, some of which are still at the inception or trial stage and may prove unsuccessful. In addition, we may not have sufficient experience in executing these new business initiatives effectively. Our ability to predict the preferences and needs of industry participants and to customize our services to them may be limited. Further, we may incur increasing investments in research and development costs, sales and marketing expenditures, personnel expenses and compliance costs as more efforts are required for our businesses newly launched or to be launched, and no guarantee on the effectiveness of our efforts can be given.

In particular, the growing popularity of online retail and e-commerce have changed consumer shopping behavior, facilitated the growth of new business models and eased the way for entrepreneurs and direct sales by brand owners, which brought new competitive pressure on businesses founded on traditional transaction models. The e-commerce market in China is highly competitive with a large number of online stores selling TCM products. Some of our competitors may have been involved in the e-commerce channels longer than we have, may have more experienced personnel and may have substantially more financial, marketing and other resources than we do. If we fail to cater to or grow our business through the development of online retail and e-commerce and cannot compete effectively or cost-efficiently against current and future competitors, our new business initiatives may not be successful, and our results of operations may be adversely affected.

As a result, we cannot assure you that any of these new business initiatives will achieve wide market acceptance, increase the penetration of our addressable market or generate sustainable revenue or profit. If our efforts fail to enhance our monetization abilities, we may not be able to maintain or increase our revenue or recover any associated costs, and our business and results of operations may be materially and adversely impacted.

Failure to maintain the quality of our products could materially and adversely affect the level of market recognition of, and trust, in our products.

The effectiveness of our quality control systems depends on a number of factors, including the design of our quality control systems and our ability to ensure that our employees comply with our quality control policies and procedures. We cannot assure you that the design of our quality control systems will be effective at all times, especially when we continue to expand our sales volume and manufacturing capacity. We also cannot assure you that our employees will always comply with the quality control policies and will not make any mistakes when executing quality control procedures.

In addition to risks associated with the processing and labeling of our products, certain third parties, such as suppliers of raw materials and packaging materials, and logistics service providers, could also affect the quality of our products or lead to inventory obsolescence if these third parties fail to provide raw materials, packaging materials or services to us with satisfactory quality.

Failure to maintain an effective quality assurance and control system may result in quality issues in our products, which could result in a decrease in demand for our products or product return or cancelation or loss of purchase orders from our customers. We are also exposed to risks inherent in the production, packaging, sales and marketing of our products, such as defective or contaminated products, and insufficient or improper labeling of products. Any negative publicity or adverse associations with our products, including with respect to their efficacy or side effects, may negatively affect our reputation. Furthermore, the discovery of severe side effects of products manufactured or sold by other companies may also dampen the sales of our products that use the same raw materials.

In the event that any use or abuse of our products results in personal injury or death, product liability claims may be brought against us for damages. Any claims against us or product recalls, regardless of merit, could strain our financial resources as well as consume the time and attention of our management. If any claims against us were to prevail, we may incur monetary liabilities, and our reputation may be severely damaged. For details, see "— We may incur losses resulting from product liability claims or product recalls." In such event, our business, financial condition and results of operations could be adversely affected.

Our business may be affected by the TCM centralized procurement scheme.

During the Track Record Period, we derived a substantial portion of revenue from sales to hospitals and other medical institutions owned or controlled by government authorities in China, which may be required to procure decoction-ready products through a TCM centralized procurement scheme. In May 2023, a total of 15 provincial governments, including Shandong and Shanxi, formed an inter-provincial alliance to commence the centralized procurement of 21 types that comply with national drug standards for TCM decoction-ready products. In 2024, the centralized procurement scheme for TCM decoction-ready products were expanded to 45 types and all the provinces in China. Under the TCM centralized procurement scheme, public hospitals procure the TCM decoction-ready products they need through a provincial centralized drug procurement platform. In this round of procurement, we were awarded bids for 29 types comprising 55 varieties, representing 55 distinct product items.

It is possible that more provinces will join the inter-provincial alliance to initiate centralized procurement or that they will adopt a similar procurement scheme. If we participate in the centralized procurement scheme and our competitors win the bids while we fail to do so for our products, demand for our products may decrease, and our sales volume, revenue and market share could be adversely affected. Moreover, even if we win the bid for our products, there may be a significant price reduction or discrepancy between the estimated procurement quantities set out in the tender documents and the actual procurement quantities, and we cannot assure you that the market share of our products will increase. Consequently, there are uncertainties with respect to the impact of the implementation of centralized procurement scheme on the sales volume as well as the revenue of our products. If we cannot achieve targeted sales volumes or sales prices for our products, our business, financial condition and results of operations may be materially and adversely affected.

The TCM industry is highly regulated and the regulatory framework, requirements and enforcement may evolve in the future.

The TCM industry in the PRC is subject to extensive government regulations and supervision. We are governed by various local, regional and national regulatory regimes in relation to different aspects of our operations. We cannot assure that the legal framework, licensing and certification

requirements and enforcement trends in the TCM industry will not change in the future, or that we will be able to respond on time to such changes. We are obliged to comply with the extensive regulatory requirements stipulated by the relevant government authorities, including the quality standard stipulated by the Chinese Pharmacopoeia (2025 Edition) (《中國藥典》(2025年版)), and medicine labeling requirement stipulated by the Drug Administration Law of the PRC (《中華人民共和國藥品管理法》), and GMP standards for drug production stipulated by the NMPA. Please refer to the section headed "Regulatory Overview" in this prospectus for details regarding the key requirements and standards relating to our business operations.

Our compliance status with GMP standards and other regulatory requirements, however, is subject to periodic reassessment by the relevant government authorities which may result in substantial compliance burdens and additional costs on our business. The relevant government authorities may also conduct regular on-site inspections, reassessments and examinations to ensure our continuing compliance with such requirements and standards. The standards of the aforementioned reassessment may change in the future and there is no assurance that the government authorities will not tighten, or impose more stringent laws, rules, regulations, regulatory framework or industry standards in this regard.

We cannot assure that we will be able to continuously pass all the required inspections and reassessments, and any inability to comply with the regulatory requirements from the government authorities that are material to our operation could severely disrupt, as well as prevent us from conducting our business. Furthermore, if any interpretation or implementation of the relevant regulations or tightened regulation requires us to comply with additional regulatory requirements from the government authorities, we cannot assure that we will be able to comply with them. Even if we comply with such regulatory requirements and/or standards, significant additional costs and expenses may be involved, which may adversely affect our financial condition and results of operations.

We rely on a stable supply of quality raw materials to produce our products. Any decrease in the supply of these raw materials could materially and adversely affect our business, financial condition and results of operations. Our efforts to secure a stable supply of raw materials may not be successful.

Our principal raw materials are TCM raw materials, excipients and packaging materials. In 2023, 2024, 2025 and the four months ended April 30, 2025 and 2026, our cost of raw materials amounted to RMB881.3 million, RMB974.2 million , RMB996.2 million, RMB283.8 million, and RMB308.3 million, respectively, representing 76.9%, 78.0%, 74.6%, 74.1% and 71.3% of our total revenue, respectively.

We rely on suppliers to supply raw materials that meet our quality standards. We cannot guarantee that these efforts will eventually be successful. In such event, we may be subject to raw material shortages, which could have a material and adverse effect on our business and operations. In addition, we cannot assure you that our raw materials may not be contaminated, which will adversely impact the quality of our products. We may fail to ensure the comprehensiveness and effectiveness of their quality control systems. We cannot assure you that we will be able to detect all quality defects in a timely manner. If we experience any quality or safety problems in relation to our raw materials, our product quality may be adversely affected, our products may have to be recalled from the market and/or we may be subject to product liability claims. Even though we may bring claims against the relevant supplier for damages in such event, we cannot assure you that we will be able to obtain sufficient compensation that can recover our damages, which may in turn materially and adversely affect our competitive position, reputation and results of operations.

Our products are processed from medicinal herbs, animal substances and minerals. We are subject to evolving laws and regulations governing the purchase or use of these components and our operations may be severely affected if there are any significant changes in the relevant laws and regulations.

Our products are processed from medicinal herbs, animal substances and minerals. We are required to comply with laws and regulations that regulate the purchase or use of products of wild animals and plants under the state priority protections. As confirmed by our Directors, amongst all the raw material we purchased during the Track Record Period, we collected certain wild Fritillaria cirrhosa by ourselves with the required permits, all the other raw materials purchased by our Company were products of artificially bred wild animals and artificially cultivated plants in respect of which we have obtained all the permits necessary for the purchase of product of wild animals and plants under the state priority protection during the Track Record Period. In addition, as advised by our PRC Legal Advisors, we were not subject to any administrative penalties due to any violation of the applicable PRC laws and regulations regarding the purchase or use of products of wild animals and plants during the Track Record Period, based on the credit report issued by the competent authorities. However, certain of our products, such as little many-banded krait and black snake involved use of certain heavily regulated TCM raw materials. Amendments from time to time to existing laws, regulations and treaties or new laws regulations and treaties may potentially restrict our ability to purchase or use any substances of such kind. For example, on March 20, 2025, the NMPA issued the latest version of the Chinese Pharmacopoeia, which came into effect in October 2025. If we fail to comply with evolving regulations with respect to the use of such substances, we may be subject to claims, investigations, fines, penalties or prosecutions as a result. Furthermore, replacing or locating alternative raw materials would inevitably require us to divert attention and resources from our business. If we are unable to identify alternative materials or suppliers and secure approval for their use in a timely manner, our results of operations, profit margins and profitability could be adversely affected.

Animal protection activists and other third-party groups may boycott our products, protest against our operations, make claims before governmental authorities, and/or bring lawsuits against us. Such boycotts, protests, claims and lawsuits might be based on allegations that we have been using products of prohibited animal substances and/or committing acts of cruelty to animals. Currently, we purchase all the animal substances from qualified suppliers and are not involved in any claims and lawsuits of such kind. While we seek to comply with all laws and regulations, and defend ourselves when sued, there will be no assurances as to the outcome of future claims and lawsuits that could be brought against us. In addition, associated negative publicity could damage our reputation and negatively affect our results of operations.

Our business could be materially and adversely affected if we encounter problems in manufacturing our products or fail to comply with regulatory requirements.

TCM processing involves a series of techniques used to transform raw TCM materials into medicinal preparations. This process is guided by TCM theories and tailored to therapeutic needs, inherent properties of the medicinal materials, and specific requirements of formulation and preparation. As a result of the complexities, our manufacturing process will be susceptible to product loss or quality defects. We cannot assure you there will not be any error during the manufacturing processes in the future. In addition, the manufacturing process for any of our products may be subject to regulatory approvals from comparable regulatory authorities. We will need to satisfy all applicable regulatory requirements on an ongoing basis. Any failure to reliably manufacture products may hinder or prevent our sales, increase our costs of sales and have an adverse effect on our business, financial condition, results of operations and growth prospects.

Failure to obtain and maintain regulatory approvals for our existing and future manufacturing facilities, or any disruption or suspension of our manufacturing activities, may affect our business and results of operations.

We have been manufacturing our products at our own facilities in China. Our existing and future manufacturing facilities are required to obtain and maintain regulatory approvals. They are also subject to ongoing, periodic inspections by the NMPA or other comparable regulatory authorities to ensure compliance with Good Manufacturing Practice of Pharmaceutical Products (藥品生產質量管理規範) ("**GMP**") regulations. We cannot guarantee that we will, at all times, be able to adequately follow and document our adherence to such GMP regulations or other regulatory requirements as required by the NMPA or other regulatory authorities. We may face difficulties in complying with GMP regulations and obtaining GMP certificate for our future manufacturing facilities. Failure to obtain and maintain such regulatory approvals of our manufacturing facilities may subject us to fines, injunctions, penalties, supply disruptions, seizures or recalls of our products, operating restrictions and criminal prosecutions, any of which may have an adverse effect on our business.

We may also encounter problems with maintaining consistent and acceptable production costs, experiencing shortages of qualified personnel or raw materials, or experiencing unexpected damage to our facilities or the equipment. Any such incidents may cause us to delay or suspend our manufacturing activities. We may not be able to secure temporary, alternative manufacturers for our products with the terms, quality and costs acceptable to us, or at all. Moreover, we may need to devote significant resources to remedy these deficiencies before we can continue production at our manufacturing facilities, which would divert our limited resources and management attention from other critical operations and may adversely affect our business and results of operations.

Our product development efforts may not result in the successful development of new products, formulation of product, production methods or techniques.

Currently, the majority of our products are TCM decoction-ready products. In addition to decoction-ready products, we are actively exploring business opportunities of wellness products. Our future growth and prospects may be affected by our ability to successfully further develop our product portfolio. However, our research and development efforts may not lead to successful outcomes due to reasons beyond our control, including failure to meet safety, efficacy or other standards and requirements during manufacturing, or failure to obtain regulatory approvals in targeted geographical market on a timely basis or at all. Pursuit of some of our product development activities may require purchasing specialized equipment or other additional costs. If our product development activities do not result in the successful development of new product extensions or varied or refined product formulations, or if any of our newly developed products fails to achieve expected market acceptance, our business, financial position and results of operations could be materially and adversely affected.

Market receptiveness of the traditional Chinese medical concept and traditional Chinese medicine may change.

Our continued success depends on the acceptance of the traditional Chinese medical concept, and the popularity of and demand for TCM, in particular, in the PRC. We believe that the TCM market is highly dependent on consumer perception regarding the safety, efficacy, level of side effects and quality of TCM. However, consumer preferences and demand may shift away from TCM for various reasons, including but not limited to changes in consumers' belief that TCM may be effective in achieving their claimed benefits, and general changes in consumer preferences for TCM as compared to other types of products that claim similar benefits, such as western medications.

Further, consumer perception of TCM products could be significantly influenced by scientific research or findings, media coverage and other publicity regarding the traditional Chinese medical concept and TCM. Scientific research reports, findings or publicity, regardless of their merits, may

associate illness or other adverse effects with the consumption of TCM products. Consumer may have reservation regarding the safety and effectiveness of TCM if such adverse publicity arises in the future. Such findings or reports could adversely affect the receptiveness of the traditional Chinese medical concept and the demand for TCM and our products, and in turn bring adverse impacts to our business, financial condition and results of operations.

We may have difficulty managing our manufacturing operations or our production capacity, and our manufacturing facilities are exposed to risks of substantial disruption.

Our manufacturing operations are an important part of our business. Any damage to or malfunction of our manufacturing equipment, or any failure to effectively manage our manufacturing operations, including as a result of the loss of experienced and qualified personnel, could materially and adversely affect our business, financial condition and results of operations. In particular, management of production capacity is critical to our manufacturing operations and results of operations. If our production capacity is insufficient for satisfying all sale orders, our customer relationships and reputation could be materially and adversely affected. If we do not have sufficient demand for our products, we may suffer under utilization of our capacity and accordingly higher average cost of production. We cannot guarantee that our forecasted or anticipated product demand will materialize. If our manufacturing facilities are underutilized, we may suffer a decrease in profitability and our results of operations could be materially and adversely affected.

Our manufacturing operations are also subject to a number of risks, such as fire, theft, machinery breakdowns, sub-standard performance of our manufacturing equipment, raw material contamination, natural disasters, power outages or water shortages. Repairs, upgrades, refurbishments, modifications, suspension or loss of licenses, certifications or permits, changes in governmental planning for the land underlying our facilities, and regulatory changes may also disrupt operations. If our manufacturing facilities are substantially disrupted, we may be unable to repair or replace affected equipment or facilities, or shift production to another facility in a timely and cost-effective manner, or at all. As a result, we may fail to fulfill contractual obligations or meet market demands for our products, and our business, financial condition and results of operations could be adversely affected.

We may not be able to expand our production capacity and ramp up our operation as anticipated.

We plan to expand the production capacity of our production facility by establishing new production lines. We may not be able to obtain all the required permits or licenses for the expansion in a timely manner, or at all. In addition, the expansion may not complete within the anticipated time frame or within budget. Moreover, we may not be able to obtain the necessary approvals and permits, including the approval for amendments to pharmaceutical manufacturing license, in a timely manner, or at all, from the relevant government authorities before we can commence production. Meanwhile, we may not be able to fully utilize the increased production capacity depending on the integration of our existing productions and market reactions of our products. The expansion plan will also affect our depreciation expenses. Any substantial increase in costs associated with optimizing and expanding our production capacity and ramping up our operations, and any material delays thereof, could materially and adversely affect our business, financial condition and results of operations.

Our sales and marketing efforts may not be successful.

To expand our business, particularly our retail business, we plan to incur substantial investment in sales and marketing activities. Successful sales and marketing are crucial for us to increase the market penetration of our existing products, expand our coverage of hospitals, medical institutions and penetrate into untapped retail customers, and promote new products in the future. If we are unable to increase or maintain the effectiveness and efficiency of our sales and marketing activities, our sales volumes and business prospects could be adversely affected. In particular, our

sales and marketing efforts consist of raising awareness and knowledge of our products. If we are unable to effectively train our in-house sales representatives, our sales and marketing may be less successful than desired. Competition for experienced marketing, promotion and sales personnel is intense. If we are unable to attract, motivate and retain a sufficient number of marketing, promotion and sales professionals, sales volume of our products may be adversely affected and we may be unable to expand our sales coverage or increase our market penetration as contemplated.

We are subject to risks associated with other parties with which we collaborate. If we cannot effectively cooperate with such other parties, or if such other parties fail to perform their obligations, provide reliable or satisfactory services, or operate their businesses, in each case in compliance with applicable laws and regulations, our business, financial condition and results of operations may be materially and adversely affected.

We collaborate with certain other parties in providing services to our consumers. For example, we collaborate with third-party logistics service providers for the transportation of our decoction-ready products. Any failure by the third-party logistics service providers we engage during the transportation process may contaminate our products and adversely affect our business operations. These parties may not be able to properly perform their duties under their agreements with us. Any failure by these parties to continue with good business operations, comply with applicable laws and regulations or risks or any negative publicity on these parties could damage our reputation, expose us to significant penalties and decrease our total revenues and profitability. Also, if we fail to retain existing or attract new parties to collaborate with us, the normal operations of our business may be affected, and our customers and end-consumers may lose confidence in our products. If these other parties engage in activities that are negligent, illegal or otherwise harmful to the trustworthiness and security of our system, or if our customers are otherwise dissatisfied with their service quality, we could suffer reputational harm, even if these activities are not related to, attributable to or caused by us.

We may not be able to protect our intellectual property rights, trade secrets and know-how, or prevent unfair competition by third parties.

Our success depends upon obtaining and maintaining intellectual property rights and confidentiality of our trade secrets and know-how relevant to our products, technologies, inventions and improvements under the PRC laws for protecting these rights. As of the Latest Practicable Date, we had 59 trademarks, 12 patents, three copyrights, five domain names and one software copyrights in China. The expiration or loss of, or failure to register our intellectual property rights may materially and adversely affect our business and results of operation. However, we may not be able to effectively protect our intellectual property rights related to our business and products due to the following reasons: (i) we may not be able to identify any unauthorized use of our patents, trademarks and other intellectual property rights and take appropriate actions to enforce our rights on a timely basis; (ii) our registered patents, trademarks or copyrights or our application for registration of patents or trademarks may not adequately describe, enable or otherwise provide coverage for our techniques and products and thus, we may not be able to exclude others from developing or commercializing these techniques and products; and (iii) our competitors may independently develop proprietary techniques similar to ours, misappropriate our proprietary information or processes or infringe on our patents and trademarks, or produce similar products that do not infringe on our patents or successfully challenge our patents.

We may not be able to identify the infringement of our intellectual property rights at an early stage, which may result in our inadvertent forfeiture of such intellectual property rights. Even if we are able to enforce our intellectual property rights in a timely manner, the intellectual property rights protection may not be effective. If we fail in prosecuting or defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights.

In addition to our intellectual property rights, we rely on trade secrets including unpatented know-how, technology and other proprietary information, to maintain our competitive position and to protect our products, technologies, inventions and improvements. We consider the processing method for our TCM products to be important trade secrets and know-how. We seek to protect our trade secrets and confidential information, in part, by entering into non-disclosure and confidentiality agreements with parties that have access to trade secrets or confidential information. However, we may not be able to prevent the unauthorized disclosure or use of our trade secrets and confidential information by the parties to these agreements. Monitoring unauthorized uses and disclosures is difficult. Any of the parties with whom we enter into confidentiality agreements may breach or violate the terms of any such agreements and may disclose our proprietary information, and we may not be able to obtain adequate remedies for any such breach or violation. Further, the departure of key personnel who possess our trade secrets and proprietary information may adversely affect our business operations and competitive position. If competitors or other third parties independently develop technology or information similar to our trade secrets, our competitive position may be adversely affected.

Any changes to the products that are included in the Medical Insurance Drugs Catalogs could have a material and adverse effect on our business, financial condition, results of operations and business prospects.

Under the medical insurance programs in the PRC, patients are entitled to reimburse all or certain portion of the cost of pharmaceutical products listed in the National Reimbursement Drug List (the "**NRDL**"). The inclusion or exclusion of a pharmaceutical product in or from the NRDL may significantly affect the choice and demand of a pharmaceutical product in the PRC. The inclusion of pharmaceutical products by the relevant authorities into the NRDL based on a variety of factors, including efficacy and price of the pharmaceutical products in the market, which may be outside of our control. As of the Latest Practicable Date, approximately 640 of our product types were included in the NRDL. There can be no assurance that any of our products currently listed in the NRDL will remain listed, or NRDL will include other product types. In such event, our revenue and profitability could be adversely affected.

Reformation of the decoction-ready products mark-up policies or other pricing restrictions may adversely affect our business and our products may be subject to price restrictions in China.

On October 20, 2019, the State Council issued the Opinion on Promoting the Inheritance, Innovation, and Development of Traditional Chinese Medicine (《關於促進中醫藥傳承創新發展的意見》), proposing to study the removal of price markup for TCM decoction-ready products. Subsequently, on December 14, 2021, the National Healthcare Security Administration and the National Administration of TCM jointly issued guidelines proposing that public medical institutions must limit their markup on Chinese medicine decoction-ready products to no more than 25% above procurement cost when sourced through authorized channels. Any future reformation, including other pricing restrictions as a result of any potential tightening regulations, may increase the costs for medical institutions when selling decoction-ready products to the patients, thus reducing the willingness of medical institutions to purchase our products, which in turn would adversely affect our business, financial condition and results of operations. Our customers may gain more bargaining power depending on the availability of alternative products, demands of consumers and the preferences of medical practitioners, and they may demand a lower price from us, which reduces our profitability.

We may be involved in claims, disputes, litigation, arbitration or other legal proceedings in the ordinary course of business.

From time to time, we may be involved in claims, disputes and legal proceedings in our ordinary course of business. These may concern issues relating to, among others, product liability, environmental matters, breach of contract, employment or labor disputes and intellectual property rights. Any claims, disputes or legal proceedings initiated by us or brought against us, with or without merit, may result in substantial costs and diversion of resources, and if we are unsuccessful, could materially harm our reputation. Furthermore, claims, disputes or legal proceedings against us may be due to actions taken by our counterparties. Even if we are able to seek indemnity from them, they may not be able to indemnify us in a timely manner, or at all, for any costs that we incur as a result of such claims, disputes and legal proceedings.

Our intellectual property rights could be challenged or invalidated. For example, although we believe that we have conducted our patent prosecution in accordance with a duty of candor and in good faith, the outcome following legal assertions of invalidity and unenforceability during patent litigation is unpredictable. On the other hand, competitors or other third parties may infringe or misappropriate our patents and other intellectual property rights. To counter infringement or unauthorized use, we may be required to file infringement claims, which can be expensive and time consuming. In any infringement proceeding, a court may decide that a patent of ours is not valid or is unenforceable, or may refuse to stop the other party from using the technology at issue on the grounds that our patents do not cover the technology in question. Even if we establish infringement, the court may decide not to grant an injunction against further infringing activity and instead award only monetary damages, which may not be an adequate remedy. Enforcing our intellectual property rights against third parties may also cause such third parties to file other counterclaims against us, which could be costly to defend and could require us to pay substantial damages. Any loss of intellectual property protection could have a material and adverse impact on one or more of our products candidates and our business.

An adverse result in any litigation or defense proceedings could put one or more of our intellectual property rights at risk of being invalidated or interpreted narrowly. Even if successful, litigation may result in substantial costs and distraction of our management and other employees. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation.

Our and/or others' failure to obtain or renew certain approvals, licenses, permits and certificates required for our business may materially and adversely affect our business, financial condition and results of operations.

Pursuant to the relevant laws, regulations and relevant regulatory practice by governmental agencies, we and/or other parties related to our operations may be required to obtain and maintain various approvals, licenses, permits and certificates from relevant authorities to operate our business. Some of these approvals, permits, licenses and certificates are subject to periodic renewal and/or reassessment by the relevant authorities, and the standards of such renewal and/or reassessment may change from time to time. Any failure to continuously comply with the requirements of, obtain or renew approvals, licenses, permits and certificates necessary for our operations may result in enforcement actions thereunder, including orders issued by the relevant regulatory authorities causing operations to cease, and may include corrective measures requiring capital expenditure or remedial actions, which in the future could materially and adversely affect our business, financial condition and results of operations. Furthermore, if the interpretation or implementation of existing laws and regulations changes, or new regulations come into effect requiring us and/or other related parties to obtain any additional approvals, permits, licenses or certificates that were previously not required, we cannot assure you that we and/or other such related parties will successfully obtain such approvals, permits, licenses or certificates. Any such failure could restrict our business operations and materially reduce our profitability and prospects.

Our international strategy and ability to conduct business in international markets may be adversely affected by legal, regulatory, political and economic risks.

International expansion is a significant component of our growth strategy and may require significant capital investment, which could strain our resources and adversely impact our operations and financial performance. We are subject to PRC law in addition to the laws of the foreign countries and regions in which we operate. If any of our operations, or our associates or agents, violate such laws, we could become subject to sanctions or other penalties, which could negatively affect our reputation, business, financial condition and results of operations. In addition, we may face difficulties in managing our third-party service providers and other business partners on a global scale. In particular, any negative changes in the global geopolitical environment may materially and adversely affect our international expansion. Any political and economic instability in the countries and regions where we operate could also have an adverse impact on foreign exchange rates.

We may incur losses resulting from product liability claims or product recalls.

The nature of our business may expose us to product liability claims. Such claims may arise if any of our products are deemed or proven to be defective or contaminated or when we are alleged to have engaged in such practices as insufficient or improper labeling of products. In the event that the use or misuse of any product manufactured by us results in personal injury or death, product liability and/or indemnity claims may be brought against us and we may be subject to our product recalls, and the relevant regulatory authorities may close down some of our related operations and take administrative actions against us. We cannot guarantee that such claims will not be filed against us in the future. A substantial claim or a substantial number of claims against us, if successful, would have a material and adverse effect on our reputation, business, financial condition and results of operations. Any claims against us or any product recalls, regardless of merit, can strain our financial resources and consume the time and attention of our management.

We have limited insurance coverage, and any claims beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources.

We maintain insurance policies as required under applicable laws and regulations, as well as based on our assessment of our operational needs and industry practice. See "Business — Insurance." In line with industry practice, we have elected not to maintain certain types of insurance, such as business interruption insurance or product liability insurance. We cannot guarantee you that our coverage will be adequate to compensate for all losses that may occur, particularly with respect to loss of business or operation. Any business disruption, litigation, regulatory action, outbreak of epidemic disease or natural disaster could also expose us to substantial costs and diversion of resources. There can be no assurance that our insurance coverage is sufficient to prevent us from any loss or that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected.

If we fail to comply with environmental, health and safety laws and regulations, we could be subject to fines or penalties and other negative consequences that could have a material and adverse effect on the success of our business.

We are subject to numerous environmental, health and safety laws and regulations, including but not limited to the treatment and discharge of pollutants into the environment and the use of toxic and hazardous chemicals in the process of our business operations. In addition, our facilities can only be put into operation after the relevant administrative authorities in charge of environmental protection and health and safety have examined and approved the relevant facilities in certain jurisdictions.

We cannot fully eliminate the risk of accidental contamination, biological or chemical hazards or personal injury at our facilities during the process of research, testing, development and manufacturing of our products. In particular, certain of our manufacturing process involve the use of raw materials with toxicity, which requires more stringent waste management and stricter compliance with environmental and health related laws and regulations. In the event of such accident, we could be held liable for damages and clean-up costs which, to the extent not covered by existing insurance or indemnification, could materially and adversely affect our business. Other adverse effects could result from such liability, including reputational damage. We may also be forced to close or suspend operations at certain of our affected facilities temporarily, or permanently. Furthermore, we may be required to incur substantial costs to comply with current or future environmental, health and safety laws and regulations. Failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions which could have a material and adverse effect on our business, financial condition, results of operations and prospects.

We are subject to complex laws, regulations and governmental policies regarding cybersecurity, privacy and data protection. Actual or alleged failure to comply with such laws, regulations and governmental policies could materially and adversely affect our business and reputation.

Recently, the governments worldwide have placed increasing emphasis on privacy and data protection regulations. The PRC government, in particular, has implemented a series of laws, regulations, and policies to safeguard personal data. However, the interpretation and application of these laws, regulations, and standards related to cybersecurity, data protection, and privacy remain constantly evolving, which may affect our responsibilities in this area. For instance, the PRC government has promulgated a series of laws and regulations on data security, cybersecurity and personal information protection, including the Data Security Law of the People's Republic of China (《中華人民共和國數 據安全法》), the Cybersecurity Law of the People's Republic of China (《中華人民共和國網絡安全法》), the Measures for Cybersecurity Review (《網絡安全審查辦法》) and the Personal Information Protection Law of the People's Republic of China (《個人信息保護法》), which impose various obligations on entities engaged in data-related activities. For details, see "Regulatory Overview — Laws And Regulations Related to Information Security and Data Privacy." Any failure or perceived failure of compliance could lead to potential legal proceedings or actions initiated by government entities or other parties. Should any of such occur, it could materially and adversely impact our reputation, thereby harming our business, financial condition and results of operations.

We may be directly or indirectly subject to applicable anti-kickback, fraud and abuse laws or similar healthcare and security laws and regulations in China and other jurisdictions, which could expose us to administrative sanctions, criminal sanctions, civil penalties, contractual damages, reputational damage and diminished profits and future earnings.

Healthcare providers, doctors and others play a primary role in the recommendation and prescription of any products for which we obtain regulatory approval. Our operations may become subject to various PRC fraud and abuse laws, including the PRC Anti-Unfair Competition Law (《中華人民共和國反不正當競爭法》), and PRC Criminal Law (《中華人民共和國刑法》). These laws may impact, among others, our proposed sales, marketing and education programs.

Neither the PRC government nor the PRC courts have provided definitive guidance on the applicability of fraud and abuse laws to our business. Law enforcement authorities are increasingly focusing on enforcing these laws, and some of our practices may be challenged under these laws. Efforts to ensure that our business arrangements with third parties are in compliance with applicable healthcare laws and regulations will involve substantial costs. If any enforcement actions are instituted against us, and if we are not successful in defending ourselves or asserting our rights, those actions could result in the imposition of civil, criminal and administrative penalties, damages, disgorgement, monetary fines, possible exclusion from participation in governmental healthcare programs, contractual damages, reputational damage, diminished profits and future earnings, and

curtailment of our operations, which could have adverse effect on our business and results of operations. Furthermore, we are subject to anti-bribery laws in China that generally prohibit companies and their intermediaries from making payments to government officials for the purpose of obtaining or retaining business or securing other improper advantages. See also "— Risks Relating to Our Business — Our employees and business partners may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements."

As we expand our operations globally, we may also become subject to similar laws and regulations from other jurisdictions. If we fail to comply with such requirements, we could be subject to penalties and other negative consequences. If any of the physicians or other third parties with whom we do business are found to be not in compliance with the applicable laws and regulations, they may be subject to criminal, civil or administrative sanctions, including exclusions from government funded healthcare programs, which may also adversely affect our business.

Our future success depends in part on our ability to retain our senior management, key employees and other qualified personnel.

We are highly dependent on the expertise and insights of our senior management team. Recruiting and retaining qualified scientific, technical, manufacturing, and sales and marketing personnel in the future will also be critical to our success. The loss of the services of any of these persons could impede the achievement of our research, development, manufacturing and commercialization objectives. Moreover, losing our senior management may increase our competitive pressure, as they may join our competitors or start competing businesses. Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain or motivate these key personnel or consultants on acceptable terms given the competition among numerous TCM industry players for similar personnel. To compete effectively, we may need to offer higher compensation and other benefits, which could materially and adversely affect our financial condition and results of operations. In addition, we may not be successful in training our professionals to keep pace with technological and regulatory standards. Any inability to attract, motivate, train or retain qualified scientists or other technical personnel may have a material and adverse effect on our business, financial condition, results of operations, cash flows and prospects.

Our potential engagement in acquisitions or strategic partnerships in the future may increase our capital requirements, cause dilution for our Shareholders, cause us to incur debt or assume contingent liabilities, and subject us to other risks.

To enhance our growth, we may acquire businesses, products, technologies or know-how or enter into strategic partnerships that we believe would benefit us in terms of product development, technology advancement or distribution network, among others.

Any completed, in-process or potential acquisition or strategic partnership may entail numerous risks, including but not limited to: (i) substantial time and expenses incurred during negotiation without guarantee of successful consummation; (ii) our inability to accurately assess the value of an acquisition target, as our valuation relies on assumptions about its future performance, market conditions and expected synergies which may cause us to overpay for an acquisition; (iii) adverse impact on our financial results, such as goodwill impairment charges, amortization expenses for intangible assets and increased operating expenses; (iv) the assumption of additional indebtedness or contingencies, or the issuance of our equity securities resulting in dilution to our Shareholders; (v) difficulties in assimilating operations, intellectual property, products and personnel of an acquired company, and the diversion of our management's attention from our existing product programs and initiatives; (vi) our inability to successfully integrate the acquired business and brand into our existing business in a timely and cost-effective manner, or at all, which may confuse our customers or distributors, dilute our brand image or result in the loss of the customer base of the acquired business; (vii) loss of key personnel and uncertainties in our ability to maintain key business relationships; (viii) risks and uncertainties associated with the other party to such a transaction, including the prospects of that party and their existing products and regulatory

approvals, and our inability to generate sufficient revenue from acquired technology and/or products to offset the associated acquisition and maintenance costs; and/or (ix) our inability to realize the anticipated benefits of the transaction, including expected synergies, revenue growth, cost savings and operational efficiencies, within the expected time frame or at all.

Further, any difficulties in the integration of acquired businesses, product or technologies or unexpected penalties, lawsuits or liabilities in connection with such businesses, product or technologies could have a material and adverse effect on our reputation, business, financial condition and results of operations. In addition, if we undertake acquisitions, we may issue dilutive securities, assume or incur debt obligations, incur large one-time expenses and acquire intangible assets that could result in significant future amortization expense. Furthermore, we may fail to realize the anticipated cost savings or operational efficiencies from these transactions, potentially leading to significant impairment charges that would adversely affect our financial results. In addition, funding such acquisitions could increase our financial leverage, while the complex integration process may divert management's attention away from our core business operations.

We may encounter difficulties in managing our growth and expanding our operations successfully.

Pursuing our growth strategies has resulted in, and will continue to result in, substantial demands on capital and other resources. In addition, managing our growth and executing our growth strategies will require, among other things, our ability to continue to innovate and develop TCM processing technology in the highly competitive TCM industry, effective coordination and integration of our businesses and teams, successful hiring and training of personnel, effective cost control, sufficient liquidity, effective and efficient financial and management control, increased marketing and customer support activities, effective quality control, and management of our suppliers to leverage our purchasing power. Any failure to execute our growth strategies or realize our anticipated growth could adversely affect our business, financial condition, results of operations and prospects.

Our employees and business partners may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements.

We are exposed to the risk of misconduct or other improper activities conducted by our employees and business partners. Such misconduct or improper activities may include failures to comply with regulations of the NMPA or other regulatory authorities, to provide accurate information to such regulators, to comply with manufacturing standards of our own or promulgated by applicable regulatory authorities, to comply with healthcare fraud and abuse laws, to report financial information or data accurately or to disclose unauthorized activities to us. In particular, sales, marketing and other business arrangements in the TCM industry are subject to extensive laws and regulations intended to prevent fraud, misconduct, kickbacks, self-dealing and other abusive practices. A wide range of our business activities may be subject to these laws and regulations, including, but not limited to, research, manufacturing, distribution, pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements.

It is not always possible to identify and deter misconduct of our employees and business partners, and any precautions we take to detect and prevent improper activities may not be effective at all times in, for example, protecting us from governmental investigations or lawsuits. Any such actions instituted against us could have a significant impact on our business due to the potential outcomes resulted from the governmental investigation or lawsuit, such as the imposition of significant civil, criminal and administrative penalties, damages, monetary fines, disgorgement of profits, imprisonment, possible exclusion from participation in government healthcare programs, contractual damages, reputational harm, diminished profits and future earnings, additional reporting or oversight obligations.

Our reputation is important to our success. Negative publicity with respect to us, our management, employees, business partners, affiliates, or our industry, may materially and adversely affect our reputation, business, results of operations and prospect.

We believe that market awareness and recognition of our brand image, and the maintenance of a positive brand image, is crucial to the success of our business. However, our reputation is vulnerable to potential threats that can be difficult or impossible to control, and costly or impossible to remediate. Instances or reports, whether true or not, of safety issues, such as illnesses, tampering, adulteration, contamination or mislabeling, either during manufacturing, packaging, transportation, storing or preparation, employee hygiene and cleanliness failures or improper employee conduct, have in the past severely injured the reputations of companies in the TCM industry. Other enterprises in the TCM industry may experience problems related to product quality and safety due to the quality standards they implement, quality defect, and inadequate compliance with and enforcement of inspection procedures under relevant regulations. While we may not be involved in any of these events, any report linking us to such instances could cause consumers to be doubtful or fearful and could possibly hurt our sales. While we will continue to promote our brands to remain competitive, we may not be successful in doing so. In addition, we may engage various third parties to advance our business, which can make it increasingly difficult to effectively manage our brand reputation, as we have relatively limited control over these third parties.

Any disputes, legal proceedings, regulatory inquiries, investigations or other actions involving us, our management, employees, business partners and affiliates, or any perceived unethical, fraudulent, or inappropriate conduct by any of the above, regardless of the merits or final outcome, could harm our reputation, impede our ability to attract and retain talent and business partners, and materially and adversely affect our business.

We may experience failures in our information technology system, which could materially and adversely affect our business, financial condition and results of operations.

We depend on our information technology system to manage our business processes, and to record and process our operational and financial data. In particular, we rely on our information technology system to, among other things: (i) establish the database of suppliers and document the procurement of raw materials; (ii) facilitate the shipping and sale of decoction-ready products; (iii) monitor and control the processing of orders, inventory levels and product flows; (iv) support our management of and oversight over business processes such as production, inventory management, quality control and order management; (v) manage billing and collections from customers; (vi) process payments to suppliers and third-party service providers; and (vii) manage and monitor quality control of our products.

We have established security mechanisms regarding data access control, physical equipment security, network security, security management procedures and data backup. However, our information technology system may fail due to natural disasters or failures of public infrastructure, our information technology infrastructure or our applications software systems that are wholly or partially beyond our control. Any material disruption to the operation of our information technology system could have a material and adverse effect on our business. Our failure to address these problems could result in our inability to perform, or delays in our performance of, critical business operational functions, loss of key business data, or our failure to comply with regulatory functions, which could materially and adversely affect our business operations.

We may not be able to renew our current leases or locate desirable alternatives for our business operations.

We lease properties for our offices, storages and manufacturing facilities in China. See "Business — Properties." We may not be able to extend or renew such leases on commercially reasonable terms, or at all, as we will have to compete with other businesses for premises at desired locations. Rental payments may significantly increase as a result of high demand for the leased

properties. Moreover, we may not be able to extend or renew such leases upon expiration of the current term and may therefore be forced to relocate the affected operations. This could disrupt our operations and result in significant relocation expenses. We may not be able to locate desirable alternative sites for our offices and laboratories. The occurrence of such events could materially and adversely affect our business, financial condition, results of operations and prospects.

Our leased properties may be subject to non-compliances or challenges that could potentially affect our future use of them.

Pursuant to the Measures for Administration of Lease of Commodity Properties (《商品房屋租賃管理辦法》), which was promulgated by the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) on December 1, 2010 and became effective on February 1, 2011, both lessors and lessees are required to file the lease agreements for registration and obtain property leasing filing certificates for their leases. As of the Latest Practicable Date, we failed to register seven of the lease agreements as tenant, which were primarily used as our storage spaces and future manufacturing facilities. Although failure to register does not in itself invalidate the leases, we may be subject to fines if we fail to rectify such non-compliance within the prescribed time frame after receiving notice from the relevant PRC government authorities. The penalty ranges from RMB1,000 to RMB10,000 for each unregistered lease, at the discretion of the relevant authority. As of the Latest Practicable Date, we were not subject to any penalties arising from the non-registration of lease agreements. However, we cannot assure you that we would not be subject to any penalties and/or requests from local authorities to fulfill the registration requirements, which may increase our costs in the future. In addition, as our leases expire, we may face difficulties renewing them, either on commercially acceptable terms or at all. Our inability to enter into new leases or renew existing leases on terms acceptable to us could materially and adversely affect our business, results of operations or financial condition. In addition, our leases could be challenged by the government authorities, which may cause interruptions to our business operations. If the lessors of these leased properties failed to obtain necessary permits, approvals, or certificates from the relevant government authorities, we may not be able to continue our use of the relevant leased properties, which may in turn affect our business operations.

We may be subject to additional social insurance fund and housing provident fund contributions and late fees or fines imposed by relevant regulatory authorities.

Pursuant to the Chinese laws and regulations, we are required to participate in the employee social welfare plan administered by local governments. Such plan consists of pension insurance, medical insurance, work-related injury insurance, maternity insurance, unemployment insurance and housing provident fund. The amount we are required to contribute for each of our employees under such plan should be calculated based on the actual income of our employees, together with the minimum and maximum level as from time to time prescribed by national laws and regulations and local authorities. The unpaid amount for social insurance contributions amounted to approximately RMB6.4 million, RMB5.3 million, RMB5.4 million and RMB0.9 million in 2023, 2024, 2025 and the four months ended April 30, 2026, respectively. Any failure to make timely and adequate social welfare contribution for its employees may trigger an order of correction from competent authority requiring the employer to make up the full amount of such overdue social welfare contribution within a specified period of time, and the competent authority may further impose fines or penalties.

During the Track Record Period, we did not pay social insurance and housing provident fund in full for our employees. The unpaid amount for housing provident fund contributions amounted to approximately RMB1.8 million, RMB1.6 million, RMB1.6 million and RMB0.3 million in 2023, 2024, 2025 and the four months ended April 30, 2026, respectively. In addition, prior to July 2022, certain contributions were made through third-party agencies. As a result, if an employee makes a complaint, report or other claim to the competent authority, we may be required by competent authorities to pay the outstanding amount, and may be subject to late payment penalties or

enforcement application made to the court. We have taken steps to enhance our internal procedures with a view to improving compliance with applicable laws and regulations relating to social insurance and housing provident fund contributions, including but not limited to conducting internal compliance audits to identify historical deficiencies, updating payroll systems to better track contribution bases and payment status, providing regular training to human resources personnel on local regulatory requirements, and establishing an internal review mechanism to monitor contribution practices on an ongoing basis and we undertake to make timely payments for the deficient amount and overdue charges, as soon as requested by the competent government authorities. As of the Latest Practicable Date, no competent government authorities imposed administrative action, fine or penalty to us with respect to this non-compliance incident or required us to settle the outstanding amount of social insurance payments and housing provident fund contributions. We cannot guarantee you that the employees will not make complaints, reports or other claims and the competent government authorities will not require us to settle the outstanding amount within the specified time limit or impose late payment penalties on us based on such complaints, reports or other claims. Although our Directors believe that the probability of such complaints, reports or other claims and subsequent administrative action, fine or penalty imposed by government authorities in this regard is remote, we cannot guarantee that such actions may not occur, which may have a material and adverse impact on our financial position and results of operation.

We may be subject to natural disasters, health epidemics, acts of war or terrorism or other factors beyond our control.

Natural disasters, health epidemics, acts of war or terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions where we conduct our business. Our operations may be under the threat of natural disasters, such as floods, earthquakes, sandstorms, snowstorms, fire or drought, the outbreak of a widespread health epidemic, such as swine flu, avian influenza, severe acute respiratory syndrome, or SARS, Ebola, Zika, COVID-19, other factors beyond our control, such as power, water or fuel shortages, failures, malfunction and breakdown of information management systems, unexpected maintenance or technical problems, or are susceptible to potential wars or terrorist attacks.

The occurrence of a disaster or a prolonged outbreak of an epidemic illness, including the COVID-19 pandemic, or other adverse public health developments could materially disrupt our business and operations. Acts of war or terrorism may also injure our employees, cause loss of lives, disrupt our business network and destroy our markets. Any of the foregoing events and other events beyond our control could have an adverse effect on the overall business sentiment and environment, cause uncertainties in the regions where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial condition and results of operations.

Our business and financial condition could be materially and adversely affected by a severe or prolonged downturn in the global economy.

General economic factors and conditions worldwide, including inflation and unemployment rate, may affect consumers' willingness to spend. The global macroeconomic environment has faced numerous challenges, including the economic slowdown or periods of recession in the United States, Europe and other economies. Sustained tension between certain major countries in the world over trade policies could significantly undermine the stability of the global economy. The conflict in Ukraine and the imposition of broad economic sanctions on Russia could raise energy prices and disrupt global markets. There have been concerns over unrest and terrorist threats in the Middle East, Europe and Africa, which have resulted in market volatility in oil and other markets, and over the expansion of terrorist activities into Europe and other regions.

China's economy conditions are closely connected with the global economy and prone to changes in domestic economic and political policies. Currently, our business and operations are based in Chinese Mainland and a majority of our revenue is derived from our operations in Chinese Mainland. Accordingly, our financial results have been, and are expected to continue to be, affected by the economy and the development of the TCM industry in Chinese Mainland. Any severe or prolonged slowdown in the global economy may materially and adversely affect our business, results of operations and financial condition.

Fluctuations in exchange rates could result in foreign currency exchange losses and could materially reduce the value of your investment.

The net proceeds from the Global Offering will be received in Hong Kong dollars. As a result, any appreciation of the Renminbi against the Hong Kong dollar, the U.S. dollar or any other foreign currencies may result in the decrease in the value of our proceeds from the Global Offering. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our H Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Any of these factors could adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, our H Shares in foreign currency terms.

We are a PRC tax resident and we are subject to PRC tax on our global income, and the dividends payable to investors and gains on the sale of our H Shares by our investors are subject to PRC tax.

As a PRC-incorporated company, under applicable PRC tax laws, we are subject to a tax of up to 25% on our global income. Under applicable PRC tax laws, regulations and statutory documents, non-PRC resident individuals and enterprises are subject to different tax obligations with respect to dividends received from us or gains realized upon the sale or other disposition of our H Shares.

Non-PRC individuals are generally subject to PRC individual income tax under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得税法》) with respect to PRC source income or gains at a rate of 20%. While we generally withhold 10% from dividends paid to H Share holders, this rate may vary based on applicable tax treaties or increase to 20% if no treaty applies where the holder's identity is known. There is uncertainty as to whether gains realized upon disposition of H shares by non-PRC individuals are subject to PRC individual income tax.

Non-PRC resident enterprises without establishments or premises in the PRC, or those whose income is unrelated to their establishments or premises are subject to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》) ("the EIT Law") at the rate of 10% on dividends and gains, unless be reduced or eliminated under special arrangements or applicable treaties. We intend to withhold tax at a rate of 10% from dividends. Enterprises entitled to lower treaty rates will be required to apply for a refund subject to regulatory verification. As of the Latest Practicable Date, there were no specific rules on how to levy tax on gains realized by non-resident enterprise holders of H Shares through the sale or transfer by other means of H Shares.

The interpretation and application of the relevant PRC tax laws by the PRC tax authorities shall be determined in accordance with the relevant laws and regulations in effect at that time, including whether and how individual income tax or EIT Law on gains derived by holders of our H Shares from their disposition of our H Shares may be collected. If any such tax is collected, the value of our H Shares may be materially and adversely affected.

You may experience difficulties in effecting service of process upon or enforcing foreign judgments against us or our Directors or officers.

Most of our assets are situated in the PRC and most of our directors and officers reside and most of their respective assets are located in the PRC. Therefore, there remains the possibility that it may be difficult to effect service of process outside the PRC upon most of our directors and officers, including with respect to matters arising under applicable securities laws. Additionally, as the PRC lacks reciprocal treaties with many countries, you may face difficulties enforcing foreign judgments against us or our management in the PRC. On January 29, 2024, the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》), came into effect, which stipulates that a judgment rendered by a Hong Kong court can generally be recognized and enforced in the PRC even if the parties in the dispute do not enter into a choice of court agreement in writing. However, we cannot guarantee that all judgments made by Hong Kong courts will be recognized and enforced in the PRC, as they remain subject to case-by-case examination by relevant courts.

The approval, filing or other requirements of the CSRC or other PRC government authorities may be required under PRC laws.

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Overseas Listing Trial Measures**") and five supporting guidelines, which has come into effect on March 31, 2023, pursuant to which the PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfill the filing procedure with the CSRC and report relevant information. Where an issuer submits an application for initial public offering to competent overseas regulators, filing application with the CSRC shall be submitted within three business days thereafter. Subsequent securities offering of an issuer in the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within three business days after the offering is completed. Subsequent securities offering and listing of an issuer in other overseas markets shall be filed as initial public offering.

Moreover, upon the occurrence of any of the material events specified below after an issuer has offered and listed securities in an overseas market, the issuer shall submit a report thereof to CSRC within three business days after the occurrence and public disclosure of the event: (i) change of control; (ii) investigations or sanctions imposed by overseas securities regulatory agencies or other relevant competent authorities; (iii) change of listing status or transfer of listing segment; (iv) voluntary or mandatory delisting. Where an issuer's main business undergoes material changes after overseas offering and listing, and is therefore beyond the scope of business stated in the filing documents, such issuer shall submit to the CSRC an ad hoc report and a relevant legal opinion issued by a domestic law firm within three business days after occurrence of the changes. See "Regulatory Overview — Regulations Related to Overseas Securities Offering and Listing."

Based on the foregoing, we are required to complete the filing procedures with the CSRC in connection with the Listing in accordance with the Overseas Listing Trial Measures.

RISKS RELATING TO OUR FINANCIAL PERFORMANCE

Our success depends, in part, on our ability to successfully manage our inventories.

We consider a number of factors when we manage the inventory levels for our production and sales operation, including the lead time to procure principal raw materials, our production schedule and price trends of principal raw materials. As of December 31, 2023, 2024, 2025 and April 30, 2026, we had inventories of RMB218.5 million, RMB243.0 million, RMB246.2 million and RMB251.4 million, respectively. In 2023, 2024, 2025 and the four months ended April 30, 2026, our

inventory turnover days were 74 days, 81 days, 83 days and 88 days, respectively. We face difficulty in accurately projecting optimal inventory levels to stock in our warehouse. Inventory levels in excess of the demand may result in inventory obsolescence, inventory write-downs or expiration of products. High inventory levels may also require us to commit substantial capital resources, preventing us from deploying our capital resources for other important business opportunities. Conversely, if we underestimate the demand for our products or if our suppliers fail to provide us with raw materials in a timely manner, we may experience inventory shortages. Such inventory shortages might result in unfilled customer orders and have a negative impact on our relationship with distributors. We cannot assure you that we will be able to maintain proper inventory levels for our operations and such failure may have an adverse effect on our business, financial condition and results of operations.

We are subject to credit risk and counterparty risk of our customers. Any delays in collecting or failure to collect payments from our customers could adversely affect our financial condition or results of operations.

As of December 31, 2023, 2024, 2025 and April 30, 2026, our trade receivables were RMB508.1 million, RMB566.4 million, RMB616.3 million and RMB639.1 million, respectively. Our trade receivables turnover days were 146, 157, 162 and 174 days in 2023, 2024, 2025 and the four months ended April 30, 2026, respectively. Our trade receivables primarily consist of outstanding settlements from TCM hospital customers. The increased amount of our trade receivables exposes us to increased credit risk. We cannot assure you that in the future, we will be able to recover all the trade receivables. Should we fail to recover all the trade receivable, it will adversely affect our business, financial condition and results of operations. As a result, any default by such counterparty and a prolonged delay in the payment of trade receivable could adversely affect our cash flow, liquidity, business, financial condition and results of operations.

We benefit from certain government grants, the discontinuation of or changes to which could adversely affect our financial condition and profitability.

We recorded government grants of RMB3.1 million, RMB4.9 million, RMB5.6 million, RMB1.0 million and RMB0.5 million in 2023, 2024, 2025 and the four months ended April 30, 2025 and 2026. These government grants primarily represent subsidies received from local government in relation to certain government-funded projects, some of which are one-off in nature. These government grants are provided to us at the discretion of the relevant government authorities, who could determine at any time to eliminate or reduce these financial incentives, and may therefore vary from period to period going forward. Since our receipt of the government grants are subject to the government's discretion and approval process, our net income in a particular period may be higher or lower relative to other periods partly due to the potential changes in the government grants we actually receive, in addition to any business or operational factors that we may otherwise experience. There is no assurance that we will continue to receive such government grants at a similar level or at all. The discontinuation of government grants and other financial incentives currently available to us could have an adverse effect on our financial condition, results of operations, cash flows and prospects.

We have experienced a relatively long and increasing cash conversion cycle during the Track Record Period, which ties up a significant amount of our working capital and may expose us to liquidity risk.

Our cash conversion cycle, calculated as inventory turnover days plus trade receivables turnover days minus trade and bills payables turnover days, was approximately 71, 74, 84 and 97 days in 2023, 2024, 2025 and the four months ended April 30, 2026, respectively. This was mainly due to longer trade receivables turnover days, as a growing share of our receivables came from hospital customers, particularly public hospitals, which generally have longer credit terms. As a

result, a significant amount of our working capital is tied up in inventories and trade receivables, and we recorded net cash used in operating activities of RMB0.5 million in 2024 and RMB27.0 million in the four months ended April 30, 2026.

If our cash conversion cycle remains long or becomes longer, we may need to rely more on bank borrowings or other external financing, which may not be available on acceptable terms or at all, and our liquidity, business, financial condition and results of operations could be materially and adversely affected.

We incurred net operating cash outflows during the Track Record Period, which may continue into the foreseeable future and expose us to liquidity risk.

We had net cash used in operating activities of RMB27.0 million for the four months ended April 30, 2026, which was consistent with our payment terms with customers and suppliers, as well as the timing of our sales and procurement activities and net cash used in operation activities of RMB0.5 million for the year ended December 31, 2024. We may experience net cash outflows from our operating activities from time to time. See also "Financial Information — Liquidity and Capital Resources." Our forecast of the period of time through which our capital resources will be adequate to support our operations is a forward-looking statement and involves risks and uncertainties. We have based this estimate on assumptions that may prove to be wrong, and we could exhaust our available capital resources sooner than we currently expect.

We are subject to various risks relating to third-party payment arrangements.

During the Track Record Period, some of our customers settled their payments with our Group through accounts of third-party payors designated by these customers, primarily their legal representatives, employees, spouses and other family members, friends, and business partners, at their requests (the "**Third-Party Payment Arrangement(s)**"). As confirmed by Frost & Sullivan, it is not uncommon for customers to use third-party payors to settle corporate transactions with their suppliers due to convenience and flexibility. In 2023, 2024, 2025 and the four months ended April 30, 2026, the aggregate amount of payments under the Third-Party Payment Arrangement(s) was RMB3.7 million, RMB5.0 million, RMB0.9 million and nil, respectively, representing approximately 0.3%, 0.4%, 0.1% and nil of our total revenue for the respective periods. For additional information, see "Business — Sales and Marketing — Third-Party Payment Arrangements."

We face various risks associated with the Third-Party Payment Arrangements during the Track Record Period, including (i) possible claims from third-party payors seeking the return of funds as they were not contractually indebted to us, (ii) potential claims from liquidators of such third-party payors, and (iii) potential money laundering risks due to our limited knowledge about the source and purpose of funds used by third-party payors. In case of claims or legal proceedings, whether civil or criminal, demanding payment return or alleging violation of laws, we would need to allocate significant financial and managerial resources for defense. Compliance with court rulings may result in returning payment for products and services sold to customers, which may materially and adversely affect our business, results of operations and financial conditions.

We may not be able to obtain additional capital when desired, on favorable terms or at all.

We may require additional cash resources for future growth and development of our business, including any investments or acquisitions we may decide to pursue to expand our new business initiatives. If our cash resources are insufficient to satisfy our cash requirements, we may seek to issue additional equity or debt securities or obtain new or expanded credit facilities. Our ability to obtain external financing in the future is subject to a variety of uncertainties, including our future financial condition, results of operations, cash flows, share price performance, liquidity of international capital and lending markets and the PRC governmental regulations over foreign investment and the PRC pharmaceutical and healthcare industry. In addition, incurring indebtedness

would subject us to increased debt service obligations and could result in operating and financing covenants that would restrict our operations. There can be no assurance that financing would be available in a timely manner or in amounts or on terms favorable to us, or at all. Any failure to raise needed funds on terms favorable to us, or at all, could severely restrict our liquidity as well as have a material and adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO THE GLOBAL OFFERING

No public market currently exists for our H Shares. An active trading market for our H Shares may not develop and the market price and trading volume of our H Shares may be volatile.

No public market currently exists for our H Shares. The Offer Price for our H Shares to the public will be the result of negotiations between our Company and the Sponsor-Overall Coordinators (for themselves and on behalf of the Underwriters), and the Offer Price may differ significantly from the market price of the H Shares following the Global Offering. We have applied to the Stock Exchange for the listing of, and permission to deal in, the H Shares. A listing on the Stock Exchange, however, does not guarantee that an active and liquid trading market for our H Shares will develop, or if it does develop, that it will be sustained following the Global Offering, or that the market price of the H Shares will not decline following the Global Offering.

The price and trading volume of our H Shares may be subject to significant volatility in response to various factors beyond our control, including the general market conditions of the securities in Hong Kong and elsewhere in the world. In particular, the business, results of operations and the market price of the shares of other companies engaging in similar business may affect the price and trading volume of our H Shares. In addition to market and industry factors, the price and trading volume of our H Shares may be highly volatile for reasons specific to our business, such as regulatory developments and healthcare policies directly affecting us, fluctuations in our cash flows, investments and expenditures, relationships with our suppliers, movements or activities of key personnel or actions taken by competitors, among others. Moreover, shares of other companies listed on the Stock Exchange have experienced price volatility in the past, and it is possible that our H Shares may be subject to changes in price not directly related to our performance.

As the Hong Kong Public Offering period will be longer than normal market practice, applicants may have their application monies committed for a longer time or be exposed for a longer period of adverse market developments.

The application for the H Shares will commence on Friday, October 30, 2026 through Friday, November 6, 2026, being longer than normal market practice of three and a half days. Depending on the application channel and the time at which an application is submitted, applicants may be required to fund their applications for a longer period before the allocation results are announced and any refunds are made available. Applicants may therefore experience a longer period during which their funds are unavailable and may suffer an opportunity cost or interest loss. Furthermore, they are also exposed for a longer period of adverse market development before trading in our H Share commences.

The price of our H Shares when trading begins could be lower than the Offer Price.

The Offer Price is expected to be determined on the Price Determination Date. However, the H Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several business days after the date of this prospectus. As a result, investors may not be able to sell or otherwise deal in the Shares during that period. Accordingly, holders of our H Shares are subject to the risk that the price of the H Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

Our Controlling Shareholders have substantial influence over our Company and its interests may not be aligned with the interests of our other Shareholders.

Our Controlling Shareholders have substantial influence over our business, including matters relating to our management, policies and decisions regarding acquisitions, mergers, expansion plans, consolidations and sales of all or substantially all of our assets, election of directors and other significant corporate actions. Immediately after completion of the Global Offering, our Controlling Shareholders will hold (including direct and indirect shareholdings) approximately 42.4% of the issued share capital in our Company. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their H Shares as part of a sale of our Company and might reduce the price of our H Shares. These events may occur even if they are opposed by our other Shareholders. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders. We cannot assure you that our Controlling Shareholders will not exercise their substantial influence over us and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other Shareholders.

Future sales or perceived sales or conversion of significant amounts of our H Shares in the public market following the Global Offering could materially and adversely affect the price of our H Shares.

Prior to the Global Offering, there has not been a public market for our H Shares. Future sales or perceived sales of significant amounts of our H Shares or conversion of the Unlisted Shares, if any, by specific Shareholders subject to certain regulatory requirements, after the Global Offering could result in a significant decrease in the prevailing market price of our H Shares. Future sales of significant amounts of our H Shares in the public market or the perception that these sales, or conversion of existing Unlisted Shares, if any, may occur could significantly decrease the prevailing market price of our H Shares and our ability to raise equity capital in the future.

You will incur immediate and significant dilution and may experience further dilution if we issue additional Shares or equity securities in the future.

The Offer Price of the H Shares is higher than the net tangible asset value per H Share immediately prior to the Global Offering. Therefore, purchasers of the H Shares in the Global Offering will experience an immediate dilution. In order to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of the H Shares may experience dilution if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time. Furthermore, we may issue Shares through the employee incentive platforms, which would further dilute Shareholders' interests in our Company.

Payment of dividends is subject to restrictions under the PRC law and there is no assurance whether and when we will pay dividends.

Under the applicable PRC laws, the payment of dividends may be subject to certain limitations. The calculation of our profit under applicable accounting standards differs in certain respects from the calculation under IFRS Accounting Standards. As a result, we may not be able to pay a dividend in a given year even if we were profitable as determined under IFRS Accounting Standards. Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the PRC laws and regulations and requires approval at our shareholders' meeting. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution.

We have significant discretion as to how we will use the net proceeds of the Global Offering, and you may not necessarily agree with how we use them.

Our management may spend the net proceeds from the Global Offering in ways you may not agree with or that do not yield a favorable return to our Shareholders. We plan to use a significant portion of the net proceeds from the Global Offering for the purposes as stated in the section headed "Future Plans and Use of Proceeds." However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, whose judgment you must depend on, for the specific uses we will make of the net proceeds from the Global Offering.

Certain facts, forecasts and statistics in this prospectus are derived from a third-party report or publicly available sources and may not be fully reliable.

Certain statistics, information and data contained in this prospectus relating to China and elsewhere in the world, and the industry in which we operate have been derived from various official government publications or other third-party reports. In particular, we have extracted and disclosed in this prospectus certain statistics, information and data from publications and other publicly available sources relating to the products of third parties and scientific research, theories and mechanisms. We have taken reasonable care in the reproduction or extraction of the official government publications and other third-party reports for the purpose of disclosure in this prospectus. However, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, the Underwriters or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such statistics, information and data, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods and analysis or discrepancies between published information and market practice, such statistics, information and data in this prospectus may be inaccurate or may not be comparable to statistics, information and data produced with respect to other economies. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts.

You should read the entire prospectus carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the Global Offering.

Prior to the publication of this prospectus, there has been coverage in the media regarding us and the Global Offering, which contained among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for the accuracy or completeness of such media coverage or forward-looking statements. We make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. We disclaim any information in the media to the extent that such information is inconsistent or conflicts with the information contained in this prospectus. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

In preparation for the Listing, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

MANAGEMENT PRESENCE IN HONG KONG

According to Rules 8.12 and 19A.15 of the Listing Rules, our Company must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong.

Since our business operations are principally located, managed or conducted in the PRC, and our Directors consider that the relocation of our executive Directors to Hong Kong or the appointment of additional executive Directors who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, our Company and therefore would not be in the best interests of our Company and our Shareholders as a whole, our Company does not, and, for the foreseeable future, will not, have two executive Directors who are ordinarily resident in Hong Kong for the purpose of satisfying the requirements under Rules 8.12 and 19A.15 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 8.12 and 19A.15 of the Listing Rules. We will ensure that there is a regular and effective communication between the Stock Exchange and us by way of the following arrangements:

(i) **Authorized representatives**: both of our Company's authorized representatives, Mr. Jiang Ercheng, an executive Director, and Mr. Poon Kin Hei, a joint company secretary of our Company, will act as our Company's principal channels of communication with the Stock Exchange. Accordingly, the authorized representatives of our Company will be able to meet with the relevant members of the Stock Exchange on reasonable notice and will be readily contactable by telephone, facsimile and/or email.

Each of the authorized representatives of our Company has means of contacting all Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange proposes to contact a Director with respect to any matter;

(ii) **Directors**: each Director has provided their mobile phone number, office phone number, fax number (if any) and e-mail address to the authorized representatives of our Company and the Stock Exchange, and in the event that any Director expects to travel or otherwise be out of the office, they will provide the phone number of the place of their accommodation to the authorized representatives.

Each of our Directors not ordinarily residing in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and will be able to meet with the relevant members of the Stock Exchange within a reasonable period of time;

(iii) **Compliance Advisor**: we have appointed First Shanghai Capital Limited as our Compliance Advisor, in compliance with Rule 3A.19 of the Listing Rules, who will, in addition to the authorized representatives and our Directors, act as an additional channel of communication with the Stock Exchange from the Listing Date to the date when our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year immediately following the Listing Date. Pursuant to the note to Rule 3A.23 of the Listing Rules, the Compliance Advisor will have access at all times to our authorized representatives, our Directors and other officers. We shall also ensure that our authorized representatives, Directors and other officers will promptly provide such information and assistance as the Compliance Advisor may need or may reasonably require in connection with the performance of the Compliance Advisor's duties as set forth in Chapter 3A of the Listing Rules. We shall ensure that there are adequate and efficient means of communication among our Company, our authorized

representatives, our Directors, and other officers and the Compliance Advisor, and will keep the Compliance Advisor fully informed of all communications and dealings between the Stock Exchange and us.

Any meeting between the Stock Exchange and our Directors will be arranged through the authorized representatives or the Compliance Advisor or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange promptly in respect of any changes in our authorized representatives and/or our Compliance Advisor; and

(iv) **Legal advisors**: we will also retain legal advisors to advise on on-going compliance requirements as well as other issues arising under the Listing Rules and other applicable laws and regulations of Hong Kong after the Listing.

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual who, by virtue of academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary. The Stock Exchange considers the following academic or professional qualifications to be acceptable:

(i) a member of The Hong Kong Chartered Governance Institute;

(ii) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and

(iii) a certified public accountant (as defined in the Professional Accountants Ordinance).

Pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing "relevant experience," the Stock Exchange will consider the individual's:

(i) length of employment with the issuer and other issuers and the roles they played;

(ii) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

(iii) relevant training taken and/or to be taken in addition to the minimum requirement of taking not less than 15 hours of relevant professional training in each financial year under Rule 3.29 of the Listing Rules; and

(iv) professional qualifications in other jurisdictions.

Pursuant to paragraph 11 of Chapter 3.10 of the Guide for New Listing Applicants, the Stock Exchange will consider a waiver application by an issuer in relation to Rules 3.28 and 8.17 of the Listing Rules based on the specific facts and circumstances. Factors that will be considered by the Stock Exchange include:

(i) whether the issuer has principal business activities primarily outside Hong Kong;

(ii) whether the issuer was able to demonstrate the need to appoint a person who does not have the Acceptable Qualification (as defined under paragraph 11 of Chapter 3.10 of the Guide for New Listing Applicants) nor Relevant Experience (as defined under paragraph 11 of Chapter 3.10 of the Guide for New Listing Applicants) as a company secretary; and

(iii) why the directors consider the individual to be suitable to act as the issuer's company secretary.

Further, pursuant to paragraph 11 of Chapter 3.10 of the Guide for New Listing Applicants, such waiver, if granted, will be for a fixed period of time (the "**Waiver Period**") and on the following conditions:

(i) the proposed company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the Waiver Period; and

(ii) the waiver will be revoked immediately in the event of any material breaches of the Listing Rules by the issuer.

We have appointed Mr. Lan Zelun as our joint company secretary with effect from the Listing Date. Our Group's key operations and principal business activities are conducted outside of Hong Kong. We believe that the company secretary role requires a person to be deeply familiar with our operations and the specific industry context, and to be able to cultivate strong relationships with both the Board and the management. It would be in the best interests of our Company and our corporate governance to have as its joint company secretary a person such as Mr. Lan who has been with our Company since July 2007. As an executive Director and secretary of the Board of the Company, Mr. Lan is deeply familiar with our operations and is able to cultivate strong relationships with both the Board and the management. Our Directors believe that Mr. Lan's intimate knowledge of our Company and operations is essential for the performance of company secretary duties in the most effective and efficient manner.

Since Mr. Lan does not possess the qualifications stipulated in Rule 3.28 of the Listing Rules, he is not able to solely fulfill the requirements as a company secretary of a listed issuer stipulated under the Listing Rules. To support Mr. Lan in performing the duties of company secretary, we have appointed Mr. Poon Kin Hei, who is a member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom and meets the requirements under Rule 3.28 of the Listing Rules, as a joint company secretary to provide assistance for a three-year period from the Listing Date so as to enable Mr. Lan to acquire the relevant experience as required under Note 2 to Rule 3.28 of the Listing Rules to duly discharge his duties.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules in relation to the appointment of Mr. Lan Zelun as our joint company secretary. Pursuant to Chapter 3.10 of the Guide for New Listing Applicants, such waiver has been granted on the conditions that:

(i) Mr. Poon Kin Hei is appointed as a joint company secretary to assist Mr. Lan Zelun in discharging his functions as a company secretary and in gaining the relevant experience under Rule 3.28 of the Listing Rules;

(ii) our Company will further ensure that Mr. Lan Zelun has access to the relevant training and support to enable him to familiarize himself with the Listing Rules and the duties required of a company secretary of an issuer listed on the Stock Exchange. Our Hong Kong legal advisors have provided training to Mr. Lan Zelun on the principal requirements of the Listing Rules and the Hong Kong laws and regulations applicable to our Company after the Listing. In addition, Mr. Lan Zelun will endeavor to familiarize himself with the Listing Rules, including any updates thereto, during the three-year period from the Listing Date;

(iii) Mr. Lan Zelun has confirmed that he will attend no less than 15 hours of training courses on the Listing Rules, corporate governance, information disclosure, investor relations as well as the functions and duties of a company secretary of a Hong Kong listed issuer during each financial year as required under Rule 3.29 of the Listing Rules;

(iv) before the expiry of Mr. Lan Zelun's initial term of appointment as the company secretary of our Company, our Company will evaluate his experience in order to determine if he has acquired the qualifications required under Rule 3.28 of the Listing Rules; and

(v) this waiver will be revoked immediately if and when Mr. Poon Kin Hei ceases to provide such assistance during the three-year period, and we undertake to re-apply to the Stock Exchange for a waiver in the event that Mr. Poon Kin Hei ceases to meet the requirements under Rule 3.28 of the Listing Rules or otherwise ceases to serve as a joint company secretary of our Company. In addition, this waiver is subject to revocation in the event of any material breaches of the Listing Rules by our Company.

Prior to the end of the three-year period, we will demonstrate and seek the confirmation from the Stock Exchange that Mr. Lan Zelun, having had the benefit of Mr. Poon Kin Hei during the three years, has attained the relevant experience and is capable of discharging the functions of our company secretary.

For biographical information of Mr. Lan Zelun and Mr. Poon Kin Hei, see "Directors and Senior Management."

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) for the purpose of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

CSRC FILING

We have filed the required documents with the CSRC, and the CSRC has issued the filing notice on April 15, 2026, confirming our completion of the filing pursuant to the new filing regime introduced by the Overseas Listing Trial Measures for the Global Offering, the conversion of Unlisted Shares into H Shares and the application for listing of the H Shares on the Stock Exchange.

INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applications under the Hong Kong Public Offering, this prospectus contains the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Joint Sponsors, the Sponsor-Overall Coordinators, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, any of the Underwriters, any of our or their respective affiliates or any of our or their respective directors, officers, employees, advisors, agents or representatives, or any other persons or parties involved in the Global Offering.

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Sponsor-Overall Coordinators. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement. The International Offering is expected to be fully underwritten by the International Underwriters and subject to the terms and conditions of the International Underwriting Agreement. For further details on the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

Neither the delivery of this prospectus nor any offering, sale, delivery, subscription or acquisition made in connection with the Offer Shares shall, under any circumstances, constitute a representation or create any implication that there has been no change in our affairs since the date of this prospectus or that the information in this prospectus is correct as of any date subsequent to the date of this prospectus.

For details of the structure of the Global Offering, see "Structure of the Global Offering."

INFORMATION ON THE CONVERSION OF UNLISTED SHARES INTO H SHARES

We have applied for the conversion of 58,655,441 Unlisted Shares held by the existing Shareholders into H Shares. See "History and Corporate Structure" and "Share Capital" for details of our existing Shareholders and their respective interests in our Company and relevant procedures for the Conversion of Unlisted Shares into H Shares. Such H Shares to be converted from Unlisted Shares are restricted from trading for a period of one year after the Listing.

The relevant filing procedure in relation to the Conversion of Unlisted Shares into H Shares has been completed on April 15, 2026.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for the Hong Kong Offer Shares is set forth in "How to Apply for Hong Kong Offer Shares."

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by their acquisition of Hong Kong Offer Shares to, confirm that they are aware of the restrictions on the offer and sale of the Hong Kong Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the H Shares in any jurisdiction other than Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation for subscription.

The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered and sold, directly or indirectly, in the PRC.

Persons applying for or purchasing H Shares under the Global Offering are deemed, by their making an application or purchase, to have represented that they are not associates of any of our Directors or existing Shareholders or a nominee of any of the foregoing.

APPLICATION FOR LISTING OF THE H SHARES ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering and the H Shares to be converted from Unlisted Shares.

Dealings in the H Shares on the Stock Exchange are expected to commence on Wednesday, November 11, 2026. Save as otherwise disclosed in this prospectus, no other part of our share capital is listed on or dealt in on any other stock exchange, and no such listing or permission to list is being or proposed to be sought as of the date of this prospectus.

Under Section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the H Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the H Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time. Investors should seek the advice of their stockbrokers or other professional advisors for details of the settlement arrangements and how such arrangements will affect their rights and interests. All necessary arrangements have been made for the H Shares to be admitted into CCASS.

REGISTER OF MEMBERS AND STAMP DUTY

All of the H Shares issued pursuant to applications made in the Global Offering and converted from Unlisted Shares will be registered on our H Share register of members to be maintained in Hong Kong by our H Share Registrar, Tricor Investor Services Limited. Our principal register of members will be maintained by us at our headquarters in the PRC.

Dealings in our H Shares registered in the H Share register of members of the Company in Hong Kong will be subject to Hong Kong stamp duty. For further details, see "Appendix III — Taxation and Foreign Exchange."

DIVIDENDS PAYABLE TO HOLDERS OF H SHARES

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of our H Shares will be paid to the Shareholders as recorded on the H Share register of members of our Company in Hong Kong and sent by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder.

According to the Guide to the Program for "Full Circulation" of H shares promulgated by the CSDC on February 7, 2020, cash dividends to domestic investors of H-share "full circulation" shall be distributed through CSDC. An H-share public company shall transfer RMB cash dividends to the designated bank account of the Shenzhen subsidiary of CSDC, who shall complete the clearing of cash dividends by distributing the cash dividends to investors through domestic securities companies.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed Tricor Investor Services Limited, our H Share Registrar, and it has agreed not to register the subscription, purchase or transfer of any H Share in the name of any particular holder unless and until the holder delivers a signed form to our H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

(i) agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Overseas Listing Trial Measures and our Articles of Association;

(ii) agrees with us, each of our Shareholders, Directors, members of senior management and officers, and we acting for ourselves and for each of our Directors, members of senior management and officers agree with each of our Shareholders, to refer all differences, disputes and claims concerning our affairs and arising from any rights or obligations conferred or imposed by our Articles of Association, the PRC Company Law or other

relevant laws, rules and regulations to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;

(iii) agrees with us and each of our Shareholders that the H Shares are freely transferable by the holders thereof; and

(iv) authorizes us to enter into a contract on his/her behalf with each of our Directors, senior officers whereby such Directors, members of senior management undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisors if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in or the exercise of any rights in relation to our H Shares. None of our Company, the Joint Sponsors, the Sponsor-Overall Coordinators, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees, advisors, agents or representatives, or any other persons or parties involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposal of, dealing in, or the exercise of any rights in relation to, our H Shares.

LANGUAGE

If there is any inconsistency between this prospectus and its Chinese translation, the English version of this prospectus shall prevail. The English names of the Chinese laws and regulations, government authorities, institutions, natural persons, other entities (including certain of our subsidiaries), facilities, certificates and titles included in this prospectus are translations of their Chinese names for identification purposes only. In the event of any inconsistency, the Chinese version shall prevail.

ROUNDING

Certain amounts and percentage figures, such as share ownership and operating data, included in this prospectus may have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

CURRENCY TRANSLATIONS

Solely for your convenience, this prospectus contains translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars.

Unless otherwise specified, this prospectus contains certain translations for the convenience purposes at the following rates: Renminbi into Hong Kong dollars at the rate of RMB0.85619 to HK$1.00, Renminbi into U.S. dollars at the rate of RMB6.7192 to US$1.00 and Hong Kong dollars into U.S. dollars at the rate of HK$7.84779 to US$1.00. The RMB to HK$ and RMB to US$ exchange rates are quoted by the PBOC for foreign exchange transactions prevailing on the Latest Practicable Date.

No representation is made that any amounts in RMB, Hong Kong dollars or U.S. dollars can be or could have been at the relevant dates converted at the above rate or any other rates or at all.

MARKET SHARE DATA CONVENTION

The statistical and market share information contained in this prospectus has been derived from official government publications and other sources, including information or data provided by Frost & Sullivan. Unless otherwise indicated, the information has not been verified by us independently. This statistical information may not be consistent with other statistical information from other sources within or outside the PRC. While reasonable caution has been made in the process of reproducing the data and statistics extracted from such official government publications or other sources, our Company, the Joint Sponsors, the Sponsor-Overall Coordinators, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Underwriters, any of our and their respective directors, officers, employees, advisors, agents or representatives, or any other persons or parties involved in the Global Offering make no representation to the appropriateness, accuracy, completeness or reliability of any such statistical and market share information.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Jiang Yun (江雲)[(1)]	No. 4, Unit 2, Building 4 29 Tongche Lane Jinniu District Chengdu, Sichuan Province PRC	Chinese
Mr. Feng Bin (馮斌)	Room 2302, 23/F Unit 1, Building 1 No. 66 Ruilian Road Qingyang District Chengdu, Sichuan Province PRC	Chinese
Mr. Jiang Ercheng (江爾成)[(1)]	Room 1701, Building B Huayang Jinjiang No. 1388 Tianfu Avenue Middle High-tech Zone Chengdu, Sichuan Province PRC	Chinese
Mr. Luo Yujin (羅玉金)	No. 2, 1/F, Unit 2, Building 49 No. 118 Section 3 Guanghua Avenue Yongquan Street Wenjiang District Chengdu, Sichuan Province PRC	Chinese
Mr. Lan Zelun (蘭澤倫)	Room 1805, Unit 1 Building 5, Block A Lanrun Guanghua Chuntian No. 349 Dutang Road Wenjiang District Chengdu, Sichuan Province PRC	Chinese
Non-executive Director		
Mr. Lai Zhitian (賴智填)	Unit A, 48/F, Block 2 City Point Win Shun Street Tsuen Wan, New Territories Hong Kong	Chinese

Independent Non-executive Directors

Dr. Wan Jianbo (萬建波)	Unit B, 3/F, Block S30 University of Macau Staff Quarters Avenida da Universidade Taipa Macau	Chinese (Macau)
Dr. Chen Jianping (陳建萍)	16B, Block 3, Pok Fu Lam Garden No. 180 Pok Fu Lam Road Hong Kong	Chinese (Hong Kong)
Ms. Liu Jianhua (劉建華)	Room 2102, Building 18, Block 3A Wharf Le Palais No. 8, East Section 3, 2nd Ring Road Chenghua District Chengdu, Sichuan Province PRC	Chinese

Note:

(1) Mr. Jiang Yun is the father of Mr. Jiang Ercheng.

For further details regarding our Directors, see "Directors and Senior Management."

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	**GF Capital (Hong Kong) Limited** 27/F, GF Tower 81 Lockhart Road, Wan Chai Hong Kong **ABCI Capital Limited** 11/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
Sponsor-Overall Coordinators	**GF Securities (Hong Kong) Brokerage Limited** 27/F, GF Tower 81 Lockhart Road, Wan Chai Hong Kong **ABCI Capital Limited** 11/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
Overall Coordinators	**GF Securities (Hong Kong) Brokerage Limited** 27/F, GF Tower 81 Lockhart Road, Wan Chai Hong Kong **ABCI Capital Limited** 11/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong **ICBC International Securities Limited** 37/F, ICBC Tower 3 Garden Road Hong Kong **CMBC Securities Company Limited** 34/F, One Exchange Square 8 Connaught Place Central Hong Kong
Joint Global Coordinators	**GF Securities (Hong Kong) Brokerage Limited** 27/F, GF Tower 81 Lockhart Road, Wan Chai Hong Kong

ABCI Capital Limited
11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

ICBC International Securities Limited
37/F, ICBC Tower
3 Garden Road
Hong Kong

CMBC Securities Company Limited
34/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

uSmart Securities Limited
Room 2602A, 26/F, Tower 1, Lippo Centre
89 Queensway
Admiralty
Hong Kong

Tiger Brokers (HK) Global Limited
23/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Zhongtai International Securities Limited
19/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Joint Bookrunners

GF Securities (Hong Kong) Brokerage Limited
27/F, GF Tower
81 Lockhart Road, Wan Chai
Hong Kong

ABCI Capital Limited
11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

ICBC International Securities Limited
37/F, ICBC Tower
3 Garden Road
Hong Kong

CMBC Securities Company Limited
34/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

uSmart Securities Limited
Room 2602A, 26/F, Tower 1, Lippo Centre
89 Queensway
Admiralty
Hong Kong

Tiger Brokers (HK) Global Limited
23/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Zhongtai International Securities Limited
19/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

BOCI Asia Limited
26/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

SDIC Securities (Hong Kong) Limited
39/F, One Exchange Square
Central
Hong Kong

Joint Lead Managers

GF Securities (Hong Kong) Brokerage Limited
27/F, GF Tower
81 Lockhart Road, Wan Chai
Hong Kong

ABCI Securities Company Limited
10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

ICBC International Securities Limited
37/F, ICBC Tower
3 Garden Road
Hong Kong

CMBC Securities Company Limited
34/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

uSmart Securities Limited
Room 2602A, 26/F, Tower 1, Lippo Centre
89 Queensway
Admiralty
Hong Kong

Tiger Brokers (HK) Global Limited
23/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Zhongtai International Securities Limited
19/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Capital Market Intermediaries

GF Securities (Hong Kong) Brokerage Limited
27/F, GF Tower
81 Lockhart Road, Wan Chai
Hong Kong

ABCI Capital Limited
11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

ABCI Securities Company Limited
10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

ICBC International Securities Limited
37/F, ICBC Tower
3 Garden Road
Hong Kong

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Zhongtai International Securities Limited
19/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

BOCI Asia Limited
26/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

	SDIC Securities (Hong Kong) Limited 39/F, One Exchange Square Central Hong Kong
Legal Advisors to our Company	*as to Hong Kong and U.S. laws:* **Kirkland & Ellis** 26/F, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong *as to PRC laws and PRC data compliance laws:* **Jingtian & Gongcheng** 34/F, Tower 3 China Central Place 77 Jianguo Road Beijing, the PRC
Legal Advisors to the Joint Sponsors and the Underwriters	*as to Hong Kong and U.S. laws:* **O'Melveny & Myers** 31/F, AIA Central 1 Connaught Road Central Hong Kong *as to PRC laws:* **Commerce & Finance Law Offices** 12/F-15/F, China World Office II No. 1 Jianguomenwai Avenue Beijing, the PRC
Reporting Accountants and Auditor	**Ernst & Young** *Certified Public Accountants and Registered Public Interest Entity Auditor* 27/F, One Taikoo Place 979 King's Road Quarry Bay, Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Room 2504, Wheelock Square 1717 Nanjing West Road Shanghai, PRC
Compliance Advisor	**First Shanghai Capital Limited** 19/F., Wing On House 71 Des Voeux Road Central Hong Kong
Receiving Bank	**CMB Wing Lung Bank Limited** 14/F, CMB Wing Lung Bank Building 45 Des Voeux Road Central Hong Kong

Head Office, Registered Office and Principal Place of Business in the PRC	8 South Herui Road High-tech Industrial Development Zone Chengdu, Sichuan Province PRC
Principal Place of Business in Hong Kong	31/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong
Company's Website	**www.xinhehua.com** *(Information contained in this website does not form part of this prospectus)*
Joint Company Secretaries	**Mr. Lan Zelun (蘭澤倫)** 8 South Herui Road High-tech Industrial Development Zone Chengdu, Sichuan Province PRC **Mr. Poon Kin Hei (潘健希)** *(ACG, HKACG)* 31/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong
Authorized Representatives	**Mr. Jiang Ercheng (江爾成)** 8 South Herui Road High-tech Industrial Development Zone Chengdu, Sichuan Province PRC **Mr. Poon Kin Hei (潘健希)** 31/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong
Audit Committee	Ms. Liu Jianhua (劉建華) *(Chairperson)* Dr. Wan Jianbo (萬建波) Mr. Lai Zhitian (賴智填)
Remuneration and Appraisal Committee	Dr. Wan Jianbo (萬建波) *(Chairperson)* Ms. Liu Jianhua (劉建華) Mr. Feng Bin (馮斌)
Nomination Committee	Mr. Jiang Yun (江雲) *(Chairperson)* Dr. Wan Jianbo (萬建波) Dr. Chen Jianping (陳建萍)

Strategy Committee	Mr. Jiang Yun (江雲) *(Chairperson)* Mr. Lai Zhitian (賴智填) Dr. Wan Jianbo (萬建波)
H Share Registrar	**Tricor Investor Services Limited** 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Principal Banks	**Shanghai Pudong Development Bank, Chengdu Branch** No. 22, East Section 2, 2nd Ring Road Chenghua District Chengdu, Sichuan Province PRC **Chengdu Bank, Jinniu Sub-branch** No. 258, Shawan Road Jinniu District Chengdu, Sichuan Province PRC

*The information and statistics set out in this section of this prospectus were extracted from different official government publications, available sources from public market research and other sources from independent suppliers, and from the independent industry report prepared by Frost & Sullivan in connection with the Global Offering (the "**Frost & Sullivan Report**"). The information from official government sources has not been independently verified by us, the Joint Sponsors, the Sponsor-Overall Coordinators, the Overall Coordinators, the Capital Market Intermediaries, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors and advisers, or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy or completeness.*

THE TRADITIONAL CHINESE MEDICINE MARKET

Overview

With roots dating back thousands of years, TCM represents a rapidly expanding segment of the global healthcare industry, offering comprehensive therapeutic approaches that bridge traditional wisdom with contemporary medical practices. TCM has gained increasing validation in China and across the globe, demonstrating remarkable growth in product standardization, quality control, and international market accessibility. In 2025, TCM accounted for 25.8% of China's total healthcare market. The number of TCM diagnostic and treatment sessions in China has shown consistent year-over-year increases, reaching 1,684.0 million in 2024. The institutional landscape has also expanded substantially, with TCM medical facilities growing to over 100,000 establishments in China in 2024, including specialized TCM hospitals, integrated medical centers offering TCM treatments, TCM clinics and research institutions. Among average medicine revenue of public hospitals in China, the proportion of revenue from TCM has steadily increased from 17.9% in 2019 to 24.6% in 2024, reflecting both growing public acceptance and institutional commitment to TCM.

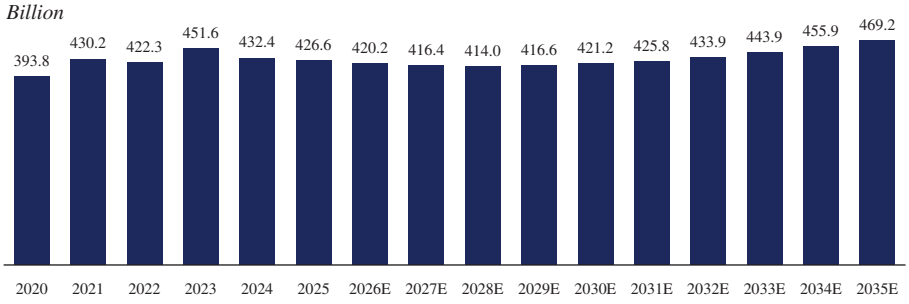
Market Size

TCM products encompasses several major product categories, including traditional Chinese patent medicines, decoction-ready products, Chinese herbal formula granules, Chinese herbal injections and TCM wellness products. Among these, decoction-ready products remain a cornerstone of TCM medical practices and serve as essential components in personalized Chinese medicine decoctions and key raw materials for ready-made Chinese medicines. TCM decoction-ready products have evolved significantly, driven by technological advancement in processing methods and growing demand for standardized, convenient TCM treatments. The modernization of decoction-ready products aligns with contemporary pharmaceutical standards while preserving traditional TCM philosophy, which has also facilitated broader international market acceptance in recent years.

China's TCM product market increased from RMB393.8 billion in 2020 to RMB426.6 billion in 2025 at a CAGR of 1.6% and is projected to continue its growth at a CAGR of about 0.1%, and reach RMB421.2 billion by 2030. From 2031 to 2035, China's traditional Chinese product market is expected to grow at a CAGR of about 2.5% and reach RMB469.2 billion by 2035.

China's TCM Product Market Size, 2020-2035E

Period	CAGR
2020-2025	1.6%
2026E-2030E	0.1%
2031E-2035E	2.5%



Source: Public information, expert interview, Frost & Sullivan analysis

Growth Drivers and Future Trends

The growth of the TCM market is expected to be driven by the following factors:

- ***Favorable government policies.*** The Chinese government has demonstrated strong commitment to promoting and developing the TCM industry through various policy initiatives and regulatory frameworks. In recent years, these comprehensive sets of favorable and supportive policies include Opinions on Enhancing the Quality of TCM and Promoting the High-Quality Development of the TCM Industry (《關於提升中醫藥質量促進中醫藥產業高質量發展的意見》), Implementation Plan for Major Projects to Revitalize and Develop Traditional Chinese Medicine (2023) (《中醫藥振興發展重大工程實施方案》(2023)) and Several Policy Measures to Accelerate the Characteristic Development of Traditional Chinese Medicine (2021) (《關於加快中醫藥特色發展的若干政策措施》(2021)) published by the General Office of the State Council (國務院辦公廳), and Implementation Opinions on Promoting the Inheritance and Innovation of Traditional Chinese Medicine (2020) (《關於促進中藥創新發展的實施意見》(2020)) by the NMPA. In addition, the State Council issued the Medium and Long-term Plan for Prevention and Control of Chronic Disease in China (2017-2025) (中國防治慢性病中長期規劃(2017-2025年)) in 2017, emphasizing TCM's crucial role in preventing and treating the rising prevalence of chronic diseases in China. These policies entail measures including integration of TCM into public healthcare facilities and insurance coverage, and funding for technological innovation for TCM medicines, may also drive the future growth of the TCM market.

- ***Growing recognition of TCM values.*** TCM has gained growing recognitions in recent years, especially among younger population. The younger generation is embracing these time-tested TCM practices as part of a holistic wellness approach. This renewed interest stems from a growing desire for natural remedies, preventive healthcare, and sustainable lifestyle choices. Young people are particularly drawn to TCM's emphasis on balance and its focus on treating root causes rather than just symptoms. Social media platforms and wellness influencers have also played a crucial role in popularizing TCM concepts like acupuncture, herbal medicine, and dietary therapy, making these traditional practices more accessible and relatable to modern audiences.

The future development of the TCM market is likely to witness the following trends:

- ***Omnichannel development and retail expansion.*** The TCM market is gradually developing omnichannel sales networks. In particular, retail channels are projected to capture an increasing share of the TCM market supported by the expansion of e-commerce platforms into the TCM market. Through their convenient purchasing mechanisms, they have greatly expanded market coverage, allowing TCM product manufacturers to efficiently reach and serve a broader customer base. The integration of online and offline channels is also shifting the industry from traditional distribution network to a more consumer-centric approach, fostering wider acceptance of TCM products. As TCM gradually evolves into a mainstream consumer business, consumers can increasingly incorporate TCM products into self-care routines. Additionally, emerging AI-assisted diagnostic technologies can expand diagnostic capabilities traditionally limited to scarce TCM practitioners, enabling new distribution channels and accelerating market penetration.

- ***Expansion and penetration in the international markets.*** The export volume of TCM materials and TCM decoction-ready products from China increased from 201,000 tonnes in 2019 to 255,000 tonnes in 2025. Such expansion in international markets is facilitated by improving regulatory frameworks, increasing scientific validation, and growing acceptance of TCM values. For example, in Southeast Asia, the cultural familiarity with TCM plays a crucial role in driving TCM market growth in these regions. Market penetration is also being enhanced through diversified distribution channels, standardized quality control, and adaptation to local healthcare systems. The integration of TCM into mainstream healthcare systems and insurance coverage in various countries such as Singapore and Malaysia suggests continued growth potential in the global marketplace.

THE TCM DECOCTION-READY PRODUCT MARKET

Overview

TCM decoction-ready products are standardized, pre-processed products of TCM materials that can be directly used for dispensing or preparing under the guidance of the TCM theory in clinical practices. These products maintain the therapeutic philosophy of traditional TCM while offering improved convenience, standardization, and quality control compared to raw materials requiring traditional decoction methods. There are three major classification methods for TCM decoction-ready products. Based on toxicity, they can be divided into toxic and non-toxic decoction-ready products; based on source of raw materials, they can be divided into plant-derived, animal-derived, and mineral-derived decoction-ready products; based on usage, they can also be divided into formula and ingredient decoction-ready products.

TCM Raw Materials

TCM raw materials represent the cornerstone of the TCM decoction-ready product value chain. TCM raw materials can be primarily categorized based on toxicity and nature characteristics. Toxic TCM raw materials require strict management protocols, unique processing techniques and special handling in transportation and storage. Conversely, non-toxic TCM raw materials operate under more flexible management requirements, enjoy wider application scope, and maintain larger market supply volumes. The supply of TCM raw materials is influenced by both natural and human factors. Natural factors including climate conditions, pest infestations, and natural disasters can significantly impact supply stability, while human factors such as cultivation area adjustments, market demand fluctuations, and regulations also play crucial roles.

The concept of geo-authenticity remains central to TCM quality standards and pricing mechanisms. Geo-authentic TCM materials refer to medicinal herbs and ingredients that originate from specific geographical regions renowned for producing the premium quality types due to unique environmental conditions, cultivation techniques, and processing methods developed over centuries. These materials, like *Fritillaria cirrhosa* (川貝母), are recognized for superior efficacy attributed to optimal growing conditions including soil composition, climate, altitude, and traditional cultivation expertise. Modern research has further validated that specific environment stressors such as temperature, water, air, exposure to particular soil microbiota, can significantly enhance the production of bioactive compounds in TCM plants, giving rise to high-quality geo-authentic TCM materials.

According to the Construction Plan of National Genuine Medicinal Materials Production Base (2018-2025) (《全國道地藥材生產基地建設規劃 (2018—2025年)》) issued in 2018 by the Ministry of Agriculture and Rural Affairs, the NMPA and the National Administration of Traditional Chinese Medicine, the national geo-authentic TCM materials bases can be divided into seven major regions. The characteristics and main material types of each region are set forth in the table below.

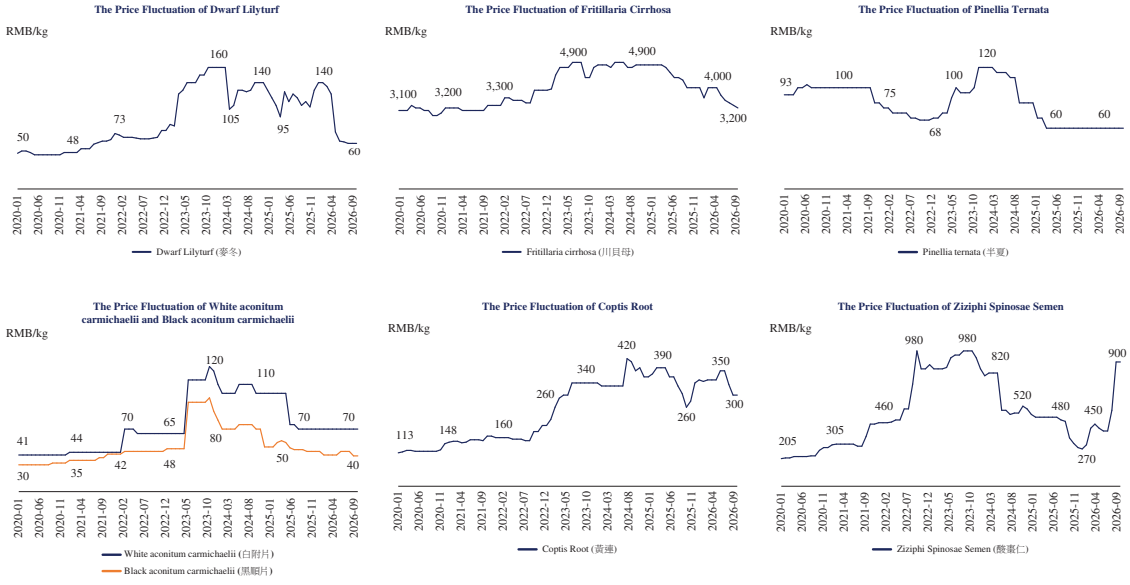
Geo-authenticity Area	Regional Characteristics	Main Producing Area	Main Material Types	The Area Ratio*
Northeast China	Most of the region is temperate, cold temperate monsoon climate, is the main producing areas.	Northeastern Inner Mongolia, Liaoning, Jilin and Heilongjiang provinces	*Ginseng* (人參), *Velvet antler* (鹿茸), *Schisandra chinensis* (北五味), *Guan Phellodendron* (關黃柏), *Manchurian Wildginger Herb* (遼細辛), etc.	5%
North China	Most of the region is a subtropical monsoon climate, is the main producing area of northern medicine.	Inner Mongolia, Tianjin, Hebei, Shanxi and other provinces	*Scutellaria baicalensis* (黃芩), *Forsythia suspensa* (連翹), *Codonopsis* (黨參), *Astragalus* (黃芪), *Ziziphi spinosae semen* (酸棗仁), etc.	7%
East China	This area is a tropical and subtropical monsoon climate, is Zhejiang medicine, Jiangnan medicine, Huaiyao and other main producing areas.	Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi, Shandong and other provinces	*Fritillaria thunbergii* (浙貝母), *Curcuma wenyujin Y.H. Chen et C. Ling* (溫鬱金), *Radix paeoniae alba* (白芍), *Angelica dahurica* (白芷), *Dwarf lilyturf* (麥冬), etc.	11%
Central China	This area is temperate, subtropical monsoon climate, is Huaiyao, Qiyao and other main producing areas.	Henan, Hubei, Hunan and other provinces	*Huai yam* (懷山藥), *Rehmannia glutinosa* (地黃), *Achyranthes bidentata* (牛膝), *Chrysanthemum* (菊花), *Honeysuckle* (金銀花), etc.	16%
South China	This area is a tropical and subtropical monsoon climate, high temperature and humidity, is the main producing area of southern medicine.	Guangdong, Guangxi, Hainan and other provinces	*Yangchun sand* (陽春砂), *Xinhui chenpi* (新會陳皮), *Tangerine red* (橘紅), *Gaoliang ginger* (高良薑), *Bergamot* (佛手), etc.	6%
Southwest China	There are many climate types in this region, including subtropical monsoon climate and temperate and subtropical plateau climate, which is the main producing area of Sichuan medicine, Guizhou medicine and Yunnan medicine.	Chongqing, Sichuan, Guizhou, Yunnan and other provinces	*Ligusticum chuanxiong* (川芎), *Dipsacus chuanxuan* (川續斷), *Fritillaria cirrhosa* (川貝母), *Dwarf lilyturf* (麥冬), *Coptis root* (黃連), etc.	25%
Northwest China	Most of the region belongs to temperate monsoon climate, relatively arid, is the main producing area of Qin medicine, Tibetan medicine and Uighur medicine.	Western Inner Mongolia, Tibet, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang and other provinces	*Angelica sinensis* (當歸), *Rhubarb* (大黃), *Codonopsis* (黨參), *Chinese wolfberry* (枸杞子), *Silver bupleurum* (銀柴胡), etc.	30%

* The area ratio refers to the percentage of regional TCM materials cultivation area among China's total TCM materials cultivation area.

Source: Frost & Sullivan analysis

Access to specific production areas of geo-authentic TCM materials and ability to secure stable supply of high-quality raw materials is critical for TCM decoction-ready product manufacturers. Quality control begins at cultivation, as factors like harvest timing, processing methods, and storage conditions directly impact the efficacy of TCM raw materials. Large-scale manufacturers with established relationships in key growing regions gain advantages in securing consistent supply, quality assurance, and price stability. Direct access to production areas also enables better traceability, compliance with GAP, and vertical integration of the supply chain. These factors ultimately contribute to product quality, regulatory compliance, and market competitiveness in the TCM decoction-ready product market.

TCM raw materials show notable price dynamics, primarily resulting from climate factors, cultivation patterns and supply-demand imbalances. Periodic overproduction also contributes to market volatility. The price fluctuations of selected representative TCM raw materials are set forth as below.



Source: Zyctd.com, Frost & Sullivan analysis

Processing of TCM Decoction-Ready Products

The processing of TCM decoction-ready products combines traditional Chinese medicine philosophy with modern pharmaceutical standards. Key processing steps include material purification, size reduction, and heat treatment, each requiring validated parameters and specialized equipment. The selection and optimization of processing equipment must align with three critical factors: traditional processing techniques, production scale requirements, and quality specifications. Modern processing facilities employ automated systems for consistent quality while preserving traditional efficacy-enhancing methods such as specific cutting patterns and precise roasting temperatures developed over centuries of TCM practices. Advanced processing technologies and stringent quality control systems are essential to ensure product stability and active ingredient preservation. Processing expertise requires deep understanding of both traditional methodologies and modern pharmaceutical technologies. The chart below sets forth the technologies, methods and difficulties in the processing of TCM decoction-ready products.

Core Technology	Common Methods	Technology Difficulties
Cleaning	Selecting, winnowing, water selection, screening, shearing, scraping, peeling, rejecting, brushing, rubbing, grinding, bumping, etc.	Cleaning according to the conditions of the TCM materials and the production requirements of TCM preparations and selecting the appropriate cleaning method through research pose technological difficulties. In the cleaning process, it is necessary to avoid microbial and other contamination.
Cutting	Except for a few TCM materials that are freshly cut or dry-cut, most need to undergo softening treatment to facilitate cutting. Commonly used softening methods include spraying, washing, soaking, bleaching, moistening, etc.	During the softening process, it is necessary to select an appropriate softening method to avoid loss or damage to the active ingredients.
Roasting	Stir-fry, broil, calcine, steam, boil, replicate, simmer, etc.	The influence of temperature, time, type, and quantity excipients used on the quality of TCM decoction-ready products should be fully considered, and the key process parameters of roasting should be determined.
Drying	Sun-dry or shade drying (陰乾), oven-dry, etc.	Research should be conducted on drying equipment, temperature, time, material thickness, etc., to clarify methods and process parameters, and to prevent contamination and cross-contamination of the decoction-ready products.

Source: Report on the Development of the Chinese Traditional Chinese Medicine Decoction-Ready Product Industry (2022)《中國中藥飲片產業發展報告(2022)》, Frost & Sullivan

The TCM decoction-ready product industry faces challenges in its transition from traditional manual processing to industrial-scale production. While traditional methods rely primarily on manual operations with basic tools, modern manufacturing requires sophisticated mechanical equipment and automated systems that comply with GMP standards. However, most TCM decoction-ready product manufacturers remain at the traditional manual processing stage, with automation limited to isolated equipment rather than comprehensive smart manufacturing systems. In addition, the National Pharmacopoeia Commission initiated the development of National Regulations for TCM Decoctions (《國家中藥飲片炮製規範》) in 2019. The project involved 77 leading manufacturers and consolidated existing provincial standards, research findings, and production data. The standards underwent rigorous review processes including expert evaluation and public consultation before publication. The project adopted a phased release approach, with the first batch of 22 processing specifications published in December 2022, followed by 39 additional types in March 2024. These standards represent a milestone in standardizing TCM decoction-ready products processing across China.

Entry Barriers

New entrants to the TCM decoction-ready product industry may face the following barriers.

- ***Stable and stringent supply management.*** Raw materials are the foundation of the production of TCM decoction-ready products, as the quality and authenticity of raw materials may affect the therapeutic efficacy and safety of the final products. Maintaining a stable and stringent supply of raw materials is a significant barrier to new entrant to the TCM decoction-ready industry, as this requires developing long-term business relationships with suppliers, implementing price control mechanisms to management price volatility in raw materials, and maintaining robust quality control systems for procured raw materials. Companies are also required to have strong inventory management capabilities to ensure supply stability while maintaining quality of raw materials. The complexity of sourcing and managing hundreds of different types of raw materials, each with specific growing conditions, harvesting seasons, and processing requirements, makes this barrier particularly challenging for new market entrants.

- ***Production capabilities.*** The quality of TCM decoction-ready products heavily depends on standardized production processes. While closed-loop control systems and specialized production lines can enhance quality consistency, the diverse nature of TCM materials presents significant standardization challenges. The production process must also meet strict and evolving regulatory requirement and industry standard. The complexity of processing parameters and lack of objective evaluation standards create high entry barriers, requiring substantial expertise, R&D investment, and financial resources to integrate digital technologies and automation techniques into the production process.

- ***Full-process quality control.*** Unlike conventional pharmaceutical products, TCM decoction-ready products are derived from natural sources with inherent variability. Strict quality control is essential to prevent contamination. The quality compliance rates in random inspections for TCM decoction-ready products was 97.1% in 2023. Additionally, TCM decoction-ready products contain multiple active ingredients that must be preserved throughout processing. Quality control systems must verify not only the identity of raw materials but also monitor the concentration of active compounds, ensuring therapeutic efficacy. Therefore, companies must implement comprehensive quality monitoring processes, which requires significant investment in both technology and expertise to ensure consistent product quality that meets regulatory standards. Companies must also attract and retain qualified technical personnel who understand both traditional medicine philosophy and modern production methods, as well as experienced management professionals who can navigate the complex regulatory environment.

- ***Brand recognition and sales network.*** The ability to establish substantial market presence constitutes another major barrier. Brand recognition is especially valued in the TCM decoction-ready product market as established brands usually represent reliability and authenticity, making it difficult for new entrants to gain market acceptance. Building an effective distribution network is also challenging in this industry, as it requires establishing relationships with multiple stakeholders including public hospitals, TCM clinics, retail pharmacies, and traditional medicine practitioners. New entrants face significant hurdles in penetrating these established distribution channels, which often have long-standing relationships with incumbent brands. Additionally, TCM decoction-ready products have strict requirements for transportation and storage environments, forcing market players to build specialized logistics systems, standardized warehousing facilities and traceability information systems to ensure product quality and safety. The complexity and cost of implementing such systems create significant barrier for new market entrants.

Growth Drivers and Future Trends

The growth of the TCM decoction-ready product market is expected to be driven by the following factors:

- ***Expanding customer base and rising health awareness.*** China's aging population trend, coupled with rising chronic disease prevalence, is expected to expand the customer base seeking long-term therapeutic options, which create vast market opportunities for TCM decoction-ready products as its holistic treatment philosophy suits for chronic disease management and elderly care. In addition, the rising health awareness among residents alongside increasing disposable income and per capita healthcare expenditure, also drives the needs for TCM decoction-ready products and services not only for disease treatment but also for disease prevention and wellness.

- ***Retail opportunities supported by medicine and food homology.*** The concept of medicine and food homology refers to substances recognized as both food ingredients and TCM materials by tradition and official standards. These materials, including specific parts of animals and plants, have established dietary applications and are listed in national TCM standards such as the Chinese Pharmacopoeia (《中國藥典》). The concept embodies traditional wellness philosophies of "treating diseases with food" and "incorporating medicine into the diet." With over 100 substances officially recognized for both medicinal and nutritional purposes in the Chinese Pharmacopoeia (《中國藥典》), this homology enables manufacturers to market certain TCM decoction-ready products directly to customers without prescription requirements. Common examples like *Astragalus* (黃芪), *Codonopsis* (黨參) and *Angelica sinensis* (當歸) can be sold both as wellness products and cooking ingredients, effectively expanding market reach beyond traditional TCM channels. In 2024, China's TCM market for substances under medicine and food homology reached a market size of RMB10 billion. This dual-purpose positioning aligns with growing consumer interest in healthcare and wellness, creating new retail opportunities and revenue streams for premium brands to develop high-end wellness products and value-added services.

- ***Innovation and refinement of decoction-ready products.*** Traditional TCM decoction-ready products face challenges including inefficient preparation, storage difficulties, and quality control issues that limit international acceptance. In recent years, through technological innovation, new formats like ultra-micron and small-packaged types have been introduced to the market. The new product types, particularly small-packaged decoction-ready products, not only facilitate export compliance but also represent a crucial step toward industry modernization. Such innovation and refinement of decoction-ready products offer better convenience, quality control, and standardization while maintaining traditional TCM characteristics.

The future development of the TCM decoction-ready product market is likely to witness the following trends:

- ***Enhanced quality control and industry standards.*** The TCM decoction-ready product industry is witnessing enhanced trends towards standardized GMP practices and unified quality assessment criteria. These developments are further strengthened by evolving regulatory frameworks, including the Chinese Pharmacopoeia (《中國藥典》), NMPA guidelines for TCM production, and industry-specific technical standards. Companies are adopting digital traceability systems and blockchain technology to ensure supply chain transparency and product quality monitoring. These developments in quality control and standardization are expected to improve product reliability, boost consumer confidence, and enhance market competitiveness for companies that successfully implement these measures.

- ***Continuous standardization and innovation of processing techniques.*** The processing standards for TCM decoction-ready products are transitioning from local to national standards, with increasing adoption of unified regulations. The Chinese Pharmacopoeia (《中國藥典》) and National Regulations for TCM Decoctions (《國家中藥飲片炮製規範》) now serve as the core legal framework, ensuring consistency in production quality across regions and strengthening industry-wide standardization. This transition streamlines production processes and enhances product reliability while facilitating broader market regulation. In the future, processing techniques are expected to continue evolving by sorting through and summarizing ancient TCM processing literature and integrating research methods and technologies from multiple disciplines such as TCM, botany, mineralogy, physics, chemistry, and biology to provide a scientific basis for evaluating processing techniques.

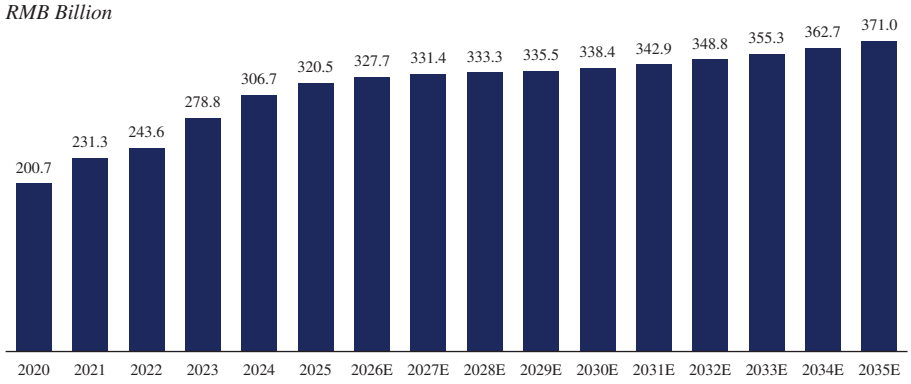
- ***Policy-driven market consolidation.*** Government policies introduced in 2024 include measures such as quality-weighted evaluation criteria, digitalized traceability requirements for raw material sources, and mandatory third-party verification of active ingredient consistency, which aimed at standardizing procurement and quality control in the TCM decoction-ready product sector are poised to reshape the market competitive landscape. The implementation of centralized procurement scheme in China aim to consolidate quality TCM resources, placing heightened demands on product quality and production capabilities. Companies must meet stricter quality standards to participate in procurement bids, maintain consistent product quality across large-scale production, and implement comprehensive quality control systems. The centralized procurement scheme for TCM decoction-ready product emphasizes Good Agriculture Practice compliance, traceability systems, and authentic sourcing. This market-driven approach supports industry standardization and scale efficiency, potentially accelerating the consolidation of smaller manufacturers while strengthening established players committed to quality standards. Currently, there are 45 types, comprising 84 varieties, of TCM decoction-ready products included in the first round of the centralized procurement scheme. With plans for expansion in the future, the scheme aims to concentrate resources and improve product quality across the TCM industry. Established companies with strong vertical integration — from sourcing to production and distribution — are well-positioned to benefit from this initiative.

Market Size

China's TCM decoction-ready product market grew rapidly from RMB200.7 billion in 2020 to RMB320.5 billion in 2025 at a CAGR of 9.8% and is projected to continue its growth at a CAGR of 0.8% from 2025 to 2030 and reach RMB338.4 billion in 2030. Furthermore, It is expected to further grow to RMB371.0 billion by 2035, with a GAGR of 2.0% from 2031 to 2035.

China's TCM Decoction-Ready Product Market, 2020-2035E

Period	CAGR
2020-2025	9.8%
2026E-2030E	0.8%
2031E-2035E	2.0%

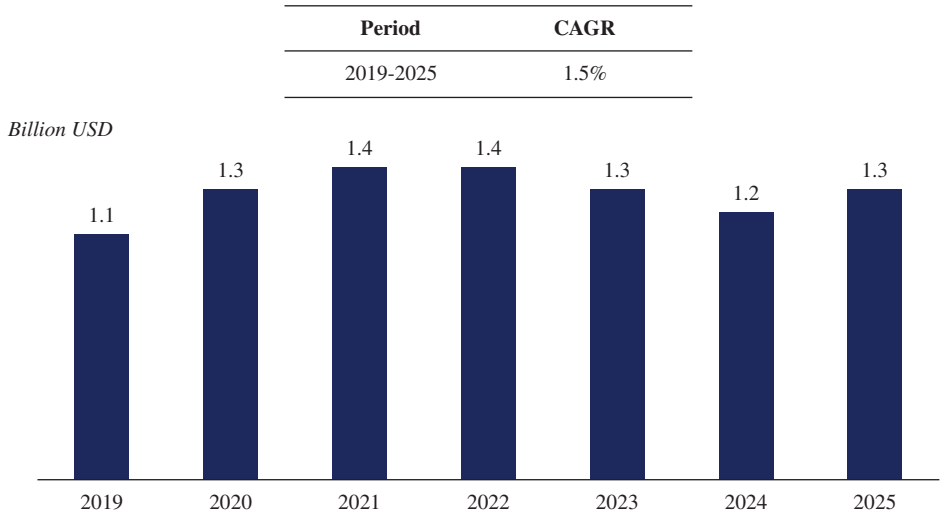


Source: Public information, expert interview, Frost & Sullivan analysis

The overseas market for TCM decoction-ready product has experienced remarkable growth in recent years driven by the increasing international recognition of TCM's therapeutic benefits and the influence of Chinese diaspora communities worldwide. For example, in Southeast Asian countries like Malaysia and Vietnam, where ethnic Chinese constitute a substantial portion of the population, TCM decoction-ready products have moved beyond ethnic Chinese communities into mainstream pharmacy chains and healthcare markets, attracting more consumers seeking natural health alternatives.

The export value of TCM materials and decoction-ready products from China grew from US$1.1 billion in 2019 to US$1.3 billion in 2025 at a CAGR of 1.5%.

Export Value of TCM Materials and Decoction-Ready Products from China, 2019-2025



Source: China Chamber of Commerce Of Medicines & Health Products Importers & Exporters, Frost & Sullivan Analysis

The table below sets forth the top ten export markets for TCM materials and decoction-ready products from China in 2025.

Top 10 Export Markets for TCM Materials and Decoction-Ready Products in China, 2025

Export Market	Export Value (Million USD)	Market Share
Japan	305.3	24.4%
South Korea	135.6	10.8%
Hong Kong	130.8	10.5%
Taiwan	125.3	10.0%
Vietnam	**119.8**	**9.6%**
Malaysia	**53.7**	**4.3%**
Cambodia	**41.0**	**3.3%**
the United States	40.6	3.2%
Germany	28.3	2.3%
Thailand	**24.9**	**2.0%**

Source: China Chamber of Commerce Of Medicines & Health Products Importers & Exporters, Frost & Sullivan Analysis

Competitive Landscape

Currently the TCM decoction-ready product market is relatively fragmented with most market players operating on a relatively small scale and limited production capacity. In 2025, the total number of TCM decoction-ready product companies with production licenses in China has reached 2,337. However, few of these enterprises are large-scale, and very few enterprises have an annual output value of more than RMB1 billion. One of the primary reasons is the regional variations in raw material sources and local market preferences. Additionally, some TCM decoction-ready products need to be processed fresh in authentic areas to preserve their unique efficacy and quality. The geo-authenticity of TCM decoction-ready products leads to regional restrictions on companies, and small-scale companies usually only have regional market coverage. The fragmented market suggests vast potential for larger players to emerge through industry consolidation or organic growth supported by capital investment and technological advancement.

In 2025, the top five largest TCM decoction-ready product market players had a combined market share of only 2.7%, with us being the second largest TCM decoction-ready product manufacturer in 2025, with a market share of 0.4%.

China's TCM Decoction-Ready Product Market Share in Terms of Sales Revenue in 2025

Company	2025 Revenue (RMB in billion)	Market Share
Company A	4.3	1.3%
Our Group	1.3	0.4%
Company B	1.2	0.4%
Company C	1.1	0.3%
Company D	1.0	0.3%
Others	311.5	97.2%

Notes:

(1) Company A is a state-owned TCM group headquartered in Beijing, with a history dating back to 1669. Its principal businesses include the manufacturing and sale of Chinese patent medicines and TCM decoction-ready products. The group operates several publicly listed subsidiaries in Chinese mainland and Hong Kong, with total revenue of approximately RMB24.0 billion in 2025.

(2) Company B is a pharmaceutical company established in 1997 and listed on the Shanghai Stock Exchange in 2001. Its principal businesses include the manufacturing and sale of TCM decoction-ready products, Chinese patent medicines and other pharmaceutical products. The company became state-controlled following the introduction of state-owned investors in 2021, and recorded total revenue of approximately RMB5.3 billion in 2025.

(3) Company C is a privately owned TCM company based in Bozhou, Anhui Province, with a history dating back to 1984. It principally engages in the processing, manufacturing and sale of TCM decoction-ready products, offering more than 1,100 product varieties. The company has an annual production capacity of approximately 48,000 tonnes of TCM decoction-ready products.

(4) Company D is a Tianjin-based TCM company established in 2011. It principally engages in the cultivation and processing of Chinese medicinal materials and the manufacturing and sale of TCM decoction-ready products. The company offers over 100 varieties of Chinese medicinal materials and more than 300 TCM decoction-ready products, with a quality traceability system covering cultivation, processing, testing, warehousing and logistics.

Source: Public information, expert interview, Frost & Sullivan analysis

The table below sets forth a detailed comparison of the major TCM decoction-ready product market players in China in terms of sales revenue in 2025.

	Our Group	Company A	Company B
Proportion of Self-Produced Products	**100%**	~95%	100%
Number of TCM Decoction-Ready Product Types	**770+**	756+	1,000+

Notes:

(1) Company A is a public company focusing on TCM headquartered in Beijing.

(2) Company B is a public company for pharmaceuticals and medical devices with a focus on TCM headquartered in Guangdong.

Source: Frost & Sullivan

TOXIC TCM DECOCTION-READY PRODUCT MARKET

Overview

Toxic TCM decoction-ready products refer to products prepared from toxic TCM materials through processing. The main purpose of TCM processing is to reduce or eliminate toxicity and side effects, alter properties, and enhance curative effects. According to the Chinese Pharmacopoeia (《中國藥典》), toxic TCM decoction-ready products are categorized into three levels: highly toxic, toxic, and slightly toxic, based on their toxicity and the severity of adverse effects they may cause during clinical use. The 2020 edition of the Chinese Pharmacopoeia (《中國藥典》) includes a total of 83 toxic TCM decoction-ready products, with 10 being highly toxic, 42 toxic, and 31 slightly toxic. Toxic decoction-ready products were primarily regulated under the Medical Toxic Pharmaceuticals Management Procedure in China (《醫療用毒性藥品管理辦法》). Among the aforementioned 83 products, only 28 products were classified as toxic under the Medical Toxic Pharmaceuticals Management Procedure in China. Representative types of toxic TCM decoction-ready products include *Pinellia ternata* (半夏), prepared *Common monkshood daughter root* (製附子), *Kusnezoff monkshood mother root* (草烏頭) and *Common monkshood mother root* (川烏頭). Detailed descriptions of representative toxic TCM decoction-ready products are set forth as below.

Type	Category	Effects	Processing	Medical Insurance Coverage	Centralized Procurement Inclusion
Pinellia ternata (半夏)	Toxic	Reduce internal moisture and phlegm, relieve nausea and chest congestion	Crush raw *Pinellia ternata* (半夏) before use	Yes	No
Aconitum carmichaelii (附片)	Toxic	Support recovery from weakness, promote circulation, and relieve pain caused by cold and dampness	Processed slices (boiled and dried) directly used in decoctions	Yes	No
Prepared *Common monkshood daughter root* (製附子)	Toxic	Revitalize body functions, enhance vitality and relieve pain associated with cold symptoms	Use pieces (black and white) directly in medicine	Yes	No
Kusnezoff monkshood mother root (草烏頭)	Highly toxic	Relieve muscle stiffness and joint discomfort associated with cold or dampness	Remove impurities, wash, and dry	Yes	No
Common monkshood mother root (川烏頭)	Highly toxic	Alleviate joint pain and stiffness caused by cold and dampness	Remove impurities, crushed before use	Yes	No

Source: The Chinese Pharmacopoeia, Frost & Sullivan

Toxic TCM decoction-ready products demands specialized methods to reduce or control toxicity, requiring precise control of conditions like temperature and duration, whereas non-toxic TCM decoction-ready products undergo simpler processing procedures. These processing methods are varied and include techniques such as cleaning, cutting, frying, roasting, calcining, steaming, boiling, copying, baking, grind with water (水飛法), and trituration into fine powder. The detoxification mechanisms involved in processing toxic TCM decoction-ready products include removing parts containing toxic components, reducing the content of toxic components, destroying the structure of toxic components, promoting the transformation of toxic components and enhancing the efficacy of the active components. However, processing should not only focus on detoxification but also ensure the preservation of efficacy, which demonstrates technical difficulty.

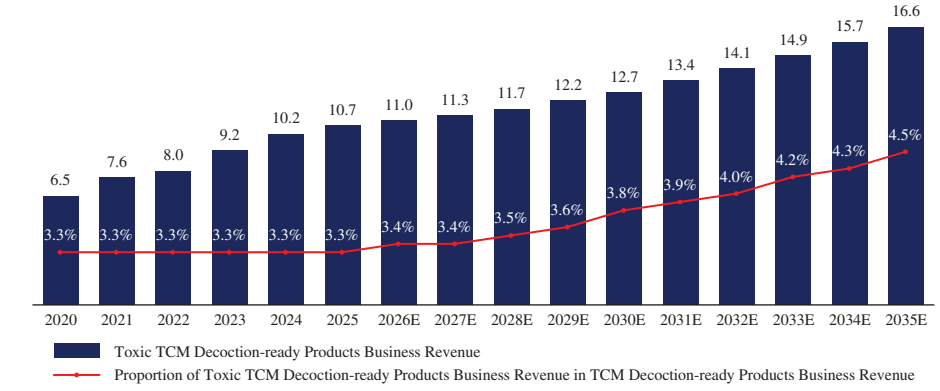
Production of toxic TCM decoction-ready products is also subject to stringent regulations. For example, under the Interim Regulations on Management of Toxic Medicinal Chinese Herbal Materials and Their Decoction-Ready Products (Beijing) (《北京市醫療用毒性中藥材及其飲片生產經營管理暫行規定》), the production of toxic TCM materials and decoction-ready products requires dedicated production facilities with strictly segregated personnel access and material flow paths. These special requirements impose higher entry barriers to manufacturers of toxic TCM decoction-ready products.

Market Size

The market of toxic TCM decoction-ready products in China increased from RMB6.5 billion in 2020 to RMB10.7 billion in 2025, representing a CAGR of 10.3%. The market for toxic TCM decoction-ready products in China is expected to further grow to RMB12.7 billion by 2030 and RMB16.6 billion by 2035, with a CAGR of 2.8% and 5.6% for 2026 to 2030 and 2031 to 2035, respectively. With the improvement of the regulatory system and the increase in the acceptance of toxic TCM decoction-ready products in clinical treatment, the market share of toxic TCM decoction-ready products has been gradually increasing over the past few years and is expected to continue growing.

China's Toxic TCM Decoction-Ready Product Market, 2020-2035E

Period	CAGR
2020-2025	10.3%
2026E-2030E	2.8%
2031E-2035E	5.6%



Source: Public information, expert interview, Frost & Sullivan analysis

Competitive Landscape

China's toxic decoction-ready product market exhibits a highly fragmented and competitive landscape, led by established traditional regional manufacturers who possess crucial competitive advantages in three key areas: technical expertise, regulatory compliance and market position. In recent years, market dynamics show trends toward consolidation, increased standardization and automation, enhanced quality control measures, and growing emphasis on sustainable practices, further reinforcing the market position of established players while making market entry increasingly challenging for newcomers. In 2025, the five largest market player of China's toxic TCM decoction-ready products only accounted for 5.3% of the total market in terms of sales revenue, with our Group being the second largest market player in China's toxic TCM decoction-ready product market. The table below sets forth the competitive landscape of China's toxic decoction-ready product market in terms of sales revenue in 2025.

China's Toxic Decoction-Ready Product Market Share in Terms of Sales Revenue in 2025

Company	2025 Revenue (RMB in million)	Market Share
Company B	166.5	1.6%
Our Group	137.6	1.3%
Company E	90.0	0.8%
Company C	88.7	0.8%
Company F	87.5	0.8%
Others	10,101.2	94.7%

Notes:

(1) Company B is a pharmaceutical company established in 1997 and listed on the Shanghai Stock Exchange in 2001. Its principal businesses include the manufacturing and sale of TCM decoction-ready products, Chinese patent medicines and other pharmaceutical products. The company became state-controlled following the introduction of state-owned investors in 2021, and recorded total revenue of approximately RMB5.3 billion in 2025.

(2) Company E is a Wuhan-based TCM company established in 2019, with its business origins dating back to 2000. It is a subsidiary of a pharmaceutical distribution group listed on the Shanghai Stock Exchange, principally engaged in the cultivation and processing of Chinese medicinal materials and the manufacturing and sale of TCM decoction-ready products. As of 2025, the company operated 13 TCM decoction-ready product manufacturing facilities, with production capabilities covering over 900 product varieties and 7,300 product specifications.

(3) Company C is a privately owned TCM company based in Bozhou, Anhui Province, with a history dating back to 1984. It principally engages in the processing, manufacturing and sale of TCM decoction-ready products, offering more than 1,100 product varieties. The company has an annual production capacity of approximately 48,000 tonnes of TCM decoction-ready products.

(4) Company F is a Beijing-based state-owned TCM company established in 1995 and a subsidiary of a TCM group listed on the Hong Kong Stock Exchange. It principally engages in the research, processing, manufacturing and sale of TCM decoction-ready products, including toxic TCM decoction-ready products. The company has production facilities with a total gross floor area of approximately 33,500 square meters and is authorized to process 28 types of toxic Chinese medicinal materials.

Source: Public information, expert interview, Frost & Sullivan analysis

NON-TOXIC TCM DECOCTION-READY PRODUCT MARKET

Overview

Non-toxic TCM decoction-ready products refer to products prepared from non-toxic TCM materials through processing and can be directly used in TCM clinical practices or preparation for production. The 2020 edition of the Chinese Pharmacopoeia (《中國藥典》) includes a total of 1,169 non-toxic TCM decoction-ready products. Representative types of non-toxic TCM decoction-ready products include *Fritillaria cirrhosa* (川貝母), *Dwarf lilyturf* (麥冬), *Coptis root* (黃連), *Medicinal cyathula officinalis root* (川牛膝根) and *Ziziphi spinosae semen* (酸棗仁). Detailed descriptions of representative non-toxic TCM decoction-ready products are set forth as below.

Type	Effects	Processing	Medical Insurance Coverage	Centralized Procurement Inclusion
Fritillaria cirrhosa (川貝母)	Reduce internal heat, relieve cough and phlegm, and soothe throat and respiratory discomfort	Remove impurities	Yes	No
Dwarf lilyturf (麥冬)	Replenish body fluids, moisten the respiratory tract, and promote internal balance	Remove impurities, wash clean, moisten thoroughly, flatten, and dry	Yes	Yes
Coptis root (黃連)	Reduce internal heat and moisture, and help eliminate toxins from the body	Remove impurities, moisten thoroughly, cut into thin slices, air dry, or crush before use	Yes	No
Medicinal cyathula officinalis root (川牛膝根)	Improve blood circulation, enhance joint flexibility, and promote smooth urination	Remove impurities and fibrous roots, wash clean, moisten thoroughly, cut into thin slices, and dry	Yes	Yes
Ziziphi spinosae semen (酸棗仁)	Support heart and liver functions, calm the mind, and maintain healthy fluid balance	Remove the remaining kernel shell, crush before use	Yes	No

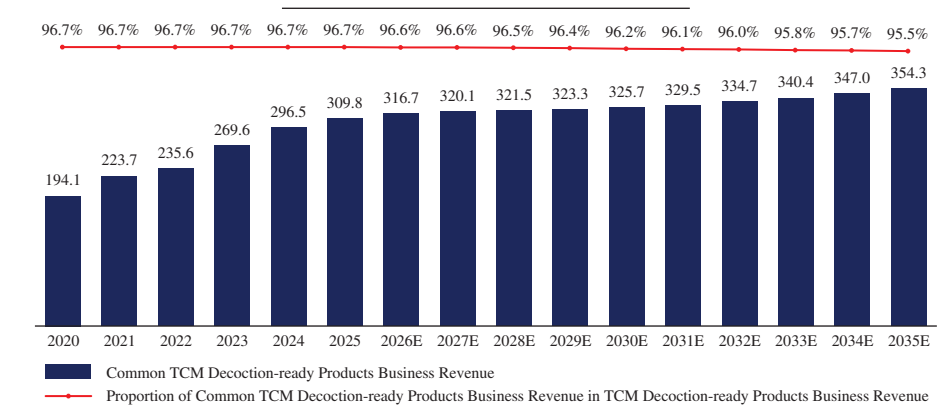
Source: The Chinese Pharmacopoeia, Frost & Sullivan

Market Size

The market of non-toxic TCM decoction-ready products in China increased from RMB194.1 billion in 2020 to RMB309.8 billion in 2025, representing a CAGR of 9.8%. The market for non-toxic TCM decoction-ready products in China is expected to further grow to RMB325.7 billion by 2030 and RMB354.3 billion by 2035, with a CAGR of 0.7% and 1.8% for 2026 to 2030 and 2031 to 2035, respectively.

China's Non-Toxic TCM Decoction-Ready Product Market, 2020-2035E

Period	CAGR
2020-2025	9.8%
2026E-2030E	0.7%
2031E-2035E	1.8%



Source: Public information, expert interview, Frost & Sullivan analysis

Competitive Landscape

China's non-toxic decoction-ready product market presents a fragmented and highly competitive landscape characterized by numerous manufacturers of varying sizes, from large pharmaceutical companies to small regional manufacturers. The market also exhibits regional clustering around traditional TCM production areas and major consumption centers. In 2025, the five largest non-toxic TCM decoction-ready product market players only had a combined market share of 2.7%. The table below sets forth the competitive landscape of China's non-toxic decoction-ready product market in terms of sales revenue in 2025.

China's Non-Toxic Decoction-Ready Product Market Share in Terms of Sales Revenue in 2025

Company	2025 Revenue (RMB in billion)	Market Share
Company A	4.2	1.4%
Our Group	1.2	0.4%
Company B	1.1	0.3%
Company C	1.0	0.3%
Company D	1.0	0.3%
Others	301.4	97.3%

Notes:

(1) Company A is a state-owned TCM group headquartered in Beijing, with a history dating back to 1669. Its principal businesses include the manufacturing and sale of Chinese patent medicines and TCM decoction-ready products. The group operates several publicly listed subsidiaries in Chinese mainland and Hong Kong, with total revenue of approximately RMB24.0 billion in 2025.

(2) Company B is a pharmaceutical company established in 1997 and listed on the Shanghai Stock Exchange in 2001. Its principal businesses include the manufacturing and sale of TCM decoction-ready products, Chinese patent medicines and other pharmaceutical products. The company became state-controlled following the introduction of state-owned investors in 2021, and recorded total revenue of approximately RMB5.3 billion in 2025.

(3) Company C is a privately owned TCM company based in Bozhou, Anhui Province, with a history dating back to 1984. It principally engages in the processing, manufacturing and sale of TCM decoction-ready products, offering more than 1,100 product varieties. The company has an annual production capacity of approximately 48,000 tonnes of TCM decoction-ready products.

(4) Company D is a Tianjin-based TCM company established in 2011. It principally engages in the cultivation and processing of Chinese medicinal materials and the manufacturing and sale of TCM decoction-ready products. The company offers over 100 varieties of Chinese medicinal materials and more than 300 TCM decoction-ready products, with a quality traceability system covering cultivation, processing, testing, warehousing and logistics.

Source: Frost & Sullivan

TCM MARKET IN SOUTHEAST ASIA

Southeast Asia represents a primary strategic growth target for TCM companies' overseas expansion, characterized by a large population with high cultural affinity for TCM, rising healthcare expenditures, and supportive government initiatives. The region's pharmaceutical market is experiencing robust growth, with Malaysia and Vietnam emerging as particularly promising hubs for premium TCM products, including our decoction-ready product offerings.

Malaysia presents a sophisticated and rapidly growing pharmaceutical market for TCM products. The substantial Chinese community provides a strong foundation, with over 60% of local population having received TCM treatment, indicating significant penetration and acceptance beyond just the ethnic Chinese population. The government's enactment of the Traditional and Complementary Medicine Act further institutionalizes and legitimizes TCM practices, creating a stable regulatory environment. It is expected the market size will reach approximately US$45 billion to US$67 billion by 2027.

Vietnam's pharmaceutical market is one of the fastest-growing in Southeast Asia. The country is actively building its domestic medicinal plant industry and formalizing its regulatory framework for traditional medicines, including TCM, presenting a timely opportunity for market entry. In 2025, Vietnam circulated a draft of the "Regulations on Circulation Registration of Traditional Medicines, Medicinal Ingredients, and Herbs," which outlines procedures for granting, extending, and modifying circulation certificates and clarifies clinical trial requirements. Engaging with these new regulations from the outset will be crucial for successful market entry. Recent high-level dialogues, such as the "China-ASEAN Medicinal Material Quality Exchange Platform Seminar" in Hanoi, facilitate regulatory cooperation and pave the way for market access.

REPORT COMMISSIONED BY FROST & SULLIVAN

In connection with the Global Offering, we have engaged Frost & Sullivan to conduct a detailed analysis and prepare an industry report on the major markets for which our products are positioned. Frost & Sullivan is an independent global market research and consulting company which was founded in 1961 and is based in the United States. We have agreed to pay Frost & Sullivan a total fee of RMB0.4 million for the preparation of the Frost & Sullivan Report, and we believe that such fees are consistent with the market rate. The payment of such amount is not contingent upon our successful Listing or on the results of the Frost & Sullivan Report. Except for the Frost & Sullivan Report, we did not commission any other industry report in connection with the Global Offering.

The market projections in the Frost & Sullivan Report were based on the following key assumptions: (i) the overall social, economic and political environment globally and in China is expected to remain stable during the forecast period; (ii) the economic and industrial development globally and in China is likely to maintain a steady growth trend over the next decade; (iii) related key industry drivers are likely to continue driving the growth of the market during the forecast period; and (iv) there is no extreme force majeure or industry regulation in which the market may be affected dramatically or fundamentally. The reliability of the Frost & Sullivan Report may be affected by the accuracy of the foregoing key assumptions.

We are subject to a variety of PRC laws, rules and regulations affecting many aspects of our business. This section summarizes the major PRC regulatory authorities and PRC laws and regulations that we believe are relevant to our business and operations in the PRC.

PRINCIPAL REGULATORY AUTHORITIES

The National Medical Products Administration (國家藥品監督管理局) (the "NMPA") is an authority under the State Administration for Market Regulation (國家市場監督管理總局) (the "SAMR") and is the primary regulator for medical products. It is primarily responsible for the administrative supervision and technical supervision over the research, production, circulation and usage of drugs, including Traditional Chinese Medicine ("TCM") in the PRC, organising the formulation and publication of the Chinese Pharmacopeia (《中國藥典》) and the selection, approval, publication and revision of the State Over-the-Counter Medicine Catalogue (《國家非處方藥目錄》). Also the NMPA and its local administrative authorities have a variety of enforcement actions available to enforce its regulations and rules, such as fines and injunctions, recalls or seizure of products, imposition of operating restrictions, partial suspension or complete shutdown of production and transfer to the relevant authorities for criminal investigation. The local administrative authorities at the level of provinces, autonomous regions and municipalities directly under the PRC central government are responsible for the supervision and administration of drugs distribution business within their respective administrative regions.

The National Health Commission of the PRC (中華人民共和國國家衛生健康委員會) (the "NHC") is the primary national regulator for public health. It is primarily responsible for drafting national health policies, supervising and regulating public health, healthcare services, and health emergency systems, coordinating the reform of medical and health system, organizing the formulation of national drug policies and national essential medicine system, launching an early warning mechanism for the monitoring of the use and clinical comprehensive evaluation of medicine as well as the drug shortage, giving suggestions on the pricing policy of national essential medicine, and regulating the operation of medical institutions and practicing of medical personnel.

The National Administration of TCM of the PRC (中華人民共和國國家中醫藥管理局) (the "SATCM"), a bureau under the governance of the NHC, is responsible for the regulation of TCM industry in the PRC.

The National Healthcare Security Administration (國家醫療保障局) (the "NHSA"). is an authority directly under the State Council of the PRC (中華人民共和國國務院) (the "State Council") responsible for the management of the healthcare security system. It is primarily responsible for drafting and implementing policies and standards on medical insurance, maternity insurance and medical assistance; supervising and administering the healthcare security funds; organizing the formulation of a uniform medical insurance catalogue and payment standards on drugs, medical disposables and healthcare services; and formulating and supervising the implementation of the bidding and tendering policies for drugs and medical disposables.

LAWS AND REGULATIONS RELATED TO DRUG MANUFACTURING

Drug Manufacturing License

Pursuant to the Drug Administration Law of the PRC (《中華人民共和國藥品管理法》) (the "Drug Administration Law") promulgated by the Standing Committee of the National People's Congress (the "SCNPC") lastly amended in August 2019 and came into effect in December 2019, the state adopts an industry entry permit system for drug manufacturers. The conduct of drug manufacturing activities shall be approved and granted with a Drug Manufacturing License (《藥品生產許可證》) by the drug regulatory authority of the people's government at provincial, autonomous regional or municipal level. According to the Drug Administration Law and Administrative Measures on Supervision of Drug Manufacturing (《藥品生產監督管理辦法》) which was last amended on January 22, 2020 by the SAMR and effective on July 1, 2020, all

facilities that manufacture drugs in China must apply for a Drug Manufacturing License which is issued by the drug supervision and administration department of the province, autonomous region or municipality directly under the central government where it is domiciled. The Pharmaceutical Manufacturing Permit is valid for five years and shall be applied for renewal six months before the expiry date.

Good Manufacturing Practice

According to the Drug Administration Law, the enterprises engaging in pharmaceutical production shall abide by the Good Manufacturing Practice for Drugs, establish and improve the quality management system for pharmaceutical production. The Good Manufacturing Practice for Drugs (2010 revised edition) (《藥品生產質量管理規範》(2010年修訂), promulgated on January 17, 2011 by the Ministry of Health of the People's Republic of China, and became effective on 1 March 2011) (the "2010 GMP") comprises a set of detailed standard guidelines governing the manufacture of drugs, which includes institution and staff qualifications, production premises and facilities, equipment, hygiene conditions, production management, quality controls, product operation, raw material management, maintenance of sales records and manner of handling customer complaints. The Three Appendixes to the 2010 GMP on TCM Decoction-ready Products (《關於發布<藥品生產質量管理規範(2010年修訂)>中藥飲片等3個附錄的公告) promulgated by the China Food and Drug Administration (國家食品藥品監督管理總局) (the "CFDA") on June 27, 2014 and became effective on July 1, 2014 specifies the requirements on staff qualifications, production premises and facilities, materials and products, equipment, validation, documentation management, production management, as well as quality control for the production of TCM decoction-ready Products.

Pursuant to the Notice of the CFDA, the Ministry of Health, and the SATCM on Strengthening the Supervision and Administration of TCM Decoction-ready Products (《國家食品藥品監督管理局、衛生部、國家中醫藥管理局關於加強中藥飲片監督管理的通知》) issued on January 5, 2011, manufacturers of TCM decoction-ready Products shall obtain a Drug Manufacturing License and a GMP certificate. Pursuant to the Circular on the Relevant Issues Concerning the Implementation of the Drug Administration Law of the PRC (《關於貫徹實施<中華人民共和國藥品管理法>有關事項的公告》), promulgated by the NMPA on November 29, 2019, and the Drug Administration Law, since December 1, 2019, the GMP and Good Supply Practice (the "GSP") certifications have been canceled, applications for GMP and GSP certifications are no longer accepted, and GMP and GSP certificates are no longer issued. The legal representative of and principal person in charge of a drug manufacturer are fully responsible for the drug manufacturing activities of the enterprise.

The Administrative Measures for the Inspection of Pharmaceuticals (Trial) (《藥品檢查管理辦法(試行)》) was promulgated by the NMPA on May 24, 2021 and amended on July 19, 2023, and the Certification Measures for Good Manufacturing Practice for Drugs was repealed simultaneously. The Administrative Measures for the Inspection of Pharmaceuticals (Trial) stipulated that if a drug manufacturer applies for a drug manufacturing license for the first time, it will be subject to on-site inspection under relevant contents of the GMP. If a drug manufacturer applies for re-issuance of drug manufacturing license, relevant authorities shall conduct examination pursuant to risk management principle, considering the enterprise's compliance with pharmaceutical administration laws and regulations, operation status of GMP and quality system, and may conduct GMP compliance inspection, if necessary.

Toxic Decoction-ready Products

According to the Medical Toxic Pharmaceuticals Management Procedure (《醫療用毒性藥品管理辦法》) promulgated by the State Council on December 27, 1988 and effective on the same date, the operation of toxic decoction-ready medicinal materials requires obtaining the corresponding business license. The operation of toxic decoction-ready medicinal materials includes the links of purchase, wholesale, and retail. Pursuant to the Decision of the State Council on the Fifth Batch of Cancellation and Delegation of Administrative Approval Items (Guofa [2010]

No. 21) (《國務院關於第五批取消和下放管理層級行政審批項目的決定》國發[2010]21號), the business license for toxic decoction-ready medicinal materials is approved by the provincial people's government's food and drug administration department.

Precursor Chemicals

According to the Regulations on the Administration of Precursor Chemicals (《易制毒化學品管理條例》, promulgated by the State Council on August 26, 2005, last amended on September 18, 2018 and became effective on the same date), the precursor chemicals are classified into three categories. Category I includes the major materials that can be used for producing drugs. Categories II and III include the chemical consumable/additives that can be used for producing drugs. An entity purchasing any precursor chemicals in Category II or III shall, prior to the purchase, shall file an information report about the type and quantity in demand for record, with the public security organ of the local people's government at the county level.

Chinese Pharmacopoeia

According to the provisions of the Drug Administration Law (《藥品管理法》), drugs shall comply with the national drug standards. The Chinese Pharmacopoeia is (《中國藥典》)》an important part of the national drug standards and is the legal technical standard. All relevant units involved in drug research and development, production (import), operation, use and supervision and management shall follow. All drug marketing authorization holders and drugs produced and marketed shall implement the relevant requirements of the latest edition of the Chinese Pharmacopoeia. The 2020 edition of the Chinese Pharmacopoeia was promulgated by the NMPA and the NHC on June 24, 2020, and came into effect on December 30, 2020. The 2025 edition of the Chinese Pharmacopoeia was promulgated by the National Medical Products Administration and the National Health Commission on March 20, 2025, and has come into effect on October 1, 2025.

The Protection of Wildlife and Livestock and Poultry

According to the Law on the Protection of Wildlife of the PRC (《中華人民共和國野生動物保護法》), promulgated by the SCNPC on November 8, 1988, and last amended on December 30 2022 and became effective on May 1, 2023, the sale, purchase or use of the wild animals under the state priority protection and the products thereof, for scientific research, artificial breeding, public display, cultural relics protection or under other special circumstances, shall be subject to the approval of the wildlife protection authorities under the people's governments of the provinces, autonomous regions or municipalities directly under the Central Government, and shall be required to obtain and use designated marks to ensure traceability. In September 30, 2020, the National Forestry and Grassland Administration promulgated Notice on Standardizing the Scope of Classified Management of wild Animals that are Banned for Consumption (關於規範禁食野生動物分類管理範圍的通知) to restrict the use of wild medicinal animal resource. According to the Decision of the Standing Committee of the National People's Congress on a Complete Ban of Illegal Wild Animals Trade and the Elimination of the Unhealthy Habit of Excessive Consumption of Wild Animals for the Protection of Human Life and Health (《全國人民代表大會常務委員會關於全面禁止非法野生動物交易、革除濫食野生動物陋習、切實保障人民群眾生命健康安全的決定》), promulgated on February 24, 2020, animals on the list of livestock and poultry genetic resources shall be classified as livestock and poultry and governed by the Animal Husbandry Law of the PRC (《中華人民共和國畜牧法》).

Under such policies, although prohibited from breeding for the purpose of providing food, certain wild animals are allowed for breeding for medicinal purpose. In March 2023, the National Forestry and Grassland Administration and the Ministry of Agriculture and Rural Affairs promulgated Measures for Quarantine of Wild Animals (《野生動物檢疫辦法》), according to which wild animals that need to be utilized for non-food purposes due to special circumstances such as medicinal use shall be quarantined and qualified in accordance with the relevant provisions before they can be utilized.

The Protection of Wild Plants and Wild Medicinal Resources

Pursuant to the Regulations of the People's Republic of China on the Protection of Wild Plants (《中華人民共和國野生植物保護條例》), promulgated by the State Council on September 30, 1996, and last amended on October 7, 2017 and became effective on the same date, the collection of national first-class protected wild plants is prohibited. For special needs such as scientific research, artificial cultivation, and cultural exchanges, those who wish to collect national first-class protected wild plants shall apply for a collection permit to related forestry administrative department. For the collection of national second-class protected wild plants, approval from the wild plant administrative department of the county-level people's government at the collection site is required. The sale and purchase of national first-class protected wild plants are prohibited. The sale and purchase of national second-class protected wild plants must be approved by the wild plant administrative department of the people's government of the province, autonomous region, or municipality directly under the central government, or by its authorized agency.

According to the Regulation on Protection of Wild Medicinal Resources (《野生藥材資源保護管理條例》) promulgated by the State Council on October 30, 1987 and effective on the December 1, 1987, wild medicinal species under first-class shall be prohibited from being gathered, and the hunting and purchasing of wild medicinal plant species under second and third-class protection must be carried out in accordance with the approved plan.

LAWS AND REGULATIONS RELATED TO DRUG OPERATIONS

Drug Business Permit

In September 1984, the SCNPC promulgated the Drug Administration Law (《藥品管理法》), which was amended in 2001, 2013, 2015 and 2019 respectively to regulate all entities or individuals engaging in research, manufacture, operation, use, supervision and management of drugs within the PRC. According to the Drug Administration Law (《藥品管理法》), no pharmaceutical operation, including pharmaceutical wholesale and pharmaceutical retail business, is permitted without obtaining the Pharmaceutical Operation License. Where the trading of drugs is conducted without a Drug Business Permit, the illegal incomes by selling drugs shall be confiscated and the local medical products administrative authorities shall impose the fine ranging from 15 to 30 times of the value of the illegally sold drugs (including sold or unsold drugs). The Implementation Rules for the Drug Administration Law (《藥品管理法實施條例》), was promulgated by the State Council in August 2002 and last amended in January 2026, which emphasized the detailed implementation rules of drugs administration.

The Administrative Standard of Pharmaceutical Operating Quality (《藥品經營質量管理規範》), promulgated by the CFDA in June 2015 and last amended in July 2016, the pharmaceutical operation enterprises shall take effective quality control measures over the process of procurement, storage, transportation and sale of drugs in order to ensure their quality.

As required by the Measures for the Quality Supervision and Management of the Operation and Use of Drugs (《藥品經營和使用質量監督管理辦法》) which was promulgated by the SAMR on September 27, 2023, and effective on the January 1, 2024, operation of drug business, including drug wholesale and drug retail, is prohibited without a Drug Business Permit. A Drug Business Permit shall state the validity period and the scope of business and be subject to review and reissuance upon expiry of the validity period.

Drug Price

In China, governmental pricing controls on drugs (other than narcotic and certain psychiatric drugs) have been lifted since June 2015 when the Opinions on Advancing Drug Price Reform (《推進藥品價格改革意見》) came into effect. Instead of direct governmental controls, the government

exercises control over the drugs through establishing a centralized tender process or centralized procurement mechanism, revising the National Reimbursement Drug List (《國家醫療保險藥品目錄》) or provincial medical insurance drug catalogues and strengthening regulation of medical and pricing practices.

On October 20, 2019, the Central Committee of the Communist Party of China and the State Council issued the Opinions on Promoting the Inheritance and Innovation of Traditional Chinese Medicine (《關於促進中醫藥傳承創新發展的意見》), proposing to study the cancellation of the markup on TCM decoction-ready products.

According to the Guiding Opinions on Medical Insurance Support for the Inheritance and Innovation of Traditional Chinese Medicine (Document No. 229 [2021] of the Medical Insurance Office) (《關於醫保支持中醫藥傳承創新發展的指導意見》(醫保函(2021)229號)), jointly issued by the NHSA and the National Administration of TCM on December 14, 2021, public medical institutions shall purchase traditional Chinese medicine decoction-ready products through regular channels and sell them with a markup not exceeding 25% of the actual purchase price. If public medical institutions are unable to provide actual purchase invoices for TCM decoction-ready products, they may refer to the purchase prices of social pharmacies in their region as the basis for supervision.

LAWS AND REGULATIONS RELATED TO INTERNET DRUG TRANSACTIONS SERVICES AND INFORMATION SERVICES

In August 3 2022, SAMR published the Measures for the Supervision and Administration of Online Pharmaceuticals Sales ("the Online Pharmaceuticals Sales Measures") (《藥品網絡銷售監督管理辦法》), aiming to enhance the supervision of online drug sales and related platform services. The Measures provides specific and explicit rules for the online sales of TCM decoction-ready products. This Measures stipulates that enterprises producing TCM decoction-ready products must fulfill the relevant obligations of a marketing authorization holder when selling the TCM decoction-ready products they produce. Enterprises engaging in the online sale of pharmaceuticals must operate in accordance with the approved business methods and scope of operations. If an online pharmaceutical sales enterprise is a marketing authorization holder, it is only permitted to sell the drugs for which it has obtained a drug registration certificate. Enterprises without a retail qualification for pharmaceuticals are prohibited from selling drugs to individuals.

According to the Measures Regarding the Administration of Drug Information Service over the Internet (《互聯網藥品信息服務管理辦法》), promulgated by CFDA on July 8, 2004 and amended on November 17, 2017, the operational Internet drug information service refers to the activities of providing medical information (including medical devices) and other services to Internet users through the Internet, and where any website intends to provide Internet drug information services, it shall, prior to applying for an operation permit or record-filing from the State Council's department in charge of information industry or the telecom administrative authority at the provincial level, file an application with the provincial FDA, and shall be subject to the examination and approval thereof for obtaining the qualifications for providing Internet drug information services. The validity term for a Qualification Certificate for Internet Drug Information Services is five years and may be renewed at least six months prior to its expiration date upon a re-examination by the relevant authority. Pursuant to the Measures Regarding the Administration of Drug Information Service over the Internet, the Internet drug information services are classified into two categories, namely, profit-making services and non-profit-making services. Profit-making services refers to that of providing Internet users with drug information in return for service fees whilst non-profit-making services refers to that of providing Internet users with drug information which is shared and accessible by the public through the Internet free of charge. Furthermore, the information relating to drugs shall be accurate and scientific in nature, and its provision shall comply with the relevant laws and regulations. No product information of narcotic drugs, psychotropic substances, toxic drugs for medical use, radioactive drugs, drugs for external use and

over-the-counter drugs made by medical institutes shall be distributed on the website. In addition, advertisements relating to drugs (including medical devices) shall be approved by the NMPA or its competent branches, and shall specify the approval document number.

LAWS AND REGULATIONS RELATED TO INTERNET INFORMATION SERVICES

Pursuant to the Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》) promulgated by the State Council on September 25, 2000 and last amended on December 6, 2024 and the Administration Measures for the Filing of Not-for-profit Internet Information Services (《非經營性互聯網信息服務備案管理辦法》) released on February 8, 2005 by the former Ministry of Information Industry, effective from March 20, 2005 and last revised on January 18, 2024, internet information services are classified into "for-profit internet information services" and "not-for-profit internet information services." The for-profit internet information service refers to service activities to provide information or website design to online users for profit; the not-for-profit internet information service refers to service activities to provide online users open, shared information on internet free of charge. The national government has installed the filing system for not-for-profit internet information service. Whoever intends to provide not-for-profit internet information service through the websites visited via internet domain names or through the websites which can only be visited via IP address within the territory of the PRC shall go through filing procedures in accordance with law. Such not-for-profit internet information service provider shall, when its website is available, display its filing number at the central part on the bottom of its home page and link the URL of the filing administration system of the Ministry of Industry and Information Technology of the PRC (the "MIIT"), below the filing number for consultation and check by the public. Furthermore, an annual review procedure is required for the not-for-profit internet information service provider to go through on the filing administration system of the MIIT at a specified time each year.

Mobile internet application is subject to monitoring by the Administrative Provisions on Mobile Internet Application Information Services (《移動互聯網應用程序信息服務管理規定》) promulgated by the Cyberspace Administration of China (the "CAC") on June 28, 2016 and amended on June 14, 2022 and such amendment took effect on August 1, 2022. Under these provisions, the application providers shall establish sound information content review and management mechanism by erecting and improving measures such as user registration, account management, information review, daily inspection and emergency disposal and be staffed with professionals and technical ability appropriate to the service scale.

Pursuant to the Notice of the Ministry of Industry and Information Technology on the Record-filing of Mobile Internet Apps (《工業和信息化部關於開展移動互聯網應用程序備案工作的通知》), promulgated by the MIIT on July 21, 2023 and took effective on the same day, any APP sponsor that engages in Internet information services within the territory of the PRC shall go through the record-filing formalities in accordance with the Administrative Measures on Internet-based Information Services and other regulations. Any APP sponsor that fails to complete the record-filing formalities shall not engage in APP Internet information services.

LAWS AND REGULATIONS RELATED TO DRUG RECALLS

According to the Measures on Drug Recall (《藥品召回管理辦法》) promulgated on October 2022 and effective from November 1, 2022, a drug manufacturer should establish and improve its recall system by collecting relevant information about drug safety and conducting investigation and evaluation with respect to the drugs with potential safety hazards. If there are any potential safety hazards that endanger human health and life safety in respect of any drugs sold in PRC, such manufacturer must start the drug recall procedures. Where a drug is recalled, the drug operating and using institutions should assist such marketing authorization holder to satisfy its recall obligations

by communicating the drug recall information and any feedback, controlling and recovering such drugs according to the recall plan. The recall of TCM decoction-ready products and formula granules shall be implemented by their manufacturing enterprises in accordance with the Measures on Drug Recall.

LAWS AND REGULATIONS RELATED TO DRUG ADVERTISEMENT

Pursuant to the Advertisement Law of the PRC (《中華人民共和國廣告法》), which was promulgated by Standing Committee of the NPC on October 27, 1994 and effective from February 1, 1995 and latest amended and effective from April 29, 2021, advertisements shall not contain false statements or be deceitful or misleading to consumers. Advertisements relating to pharmaceuticals and medical devices, shall be reviewed by relevant authorities in accordance with applicable rules before being distributed by broadcasting, movies, television, newspapers, journals or otherwise. The Advertisement Law further stipulates that advertisements for medical treatment, pharmaceutical products or medical devices shall not contain: (i) any assertion or guarantee for efficacy and safety; (ii) any statement on treatment rate or effectiveness rate; (iii) any comparison with the efficacy and safety of other pharmaceutical products or medical devices or with other healthcare institutions; (iv) recommendation or endorsement of an advertising endorser; or (v) other items as prohibited by laws and regulations.

Pursuant to the Measures for Administration of Medical Advertisement (《醫療廣告管理辦法》), which were jointly promulgated by the State Administration for Industry and Commerce and the Ministry of Health on November 10, 2006 and effective on January 1, 2007, medical advertisements shall be reviewed by relevant health authorities and obtain a Medical Advertisement Examination Certificate shall be obtained before being released. Medical Advertisement Examination Certificate is valid for one year and shall be renewed upon application.

REGULATIONS ON CENTRALIZED PROCUREMENT

On November 15, 2018, the Joint Procurement Office of the State Council published the Papers on Drug Centralized Procurement in "4+7 Cities" (《4+7城市藥品集中採購文件》), which launched the national pilot scheme for centralized volume-based drug procurement in the public medical institutions. The pilot scheme will be carried out in 11 cities, including Beijing, Tianjin, Shanghai, Chongqing, Shenyang, Dalian, Xiamen, Guangzhou, Shenzhen, Chengdu and Xi'an, the 4+7 Cities. On January 1, 2019, the General Office of the State Council also published the Notice of the General Office of the State Council on the Promulgation of the Pilot Program for Centralized Drug Procurement and Use Organized by the State (《國務院辦公廳關於印發<國家組織藥品集中採購和使用試點方案>的通知》), which provides detailed measures for the implementation of the national pilot scheme for centralized volume-based drug procurement in the 4+7 Cities.

On the basis of the centralized volume-based drug procurement implemented by 4+7 cities, the Joint Procurement Office issued The Document for Centralized Drug Procurement in the Alliance area (GY-YD2019-1) (《聯盟地區藥品集中採購文件(GY-YD2019-1)》) in September 2019, according to which the alliance area includes the provinces and autonomous regions of Shanxi, Inner Mongolia, Liaoning, Jilin, Heilongjiang, Jiangsu, Zhejiang, Anhui, Jiangxi, Shandong, Henan, Hubei, Hunan, Guangdong, Guangxi, Hainan, Sichuan, Guizhou, Yunnan, Xizang, Shanxi, Gansu, Qinghai, Ningxia and Xinjiang (including Xinjiang Production and Construction Army Unit) other than the 4+7 cities.

On January 22, 2021, the General Office of the State Council issued the Opinions on Promoting the Normalization and Institutionalization of the Centralized Volume-based Procurement of Drugs (《關於推動藥品集中帶量採購工作常態化制度化開展的意見》), stating that various measures will be taken to promote the normalization and institutionalization of the centralized volume-based procurement of drugs nationwide. All public medical institutions are required to

participate in the centralized drug procurement program. The future procurement catalog will include drugs with high market demand or high procurement prices that are included in the NRDL, and is expected to cover, as far as possible, domestically marketed drugs with clinical utility and reliable quality.

According to the Notice on Strengthening Regional Collaboration and Improving the Quality and Expanding the Scope of Medical and Pharmaceutical Centralized Procurement in 2024 (Medical Insurance Office [2024] No. 8) (《關於加強區域協同做好2024年醫藥集中採購提質擴面的通知》(醫保辦發(2024)8號)), issued by the Office of the NHSA on May 14, 2024, provinces with conditions are encouraged to take the lead in conducting national joint procurements, focusing on covering chemical drugs that have not passed the consistency evaluation, Chinese patent medicines, and TCM decoction-ready products. The NHSA will provide key guidance, including leading Shandong in carrying out the national joint procurement of TCM decoction-ready products through an alliance procurement.

According to the Centralized Procurement Document of the National TCM Decoction-Ready Products Procurement Alliance (ZYYPLM-2024-1) (《全國中藥飲片採購聯盟集中採購文件(ZYYPLM-2024-1)》) issued by the National TCM decoction-ready products Procurement Alliance Office in 2024, medical institutions in the alliance regions will carry out centralized volume-based procurement of TCM decoction-ready products. Representatives from each province, autonomous region, municipality directly under the central government, and the Xinjiang Production and Construction Corps have formed the Alliance Office. Under the guidance of the NHSA, the Alliance Office represents the relevant medical institutions in various regions to carry out centralized and bulk procurement of TCM decoction-ready products. The Shandong Provincial Medical Security Administration is responsible for the day-to-day operations and the specific implementation. This centralized volume-based procurement of TCM decoction-ready products in the alliance regions includes 45 types, such as Astragalus (黃芪), Codonopsis (黨參), Dwarf lilyturf (麥冬), Angelica Sinensis (當歸), and other types. In addition, the Centralized Procurement Document of the National TCM Decoction-Ready Products Procurement Alliance (ZYYPLM-2024-1) (《全國中藥飲片採購聯盟集中採購文件(ZYYPLM-2024-1)》) has stipulated the centralized procurement process and details related to the procurement of TCM decoction-ready products, including the types of TCM decoction-ready products to be procured, the required procurement quantities, the procurement cycle, the qualifications of the enterprises applying for the procurement, and the determination of the selected medicines.

TWO-INVOICE SYSTEM

In order to further optimize the order of purchasing and selling pharmaceutical products and reduce circulation steps, as required at the executive meeting of the State Council dated April 6, 2016 and under the 2016 List of Major Tasks in Furtherance of the Healthcare and Pharmaceutical Reforms (《深化醫藥衛生體制改革2016年重點工作任務》) issued by the General Office of the State Council on April 21, 2016, the "two-invoice System" (兩票制) will be fully implemented in the PRC. According to the Circular on Issuing the Implementing Opinions on Carrying out the Two-invoice System for Drug Procurement among Public Medical Institutions (for Trial Implementation) (印發<關於在公立醫療機構藥品採購中推行"兩票制"的實施意見(試行)>的通知》) (the "Circular"), which was effective from December 26, 2016, the two-invoice system means one invoice between the pharmaceutical manufacturer and the pharmaceutical distributor, and one invoice between the pharmaceutical distributor and the public hospital, and thereby only allows a single level of distributor for the sale of pharmaceutical products from the pharmaceutical manufacturer to the public hospital. According to the Circular, two-invoice system will be promoted in pilot provinces (autonomous regions and municipalities directly under the Central Government) involved in the comprehensive medical reform program and pilot cities for public hospital reform on a priority basis, while other regions are encouraged to implement such system, so that such system can be promoted in full swing nationwide in 2018.

According to the opinions on the implementation of the "two-invoice system" for drug procurement in public medical institutions currently issued by various provinces including Beijing, Hunan, Zhejiang, Anhui, etc., TCM decoction-ready products are temporarily not included within the scope of drugs subject to the "two-invoice system."

REGULATIONS RELATED TO DRUG DIRECTIONS AND LABELS

According to the Drug Administration Law, each piece of drug packaging shall, as required, be printed or affixed with a label with an insert sheet attached. Labels and insert sheets for narcotic drugs, psychotropic substances, toxic drugs for medical use, radioactive drugs, drugs for external use and over-the-counter drugs shall be printed with specified marks as required. Pursuant to the Administrative Provisions on Drug Directions and Labels (《藥品說明書和標籤管理規定》), promulgated on 15 March 2006 and became effective on 1 June 2006), drug directions and labels shall be subject to the ratification of the State Food and Drug Administration. The labels of a drug shall be based on its directions, and the contents thereof shall not exceed the scope of the directions, and may not be printed with any word or mark that implies the curative effect, misleads the use or inappropriately advertises the product. The package of a drug must be printed or affixed with the label according to the provisions, and shall not carry other literal or video materials or other information that advertises the product or the enterprise. The smallest packages produced by a drug manufacturing enterprise for sale on the market must be attached with directions. The drug directions, the interior labels and exterior labels as well as names shall comply with the relevant provisions.

According to the "Regulations on the Label Management of TCM Decoction-Ready Products" (《中藥飲片標籤管理規定》) issued by the NMPA on July 12, 2023, and effective from August 1,2024, the packaging and labeling of TCM decoction-ready products shall be standardized. The packaging shall be printed with or affixed with labels in accordance with the regulations and shall be accompanied by a quality compliance mark. The label of TCM decoction-ready products shall bear the wording "TCM Decoction-Ready Products" to explicitly indicate the product's nature. For TCM decoction-ready products that are toxic medicinal products for medical use or anesthetic drugs, their labels shall bear the prescribed special identification marks to avoid errors in medical use. The labels of TCM decoction-ready products involving the use of nationally protected wild animals and their products shall comply with relevant national regulations.

REGULATIONS RELATED TO NATIONAL MEDICAL INSURANCE PROGRAM

Pursuant to the Decision on the Establishment of the Urban Employee Basic Medical Insurance Program (《關於建立城鎮職工基本醫療保險制度的決定》) promulgated by the State Council on December 14, 1998 and the Tentative Measures for the Administration of the Scope of Medical Insurance Coverage for Pharmaceutical Products for Urban Employee (《城鎮職工基本醫療保險用藥範圍管理暫行辦法》) promulgated by the Ministry of Labour and Social Security (abolished in 2008 and merged with the Ministry of Personnel to form the Ministry of Human Resources and Social Security) and other authorities, came into effect on May 12, 1999, all employers in cities and towns, including enterprises (state-owned enterprises, collective enterprises, foreign-invested enterprises, private enterprises, etc.), institutions, public units, social organizations and private non-enterprise units, are required to participate in basic medical insurance. Pursuant to the Guiding Opinions on the Pilot of Basic Medical Insurance for Urban Residents (《關於開展城鎮居民基本醫療保險試點的指導意見》) promulgated by the State Council on July 10, 2007, urban residents (not urban employees) in the pilot areas can voluntarily participate in the basic medical insurance for urban residents. Pursuant to the Opinions of the State Council on the Integration of the Basic Medical Insurance System for Urban and Rural Residents (《國務院關於整合城鄉居民基本醫療保險制度的意見》) promulgated by the State Council on January 3, 2016, a unified basic medical insurance system for urban and rural residents was established, including the existing urban residents' medical insurance and all the insured personnel of New Rural Cooperative Medical System, covering all urban and rural residents except those who should be covered by the employee's basic medical insurance.

Pursuant to the Tentative Measures for the Administration of the Scope of Medical Insurance Coverage for Pharmaceutical Products for Urban Employee (《城鎮職工基本醫療保險用藥範圍管理暫行辦法》), the scope of medical insurance coverage for pharmaceutical products needs to be managed through the formulation of the Medical Insurance Catalog. A pharmaceutical product listed in the Medical Insurance Catalog must be clinically needed, safe, effective, reasonably priced, easy to use, available in sufficient quantity, and must meet the following requirements: it is set forth in the Pharmacopoeia of the PRC (current edition) (《中華人民共和國藥典》(現行版)); it meets the standards promulgated by the NMPA; and if imported, it is approved by the NMPA for import. According to the Opinions of the NHSA and the Ministry of Finance on Establishing a List-Based System for Healthcare Security Benefits (《國家醫保局、財政部關於建立醫療保障待遇清單制度的意見》), which came into effect in January 2021, all provinces shall implement the NRDL in a strict manner, and shall not have the discretion to formulate the catalog or increase the drugs in any form, or adjust the scope of limited payment unless explicitly stipulated. On December 14, 2021, the NHSA and the National Administration of TCM jointly issued the Guiding Opinions on Medical Insurance Support for the Inheritance and Innovation of Traditional Chinese Medicine (Document No. 229 [2021] of the Medical Insurance Office) (《關於醫保支持中醫藥傳承創新發展的指導意見》(醫保函(2021)229號)), proposing that qualified TCM decoction-ready products be included in the medical insurance drug directory as stipulated. Localities should, according to the financial capacity of the medical insurance fund and clinical needs, follow procedures to include qualified traditional Chinese medicine decoction-ready products within the local medical insurance payment scope, and establish a dynamic adjustment mechanism. After several adjustments, the currently effective one is the National Insurance Drug List for Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (2025) (《國家基本醫療保險、工傷保險和生育保險藥品目錄(2025年)》) (the "National Insurance Drug List (2025)") ("《國家保險药品目錄(2025)》"), which came into effect on January 1, 2026. According to the National Insurance Drug List (2025), more than 800 types of TCM decoction-ready products have been included in the scope of medical insurance fund coverage, including Rhizoma pinelliae preparatum (法半夏), Ginger processed pinelliae (薑半夏), Rhizoma pinelliae preparata (清半夏), Fritillaria cirrhosa (川貝母), Dwarf lilyturf (麥冬), Astragalus (黃芪), and other types of TCM decoction-ready products.

REGULATIONS RELATED TO CONCERNING THE SEPARATION OF PRESCRIBING FROM DISPENSING AND EXTERNALLY-DISPENSED PRESCRIPTIONS

On March 17, 2009, the Communist Party of China Central Committee and the State Council issued the Opinions on Deepening the Reform of the Medical and Healthcare System (《關於深化醫藥衛生體制改革的意見》)(the"Opinions"), which proposed upholding the non-profit nature of public medical and healthcare services, and implementing the separation of government administration from institutional management, the separation of supervision from operation, the separation of prescribing from dispensing, and the separation of for-profit from non-profit activities. The Opinions called for the advancement of the separation of prescribing from dispensing, and the active exploration of various effective means to gradually reform the mechanism of subsidizing medical care with drug sales revenues.

On January 24, 2017, the General Office of the State Council issued the Several Opinions of the General Office of the State Council on Further Reforming and Improving Policies on Drug Production, Circulation and Use (Guo Ban Fa [2017] No. 13) (《國務院辦公廳關於進一步改革完善藥品生產流通使用政策的若干意見》(國辦發[2017]13號)), which proposed to advance the separation of prescribing from dispensing. Medical institutions shall prescribe by the generic name of drugs and proactively provide the prescription to patients. Outpatients may independently choose to purchase drugs at medical institutions or at retail pharmacies, and medical institutions shall not restrict outpatients from purchasing drugs at retail pharmacies with a prescription. Where conditions permit, exploration may be made to separate outpatient pharmacies from medical institutions.

On October 16, 2024, the NHSA General Office issued the Circular on Regulating the Management of Externally Dispensed Prescriptions for Medical Insurance Drugs (Yi Bao Ban Han [2024] No. 86) (《關於規範醫保藥品外配處方管理的通知》(醫保辦函[2024]86 號)), setting out provisions for further regulating the administration of externally dispensed prescriptions for medical insurance drugs.The Circular requires local medical insurance authorities to guide designated medical institutions to stock medicines required for diagnosis and treatment in compliance with relevant requirements and the terms of their medical insurance agreements. Where the relevant medicines are temporarily unavailable at such institutions yet clinically necessary, the designated medical institutions shall provide insured persons with the necessary externally dispensed prescription services and strengthen the administration thereof. In regions where the national medical insurance electronic prescription centre has been rolled out, designated medical institutions shall provide externally dispensed prescription services via such electronic prescription centre. In regions where the centre has not yet been rolled out, paper prescriptions issued by designated medical institutions shall only be valid upon being signed by the attending physicians of the relevant hospitals and affixed with the special seal for externally dispensed prescriptions. The Circular also mandates the accelerated development of the electronic prescription centre. Designated retail pharmacies stocking dual-channel drugs are required to process prescriptions for dual-channel drugs through the electronic prescription centre and shall no longer accept paper prescriptions.

LAWS AND REGULATIONS RELATED TO PRODUCT LIABILITY

In addition to the strict drug approval process, certain PRC laws have been promulgated to protect the rights of consumers and to strengthen the control of medical products in the PRC. Under current PRC law, manufacturers and vendors of defective products in the PRC may incur liability jointly for loss and injury caused by such products. According to the Civil Code of the PRC (《中華人民共和國民法典》), which was promulgated in May 2020 and became effective in January 2021, a defective product which causes property damage or physical injury to any person may subject the manufacturer or vendor of such product to civil liability for such damage or injury. If a patient suffers damage due to defects in drugs, he may seek compensation from the drug marketing authorization holder or also from the medical institution. Where the patient seeks compensation from the medical institution, the medical institution, after it has made the compensation, shall have the right to recover the compensation from the liable drug marketing authorization holder.

In February 1993, the Product Quality Law of the PRC (《中華人民共和國產品質量法》), or the Product Quality Law, was promulgated aiming to protect the legitimate rights and interests of the end-users and consumers and to strengthen the supervision and control of the quality of products. The Product Quality Law was latest revised in December 2018. According to the revised Product Quality Law, manufacturers who produce defective products may be subject to civil or criminal liability and have their business licenses revoked.

The Law of the PRC on the Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》), or the Consumer Protection Law, was promulgated in October 1993 and amended in August 2009 and October 2013 to protect consumer rights when they purchase or use goods and services. According to the Consumer Protection Law, all business operators must comply with this law when they manufacture or sell goods and/or provide services to customers. Under the latest amendment, all business operators shall protect the customers' privacy and keep any consumer information they obtain during the business operation strictly confidential. In addition, in extreme situations, drug manufacturers and operators may be subject to criminal liability if their goods or services lead to the death or injuries of customers or other third parties.

LAWS AND REGULATIONS RELATED TO ANTI-UNFAIR COMPETITION

Since the early 1990s, the legislative authorities at different levels in China have promulgated certain laws and regulations in respect of commercial bribery. According to the PRC Anti-Unfair Competition Law (《中華人民共和國反不正當競爭法》), or the Anti-Unfair Competition Law, which was most recently amended on June 27, 2025, operators shall abide by the principle of voluntariness, equality, impartiality, integrity, and adhere to laws and business ethics during market transactions. Operators in violation of the Anti-unfair Competition Law shall bear corresponding civil, administrative or criminal liabilities depending on the specific circumstances.

According to the Interim Provisions on the Prohibition of Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》), which was promulgated by the State Administration for Industry and Commerce, which was replaced by the SAMR, on November 15, 1996, commercial bribery refers to an act of offering money or property or using other means by an operator to the other entity or individual for the purposes of selling or buying goods, among which "other means" refer to the means used to provide any types of benefits other than money or property, such as offering overseas or domestic travel. According to the Anti-Unfair Competition Law and the Interim Provisions on the Prohibition of Commercial Bribery, regulatory authorities may impose fines depending on the seriousness of the cases and if there is any illegal income, such income shall be confiscated.

Pursuant to the Regulations on the Establishment of Adverse Records with Respect to Commercial Briberies in the Medicine Purchase and Sales Industry (2013 revision) (《關於建 立醫藥購銷領域商業賄賂不良記錄的規定》) enforced on March 1, 2014 by the National Health and Family Planning Commission, the enterprises manufacturing and operating drugs, medical equipment and medical supplies, and the agencies as well as individuals thereof, which bribe the employee(s) of the medical and health institutions procuring and using their drugs, medical equipment or medical supplies with property or other benefits, shall be included into the Adverse Records of Commercial Bribery if they satisfy any of the circumstances as described in the above-mentioned regulation. If medical production and operation enterprises are listed into the Adverse Records of Commercial Bribery more than once in five years, their products shall not be purchased by all public medical institutions and medical and health institutions receiving financial subsidies nationwide for two years since the publication of the record.

Besides, according to the Anti-Unfair Competition Law, trade secrets refer to business information that is unknown to the public, have commercial value and is maintained as a secret by its legal owners or holders. Business persons are prohibited from infringing others' trade secrets. If a third party knows or should have known of the infringement but nevertheless obtains, uses or discloses trade secrets of others, the third party may be deemed to have committed a misappropriation of the others' trade secrets.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION AND FIRE PREVENTION

Environment Protection

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), which was promulgated by the SCNPC on December 26, 1989, came into effect on the same day and last amended on April 24, 2014, outlines the authorities and duties of various environmental protection regulatory agencies. The Ministry of Environmental Protection is authorized to issue national standards for environmental quality and emissions, and to monitor the environmental protection scheme of the PRC. Meanwhile, local environmental protection authorities may formulate local standards which are more rigorous than the national standards, in which case, the concerned enterprises must comply with both the national standards and the local standards. According to the Ecological Environment Code of the People's Republic of China (《中華人民共和國生態環境法

典》), promulgated by the National People's Congress on March 12, 2026 and came into effect on August 15, 2026, the relevant provisions on ecological and environmental protection will be subject to this code, and the Environmental Protection Law of the PRC has been replaced at the same time.

Environmental Impact Appraisal

According to the Administration Rules on Environmental Protection of Construction Projects (《建設項目環境保護管理條例》), or the Construction Environmental Protection Rule, which was promulgated by the State Council on November 29, 1998, amended on July 16, 2017 and became effective on October 1, 2017, depending on the impact of the construction project on the environment, a construction entity shall submit an environmental impact report or an environmental impact statement, or file a registration form. As to a construction project, for which an environmental impact report or the environmental impact statement is required, the construction entity shall, before the commencement of construction, submit the environmental impact report or the environmental impact statement to the relevant authority at the environmental protection administrative department for approval. If the environmental impact assessment documents of the construction project have not been examined or approved upon examination by the approval authority in accordance with the law, the construction entity shall not commence the construction.

According to the Environmental Impact Appraisal Law of the PRC (《中華人民共和國環境影響評價法》), which was promulgated by the SCNPC on October 28, 2002, amended on July 2, 2016 and December 29, 2018, for any construction projects that have an impact on the environment, an entity is required to produce either a report, or a statement, or a registration form of such environmental impacts depending on the degree of effect that may be exerted on the environment. According to the Ecological Environment Code of the People's Republic of China (《中華人民共和國生態環境法典》), promulgated by the National People's Congress on March 12, 2026 and came into effect on August 15, 2026, the relevant provisions on ecological and environmental protection will be subject to this code, and the Environmental Impact Appraisal Law of the PRC has been replaced at the same time.

The Construction Environmental Protection Rule also requires that upon completion of construction for which an environment impact report or environment impact statement is formulated, the constructor shall conduct acceptance inspection of the environmental protection facilities pursuant to the standards and procedures stipulated by the environmental protection administrative authorities of the State Council, formulate the acceptance inspection report, and announce the acceptance inspection report pursuant to the law except for circumstances where there is a need to keep confidentiality pursuant to the provisions of the State. Where the environmental protection facilities have not undergone acceptance inspection or do not pass acceptance inspection, the construction project shall not be put into production or use.

Urban Drainage and Sewage Treatment

Enterprises that engage in the activities of industry, construction, catering, and medical treatment, etc. that discharges sewage into urban drainage facilities shall apply to the relevant competent urban drainage department for collecting the permit for discharging urban sewage into drainage pipelines under relevant laws and regulations, including the Regulations on Urban Drainage and Sewage Disposal (《城鎮排水與污水處理條例》), which was promulgated on October 2, 2013 and came into force on January 1, 2014, and the Measures for the Administration of Permits for the Discharge of Urban Sewage into the Drainage Network (《城鎮污水排入排水管網許可管理辦法》), which was promulgated on January 22, 2015 and was amended on December 1, 2022 and became effective on February 1, 2023. Drainage entities covered by urban drainage facilities shall discharge sewage into urban drainage facilities in accordance with the relevant provisions of the state. Where a drainage entity needs to discharge sewage into urban drainage facilities, it shall apply for a drainage license in accordance with the provisions of these Measures. The drainage entity that has not obtained the drainage license shall not discharge sewage into urban drainage facilities.

According to the Administrative Measures on Pollutant Discharge Permit issued by the Ministry of Ecology (《排污許可管理辦法》) and Environment on April 1, 2024 and came into effect on July 1, 2024, enterprises, public institutions and other producers and operators that are subject to the administration of pollutant discharge permits shall apply for pollutant discharge permit and discharge pollutants in accordance with the requirements of the pollutant discharge permit; and those who have not obtained the pollutant discharge permits shall not discharge pollutants. According to the Classification Management List for Fixed Source Pollution Permits (2019 Edition) (《固定污染源排污許可分類管理名錄(2019年版)》), the manufacturing of biological drugs and products falls into the classification management scope for fixed source pollution permits.

Fire Prevention Design and Acceptance

The Fire Prevention Law of the PRC (《中華人民共和國消防法》), or the Fire Prevention Law, was adopted on April 29, 1998 and latest amended on April 29, 2021. According to the Fire Prevention Law, for special construction projects stipulated by the housing and urban-rural development authority of the State Council, the developer shall submit the fire safety design documents to the housing and urban-rural development authority for examination, while for construction projects other than those stipulated as special development projects, the developer shall, at the time of applying for the construction permit or approval for work commencement report, provide the fire safety design drawings and technical materials which satisfy the construction needs. According to Interim Regulations on Administration of Examination and Acceptance of Fire Control Design of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) issued by the Ministry of Housing and Urban-Rural Development of the PRC on April 1, 2020 and amended on August 21, 2023, an examination system for fire prevention design and acceptance only applies to special construction projects, and for other projects, a record-filing and spot check system would be applied.

LAWS AND REGULATIONS RELATED TO HOUSING LEASING

Pursuant to the Urban Real Estate Administration Law of the People's Republic of China (《中華人民共和國城市房地產管理法》) promulgated on July 5,1994, last amended on August 26, 2019 with effect on January 1, 2020, when leasing a house, the lessor and lessee shall sign a written lease contract, prescribing such provisions as the leasing term, use of the house, rental and repair liabilities, and other rights and obligations of both parties; and go through registration procedures for record with the real estate administration department.

According to the PRC Civil Code, a lessee may, upon the lessor's consent, sublease the leased object to a third person. The lease contract between the lessee and the lessor shall continue to be valid despite the sublease by the lessee, and if the third person causes loss to the leased object, the lessee shall bear the liability for compensation. Where a lessee subleases the leased object without the consent of the lessor, the lessor may rescind the contract. Where a lessee, upon consent of the lessor, subleases the leased object to a third person, if the term of the sublease exceeds the remaining term of the lessee, the sublease in the period in excess of the original term shall not be legally binding on the lessor unless otherwise agreed by the lessor and the lessee.

According to the Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》) promulgated on December 1, 2010 with effect on February 1, 2011, the parties to the house leasing shall sign a lease contract according to laws, and the lease contract shall be registered with the relevant construction or real estate authorities at the city or county level within 30 days after its signing. If the contents of the house lease registration and filing are changed, the lease is renewed or the lease is terminated, the parties concerned shall, within 30 days, go to the original lease registration and filing department to go through the formalities for the modification, renewal or cancelation of the house lease registration and filing. A house falling within any of the following circumstances may not be leased: (i) it is an illegally built house; (ii) it fails to conform to the mandatory standards for project construction with respect to safety and disaster prevention; (iii) the

original use of the house has been changed in violation of the relevant provisions; or (iv) it falls within any other circumstance under which it is prohibited by any law or regulation from being leased. If the parties involved in the house leasing fail to go through the registration and filing procedures or violate the above regulations, the parties involved in the house leasing will be ordered to make corrections, and if they fail to make corrections within the time limit, they will be fined.

LAWS AND REGULATIONS RELATED TO IMPORT AND EXPORT OF GOODS

According to the Administrative Provisions on the Record-filing of Customs Declaration Entities of the PRC (中華人民共和國海關報關單位備案管理規定), which was promulgated by the General Administration of Customs of the PRC on November 19, 2021 and came into effect on January 1, 2022, consignors or consignees of imported or exported goods or customs declaration enterprises that apply for record-filing shall obtain market entity qualifications; in the case of consignors or consignees of imported or exported goods applying for record-filing, they shall also complete the record-filing formalities for foreign trade dealers.

LAWS AND REGULATIONS RELATED TO FOREIGN INVESTMENT

The Company Law

On December 29, 1993, the Company Law of the PRC (《中華人民共和國公司法》) (the "Company Law") promulgated by the SCNPC, which was latest amended on December 29, 2023 and became effective on July 1, 2024, provides that companies established in China may take the form of limited liability company or a company limited by shares. Each company has the status of a legal person and owns its assets in its own name. The Company Law applies to foreign-invested companies unless relevant laws provide otherwise.

Foreign Investment

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the "FIL"), which was promulgated by the National People's Congress (the "NPC") on March 15, 2019, and came into effect on January 1, 2020, provides that the "foreign investment" refers to the investment activities in China carried out directly or indirectly by foreign individuals, enterprises or other organizations (the "Foreign Investors"), including the following: (1) Foreign Investors establishing foreign-invested enterprises in China alone or collectively with other investors; (2) Foreign Investors acquiring shares, equities, properties or other similar rights of Chinese domestic enterprises; (3) Foreign Investors investing in new projects in China alone or collectively with other investors; and (4) Foreign Investors investing through other ways prescribed by laws and regulations or the State Council. The FIL further adopts the management system of pre-establishment national treatment and negative list for foreign investment. The "pre-establishment national treatment" refers to granting to foreign investors and their investments, in the stage of investment access, the treatment no less favorable than that granted to domestic investors and their investments; the "negative list" refers to special administrative measures for access of foreign investment in specific fields as stipulated by the State. The FIL granted national treatment to foreign investments outside the negative list. The negative list will be released by or upon approval of the State Council. In December 2019, the State Council promulgated the Regulations on Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) (the "Implementation Rules") which came into effect in January 2020. The Implementation Rules further clarified that the state shall encourage and promote foreign investment, protect the lawful rights and interests in foreign investments, regulate foreign investment administration, continue to optimize foreign investment environment, and advance a higher-level opening.

On December 30, 2019, the MOFCOM and the SAMR jointly promulgated the Measures for Information Reporting on Foreign Investment (《外商投資信息報告辦法》), which became effective on January 1, 2020, pursuant to which, where a foreign investor carries out investment activities in the PRC directly or indirectly, the market regulatory authorities shall forward the investment information submitted by foreign investor or the foreign-invested enterprise to the competent commerce administrative authorities. According to the Special Administrative Measures for Access of Foreign Investment (Negative List) (2024 Edition) (《外商投資准入特別管理措施(負面清單)(2024年版)》) promulgated by the MOFCOM and the NDRC on September 6, 2024 and brought into effect on November 1, 2024, our principal business of R&D, manufacturing and sales of TCM decoction-ready products and online sales through WeChat Mini Program and APP as currently conducted, do not fall under such categories where foreign investment is restricted or prohibited.

LAWS AND REGULATIONS RELATED TO EMPLOYMENT AND SOCIAL SECURITY

Employment

The major PRC laws and regulations that govern employment relationships are the Labor Law of the PRC (《中華人民共和國勞動法》) (the "Labor Law"), issued by the SCNPC on July 5, 1994, effective on January 1, 1995 and revised on August 27, 2009 and December 29, 2018, the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), or the Labor Contract Law, which was promulgated by the SCNPC on June 29, 2007 and became effective on January 1, 2008, and then amended on December 28, 2012, and the Implementation Rules of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), which was issued by the State Council on September 18, 2008 and came into effect on the same day. According to the aforementioned laws and regulations, labor relationships between employers and employees must be executed in written form. The laws and regulations above impose stringent requirements on the employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees. As prescribed under the laws and regulations, employers shall ensure their employees have the right to rest and the right to receive wages no lower than the local minimum wages. Employers must establish a system for labor safety and sanitation that strictly abide by state standards and provide relevant education to its employees. Violations of the Labor Contract Law and the Labor Law may result in the imposition of fines and other administrative liabilities and/or incur criminal liabilities in the case of serious violations.

Social Insurance

According to the Social Insurance Law of PRC (《中華人民共和國社會保險法》), which issued by the SCNPC on October 28, 2010 and came into effect on July 1, 2011 and was newly revised on December 29, 2018, enterprises and institutions in the PRC shall provide their employees with welfare schemes covering basic pension insurance, unemployment insurance, maternity insurance, work-related injury insurance and basic medical insurance. The employer shall apply to the local social insurance agency for social insurance registration within 30 days from the date of its formation. And it shall, within 30 days from the date of employment, apply to the social insurance agency for social insurance registration for the employee. Any employer who violates the regulations above shall be ordered to rectify within a prescribed time limit; if the employer fails to rectify within the time limit, the employer and its directly liable person will be fined. If the employer fails to pay social insurance contributions on time and in full, the social insurance agency shall place an order with the employer demanding full payment within a prescribed period, and an overdue payment at the rate of 0.05% per day shall be levied as of the date of indebtedness. When the payment is not made at the expiry of the prescribed period, a fine above the overdue amount but less than its triple shall be demanded by the authoritative administrative department. Meanwhile, the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) (issued by the State Council on January 22, 1999 and came into effect on the same day and was recently revised on March 24, 2019) prescribes the details concerning the social securities.

Apart from the general provisions about social insurance, specific provisions on various types of insurance are set out in the Regulations on Work-Related Injury Insurance (《工傷保險條例》) (issued by the State Council on April 27, 2003, came into effect on January 1, 2004 and revised on December 20, 2010), the Regulations on Unemployment Insurance (《失業保險條例》) (issued by the State Council on January 22, 1999 and came into effect on the same day), the Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》) (issued by the Ministry of Labor on December 14, 1994 and came into effect on January 1, 1995). Enterprises subject to these regulations shall provide their employees with the corresponding insurance.

On July 31, 2025, the Supreme People's Court promulgated 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)"), which took effect on September 1, 2025. Article 19(1) of the Juridical Interpretation (II) stipulates that if an employer and an employee agree or the employee undertakes that social insurance contributions need not be paid, the People's Court shall deem such agreement or undertaking invalid. Further, the relevant employee has the right to terminate the labor contract and claim economic compensation from the employer pursuant to Article 38(3) of the Labor Contract Law.

According to the confirmation of our Group and our Directors, during the Track Record Period and as of the Latest Practicable Date, (i) we had not signed any written document that stipulate exemption from social insurance contributions with any employee; (ii) there had been no dispute between us and our employees arising from the payment of social insurance contributions; (iii) no administrative action or penalty had been imposed by the relevant regulatory authorities with respect to our social insurance contributions. Based on legal provisions and the aforementioned confirmations, our PRC Legal Advisors are of the view that the Judicial Interpretation (II) would not have a material adverse effect on our compliance with applicable labor laws in this regard.

Housing Provident Fund

According to the Regulations Concerning the Administration of Housing Provident Fund (《住房公積金管理條例》), implemented since April 3, 1999 and latest amended on August 10, 2026, any newly established entity shall make deposit registration at the housing accumulation fund management center within 30 days as of its establishment. After that, the entity shall open a housing accumulation fund account for its employees in an entrusted bank. Within 30 days as of the date an employee is recruited, the entity shall make deposit registration at the housing accumulation fund management center.

Any entity that fails to make deposit registration of the housing accumulation fund or fails to open a housing accumulation fund account for its employees shall be ordered to complete the relevant procedures within a prescribed time limit. Any entity failing to complete the relevant procedure within the time limit will be fined RMB50,000 to RMB300,000. Any entity fails to make payment of housing provident fund within the time limit or has a shortfall in payment of housing provident fund will be ordered to make the payment or make up the shortfall within the prescribed time limit, otherwise, the housing provident management center is entitled to apply for compulsory enforcement with the People's Court.

LAWS AND REGULATIONS RELATED TO INTELLECTUAL PROPERTY

Patents

According to the Patent Law of the PRC (《中華人民共和國專利法》), or the PRC Patent Law, promulgated by the SCNPC on March 12, 1984 and effected on April 1, 1985 and further amended on September 4, 1992, August 25, 2000, December 27, 2008, October 17, 2020 and came into effect on June 1, 2021 and the Implementing Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》), promulgated by the China Patent Bureau on January 19, 1985 and last

amended on December 11, 2023 by the State Council and came into effect on January 20, 2024, the term "invention-creations" refers to inventions, utility models and designs. The duration of a patent right shall be 20 years for inventions, 10 years for utility models and 15 years for designs, all commencing from their respective application date. According to the PRC Patent Law, for public health purposes, the patent administrative department under the State Council of the PRC may grant a compulsory license for manufacturing patented drugs and exporting them to countries or regions covered under relevant international treaties to which PRC has acceded.

According to the PRC Patent Law, any entity or individual that seeks to exploit a patent owned by another party shall enter into a patent license contract with the patent owner and pay patent royalties to the patent owner. Pursuant to the Measures for the Filling of Patent Exploitation License Contracts (《專利實施許可合同備案辦法》) promulgated by the State Intellectual Property Office on June 27, 2011 and became effective on August 1, 2011, the parties under the license shall complete filing formalities within three months from the effective date of a patent licensing contract.

Trademarks

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》) which was promulgated on August 23, 1982 and last amended on June 26, 2026 and will come into effect on January 1, 2027, the Implementation Regulations of the Trademark Law of PRC (《中華人民共和國商標法實施條例》) which was issued on August 3, 2002 and amended on April 29, 2014, the Trademark Office under the State Administration for Industry and Commerce of the PRC, or the Trademark Office, shall handle trademark registrations and grant a term of ten-year to registered trademarks, which may be renewed for an additional ten-year period upon request from the trademark owner. The Trademark Law of the PRC has adopted a "first-to-file" principle with respect to trademark registration. Where an application for a trademark for which application for registration has been made is identical or similar to another trademark that has already been registered or is under preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right of others, nor may any person register in advance a trademark that has already been used by another party and has already gained a "sufficient degree of reputation" through such party's use. A trademark registrant may, by entering into a trademark licensing contract, license another party to use its registered trademark. Where another party is licensed to use a registered trademark, the licenser shall report the license to the Trademark Office for recordation, and the Trademark Office shall publish it. An unrecorded license may not be used as a defense against a third party in good faith.

Domain Names

In accordance with the Measures for the Administration of Internet Domain Names (《互聯網域名管理辦法》) which was issued by the Ministry of Industry and Information Technology on August 24, 2017 and came into effect on November 1, 2017, the Ministry of Industry and Information Technology is responsible for supervision and administration of domain name services in the PRC. Communication administrative bureaus at provincial levels shall conduct supervision and administration of the domain name services within their respective administrative jurisdictions. Domain name registration services shall, in principle, be subject to the principle of "first apply, first register."

Copyright

The SCNPC adopted PRC Copyright Law (《中華人民共和國著作權法》) in 1990 and most recently amended in 2020, with its implementing rules adopted in 1991 and most recently amended in 2013 by PRC State Council. In addition, there is a voluntary registration system administered by the China Copyright Protection Center. According to the aforementioned law and regulation, the term of protection for the right of publication of a work is fifty years. The Regulation on the

Protection of the Right to Communicate Works to the Public over Information Networks (《信息網絡傳播權保護條例》), which was most recently amended on January 30, 2013, provides specific rules on fair use, statutory license, and a safe harbor for use of copyrights and copyright management technology and specifies the liabilities of various entities for violations, including copyright holders, libraries and Internet service providers. In order to further implement the Regulations for the Protection of Computer Software (《計算機軟件保護條例》) promulgated by the State Council on December 20, 2001 and last amended on January 30, 2013, the National Copyright Administration issued the Registration of Computer Software Copyright Procedures (《計算機軟件著作權登記辦法》) on February 20, 2002, which applies to software copyright registration, license contract registration and transfer contract registration with respect to software copyright.

LAWS AND REGULATIONS RELATED TO INFORMATION SECURITY AND DATA PRIVACY

Data Security and Export

The SCNPC promulgated the Data Security Law of the PRC (《中華人民共和國數據安全法》) on June 10, 2021, for the establishment of a data classification and grading protection system to conduct classified and hierarchical protection of data. Entities engaged in data processing activities shall, in accordance with laws and regulations, establish a sound full-process data security management system, organize data security education and training, and take corresponding technical measures and other necessary measures to ensure data security.

On December 28, 2021, the CAC and other twelve PRC regulatory authorities jointly revised and promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》) (the "Cyber Review Measures"), which came into effect on February 15, 2022. The Cyber Review Measures stipulate that, among others, (i) when the purchase of network products and services by a critical information infrastructures operator (the "CIIO") (關鍵信息基礎設施運營者) or the data processing activities conducted by a network platform operator (網絡平台運營者) affect or may affect national security, a cybersecurity review shall be conducted pursuant to the Cyber Review Measures; (ii) an application for cybersecurity review shall be made by an issuer who is a network platform operator holding personal information of more than one million users before such issuer applies to list its securities abroad; and (iii) the relevant PRC governmental authorities may initiate cybersecurity review if such governmental authorities determine that the issuer's network products or services, or data processing activities affect or may affect national security.

According to the Measures on Security Assessment of Cross-border Data Transfer (《數據出境安全評估辦法》) issued by the CAC on July 7, 2022 and effective on September 1, 2022, a data processor that provides data overseas under any of the following circumstances shall apply to the national cyberspace administration for the security assessment of the outbound data transfer through local provincial cyberspace administration: (i) a data processor provides important data abroad; (ii) the CIIO or the data processor that has processed the personal information of more than 1 million people provides personal information abroad; (iii) the data processor that has provided the personal information of over 100,000 people or the sensitive personal information of over 10,000 people cumulatively since January 1 of the previous year provides personal information abroad; and (iv) any other circumstance where an application for the security assessment of outbound data transfer is required by the national cyberspace administration.

Personal Information Protection

According to the Civil Code of the PRC (《中華人民共和國民法典》), personal information of natural persons is protected by law. If any organization or individual needs to obtain other people's personal information, they should obtain it in accordance with the law, ensure the security of the information, and must not illegally collect, use, process, or transmit other people's personal information or illegally buy, sell, provide, or disclose the information. The Personal Information

Protection Law of the PRC (《中華人民共和國個人信息保護法》) promulgated by the SCNPC on August 20, 2021 and implemented on November 1, 2021 further emphasizes the obligations and responsibilities of processors for the protection of personal information, and requests higher level of protective measures on the processing of sensitive personal information.

According to the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》) promulgated by the SCNPC on November 7, 2016 and effective on June 1, 2017, which was last amended on October 28,2025 and became effective from January 1, 2026, network operators must follow the principles of legality, legitimacy and necessity when collecting and using personal information, publicly disclose the rules for collection and use, clearly state the purpose, method and scope of collecting and using information, and obtain the consent of the person whose data is being collected. Network operators shall not collect personal information unrelated to the services they provide. Network operators are not allowed to leak, tamper with, or damage the personal information they collect, and are not allowed to provide personal information to others without the consent of the person whose data is being collected. However, this does not apply to cases where a specific individual cannot be identified, and the identity cannot be recovered after processing. Network operators should take technical measures and other necessary measures to ensure the security of the personal information they collect and prevent leakage, damage and loss of information.

LAWS AND REGULATIONS RELATED TO FOREIGN EXCHANGE AND OVERSEAS INVESTMENT AND DIVIDEND DISTRIBUTION

Foreign Exchange and Overseas Investment

On January 29, 1996, the State Council promulgated the Administrative Regulations on Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》) which became effective on April 1, 1996 and was amended on January 14, 1997 and August 5, 2008. Foreign exchange payments under current account items shall, pursuant to the administrative provisions of the foreign exchange control department of the State Council on payments of foreign currencies and purchase of foreign currencies, be made using self-owned foreign currency or foreign currency purchased from financial institutions engaging in conversion and sale of foreign currencies by presenting the valid document. Domestic entities and domestic individuals making overseas direct investments or engaging in issuance and trading of overseas securities and derivatives shall process registration formalities pursuant to the provisions of the foreign exchange control department of the State Council.

On November 19, 2012, the SAFE issued the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》), or the SAFE Circular 59, which came into effect on December 17, 2012 and was revised on May 4, 2015, October 10, 2018 and partially abolished on December 30, 2019. The SAFE Circular 59 aims to simplify the foreign exchange procedure and promote the facilitation of investment and trade. According to the SAFE Circular 59, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of RMB proceeds derived by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, as well multiple capital accounts for the same entity may be opened in different provinces. Later, the SAFE promulgated the Circular on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) in February 2015, which was partially abolished in December 2019 and prescribed that the bank instead of SAFE can directly handle the foreign exchange registration and approval under foreign direct investment while SAFE and its branches indirectly supervise the foreign exchange registration and approval under foreign direct investment through the bank.

On May 10, 2013, the SAFE issued the Administrative Provisions on Foreign Exchange in Domestic Direct Investment by Foreign Investors (《外國投資者境內直接投資外匯管理規定》), or the SAFE Circular 21, which became effective on May 13, 2013, amended on October 10, 2018 and partially abolished on December 30, 2019. The SAFE Circular 21 specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC must be conducted by way of registration and banks must process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

According to the Notice of the State Administration of Foreign Exchange on Reforming the Management Mode of Foreign Exchange Capital Settlement of Foreign Investment Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), or the SAFE Circular 19 promulgated on March 30, 2015, coming into effect on June 1, 2015 and partially abolished on December 30, 2019 and March 23, 2023, foreign-invested enterprises could settle their foreign exchange capital on a discretionary basis according to the actual needs of their business operations. Whilst, foreign-invested enterprises are prohibited to use the foreign exchange capital settled in RMB (a) for any expenditures beyond the business scope of the foreign invested enterprises or forbidden by laws and regulations; (b) for direct or indirect securities investment; (c) to directly or indirectly provide entrusted loans (unless permitted in the business scope), repay loans between enterprises (including advances by third parties) or repay RMB bank loans that have been relent to a third party; and (d) to purchase real estates not for self-use purposes (save for real estate enterprises).

On June 9, 2016, SAFE issued the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), or the SAFE Circular 16, which was amended on December 4, 2023. The SAFE Circular 16 provides that discretionary foreign exchange settlement applies to foreign exchange capital, foreign debt offering proceeds and remitted foreign listing proceeds, and the corresponding RMB capital converted from the foreign exchange may not be used to extend loans in RMB or repay inter-company loans (including advances by third parties).

On October 23, 2019, SAFE promulgated the Notice on Further Facilitating Cross-Board Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), which was amended on December 4, 2023. The notice cancelled restrictions on domestic equity investments made with capital funds by non-investing foreign-funded enterprises. In addition, restrictions on the use of funds for foreign exchange settlement of domestic accounts for the realization of assets have been removed and restrictions on the use and foreign exchange settlement of foreign investors' security deposits have been relaxed. Eligible enterprises in the pilot area are also allowed to use revenues under capital accounts, such as capital funds, foreign debts and overseas listing revenues for domestic payments without providing materials to the bank in advance for authenticity verification on an item-by-item basis, while the use of funds should be true, in compliance with applicable rules and conforming to the current capital revenue management regulations.

LAWS AND REGULATIONS RELATED TO TAXATION

Enterprise Income Tax

The Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), or the EIT Law, promulgated by the NPC on March 16, 2007, came into effect on January 1, 2008 and was amended on February 24, 2017 and December 29, 2018, as well as the Implementation Rules of the EIT Law (《中華人民共和國企業所得稅法實施條例》), or the EIT Implementation Rules, promulgated by the State Council on December 6, 2007, came into force on January 1, 2008 and last amended on December 6, 2024, are the principal law and regulation governing enterprise income tax in the PRC. According to the EIT Law and the EIT Implementation Rules, enterprises

are classified into resident enterprises and non-resident enterprises. Resident enterprises refer to enterprises that are legally established in the PRC, or are established under foreign laws but whose actual management bodies are located in the PRC. And non-resident enterprises refer to enterprises that are legally established under foreign laws and have set up institutions or sites in the PRC but with no actual management body in the PRC, or enterprises that have not set up institutions or sites in the PRC but have derived incomes from the PRC. A uniform income tax rate of 25% applies to all resident enterprises and non-resident enterprises that have set up institutions or sites in the PRC to the extent that such incomes are derived from their set-up institutions or sites in the PRC, or such income are obtained outside the PRC but have an actual connection with the set-up institutions or sites. And non-resident enterprises that have not set up institutions or sites in the PRC or have set up institutions or sites but the incomes obtained by the said enterprises have no actual connection with the set-up institutions or sites, shall pay enterprise income tax at the rate of 10% in relation to their income sources from the PRC.

According to Article 27 of the EIT Law and Article 86 of the EIT Implementation Rules, the income derived from the preliminary processing of agricultural products by enterprises is exempt from enterprise income tax.

On November 20, 2008, the Ministry of Finance and the State Administration of Taxation issued the Notice on Issuing the Scope of Agricultural Product Preliminary Processing Eligible for Enterprise Income Tax Preferences (Trial) or Circular 149, which further clarifies the scope of agricultural product preliminary processing eligible for the enterprise income tax exemption, including, amongst others, the preliminary processing of medicinal plants under the category of crop cultivation. This involves simple processing treatments such as selecting, sorting, bundling, washing, air-drying, cutting, steaming, and stir-frying the roots, stems, barks, leaves, flowers, fruits, and seeds of various medicinal plants to produce slices, shreds, chunks, and sections of traditional Chinese medicinal materials. However, the processing of various traditional Chinese patent medicines is not considered preliminary processing.

Withholding Tax

Pursuant to the EIT Law and the EIT Implementation Rules, if a non-resident enterprise has not set up an organization or establishment in the PRC, or has set up an organization or establishment but the income derived has no actual connection with such organization or establishment, it will be subject to a withholding tax on its PRC-sourced income at a rate of 10%. According to the Arrangement between Chinese Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》) effective from December 8, 2006, dividends repatriated from a PRC entity to its Hong Kong shareholder owning more than 25% of capital would be entitled to a reduced withholding tax rate of 5% subject to certain conditions.

The State Taxation Administration, or the SAT, issued the Administrative Measures on Entitlement of Non-residents to Treatment under Treaties (《非居民納税人享受協定待遇管理辦法》) on October 14, 2019 and effective on January 1, 2020, which applies to non-resident taxpayers who have tax liability in China and need to claim treaty benefits. Non-resident taxpayers enjoying their tax treaty benefits shall adopt the method of "self-assessment, claims by declaration and retention of the relevant materials for future inspection." Non-resident taxpayers who make their own declaration shall make a self-assessment regarding whether they are entitled to tax treaty benefits and submit the relevant reports, statements and materials as required, and simultaneously collect and retain the relevant materials for future inspection. Also, tax authorities at any level shall, through strengthening follow-up administration for non-resident taxpayers' entitlement to tax treaty benefits, implement tax treaties accurately and prevent risks of indiscriminately application of tax treaties, tax evasion and tax avoidance.

Value-Added Tax

According to the Value-added Tax Law of the PRC (《中華人民共和國增值税法》), which became effective on January 1, 2026, and the Regulation on the Implementation of the Value-added Tax Law of the PRC (《中華人民共和國增值税法實施條例》), the VAT rate for general VAT taxpayers engaging in sale of goods, services, lease of tangible and movable goods or importation of goods shall be 13%, the VAT rate for general VAT taxpayers engaging in sale of transportation services, postal services, basic telecommunications services, construction services, the lease and sale of real properties, and the transfer of land use rights shall be 9%, unless otherwise provided.

REGULATIONS RELATED TO DIRECT INVESTMENT

Pursuant to the Regulations on the Foreign Exchange Administration of the Overseas Direct Investment of Domestic Institutions (《境內機構境外直接投資外匯管理規定》) issued by the SAFE on July 13, 2009 and came into effect on August 1, 2009, upon obtaining approval for overseas investment, an enterprise in Chinese Mainland shall apply for foreign exchange registration for its overseas direct investments. According to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment, the administrative approval for foreign exchange registration approval under overseas direct investment has been canceled, and the banks are entitled to review and carry out foreign exchange registration under overseas direct investment directly.

Pursuant to the Measures for the Administration of Overseas Investment (《境外投資管理辦法》) which was issued by the MOFCOM on September 6, 2014 and came into effect on October 6, 2014, the MOFCOM and the commerce departments at provincial levels shall subject the overseas investment of enterprises to recordation or confirmation management, depending on the actual circumstances of investment. Overseas investment involving any sensitive country or region, or any sensitive industry shall be subject to confirmation management. Overseas investment under other circumstances shall be subject to recordation management.

Pursuant to the Administrative Measures for Outbound Investment by Enterprises (《企業境外投資管理辦法》) promulgated by the NDRC on December 26, 2017 and came into effect on March 1, 2018, the investing activities of enterprises in Chinese Mainland such as acquiring overseas ownerships, controlling rights, operating and management rights and other relevant interests by way of investing assets and interests or providing financing and guarantees to control its overseas enterprises, either directly or indirectly, are required to obtain approval or filing with the NDRC in accordance with the relevant conditions of the overseas investment projects. Outbound investment projects that involve sensitive countries and regions or sensitive industries shall be subject to administration of verification and approval by the NDRC and non-sensitive outbound investment projects shall be subject to administration by record-filing. For non-sensitive projects of US$300 million or above invested by local enterprise in Chinese Mainland or carried out by overseas enterprises controlled by them, the investors shall file with the NDRC and non-sensitive outbound investment projects, of which the investment amount of investors in Chinese Mainland of less than US$300 million (exclusive) shall file with the provincial counterpart of the NDRC.

REGULATIONS RELATED TO OVERSEAS SECURITIES OFFERING AND LISTING

The CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》), or the Overseas Listing Trial Measures, and five relevant guidelines on February 17, 2023, which took effect on March 31, 2023. The Overseas Listing Trial Measures comprehensively reformed the regulatory regime for overseas offering and listing of PRC domestic companies' securities, either directly or indirectly, into a filing-based system.

According to the Overseas Listing Trial Measures, the PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfill the filing procedure with the CSRC and report relevant information. The Overseas Listing Trial Measures provides that an overseas listing or offering is explicitly prohibited, if any of the following applies: (i) such securities offering or listing is explicitly prohibited by provisions in PRC laws, administrative regulations or relevant state rules; (ii) the proposed securities offering or listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with laws; (iii) the domestic company intending to be listed or offer securities in overseas markets, or its controlling shareholder(s) and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company intending to be listed or offer securities in overseas markets is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company's controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller.

Where an issuer submits an application for initial public offering to competent overseas regulators, filing application with the CSRC shall be submitted within three business days thereafter. Subsequent securities offering of an issuer in the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within three business days after the offering is completed. Subsequent securities offering and listing of an issuer in other overseas markets shall be filed as initial public offering.

Moreover, upon the occurrence of any of the material events specified below after an issuer has offered and listed securities in an overseas market, the issuer shall submit a report thereof to CSRC within 3 working days after the occurrence and public disclosure of the event: (i) change of control; (ii) investigations or sanctions imposed by overseas securities regulatory agencies or other competent authorities; (iii) change of listing status or transfer of listing segment; (iv) voluntary or mandatory delisting. Where an issuer's main business undergoes material changes after overseas offering and listing, and is therefore beyond the scope of business stated in the filing documents, such issuer shall submit to the CSRC an ad hoc report and a relevant legal opinion issued by a domestic law firm within 3 working days after occurrence of the changes.

On February 24, 2023, the CSRC and other relevant government authorities promulgated the Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Issuance and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》), or the Provision on Confidentiality, which took effect on March 31, 2023. Pursuant to the Provision on Confidentiality, where a domestic enterprise provides or publicly discloses to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, or provides or publicly discloses through its overseas listing subjects, documents and materials involving state secrets and working secrets of state organs, it shall report the same to the competent department with the examination and approval authority for approval in accordance with the law, and submit the same to the secrecy administration department of the same level for filing. Domestic enterprises providing accounting archives or copies thereof to entities and individuals concerned such as securities companies, securities service institutions and overseas regulatory authorities shall perform the corresponding procedures pursuant to the relevant national provisions.

OVERVIEW

The history of our Group can be traced back to December 2001, when our Company was established as a limited liability company in Chengdu, Sichuan province, the PRC.

We are a large-scale TCM decoction-ready products provider in China. Our founder and chairman, Mr. Jiang Yun, is an established figure and experienced voice in the industry, distinguished as a representative from a decoction-ready product business to serve on the 10th National Pharmacopoeia Commission. For details of the biography of Mr. Jiang Yun, see "Directors and Senior Management."

MILESTONES

The following table summarizes various key milestones in our corporate and business development.

Year	Milestone
2001	Our Company was established in the PRC as a limited liability company
2003	Our Company obtained the Good Manufacturing Practice (GMP) certificate from the NMPA
2010	Our Company was designated as the first batch of heritage bases for Wang Xiaotao (王孝濤), a representative inheritor of the National Intangible Cultural Heritage (TCM Processing Technology)
	Our Company's product line for TCM decoction-ready product at the Chengdu High-Tech Zone manufacturing base received GMP certification issued by the NMPA and was officially put into operation
2011	Our Company was approved to establish the Sichuan Provincial Engineering Research Center for Processing Technology of Traditional Chinese Medicine Decoction-ready Products (四川省中藥飲片炮製工程技術研究中心)
2013	Our Company was approved to set up key laboratory of TCM processing technology of the National Administration of Traditional Chinese Medicine (國家中醫藥管理局)
2015	Our Company was recognized as "Technology Centre of Sichuan Enterprise (四川省企業技術中心)" by Department of Economy and Information Technology of Sichuan Province (四川省經濟和信息化廳)
2023	Our Company was elected as the chair unit of the TCM Decoction-ready Products Branch (中藥飲片分會) under the China Chamber of Commerce for Import & Export of Medicines & Health Products (中國醫藥保健品進出口商會)
2024	Our Company's self-operated online B2B sales platform, "Jinfang Caotang," was officially launched
	Our Company set up a representative office in Vietnam

Year	Milestone
2025	Our Company's GMP quality management system passed the certification review by the Vietnam Ministry of Health
2026	We received the second prize of the State Science and Technology Progress Award (國家科技進步獎) for our work in preserving, transmitting, and innovatively applying traditional Chinese medicine processing techniques (中藥炮製古法技術傳承保護與創新轉化)

OUR SUBSIDIARIES

As of the Latest Practicable Date, we had four subsidiaries. The following table sets out certain information of each of our subsidiaries as of the Latest Practicable Date.

Name	Place of establishment	Principal business	Interest held by our Company	Date of establishment
Chengdu Neautus .	PRC	R&D, manufacturing and exportation of TCM decoctions	100.0%	August 21, 2013
Neautus Hong Kong	Hong Kong	Import and export of Chinese herbs and TCM decoctions	100.0%	January 21, 2020
Neautus Pharmacy.	PRC	Retail of TCM decoctions	100.0%	April 1, 2021
Sichuan Jinfang Caotang.	PRC	No substantial business operations yet	68.0%	August 28, 2024

CORPORATE DEVELOPMENT AND MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

Establishment and Initial Shareholding Changes of Our Company

Our Company was established in Chengdu, Sichuan province, the PRC as a limited liability company on December 30, 2001 with an initial registered capital of RMB2,000,000, of which Kinna Investment, a company controlled by Mr. Jiang Yun, held 60.0% and Mr. Zhou Xiaoyuan (周小元), an associate chief pharmacist, whose decades of experience in the pharmaceutical industry helped establish our initial compliance and operational framework, (together with Kinna Investment, the "**Initial Shareholders**") held 40.0%. Pursuant to a Shareholders' resolution dated September 30, 2003, we converted the debts amounting to RMB10,000,000 owing to the Initial Shareholders into equity contributions from them. The debt conversion was completed in October 2003, with the registered capital of our Company increased to RMB12,000,000. Following the conversion, our Company was owned by Kinna Investment as to 70.0% and Mr. Zhou Xiaoyuan as to 30.0%.

During the period from April 2004 to December 2008, we underwent various equity transfers, and Mr. Zhou Xiaoyuan ceased to be a shareholder as he wished to pursue other business opportunities. Following these transfers, our Company was held as to 55.8% by Kinna Investment and 44.2% by other minority Shareholders.

Pursuant to the Shareholders' resolution dated March 19, 2009, our registered capital was increased to RMB15,000,000 with an increase of RMB3,000,000 subscribed at a total consideration of RMB40,000,000 by Jiangsu Shuangliang Group Co., Ltd. (江蘇雙良集團有限公司) (currently

known as Shuangliang Group Co., Ltd. (雙良集團有限公司)) ("**Shuangliang Group**") and Mr. Wang Jinmao, both being Independent Third Parties. The consideration was determined through arm's-length negotiations, taking into account the results of operations of our Group at that time, and our business prospects.

Upon completion of the foregoing, the shareholding structure of our Company was as follows:

Name of Shareholder	Registered capital	Shareholding percentage
	(RMB)	
Kinna Investment	6,690,000	44.6%
Shuangliang Group	1,875,000	12.5%
Mr. Jiang Ping	1,440,000	9.6%
Beijing Conghui Lide Information Consulting Co., Ltd. (北京聰慧利德信息諮詢有限公司) ("**Conghui Lide**")	1,156,800	7.7%
Mr. Wang Jinmao	1,125,000	7.5%
Mr. Chen Zhili	836,400	5.6%
Mr. Wu Xuedan	720,000	4.8%
Mr. Wang Sen	578,400	3.9%
Mr. Zhao Lijun	578,400	3.9%
Total	**15,000,000**	**100.0%**

Conversion into a Joint Stock Company

In June 2009, our Company was converted into a joint stock company with limited liability and all promoters approved the conversion of the net asset value of our Company as of March 31, 2009 into 55,000,000 Shares in a nominal value of RMB1.0 each. Accordingly, our name was changed to "Sichuan Neautus Traditional Chinese Medicine Co., Ltd. (四川新荷花中藥飲片股份有限公司)."

Immediately after the conversion into a joint stock company, our Company was held by the following Shareholders who acted as promoters for the purpose of the stock conversion. The information of our promoters is set forth as follows:

Name of Shareholder[(1)]	Number of Shares	Shareholding percentage
Kinna Investment	24,530,000	44.6%
Shuangliang Group	6,875,000	12.5%
Mr. Jiang Ping	5,280,000	9.6%
Conghui Lide	4,240,500	7.7%
Mr. Wang Jinmao	4,125,000	7.5%
Mr. Chen Zhili	3,063,500	5.6%
Mr. Wu Xuedan	2,640,000	4.8%
Mr. Wang Sen	2,123,000	3.9%
Mr. Zhao Lijun	2,123,000	3.9%
Total	**55,000,000**	**100.0%**

Note:

(1) Save for Kinna Investment, an entity controlled by Mr. Jiang Yun, and Mr. Jiang Ping, the elder sibling of Mr. Jiang Yun, all other promoters are Independent Third Parties.

Major Shareholding Changes before the Track Record Period

Shareholding Changes before 2017

Between 2010 and 2017, our Company had undergone several share transfers for the purpose of streamlining our shareholding structure and facilitating estate planning. We also issued certain new Shares in recognition of the contributions of our employees and to align their interest with the long-term goals of our Company.

Following the above-mentioned changes, the shareholding structure of our Company was as follows:

Name of Shareholder	Number of Shares	Shareholding percentage
Mr. Jiang Yun	13,106,500	23.2%
Kinna Investment	24,530,000	43.5%
Shuangliang Group	6,875,000	12.2%
Mr. Jiang Ercheng	4,240,500	7.5%
Mr. Wang Jinmao	4,125,000	7.3%
Ms. Qi Guorong	2,123,000	3.8%
Mr. Feng Bin	700,000	1.2%
Mr. Liu Zhendong	580,000	1.0%
Mr. Xiong Shichao	100,000	0.2%
Total	**56,380,000**	**100.0%**

2017 Share Issuance

On March 26, 2017, to further align the interest between our key employees and our Company, the then Shareholders resolved to offer a total of 4,000,000 Shares to certain key employees of our Company at the consideration of RMB16,000,000 (the "**2017 Share Issuance**"). The consideration was determined through arm's-length negotiations with reference to the business status of the Company at the time, and was fully settled by May 3, 2017. Upon completion of the 2017 Share Issuance, our registered capital was increased to RMB60,380,000.

For the convenience of handling corporate filing related affairs, 2,160,000 Shares issued pursuant to the 2017 Share Issuance and registered in the names of Mr. Feng Bin, an executive Director and general manager of our Company, and Mr. Liu Zhendong, a then senior management of our Company, were held on behalf of certain Shareholders. These nominee shareholding arrangements had been terminated and restored through several share transfers during the 2017-2021 Share Transfers (as defined below). To the best knowledge of our Directors, they are not aware of any disputes regarding the historical nominee shareholding arrangements, nor are they aware of any current nominee shareholding arrangements within the Company.

2017-2021 Share Transfers and 2019 Financing

During 2017 to 2021, our Company has undergone a series of share transfers among the then existing Shareholders to introduce new investors to support the development of our R&D and manufacturing capabilities in decoction-ready medicines and to restore the nominee shareholding arrangement (the "**2017-2021 Share Transfers**").

In December 2019, Guoyao Junbai (Shandong) Equity Investment Fund Partnership (Limited Partnership) (國藥君柏(山東)股權投資基金合夥企業(有限合夥)) ("**Guoyao Junbai**") entered into a share subscription agreement with our Company and the then Shareholders, pursuant to which, Guoyao Junbai agreed to invest in our Company by subscribing for 5,590,741 Shares at the consideration of RMB50,000,000 (the "**2019 Financing**"). The consideration was determined through arm's-length negotiations, taking into account the results of operation of our Company at

that time and prospects and development potential of our Group, and was fully settled on January 21, 2020. Upon completion of the 2019 Financing, our registered capital was increased to RMB65,970,741. For further details of the 2019 Financing, see "— Pre-IPO Investments."

Following the completion of the 2019 Financing and the 2017-2021 Share Transfers, the shareholding structure of our Company was as follows:

Name of Shareholder	Number of Shares	Shareholding percentage
Mr. Jiang Yun	18,498,500	28.0%
Kinna Investment	14,383,412	21.8%
Mr. Jiang Ercheng	10,645,170	16.1%
Guoyao Junbai	5,590,741	8.5%
Chengdu Chuanshang Toupengjin Taihe Enterprise Management Center (Limited Partnership) (成都川商投朋錦泰荷企業管理中心(有限合夥)) ("**Pengjin Taihe**")	4,477,890	6.8%
Ms. Cai Yu	2,150,000	3.3%
Ms. Qi Guorong	2,123,000	3.2%
Mr. Feng Bin	1,100,000	1.7%
Ms. Mei Xiaoling	1,080,000	1.6%
Mr. Qi Jie	980,000	1.5%
Sichuan Yuandian Financial Service Outsourcing Co., Ltd. (四川原電金融服務外包有限公司) ("**Sichuan Yuandian**")	888,890	1.3%
Ms. Duan Li	733,138	1.1%
Mr. Chen Rong	500,000	0.8%
Mr. Jiang Ping	350,000	0.5%
Mr. Tan Dong	290,000	0.4%
Mr. Liu Zhendong	240,000	0.4%
Mr. Guo Xianjun	240,000	0.4%
Ms. Hu Wenyu	200,000	0.3%
Mr. Zhang Dayong	180,000	0.3%
Ms. Zhang Li	180,000	0.3%
Mr. Luo Yujin	140,000	0.2%
Mr. Fu Zhonggen	120,000	0.2%
Ms. Chen Shuang	120,000	0.2%
Ms. Zhang Xiaojia	120,000	0.2%
Ms. Ju Youbin	100,000	0.2%
Mr. Xiong Shichao	100,000	0.2%
Mr. Liu Wenrui	100,000	0.2%
Ms. Wu Jinying	80,000	0.1%
Dr. Zhou Jingbo	50,000	0.1%
Mr. Wen Wu	50,000	0.1%
Ms. Xu Huili	50,000	0.1%
Mr. Wei Jianhua	40,000	0.1%
Ms. Li Min	30,000	0.0%*
Mr. Guo Ping	30,000	0.0%*
Mr. Ding Wei	10,000	0.0%*
Total	**65,970,741**	**100.0%**

Note:

* Denotes less than 0.05%

2022 Share Transfers

The following table sets out the details of share transfers among our then existing Shareholders in 2022 (the "**2022 Share Transfers**").

Date of the relevant share transfer agreement(s)	Transferer	Transferee	Number of Shares transferred	Consideration
October 17, 2022	Mr. Wei Jianhua	Ms. Mei Hongbin	40,000	RMB160,000
November 8, 2022	Kinna Investment	Mr. Sun Yu	735,000	RMB10,025,400
November 15, 2022		Ms. Lai Haiyan	600,000	RMB8,100,000
		Mr. Zhang Rui	100,000	RMB1,350,000
November 17, 2022		Mr. Zhong Xiangyu	100,000	RMB1,350,000
November 23, 2022		Chengdu Simeirui Enterprise Management Consultation Co., Ltd. (成都斯美瑞企業管理諮詢有限公司) ("**Chengdu Simeirui**")	100,000	RMB1,350,000
November 28, 2022		Mr. Zou Changyou	100,000	RMB1,350,000
December 2, 2022	Ms. Cai Yu	Chengdu Yiyi Technology Co., Ltd. (成都壹壹科技有限公司) ("**Chengdu Yiyi**")	2,150,000	RMB19,350,000

Following the completion of 2022 Share Transfers, the shareholding structure of our Company was as follows:

Name of Shareholder	Number of Shares	Shareholding percentage
Mr. Jiang Yun	18,498,500	28.0%
Kinna Investment	12,648,412	19.2%
Mr. Jiang Ercheng	10,645,170	16.1%
Guoyao Junbai	5,590,741	8.5%
Pengjin Taihe	4,477,890	6.8%
Chengdu Yiyi	2,150,000	3.3%
Ms. Qi Guorong	2,123,000	3.2%
Mr. Feng Bin	1,100,000	1.7%
Ms. Mei Xiaoling	1,080,000	1.6%
Mr. Qi Jie	980,000	1.5%
Sichuan Yuandian	888,890	1.3%
Ms. Duan Li	733,138	1.1%
Mr. Sun Yu	735,000	1.1%
Ms. Lai Haiyan	600,000	0.9%
Mr. Chen Rong	500,000	0.8%
Mr. Jiang Ping	350,000	0.5%
Mr. Tan Dong	290,000	0.4%
Mr. Liu Zhendong	240,000	0.4%
Mr. Guo Xianjun	240,000	0.4%
Ms. Hu Wenyu	200,000	0.3%
Mr. Zhang Dayong	180,000	0.3%
Ms. Zhang Li	180,000	0.3%
Mr. Luo Yujin	140,000	0.2%

Name of Shareholder	Number of Shares	Shareholding percentage
Mr. Fu Zhonggen	120,000	0.2%
Ms. Chen Shuang	120,000	0.2%
Ms. Zhang Xiaojia	120,000	0.2%
Ms. Ju Youbin	100,000	0.2%
Mr. Xiong Shichao	100,000	0.2%
Mr. Liu Wenrui	100,000	0.2%
Mr. Zhang Rui	100,000	0.2%
Mr. Zhong Xiangyu	100,000	0.2%
Chengdu Simeirui	100,000	0.2%
Mr. Zou Changyou	100,000	0.2%
Ms. Wu Jinying	80,000	0.1%
Dr. Zhou Jingbo	50,000	0.1%
Mr. Wen Wu	50,000	0.1%
Ms. Xu Huili	50,000	0.1%
Ms. Mei Hongbin	40,000	0.1%
Ms. Li Min	30,000	0.0%*
Mr. Guo Ping	30,000	0.0%*
Mr. Ding Wei	10,000	0.0%*
Total	**65,970,741**	**100.0%**

Note:

* Denotes less than 0.05%

Major Shareholding Changes during the Track Record Period

2023 Share Transfers

The following table sets out the details of share transfers among our then existing Shareholders in 2023 ("**2023 Share Transfers**").

Date of the relevant share transfer agreement(s)	Transferer	Transferee	Number of Shares transferred	Consideration
March 31, 2023	Kinna Investment	Mr. Yu Runmin	461,795	RMB7,000,000
		Mr. Du Qinglong	131,941	RMB2,000,000
		Ms. Liu Tong	131,941	RMB2,000,000
		Mr. Xie Li	131,941	RMB2,000,000
		Ms. Xue Ping	131,941	RMB2,000,000
June 1, 2023		Mr. Wang Yong	197,912	RMB3,000,000
June 19, 2023		Zhongshan Zhongzhi Pharmaceutical Group Co., Ltd. (中山市中智藥業集團有限公司) ("**Zhongzhi Pharmaceutical**")	2,308,976	RMB35,000,000
June 27, 2023	Mr. Guo Ping	Mr. Li Guoyuan	10,000	RMB151,600
		Mr. Wang Cheng	10,000	RMB151,600
		Ms. Ai Xuehua	10,000	RMB151,600

Date of the relevant share transfer agreement(s)	Transferer	Transferee	Number of Shares transferred	Consideration
June 30, 2023	Mr. Guo Xianjun	Ms. Zhang Wei	160,000	RMB2,908,800
	Mr. Liu Zhendong		80,000	RMB1,454,400
October 11, 2023	Ms. Lai Haiyan	Guangfa Xinde Lanhu	600,000	RMB10,908,000
	Mr. Zhang Rui	Phase II (Suzhou)	100,000	RMB1,818,000
	Mr. Zhong Xiangyu	Health Industry Venture	100,000	RMB1,818,000
	Chengdu Simeirui	Capital Partnership (Limited Partnership) (廣發信德嵐湖二期(蘇	100,000	RMB1,818,000
	Mr. Zou Changyou	州)健康產業創業投資合夥企業(有限合夥)) ("**GF Xinde**")	100,000	RMB1,818,000

Following the completion of the 2023 Share Transfers, the shareholding structure of our Company was as follows:

Name of Shareholder	Number of Shares	Shareholding percentage
Mr. Jiang Yun	18,498,500	28.0%
Kinna Investment	9,151,965	13.9%
Mr. Jiang Ercheng	10,645,170	16.1%
Guoyao Junbai	5,590,741	8.5%
Pengjin Taihe	4,477,890	6.8%
Zhongzhi Pharmaceutical	2,308,976	3.5%
Chengdu Yiyi	2,150,000	3.3%
Ms. Qi Guorong	2,123,000	3.2%
Mr. Feng Bin	1,100,000	1.7%
Ms. Mei Xiaoling	1,080,000	1.6%
GF Xinde	1,000,000	1.5%
Mr. Qi Jie	980,000	1.5%
Sichuan Yuandian	888,890	1.3%
Mr. Sun Yu	735,000	1.1%
Ms. Duan Li	733,138	1.1%
Mr. Chen Rong	500,000	0.8%
Mr. Yu Runmin	461,795	0.7%
Mr. Jiang Ping	350,000	0.5%
Mr. Tan Dong	290,000	0.4%
Ms. Zhang Wei	240,000	0.4%
Ms. Hu Wenyu	200,000	0.3%
Mr. Wang Yong	197,912	0.3%
Mr. Zhang Dayong	180,000	0.3%
Ms. Zhang Li	180,000	0.3%
Mr. Liu Zhendong	160,000	0.2%
Mr. Luo Yujin	140,000	0.2%
Mr. Du Qinglong	131,941	0.2%
Ms. Liu Tong	131,941	0.2%
Mr. Xie Li	131,941	0.2%
Ms. Xue Ping	131,941	0.2%
Mr. Fu Zhonggen	120,000	0.2%
Ms. Zhang Xiaojia	120,000	0.2%

Name of Shareholder	Number of Shares	Shareholding percentage
Ms. Chen Shuang	120,000	0.2%
Mr. Xiong Shichao	100,000	0.2%
Ms. Ju Youbin	100,000	0.2%
Mr. Liu Wenrui	100,000	0.2%
Mr. Guo Xianjun	80,000	0.1%
Ms. Wu Jinying	80,000	0.1%
Mr. Wen Wu	50,000	0.1%
Ms. Xu Huili	50,000	0.1%
Dr. Zhou Jingbo	50,000	0.1%
Ms. Mei Hongbin	40,000	0.1%
Ms. Li Min	30,000	0.0%*
Mr. Ding Wei	10,000	0.0%*
Mr. Li Guoyuan	10,000	0.0%*
Mr. Wang Cheng	10,000	0.0%*
Ms. Ai Xuehua	10,000	0.0%*
Total	**65,970,741**	**100.0%**

Note:

* Denotes less than 0.05%

Share Repurchase and Reduction of Registered Capital

In December 2024 and January 2025, our Company entered into several share repurchase agreements with certain Pre-IPO Investors and repurchased a total of 7,315,300 Shares, including (i) 5,590,741 Shares held by Guoyao Junbai at a repurchase price of approximately RMB11.9 per Share, (ii) 735,000 Shares held by Mr. Sun Yu at a repurchase price of approximately RMB14.6 per Share, (iii) a total of 527,764 Shares held by Mr. Du Qinglong, Ms. Liu Tong, Mr. Xie Li and Ms. Xue Ping at a repurchase price of approximately RMB16.8 per Share, and (iv) 461,795 Shares held by Mr. Yu Runmin at a repurchase price of approximately RMB16.8 per Share. The considerations were determined based on the terms set out in the respective investment agreements with the relevant investors, and were fully settled on March 11, 2025.

Upon the completion of the above share repurchases, our registered capital was decreased to RMB58,655,441.

2025 Share Transfer

In March 2025, GF Xinde entered into a share transfer agreement with Shanghai Jidajian Enterprise Management Partnership (Limited Partnership) (上海吉達健企業管理合夥企業(有限合夥)) ("**Shanghai Jidajian**"), pursuant to which, GF Xinde transferred all the Shares it held in our Company to Shanghai Jidajian at a consideration of RMB19,941,218.63. The consideration was fully settled on March 25, 2025.

For the shareholding structure of our Company as of the Latest Practicable Date, see "— Our Capitalization" below.

PRC LEGAL ADVISORS' CONFIRMATION

As advised by our PRC Legal Advisors, our Company has made necessary industrial and commercial registrations or filings in relation to the changes of shareholdings as set out above.

PRE-IPO INVESTMENTS

The following table summarizes the key terms of the Pre-IPO Investments:

Equity Financing of our Company

	2019 Financing
Date of payment of full consideration	January 21, 2020
Approximate cost per Share	RMB8.9
Discount to the Offer Price[(1)]	77.09%
Post-money valuation of our Company	RMB590 million
Basis of determination of the valuation and consideration	The consideration for the 2019 Financing was determined through arm's-length negotiations between Guoyao Junbai and our Group with reference to, among others, the timing of the investment, the operational and financial performance of our Group, and the prospects of our business.
Lock-up period	Pursuant to the applicable PRC laws, within the 12 months following the Listing Date, all existing Shareholders (including the Pre-IPO Investors) of our Company could not dispose of any of the Shares held by them.
Strategic benefits	We are of the view that our Company can benefit from the investment by Guoyao Junbai as the investment demonstrated its confidence in our Group's operations and served as an endorsement of our Company's performance and strengths. Our Company is also of the view that Guoyao Junbai has good presence in our industry which can provide us with professional insights and advice on our Group's development and can help us achieve business synergies through enhanced business cooperation.
Use of proceeds from the 2019 Financing	We utilized the proceeds from the 2019 Financing for the growth and expansion of our Company's business and as our general working capital. As of the Latest Practicable Date, proceeds from the 2019 Financing had been fully utilized.

Transfer of Shares of our Company

	Share Transfers Before 2017	2017-2021 Share Transfers	2022 Share Transfers	2023 Share Transfers	2025 Share Transfer
Date of payment of full consideration	December 20, 2018	February 26, 2019 to November 11, 2021	December 5, 2022	January 10, 2024	March 25, 2025
Approximate cost per Share	RMB0.3 to RMB5.9	RMB4.0 to RMB13.6	RMB4.0 to RMB13.6	RMB15.2 to RMB18.2	RMB19.9
Discount to the Offer Price[(1)]	84.81% to 99.23%	65.00% to 89.71%	65.00% to 89.71%	53.16% to 60.88%	48.78%

	Share Transfers Before 2017	2017-2021 Share Transfers	2022 Share Transfers	2023 Share Transfers	2025 Share Transfer
Basis of determination of the consideration	The consideration for each Share transfer was determined through arm's-length negotiations between the then existing Shareholders with reference to, among others, the original acquisition cost per Share (if applicable), the operational and financial performance of our Group, and the prospects of our business.				
Lock-up period	Pursuant to the applicable PRC laws, within the 12 months following the Listing Date, all existing Shareholders (including the Pre-IPO Investors) of our Company could not dispose of any of the Shares held by them.				

Note:

(1) The discount to the Offer Price is calculated based on an Offer Price of HK$45.38, being the mid-point of the indicative Offer Price range, and the foreign exchange rate as of the Latest Practicable Date.

Special rights of the Pre-IPO Investors

Certain of our Pre-IPO Investors were previously granted special rights, all of which were terminated before the submission of our listing application to the Stock Exchange.

Rights granted by our Company

In December 2019, Guoyao Junbai was granted, in connection with its investment in our Company, redemption rights undertaken by our Company and by Mr. Jiang Yun and Mr. Jiang Ercheng (collectively, "**Family Jiang**"), together with pre-emptive rights, anti-dilution rights and rights of first refusal and tag-along rights. All of these rights, including the redemption rights undertaken by our Company, were terminated in March 2021. Our Company has not granted or assumed any redemption obligation in favor of any Pre-IPO Investor at any time thereafter, and none of the terminated rights is subject to reinstatement upon the occurrence of any future event, whether or not within our control.

Rights granted by Family Jiang and Kinna Investment

Certain aforementioned special rights were reinstated in favor of Guoyao Junbai in June 2021, namely redemption rights and Share transfer restrictions undertaken by Family Jiang, together with pre-emptive and anti-dilution rights. No redemption obligation was undertaken by our Company under the reinstated arrangements. These rights terminated in December 2024, following which Guoyao Junbai ceased to be a Shareholder.

Separately, during 2022 and 2023, Kinna Investment (an entity controlled by Mr. Jiang Yun, one of our Controlling Shareholders) transferred certain Shares held by it to a number of investors. These investors were granted certain special rights, including redemption rights, in connection with the relevant Share transfers. Such special rights were terminated in October and December 2023, as applicable.

Accordingly, all redemption obligations subsisting after March 2021 were personal obligations of Family Jiang and/or Kinna Investment as Shareholders. Our Company neither guaranteed such obligations nor entered into any side agreement in connection therewith. As our Company bore no obligation or contingent liability thereunder, no liability in respect of those redemption rights was recorded in our financial statements during the Track Record Period. For details, see Note 34 of the Accountants' Report set out in Appendix I to this prospectus.

As of the Latest Practicable Date, no Pre-IPO Investor held any special right against our Company or against any Shareholder.

Information Relating to Our Major Existing Pre-IPO Investors

Set out below are details of our major Pre-IPO Investors who held more than 1.0% of the total issued share capital of our Company as of the Latest Practicable Date.

To the best of our Company's knowledge, information and belief and having made all reasonable enquiries, save for Ms. Qi Guorong (the mother of Mr. Jiang Ercheng, an executive Director), Mr. Qi Jie (the maternal uncle of Mr. Jiang Ercheng), Mr. Jiang Ping (the elder sibling of Mr. Jiang Yun, an executive Director), and Zhongzhi Pharmaceutical, all the other Pre-IPO Investors and their ultimate beneficial owners are Independent Third Parties.

Pre-IPO Investors	Backgrounds
Pengjin Taihe	Pengjin Taihe, a limited partnership established in the PRC on November 27, 2017, is managed by its general partner Chengdu Chuanshang Toupengjin Equity Investment Fund Management Co., LTD (成都川商投朋錦私募基金管理有限公司) ("**Chuanshang Toupengjin**"). Established in the PRC on December 14, 2012 and registered with the Asset Management Association of China (the "**AMAC**") as a private equity fund manager since August 20, 2015, Chuanshang Toupengjin is controlled by Sichuan Business Investment Group Co., Ltd. (四川省商業投資集團有限責任公司) ("**Sichuan Shangtou Group**"), which is in turn controlled by Sichuan Provincial Government State-owned Assets Supervision and Administration Commission (四川省政府國有資產監督管理委員會). As of the Latest Practicable Date, all five limited partners of Pengjin Taihe were Independent Third Parties, of which Chengdu Juzhong Investment Co., Ltd. (成都聚眾投資有限公司) ("**Chengdu Juzhong**") held 49.6% partnership interests in Pengjin Taihe, being its largest limited partner. Chengdu Juzhong was controlled by Zhong Ming (鐘明), an Independent Third Party. Chengdu Southwest Building Materials (Group) Co., Ltd. (成都西南建材(集團)有限公司) ("**Chengdu Southwest Building Materials**") holds 32.25% partnership interest in Pengjin Taihe, being its second largest limited partner. Chengdu Southwest Building Materials was controlled by Wang Jinrong (王金蓉), an Independent Third Party. Pengjin Taihe has no other limited partners holding more than 30% partnership interest. Pengjin Taihe is a professional institutional investor in the PRC principally engaged in equity investments.
Zhongzhi Pharmaceutical .	Zhongzhi Pharmaceutical is a company established in the PRC on March 5, 1993 and ultimately controlled by Mr. Lai Zhitian (賴智填), a non-executive Director. Zhongzhi Pharmaceutical is an affiliate of Zhongzhi Pharmaceutical Holdings Limited (中智藥業控股有限公司), a company listed on the Stock Exchange (stock code: 3737) and principally engaged in pharmaceutical manufacturing and operation of chain pharmacies.

Pre-IPO Investors	Backgrounds
Shanghai Jidajian .	Shanghai Jidajian is a limited partnership established in the PRC and managed by its general partner, Shanghai Daixing Private Equity Fund Management Partnership (Limited Partnership) (上海岱興私募基金管理合夥企業(有限合夥)), which is in turn ultimately controlled by Zhang Fan, an Independent Third Party. As of the Latest Practicable Date, Luo Jie (羅劼), an Independent Third Party, was the sole limited partner of Shanghai Jidajian, holding 99.67% partnership interest in Shanghai Jidajian. Shanghai Jidajian is an institutional investor that primarily focuses on equity investment.
Chengdu Yiyi	Chengdu Yiyi is a company established in the PRC on November 15, 2006 and ultimately jointly controlled by Mr. Zha Bo (查波) and Ms. Cai Ying (蔡穎), both Independent Third Parties. Chengdu Yiyi was primarily engaged in the provision of technical consultation.
Sichuan Yuandian .	Sichuan Yuandian is a company established in the PRC on July 29, 2014 and ultimately controlled by Ms. Jin Wenfeng (金文鳳), an Independent Third Party. Sichuan Yuandian was primarily engaged in the provision of technology support and business development assistance outsourced by the financial institutions.
Individual Investors	Each of Ms. Mei Xiaoling and Ms. Duan Li is an Independent Third Party and an individual investor with extensive investment experience in the broader healthcare and biopharmaceutical industries.

Joint Sponsors' Confirmation

On the basis that (1) the Listing will take place more than 120 clear days after the completion of the Pre-IPO Investments; and (2) none of the existing Pre-IPO Investors was granted any special rights as of the Latest Practicable Date, the Joint Sponsors confirm that the Pre-IPO Investments are in compliance with Chapter 4.2 of the Guide for New Listing Applicants.

PUBLIC FLOAT AND FREE FLOAT

The 41,964,611 H Shares to be converted from Unlisted Shares held by Mr. Jiang Yun, Kinna Investment, Mr. Jiang Ercheng, Zhongzhi Pharmaceutical, Mr. Feng Bin, Mr. Luo Yujin and Ms. Zhang Xiaojia will not be considered as part of the public float as the aforesaid Shareholders are core connected persons of our Company or their respective close associates.

To the best of our Directors' knowledge, information and belief and having made all reasonable inquiries, save as disclosed above, none of the existing Shareholders (i) is a core connected person of our Group; (ii) has been financed directly or indirectly by a core connected person of our Group for the subscription of Shares; or (iii) is accustomed to taking instructions from a core connected person of our Group in relation to the acquisition, disposal, voting or other disposition of the Shares registered in their name or otherwise held by them. Therefore, the 16,690,830 H Shares to be converted from the Unlisted Shares held by the other existing Shareholders will be treated as part of the public float of our Company following the Listing for the purpose of Rule 19A.13A(1) of the Listing Rules.

Assuming (i) the allotment and issuance of 6,517,300 H Shares under the Global Offering, and (ii) the conversion of 58,655,441 Unlisted Shares held by the existing Shareholders into H Shares, the public float of our Company at the time of Listing will comprise 23,208,130 H Shares, representing approximately 35.61% of the 65,172,741 H Shares then in issue. Based on the low-end

Offer Price of HK$40.20 and high-end Offer Price of HK$50.55 per H Share, our expected market capitalization upon Listing will be approximately HK$2.62 billion and HK$3.29 billion, and the applicable minimum public float percentage under Rule 19A.13A(1) of the Listing Rules will be 25.00%. As our public float exceeds this minimum percentage, our Company will satisfy the public float requirement upon Listing.

At the time of Listing, our Company is expected to satisfy the free float requirement under Rule 19A.13C(1) of the Listing Rules, with sufficient H Shares held by the public and available for trading.

MAJOR ACQUISITIONS AND DISPOSALS

During the Track Record Period and up to the Latest Practicable Date, we did not conduct any acquisitions, disposals or mergers that we consider to be material to us.

PREVIOUS LISTING APPLICATIONS AND REASONS FOR LISTING

In March 2011, our Company submitted an application for listing of our Shares on the ChiNext Market of the Shenzhen Stock Exchange (the "**First A-share Listing Application**"). In August 2012, after taking into account a number of factors, including our then business and operational status, our Company voluntarily withdrew the First A-Share Listing Application. In January 2020, our Company re-submitted an application for listing of our Shares on the ChiNext Market of the Shenzhen Stock Exchange (the "**Second A-share Listing Application**," collectively with the First A-share Listing Application, the "**A-share Listing Applications**"). Taking into account the prevailing market conditions, our Company voluntarily withdrew the Second A-share Listing Application in April 2021.

In October 2023, we initiated the tutoring filing with the Sichuan Bureau of the CSRC (中國證券監督管理委員會四川監管局) for a potential application for listing on the main board of the Shenzhen Stock Exchange. In April 2024, we voluntarily terminated the tutoring filing and decided to seek a listing of our Shares on the Stock Exchange after considering, among others, our future business strategic positioning. The tutoring filing is an administrative step for listing preparation and did not constitute a formal listing application by itself. The Sichuan Bureau of the CSRC did not raise any questions or comments in relation to the tutoring filing or the relevant listing plan.

Our Directors consider that the Stock Exchange, as an internationally recognized and reputable stock exchange, can provide us with a platform to access the international capital markets and expand our global business footprint, the Global Offering will provide us with the necessary funding to increase our competitiveness by expanding our operations and strengthening our business prospects, and the Listing on the Stock Exchange will raise our profile and market awareness of our brand name and present us with an opportunity to further expand our investor base. Taking into account, among others, the aforementioned factors and the long-term business development strategies of our Group, our Directors consider the Stock Exchange to be a suitable venue to access international equity markets, and the Listing will be in the best interests of our Company and our Shareholders as a whole.

Our Directors are not aware of (i) any matters or findings from the A-share Listing Applications or the aforementioned tutoring filing which have been brought to their attention that would have a material adverse implication on the Listing, (ii) any disagreement or dispute between us and the professional parties involved in the A-share Listing Applications or the aforementioned tutoring filing, or (iii) any matters that might materially and adversely affect our Company's suitability for the Listing. Our Directors further confirm that there is no other matter in relation to the A-share Listing Applications or the aforementioned tutoring filing that needs to be brought to the attention of the Stock Exchange or potential investors.

Based on the independent due diligence work performed by the Joint Sponsors and the information and representation given to the Joint Sponsors, nothing material has come to the Joint Sponsors' attention that could reasonably cause the Joint Sponsors to cast doubts on the Directors' views set out above.

OUR CAPITALIZATION

The below table is a summary of the capitalization of our Company as of the Latest Practicable Date and immediately upon completion of the Global Offering:

Name of Shareholder	As of the Latest Practicable Date		Immediately upon completion of the Global Offering	
	Number of Shares	% as to the total issued share capital of our Company	Number of Shares[3]	% as to the total issued share capital of our Company
Mr. Jiang Yun[1][2]	18,498,500	31.5%	18,498,500	28.4%
Kinna Investment	9,151,965	15.6%	9,151,965	14.0%
Mr. Jiang Ercheng[1][2]	10,645,170	18.1%	10,645,170	16.3%
Pengjin Taihe	4,477,890	7.6%	4,477,890	6.9%
Zhongzhi Pharmaceutical	2,308,976	3.9%	2,308,976	3.5%
Chengdu Yiyi	2,150,000	3.7%	2,150,000	3.3%
Ms. Qi Guorong[2]	2,123,000	3.6%	2,123,000	3.3%
Mr. Feng Bin	1,100,000	1.9%	1,100,000	1.7%
Ms. Mei Xiaoling	1,080,000	1.8%	1,080,000	1.7%
Shanghai Jidajian	1,000,000	1.7%	1,000,000	1.5%
Mr. Qi Jie[2]	980,000	1.7%	980,000	1.5%
Sichuan Yuandian	888,890	1.5%	888,890	1.4%
Ms. Duan Li	733,138	1.2%	733,138	1.1%
Mr. Chen Rong	500,000	0.9%	500,000	0.8%
Mr. Jiang Ping[2]	350,000	0.6%	350,000	0.5%
Mr. Tan Dong	290,000	0.5%	290,000	0.4%
Ms. Zhang Wei	240,000	0.4%	240,000	0.4%
Ms. Hu Wenyu	200,000	0.3%	200,000	0.3%
Mr. Wang Yong	197,912	0.3%	197,912	0.3%
Mr. Zhang Dayong	180,000	0.3%	180,000	0.3%
Ms. Zhang Li	180,000	0.3%	180,000	0.3%
Mr. Liu Zhendong	160,000	0.3%	160,000	0.2%
Mr. Luo Yujin	140,000	0.2%	140,000	0.2%
Mr. Fu Zhonggen	120,000	0.2%	120,000	0.2%
Ms. Zhang Xiaojia	120,000	0.2%	120,000	0.2%
Ms. Chen Shuang	120,000	0.2%	120,000	0.2%
Mr. Xiong Shichao	100,000	0.2%	100,000	0.2%
Ms. Ju Youbin	100,000	0.2%	100,000	0.2%
Mr. Liu Wenrui	100,000	0.2%	100,000	0.2%
Mr. Guo Xianjun	80,000	0.1%	80,000	0.1%
Ms. Wu Jinying	80,000	0.1%	80,000	0.1%
Mr. Wen Wu	50,000	0.1%	50,000	0.1%
Ms. Xu Huili	50,000	0.1%	50,000	0.1%
Dr. Zhou Jingbo	50,000	0.1%	50,000	0.1%
Ms. Mei Hongbin	40,000	0.1%	40,000	0.1%
Ms. Li Min	30,000	0.1%	30,000	0.0%*
Mr. Ding Wei	10,000	0.0%*	10,000	0.0%*
Mr. Li Guoyuan	10,000	0.0%*	10,000	0.0%*
Mr. Wang Cheng	10,000	0.0%*	10,000	0.0%*

Name of Shareholder	As of the Latest Practicable Date		Immediately upon completion of the Global Offering	
	Number of Shares	% as to the total issued share capital of our Company	Number of Shares[3]	% as to the total issued share capital of our Company
Ms. Ai Xuehua	10,000	0.0%*	10,000	0.0%*
Investors from the Global Offering	–	–	6,517,300	10.0%
Total	**58,655,441**	**100.0%**	**65,172,741**	**100.0%**

Notes:

(1) Mr. Jiang Yun is the father of Mr. Jiang Ercheng.

(2) Mr. Jiang Ping is the elder sibling of Mr. Jiang Yun. Ms. Qi Guorong is the mother of Mr. Jiang Ercheng. Mr. Qi Jie is the maternal uncle of Mr. Jiang Ercheng.

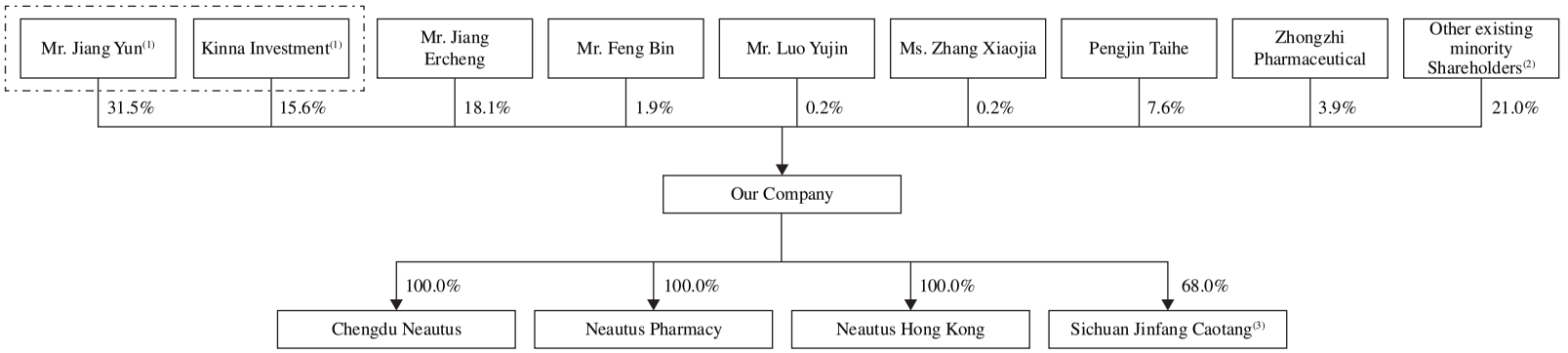
(3) All of our Shareholders have applied to the CSRC, the Stock Exchange and other relevant regulatory authorities to convert the Unlisted Shares held by them into H Shares. For details, see "Share Capital."

* Denotes less than 0.05%

OUR SHAREHOLDING AND CORPORATE STRUCTURE

Immediately Prior to the Global Offering

The following chart sets forth our corporate and shareholding structure immediately prior to the Global Offering:



Notes:

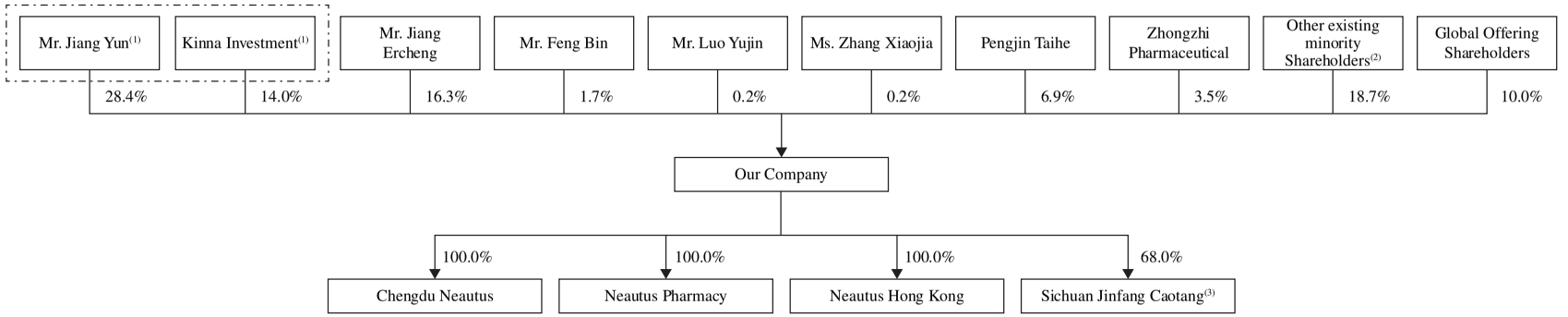
(1) As of the date of this prospectus, Mr. Jiang Yun was able to exercise 47.1% of the voting rights in our Company through (i) 18,498,500 Shares directly held by himself; (ii) 9,151,965 Shares held by Kinna Investment by virtue of his capacity as its ultimate beneficial owner.

(2) These were 32 existing minority Shareholders and each of them held less than 5.0% of our Company as of the Latest Practicable Date. For details, see "— Our Capitalization" above.

(3) As of the Latest Practicable Date, Sichuan Jinfang Caotang was owned by our Company, Ms. Zhang Xiaojia (deputy general manager of our Company), Mr. Luo Yujin (an executive Director and deputy general manager of our Company), Mr. Li Xueran (an Independent Third Party) and Ms. Liu Jing (an Independent Third Party) as to 68.0%, 20.0%, 8.0%, 2.0% and 2.0%, respectively.

Immediately Upon Completion of the Global Offering

The following chart sets forth our corporate and shareholding structure immediately upon completion of the Global Offering:



Notes:

(1) Immediately following the completion of the Global Offering, Mr. Jiang Yun was able to exercise 42.4% of the voting rights in our Company through (i) 18,498,500 Shares directly held by himself; (ii) 9,151,965 Shares held by Kinna Investment by virtue of his capacity as its ultimate beneficial owner.

(2) These were 32 existing minority Shareholders, each of whom held less than 5.0% of our Company as of the Latest Practicable Date. For details, see "— Our Capitalization" above.

(3) As of the Latest Practicable Date, Sichuan Jinfang Caotang was owned by our Company, Ms. Zhang Xiaojia, Mr. Luo Yujin, Mr. Li Xueran and Ms. Liu Jing as to 68.0%, 20.0%, 8.0%, 2.0% and 2.0%, respectively.

OVERVIEW

Who We Are

We are a large scale TCM decoction-ready products provider in China. We rank second in China in terms of revenue from TCM decoction-ready products in 2025, capturing a market share of 0.4% within a competitive landscape where the top five market players collectively hold 2.7% of market shares.

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

Our Market Opportunities

TCM is a distinctive health resource and economic force rooted in Chinese culture, and is uniquely positioned to serve the health-conscious demands of global emerging economies. According to Frost & Sullivan, in China alone, TCM product market reached RMB426.6 billion in 2025 and is expected to reach RMB469.2 billion by 2035 driven by health and wellness awareness, as well as increasing digitalization and AI adoption. Concurrently, overseas markets demonstrate rising demand for herbal medicine exports, driven by global recognition of TCM's preventative care value. Despite TCM's significance, it has remained a largely traditional industry with significant challenges in standardization, resulting in lack of scalability.

Beyond traditional hospital and pharmacy clients, we see significant potential in serving underserved segments, including 97,000 small clinics and health-conscious consumers seeking modernized TCM solutions. Aligned with China's digital transformation and rising wellness demand, we are improving accessibility through product formats and digital platforms tailored for today's market. We are building localized teams to support our business in selected international markets.

Our Business Model

As of the Latest Practicable Date, we offered over 770 types and 4,900 varieties of decoction-ready products, encompassing all major medicines used in TCM industry. During the Track Record Period, we primarily served institutional clients, including over 1,000 hospitals and medical institutions, and major pharmacy chains primarily through offline channels, as well as small pharmacies, clinics and practitioners through digital platforms like Jinfang Caotang (金方草堂) (serving over 7,000 customers) and Jinfang Cloud (金方雲) (online TCM medicine platform). In addition, we also offer consumer-oriented wellness products. Moreover, we export TCM wellness products and operate in selected international markets through localized operations.

Our Key Capabilities

Standardization. We developed a DNA barcoding system that utilizes molecular biology techniques to identify and authenticate the species of medicinal materials used in TCM decoctions, now adopted in the Chinese and British Pharmacopoeias. Since obtaining Good Manufacturing Practice of Pharmaceutical Products certification in 2003, we have developed standardized manufacturing processes designed to support product consistency and safety. Through collaborations with institutions like the Institute of Chinese Materia Medica, China Academy of Chinese Medical Sciences (中國中醫科學院中藥研究所), we continue to enhance our capabilities and advance TCM modernization in production and quality control.

New business lines through digital channels. Beyond traditional hospital and pharmacy channels, we broaden TCM access through digital channels. We launched Jinfang Caotang in January 2024, which is a platform streamlining procurement for over 7,000 customers. During the Track Record Period, our revenue from Jinfang Caotang amounted to RMB3.6 million, RMB10.2 million, RMB2.9 million and RMB3.3 million in 2024, 2025, and the four months ended April 30, 2025 and 2026, representing approximately 0.3%, 0.8%, 0.8% and 0.8% of our total revenue, respectively. We also launched an online TCM medicine platform, Jinfang Cloud (金方雲), enabling patients to purchase high-quality ready-to-use TCM products after receiving their prescription offline from hospitals and medical institutions. Further, we have launched Golden Lotus (金色荷花), which provides TCM wellness products through machine learning, analyzing health data to create bespoke wellness and supplement regimens. These TCM wellness products are for health maintenance and enhancement purposes, which are merely repackaged from our TCM decoction-ready products and do not involve any further processing. Globally, we leverage partnerships in Vietnam, Malaysia, as well as Taiwan and Hong Kong to export high-quality TCM decoction-ready products and TCM wellness products, positioning TCM as a global wellness staple. During the Track Record Period, we did not record any revenue from Golden Lotus and Jinfang Cloud. Since May 2026, we have been gradually integrating Golden Lotus and Jinfang Cloud into Neautus TCM Pharmacy (新荷花中藥), a new online platform, and have already launched a WeChat mini-program under the Neautus name.

Advanced manufacturing. Our raw materials are partly sourced from GAP-certified plantation bases, and we use automated production lines and supply chain traceability systems to support consistent production at scale. Our laboratory is accredited by CNAS, and its accreditation is recognized in the United States and certain major European countries, which helps us work toward compliance with applicable regulatory standards in the markets we serve. We believe this infrastructure has contributed to our revenue growth and may serve as a useful reference for the modernization of our industry. As of December 31, 2023, 2024 and 2025, and April 30, 2026, we engaged 12, 20, 24 and 20 GAP-certified suppliers, respectively. Among these suppliers, there were 15, 24, 31 and 23 GAP-certified plantation bases, with a total area of approximately 17.9 square kilometers, 29.7 square kilometers, 31.0 square kilometers and 29.7 square kilometers as of December 31, 2023, 2024, and 2025, and April 30, 2026, respectively. In 2023, 2024, 2025 and the four months ended April 30, 2025 and 2026, our purchases from GAP-certified plantation bases amounted to RMB79.6 million, RMB57.1 million, RMB63.2 million, RMB19.7 million and RMB19.8 million, representing 8.4%, 5.6%, 6.1%, 6.8% and 5.9% of our total procurement amount, respectively.

OUR COMPETITIVE STRENGTHS

Well-established player in the TCM decoction industry and a focus on modern TCM practices

We are a well-established player in the TCM decoction-ready product industry, ranking second overall and first among non-state-owned players in China in terms of revenue in 2025.

TCM is a distinctive health resource and economic force rooted in Chinese culture, and is uniquely positioned to serve the health-conscious demands of global emerging economies. In China alone, TCM product market reached RMB426.6 billion in 2025 and is expected to reach RMB469.2 billion by 2035 driven by health and wellness awareness, as well as increasing digitalization and AI adoption. While TCM plays a prominent role in healthcare, it has remained a largely traditional industry — both in its production, which faces standardization and scalability challenges, and in how it is offered and consumed.

We are leading the industry's modernization by refining practices across production and supply chains, including rigorous implementation of Good Agricultural Practices (GAP), Good Manufacturing Practices (GMP), and national standards for TCM decoction-ready products. These frameworks represent the highest level of scalability and standardization in supply chain management, which is foundational to our offering of high quality products that meet today's needs

while maintaining steady raw material procurement costs. Our founder and chairman, Mr. Jiang Yun, is an established figure and experienced voice in the industry, distinguished as a representative from a decoction-ready product business to serve on the 10th National Pharmacopoeia Commission. Under his guidance, we have played a meaningful role in technology development for standardization and shaping national standards, such as the Chinese Pharmacopoeia (《中國藥典》) and National Regulations for TCM Decoctions (《國家中藥飲片炮製規範》), and in award-winning projects on technologies and systems that improve industry standards.

Through these efforts, we have cultivated a reputable "新荷花" brand that is synonymous with quality excellence and innovation. Our brand has been recognized as a well-known trademark (中國馳名商標) in China since 2007, a testament to our unwavering commitment to setting new benchmarks in the industry. In 2023 and 2024, we ranked the first in the "TCM Decoction Brand Enterprises" list by the China Association of Traditional Chinese Medicine (中國中藥協會), solidifying our position after being awarded with top positions in 2021 and 2022. In 2024, our *Fritillaria cirrhosa* (川貝母) and processed *Pinellia ternata* (製半夏) products were awarded the "Chengdu Industrial Excellence" title, a recognition of our strategic commitment to building brand reputation through quality.

We believe our industry positions us well to seize the immense growth opportunities in the thriving TCM decoction sector. Decoction-ready products, as the foundation of TCM, play an essential role in personalized Chinese medicine decoctions and ready-made Chinese medicines. As the most widely used form of TCM, decoction-ready products command a vast RMB320.5 billion market in 2025 and were the fastest-growing pharmaceutical sub-sector in China in 2025, achieving 4.5% revenue growth in 2025. The market share of decoction-ready products in the overall TCM industry rose from 51.0% in 2020 to 75.1% in 2025, according to Frost & Sullivan. Several key factors drive the rapid growth of the TCM decoction industry:

- ***Strong policy support***. The TCM decoction industry has enjoyed strong government support, with long-term policies such as the Outline of the Strategic Plan for the Development of Traditional Chinese Medicine (2016-2030) and the Healthy China 2030 clarifying the importance and direction of TCM and providing a driving force for the industry. While centralized procurement policies primarily aim to reduce drug costs in public hospitals, TCM decoction-ready products have benefited from these policies to a certain extent, according to Frost & Sullivan. TCM decoction-ready product pricing is mainly determined by raw herbal material costs. As such, there is limited room for significant price reductions in light of the raw material costs. Even with moderate price adjustments in future procurement rounds, large-scale compliant manufacturers like us are expected to benefit from higher sales volumes and capacity utilization, achieving greater gross profit. Additionally, centralized procurement for TCM decoction-ready products focuses more on ensuring supply stability and quality consistency, resulting in bid-winning prices that reflect rational cost levels and stable profit margins and favoring enterprises with strong supply and production capabilities. According to Frost & Sullivan, centralized procurement policies have ultimately enhanced growth visibility, volume stability and cost efficiency for TCM decoction-ready product manufacturers, creating a favorable environment for sustainable industry development. The increasing inclusion of TCM decoction-ready products in the National Essential Medicines List and the NRDL further bolsters the industry's growth. In addition, China has entered an aging society. This demographic shift has led to greater recognition of the unique conditioning and healthcare functions offered by TCM. The National Administration for Traditional Chinese Medicine has set a target to establish over 10,000 national key TCM specialties by 2029, which will further fuel the growing demand for TCM decoction-ready products.

- ***Centralized procurement and volume growth.*** Institutional procurement of TCM products have historically been fragmented, which has led to a lack in uniformity of product quality and price. In recent years, China has launched various initiatives to enhance industry-wide standards in TCM decoction-ready products. In 2024, 45 TCM

decoction-ready product types were included in the nationwide centralized procurement scheme, which set clear volume, price and quality requirements for TCM decoction-ready products sold to public hospitals on a national scale. These efforts are expected to enhance procurement volumes and consolidate the market in favor of major suppliers with robust production capabilities and wide product coverage.

- ***Awareness of health and personalized medicine***. In recent years, there has been a significant shift in consumer mindset towards prioritizing health and wellness, leading to a greater appreciation for the holistic approach of TCM and driving demand for TCM decoction-ready products. As younger generations increasingly seek natural health solutions, TCM has gained traction by offering personalized wellness approaches that connect modern health consciousness with time-honored healing practices. The unique features of TCM, such as its ability to provide personalized treatment plans tailored to individual body constitutions and its emphasis on preventive care, have resonated with health-conscious consumers. The industry standards and best practices established in the Chinese Pharmacopoeia (《中國藥典》) represent unified and quantifiable standards that lay the foundation for the industry's stable growth.

A key participant in advancing the standardization of TCM decoction-ready products and modernization across the industry

Standardization plays a crucial role in ensuring the quality, safety, and efficacy of TCM decoctions, fostering trust among consumers and healthcare professionals by promoting consistency and reliability. As a key participant in advancing the standardization of TCM decoction-ready products, we set the bar high by adhering to stringent standards in strict compliance with regulatory requirements and industry norms, to achieve excellence and earn consumer trust. This commitment is reflected by our receipt of GMP certification in 2003. We are also at the frontier of modernizing the TCM industry with technological innovation. For example, we designed and implemented a DNA barcode system for species identification, utilizing molecular biology to identify and authenticate the medicinal materials used in TCM decoctions. Some notable examples of our contribution include:

- We participated in the improvement and revision of the national standards for the TCM decoction-ready product industry including the Chinese Pharmacopoeia (《中國藥典》) and National Regulations for TCM Decoctions (《國家中藥飲片炮製規範》). In particular, we participated in the revision of the national standards for processed *Pinellia ternata* (製半夏), with the results included in the latest edition of the Chinese Pharmacopoeia (《中國藥典》). We were also responsible for drafting and verifying the processing standards for more than 30 Chinese medicine materials, as well as formulating industry standards for seven of the 101 key TCM materials. We also played a meaningful role in drafting two industry group standards, namely Guidelines for the Application of New Technologies in Quality Evaluation of TCM Decoctions (《中藥飲片質量評價新技術應用指南》) and Technical Specifications for Cultivation and Primary Processing Geo-Authentic Chinese Medicinal Materials (《道地藥材栽培及產地加工技術規範》), that integrate modern scientific technologies into the production and quality evaluation of TCM decoctions.

- We completed the "DNA Barcoding System for Species Identification of Chinese Medicinal Herbs" project in partnership with the Institute of Chinese Materia Medica China Academy of Chinese Medical Sciences. This innovative technology, which has been included in the Chinese Pharmacopoeia (《中國藥典》), utilizes molecular biology techniques to identify and authenticate the species of medicinal materials used in TCM decoctions.

- We were an active participant in numerous national-level research and development projects focused on various critical aspects of production and standardization. A notable example is our participation in the National Key R&D Program for Traditional Chinese Medicine Modernization, which focused on developing automation technology and equipment to streamline the traditional multi-stage processing for multi-material formulations, further advancing the efficiency and consistency of TCM decoction-ready product manufacturing.

Differentiated business model featuring wide product and market segment coverage

We operate a distinctive business model focused on both optimizing our presence in conventional TCM markets and unlocking new growth opportunities. Through over a decade of operations, we have established a solid business foundation and brand reputation serving TCM hospitals and major pharmacies in China by leveraging our outstanding product quality, comprehensive product offerings and robust production capacity. While we continue to deepen these business networks, we also begin tapping into market segments that have not been fully addressed by offering modernized products and solutions to meet the needs of today's small businesses and retail consumers in China and overseas.

Established leadership in major products with TCM hospitals and pharmacy chains

Our extensive TCM hospital network has served as the cornerstone of our historical success, demonstrated by our nationwide leadership in key products. We work with over 1,000 hospitals and medical institutions across over 30 provinces in China, one of our largest customer types, with revenue from this customer type growing at a CAGR of 17.4% from 2023 to 2025 and further increasing by 5.4% for the four months ended April 30, 2026 as compared to the same period in 2025. We take pride in our stable relationships with some of the largest and most well-known TCM hospitals in China, including five of the top 20 hospitals ranked in the "2022 Top 500 TCM Hospitals" list released by the Alibi Hospital Management Research Center, including the 2nd ranked Jiangsu Province Hospital of Chinese Medicine, the 13th ranked Affiliated Hospital of Chengdu University of Traditional Chinese Medicine, 14th ranked Henan Provincial Traditional Chinese Medicine Hospital, the 16th ranked Chongqing Hospital of Chinese Medicine and the 20th ranked No. 1 Affiliated Hospital of Guangxi University of Traditional Chinese Medicine.

Our broad TCM hospital coverage has enabled us to establish clear leadership in major product types, including one of the largest market shares for products such as *Fritillaria cirrhosa* (川貝母) and processed *Pinellia ternata* (製半夏), respectively accounting for 15% and 10% of the total purchase volume in China in 2023. In addition, we are leveraging the first round of the nationwide centralized procurement scheme to include 29 product types, comprising 55 varieties, of our TCM decoction-ready products and to expand the sales network across China. As of the Latest Practicable Date, our products were sold to over 1,000 hospitals and medical institutions in over 30 provinces in China. Leveraging our standardized and scalable manufacturing capabilities and our stringent quality control system, we believe we are well positioned to utilize the nationwide centralized procurement scheme to deepen our penetration in public medical institutions in China.

In addition to TCM hospitals, pharmacies are another major segment in China's TCM decoction-ready product market, with a market share of approximately 20% in 2024. We maintain stable relationship with national pharmacy chains, enabling broad accessibility to our products through their sales networks and to further penetrate the Chinese market. Notably, we have entered into a long-term cooperation agreement with one of the largest pharmacy chains in China since 2013, which has over 16,000 pharmacies in China, and became one of its major suppliers of TCM decoction-ready products. As these pharmacy chains continue to expand their retail presence in the TCM market, our collaboration has been mutually beneficial.

New products

There are over 97,000 small-scale TCM clinics, pharmacies and medical institutions in China. We have tapped into this underserved market segment by developing Jinfang Caotang (金方草堂), an online B2B platform dedicated to serving these customers nationwide. Leveraging our comprehensive product portfolio and stringent quality control standards, we are able to meet their frequent and diverse procurement needs. Since its launch in January 2024, the number of customers registered on Jinfang Caotang (金方草堂) reached over 7,000 as of April 30, 2026. During the Track Record Period, our revenue from Jinfang Caotang amounted to RMB3.6 million, RMB10.2 million, RMB2.9 million and RMB3.3 million in 2024, 2025, and the four months ended April 30, 2025 and 2026, representing approximately 0.3%, 0.8%, 0.8% and 0.8% of our total revenue, respectively. In addition, in March 2025 we launched an online TCM prescription fulfillment platform, Jinfang Cloud (金方雲), which provides online TCM pharmacy services. During the Track Record Period, we did not record any revenue from Jinfang Cloud.

Recognizing the demand for high-quality TCM prescriptions and health and wellness, we have launched a TCM wellness product platform, Golden Lotus (金色荷花) offering premium TCM wellness products for retail consumption, including single-ingredient Reishi spore powder (破壁靈芝孢子粉), Notoginseng powder (三七粉), Fritillaria cirrhosa (川貝母), Gastrodia (天麻), American ginseng (西洋參), Dendrobium (石斛), Codonopsis (黨參), and Astragalus (黃芪), among others. These TCM wellness products are for health maintenance and enhancement purposes, which are merely repackaged from our TCM decoction-ready products and do not involve any further processing. As a first step, we are launching Shenqi (參芪) Essence, our inaugural product under the Neautus brand, which is formulated with ginseng and astragalus for sub-healthy individuals and postoperative recovery patients, aiming to offer effective restorative care, immune enhancement, and relief from fatigue and lethargy. We are introducing this product in Hong Kong and we plan to introduce it to Southeast Asian markets, and Chinese Mainland. During the Track Record Period, we did not record any revenue from Golden Lotus.

Since May 2026, we have been gradually integrating Golden Lotus and Jinfang Cloud into Neautus TCM Pharmacy (新荷花中藥), a new online platform, and have already launched a WeChat mini-program under the Neautus name.

Strategic expansion in the international markets

Beyond Chinese Mainland, we have our sights set on the global market. With Hong Kong as our touchpoint, we have established strong business relationships with major TCM clinics and pharmacies in Hong Kong and participated in the launch of the Shouchuang TCM Materials Trading Platform to bring high-quality decoction-ready products to Hong Kong and globally. Moreover, we are a member of the "Belt and Road Initiative Traditional Chinese Medicine Development Alliance" and have established presence in Hong Kong, Taiwan, Vietnam, and Malaysia. We have obtained GMP certifications in Vietnam to facilitate further business activities.

Integrated manufacturing and quality control system enabling scalable production and product supply

Quality control represents a critical challenge in the scalable production of TCM decoction-ready products. We abide by a core philosophy that puts quality and integrity above all. In an industry where quality control for a comprehensive product offering is critical yet challenging, we are aware that operating an end-to-end quality control system that meticulously covers every key stage of our operation is crucial to consistent and scalable production and is the bedrock of our business and reputation.

- ***Stringent raw material sourcing***. High-quality TCM decoction-ready products start with raw materials. We have implemented a rigorous raw material sourcing process, with protocols that set out our quality standards, raw material specifications and acceptance

criteria. We conduct dual-stage inspection and testing for our medicinal raw materials in accordance with the Chinese Pharmacopoeia (《中國藥典》) and internal protocols. We take a collaborative approach with suppliers that extends beyond conventional sourcing, as we work together to conduct R&D programs on the cultivation of certain medicinal raw materials, which in turn enables us to further enhance the quality of our TCM decoction-ready products. We have been selected as an exemplified enterprise (示范企業) in 2018 to ensure safe and sustainable production of agricultural products, in Sichuan province, one of the only four exemplified provinces for the implementation of GAP supervision, with three of our medicinal raw materials obtaining GAP certification.

- ***Advanced process control capabilities.*** Adhering to the GMP standards in China, our production facilities are designed to implement a process-driven production management process, providing rigorous, oversight across critical value chain segments including procurement, production, inspection, warehousing, and logistics. Notably, we have accumulated specialized process capabilities and expertise in handling toxic medicinal raw materials.

- ***China-leading inspection and testing platform***. We have adopted extensive inspection and testing techniques and processes to ensure that our raw materials and products comply with our stringent quality standards. In 2015, our inspection and testing center was recognized as a "CNAS laboratory" by the China National Accreditation Service for Conformity Assessment. At this laboratory, we conduct comprehensive quality inspections and testing for raw materials, semi-finished products and finished products. Our CNAS laboratory is an accredited lab by the International Laboratory Accreditation Cooperation Mutual Recognition Arrangement and the Asia Pacific Accreditation Cooperation Mutual Recognition Arrangement, enabling us to undertake various calibration, testing and inspection activities on products.

- ***Intelligent quality management system.*** We implement a digitalized and intelligent quality management system across our entire business. In compliance with the regulatory requirements in China, we have established an electronic labeling system with traceability from raw materials to finished products. In addition, we developed and implemented an advanced planning and scheduling system and warehouse management system, which collectively form an intelligent production infrastructure and quality management system. During the Track Record Period, we were recognised as the Chengdu-level Digital Workshop and the Advanced-Grade Smart Factory of Sichuan Province, and were awarded the Integration of Informatization and Industrialization Management System Certificate and the "Top Ten Outstanding Application Scenarios of 'Intelligent Transformation and Digitalization' in Chengdu High-tech Zone, underscoring our commitment to technological innovation and digital transformation in the TCM industry in China.

Seasoned and insightful management of industry veterans

We are led by a seasoned and renowned management team that has steered our business direction and strategy since our inception. Our Founder, Chairman and executive Director, Mr. Jiang Yun, is an established figure and experienced voice in the industry, with nearly four decades of experience in pharmaceuticals and TCM. Mr. Jiang has been instrumental in driving our strategic vision and continuous innovation. As a senior engineer, Mr. Jiang holds a master's degree in science from West China Medical Center of Sichuan University. Complementing Chairman Jiang's strategic leadership, our general manager and executive Director Feng Bin contributes over 20 years of comprehensive sales expertise across pharmaceutical and TCM markets. Together, they lead our management team to cultivate a robust ecosystem of industry relationships, technological capabilities, and market insights that position us uniquely at the intersection of traditional Chinese medicine and modern scientific innovation.

Led by our management team's insightful guidance, we have developed a high-caliber workforce that embodies technical excellence and strategic potential across R&D, production, and sales functions. As of April 30, 2026, our key functional departments, including quality control, production and procurement, are led by professionals holding senior engineering certifications, reflecting our commitment to product quality. In addition, key stages of our production process, including raw material inspections, manufacturing management and quality control, are led by employees holding senior engineering certifications. We have also established a nationwide sales team of 186 dedicated professionals, strategically covering major provinces in China. Our dedicated sales team creates a robust foundation for market penetration and channel expansion, enabling us to deliver strong sales performance.

OUR STRATEGIES

Strategically expand market penetration and sales coverage across China

We are actively expanding our sales coverage to further penetrate the China market. We plan to strengthen our presence in existing markets, focusing on customer relationship optimization.

- ***TCM hospital market cultivation.*** We plan to establish dedicated sales forces in major markets in China, including Beijing, Shanghai, Jiangsu, Guangdong and Shandong. Leveraging the inclusion of our products in the nationwide centralized procurement scheme, our sales force will develop nuanced marketing strategies tailored to their local market's characteristics and dynamics, with a focus on TCM hospitals in China. This targeted geographical expansion will significantly amplify our brand awareness and market presence.

- ***Collaboration within leading sales channels***. We plan to leverage third-party collaborations to intensify our business presence in selected markets, particularly within small and medium-sized hospitals and pharmacies. Exemplifying this approach, we have initiated a strategic partnership with a state-owned medical trading company to enhance hospital channel penetration in Guangdong, while simultaneously collaborating with prominent pharmacy chains in China. Through these increasing collaborative efforts, we believe we are able to effectively commercialize our product portfolio, expand distribution channels, and create a robust, nationwide market infrastructure that capitalizes on the strengths of established sales networks.

  We plan to apply 12.5% of the net proceeds from the Global Offering to enhance our brand awareness through increasing advertising efforts and 8.2% of the net proceeds from the Global Offering to strengthen our sales team to expand our market penetration and sales coverage.

- ***Deepen market penetration***. According to Frost & Sullivan, China's TCM market is fragmented, with over 97,000 market players being small community clinics, township healthcare centers, and TCM clinics and pharmacies. We believe there are significant opportunities in these markets, and we plan to utilize our online B2B platform Jinfang Caotang (金方草堂), to penetrate these market segments. During the Track Record Period, our revenue from Jinfang Caotang amounted to RMB3.6 million, RMB10.2 million, RMB2.9 million and RMB3.3 million in 2024, 2025, and the four months ended April 30, 2025 and 2026, representing approximately 0.3%, 0.8%, 0.8% and 0.8% of our total revenue, respectively. As of April 30, 2026, the number of customers registered on Jinfang Caotang reached over 7,000. We will further deepen the penetration of Jinfang Caotang to attract more small-scale TCM clinics and pharmacies to our platform, with market focuses on Sichuan and Chongqing provinces.

  We plan to apply 8.2% of the net proceeds from the Global Offering to strengthen our sales team to expand our market penetration and sales coverage.

Diversify revenue source by cultivating retail market

With the growing awareness of health and wellness, there are significant market potential for retail market. In response to that, we have launched Golden Lotus (金色荷花), an health wellness product platform that provides TCM wellness products. During the Track Record Period, we did not record any revenue from Golden Lotus. We will expand our product range with customized offerings that cater to sophisticated consumer preferences, focusing on authentic, high-quality TCM decoction-ready products, as well as offer wellness content and Q&A for users.

In addition, we plan to open brick-and-mortar Neautus stores, starting with locations in major cities such as Chengdu, Beijing and Hangzhou. Through these storefronts, we aim to build up our brand reputation in the retail market by providing offline experiences for consumers. Moreover, we will be able to integrate our retail business with greater online and offline synergies.

We plan to apply 11.4% of the net proceeds from the Global Offering for our to-C business. In addition, we also plan to apply 4.6% of the net proceeds from the Global Offering to establish flagship TCM product stores and 3.7% of the net proceeds from the Global Offering for tailored sales and marketing strategies for the to-C business. We also plan to apply 12.5% of the net proceeds from the Global Offering to enhance our brand awareness through increasing advertising efforts. For details, see "Future Plans and Use of Proceeds."

Continuously expand product offerings to enhance our one-stop solutions

We plan to pursue the following to expand the coverage of our one-stop solutions.

- ***Expand market share for major products.*** Over the years, we have implemented a nuanced product development strategy, extending beyond immediate market opportunities. We will continue to cultivate our high-potential TCM decoction-ready products with distinctive geographical and therapeutic characteristics, including *Fritillaria cirrhosa* (川貝母), *Rhizoma pinelliae preparatum* (法半夏), *Ginger processed pinelliae* (薑半夏), *Dwarf lilyturf* (麥冬), stir-fried *Ziziphi spinosae semen* (炒酸棗仁) and other geographically distinctive products in Sichuan and Western China, as well as toxic TCM decoction-ready products. Leveraging the inclusion of the centralized procurement scheme, we plan to penetrate our major products in all the provinces across China. Through this, we believe we will further expand our market share, enhance our competitive advantages in raw material procurement, and maintain a competitive moat in China's TCM market.

- ***Diversify product varieties.*** We plan to further diversify our TCM decoction-ready product offerings by launching products with new varieties, such as *Penthorum Chinense pursh* (趕黃草), *Fritillaria cirrhosa* powder (川貝母粉) and *Reishi spore powder* (靈芝孢子粉). By maintaining exceptional product quality and implementing continuous market penetration strategies, we aim to progressively capture significant market share for these products in China.

Drive the technological development of China's TCM decoction industry by continuously optimizing and upgrading processing technologies

As a well-established player in China's TCM decoction-ready product industry, we will continue to optimize our processing techniques to guide the technology revolution in the industry.

- ***Production process optimization***. We plan to focus on understanding and addressing feedback through improved production technologies and processes. Our strategic optimization initiative focuses on implementing precision control mechanisms and integrating advanced equipment with highly refined methodological frameworks,

designed to elevate our manufacturing capabilities beyond traditional industry standards. In this way, we believe we will be able to develop high-quality and scientifically validated products that can not only meet but anticipate the evolving requirements of the dynamic healthcare market.

- ***R&D collaboration with leading institutes***. We are actively collaborating with leading research institutes in China to participate in national and provincial-level government-funded research projects, facilitating technological advancements in the production of TCM decoction-ready products. By undertaking research projects funded by the Ministry of Science and Technology, National Administration of Traditional Chinese Medicine and MIIT, we have developed, and continuously upgraded key processing techniques in relation to major decoction-ready products, such as processed *Pinellia ternata* (製半夏) and processed *monkshood mother root* (製烏頭). We are also collaborating with leading scientists in this field, including researchers at the Shanghai University of Traditional Chinese Medicine on the quality control of processing Fritillaria cirrhosa and lead professor at the Chengdu University of Traditional Chinese Medicine on key technology applications on ISO research for authentic geographic distinctive TCM products in Sichuan, enabling us to accumulate extensive experience in the production and quality control of TCM raw materials and TCM decoction-ready products and thereby promote the high-quality development of TCM products. Going forward, we plan to undertake more projects through collaborations to further improve our product quality and to drive the development of the TCM industry in China.

Enhance operational efficiency and production capabilities

We are actively promoting the transformation of production by applying automation and digitalized management to enhance the production yield of TCM decoction-ready products and to establish a comprehensive, intelligent production ecosystem.

We plan to invest in production capacity expansion, taking into account the market conditions and customers' demands. We plan to expand our warehouse facilities, construct intelligent production lines for toxic decoction-ready products, and expand and upgrade production lines for non-toxic decoction-ready products. By employing a disciplined approach to investment in production capacity expansion, we aim to optimize our production capabilities, ensuring flexible and responsive manufacturing that can quickly adapt to the evolving market dynamics and customer preferences in the TCM market.

We plan to apply 33.4% of the net proceeds from the Global offering to expand our production capacity of TCM decoction-ready products and enhancing our production system with digital and intelligent capabilities. For details, see "Future Plans and Use of Proceeds."

Strategically expand our footprint

Capitalizing on our solutions with comprehensive product and service offerings, we are strategically developing our presence in the international markets, with Hong Kong as our touchpoint and established market presence across multiple countries and regions, such as Malaysia, Vietnam and Taiwan. Pursuant to the "Belt and Road Initiative Traditional Chinese Medicine Development Alliance" initiated by the Chinese University of Hong Kong, we aim to promote the integration of our TCM products into the collaborative development strategy of this alliance. On the other hand, we plan to diversify our export portfolio by targeting Southeast Asian markets with TCM decoction-ready products and European and American markets with herbal wellness products. As a first step, we have established a regional hub in Vietnam and obtained GMP certification to facilitate local business expansion.

We plan to apply 10.2% of the net proceeds from the Global offering to build our overseas sales channels in Vietnam and Malaysia and 6.0% of the net proceeds from the Global Offering for strategic investments and potential acquisitions. For details, see "Future Plans and Use of Proceeds."

OUR BRAND

Synonymous with trust and quality, our "新荷花" brand has been recognized as a well-known trademark in China (中國馳名商標) since 2007, a testament to our unwavering commitment to setting new benchmarks in the industry. Our long-standing reputation is a culmination of years of devotion to offering the highest quality TCM products and operating at the highest standards. In a fragmented industry plagued with quality inconsistency and lack of standardization, we believe the earned trust of customers is at the heart of our success and sets us apart from peers. We have established "新荷花" as a leading voice and standard-bearer in the industry, which has been instrumental in growing our business and entering new markets.

OUR PRODUCTS AND SERVICES

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

The following table sets forth a breakdown of our revenue by business line for the periods indicated.

	For the year ended December 31,						For the four months ended April 30,			
	2023		2024		2025		2025		2026	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Toxic decoction-ready products	192,492	16.8	172,433	13.8	137,626	10.3	44,466	11.6	39,023	9.0
Non-toxic decoction-ready products	953,079	83.2	1,076,969	86.2	1,197,081	89.7	338,353	88.4	393,162	91.0
Total	**1,145,571**	**100.0**	**1,249,402**	**100.0**	**1,334,707**	**100.0**	**382,819**	**100.0**	**432,185**	**100.0**

Our TCM Decoction-Ready Product Portfolio

TCM Decoction-ready products are pre-processed TCMs designed to be easily steeped or boiled into therapeutic decoctions for consumption. Typically, decoction-ready products are sold to hospitals and medical institutions, medical trading companies, pharmacies, and pharmaceutical companies. The ingredients are then boiled, typically for an hour or more depending on the ingredients, into a liquid pack, also known as a decoction. The decoction process can be done by the healthcare provider or at home by consumers.

TCM Decoction-ready products are the most traditional type of Chinese medicine. The process of taking raw TCM materials and processing them into decoction-ready products is crucial to preserving and enhancing their medicinal functions. While the decoction process is relatively straightforward, pre-processing raw TCM materials so that they are decoction-ready requires a significant body of scientific know-how due to the large variety of decoction-ready medicines in the

Chinese Pharmacopoeia (《中國藥典》) as well as the unique characteristics and preparation methods of each product on its own and in combination with other ingredients. As a result, there are very few companies in China that are able to offer a wide range of decoction-ready products at high quality.

We have established ourselves as one of the most comprehensive providers of TCM decoction-ready products in China. As of the Latest Practicable Date, we offered over 770 types and 4,900 varieties of decoction-ready products, encompassing all major medicines used in TCM industry. We are well-known for our expertise in toxic decoction-ready medicines. These products are associated with the most complex and challenging preparations, as well as the highest requirements in terms of quality standards and control.

Toxic Decoction-Ready Products

We are a well-established provider of toxic decoction-ready medicines. As of the Latest Practicable Date, only 28 types of toxic decoction-ready medicines were included in the Medical Toxic Pharmaceuticals Management Procedure (《醫療用毒性藥品管理辦法》), of which we produce ten major types. Toxic decoction-ready medicines have a long-standing tradition in TCM and are among the most representative types of TCM, commonly used in TCM prescriptions.

Given their potent nature, the preparation of toxic decoction-ready medicines involves complex and intricate procedures. Pursuant to the PRC laws, the production of toxic decoction-ready medicines is strictly regulated. Manufacturing companies need to meet stringent qualifications to be eligible and are required to obtain a license from the provincial MPA to handle toxic decoction-ready products. For details of key licenses, permits and certificates relating to our business and operations, please see "Business — Compliance, Licenses, and Permits — Licenses, Approvals and Permits." We pride ourselves on developing the stringent quality standards for toxic decoction-ready medicines, above and beyond what is required under the Chinese Pharmacopoeia (《中國藥典》). We believe this approach increases trust and credibility among consumers, bolstering our reputation and facilitating regulatory compliance. In an industry faced with increasingly stringent quality standards, we are able to capture markets and opportunities through our consistently high quality while peers struggle to meet such standards. Furthermore, a commitment to high standards fosters continuous improvement and a quality-focused culture within the organization, driving our continued market leadership.

The following table sets forth the selected information of our major toxic decoction-ready medicines:

Products		Intended treatment
Rhizoma pinelliae preparatum (法半夏).		Used for conditions such as dry throat, excessive phlegm leading to cough and asthma, phlegm retention causing dizziness and palpitations, wind-phlegm inducing vertigo, and phlegm stagnation resulting in headaches.
Ginger processed pinelliae (薑半夏) . .		Used for conditions such as excessive phlegm causing cough and asthma, phlegm retention causing dizziness and palpitations, wind-phlegm causing vertigo, phlegm stagnation causing headache, vomiting and acid regurgitation, chest and epigastric distension and discomfort.

Products		Intended treatment
Rhizoma pinelliae preparata (清半夏) . .		Used to treat conditions such as damp-phlegm and cold fluids causing vomiting, acid regurgitation, excessive phlegm with cough and asthma, chest and diaphragm distension, phlegm stagnation causing headaches, dizziness, and insomnia. It is also used externally to reduce abscesses and swelling.
White aconitum carmichaelii (白附片)		Used to address conditions caused by excess heat and dampness and can help clear internal heat, eliminate dampness, reduce inflammation, and detoxify the system.
Black aconitum carmichaelii (黑順片)		

Processed Pinellia ternata (製半夏)

Processed *Pinellia ternata* (製半夏) is our iconic product within our toxic decoction-ready medicine portfolio. Through scientific processing techniques, we effectively break down its main irritating component — special crystalline calcium oxalate raphides — significantly reducing irritation to oral mucosa, throat, gastrointestinal tract, and other tissues, thereby improving medication safety. Our processed *Pinellia ternata* (製半夏) products were recognized by China Association of Traditional Chinese Medicine (中國中藥協會) as a "Unique Processed Chinese Decoction-ready Brand" (獨特炮制中藥飲片品牌). Our processed *Pinellia ternata* (製半夏) products were also recognized as a "Trusted Brand of Traditional Decoction-ready Medicines" (中藥飲片誠信品牌) by Chinese TCM Association, TCM Decoction Committee. Typically, only one product per TCM type receives this award, signifying its market-leading quality. We commenced sales of processed *Pinellia ternata* (製半夏) from the inception of our Company, and it remains one of our best-selling products. In 2023, 2024, 2025 and the four months ended April 30, 2025 and 2026, our revenue generated from sales of processed *Pinellia ternata* (製半夏) amounted to RMB148.6 million, RMB122.0 million, RMB99.6 million, RMB30.5 million and RMB27.0 million, respectively, accounting for 13.0%, 9.8%, 7.5%, 8.0% and 6.2% of our total revenue, respectively.

Processed *Pinellia ternata* (製半夏) is a crucial ingredient in many types of TCM prescriptions, and therefore is highly sought after. It can be used to produce three distinct medicines based on different preparation and processing procedures: *Rhizoma pinelliae preparatum* (法半夏), *Ginger processed pinelliae* (薑半夏), and *Rhizoma pinelliae preparata* (清半夏); *Rhizoma pinelliae preparatum* (法半夏), is processed with licorice and lime to make it safer to use while maintaining its ability to help clear mucus and phlegm from the respiratory system and treat headaches; *Ginger processed pinelliae* (薑半夏), which is prepared with ginger and alum (a type of mineral compound), giving it strong anti-nausea properties. It's particularly helpful for treating phlegm, nausea and vomiting; and *Rhizoma pinelliae preparata* (清半夏), which is processed with only alum, resulting in a milder medicinal ingredient for treating wet phlegm and coughing.

Rhizoma pinelliae preparatum (法半夏)

Rhizoma pinelliae preparatum (法半夏) is processed *Pinellia ternata* (製半夏) that has been treated with a mixture of alum and other substances. This treatment process aims to reduce the toxicity of raw *Pinellia ternata* and enhance its therapeutic effects to address conditions such as phlegm-dampness syndrome, coughing, and nausea.

We are committed to superior product quality. For our toxic decoction-ready medicines, we not only adhere to the standards stipulated in the Chinese Pharmacopoeia (《中國藥典》) but have also developed more stringent internal standards to ensure the high quality of our products. For details of our quality standards, see "— Quality Control."

Ginger processed pinelliae (薑半夏)

Ginger processed pinelliae (薑半夏), as its name suggests, is raw *Pinellia ternata* that has been processed with ginger. The ginger not only helps to reduce the toxicity of the raw *Pinellia ternata* but also enhances its ability to warm the stomach and prevent vomiting. *Ginger processed pinelliae* (薑半夏) is particularly used for conditions involving cold and dampness in the stomach and for treating nausea and vomiting.

Rhizoma pinelliae preparata (清半夏)

Rhizoma pinelliae preparata (清半夏) is a form of processed *Pinellia ternata* (製半夏) that has undergone a simpler processing method compared to *Rhizoma pinelliae preparatum* (法半夏). This process involves cleaning and drying the raw *Pinellia ternata* tuber without the use of alum. *Rhizoma pinelliae preparata* (清半夏) is used when a milder therapeutic effect is desired. Our *Rhizoma pinelliae preparata* (清半夏) decoction-ready medicines are manufactured using raw *Pinellia ternata* tuber sourced from a Good Agricultural Practices (GAP) certified plantation in Gansu province.

Aconitum carmichaelii (附片)

Aconitum carmichaelii (附片), also known as processed *Aconite root* (製烏頭). The raw form of *Aconitum carmichaelii* (附片) contains toxic alkaloids. Through extensive processing techniques including boiling, steaming and soaking to reduce toxicity while preserving therapeutic properties, it is transformed into a valuable Chinese medicine that excels at dispersing cold, relieving pain and restoring energy. This product is commonly used to treat conditions characterized by cold symptoms, including rheumatic pain, joint inflammation, cardiac weakness, and cold-induced digestive disorders.

We primarily offer two different kinds of *Aconitum carmichaelii* (附片). *White aconitum carmichaelii* (白附片) is traditionally prepared by soaking in salt water, then steaming and drying, therefore retaining a whitish appearance and having milder properties. *Black aconitum carmichaelii* (黑順片) undergoes more extensive processing, including longer cooking with various auxiliary substances and multiple processing cycles. Therefore, it has a darker color and stronger warming properties and is more potent for warming the interior, dispersing cold, reviving energy and strengthening the heart.

Non-Toxic Decoction-Ready Products

As of April 30, 2026, we offer over 760 types of non-toxic TCM decoction-ready products in China. Many of our products are geo-authentic medicines that are produced in specific regions and are highly renowned for their superior quality and therapeutic effects compared to the same species of herbs grown in other regions. The most widely recognized geo-authentic regions include Sichuan, Zhejiang, and Guangdong provinces, and the Western China region, among others. The unique attributes of these geo-authentic materials, derived from the distinct geographical and climatic conditions in their original regions, position them as highly effective and sought-after ingredients in the TCM industry. The table below sets forth selected information regarding our key non-toxic decoction-ready products.

Products		**Intended treatment**
Fritillaria cirrhosa (川貝母)		Used to clear heat, moisten the lung, resolve phlegm and relieve cough
Dwarf lilyturf (麥冬)		Used to engender fluid, moisten the lung, and tranquilize the mind
Astragalus (黃芪)		Used to strengthen the superficial resistance, induce diuresis and promote drainage of pus and growth of new tissue
Stir-fried *Ziziphi spinosae semen* (炒酸棗仁)		Used to tonify the liver, cause tranquilization, arrest excessive perspiration, and engender fluid
Coptis root (黃連)		Used to relieve internal heat and moisture retention, supporting the heart, stomach, and liver functions
Angelica sinensis (當歸)		Used to alleviate symptoms associated with menstrual disorders, such as dysmenorrhea and irregular menstruation, largely due to its antispasmodic and estrogenic-like properties

Sales of TCM Wellness Products

We also offer a range of products, including single-ingredient decoction-ready products such as *Fritillaria cirrhosa* powder (川貝母粉). Customers may choose to use these products for health maintenance and enhancement in addition to disease treatment, and these products are categorized as TCM decoction-ready products under the Pharmacopoeia of the PRC. Therefore, these products are not classified as health-care food (保健食品) requiring certain certifications or filing procedures for production and sales. We classify our products in accordance with applicable PRC regulations, including the *Notice on Further Regulating the Administration of Raw Materials for Health Food* (WeiFaJianFa [2002] No. 51) (《衛生部關於進一步規範保健食品原料管理的通知》(衛法監發[2002]51號)) and the Administration of Healthcare Food (《保健食品管理辦法》). During the Track Record Period and up to the Latest Practicable Date, our Directors confirmed, such products, regulated as TCM decoction-ready products, are labeled and packaged pursuant to the standards prescribed for TCM decoction-ready products. As both non-toxic decoction-ready products and TCM wellness products are not classified as health-care food under the Notice on Further Regulating the Administration of Raw Materials for Health Food and the Administration of Healthcare Food, no permits or licenses for health-care food are required for their production and sales. Moreover, we have obtained the requisite license and permits for pharmaceutical retail business. As of the Latest Practicable Date, we did not produce and sell any health-care food classified according to the Measures for the Administration of Health-Care Food (《保健食品管理辦法》).

As a new business initiative, we also started selling TCM wellness products through online platform, such as Golden Lotus, in April 2025 in Hong Kong. During the Track Record Period, we only generated minimal revenue from sales of TCM wellness products from our online channels.

These products do not require the complex decoction process associated with TCM decoction-ready products, making them more convenient for direct consumer use. End-customers generally purchase our wellness products for health maintenance and enhancement purposes. These TCM wellness products are merely repackaged from our TCM decoction-ready products and do not involve any further processing. We believe this product segment will complement our existing TCM offerings, effectively broadening our revenue streams and enhancing our brand presence among end consumers.

SALES AND MARKETING

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

	For the year ended December 31,						For the four months ended April 30,			
	2023		2024		2025		2025		2026	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Hospitals and medical institutions	371,904	32.5	461,875	37.0	512,741	38.4	161,767	42.3	170,438	39.4
Medical trading companies	385,253	33.6	443,828	35.5	471,769	35.3	99,787	26.1	148,127	34.3
Pharmacies	238,449	20.8	210,608	16.9	179,036	13.4	69,874	18.3	61,816	14.3
Pharmaceutical companies	149,965	13.1	133,091	10.6	171,161	12.9	51,391	13.3	51,804	12.0
Total	**1,145,571**	**100.0**	**1,249,402**	**100.0**	**1,334,707**	**100.0**	**382,819**	**100.0**	**432,185**	**100.0**

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

At the same time, we have been gradually expanding our global business. With a mission to make our products available in overseas markets with large Chinese populations, we began our expansion in the international markets by establishing a presence in Hong Kong. As of April 30, 2026, we have built business relationships with 50 hospitals and clinics in Hong Kong to supply decoction-ready products. We have also developed products tailored for other overseas markets such as Malaysia and Taiwan. Our revenue generated from overseas market was RMB45.4 million, RMB56.2 million, RMB45.4 million, RMB6.7 million and RMB20.8 million in 2023, 2024, 2025 and the four months ended April 30, 2025 and 2026, respectively, representing 4.0%, 4.5%, 3.4%, 1.7% and 4.8% of our total revenue, respectively.

Customer Types

Hospitals and Medical Institutions

Hospitals and medical institutions are one of our largest customer segments, accounting for 32.5%, 37.0%, 38.4%, 42.3% and 39.4% of our total revenue in 2023, 2024, 2025 and the four months ended April 30, 2025 and 2026, respectively. As of the Latest Practicable Date, we worked with over 1,000 hospitals and medical institutions across over 30 provinces in China primarily through offline channels. Most of the hospitals we serve are Class IIIA hospitals with a TCM department or TCM-focused hospitals. We have established stable business relationships with several industry-leading TCM-focused hospitals in China. We take pride in our long-term relationships with some of the largest and most well-known TCM hospitals in China, including five of the top 20 hospitals ranked in the "2022 Top 500 TCM Hospitals" list released by the Alibi Hospital Management Research Center, including the 2nd ranked Jiangsu Province Hospital of Chinese Medicine, the 13th ranked Affiliated Hospital of Chengdu University of Traditional Chinese Medicine, the 14th ranked Henan Provincial Traditional Chinese Medicine Hospital, the 16th ranked Chongqing Hospital of Chinese Medicine and the 20th ranked No. 1 Affiliated Hospital of Guangxi University of Traditional Chinese Medicine. Most of our sales to public hospitals are facilitated through their public procurement processes, which are typically conducted annually.

Medical Trading Companies

Medical trading companies represent a vital customer segment for us. These companies serve as strategic market access partners who bridge the gap between our production and the fragmented landscape of hospitals, clinics, and pharmacies. They normally consolidate raw materials procured from various TCM decoction-ready product manufacturers, including us, and sell these materials as generic commodities without manufacturer-specific labeling or attribution. This model allows them to offer comprehensive TCM material sourcing solutions to healthcare providers while maintaining flexibility in their supply chain. As advised by Frost & Sullivan, it is an industry norm for TCM decoction-ready companies to engage medical trading companies. TCM decoction-ready products have regional characteristics, and these medical trading companies, through consolidation and integration, are able to aggregate superior products from different regions, thereby providing hospitals, medical institutions, pharmacies and pharmaceutical companies with a more comprehensive product portfolio that individual manufacturers in specific localities may not be able to offer independently. Revenue generated from medical trading companies represented 33.6%, 35.5%, 35.3%, 26.1% and 34.3% of our revenue in 2023, 2024, 2025 and the four months ended April 30, 2025 and 2026, respectively. Revenue generated from sales to medical trading companies is recognized when we deliver our products to them, e.g. when control of goods or services is transferred to the customers.

We had a buyer-seller relationship with these medical trading companies. Generally, these medical trading companies enter into framework agreements with us for a fixed term and place individual orders subsequently.

Set forth below is a summary of the key terms of such framework agreements.

- *Duration.* Each framework agreement generally has a fixed term of one year, commencing from the effective date specified in the agreement.
- *Orders and Pricing.* The framework agreement normally does not specify the product type/variety, quantity and price, which is only set out in the purchase order for each transaction. We do not impose restrictions or requirements on the resale prices at which the medical trading companies may sell the products to third parties, as we consider these medical trading companies our end-customers.
- *Minimum Purchase Amount.* There is no minimum purchase quantity requirement imposed on the medical trading companies under the framework agreements.
- *Delivery.* We are responsible for delivering the products to the locations designated by the medical trading companies. All transportation costs incurred in connection with such deliveries are normally borne by us.
- *Product Return.* Product returns are only accepted under limited circumstances, such as in the event of product quality issues. The specific conditions and procedures for returns are set out in the relevant agreements.
- *Payment.* The medical trading companies are required to pay the full purchase price for the products within the period stipulated in the agreement, following receipt of the products.
- *Termination.* The medical trading companies are not permitted to unilaterally terminate the framework agreement without just cause, as defined in the agreement.

For transactions under each framework agreement, medical trading companies will place separate purchase orders with us. Each transaction is independent and completed upon delivery and payment, with no continuing obligations between the parties. Upon completion of each purchase, title and ownership of the products pass entirely to these companies, and we have no visibility, control, or influence over their subsequent business activities. We do not impose any restrictions on geographical sales regions, customer segments, pricing policies, or inventory management practices, which are standard provisions in distribution agreements. In 2023, 2024, 2025 and the four months ended April 30, 2025 and 2026, we had 549, 606, 654, 388 and 515 medical trading companies that purchased our products, including 115 medical trading companies that purchased our products in each of 2023, 2024, 2025 and the four months ended April 30, 2025 and 2026. We generally grant them credit terms of four months and we strictly monitor the collection of their trade receivables with us.

These medical trading companies aggregate our TCM decoction-ready products with similar products from other TCM decoction-ready suppliers. This aggregation practice means that when these companies resell the products, they are sold as commodity TCM decoction-ready products without preservation of our brand identity, or quality certifications. End-users purchasing from medical trading companies cannot differentiate our products from those of other suppliers, as the products are commingled and sold as generic TCM decoction-ready products.

To the best knowledge of our Directors, each of these medical trading companies is an independent third party and does not have any other relationship with us (including being controlled by our former or current employees, using our brand name or receiving any material advance or financial assistance).

Pharmacies

During the Track Record Period, our TCM products were sold to over 600 pharmacies in over 30 provinces across China. In 2023, 2024, 2025 and the four months ended April 30, 2025 and 2026, we sold our products to 135, 406, 209, 172 and 152 pharmacies, respectively.

We have built stable relationships with large TCM pharmacy chains in China. For example, we are collaborating with an A-share listed retail pharmacy chain in China, which has over 16,000 retail stores in China. We are one of its major TCM decoction-ready product suppliers. In addition to large pharmacy brands, we also serve regional businesses as well as independent small businesses, which we believe is strategically important for growing our penetration.

Pharmaceutical Companies

During the Track Record Period, we also sold our TCM products to large manufacturers of TCM preparations. These manufacturers used our products as intermediate materials to make ready-for-consumption TCM products that were then sold to end consumers. We established strong relationships with several major TCM preparations manufacturers with nationwide sales coverage.

Key Terms of Sales Agreements

We normally enter into standard purchase agreement with our customers. Set forth below is a summary of key terms of the agreements with hospitals and medical institutions.

- *Duration*. Our standard sales agreement typically has a term of one year. In some cases, we may enter into sales agreements with our customers for terms ranging from two to three years.

- *Orders and Pricing*. Customers typically provide order details specifying product names, varieties and quantities. For our sales to public hospitals, prices are typically determined at the time of contract signing. For other customers, prices are determined on a case-by-case basis. In these instances, we are required to respond with a price quotation within 24 hours after receiving the customer's order details. Once the order information is confirmed by both parties, we proceed with shipment preparations.

- *Quality Standards and Requirements.* All TCM products must adhere to the current Chinese Pharmacopoeia standards or relevant provincial standards. Each product must be accompanied by a quality certificate and appropriate packaging.

- *Delivery.* We are responsible for delivering the products to the customer's warehouse. All delivery costs, including insurance, are borne by us.

- *Acceptance Procedure.* Customers must inspect the goods upon arrival and confirm if they meet the quality standards. Any discrepancies or damages must be reported immediately for replacement or return. If not inspected at the time of delivery, customers typically have three days to complete the inspection.

- *Product return.* We normally do not allow our customers to return our products unless there are product defects.

- *Payment.* We generally grant a credit term of 90 to 150 days to our customers with good credit standing, except for hospitals, which we normally grant longer credit terms.

- *Termination.* Customers cannot unilaterally terminate their contract without just cause.

Our Recently-Launched Platforms

As health-conscious consumers seek greater transparency and authenticity in TCM products, we are observing growing demand in the TCM market and we have recently launched several platforms through WeChat mini program and mobile applications, aiming to further diversify our revenue source.

Jinfang Caotang (金方草堂)

Typically, smaller businesses procure decoction-ready products from agents or trading companies, which may not be cost-efficient given their lower purchase volumes. Moreover, the business model of small-sized clinics and pharmacies is shifting towards O2O with consumer expectations of expedited shipping. We launched Jinfang Caotang (金方草堂) through WeChat mini program and mobile applications in January 2024, which is our online B2B sales platform with the aim to cut out the middlemen and enable small-sized clinics and pharmacies to facilitate their small orders in relatively high frequency. With one of the most comprehensive portfolios of decoction-ready products, we believe we are better positioned for this online business as we are able to supply almost all the needs of customers while ensuring product quality. Leveraging our three warehouses in Chengdu, Zhengzhou and Urumqi, along with third-party logistics service providers, our Jinfang Caotang (金方草堂) platform serves customers nationwide. We ensure delivery to our online customers within three to four days after successfully placing their orders. This direct sales channel not only benefits small businesses but also enables us to reach a broader range of underserved customers and establish our brand presence. As of the Latest Practicable Date, we offered over 500 SKUs through online sales to merchants. The user interface of Jingfang Caotang is set forth as follows.

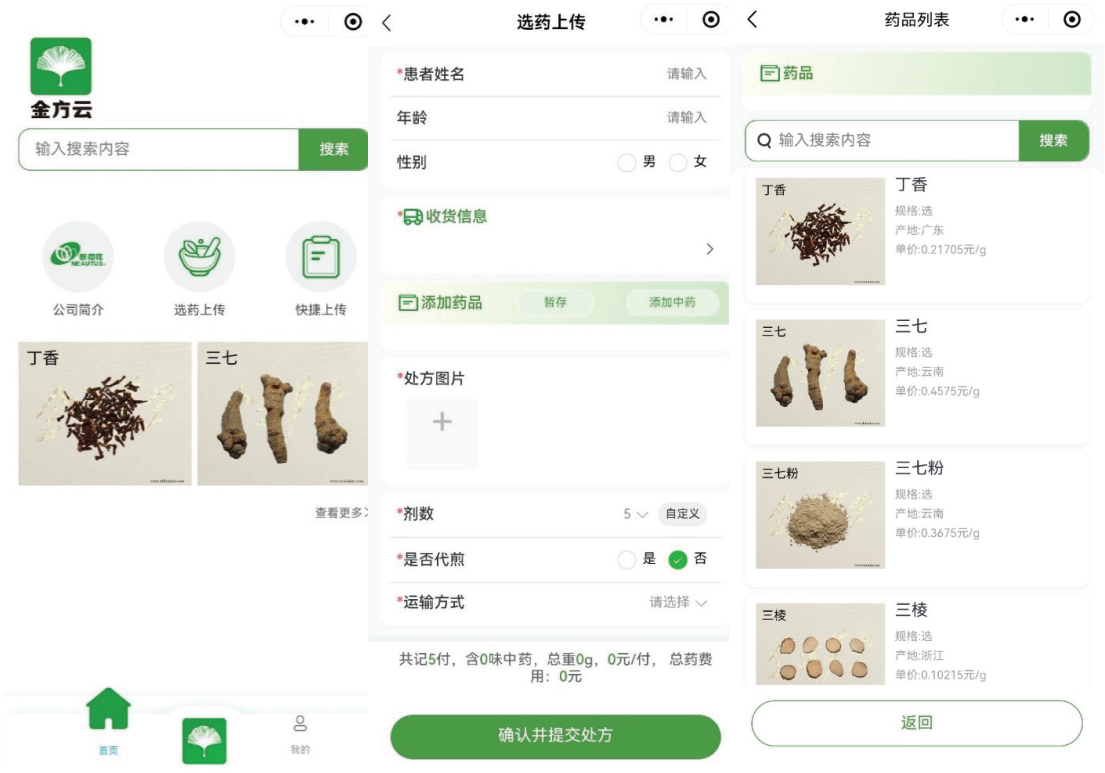
For the year ended December 31, 2024, revenue from Jinfang Caotang increased to RMB3.6 million, representing approximately 0.3% of our total revenue, with a gross profit margin of about 22.26%. For the year ended December 31, 2025, revenue from Jinfang Caotang further increased to RMB10.2 million, representing approximately 0.8% of our total revenue, with a gross profit margin of approximately 27.3%. Our revenue from Jinfang Caotang increased from RMB2.9 million for the four months ended April 30, 2025 to RMB3.3 million for the four months ended April 30, 2026, representing approximately 0.8% and 0.8% of our total revenue for the respective periods, with a gross profit margin of approximately 29.8% for the four months ended April 30, 2026. Based on management's projections, revenue from this digital sales platform is expected to continue increasing, with its gross profit margin remaining stable. Although the platform currently contributes a relatively small portion of total revenue, it is expected to gradually expand direct online sales to small- and medium-sized TCM clinics, enhance overall sales efficiency, and complement the existing offline distribution network.





Jinfang Cloud (金方雲)

Jinfang Cloud is our online TCM medicine platform through WeChat mini program. We officially launched Jinfang Cloud in March 2025. Users of the platform can upload their prescriptions on Jinfang Cloud. Afterwards, we provide online pharmacy services by fulfilling their prescription and providing decoction services for patients, so that they can purchase ready-to-use TCM medicine directly from us. In this way, we allow patients to purchase high-quality ready-to-use TCM products after they receive their prescriptions. We believe Jinfang Cloud presents promising market prospects as public recognition of traditional Chinese medicine continues to grow alongside increasing demand for convenient, efficient healthcare services. The following image illustrates the user interface of Jinfang Cloud.



As a first step, our customers through Jinfang Cloud are patients, who directly purchase TCM decoction-ready products based on their prescription uploaded. In this way, we do not pay, or receive fees from hospitals and physicians and therefore all of our customers are patients. We also plan to enter into strategic collaboration with medical institutions in the future, allowing hospitals to upload prescription to the Jinfang Cloud directly. In the second phase, we will charge hospitals for service fees using the Jinfang Cloud and therefore both patients and hospitals will be our customers.

As of the Latest Practicable Date, Jinfang Cloud remained in a ramp-up stage and we did not record meaningful revenue from this platform. As this platform continues to grow, we believe this will further diversify our revenue. Further, as we directly sell our TCM decoction-ready products to patients, we believe this platform will enable us to enjoy a relatively higher profit margin.

Golden Lotus (金色荷花)

Recognizing the demand for high-quality TCM prescriptions and health and wellness, we are gradually stepping into the retail market. We launched Golden Lotus (金色荷花), through WeChat mini program offering TCM wellness products for retail consumption, including single-ingredient Reishi spore powder (破壁靈芝孢子粉), Notoginseng powder (三七粉), Fritillaria cirrhosa (川貝母), Gastrodia (天麻), American ginseng (西洋參), Dendrobium (石斛), Codonopsis (黨參), and Astragalus (黃芪), among others. These TCM wellness products are for health maintenance and enhancement purposes, which are merely repackaged from our TCM decoction-ready products and do not involve any further processing.

We are launching ShenQi (參芪) Essence, our inaugural product under the Neautus brand, which is formulated with ginseng and astragalus for sub-healthy individuals and postoperative recovery patients, offering effective restorative care, immune enhancement, and relief from fatigue and lethargy. We are introducing this product in Hong Kong and selected Southeast Asian markets. During the Track Record Period, we did not record any revenue from Golden Lotus.

As of the Latest Practicable date, we had obtained all requisite regulatory licences, permits, approvals, and registrations for our business operations in Hong Kong, including the wholesaler licence and retailer licence. During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any non-compliance incidents that could, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations.



We only collected data necessary for the use of our services through these recently-launched platforms, including information about our enterprise and individual users. For our Jinfang Cloud (金方雲) and Golden Lotus (金色荷花) platforms, we collected certain user personal data such as user identity and personal prescriptions. We have established privacy policies to inform users about the rules for processing personal information and obtain their consent for personal information collecting and processing activities. We have also established comprehensive internal rules and manuals regarding data privacy and security management, covering data collection, storage, deletion, classification and emergency incident response measures. We strictly encrypt sensitive data and prohibit direct access to production data. Our comprehensive data backup strategy ensures real-time synchronization of core data to off-site cloud storage. We have implemented network isolation measures, defined security zones, and established internal access restrictions for core business systems. Our access management system is tailored for different personnel, featuring hierarchical access control and approval procedures for temporary access, while restricting access to production databases. Additionally, we have deployed firewalls to prevent external attacks. To further enhance our security posture, we regularly provide cybersecurity awareness training for our employees, equipping them with the knowledge and skills necessary to recognize and respond to

potential cyber threats. As advised by our PRC data compliance legal advisors, during the Track Record Period and up to the Latest Practicable Date, we had complied with the relevant data privacy and cybersecurity regulations in all material aspects.

During the Track Record Period, we did not record any revenue from Golden Lotus and Jinfang Cloud. Since May 2026, we have been gradually integrating Golden Lotus and Jinfang Cloud into Neautus TCM Pharmacy (新荷花中藥), a new online platform, and have already launched a WeChat mini-program under the Neautus name.

Marketing Strategies

As we believe the market competition in this segment is mainly based on the quality, safety, reliability, and curative efficacy of TCM products, we focus on direct marketing by communicating the quality and efficacy of our products to Chinese medical practitioners, while emphasizing reliability, safety, and enhanced convenience to patients. This approach helps establish strong brand recognition among both our customers and end-consumers. We have maintained stringent control during production over the quality of our TCM products, placing particular emphasis on their quality consistency and curative functions. Please see "— Quality Control" for further details. This consistent effort in improving the safety, quality, and efficacy of our TCM products is effective in establishing a loyal customer base and also helps to minimize the costs of marketing. In addition to regular visits to our existing customers, our marketing and sales team also prepares and distributes promotional materials on our TCM product.

We adopt a phased sales and marketing strategy that takes into account the characteristics of each market. At the early stage of our business, we focused on specific provinces such as Sichuan, Guangdong, and Guangxi. In Guangdong province, we have formed a partnership with a state-owned medical trading company. This collaboration enables us to leverage its extensive distribution and delivery network, ensuring efficient and widespread sales of our products. In other provinces, where hospitals play a predominant role, such as Shandong, our initial focus will be on targeting leading hospitals in the TCM market. By establishing strong relationships with top-tier hospitals, we aim to build a solid reputation and trust among medical practitioners. Following this, we will expand our efforts to include other hospitals and pharmacies, broadening our customer base and enhancing our market penetration. This strategic approach ensures that we can effectively introduce our products and services to new markets while maintaining a high standard of quality and reliability. Our phased approach allows us to strategically build our presence in key markets before progressively entering other provincial markets. Our ultimate goal is to create a robust and extensive sales network that spans the entire country, ensuring that our products are accessible to a broad range of consumers and healthcare providers.

Sales and Marketing Force

We have a well-established nationwide network of sales representatives. We strive to build a highly professional and stable sales and marketing force to facilitate the promotion of not only our products but also decoction-ready TCM products in general. Our sales representatives mainly focus on promoting our TCM products to major leading hospitals nationwide. As of April 30, 2026, we had 13 sales teams comprising a total of 186 sales representatives and covering 1,280 hospitals and medical institutions, medical trading companies, pharmacies, and pharmaceutical companies across more than 30 provinces in China.

Our sales and marketing force is also organically structured with vertical management covering all aspects of sales. Above our sales teams, we have established a marketing management center, led by our general manager, responsible for coordinating and deploying our annual sales efforts among different sales teams. Our sales personnel from respective sales teams directly engage with clients. If clients have specific requirements regarding products, we formulate specialized procurement and production plans to meet those needs. We have also established a sales support department, which is primarily responsible for the sales support and after-sales services.

Sales Rebates

We provide sales rebates to certain customers as volume-based incentives. These customers become eligible for sales rebates once their purchased product quantity exceeds the threshold specified in their respective contracts. Customers can apply these sales rebates towards future purchases of our products of their choosing. According to Frost & Sullivan, our terms for these performance-based sales rebates conform to industry norms. As of December 31, 2023, 2024, 2025 and April 30, 2026, we have made provisions for sales rebates amounting to RMB2.4 million, RMB4.6 million, RMB1.2 million and RMB1.1 million, respectively. For the accounting treatment of sales rebates, see note 2.3 of the Accountants' Report set out in Appendix I to this prospectus.

Sales Return Policy

We generally only permit defective products or products damaged during shipping to be returned to us. In 2023, 2024, 2025 and the four months ended April 30, 2025 and 2026, our sales returns represented 1.6%, 1.7%, 3.2%, 1.4% and 0.8% of our total revenue, respectively. As of December 31, 2023, 2024, 2025, April 30, 2025 and April 30, 2026, we have made provisions for sales return amounting to RMB9.3 million, RMB6.1 million, RMB8.9 million, RMB6.9 million and RMB10.8 million, respectively. We believe that our sales return policy is in line with the practice of the relevant industry in China. Our Directors believe that the risk of channel stuffing with our customers is low, considering that (i) we generally do not require a minimum purchase amount, nor do we have any sales targets with our customers; and (ii) we only recorded minimum sales returns during the Track Record Period, as we only allow our customers to return our products if there are product defects.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material recalls of our products and we were not subject to: (i) any material fines, material negative findings, mandatory product recall orders, material product liability exposure or other penalties from government authorities or other regulatory bodies, (ii) any material product return requests from our consumers or material complaints from consumers in respect of the quality of our products, or (iii) any incidents of quality control system failure which had resulted in a material adverse impact on our business operations or our reputation. During the Track Record Period, we did not receive any material complaints from consumers in connection with product quality.

Seasonality

We have historically experienced higher sales of our TCM products in the PRC in the second half of each year as compared to those in the first half of the year. This seasonality is the result of a combination of several factors, including decreased sales activities during the Chinese Lunar New Year holidays in the first quarter and increased demand for TCM decoctions in the autumn and winter seasons, when the incidence of infectious diseases or respiratory diseases rises and the symptoms of chronic diseases may worsen.

Pricing

The TCM decoction-ready industry is regulated by the NMPA. Most of the provinces in the PRC have included TCM medicines, including TCM decoction-ready products into their respective Provincial Medical Insurance Drugs Catalogues. As of the Latest Practicable Date, a total of over 640 types of our TCM decoction-ready products had been accepted into the Provincial Medical Insurance Drugs Catalogues in 31 provinces, municipalities, and autonomous regions in the PRC.

We set the prices of our products with reference to a number of factors, such as expected profit margins, prices of raw TCM materials, levels of market supply and demand for our products, relevant government policies, and prices of competing products. Our relevant departments meet regularly to evaluate the market conditions and discuss the need for price adjustments where necessary. In 2023, raw material procurement prices increased significantly due to market

fluctuations; however, starting from 2024, the prices of TCM raw materials have steadily decreased. We believe we are able to manage raw material price fluctuations through two measures. For the majority of customers, we do not enter into fixed-price procurement agreements. Instead, under our long-term procurement agreements, prices are quoted on an order-by-order basis. Transactions proceed only when the quote is accepted by the customer. We only agree to fixed pricing for a limited number of hospital customers per their request, and are eligible to renegotiate contract prices if needed. We also conduct continued analysis on price trends and make strategic volume purchases from time to time. For a discussion of the risks associated with fluctuations in raw material prices, see "Risk Factors — Risks Relating to Our Business — We rely on a stable supply of quality raw materials to produce our products. Any decrease in the supply of these raw materials could materially and adversely affect our business, financial condition and results of operations. Our efforts to secure a stable supply of raw materials may not be successful."

Government-Funded Programs in China

We are subject to a number of regulations and policies with an aim to regulate medical and drug pricing practices, including centralized procurement scheme, pricing proposals for TCM products, the NRDL, and the provincial medical insurance drug catalogue. See "Regulatory Overview — Laws and Regulations Related to Drug Operations," "Regulatory Overview — Regulations on centralized procurement" and "Regulatory Overview — Two-Invoice System."

Centralized Procurement Scheme

The centralized procurement scheme is a national initiative launched by the National Healthcare Security Administration (NHSA) and implemented through provincial alliances (e.g., the Shandong-led national alliance). It aims to reduce healthcare costs, improve product quality and traceability, and consolidate the fragmented TCM industry. A two-stage bidding process is adopted under the scheme. In the first stage, bidders submit offers below a ceiling price based on historical data. The top 30% of bidders, evaluated based on supply capacity, traceability, and other factors, proceed to the second stage. According to Frost & Sullivan, final winners must either (i) offer a price at least 20% lower than the highest valid bid, or (ii) bid no more than 1.2 times the lowest group price. In the 2024–2025 cycle, the scheme covers 45 high-demand TCM decoction-ready types, with up to 50 winning manufacturers per variety, selected from 598 pre-qualified companies. Procurement volumes are based on 80% of self-reported demand from public hospitals. Winning prices are fixed under one-year contracts, which may be extended for an additional period within one year. All public hospitals are required to procure through the centralized procurement scheme, while designated private medical institutions may participate on a voluntary basis. Settlement is made directly by medical insurance funds within 120 days, and credit terms follow NHSA guidelines. The scheme also features a comprehensive evaluation system that prioritizes quality and supply stability. Key considerations include (i) full-chain traceability systems, (ii) use of regionally certified medicinal materials, and (iii) ownership or control of cultivation bases to ensure stable supply.

In 2024, the centralized procurement scheme for TCM decoction-ready products was expanded to all the provinces in China, which included 45 TCM decoction-ready product types. In this round of procurement, we submitted bidding tenders for 30 product types, of which 29 product types comprising 55 varieties were selected for the centralized procurement scheme. For product types included in the centralized procurement regime, hospitals and medical institutions shall only procure from suppliers that are selected in the centralized procurement scheme. As of April 30, 2026, we had received orders from 1,302 public hospitals and medical institutions in over 20 provinces, including 1,217 new customers with a total confirmed procurement orders amounting to approximately RMB20.9 million under the centralized procurement regime. In 2026, the second round of the centralized procurement scheme for TCM decoction-ready products covered 41 TCM decoction-ready product types comprising 82 varieties. We submitted bidding tenders for all 41 product types, of which 40 product types comprising 79 varieties were selected. As of the Latest Practicable Date, we had not generated any revenue under the second round of the centralized

procurement scheme. As the centralized procurement scheme primarily affects sales through the public hospital channel, revenue generated from public hospitals attributable to the 41 product types amounted to RMB46.1 million, RMB51.7 million, RMB56.7 million, RMB17.2 million and RMB21.4 million in 2023, 2024 and 2025 and the four months ended April 30, 2025 and 2026, respectively, representing approximately 4.0%, 4.1%, 4.3%, 4.5% and 5.0% of our total revenue for the same periods, respectively. Given the limited revenue contribution from public hospital sales of the relevant product types, we expect the impact of the second round of the centralized procurement scheme on our overall results of operations to be limited. See "Risk Factors — Risks Relating to Our Business — Our business may be affected by the TCM centralized procurement scheme."

We enter into standardized purchase agreements with hospitals under the centralized procurement scheme. Pursuant to these contracts, we, as a selected supplier, are required to supply the selected products directly or through qualified distributors at the tender-awarded varieties, origin and prices. We shall ensure timely and sufficient delivery of the selected products that meet the required quality standards and remaining shelf life. Payments are settled through direct reimbursement from the medical insurance fund in accordance with relevant government policies. The contract term is typically one year, and we may be subject to contractual penalties for any breach, including failure to supply or deviation from agreed terms.

Since 2025, these 29 products are included in the first round of the centralized procurement scheme within over 20 provinces in China. Except for three product types, the inclusion of these products in the first round of the centralized procurement scheme resulted in bidding prices that were approximately 8% to 64% lower than our average selling prices in 2024. However, due to the phased implementation approach adopted by hospitals and medical institutions for centralized procurement, many hospitals and medical institutions only began procuring at the centralized procurement bidding prices in mid-2025. Consequently, our average selling prices for these 29 products in the years ended December 31, 2025 decreased by 25.8% compared to our average selling prices in 2024, and further decreased by 16.6% in the four months ended April 30, 2026, as compared to that in 2025. Prior to the inclusion of the first round of the nationwide centralized procurement scheme, for the 29 products currently included in the first round of the centralized procurement scheme, for the years ended December 31, 2023, 2024 and 2025, and for the four months ended April 30, 2025 and 2026, our revenue generated from public hospitals attributable to these 29 products amounted to RMB31.9 million, RMB48.7 million, RMB30.0 million, RMB11.9 million and RMB7.7 million respectively, representing only 2.8%, 3.9%, 2.3%, 3.1% and 1.8% of our total revenue, respectively. During the same periods, our sales volume of such products was approximately 295 tonnes, 315 tonnes, 295 tonnes, 104 tonnes and 91 tonnes, respectively. For other products sold outside the first round of the centralized procurement scheme, for the years ended December 31, 2023, 2024, 2025 and the four months ended April 30, 2025 and 2026, our revenue generated from the sales of these products amounted to RMB295.5 million, RMB205.8 million, RMB410.6 million, RMB127.9 million and RMB144.5 million, respectively. During the same years, our sales volume of such products was approximately 1,896 tonnes, 2,283 tonnes, 2,642 tonnes, 815 tonnes and 986 tonnes, respectively.

For the remaining 16 products that were not selected in the first round of the centralized procurement scheme, the Company retains eligibility to sell these products to both public and private hospitals and medical institutions. Under the current regulatory framework governing centralized procurement, products winning bids receive procurement priority in public medical institutions. However, public medical institutions may continue to procure non-winning products at negotiated prices for quantities exceeding agreed purchase volumes or for product varieties differing from those listed in the centralized procurement catalogue. In 2023, 2024, 2025 and the four months ended April 30, 2025 and 2026, revenue generated from these 16 products from public hospitals amounted to RMB9.3 million, RMB9.3 million, RMB9.7 million, RMB3.4 million and RMB1.7 million, representing approximately 0.8%, 0.7%, 0.7%, 0.9% and 0.4% of our total revenue, respectively.

We believe the inclusion of TCM decoction-ready products will not have a material and adverse impact on our business.

- The 29 types of TCM decoction-ready products currently included in the first round of the centralized Revenue generated from these products to public hospitals only accounts for 2.8% and 3.9% of our total revenue in 2023 and 2024, prior to the launch of the first round of the nationwide centralized procurement scheme, and accounts for 2.3%, 3.1% and 1.8% of our total revenue in 2025 and the four months ended April 30, 2025 and 2026, after the launch of the first round of the nationwide centralized procurement scheme. Among these product types, only two product types, namely Dwarf lilyturf (麥冬) and Angelica sinensis (當歸) contributed to over 1% of our revenue in 2024.

- For the 16 types of TCM decoction-ready products for which we did not win bids under the first round of the centralized procurement scheme, sales of such products to public hospitals accounted for only approximately 0.8%, 0.7%, 0.7%, 0.9% and 0.4% of our total revenue in 2023, 2024, 2025 and the four months ended April 30, 2025 and 2026, respectively. Even though we did not win bids for these products, we remain eligible to sell them to public medical institutions under the centralized procurement regime. Accordingly, our Directors believe that the failure to tender for, or the unsuccessful bids for, these products would not have a material adverse impact on us.

- In practice, different types of TCM decoction-ready products are not interchangeable. Given their distinct characteristics and pharmacological profiles, a single TCM prescription typically incorporates over ten different types and there are no less than 300 types of TCM decoction-ready products commonly used in medical prescriptions. Consequently, it is impractical for hospitals and medical institutions in China to source these products solely from a centralized procurement catalog.

- The centralized procurement of TCM decoction-ready products is conducive to enhancing industry integration. As a leading enterprise in the TCM industry, we may benefit from this trend, according to Frost & Sullivan.

National Drug Reimbursement List

TCM decoction-ready products were first included in the NRDL in 2009. In 2019, the NRDL included approximately 892 types of TCM decoction-ready products and since then, the list remained relatively stable, with over 95% of the included types unchanged. As of the Latest Practicable Date, over 890 types of TCM decoction-ready products were included in the NRDL. Inclusion in the NRDL and provincial catalogues increases market access and sales volume for our key products, notwithstanding that the inclusion of the NRDL may result in a decrease of its sales price. During the Track Record Period, we had over 600 products included in the NRDL and provincial medical insurance drug catalogues, which remained relatively stable during the Track Record Period. As such, during the Track Record Period, we did not make changes to average selling price of our products as a result of the NRDL and our revenue, profitability and financial performance are not materially and adversely affected by the NRDL. Our revenue generated from such products was RMB975.5 million, RMB1,090.9 million, RMB1,095.9 million, RMB350.8 million and RMB356.6 million for the years ended December 31, 2023, 2024 and 2025, and for the four months ended April 30, 2025 and 2026, respectively, representing approximately 85.2%, 87.3%, 82.1%, 91.0% and 81.7% of our total revenue for the respective periods. The increase in our revenue generated from sales of TCM decoction-ready products included in the NRDL was primarily attributable to the increase in their sales, as our sales network continue to grow. Considering that the products included in the NRDL are relatively stable, our Directors are of the view that the NRDL did not have a material impact on the fluctuations of our results of operations during the Track Record Period.

Two-Invoice System

Currently, TCM decoction-ready products are exempted from China's Two-Invoice System in several provinces. As advised by Frost & Sullivan, this exemption stems from several fundamental characteristics of the TCM decoction-ready supply chain:

- ***Complex and Multi-Tiered Supply Chain.*** The sourcing of raw medicinal herbs relies heavily on dispersed individual growers and medical trading companies. These materials undergo multiple stages of preliminary processing, consolidation, and distribution before reaching licensed decoction-ready manufacturers. This inherent complexity makes it impractical to enforce the simplified two-invoice distribution model applied to standardized chemical drugs.

- ***Supply Stability.*** While upstream raw herb price volatility significantly impacts costs, the non-standardized nature of decoction-ready products allows terminal sellers flexibility to adjust end prices, reducing the necessity for Two-Invoice System-driven cost control within this segment; consequently, industry practice and regulatory understanding recognize Two-Invoice System as unsuitable.

Moreover, our PRC Legal Advisors conducted the desktop searches on National Enterprise Credit Information Publicity System (國家企業信用信息公示系統), the website of China Judgments Online (中國裁判文書網), the website of China Enforcement Information Publication (中國執行信息公開網) and Credit China (信用中國), during the Track Record Period and up to the Latest Practicable Date, no records were found indicating that the Company was involved in litigation disputes arising from centralized drug procurement activities, or imposed any administrative penalties due to any violation of the two-invoice system. Considering the above, our PRC Legal Advisors are of the view that we are in compliance with the Two-Invoice System in all material respects across all provinces in which we operate.

Zero Markup Policy

On October 20, 2019, the State Council issued the Opinion on Promoting the Inheritance, Innovation, and Development of Traditional Chinese Medicine (《關於促進中醫藥傳承創新發展的意見》), which proposed studying the potential removal of price markups for TCM decoction-ready products. Subsequently, on December 14, 2021, the National Healthcare Security Administration and the National Administration of TCM jointly issued implementation guidelines stipulating that public medical institutions must limit their markup on TCM decoction-ready products to a maximum of 25% above procurement cost when sourced through authorized channels.

Under the current regulatory framework, public medical institutions are permitted to apply a markup not exceeding 25% on the actual purchase price of TCM decoction-ready products. This policy affects downstream pricing at the institutional level rather than manufacturer pricing. We primarily sell our products to hospitals, distributors, and pharmacies at ex-factory or wholesale prices and does not control or influence downstream pricing decisions. Our product pricing is determined independently based on market dynamics, including demand conditions, product quality differentiation, production costs, and competitive positioning, and is not subject to direct administrative price controls at the manufacturer level. Given that TCM decoction-ready products are clinically essential products with established therapeutic value and consistent demand, the 25% markup limitation at the institutional level does not materially adversely impact our revenue generation, profitability metrics, or operational performance.

Our Directors have confirmed that we are in full compliance with all applicable national and provincial regulations regarding price markups. The current regulatory framework governs institutional markups rather than manufacturer pricing, thereby not directly constraining our pricing flexibility or margin structure.

Third-Party Payment Arrangements

Historically, some of our customers, primarily TCM pharmacies and clinics (individually or collectively, the "**Relevant Customer(s)**") settled their payments with us through accounts of third-party payors designated by these Relevant Customers at their requests (the "**Third-Party Payment Arrangement(s)**"). During the Track Record Period, third-party payors designated by the Relevant Customers primarily included their legal representative, employees, spouses and other family members, and business partners. For additional information, see also "Risk Factors — Risks Relating to Our Financial Performance —We are subject to various risks relating to third-party payment arrangements."

In 2023, 2024, 2025 and the four months ended April 30, 2026, a total number of 45, 770, 131 and nil Relevant Customers in China utilized the Third-Party Payment Arrangements to settle payments with us, respectively. The significant increase in the number of customers utilizing Third party payment arrangements was primarily due to the launch of Jinfang Caotang in January 2024 and many small business enterprises utilized third party payment arrangement for their purchases through Jinfang Caotang. During the same periods, the aggregate amount of payments from their designated third-party payors was RMB3.7 million, RMB5.0 million, RMB0.9 million and nil, respectively, representing approximately 0.3%, 0.4%, 0.1% and nil of our total revenue. Throughout the Track Record Period, no individual Relevant Customers made material contribution to our revenue. To our best knowledge, the Relevant Customers requested to utilize the Third-Party Payment Arrangements to settle payments with us for convenience and flexibility. These Relevant Customers commonly opted for settlements through personal accounts held by designated third-party payors, such as their legal representatives, employees, spouses and other family members, and business partners. As confirmed by Frost & Sullivan, it is not uncommon for small business TCM pharmacies and clinics to use third-party payors to settle corporate transactions with their suppliers due to convenience and flexibility.

Our Directors confirm that, during the Track Record Period, (i) none of the third-party payors designated by the Relevant Customer during the Track Record Period is a connected person of our Group and such designated third-party payors are independent from any of our Group's Directors, senior management and Shareholders, (ii) the Third-Party Payment Arrangements were initiated by the Relevant Customers, rather than our Group for the purpose of circumventing any applicable laws and regulations and confirmation have been obtained from all the third-party payors confirming the Third-Party Payment Arrangements, (iii) our Group did not participate in any other forms of such arrangement, (iv) our Group did not provide any discount, commission, rebate or other benefits to any of the Relevant Customers to facilitate or encourage the Third-Party Payment Arrangements, (v) the pricing and payment terms of the agreements we entered into with the Relevant Customers were in line with those customers not involved in the Third-Party Payment Arrangements, (vi) all payments received under the Third-Party Payment Arrangements were appropriately recorded following accounting procedures and policies, and (vii) during the Track Record Period and up to the Latest Practicable Date, we were not requested to refund funds, and our Group had not been subject to any actual or pending disputes or administrative penalties related to the Third-Party Payment Arrangements during the Track Record Period and up to the Latest Practicable Date.

Starting from March 2025, we have ceased the Third Party Payment Arrangements and enhanced our internal control measures to restrict the occurrence of Third Party Payment Arrangements, including:

- requiring all of our existing and new customers to settle payments with us through their own bank accounts, and no third-party payors would be allowed;

- developing and maintaining a whitelist of permitted bank accounts in China, which includes only the bank accounts belonging to individual customer or customer entities, as applicable, who executed the relevant purchase order, upon review by our dedicated finance and internal control teams. In the event a customer initiates a payment request, the payment will go through and we will arrange delivery only if the paying account is on our whitelist of permitted bank accounts; and

- implementing internal control measures to ensure our customers' compliance with our payment settlement requirements such as requiring them to confirm the use of their own bank accounts for payment settlement for each order placed in our system, and assigning dedicated employees to conduct periodic inspections to assess the effectiveness of our internal control system.

Our Directors are responsible for formulating and overseeing the implementation of internal control measures and the effectiveness of our quality management system, promoting compliance of our new customers. We have engaged an independent third-party consultant (the "**Internal Control Consultant**") to perform a review over selected areas of our internal controls and completed follow-up reviews in March 2025 (the "**Internal Control Review**"), which included the Third Party Payment Arrangements. During the Internal Control Review, the Internal Control Consultant did not identify any material deficiency, including those relating to the Third Party Payment Arrangement.

Our Directors further confirm that, to the best of their knowledge, during the Track Record Period and up to the Latest Practicable Date, (i) these payments under the Third Party Payment Arrangements strictly corresponded to *bona fide* commercial transactions governed by valid contractual terms, with pricing and payment conditions consistent with those offered to customers outside such arrangements; and (ii) there were no instances of commercial bribery, money laundering, tax evasion, nor were there any actual or potential disputes involving us in relation to the Third-Party Payment Arrangements.

As advised by our PRC Legal Advisors, based on the above, these Third Party Payment Arrangements by themselves do not contravene or circumvent applicable laws or regulations in the PRC (including anti-money laundering laws) in all material aspects.

OUR CUSTOMERS

During the Track Record Period, our customers were mainly hospitals and medical institutions, medical trading companies, pharmacies, and pharmaceutical companies. Revenue generated from our five largest customers in each year during the Track Record Period amounted to RMB319.3 million, RMB379.8 million, RMB347.5 million and RMB121.5 million, respectively, representing approximately 27.9%, 30.4%, 25.9% and 28.1% of our total revenue for the respective periods in 2023, 2024, 2025 and the four months ended April 30, 2026. Revenue generated from our largest customer in each period during the Track Record Period amounted to RMB108.5 million, RMB107.9 million, RMB105.9 million and RMB33.9 million, representing approximately 9.5%, 8.6%, 7.9%, and 7.9% of our total revenue for the respective periods in 2023, 2024, 2025 and the four months ended April 30, 2026. Our sales contracts with customer typically have a term of one to three years.

We maintain a good relationship with our customers, with an average length of business relationship of over five years. During the Track Record Period, we maintained a high customer retention rate. In 2023, 2024, 2025 and the four months ended April 30, 2026, our customer retention rates were 81.6%, 63.6%, 82.6% and 65.1%, respectively. Additionally, 89.4%, 89.7%, 97.0% and 95.3% of our revenues during the same periods were generated from customers who had made more than one purchase with us, respectively.

The following table sets forth details of our five largest customers during the Track Record Period:

Customer	Background	Product Sold	Commencement of Business Relationship	Revenue Contribution	% of Total Revenue
				(RMB in thousand)	
For the year ended December 31, 2023					
Customer A*.	A retail pharmacy chain in China headquartered in Guangdong province, whose shares are listed on the Shanghai Stock Exchange	TCM decoction-ready products	2013	108,524	9.5%
Customer B .	A public healthcare institution specializing in TCM in China	TCM decoction-ready products	2014	60,140	5.2%
Customer C .	A public healthcare institution specializing in TCM in China	TCM decoction-ready products	2012	53,656	4.7%
Customer D*.	A state-owned pharmaceutical and healthcare group in China headquartered in Shanghai with global operations, whose shares are listed on the Stock Exchange	TCM decoction-ready products	2012	52,368	4.6%
Customer E*.	A retail pharmacy chain in China headquartered in Hunan province, whose shares are listed on the Shanghai Stock Exchange	TCM decoction-ready products	2017	44,599	3.9%
Total				**319,287**	**27.9%**
For the year ended December 31, 2024					
Customer A*.	A retail pharmacy chain in China headquartered in Guangdong province, whose shares are listed on the Shanghai Stock Exchange	TCM decoction-ready products	2013	107,880	8.6%
Customer C .	A public healthcare institution specializing in TCM in China	TCM decoction-ready products	2012	81,490	6.5%
Customer D*.	A state-owned pharmaceutical and healthcare group in China headquartered in Shanghai with global operations, whose shares are listed on the Stock Exchange	TCM decoction-ready products	2012	80,317	6.4%

Customer	Background	Product Sold	Commencement of Business Relationship	Revenue Contribution	% of Total Revenue
				(RMB in thousand)	
Customer B .	A public healthcare institution specializing in TCM in China	TCM decoction-ready products	2014	62,410	5.0%
Customer E* .	A retail pharmacy chain in China headquartered in Hunan province, whose shares are listed on the Shanghai Stock Exchange	TCM decoction-ready products	2017	47,660	3.8%
Total				**379,757**	**30.4%**
For the year ended December 31, 2025					
Customer C .	A public healthcare institution specializing in TCM in China	TCM decoction-ready products	2012	105,923	7.9%
Customer A .	A retail pharmacy chain in China headquartered in Guangdong province, whose shares are listed on the Shanghai Stock Exchange	TCM decoction-ready products	2013	71,099	5.3%
Customer D .	A state-owned pharmaceutical and healthcare group in China headquartered in Shanghai with global operations, whose shares are listed on the Stock Exchange	TCM decoction-ready products	2012	68,534	5.1%
Customer B .	A public healthcare institution specializing in TCM in China	TCM decoction-ready products	2014	64,575	4.8%
Customer F .	A public healthcare institution specializing in TCM in China	TCM decoction-ready products	2006	37,345	2.8%
Total				**347,476**	**25.9%**
For the four months ended April 30, 2026					
Customer C .	A public healthcare institution specializing in TCM in China	TCM decoction-ready products	2012	33,946	7.9%
Customer A* .	A retail pharmacy chain in China headquartered in Guangdong province, whose shares are listed on the Shanghai Stock Exchange	TCM decoction-ready products	2013	28,233	6.5%

Customer	Background	Product Sold	Commencement of Business Relationship	Revenue Contribution	% of Total Revenue
				(RMB in thousand)	
Customer B .	A public healthcare institution specializing in TCM in China	TCM decoction-ready products	2014	24,969	5.8%
Customer D*.	A state-owned pharmaceutical and healthcare group in China headquartered in Shanghai with global operations, whose shares are listed on the Stock Exchange	TCM decoction-ready products	2012	20,866	4.8%
Customer F .	A public healthcare institution specializing in TCM in China	TCM decoction-ready products	2006	13,450	3.1%
Total				**121,464**	**28.1%**

* Calculated on a consolidated basis

To the best knowledge of our Directors, none of our Directors or their associates or any person who owned 5% or more of our issued share capital as at the Latest Practicable Date had any interest in any of our five largest customers during the Track Record Period, and all our customers during the Track Record Period were Independent Third Parties, save as disclosed in the section headed "Connected Transaction".

PRODUCTION

Production capabilities are crucial for our success, especially as we increase the scale and type of products we offer. We are committed to developing industry-leading production processes to ensure quality and enhance the safety and efficacy of our products. In particular, we are focused on modern automated and intelligent production processes and management systems to scale our business.

Our Production Management System

We have built a comprehensive information technology system to manage not only the entire production process, but also other business functions such as sales, inventory management, and customer relationships. In 2023, we were awarded the Certification of Information and Industrialization Integration Management System by Shanghai Academy of Quality Management, underscoring our commitment to technological innovation and digital transformation in the TCM industry in China.

We implemented TCM traceability system and have collaborated with one of the leading TCM university in China to establish an electronic labeling system with traceability functions for decoction-ready products from the source. By incorporating technologies such as electronic labeling and digital record-keeping to track the origin, processing, and distribution of raw materials, this system is designed to provide detailed traceability from the source to the final product. We believe that the comprehensive traceability of TCM decoction-ready products could enhance our bargaining power during the tender process. We are able to realize a series of functions such as production management through the following information systems:

- ***Manufacturing execution system (MES).*** Our MES integrates critical functions such as sales order management and production planning into a unified platform. By leveraging this system, we are able to monitor, control, and optimize the entire manufacturing process. This end-to-end visibility enhances operational transparency, streamlines workflows, and supports data-driven decision-making. Furthermore, our MES fosters seamless information sharing and collaboration across departments, driving greater production efficiency and organizational agility.

- ***Automated warehousing management system (WMS).*** We have established an automated warehousing management system to ensure the real-time keeping of warehousing records.

Our Production Process

TCM processing involves a series of techniques used to transform raw TCM materials into decoction-ready products. This process is guided by traditional TCM philosophy and tailored to therapeutic needs, inherent properties of the medicinal materials, and specific requirements of formulation and preparation. TCM processing techniques were officially recognized and included in the first batch of National Intangible Cultural Heritage by the State Council in 2006. The processing techniques are crucial in determining the quality of TCM decoction-ready products. Through processing, the active ingredients of the TCM materials are enhanced and transformed, toxicity and side effects are reduced, efficacy is enhanced, and the products become easier to store.

The production process for our TCM products primarily involve the following major production techniques. The process for each product differs, which adds to the complexity of production management for a large product portfolio.

- ***Purification.*** Purification, also known as clean selection processing, involves various methods to meet purity requirements. Depending on the specific raw material, methods such as picking, sieving, winnowing, washing, cutting, scraping, peeling, and stripping may be employed.

- ***Moisturizing and Cutting.*** Techniques involved in moisturizing include spraying, quick washing, soaking, moistening, steaming. Equipment such as rotary soaking tanks and steamers may also be used. Different raw materials require different temperatures, water quantities, and times. Cutting can be done by machines or by hands, depending on the texture and shape of the raw materials. After cutting, the pieces should be promptly dried to ensure quality.

- ***Roasting.*** Besides purification and cutting, roasting is a major preparation method.

    - Frying: This includes plain frying and frying with auxiliary materials. Only dried materials should be used, sorted by size. During the frying method, control over-heating temperature, frying time, and degree is essential.

  - Blending and Roasting: Materials are mixed with liquid auxiliaries and fried to a specific degree. Methods include wine roasting, vinegar roasting, salt roasting, honey roasting, ginger roasting, and oil roasting.

  - Carbonizing: This process should preserve the material's nature and prevent overheating and re-ignition. Methods include frying to carbonize and calcination to carbonize.

  - Calcination: This can be open calcination or calcination and quenching. In open calcination, materials are broken into small pieces, placed in a suitable container, and calcined until crisp or red-hot, then cooled and crushed. In calcination and quenching, materials are heated until red-hot and then quenched in a specified liquid auxiliary, dried, and ground into powder.

- ***Steaming.*** Materials sorted by size are mixed with water or liquid auxiliaries, steamed to the specified degree, slightly cooled, remixed with the steaming liquid, air-dried to about 60% dryness, sliced or segmented, and then fully dried.

- ***Simmering.*** Materials are placed with bran in a frying container and simmered over low heat to the specified degree, then cooled.

- ***Blanching.*** Materials are briefly immersed in boiling water, stirred, and then removed. For some seed medicines, blanching continues until the seed coat smooths out and can be easily removed. The seeds are then placed in cold water and subsequently dried in the sun.

Our Processing Technologies

We believe we are holding an industry-leading position in the processing technology of toxic TCM products. We have dedicated over 15 years to researching the processing technology of toxic TCM decoction-ready products, resulting in deep expertise and know-how in this domain. Building upon this foundation, we are leading the modernization and standardization of traditional TCM processing techniques to promote quality consistency in the industry. These advancements include the application of rotary soaking technology, and cross-flow drying technology to optimize the production process. Moreover, we have developed semi-automatic production equipment tailored to specific process requirements, achieving large-scale production of toxic medicinal pieces. Two of our process development case studies are summarized below:

Our Proprietary Pinellia Ternata Processing Techniques

Traditionally, *Pinellia ternata* (半夏) is processed using static soaking pools with periodic manual stirring. Due to differences in soaking levels at different positions during static soaking, it's difficult to achieve uniform soaking and ensure consistent, stable product quality through manual processing. Additionally, different environmental temperatures affect soaking time and degree, making the process difficult to control.

We independently developed a drum-type immersion tank that uses low-solvent soaking technology and constant temperature soaking technology. This ensures each batch of processed *Pinellia ternata* (製半夏) completes the soaking process under identical conditions, enabling precise control of process parameters. This not only increases production capacity but also helps ensure the product's quality and stability.

Our Proprietary Prepared Rehmannia Processing Techniques

Prepared *Rehmannia* (熟地黃) is a processed product of the *Rehmannia glutinosa* (地黃). The processing can be carried out using either the wine-steaming or the other steaming methods. Due to the lack of specific processing parameters in the statutory methods, the actual processing can often result in either over-processing or under-processing. This variability can lead to difficulties in meeting the quality standards set forth in the Chinese Pharmacopoeia (《中國藥典》) and result in lower yields of finished products.

We have optimized the production conditions and drying parameters for both the wine-steaming method and other steaming methods. These optimized conditions ensure that the product's characteristics meet Chinese Pharmacopoeia standards, with the content of the active ingredient, acteoside, exceeding the pharmacopoeia requirement. This technological advancement provides a solid foundation for our future large-scale production of high-quality prepared *Rehmannia* (熟地黃), ensuring consistent product quality and compliance with quality standards set forth in the Chinese Pharmacopoeia.

Our Production Facility

We operate our TCM manufacturing facility in Chengdu, Sichuan province, which has a total gross floor area of approximately 55,475 square meters as of April 30, 2026. Our Chengdu facility has been GMP certified by the NMPA since July 2003.

Our production equipment includes, among others programmable medicine moistening machines, herbal cutting machines, electromagnetic herb roasting equipment, steaming production lines, microwave vacuum dryer and sterilizer, freeze dryers, and fully automated packaging machines. All of our production facilities strictly comply with the GMP standards of the PRC, as well as our internal standard operating procedures.

Utilization

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

	For the year ended December 31,									For the four months ended April 30,		
	2023			2024			2025			2026		
	Designed production capacity[1]	Production volume	Utilization rate[2]	Designed production capacity[1]	Production volume	Utilization rate[2]	Designed production capacity[1]	Production volume	Utilization rate[2]	Designed production capacity[1]	Production volume	Utilization rate[2]
	Tonnes	*Tonnes*	*%*	*Tonnes*	*Tonnes*	*%*	*Tonnes*	*Tonnes*	*%*	*Tonnes*	*Tonnes*	*%*
Our Manufacturing Facility	8,570	7,020	81.9	10,223	8,576	83.9	11,526	9,521	82.6	3,842	2,915	75.9

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

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

We maintain and service our manufacturing facility on a regular basis to ensure efficient production without unexpected interruptions. We replace or upgrade production equipment and machinery on a preventive basis or after they have been used for a certain year, depending on the specific type of equipment and machinery, according to our internal policy and production plan. To increase our production capacity to cater to our growing sales demand, we aim to maintain regular investments in new machinery and advanced production facility. Our internal experts conduct periodic reviews of our production capacity and efficiency. We have a policy to review and upgrade our manufacturing capabilities as necessary to capitalize on the anticipated growth of the PRC TCM industries and increase our market share.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any significant production interruptions due to equipment failure or breakdown, raw material shortages, power interruptions, fire, or labor disputes.

Our Production Expansion Plan

We adopt a phase-by-phase approach in our expansion and upgrade plan, primarily taking into consideration our projected product sales, and continually reevaluating our capital expenditure and the completion time of each phase based on customer demand for our products, the expansion of our sales and distribution network and technological advancements in relation to our production equipment.

We plan to increase our production capacity to meet expected increasing product sales for the next few years primarily through technological upgrades, workshop expansion and manufacturing facility improvements. For example, we aim to expand the production capacity of our Chengdu facility by purchasing advanced production equipment and install additional machineries in different phases of our existing production line. We also plan to expand the area of packaging workshop and enzyme processing workshop to increase our packaging and production capacity respectively.

In addition, we plan to build a new production line for the manufacturing of toxic TCM decoction-ready products in Jiangyou, Sichuan. We are also building a new production line for the manufacturing of non-toxic TCM decoction ready products, and a new warehouse. The construction of these two new workshops and the warehouse is expected to commence by the end of 2025 and put in use in the second half of 2027. We plan to use net proceeds from the Global Offering to fund these two new production lines and the warehouse. Upon completion of these new production lines, we expect our production capacity to increase by approximately 6,000 tonnes, including 500 tonnes for toxic TCM decoction-ready products and 5,500 tonnes for non-toxic TCM decoction-ready products, reaching over 16,000 tonnes in total. For details, see "Future Plan and Use of Proceeds."

QUALITY CONTROL

Our Quality Standards

We believe quality standards are crucial to the continued development of our industry and the success of a TCM company. As such, we have taken the role as a leader in driving efforts for quality standardization and best practices. Moreover, we are relentless in ensuring the high quality of our products as we scale up our business, which is a major bottleneck in the industry.

For each type of TCM product we produce, we strictly adhere to standards set out in the Chinese Pharmacopoeia (《中國藥典》). The Chinese Pharmacopoeia (《中國藥典》) prescribes procedures to evaluate the quality of TCM products, including inspection of water content, total ash percentages, pesticide residue levels, and the amount of certain active or indicative ingredients. We consider these standards to be a basic gatekeeper of quality in our industry. Beyond these guidelines, we have developed a set of internal quality standards based on decades of operational

expertise and know-how. Typically, our internal standards are more stringent than those of the Chinese Pharmacopoeia (《中國藥典》). Adhering to these higher standards enables us to produce better quality TCM products, thereby enhancing our reputation among customers and within the industry.

Our internally developed standards have also garnered significant recognition within the industry. We have been invited by government authorities to contribute to the development and promulgation of several national and industry standards. We actively participate in the formulation and revision of national standards and undertake related research projects and initiatives:

- In March 2024, two group standards in which we played a major drafting role, the Guidelines for the Application of New Technologies in Quality Evaluation of TCM Decoctions (中藥飲片質量評價新技術應用指南) and the Technical Specifications for Processing Chinese Medicinal Materials (Fresh-cut) at Origin (中藥材產地加工(趁鮮切制)生產技術規範) were promulgated.

- We were entrusted by the National Institute for Food and Drug Control to participate in the research and revision of quality standards for *Fritillaria walujewii* (瓦布貝母) and processed *Pinellia ternata* (製半夏). The quality standard for *Fritillaria walujewii* (瓦布貝母) was included in the 2010 edition of the Chinese Pharmacopoeia (《中國藥典》), and the standard for *Rhizoma pinelliae preparata* (清半夏) was included in the 2020 edition of the Chinese Pharmacopoeia (《中國藥典》).

- In February 2016, the Chinese Pharmacopoeia Commission issued the National Regulations for TCM Decoction (Draft for Comments) (《國家中藥飲片炮製規範》(徵求意見稿)). As one of the principal research entities, we were responsible for drafting and verifying the processing standards for 31 TCM decoction-ready products, including *Artemisia* leaf (艾葉), stir-fried *Hawthorn* (炒山楂), scorched *hawthorn* (焦山楂), *Dwarf lilyturf* (麥冬), and *Fritillaria cirrhosa* (川貝母), among others.

- To address the issue of adulteration in *Pinellia ternata* (半夏) products, we collaborated with the China Institute for Food and Drug Control, Sichuan Food and Drug Inspection and Testing Institute, and Chengdu University of Traditional Chinese Medicine on the "Supplementary Testing Method for the Detection of Ophiopogonin D in raw *Pinellia Ternata*, *Rhizoma Pinelliae Preparatum* (法半夏), *Ginger Processed Pinelliae* (薑半夏), and *Rhizoma Pinelliae Preparata* (清半夏)." This method was approved by the NMPA in November 2019 and has since become a national standard testing method.

- The modern processing technology development and industrialization demonstration project for Chinese medicinal materials in 2007;

- The standardization of seven types of TCM decoction-ready products, including *Fritillaria cirrhosa* (川貝母) in 2016;

- The research on fermentation technology and standardized application of two types of TCM products, including *Pinellia ternata* massa (半夏曲) in 2015; and

- The research on automation technology and equipment for traditional reproduction methods of multi-material, multi-process TCM products in 2018.

Our Testing Center

Every batch of finished products is tested in our testing center before being delivered to customers. We established a professional testing center in September 2013. Our advanced testing center, equipped with specialized equipment, enables us to conduct comprehensive physical and chemical testing on both raw and finished products. Our testing center operates under a quality

management system developed according to standards published by China National Accreditation Service for Conformity Assessment (CNAS). In May 2015, our testing center passed the CNAS assessment, earning national accreditation as a laboratory. According to the International Laboratory Accreditation Cooperation Mutual Recognition Arrangement, our testing reports on TCM products can be internationally recognized in over 70 countries and regions, including the United States, the European Union, and Japan. Additionally, since 2015, our testing center has successfully undergone at least six GMP certification inspections, consistently meeting regulatory requirements without any major deficiencies.

Our testing center is divided into several specialized departments, including a chemical analysis room, a precision instrument room, a DNA barcoding identification room, a biological laboratory, and a sample retention room. Our testing team comprises 15 experienced personnel, all holding a bachelor's degree and six of them holding a master's degree. The team includes professionals in pharmaceutical chemistry, TCM, organic chemistry, and bioengineering, possessing excellent professional technical skills.

Our testing center is equipped with advanced testing instruments and equipment, such as gas chromatography-mass spectrometers, liquid chromatography-mass spectrometers, gas chromatographs, high-performance liquid chromatographs, and atomic absorption spectrophotometers. Our testing center is currently capable of performing a range of tests on TCM products and raw materials, including content determination, pesticide residue analysis, and heavy metals analysis.

Standardized Quality Control Process

We have adopted standardized quality control processes that combine traditional inspections of physical characteristics and appearances of decoction-ready medicines with modern biochemical and DNA testing. Notably, we have introduced innovations in the processing techniques for toxic decoction-ready medicines.

Quality Control and Assurance Measures

Leveraging our advanced testing center, we have implemented comprehensive quality inspection controls throughout the entire lifecycle of TCM product manufacturing, encompassing raw materials, semi-finished products, and finished products. All production and inspection activities are meticulously documented.

Supplier and Raw Material Quality Control

We believe quality control starts with our suppliers. We aim to procure raw TCM materials of the highest quality commercially available from the most reliable suppliers. By doing so, we believe we are able to control quality at the source and limit the risk of safety issues in later stages of our supply chain. Details of our supplier and raw material quality control measures are set out below:

- *Creating a qualified supplier database.* Our quality control team evaluates suppliers based on their credentials, ability to supply, and the quality of their products. We only buy from suppliers on a specific approved list. Each year, our quality control team reviews the performance of each supplier and records the results in the supplier database.

- *TCM raw materials traceability system.* We have partnered with Chengdu University of Traditional Chinese Medicine to implement an electronic labeling system equipped with traceability functions for decoction-ready products from their source. Our suppliers are mandated to input detailed information, including product types, places of origin, and harvest times, among other relevant data. This system enables us to trace raw material information for each batch of our final products. In the event of a product safety or quality incident, we can hold raw material providers accountable, supported by evidence documented within the system.

- *GAP-certified plantation bases.* As of December 31, 2023, 2024, and 2025, and April 30, 2026, we cooperated with 15, 24, 31 and 23 GAP-certified plantation bases, respectively. Specifically, in May and June 2023, we started to source certain raw materials from selected GAP-certified plantation bases in Sichuan. By leveraging these plantation bases, we can exert better control over product quality. As of the Latest Practicable Date, we had entered into agreements with three upstream plantation suppliers and have established, one for *Dwarf lilyturf* (麥冬), one for *Ligusticum chuanxiong* (川芎) and one for *Aconitum carmichaelii* (附片). These arrangements do not constitute joint ventures, partnerships, or any form of equity participation by us. Each of these suppliers is our independent third party and we did not make any capital contribution, or pay or incur any fees or payables to theses suppliers. Although we are responsible for formulating the quality control standards, we do not directly manage these plantation bases, as they are under control of the suppliers. This model essentially allows us to enjoy priority to procure from these plantation base, if these raw materials meet our standards.

  Under the terms of these agreements, the respective responsibilities are clearly delineated. We are primarily responsible for establishing quality control standards, conducting supervision and audit activities, and maintaining priority procurement rights for raw materials that meet our specifications. The suppliers retain full ownership and control of their plantation bases and are responsible for the construction, day-to-day management, and operational activities of these facilities, as well as ensuring quality assurance in accordance with the standards prescribed by us. We have not made, and is not required to make, any capital contribution in respect of the establishment or operation of these plantation bases. Furthermore, we do not pay or incur any fees to the upstream plantation suppliers under these arrangements, nor are there any fees payable by us. None of them have any past or present relationships (including business, employment, financing, family, trust, or otherwise) with the Company, its subsidiaries, their shareholders, directors, senior management, or any of their respective associates.

  Details of these plantation bases are summarized as follows:

  - Our *Dwarf Lilyturf* (麥冬) GAP base is located in Luxi Town (蘆溪鎮) and Lingxing Town (靈興鎮), Santai County (三臺縣), Mianyang City (綿陽市). The collaboration partner is Sichuan Daidaiweiben Agricultural Technology Co., Ltd. (四川代代為本農業科技有限公司), which was established on August 5, 2010 with a registered capital of RMB15.2 million. According to publicly available information, this company is engaged in the industrialized development of Sichuan-origin medicinal materials, including the planting, processing, trading, and sales of Dwarf Lilyturf. Under the collaboration arrangement, the Group is responsible for quality control, supervision, audit, and priority procurement, while the upstream company is responsible for the construction, management, and quality assurance of the plantation base. The Group has not made any capital contribution, pays no fees, and does not directly manage the plantation base. The arrangement is structured as a cooperation agreement and does not involve any joint venture or equity participation.

  - Our *Ligusticum Chuanxiong* (川芎) GAP base is located in Shiyang Town (石羊鎮), Dujiangyan City (都江堰市). The collaboration partner is Sichuan Xiuzhitang Pharmaceutical Co., Ltd. (四川修治堂藥業有限公司), which was established on August 24, 2020 with a registered capital of RMB100.0 million. Based on its corporate profile, the company engages in the full industrial chain development of Sichuan-origin medicinal materials, with a particular focus on standardized planting of Ligusticum Chuanxiong and other herbs, cultural tourism, wellness projects, and the processing of traditional Chinese medicinal decoction products. Pursuant to the collaboration arrangement, the Group undertakes quality control, supervision, audit, and priority procurement responsibilities, while the upstream

company undertakes the construction, management, and quality assurance of the plantation base. The Group has not made any capital contribution, pays no fees, and does not directly manage the plantation base. The arrangement is structured as a cooperation agreement and does not involve any joint venture or equity participation.

- Our *Aconitum Carmichaelii* (附片) GAP base is located in Taiping Town (太平鎮), Jiangyou City (江油市), Mianyang City (綿陽市). The collaboration partner is Sichuan Jiangyou Zhitai Fupian Manufacturing Co., Ltd. (四川江油致泰附片製造有限公司), which was established on February 14, 2019 with a registered capital of RMB30.0 million. According to publicly available information, this company operates an integrated industrial chain covering the planting, production, sales, and research of Aconitum Carmichaelii, with a focus on the deep processing of toxic TCM decoction-ready products. Pursuant to the collaboration arrangement, the Group is responsible for quality control, supervision, audit, and priority procurement, while the upstream company is responsible for construction, management, and quality assurance of the plantation base. The Group has not made any capital contribution, pays no fees, and does not directly manage the plantation base. The arrangement is structured as a cooperation agreement and does not involve any joint venture or equity participation.

These upstream plantation suppliers are our Independent Third Parties and none of them have any past or present relationships (including business, employment, financing, family, trust or otherwise) between the Company, its subsidiaries, their shareholders, directors, senior management, or any of their respective associates and each of these collaborating companies, their shareholders, directors or senior management or any of their respective associates. In 2023, 2024, 2025 and the four months ended April 30, 2025 and 2026, revenue generated from products using raw materials sourced from these plantation bases amounted to RMB26.1 million, RMB15.7 million, RMB7.2 million, RMB1.6 million and nil.

- *Stringent standards for TCM raw materials.* We formulate inspection standards based on Chinese Pharmacopoeia (《中國藥典》) while incorporating relevant industry standards and tailoring to our specific procurement needs for each type of supplies we procure, including physical inspection as well as testing for chemicals and foreign substances. Our quality control team checks samples of raw materials according to our standards before they are stored. After inspection, a report is created and filed. If the raw materials fail during the inspection, they are returned to the supplier.

Quality Control During the Production Process

- *Production instructions.* Based on our production plan, the production department issues detailed instructions for each batch of raw materials, outlining the preparation process and key quality indicators. We have developed a comprehensive set of manufacturing and quality control policies and procedures for TCM decoction-ready products. The quality control team reviews these instructions to ensure compliance before they are implemented.

- *Quality control during processing.* Each step of the processing follows established protocols. Production staff meticulously document the entire process, which is subsequently reviewed by production supervisors. Quality control staff oversee critical points and projects. Once all steps are completed, semi-finished products are stored in the designated inspection area.

- *Quality inspection of semi-finished products.* The quality control team conducts random inspections of each batch of semi-finished products in accordance with Chinese Pharmacopoeia standards. All results are thoroughly documented. Following the inspection, quality control staff complete a review form, and the quality control manager decides whether the products can be released.

- *Quality control in the packaging process.* Upon the release of semi-finished products, the production department issues packaging instructions based on the production plan, detailing the standards, packaging materials, and methods. They organize the packaging process and document the entire procedure. Quality control staff oversee critical points and projects throughout the packaging process.

- *Design and technology.* We believe that investing in TCM decoction-ready product manufacturing allows us to enhance quality control and reduce the risk of human error. For example, we are developing advanced planning and scheduling system, which we believe will allow us to achieve more consistency in handling the processing procedures.

Final Product Quality Control

- *Inspection of final products.* All finished batches are sampled for quality control testing according to finished product specifications after final packaging and become quarantined. Quarantined finished products are stored in designated quarantine area of the warehouse. Our quality control team tests physical characteristics and appearance and conduct several tests on the finished products against the quality standards. Our production team reviews and counterchecks the production batch records, packaging records and other related documents. The authorized person is responsible for the final approval of the release for sale. The approved finished products are affixed with released label.

Engineering Team and Training System

We have maintained a dedicated engineering team responsible for quality control throughout the entire manufacturing process. We categorize our engineers into two ranks based on several factors, including their work experience, performance, and work achievements:

- Engineers: Possess certain engineering technical capabilities and can solve general technical problems in the production process.

- Senior Engineers: Have strong engineering technical and management capabilities, and can solve key technical problems in the production process.

We have also developed an engineer training system to standardize our production and quality control management, which we believe is unique in our industry. This system is crucial to ensuring consistent quality as we scale our business. By implementing a structured training program for our engineering team, we are able to maintain high standards across all aspects of our production processes, from raw material sourcing to final product. This system not only enhances our operational efficiency but also ensures that our products meet stringent quality requirements as we expand.

Our comprehensive training system, coupled with a dedicated engineering team, complements our standardized quality control process. Our engineers have extensive experience in executing testing procedures, which is a critical component of our quality assurance efforts. This experience enables them to identify and address potential issues proactively, ensuring that our products consistently meet or exceed industry standards. The continuous development of our quality control and testing procedures further strengthens our ability to maintain high-quality production as we grow.

Moreover, our system is designed to be resilient and not dependent on any single key individual. This ensures that the necessary knowledge and skills can be effectively transferred through our training programs. By fostering a culture of continuous learning and development, we ensure that our engineering team is well-equipped to uphold our quality standards. This approach mitigates the risks associated with personnel changes and enables us to maintain a consistent level of quality across all operations, thereby reinforcing our commitment to excellence as we scale our business.

PROCUREMENT AND SUPPLIERS

Our raw material procurement is primarily determined by our production schedule. Our production and sales departments meet regularly to determine the planned production and sales volume. Based on this information, the procurement department formulates a procurement and inventory plan and places orders with suppliers for those raw materials whose inventory levels are expected to fall below our target levels.

We manage the inventory levels of our raw materials by monitoring our production activities and incoming sales orders, while also taking into consideration changing customer preferences. This approach ensures that our procurement processes are aligned with actual production needs and market demands, thereby optimizing our inventory management and minimizing the risk of stockouts or excess inventory.

Raw Materials

High quality TCM products start with good raw materials. We use over 700 types of raw TCM materials in the manufacture of our TCM products. For the years ended December 31, 2023, 2024 and 2025, and for the four months ended April 30, 2025 and 2026, our total procurement costs of TCM raw materials were approximately RMB881.3 million, RMB974.2 million, RMB996.2 million, RMB283.8 million and RMB308.3 million, respectively, representing approximately 76.9%, 78.0%, 74.6%, 74.1% and 71.3% of our total revenue, respectively. We procured substantially all raw materials from China.

The prices and availability of raw TCM materials may vary from year to year based on factors such as customer demand, weather changes, and total harvest. To minimize our exposure to the price fluctuations of raw Chinese herbs and ensure their stable supply, we have adopted the following measures:

- ***Procurement from large-scale suppliers.*** To ensure the general quality of the herbs, we purchase raw TCM materials primarily from large-scale TCM suppliers in the PRC. By securing high-volume procurement contracts, we believe that we could establish substantial negotiating leverage that helps mitigate significant cost fluctuations.

- ***Supply arrangements with upstream plantation suppliers.*** Some of our raw materials are sourced from GAP-certified plantation bases, and we use automated production lines and supply chain traceability systems to support consistent production at scale. Our laboratory is accredited by CNAS, and its accreditation is recognized in the United States and certain major European countries, which helps us work toward compliance with applicable regulatory standards in the markets we serve. We believe this infrastructure has contributed to our revenue growth and may serve as a useful reference for the modernization of our industry. As of December 31, 2023, 2024 and 2025, and April 30, 2026, we engaged 12, 20, 24 and 20 GAP-certified suppliers, respectively. Among these suppliers, there were 15, 24, 31 and 23 GAP-certified plantation bases, with a total area of approximately 17.9 square kilometers, 29.7 square kilometers, 31.0 square kilometers and 29.7 square kilometers as of December 31, 2023, 2024, and 2025, and April 30, 2026, respectively. In 2023, 2024, 2025 and the four months ended April 30, 2025 and 2026, our purchases from GAP-certified plantation bases amounted to RMB79.6 million, RMB57.1 million, RMB63.2 million, RMB19.7 million and RMB19.8 million, representing 8.4%, 5.6%, 6.1%, 6.8% and 5.9% of our total procurement amount, respectively.

- ***Strategic inventory***. We build up a strategic inventory of raw TCM materials on a need basis, and particularly if we anticipate price increases based on our industry knowledge. Our inventory enables us to de-risk from price fluctuations and gives us more flexibility in negotiating with customers.

Major Suppliers

We source raw TCM materials for our production from various third-party suppliers in the PRC. As of December 31, 2023, 2024, 2025 and the four months ended April 30, 2026, we had a total of 316, 452, 463 and 344 suppliers of raw TCM materials for our production, respectively. We select suppliers based on the quality, production bases, and prices of their raw Chinese herbs, as well as their relevant experience and reputation in the TCM industry. Due to the nature of TCM raw materials, our suppliers also include certain individual suppliers or cooperative suppliers (个体户及合作社）. The total procurement from individual suppliers and cooperative suppliers during the Track Record Period amounted to less than 5% of our total procurement.

In selecting our suppliers, our quality control department conducts sample tests on raw materials from suppliers to ensure that their products meet our stringent quality standards. We also require our suppliers to provide us with documents showing that they have obtained the required licenses and permits for their businesses, possess relevant operational experience, and have achieved certain levels of operation scale.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant delays or constraints in production due to any supply disruption of raw materials. To secure a stable supply of raw materials and reduce our risk of supply disruption, we have strategically selected our raw material suppliers and sourced our raw materials from a diversified mix of suppliers in different geographic regions in the PRC. We have established stable business relationships with our raw materials suppliers. During the Track Record Period, we did not have any material disputes with our suppliers.

In each year during the Track Record Period, purchases from our five largest suppliers accounted in aggregate for approximately 36.0%, 23.3%, 20.6% and 28.7% of our total purchases in 2023, 2024, 2025 and the four months ended April 30, 2026. In each year during the Track Record Period, our single largest supplier accounted for approximately 11.9%, 7.2%, 6.1% and 10.1% of our total purchases in 2023, 2024, 2025 and the four months ended April 30, 2026. We have maintained relationships of between one to ten years with our five largest suppliers. We pay for our purchases of raw materials in cash or on credit, and our suppliers generally give us a credit period of four months.

Below are the tables specifying the breakdown of our top five suppliers for each year during the Track Record Period, with background information including principal business, and length of relationship with us:

Supplier	Background	Product Purchased	Registered Capital	Revenue Scale***	Commencement of Business Relationship	Amount of Purchases	% of Total Purchase
			(RMB in million)	*(RMB in million)*		*(RMB in thousand)*	
For the year ended December 31, 2023							
Customer D*	A state-owned pharmaceutical and healthcare group in China headquartered in Shanghai with global operations, whose shares are listed on the Stock Exchange	TCM raw materials, including *Myrrh* (没藥), *Ziziphi spinosae semen* (酸棗仁) and *Cicada slough* (蟬蜕)	3,120.7	> 940	2019	116,965	11.9%

Supplier	Background	Product Purchased	Registered Capital	Revenue Scale***	Commencement of Business Relationship	Amount of Purchases	% of Total Purchase
			(RMB in million)	*(RMB in million)*		*(RMB in thousand)*	
Supplier A**	A private TCM manufacturing and sales company in Guangdong Province	TCM raw materials, including *Scutellaria baicalensis* (黄芩), *Schisandra chinensis fruit* (五味子) and *Buthus martensii* (全蝎)	10.0	≈ 440	2021	72,789	7.4%
Supplier B*	A state-owned conglomerate headquartered in Shanghai with business across healthcare, real estate, and consumer goods, whose shares are listed on the Stock Exchange	TCM raw materials, including *Angelica sinensis* (當歸), *Codonopsis* (黨參) and *Pinellia ternata* (半夏)	1,859.0	> 1,380	2022	62,548	6.3%
Supplier C	A private pharmaceutical company in Sichuan Province	TCM raw materials, including *Fritillaria cirrhosa* (川貝母), *Rhizoma et radix notopterygii* (羌活) and *Nardostachys jatamansi* (甘松)	30.0	> 70	2019	58,513	5.9%
Supplier D*	A private digital healthcare platform in China headquartered in Zhejiang Province	TCM raw materials, including *Dwarf lilyturf* (麥冬), *Fritillaria cirrhosa* (川貝母) and *Hedyotis diffusa* or *Oldenlandia diffusa* (白花蛇舌草)	10.0	> 150	2023	43,948	4.5%
Total						**354,763**	**36.0%**
For the year ended December 31, 2024							
Supplier A**	A private TCM manufacturing and sales company in Guangdong Province	TCM raw material, including *Rehmannia* (地黃), *Saposhnikovia divaricata* (防風) and *Nelumbo nucifera seeds* (蓮子)	10.0	≈ 440	2021	79,388	7.2%
Customer D*	A state-owned pharmaceutical and healthcare group in China headquartered in Shanghai with global operations, whose shares are listed on the Stock Exchange	TCM raw material, including *Platycladus orientalis seeds* (柏子仁), *Aconite* (草烏) and *Centipede* (蜈蚣)	3,120.7	> 940	2019	60,262	5.5%

Supplier	Background	Product Purchased	Registered Capital	Revenue Scale***	Commencement of Business Relationship	Amount of Purchases	% of Total Purchase
			(RMB in million)	*(RMB in million)*		*(RMB in thousand)*	
Supplier E*	A traditional medicine group headquartered in Japan, whose shares are listed on the Tokyo Stock Exchange	TCM raw material, including *Licorice* (甘草), *Polygala* (遠志) and *Nelumbo nucifera seeds* (蓮子)	387.0	> 1,650	2016	53,595	4.9%
Supplier F	A private TCM materials manufacturer and distributor in Anhui Province	TCM raw material, including *Fritillaria cirrhosa* (川貝母)	5.0	> 300	2020	33,762	3.1%
Supplier G	A private TCM materials manufacturer and distributor in Sichuan Province	TCM raw material, including *Dwarf lilyturf* (麥冬), *Ziziphi spinosae semen* (酸棗仁) and *Coptis root* (黃連)	20.0	≈ 81	2024	29,236	2.7%
Total						**256,243**	**23.3%**
For the year ended December 31, 2025							
Supplier H	A medicine distributor in Hubei Province	TCM raw material	600.0	≈ 10	2025	67,778	6.1%
Supplier A	A TCM manufacturing and sales company in Guangdong Province	TCM raw material	10.0	≈ 440	2021	66,369	5.9%
Supplier E	A traditional medicine group headquartered in Japan, whose shares are listed on the Tokyo Stock Exchange	TCM raw material	387.0	> 1,650	2016	36,864	3.3%
Supplier I	A listed pharmaceutical, medical device and healthcare product group company in China	TCM raw material	5,042.5	≈ 1,518	2016	32,734	2.9%
Supplier J	A TCM materials manufacturer and distributor in Shanxi Province	TCM raw material	5.9	≈ 71	2024	26,696	2.4%
						230,441	**20.6%**
For the four months ended April 30, 2026							
Supplier H	A medicine distributor in Hubei Province	TCM raw material	600.0	≈ 10	2025	35,429	10.1%
Supplier I	A listed pharmaceutical, medical device and healthcare product group company in China	TCM raw material	5,042.5	≈ 1,518	2016	18,577	5.3%

Supplier	Background	Product Purchased	Registered Capital	Revenue Scale***	Commencement of Business Relationship	Amount of Purchases	% of Total Purchase
			(RMB in million)	*(RMB in million)*		*(RMB in thousand)*	
Supplier E. . .	A traditional medicine group headquartered in Japan, whose shares are listed on the Tokyo Stock Exchange	TCM raw material	387.0	> 1,650	2016	17,779	5.1%
Supplier G . .	A private TCM materials manufacturer and distributor in Sichuan Province	TCM raw material, including *Dwarf lilyturf* (麥冬), *Ziziphi spinosae semen* (酸棗仁) and *Coptis root* (黃連)	20.0	≈ 81	2024	14,345	4.1%
Supplier K . .	A TCM materials manufacturer and distributor in Shanxi Province	TCM raw material	400.0	≈ 50	2024	13,886	4.0%
Total						**100,016**	**28.7%**

* Calculated on a consolidated basis

** As of the Latest Practicable Date, Supplier A was a wholly-owned subsidiary within the group of Customer A.

*** Revenue scale in 2024 based on the available information provided by the suppliers

To the best knowledge of our Directors, none of our Directors or their associates or any person who owned 5% or more of our issued share capital as at the Latest Practicable Date had any interest in any of our five largest suppliers during the Track Record Period, and all our suppliers during the Track Record Period were Independent Third Parties.

Overlapping of Customers and Suppliers

Customer D

Customer D, a pharmaceutical and healthcare group in China with global operations, was also one of our top five suppliers in 2023 and 2024 and our suppliers in 2025 and the four months ended April 30, 2026. Customer D is a state-owned pharmaceutical company with numerous subsidiaries located in different provinces and regions in China.

We provided Customer D with TCM decoction-ready products, as they are one of the major medical trading companies in China. The major products we sold to Customer D during the Track Record Period include stir-fried *Ziziphus jujube seed* (炒酸棗仁), *Ophiopogon root* (麥冬), *North Bupleurum* (北柴胡), *Moutan Cortex* (牡丹皮), and *Ginseng slice* (人參片). In 2023, 2024, 2025 and the four months ended April 30, 2026, our revenue generated from Customer D amounted to RMB52.4 million, RMB80.3 million, RMB68.5 million and RMB20.9 million, accounting for 4.6%, 6.4%, 5.1% and 4.8% of our total revenue, respectively. In addition, Customer D also cultivates medicinal herbs as part of their business operations, and we purchased TCM raw materials from Customer D. The major raw materials we procured from Customer D during the Track Record Period include *Paeonia suffruticosa* (牡丹皮), *Epimedium brevicornu* (淫羊藿), *Bupleurum* (柴胡), *Scutellaria baicalensis* (黃芩), *Acorus tatarinowii* (石菖蒲). For details, please see "— Major

Suppliers." In 2023, 2024, 2025 and the four months ended April 30, 2026, our purchases from Customer D amounted to RMB117.0 million, RMB60.3 million, RMB20.2 million and RMB2.6 million, accounting for 11.9%, 5.5%, 1.8% and 0.7% of our total purchases, respectively.

We use the gross method for the accounting treatment with respect to transactions with Customer D and sales and purchases with Customer D are accounted as independent transactions, considering the following factors.

- Although on a consolidated basis, Customer D acted as our overlapping supplier and customer, we are transacting with different subsidiaries of Customer D and the sales and purchase transactions were not interrelated and were not negotiated at the same time.

- For procurement of raw materials from Customer D, we conduct such procurement in accordance with our established procurement policies. All procured raw materials that meet our quality standards are recorded in inventory based on raw material categories rather than by supplier designation.

- In our production process, we draw raw materials directly from the relevant raw material category pools to manufacture the corresponding TCM decoction-ready products. Finished products are subsequently sold based on product categories. Therefore, our internal systems do not establish any direct correlation between purchases from Customer D and sales to Customer D, as these transactions are managed independently through our standard inventory and production processes.

Customer A

Customer A, a retail pharmacy chain in China listed on the Shanghai Stock Exchange, was one of our top five suppliers in 2023, 2024 and 2025. We sold TCM decoction-ready products to Customer A during the Track Record Period, mainly including Dwarf Lilyturf (麥冬), *Polygonatum odoratum* (玉竹), *Fritillaria cirrhosa* (川貝母), *Coptis root* (黃連) and *Nelumbo nucifera* (白蓮米). Our revenue generated from Customer A amounted to approximately RMB108.5 million, RMB107.9 million, RMB71.1 million and RMB28.2 million in 2023, 2024, 2025 and the four months ended April 30, 2026, respectively, representing 9.5%, 8.6%, 5.3% and 6.5% of our total revenue for the corresponding periods. Supplier A was a wholly-owned subsidiary within the group of Customer A. During the Track Record Period, we mainly procured raw materials for the production of *Polygonatum odoratum* (玉竹), *Fritillaria cirrhosa* (川貝母), *Paeonia lactiflora* (白芍), *Nelumbo nucifera seeds* (蓮子), *Whitmania pigra* (水蛭) and *Buthus martensii* (全蠍), from Supplier A. Our purchases from Supplier A amounted to approximately RMB72.8 million, RMB79.4 million, RMB66.4 million and RMB9.4 million in 2023, 2024, 2025 and the four months ended April 30, 2026, respectively, accounting for 7.4%, 7.2%, 5.9% and 2.7% of our total procurement, respectively.

Customer A is a leading pharmaceutical retail chain enterprise in China, with its retail business accounting for over 85% of its revenue in recent years. Its chain pharmacies span major regions across China, requiring high standards for quality, stability, and timeliness in the delivery of traditional Chinese TCM decoction-ready products. Therefore, we sold our TCM decoction-ready products to Customer A, with an aim to capture a larger market share utilizing their pharmaceutical retail network.

Supplier A is a wholly owned subsidiary of Customer A, which primarily engages in the supply of TCM raw materials originated from Guangdong provinces. Based on public disclosure of Customer A, Supplier A is not a principal subsidiary of Customer A and its business is not related to the core business of Customer A. We procure raw medicinal materials including lotus seeds, saposhnikovia root, and polygonatum from Supplier A based on our routine procurement requirements and following independent price inquiries. These materials are stored together with similar medicinal materials procured from other suppliers and are subsequently processed into TCM decoction-ready products

through our standard production processes. There is no direct correlation between the raw materials procured from Supplier A and the TCM decoction-ready products sold to Customer A, nor do our sales contracts specify the source of medicinal materials used in our products.

Considering the above, we apply the gross method to account for both procurement and sales transactions with Customer A and Supplier A.

Save as disclosed above, none of our five largest suppliers in each year was also our top five customer in the same year. Our Directors confirmed that all of our sales to Customer D and purchases from Customer D, and all of our sales to Customer A and purchases from Supplier A were conducted in the ordinary course of business under normal commercial terms and on arm's length basis.

RESEARCH AND DEVELOPMENT

Research and Development Investment and R&D Team

In 2023, 2024, 2025 and the four months ended April 30, 2025 and 2026, our total investment in research and development activities was RMB11.5 million, RMB17.1 million, RMB8.0 million, RMB1.9 million and RMB3.8 million, respectively. We have a professional and experienced research and development team. As of April 30, 2026, we had 21 research and development professionals, with specialties covering TCM, pharmaceutics, biology and other fields, equipped with extensive R&D experience. In addition to our specialized R&D team, our manufacturing personnel also participate in our R&D activities. Our R&D team also works closely with the sales team, which provides first-hand feedback from customers that guides follow-on R&D activities.

Collaboration with Third Parties in Research and Development

In addition to our in-house R&D team, we also cooperate with academic and governmental research institutions on several projects. We are actively collaborating with leading research institutes in China to participate in national and provincial-level government-funded research projects, facilitating technological advancements in the production of TCM decoction-ready products. Our collaborations with institutions like the Jiangxi University of Chinese Medicine (江西中醫藥大學) drive initiatives such as the National Key R&D Program for TCM Modernization. We are also collaborating with leading scientists in this field, including researchers at the Shanghai University of Traditional Chinese Medicine and lead professor at the Chengdu University of Traditional Chinese Medicine, enabling us to accumulate extensive experience in the production and quality control of TCM raw materials and TCM decoction-ready products and thereby promote the high quality development of TCM products. The key terms of our R&D collaboration agreements with academic and governmental research institutions are summarized as below.

- ***R&D initiatives***. We usually collaborated with academic and governmental research institutions in research and development of quality standards, processing methods and production process.

- ***Responsibilities***. We are generally responsible for designing R&D plans, supplying research samples, providing financial support and overseeing the R&D projects. The collaborative partners are generally responsible for executing the R&D activities pursuant to R&D plans and reporting R&D results.

- ***Term***. Based on R&D plan and project timeline, the collaboration agreements usually have a term ranging from one to five years.

- ***Intellectual property***. All intellectual properties arising from the R&D project that are developed independently belong to the party who develops such properties. Intellectual properties jointly developed are co-owned by both parties. Any application or transfer of co-owned intellectual property requires mutual consent of both parties.

Notably, we were highly involved in the R&D of the DNA Barcoding System for Species Identification of Chinese Medicinal Herbs, which received the second prize of the State Scientific and Technological Progress Award (國家科技進步獎) in 2016. We believe that this system could enable the application of DNA barcode biological identification technology to the raw material identification of various decoction-ready products. DNA barcoding is a molecular technique that uses short, standardized genetic sequences to identify species accurately. The DNA Barcoding System for Species Identification of Chinese Medicinal Herbs creates a standardized genetic authentication system for Chinese Medicinal Herbs. For example, certain traditional Chinese medicinal materials, such as Fritillaria cirrhosa (川貝母) and Fritillaria thunbergii (浙貝母), are highly similar in appearance and are difficult to differentiate through conventional visual inspection. In practice, such materials are often misidentified or even deliberately substituted, as Fritillaria cirrhosa (川貝母) generally commands a higher market price. The application of DNA barcoding technology enables accurate species identification at the molecular level, thereby reducing the risk of misidentification. In addition, by ensuring the accuracy of raw material procurement and the rapid identification of decoction-ready products, it helps the users attain better control of product quality, and avoid potential economic losses caused by raw material defects. We believe that this identification system could also be utilized in GAP-certified plantation bases, to the accurate identification of seeds and seedlings as species listed in national drug standards. We also participated in the research and development of key technologies for the inheritance and innovation of traditional processing methods, which was awarded the first prize of the Scientific and Technological Progress Award by the Ministry of Education (教育部科學技術進步獎一等獎).

New Product Development

We are developing three TCM wellness products to be validated through production. For example, we are developing several TCM wellness products, which are scheduled to launch in 2025 and 2026. Leveraging these new product launches, we plan to gradually expand to the TCM retail markets through our recently-established online platforms.

Our TCM Processing Technology Development

We have consistently invested in the research and development of modern TCM processing technologies, establishing ourselves as a leader in the modernization and standardization of traditional TCM processing techniques within the industry. For our highlights and achievements in the TCM processing techniques, see "— Production — Our Processing Technologies."

INVENTORY MANAGEMENT

We implement stringent inventory control measures to ensure the high quality of our products and to reduce the risks associated with the deterioration of raw materials and finished products. Our inventories primarily consist of raw materials, packaging materials, and finished products. All of our warehouses maintain well-ventilated and dry storage conditions with controlled temperature and humidity to avoid the risk of deterioration. We implement a first-in-first-out policy to manage the preservation condition of our raw materials and finished products.

Our raw materials and packaging materials procurement is based on anticipated needs for finished products provided by our sales team on a rolling basis. We set various safety inventory levels for products based on their features and generate alerts when inventory turnover reaches the threshold. We also establish detailed rules and guidelines for storage conditions, including humidity, temperature, light conditions, and maximum turnover time for different types of raw materials, packaging materials, and finished products. We destroy returned or unsalable products upon receipt.

Our inventory turnover is maintained at a reasonable level as a result of such precise management of inventory. Our inventories are generally stored in our warehouse at our Chengdu facility.

LOGISTICS

During the Track Record Period and as of the Latest Practicable Date, the majority of our product transportation was provided by independent third-party logistics service providers. To a lesser extent, we also deliver our TCM products directly to customers in Chengdu. As of the Latest Practicable Date, we engaged four logistics service providers. We typically enter into service agreements with logistics service providers that have competent qualifications, service ability, and competitive pricing. We monitor logistics quality through various measures, including vehicle inspection, routine tracing, return visiting, and retrospective discussion. We assess our logistics service providers based on the frequency of timely delivery, transportation capability, overall service quality, and other dimensions. Pursuant to our current service agreements, we are entitled to terminate the agreements with prior notice if the logistics service providers fail to satisfy our service standards and requirements.

COMPETITION

According to Frost & Sullivan, the TCM decoction-ready product industry in China is fragmented. In terms of sales revenue in 2025, the five largest TCM decoction-ready product manufacturers in China represented 2.7% of total market share. We were the second largest toxic TCM decoction-ready product manufacturer in terms of sales revenue of 2025, representing 1.3% of total market share for toxic TCM decoction-ready products. We believe our brand power, sales network management ability and production and quality control ability enable us to compete effectively against our competitors. See "Industry Overview."

We believe that we are well-positioned to excel in the competition within our industry. However, some of our current and potential competitors may have greater resources of capital, technology, brand, sales channel, and marketing than we do, and may be able to sell TCM decoction-ready products that are more popular than us. See "Risk Factors — Risks Relating to Our Business — The traditional Chinese medicine industry is highly fragmented and competitive." We operate in a highly competitive industry. Failure to compete effectively could adversely affect our market share, growth and profitability.

AWARDS AND RECOGNITIONS

During the Track Record Period and up to the Latest Practicable Date, we had received widespread recognition from government authorities and industry associations. The following table sets forth the major awards and certifications we have received.

No.	Year	Award	Awarding authority
1. . .	**2022**	First Prize for Scientific and Technological Progress — Outstanding Scientific Research Achievement Award of Higher Education Institutions — "Research and Application of Key Technologies in Traditional Processing Method Inheritance and Innovation" (No. 2022-395-D06)	Ministry of Education of the People's Republic of China

No.	Year	Award	Awarding authority
2. . .	**2022**	Second Prize for Scientific and Technological Progress — Outstanding Scientific Research Achievement Award of Higher Education Institutions — "Quality Control and Industrialization Key Technology Application for Authentic TCM Materials from Sichuan" (No. 2022-561-D06)	Ministry of Education of the People's Republic of China
3. . .	**2022**	Third Prize for Scientific and Technological Progress of Sichuan Province — "Integrated Full Industry Chain Key Technologies and Promotion Application for Five Authentic TCM Materials from Sichuan" (No. 2022-J-3-88-D02)	People's Government of Sichuan Province
4. . .	**2022**	Sichuan Province Industrial Quality Benchmark	Sichuan Enterprise Federation
5. . .	**2022**	2022 TCM Decoction-Ready Product Brand Enterprise	China Association of Traditional Chinese Medicine
6. . .	**2023**	National Leading Enterprise in Agricultural Industrialization	Ministry of Agriculture and Rural Affairs, National Development and Reform Commission, Ministry of Commerce, People's Bank of China, China Securities Regulatory Commission, All China Federation of Supply and Marketing Cooperatives
7. . .	**2023**	Provincial Leading Enterprise in Agricultural Industrialization	Sichuan Provincial Rural Work Leading Group of CPC
8. . .	**2023**	2023 TCM Decoction-Ready Product Brand Enterprise	China Association of Traditional Chinese Medicine
9. . .	**2024**	Chengdu Industrial Excellence Product — *Fritillaria cirrhosa* (川貝母)	Chengdu Bureau of Economy and Information Technology, Chengdu New Economy Development Committee
10. .	**2024**	Chengdu Industrial Excellence Product — *Pinellia ternata* (半夏) (including raw, processed, and ginger-processed)	Chengdu Famous and Quality Products Support Leading Group Office, Chengdu Bureau of Economy and Information Technology, Chengdu New Economy Development Committee
11. .	**2024**	2024 TCM Decoction-Ready Product Brand Enterprise	China Association of Traditional Chinese Medicine
12. .	**2025**	TCM Decoction-Ready Product Brand Enterprise (Ranked First)	China Association of Traditional Chinese Medicine
13. .	**2025**	TCM Decoction-Ready Product Brand Product (Pinellia ternata (半夏))	China Association of Traditional Chinese Medicine

No.	Year	Award	Awarding authority
14.	**2026**	National Science and Technology Progress Award (Second Class) (國家科學技術進步獎二等獎)	the Communist Party of China Central Committee (中國共產黨中央委員會) and the State Council of the People's Republic of China (中華人民共和國國務院)

EMPLOYEES

As of April 30, 2026, substantially all of our employees were based in China. The table below sets forth the number of our employees by function as of April 30, 2026:

Function	Number of employees
Manufacturing	418
Sales and marketing	186
Administrative	102
Research and development	21
Total	**727**

We are committed to establishing a competitive and fair remuneration and benefits system. In order to effectively motivate our employees through remuneration incentives and ensure that our employees receive market-competitive remuneration packages, we continually refine our remuneration and incentive policies.

We provide our employees with a basic pension scheme, basic medical insurance, workplace injury insurance, unemployment insurance, maternity insurance and housing provident funds in accordance with relevant Chinese laws and regulations. We pay great attention to our employees' welfare, and continually improve our welfare system. We provide regular and specialized training tailored to the needs of our employees in different departments. We have maintained a good relationship with our employees. During the Track Record Period and as of the Latest Practicable Date, we did not have any strikes, protests or other material labor disputes that may impair our business and image.

Social Insurance and Housing Provident Funds

Background

During the Track Record Period, we did not make full contribution to social insurance and housing provident funds for our employees in accordance with the relevant PRC laws and regulations ("**Contribution Shortfall**"). We did not make full social insurance and housing provident fund contributions for our employees primarily because the lack of experience of our human resources personnel who did not fully understand the relevant requirements of the relevant PRC laws and regulations. The unpaid amount for social insurance contributions amounted to approximately RMB6.4 million, RMB5.3 million, RMB5.4 million and RMB0.9 million in 2023, 2024, 2025 and the four months ended April 30, 2026, respectively. The unpaid amount for housing provident fund contributions amounted to approximately RMB1.8 million, RMB1.6 million, RMB1.6 million and RMB0.3 million in 2023, 2024, 2025 and the four months ended April 30, 2026, respectively.

As advised by our PRC Legal Advisors, pursuant to relevant Law, (i) the under-contribution of social insurance within a prescribed year may be subject to an overdue charge of 0.05% of the delayed payment amount per day and the competent authority may further impose a fine of one to three times of the overdue amount if such payment is not made within the stipulated year; and (ii) in respect of outstanding housing provident fund contributions, we may be ordered to pay the outstanding housing provident fund contributions within a prescribed year. An application may be made to a people's court for compulsory enforcement if the payment of the outstanding housing provident fund contributions is not made after the expiration of the time limit.

As of the Latest Practicable Date, we were not aware of any complaint filed by our employees regarding our social insurance and housing provident fund contribution. Our Directors are of the view that such non-compliance would not have a material and adverse effect on our business and results of operation, considering that, during the Track Record Period and as of the Latest Practicable Date, (i) we had not received any notification from relevant PRC authorities requiring us to pay shortfall or penalties with respect to social insurance and housing provident funds; (ii) we had not been subject to any administrative penalties with respect to social insurance and housing provident funds; (iii) we were not aware of any employee complaints nor were involved in any labor disputes with our employees with respect to social insurance and housing provident funds, and we are able to promptly and properly address the complaints and/or carry out rectifications as required by the relevant PRC regulatory authorities in the event of employee complaints; (iv) no competent government authorities imposed action, fine or penalty to us with respect to this non-compliance incident or required us to settle the outstanding amount of social insurance payments and housing provident fund contributions; and (v) if the relevant authorities order us to fully contribute the social insurance and/or housing provident funds, we would make full contribution and take rectification measures as soon as possible within the specified year. We have consulted the relevant competent regulatory authorities, and such authorities confirmed that they generally would not initiate actions to impose any penalties on us or compel us to make supplementary contributions in the absence of complaints with respect to social insurance and housing provident fund. Pursuant to the Notice of the General Office of the State Council on Issuing the Comprehensive Plan for Reducing Social Insurance Contribution Rates (《國務院辦公廳關於印發降低社會保險費率綜合方案的通知》), effective from 1 May 2019, the human resources and social security, tax, finance and medical insurance authorities are required to properly handle issues relating to enterprises' historical underpayment of social insurance contributions, and, in the process of reforming the contribution collection regime, are not expected to initiate centralized collection of historical outstanding contributions of enterprises. Based on the current regulatory policies, the current enforcement practices and the foregoing as stated above, our PRC Legal Advisors are of the view that, if there are no reports or complaints filed against us, the likelihood that we would be required by relevant competent authorities to initiate centralized collection or make up the shortfall of social insurance and housing provident fund contributions and be subject to material administrative penalties due to our failure to provide full social insurance and housing provident fund contributions is very low. Considering the above, we did not make any provisions with respect to the unpaid amount for social insurance and housing provident contributions.

Internal Control and Remedial Measures

We have taken the following rectification measures to prevent future occurrences of such non-compliances:

- *Training*. Strengthen legal compliance training to our employees responsible for compliance matters, finance and human resources;

- *Policy.* Formulate an internal control policy with respect to social insurance and housing provident fund contribution in compliance with relevant PRC laws and regulations, which we have started to implement;

- *Review and record-keeping.* Designate our human resources staff to review and monitor the payment status on a monthly basis;

- *Increasing awareness of development in law.* Regularly keep abreast of latest developments in PRC laws and regulations in relation to social insurance and housing provident funds; and

- *External consultation.* Consult external PRC legal counsel for advice on relevant PRC laws and regulations.

As of the Latest Practicable Date, we had started to adopt these enhanced measures. In particular, we undertake to make timely payments for the deficient amount and overdue charges, as soon as requested by the competent government authorities.

INTELLECTUAL PROPERTY

Intellectual property rights are fundamental to our business and we devote significant time and resources to their development and protection. We currently hold a collection of intellectual property rights relating to certain aspects of our business operation. Such intellectual property consists primarily of trademarks, patents and copyrights. As of the Latest Practicable Date, we had registered 59 trademarks, 12 patents, three copyrights, five domain names and one software copyrights in China.

We protect our intellectual property rights, including trademarks, patents, copyrights, and domain names, strictly in accordance with relevant laws and regulations. We have established an intellectual property management system, which we regularly improve and update in line with business development. As our brand name is well recognized among consumers in China, we believe that protecting and enforcing our intellectual property rights is crucial to our business operations, branding, and reputation. We seek to maintain the registration of intellectual property rights that are material to our business under appropriate categories and in appropriate jurisdictions. In addition, proprietary know-how that is not patentable and processes for which patents are difficult to enforce are also important to us. We have established a comprehensive confidentiality system for our TCM processing procedures. We rely on business confidentiality agreements to safeguard our interests in this respect. We have entered into confidentiality agreements, or employment agreements with confidentiality terms, with our employees, requiring them to strictly comply with our confidentiality requirements.

As of the Latest Practicable Date, we were not aware of any material infringement (i) by us of any intellectual property rights owned by third parties, or (ii) by any third parties of any intellectual property rights owned by us. For details, see "Appendix VI — Statutory and General Information."

PROPERTIES

Our headquarters office is located in Chengdu, Sichuan province, the PRC. We own and lease properties in China. As of the Latest Practicable Date, none of the properties held or leased by us had a carrying amount of 15% or more of our consolidated total assets. According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempt from the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

Owned Properties

As of the Latest Practicable Date, we owned land use rights for two parcels of land in China with a total site area of approximately 58,082.1 sq.m. These parcels are primarily used for production, storage, and office purposes. We have obtained the land use right certificates for all the land we own. Additionally, we own eight buildings with a total aggregate gross floor area of approximately 28,366.3 sq.m. in China. We have obtained building ownership certificates for all of our owned buildings.

Leased Properties

As of the Latest Practicable Date, we had eight leased properties with a total aggregate gross floor area of approximately 39,607.24 sq.m. These buildings are primarily used for storage purposes. We have obtained valid title certificates or documents proving legal rights from the landlords for buildings for seven of our lease properties. For the remaining one leased property, the landlords have not provided us with the relevant title certificate. The reasons for the landlords' failure to provide these title certificates are beyond our control. To minimize any potential negative impact of these title defects on our operations, we maintain regular and active communications with the landlords regarding the rectification of the title defects.

In addition, as of the Latest Practicable Date, seven of our leased properties had not been registered with the relevant local authorities primarily due to the difficulty of procuring the relevant landlords' cooperation to register such leases. As advised by our PRC Legal Advisors, failure to register such lease agreements with the relevant PRC government authorities does not affect the validity and enforceability of the relevant lease agreements. However, the relevant PRC government authorities may order us or the lessors to, within a prescribed time limit, register the lease agreements, and may impose a fine ranging from RMB1,000 to RMB10,000 for each unregistered lease agreement. For the relevant risks, please refer to "Risk Factors — Risks Relating to Our Business — Our leased properties may be subject to non-compliances or challenges that could potentially affect our future use of them."

As of the Latest Practicable Date, we had not been subject to any administrative penalties by the relevant authorities for title defects of our lease properties or failure to register our lease agreements. The potential penalties account for a minimal portion of our total revenue during the Track Record Period.

INSURANCE

In line with general market practice, we do not maintain any business interruption insurance, product liability insurance or environmental liability protection insurance, which are not mandatory under Chinese laws or relevant foreign laws. We do not maintain life insurance for key personnel or insurance policies covering damages to our network infrastructures or information technology systems. We maintain insurance to cover properties and assets, as well as medical expenses for production accidents. We believe that our existing insurance coverage is consistent with industry practice in China and sufficient for our present operations. See "Risk Factors — Risks Relating to Our Business — We have limited insurance coverage, and any claims beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources." As of the Latest Practicable Date, we did not have any material outstanding insurance claims in relation to our business.

SOCIAL RESPONSIBILITY, HEALTH, SAFETY, AND ENVIRONMENTAL MATTERS

We believe our continued growth rests on integrating social values into our business. Since the inception of our operations, we have established various environmental, social and governance initiatives to comprehensively improve our corporate governance and benefit society. To ensure our compliance with applicable environmental protection and health and safety laws and regulations, we have implemented a robust ESG governance framework overseen by our Board of Directors. We maintain comprehensive policies and procedures that are regularly reviewed and updated to align with evolving regulatory requirements and industry best practices. Our dedicated ESG committee regularly monitors performance metrics, evaluates potential risks, and develops strategic initiatives to minimize our environmental footprint while maximizing positive social impact across our operations and supply chain.

Compliance with Regulations

We are subject to various PRC laws and regulations in respect of health and occupational safety. We are committed to complying with PRC regulatory requirements, preventing and reducing hazards and risks associated with our operation, and ensuring the health and safety of our employees and surrounding communities. We have adopted and maintained a series of rules, standard operating procedures and measures to maintain a healthy and safe environment for our employees, including those required under the GMP certification.

We strive to provide a safe working environment for our employees. We have implemented work safety guidelines setting out safety practices, accident prevention and accident reporting. Our employees responsible for manufacturing and quality control are required to hold relevant qualifications, as well as wear the proper safety gear when working. We conduct regular safety inspections and maintenance for our manufacturing facility. As of the Latest Practicable Date, we had not experienced any material accidents in the course of our operation and our Directors were not aware of any claims for personal or property damages in connection with health and occupational safety.

Our business is subject to national, provincial and local environmental laws and regulations in China. The relevant laws and regulations applicable to us in China include provisions governing air emissions, water discharge, the prevention and treatment of sewage and exhaust fumes and the management and disposal of hazardous substances and waste. We have established a pollution control system in order to comply with the applicable laws and regulations. We believe we have maintained a good relationship with the communities surrounding our production facility. During the Track Record Period and up to the Latest Practicable Date, we did not have any non-compliance incidents with regards to applicable environmental laws and regulations which may have any material operational or financial impact on us. In 2023, 2024, 2025 and the four months ended April 30, 2026, our costs for compliance with the applicable environmental rules and regulations as a percentage of total revenue for the respective periods was less than 1.0%. We do not expect there to be substantial changes to our costs for compliance with the applicable environmental rules and regulations in the near future.

Environmental Protection

Energy Consumption

During the Track Record Period, we actively monitored our resource consumption for our manufacturing function. The main types of energy we consume on a daily basis include water, electricity and natural gas. The quantity of our energy and resource consumption for the periods indicated is set forth in the table below. In 2023, the consumption level of electricity significantly increased, primarily because in order to further enhance our product manufacturing and storage environments, ensure the suitability of the working conditions for workshop workers, and maintain the quality stability throughout the entire production process, we installed additional air-conditioning facilities and multiple bag-type dust collectors across several workshops. These newly added facilities have relatively high energy consumption per unit and operate for extended years. Coupled with the addition of some new production equipment in 2023, this led to a significant increase in electricity usage in 2023 compared to 2022. Since 2023, these facilities have been operating steadily, resulting in relatively stable electricity consumption levels in 2023, 2024, 2025 and the four months ended April 30, 2026.

	For the year ended December 31,			Four months ended April 30,
	2023	2024	2025	2026
Water (cubic meters)	72,979	79,006	85,087	23,810
Electricity (kWh)	2,008,786	2,523,627	3,125,195	1,219,774
Natural gas (cubic meters)	574,596	539,608	600,802	222,536

In the TCM decoction-ready industry, energy consumption does not necessarily correlate with production capacity, which, as confirmed by Frost & Sullivan, is an established industry norm. During the reporting year, fluctuations in water, electricity, and gas consumption relative to output were primarily attributable to variations in energy requirements between simple and complex processed products, as well as changes in the energy consumption of public auxiliary facilities.

There are significant differences between simple and complex processed products in terms of process complexity and energy consumption, including water, electricity, and natural gas. The processing procedures for each product vary. A relatively complete procedure may include cleaning, infiltration and cutting, processing (such as frying, moxibustion, calcining, steaming, boiling, stewing, and braising), drying, and screening; however, not all products require every step.

Specifically: (1) Simple processing products, such as *Dwarf Lilyturf* (麦冬), *Semen Nelumbinis* (蓮子), and *Aconitum carmichaelii* (附片), require only basic purification of the raw medicinal materials. These products involve limited production equipment and consume relatively little water, electricity, and natural gas. Accordingly, changes in their output do not directly correspond to changes in energy consumption. (2) Complex processing products, such as *Rhizoma Pinelliae Preparatum* (法半夏) and *Ginger Processed pinelliae* (薑半夏), require more extensive use of production equipment, and their output is directly related to the consumption of water, electricity, and natural gas. Moreover, because each product involves different processing components and key steps, the extent to which water, electricity, and natural gas are consumed also varies by product.

The total output and the output of complex processed products from 2023 to the four months ended April 30, 2026 are as follows:

Unit: ton

	2023		2024		2025		Four months ended April 30, 2026	
Category	Amount	Rate of change	Amount	Rate of change	Amount	Rate of change	Amount	Rate of change
Total output	7,020	19.25%	8,576	22.17%	9,521	11.02%	2,915	0.38%
Output of complex processed products	4,821	19.06%	6,137	27.31%	6,706	9.27%	1,973	(5.54)%

The energy consumption of the workshop's public auxiliary facilities is relatively high but has little correlation with changes in production volume. At certain times, we purchased and put into use a large number of public auxiliary facilities, resulting in years when energy consumption was disproportionately high relative to production output. In 2023, in order to further improve the production and storage environment and to ensure the stability of product quality throughout the production process, we added auxiliary facilities such as air conditioning and dust removal systems, as well as a new atmosphere-controlled cold storage. These facilities require prolonged operation and therefore consume substantial amounts of electricity. Together with the impact of other newly purchased equipment, including packaging machines and electromagnetic stir-frying machines, electricity consumption in 2025 increased significantly by 23.8% compared with 2024.

In 2024, the growth rate of electricity consumption was generally consistent with that of the output of complex processed products. In 2024, the water consumption increased by 8.26% compared with 2023, much lower than the growth rate of output of complex processed products, mainly due to higher purity requirements for procured raw materials that reduced water use during processing. The growth rate of gas consumption declined, which was primarily due to the replacement of the original gas-fired medicine frying machines with electromagnetic frying machines at the end of 2023, which resulted in higher electricity consumption and lower gas consumption in 2024.

We intend to continually reduce the level of our energy consumption. We will adopt energy-efficient production and auxiliary equipment and facilities, including upgrading our manufacturing systems with advanced energy-saving technologies and installing smart monitoring devices for better energy management. We will also focus on improving production efficiency to reduce energy consumption during the production process through process optimization, enhanced automation, and implementing standardized operating procedures that minimize energy waste.

Greenhouse Gas Emission and Waste Discharge

We use quantitative metrics to evaluate, assess and manage our pollutants emission and resource consumption. During the Track Record Period, we engaged third-party professional environmental testing agencies to evaluate our pollutants emissions, including recycled water and waste gas, and underground water of our plant and ambient noise around our plant.

During the Track Record Period, our pollutants emissions in environmental testing generally met relevant national and industry environmental standards. Our greenhouse gas emissions consist of Scope 1 and Scope 2 emissions. Scope 1 direct emissions include the greenhouse gas emissions from our manufacturing facility and other stationary combustion sources. Scope 2 energy indirect emissions primarily include the greenhouse gas emissions from our usage of purchased electricity and steam. In response to the national target of carbon neutrality, we actively focus on reducing the greenhouse gas emissions generated during our operations. Scope 1 emissions were approximately 1,321 tonnes, 1,235 tonnes, 1,426 tonnes and 494 tonnes for the years ended December 31, 2023, 2024 and 2025, and for the four months ended April 30, 2026, respectively. Scope 2 emissions were approximately 1,078 tonnes, 1,354 tonnes, 1,677 tonnes and 655 tonnes, respectively. Scope 3 emissions were approximately 75,474 tonnes, 81,169 tonnes, 79,480 tonnes and 27,611 tonnes, respectively. The overall increase in Scope 2 and Scope 3 emissions during the Track Record Period was primarily attributable to the expansion of our production capacity and business operations.

Greenhouse Gas Emissions[1]	Unit	2023	2024	2025	Four months ended April 30, 2026
Scope 1	tonnes of CO_2 equivalent	1,321	1,235	1,426	494
Scope 2	tonnes of CO_2 equivalent	1,078	1,354	1,677	655
Scope 3[2]	tonnes of CO_2 equivalent	75,474	81,169	79,480	27,611
Total Scope 1 and Scope 2	tonnes of CO_2 equivalent	2,399	2,589	3,103	1,149
Scope 1 and Scope 2 emissions intensity	tonnes of CO_2 equivalent per RMB1,000 revenue	0.0021	0.0021	0.0023	0.0026

1 The calculation of greenhouse gas emissions is based on the Greenhouse Gas Protocol published by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), as well as the methodologies and emission factors published by the Intergovernmental Panel on Climate Change (IPCC), including the 2006 IPCC Guidelines for National Greenhouse Gas Inventories. It also makes reference to the Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions from Other Industrial Enterprises (Trial Version) issued by the National Development and Reform Commission of the PRC.

2 Scope 3 emissions mainly include purchased goods and services, as well as emissions related to fuel- and energy-related activities.

Our target is to achieve a 3% reduction in Scope 1 and Scope 2 greenhouse gas emissions intensity by 2027, using 2023 as the baseline year. We have implemented comprehensive measures to reduce greenhouse gas emissions through strategic technological upgrades. Meanwhile, we have applied reflective and thermal-insulating roof coatings to reduce air-conditioning energy consumption, thereby contributing to the reduction of greenhouse gas emissions. Key initiatives include the adoption of low-nitrogen combustion boilers that can significantly minimize emissions. Additionally, we employ a multi-faceted approach to process emissions control, utilizing activated carbon adsorption systems, bag dust collectors, and water spray scrubbing technology to effectively capture and reduce harmful airborne pollutants. These technological solutions align with our overall sustainable strategy, which focuses on modernizing facilities and technologies to achieve substantial emissions reductions while maintaining production targets.

We also endeavor to reduce waste water discharge through comprehensive technological and operational enhancements. Production processes and equipment have been constantly optimized to achieve raw material washing, moistening, and equipment cleaning using significantly less water, thereby reducing overall waste water generation at the source. This technical optimization is complemented by company-wide waste water reduction initiatives, which actively promote water conservation practices among employees and minimize the use of cleaning agents to reduce water contamination.

For solid waste, we are extending oversight to the raw material sourcing stage, where we require suppliers to provide cleaner, higher-quality raw materials, significantly reducing the volume of herbal residue generated during our screening and selection processes. This approach is particularly sustainable as any herbal waste produced at the source serves as natural fertilizer. For packaging materials, we use reusable plastic transit containers throughout the production process, minimizing the use of cardboard boxes and plastic woven bags. When such conventional packaging is necessary, our employees follow optimized opening techniques that preserve packaging integrity, enabling multiple reuse cycles and substantially reducing packaging waste. These production-focused initiatives are complemented by administrative measures such as paperless office operations to minimize paper waste generation from non-manufacturing activities, creating a holistic approach to solid waste reduction across our business operations.

Wildlife Protection

Our products are processed from medicinal herbs, animal substances and minerals. As confirmed by our Directors, amongst all the raw material we purchased, during the Track Record Period, we collected certain wild Fritillaria cirrhosa by ourselves with the required permits, all the other raw materials we purchased were derived from products of artificially bred animals and artificially cultivated wild plants, and we have never purchased or used wild endangered animals and plants. During the Track Record Period, we have purchased all such plants and animal substances from certified suppliers. We have also obtained all the permits necessary for the purchase of product of wild animals and plants under the state priority protection during the Track Record Period. As advised by our PRC Legal Advisors, during the Track Record Period we have not been subject to any administrative penalties due to any violation of the applicable PRC laws and regulations regarding the purchase and use of products of wild animals and plants based on the credit report issued by the competent authorities.

We are committed to sustainable development by carefully balancing wildlife conservation with our business operations. We have established stringent internal measures to regulate the purchase and use of wild animals and plants, including mandatory pre-approval process requiring formal application for any purchase and use of protected species. We also maintain comprehensive documentation for all protected species and conduct staff training on biodiversity conservation and regulatory requirements from time to time.

Social Responsibility

Workplace Safety

To ensure our compliance with applicable environmental protection and health and safety laws and regulations, we have implemented comprehensive workplace safety protocols throughout our manufacturing facilities. We provide employees with safety training covering proper handling of raw materials, safe operation of equipment, and emergency response procedures. We conduct regular safety drills and maintain detailed incident reporting mechanisms to continuously improve our workplace safety culture. During the Track Record Period and up to the Latest Practicable Date, we did not encounter any material and adverse workplace health and safety incidents.

Gender Diversity

We are committed to providing equal opportunities and aim to eliminate discrimination, harassment, and victimization in employment based on factors such as age or gender. Our gender diversity objectives ensure that men and women are hired at a balanced rate and are equally valued for their contributions to our success. Both genders are given the same opportunities in our workplaces.

We recognize and embrace the benefits of having a diverse Board, viewing increased diversity, including gender diversity, as crucial for maintaining our competitive edge and enhancing our ability to attract, retain, and motivate employees from the broadest talent pool. We are dedicated to ensuring gender diversity when hiring mid-level and senior-level employees, enabling female senior management and potential successors to join the Board of Directors in a timely manner, thus ensuring the Board's gender diversity.

LEGAL PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral or administrative proceedings, which could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

COMPLIANCE, LICENSES, AND PERMITS

Licenses, Approvals and Permits

According to our PRC Legal Advisors, as of the Latest Practicable Date, we had obtained all material licenses, permits, approvals and certificates that are material for our business operations in China and such licenses, permits, approvals and certificates remained in full effect.

The following table sets forth key licenses, permits and certificates relating to our business and operations (apart from those pertaining to general business requirements), their respective license number, issuing authority and expiry date.

Name	License Number	Issuing Authority	Expiry Date
Pharmaceutical Manufacturing License	Chuan 20160209	Sichuan Provincial Medical Products Administration	June 23, 2030
Pharmaceutical Distribution License	Chuan AA028a00061	Sichuan Provincial Medical Products Administration	March 14, 2029

Name	License Number	Issuing Authority	Expiry Date
Pharmaceutical Distribution License	Chuan DA028a03142	Chengdu High-Tech Industrial Development Zone Market Supervision and Administration Bureau	June 25, 2031
Food Business License	JY35101090350542(1-1)	Chengdu High-Tech Industrial Development Zone Market Supervision and Administration Bureau	February 27, 2027[(1)]
Aquatic Wildlife Business Utilization Non-license Filing	20251000005	Sichuan Provincial Department of Agriculture and Rural Affairs	May 6, 2030
Customs Registration Certificate for Importers and Exporters	5101362008	General Administration of Customs of China	N/A
Food Manufacturing License	SC11451010900391	Chengdu Municipal Administration for Market Regulation	December 21, 2030

Note:

(1) Our food business license pertains solely to the operation of our internal employee canteen. We plan to initiate the renewal process for this license prior to its expiration date. As of the Latest Practicable Date, we do not foresee any material legal impediments that would prevent the successful renewal of such license.

Compliance

During the Track Record Period and up to the Latest Practicable Date, save as disclosed above, we had not been and were not involved in any non-compliance incidents that could, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations. We believe that and as advised by our PRC Legal Advisors, except for the shortfalls in social insurance and housing provident fund contributions as disclosed in the section headed "Business — Employees," we did not have any material non-compliance with all relevant laws and regulations in China during the Track Record Period and up to the Latest Practicable Date.

RISK MANAGEMENT AND INTERNAL CONTROL

We are committed to establishing and maintaining robust risk management and internal control systems, consisting of policies, procedures, and methods that are suitable for our business operations. We are dedicated to continuously improving these systems, fostering a risk management culture, and increasing risk awareness among all employees. To identify, assess, and control risks that could hinder our success, we have implemented a comprehensive risk management system that covers all critical aspects of our operations, including financial security, production, technology, and compliance. Recognizing that risk management is a systematic endeavor, each of our departments is responsible for identifying and evaluating risks related to their specific areas of operation. Our audit committee oversees and assesses our risk management policy and supervises the performance of our risk management system.

Anti-bribery, Anti-corruption, Anti-fraud and Anti-money Laundering

We have adopted an anti-bribery, anti-corruption, anti-fraud, anti-money laundering and anti-deception management policy (the "Anti-corruption Policy") to regulate our business conduct, strengthen our corporate governance and internal controls, and prevent bribery, corruption, fraud, money laundering and deception. Our Anti-corruption Policy applies to all of our employees, including our Directors, senior and middle management and employees in key positions, as well as third parties authorized to conduct business activities on our behalf. Under our Anti-corruption Policy, our employees and such third parties are expressly prohibited from, directly or indirectly, engaging in bribery, corruption, fraud, money laundering or deception with stakeholders (such as shareholders, customers, suppliers and business partners) or government officials with the intention of obtaining any improper benefit. We do not authorize or tolerate any business conduct that does not comply with our Anti-corruption Policy.

- ***Governance structure.*** Our chairman bears primary responsibility for our anti-bribery, anti-corruption, anti-fraud, anti-money laundering and anti-deception efforts, including establishing the related internal control mechanism, supervising the implementation of our Anti-corruption Policy, taking remedial measures against violations and conducting assessments from time to time. As authorized by our chairman, our securities department serves as the overall managing department and is responsible for formulating, amending and interpreting the related policies, conducting training and communication, making supervisory recommendations on major projects, key processes, key personnel and large fund transfers, and reporting to our chairman. We have also established a working group, led by the head of our legal department with the head of our administration and human resources department as deputy leader and comprising the heads of our asset management, procurement, sales and finance departments and members of our securities department. Our working group coordinates self-inspections across our departments, manages our reporting channels, and accepts, investigates and recommends the handling of reported cases. Our audit department independently supervises the working group's case handling and the implementation of outcomes, and the head of each of our departments bears management responsibility for preventing such misconduct within his or her department.

- ***Controls across business functions.*** We require each of our finance, administration and human resources, asset management, procurement and sales departments to prevent misconduct in its respective area, namely financial management, personnel recruitment, construction projects, procurement and sales activities, to promptly refer any misconduct or indications of misconduct identified in its operations to our working group, and to assist in related investigations and implement case outcomes. In particular, (i) we enter into contracts for important business matters and strictly prohibit personal business dealings of a non-contractual nature; (ii) we make and receive payments strictly in accordance with our financial management policies; (iii) we enter into anti-bribery and anti-corruption agreements or clauses for business cooperation, raw material procurement, R&D collaboration, outsourcing and construction projects; (iv) we provide training to, and supervise, our personnel in key positions in these areas; and (v) we conduct strict review and approval of important business matters to ensure the authenticity and legality of our transactions.

- ***Whistleblowing.*** Our employees and any parties having direct or indirect economic relationships with us may report actual or suspected misconduct of our employees, including violations of professional ethics, through a reporting hotline and email address published at each of our office locations. Our working group and our chairman will promptly investigate such reports upon receipt. We conduct investigations on a fair, impartial and confidential basis, following which our working group prepares an

investigation report, determines remedial and disciplinary measures and notifies the whistleblower of the outcome. We do not permit unauthorized disclosure of information on whistleblowers or their reports, and any access to such information is registered with our working group.

- ***Disciplinary measures.*** We impose disciplinary actions on employees found to have engaged in bribery, corruption, fraud, money laundering or deception, including internal criticism, job transfer, termination of employment and pursuit of civil or criminal liability, and we refer suspected crimes to the judicial authorities.

Customer and Supplier On-boarding

We have implemented identification procedures for each of our suppliers and customers. Before onboarding, we require a new corporate supplier or customer to provide (1) its business licence and (2) a qualification questionnaire together with supporting documents covering, as applicable, processing capacity, plant floor area and independence from our Group, our Directors and sales personnel. We require a new individual or cooperative supplier or customer to provide (1) its business licence, (2) the operator's identity document, (3) a qualification questionnaire together with supporting documents covering, as applicable, processing capacity, plant floor area and independence from our Group, our Directors and sales personnel, and (4) the owner's account information. Our legal department verifies the authenticity and validity of the business licence submitted by each new supplier or customer against the publicly available records of the relevant PRC market regulation authority, and confirms that its registration status and business scope are consistent with the information provided in the qualification questionnaire. We conduct an on-site visit if a supplier seeks to enter into a transaction with us with an estimated value exceeding RMB1.0 million, and record the findings of the visit in the relevant supplier file.

At onboarding, we verify that the designated bank account belongs to the relevant supplier or customer. For a corporate supplier or customer, we require the account name to match the entity name on its business licence, and for an individual supplier or customer, we require the account name to match the operator named in the business licence and identity document. We make purchase payments only to the supplier's own account or, for an individual business, the same-name account of its operator recorded in our system, and we accept sales payments only from the customer's own account or, for an individual business, the same-name account of its operator recorded in our system. After onboarding, we conduct an annual on-site inspection of each individual and corporate supplier or customer that meets the above on-site verification criteria, covering, as applicable, its premises, cultivation or processing capacity and storage arrangements. We record the findings in the relevant supplier or customer file and take them into account in our continuing qualification review. Any change of designated bank account requires a new application and supporting documents, which our procurement, sales and finance departments, as applicable, re-verify before we update the approved account details in our system.

In addition, in accordance with the Good Manufacturing Practice requirements for pharmaceutical products applicable to our operations, we apply the same internal traceability controls to raw materials procured from individual and cooperative suppliers and from corporate suppliers, from receipt and acceptance through production. We assign each raw-material lot we accept a unique batch number linking the supplier, quality information and procurement and warehouse movement records. When we release the material to production, the production order links that raw-material batch number to the relevant finished-product batch number. Our finished-product batch record captures input and output quantities, processing and inspection information, packaging information, retained-sample records and the sales destination. As a result, our system enables us to trace a finished product back to the relevant raw material and supplier, and a raw-material lot forward to the related production and sales records.

Procurement Management

We have adopted a procurement management policy, formulated in accordance with the relevant laws and regulations, to regulate our procurement activities and guard against procurement risks, and we procure TCM raw materials in accordance with the relevant PRC regulations. We clearly define the responsibilities and approval authorities for each stage of the procurement process, including purchase requisition, approval, purchase, inspection and acceptance, payment and post-procurement evaluation. We segregate incompatible duties in our procurement and payment process, such that requisition and approval, price inquiry and supplier selection, contract execution and approval, procurement and acceptance, and payment approval and payment execution are handled by different personnel. Before each purchase, our procurement personnel collect pricing information through industry information platforms and other channels, and select suppliers based on a comprehensive evaluation of price, quality, payment terms and the production records of materials previously supplied. Prices of RMB500,000 or below are subject to approval by our vice general manager in charge of procurement, and prices above RMB500,000 are subject to approval by our chairman.

We enter into purchase contracts setting out the rights, obligations and liabilities for breach of the parties for each purchase. For purchases from growers in production areas, we sample and preliminarily test the quality of the materials before entering into purchase contracts, and we record the farmer's name, identity card number, quantity, unit price and amount, which the farmer confirms by signature. Payments are generally made by bank transfer, and cash payments are permitted only in limited circumstances, such as purchases in production areas, subject to multi-level approval up to our chairman. Our finance department strictly reviews the authenticity, completeness, legality and compliance of procurement documents before payment, and suspends payment and reports for handling any false invoice identified.

To ensure that the materials we procure and the products we produce comply with applicable PRC legal requirements, upon arrival of purchased materials, our quality department conducts preliminary inspection of appearance and grade and takes samples in accordance with our material sampling procedures. After receipt, our quality department tests the materials against the current Pharmacopoeia standards and our internal standards, and only materials that pass inspection are released into our warehouse. Non-conforming materials are stored in a designated area, returned to the supplier and strictly prohibited from use in production, and we may claim compensation from the supplier under the contract where necessary. We conduct department-level quality management self-inspections monthly and company-level self-inspections at least twice a year. Our quality department also designates personnel to monitor drug regulatory websites daily and circulates newly promulgated regulations to the relevant management and departments within one day of promulgation.

We have adopted an ESG management policy in accordance with applicable laws and regulations. Our ESG management policy sets out our responsibilities including protecting the natural environment and resources, fulfilling our social responsibilities and maintaining sound and transparent corporate governance. Our ESG management policy identifies suppliers and business partners as stakeholders whose legitimate rights we respect, and we are committed to integrating ESG management into our external business, including our procurement activities, and to considering sustainable products from an ESG perspective. Our quality department conducts quality audits of raw material suppliers, and we maintain complete procurement records and implement full-process procurement registration or information-based management to ensure the traceability of our procurement process. We have established a supplier review system under which we conduct on-site, telephone and text message follow-ups with suppliers from time to time to collect their feedback. In addition, we integrate environmental protection requirements into our development strategy with the aim of reducing the environmental impact of our entire production and operation process.

To ensure the legal compliance and sustainability of our procurement and sales processes, particularly for TCM raw materials subject to stringent regulatory controls or environmental protection laws (such as endangered species and national key protected wild animal products), we have implemented a robust internal control and ESG framework. For such regulated materials, we enforce a strict transaction-by-transaction approval system, mandating that prior to initiating any procurement or sale, both parties must submit an administrative license application to the competent regulatory authorities, and no transaction may proceed until an official administrative license decision is obtained confirming that statutory conditions have been met. Concurrently, our procurement and legal teams rigorously verify and archive these permits, while our Group actively maintains all requisite qualifications for handling and processing such materials. As part of our ongoing ESG commitment to biodiversity, we conduct regular supplier audits to ensure adherence to sustainable practices and strategically prioritize the sourcing of artificially cultivated or sustainably farmed alternatives over wild-harvested species, thereby minimizing our ecological footprint while ensuring a stable, compliant, and responsible supply chain.

Having considered the above, our Directors are of the view, which the Joint Sponsors concur, that our internal control policies and measures relating to procurement and supplier management are adequate to ensure that our raw materials are sourced in a sustainable manner and in compliance with the applicable environmental protection and other regulatory requirements in the PRC in all material respects.

OVERVIEW

Immediately following the completion of the Global Offering, Mr. Jiang Yun, our founder, chairman of the Board and executive Director, will be able to exercise approximately 42.4% of the voting rights in our Company through: (i) 18,498,500 Shares held directly by himself; and (ii) 9,151,965 Shares held by Kinna Investment. Accordingly, Mr. Jiang Yun and Kinna Investment will be the Controlling Shareholders of our Company after the Listing.

Kinna Investment, formerly known as Chengdu Kinna Biopharmaceutical Co., Ltd. (成都國嘉生物股份有限公司), is a joint stock company established in the PRC on April 3, 1996. Kinna Investment is primarily engaged in investment holding business and property leasing businesses, and derives rental income from its self-owned real properties. Other than these, Kinna Investment has no other business. Kinna Investment is held as to 47.0% and controlled by Mr. Jiang Yun. For background of Mr. Jiang Yun, see "Directors and Senior Management." The remaining shareholders of Kinna Investment, with the largest one holding 20.0%, are all passive investors and independent of Mr. Jiang Yun. Except for our Company, Kinna Investment held no other investment as of the Latest Practicable Date.

COMPETITION

Each of our Controlling Shareholders has confirmed that, as of the Latest Practicable Date, none of them had any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, and which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from our Controlling Shareholders after the Listing.

MANAGEMENT INDEPENDENCE

Our business is managed and conducted by the Board and senior management. Our Board consists of five executive Directors, one non-executive Director and three independent non-executive Directors. For more information, see "Directors and Senior Management." Notwithstanding that Mr. Jiang Yun, our executive Director, is also our Controlling Shareholder, our Directors believe that the Board and senior management of our Company are able to operate our business independently of our Controlling Shareholders for the following reasons:

(i) our Directors are aware of their fiduciary duties as a director, which require, among other things, that they act for the benefit and in the interest of our Company and all our Shareholders as a whole and do not allow any conflict between their duties as a Director and their personal interests;

(ii) our daily management and operations are carried out by our executive Directors and senior management team. As of the Latest Practicable Date, except for Mr. Jiang Yun, who acts as the chairman of the board of directors of Kinna Investment, none of them held any management position in our Controlling Shareholders' close associates. They also have substantial experience in the industry in which our Company is engaged and will therefore be able to make impartial and sound business decisions that are in the best interest of our Group;

(iii) our Board has a balanced composition of executive, non-executive and independent non-executive Directors, which ensures the independence of the Board in making decisions affecting our Company. Our three independent non-executive Directors are independent of our Controlling Shareholders and have extensive experience in their

respective areas of expertise. For details, see "Directors and Senior Management." All independent non-executive Directors are appointed in accordance with the requirements under the Listing Rules to ensure that the decisions of the Board are made only after the due consideration of independent and impartial opinions;

(iv) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and the Controlling Shareholders, the interested Director(s) shall abstain from voting, and not be counted in the quorum at the relevant Board meetings of our Company in respect of such transactions; and

(v) upon the Listing, we will adopt a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. For details, see "— Corporate Governance Measures."

Based on the above, our Directors believe that our Company has sufficient and effective control mechanisms to ensure that our Directors perform their respective duties properly and safeguard the interests of our Company and our Shareholders as a whole. Our Board together with our senior management team, therefore, is able to perform the managerial role in our Group independently.

OPERATIONAL INDEPENDENCE

We are in possession of all production and operating facilities and technology relating to our Group's business and have obtained relevant requisite qualifications and approvals for conducting all our business. Currently, we engage in our Group's business independently, with the independent right to make operational decisions and implement such decisions.

We have independent access to customers and suppliers and, therefore, are not dependent on our Controlling Shareholders for any significant amount of our revenue, R&D, staffing or marketing and sales activities, and we have sufficient capital, equipment and employees to operate our business independently from our Controlling Shareholders. We have an established and complete organizational structure comprising various separate departments, each charged with specific responsibilities, such as administration, finance, internal audit, R&D, sales and marketing, human resources, or company secretarial functions. These departments have been in operation and are expected to continue to operate separately and independently from our Controlling Shareholders and their close associates. We also maintain a set of comprehensive internal control procedures to facilitate the effective operation of our business.

Based on the above, our Directors believe that we are able to operate independently from our Controlling Shareholders.

FINANCIAL INDEPENDENCE

Our Company has established its own finance department with a team of independent financial staff responsible for discharging treasury, accounting, reporting, group credit and internal control functions independently from our Controlling Shareholders and their respective close associates, as well as a sound and independent financial system, and makes independent financial decisions according to our own business needs. Our Company maintains bank accounts independently and does not share any bank account with our Controlling Shareholders. Our Company makes tax registration and pays tax independently with its own funds. As such, our Company's financial functions, such as cash and accounting management, invoices and bills, operate independently from our Controlling Shareholders and their close associates.

Any loans or guarantees provided by, or granted to, our Controlling Shareholders or their respective close associates have been or will be settled or terminated before the Listing. We do not expect to rely on our Controlling Shareholders or their close associates for financing after the Listing as we expect that our working capital will be funded by cash flows generated from operating activities, equity financing, bank loans with securities or guarantees to be provided by our Group as well as the net proceeds from the Global Offering.

Based on the above, our Directors believe that we do not place undue reliance on our Controlling Shareholders and their respective close associates.

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in the protection of our Shareholders' interests. Upon the Listing, we intend to comply with the code provisions of the Corporate Governance Code set out in Appendix C1 to the Listing Rules. We would adopt the following measures to safeguard good corporate governance standards and to manage potential conflict of interests between our Group and Controlling Shareholders:

(i) where a Board meeting is held for the matters in which any Director has a material interest, such Director(s) shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting;

(ii) where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of their associates have a material interest, the relevant member in our Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;

(iii) our Company has established internal control mechanisms to identify connected transactions. Upon the Listing, if our Company enters into connected transactions with our Controlling Shareholders or any of their associates, our Company will comply with the relevant requirements under Chapter 14A of the Listing Rules, including the announcement, reporting and independent Shareholders' approval requirements (where applicable) under the Listing Rules;

(iv) our Board will consist of a balanced composition of executive and non-executive Directors, including not less than one-third of independent non-executive Directors, to ensure that our Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to our Shareholders. Our independent non-executive Directors, individually and collectively, possess the requisite knowledge and experience. They are committed to providing experienced and professional advice to protect the interests of our minority Shareholders; and

(v) we have appointed First Shanghai Capital Limited as our Compliance Advisor, which will provide advice and guidance to us in respect of compliance with the Listing Rules and applicable laws, rules, codes and guidelines, including but not limited to various requirements relating to Directors' duties and internal controls.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders to protect minority Shareholders' rights after the Listing.

We engage in certain transactions with our connected person from time to time in our ordinary and usual course of business, which will constitute a continuing connected transaction under Chapter 14A of the Listing Rules upon the Listing.

OUR CONNECTED PERSON

As of the Latest Practicable Date, Mr. Lai Zhitian (賴智填), our non-executive Director, held and controlled approximately 60.47% share capital of Zhongzhi Pharmaceutical Holdings Limited (中智藥業控股有限公司) (together with its subsidiaries, "**Zhongzhi Pharmaceutical Group**"), a company listed on the Stock Exchange (stock code: 3737) and principally engaged in pharmaceutical manufacturing and operation of chain pharmacies. By virtue of the foregoing, Zhongzhi Pharmaceutical Group is an associate of Mr. Lai Zhitian and therefore a connected person of our Company under Chapter 14A of the Listing Rules.

FULLY-EXEMPT CONTINUING CONNECTED TRANSACTION

During the Track Record Period, Zhongzhi Pharmaceutical Group procured certain TCM decoction-ready products and TCM raw materials (collectively, the "**TCM Products**") from our Group, including but not limited to, *Rhizoma pinelliae preparatum* (法半夏), *Rhizoma et radix notopterygii* (羌活), and *Rhizoma corydalis* (元胡) (the "**TCM Transactions**"). Such TCM Transactions were entered into (i) in the ordinary and usual course of business of our Group, (ii) on an arm's-length basis, and (iii) on normal commercial terms with the consideration being determined with reference to the market price of the TCM Products. The TCM Transactions are expected to continue after the Listing.

As the TCM Transactions are carried out in our ordinary and usual course of business on normal commercial terms, the annual transaction amount, on an aggregated basis, will be less than HK$3,000,000 and the highest applicable percentage ratio for the purpose of Chapter 14A of the Listing Rules will be less than 5%, the TCM Transactions are fully exempt from the reporting, annual review, announcement, circular and independent Shareholders' approval requirements pursuant to Rule 14A.76(1) of the Listing Rules.

OVERVIEW

As of the Latest Practicable Date

As of the Latest Practicable Date, our registered capital was RMB58,655,441, comprising 58,655,441 Unlisted Shares with a nominal value of RMB1.0 each.

Immediately Upon Completion of the Global Offering

Immediately following the completion of the Global Offering and the Conversion of Unlisted Shares into H Shares, the share capital of our Company will be as follows:

Description of Shares	Number of Shares	% of the total issued share capital
H Shares converted from Unlisted Shares	58,655,441	90.0%
H Shares to be issued pursuant to the Global Offering	6,517,300	10.0%
Total	**65,172,741**	**100.0%**

SHARES OF OUR COMPANY

Upon completion of the Global Offering, the share capital of our Company will consist of H Shares only. The H Shares, however, generally may not be subscribed for by, or traded between, legal or natural persons of the PRC, apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect, and other persons who are entitled to hold the H Shares pursuant to relevant PRC laws and regulations or upon approval by any competent authorities.

All dividends in respect of the H Shares are to be declared in RMB and paid by our Company in Hong Kong dollars or RMB. Other than cash, dividends could also be paid in the form of Shares or a combination of cash and Shares.

CONVERSION OF UNLISTED SHARES INTO H SHARES

According to the regulations issued by the securities regulatory authorities of the State Council and the Articles of Association, the Unlisted Shares may be converted into H Shares, and such converted Shares may be listed and traded on an overseas stock exchange provided that the conversion, listing and trading of such converted Shares have been filed with the CSRC. Additionally, such conversion, trading and listing shall meet any requirement of internal approval process and in all respects comply with the regulations prescribed by the securities regulatory authorities of the State Council and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

Listing Review and Filing with the CSRC

We have applied for a "full circulation" filing when filing with the CSRC for an overseas listing, and submitted the filing reports, authorization documents of the shareholders of unlisted shares for which an H-share "full circulation" filing was applied, undertaking about the compliance of share acquisition and other documents in accordance with the requirements of the CSRC.

We have received the filing notice from the CSRC dated April 15, 2026 in relation to the filing of the overseas listing and the Conversion of Unlisted Shares into H Shares, pursuant to which:

(i) we may issue no more than 7,494,850 H Shares with a nominal value of RMB1.0 each, which are all ordinary shares, and upon this issuance our Company may be listed on the Main Board of the Stock Exchange;

(ii) all existing Shareholders (the "**Full Circulation Participating Shareholders**") could in aggregate convert 58,655,441 Unlisted Shares (with a nominal value of RMB1.0 each) into H Shares on a one-for-one basis.

Upon completion of the conversion, no Unlisted Shares will remain in the share capital of our Company. Where the Global Offering cannot be completed within one year upon receipt of the filing notice, and our Company will continue to conduct overseas listing and global offering after that, it shall update the filing materials, and the CSRC will update the public filing information accordingly.

Listing Approval by the Stock Exchange

We have applied to the Listing Committee for the granting of listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering and the H Shares to be converted from 58,655,441 Unlisted Shares on the Stock Exchange, which is subject to the approval by the Stock Exchange.

We will perform the following procedures for the Conversion of Unlisted Shares into H Shares after receiving the approval of the Stock Exchange: (i) giving instructions to our H Share Registrar regarding relevant share certificates of the converted H Shares; and (ii) enabling the converted H Shares to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in the CCASS. The Full Circulation Participating Shareholders may only deal in the Shares upon completion of following domestic procedures.

Domestic Procedures

The Full Circulation Participating Shareholders may only deal in the Shares upon completion of the below arrangement procedures for the registration, deposit and transaction settlement in relation to the conversion and listing:

(i) We will appoint CSDC as the nominal holder to deposit the relevant securities at CSDC (Hong Kong), which will then deposit the securities at HKSCC in its own name. CSDC, as the nominal holder of the Full Circulation Participating Shareholders, shall handle all custody, maintenance of detailed records, cross-border settlement and corporate actions, etc. relating to the converted H Shares for the Full Circulation Participating Shareholders;

(ii) We will engage a domestic securities company (the "**Domestic Securities Company**") to provide services such as sending orders for trading of the converted H Shares and receipt of transaction returns. The Domestic Securities Company will engage a Hong Kong securities company (the "**Hong Kong Securities Company**") for settlement of share transactions. We will make an application to CSDC, Shenzhen Branch for the maintenance of a detailed record of the initial holding of the converted H Shares held by our Shareholders. Meanwhile, we will submit applications for a domestic transaction commission code and abbreviation, which shall be confirmed by CSDC, Shenzhen Branch as authorized by Shenzhen Stock Exchange;

(iii) The Shenzhen Stock Exchange shall authorize Shenzhen Securities Communication Co., Ltd. to provide services relating to transmission of trading orders and transaction returns in respect of the converted H Shares between the Domestic Securities Company and the Hong Kong Securities Company, and the real-time market forwarding services of the H Shares;

(iv) According to the Notice of SAFE on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》), the Full Circulation Participating Shareholders shall complete the overseas shareholding registration with the local foreign exchange administration bureau before the Shares are sold, and after the overseas shareholding registration, open a specified bank account for the holding of overseas shares by domestic investors at a domestic bank with relevant qualifications and open a fund account for the H Share "Full Circulation" at the Domestic Securities Company. The Domestic Securities Company shall open a securities trading account for the H Share "Full Circulation" at the Hong Kong Securities Company; and

(v) The Full Circulation Participating Shareholders shall submit trading orders of the converted H Shares through the Domestic Securities Company. Trading orders of the Full Circulation Participating Shareholders for the relevant Shares will be submitted to the Stock Exchange through the securities trading account opened by the Domestic Securities Company at the Hong Kong Securities Company. Upon completion of the transaction, settlements between each of the Hong Kong Securities Company and CSDC (Hong Kong), CSDC (Hong Kong) and CSDC, CSDC and the Domestic Securities Company, and the Domestic Securities Company and the Full Circulation Participating Shareholders, will all be conducted separately.

RESTRICTION ON TRANSFER OF SHARES ISSUED PRIOR TO THE GLOBAL OFFERING

The PRC Company Law provides that in relation to the public share offering of a company, the shares of the company which have been issued prior to the offering shall not be transferred within one year from the date of the listing. Accordingly, Shares issued by our Company prior to the Listing Date shall be subject to this statutory restriction and shall not be transferred for a period of one year from the Listing Date.

Pursuant to the PRC Company Law, Shares transferred by our Directors and members of the senior management each year during their term of office shall not exceed 25% of their total respective shareholdings in our Company. The Shares that the aforementioned persons held in our Company cannot be transferred within one year from the date on which the shares are listed and traded, nor within half a year after they leave their positions in our Company. The Articles of Association may contain other restrictions on the transfer of our Shares held by our Directors and members of senior management, a summary of which is set out in "Appendix V — Summary of Articles of Association."

SHAREHOLDERS' GENERAL MEETINGS

For details of circumstances under which our Shareholders' general meeting is required, see "Appendix IV — Summary of Principal Laws and Regulations" and "Appendix V — Summary of Articles of Association."

GENERAL MANDATES TO ISSUE AND REPURCHASE H SHARES

Subject to the completion of the Listing, our Board has been granted a general mandate to allot and issue H Shares, and a general mandate to repurchase H Shares. For details, see "Appendix VI — Statutory and General Information — Further Information about Our Company and Our Subsidiaries — Shareholders' Resolutions."

So far as our Directors are aware, immediately following the completion of the Global Offering and the Conversion of Unlisted Shares into H Shares, the following persons will have interests and/or short positions (as applicable) in the Shares or underlying Shares of our Company, which would be required to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of our Company:

		As of the Latest Practicable Date		Immediately following the completion of the Global Offering and the Conversion of Unlisted Shares into H Shares	
Name	**Nature of Interest***	**Number and description of Shares**	**% of shareholding in the total issued share capital**	**Number and description of Shares**	**% of shareholding in the total issued share capital[1]**
Mr. Jiang Yun[2]	Beneficial owner	18,498,500 Unlisted Shares	31.5%	18,498,500 H Shares	28.4%
	Interested in a controlled corporation	9,151,965 Unlisted Shares	15.6%	9,151,965 H Shares	14.0%
Kinna Investment[2]	Beneficial owner	9,151,965 Unlisted Shares	15.6%	9,151,965 H Shares	14.0%
Mr. Jiang Ercheng	Beneficial owner	10,645,170 Unlisted Shares	18.1%	10,645,170 H Shares	16.3%
Chengdu Chuanshang Toupengjin Taihe Enterprise Management Center (Limited Partnership) (成都川商投朋錦泰荷企業管理中心(有限合夥)) ("**Pengjin Taihe**")[3] . . .	Beneficial owner	4,477,890 Unlisted Shares	7.6%	4,477,890 H Shares	6.9%

Notes:

* Denotes that all interests stated represent long positions.

(1) The calculation is based on the total number of 65,172,741 H Shares in issue immediately upon completion of the Global Offering and the Conversion of Unlisted Shares into H Shares.

(2) Kinna Investment, a company established in the PRC on April 3, 1996, was held as to 47.0% by Mr. Jiang Yun as of the Latest Practicable Date. Therefore, Mr. Jiang Yun is deemed to be interested in the Shares held by Kinna Investment under the SFO.

(3) Pengjin Taihe, a limited partnership established in the PRC on November 27, 2017, is managed by its general partner Chengdu Chuanshang Toupengjin Equity Investment Fund Management Co., Ltd. (成都川商投朋錦私募基金管理有限公司) ("**Chuanshang Toupengjin**"). Established in the PRC on December 14, 2012 and registered with the AMAC as a private equity fund manager since August 20, 2015, Chuanshang Toupengjin is controlled by Sichuan Business Investment Group Co., Ltd. (四川省商業投資集團有限責任公司) ("**Sichuan Shangtou Group**"), which is in turn controlled by Sichuan Provincial Government State-owned Assets Supervision and Administration Commission (四川省政府國有資產監督管理委員會). Therefore, each of Chuanshang Toupengjin and Sichuan Shangtou Group is deemed to be interested in the Shares held by Pengjin Taihe.

Save as otherwise disclosed herein, our Directors are not aware of any persons who will, immediately following the Global Offering and the Conversion of Unlisted Shares into H Shares, have any interests and/or short positions in the Shares or underlying Shares of our Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of our Company.

BOARD OF DIRECTORS

Our Board consists of nine Directors, comprising five executive Directors, one non-executive Director and three independent non-executive Directors. Pursuant to the Articles of Association, our Directors are elected and appointed by our Shareholders at a Shareholders' meeting for a term of three years, which is renewable upon re-election and re-appointment. The following table sets forth the key information about our Directors as of the Latest Practicable Date.

Name	Age	Positions	Roles and responsibilities	Date of joining our Group	Date of appointment as a Director
Mr. Jiang Yun (江雲)[(1)]	64	Chairman of the Board and executive Director	Overseeing the management and strategic development of our Group	December 30, 2001	December 30, 2001
Mr. Feng Bin (馮斌)	63	Executive Director and general manager	Overall corporate and business strategies and key business and operational decision-making of our Group	May 10, 2003	May 10, 2009
Mr. Jiang Ercheng (江爾成)[(1)]	36	Executive Director	Overall strategic planning and development of our Group	February 22, 2019	February 22, 2019
Mr. Luo Yujin (羅玉金)	44	Executive Director and deputy general manager	Overall management of sales center of our Group	September 12, 2003	February 22, 2019
Mr. Lan Zelun (蘭澤倫)	44	Executive Director and secretary of the Board	Information disclosure and investor relations management, equity affairs management and corporate governance	July 3, 2007	February 25, 2025
Mr. Lai Zhitian (賴智填)	58	Non-executive Director	Overseeing Board affairs and giving strategic advice and guidance on the business operations of our Group	August 14, 2023	August 14, 2023
Dr. Wan Jianbo (萬建波)	46	Independent non-executive Director	Providing independent advice and judgment to our Board	October 7, 2023	October 7, 2023
Dr. Chen Jianping (陳建萍)	69	Independent non-executive Director	Providing independent advice and judgment to our Board	February 25, 2025	February 25, 2025
Ms. Liu Jianhua (劉建華)	57	Independent non-executive Director	Providing independent advice and judgment to our Board	March 26, 2025	March 26, 2025

Note:

(1) Mr. Jiang Yun is the father of Mr. Jiang Ercheng.

Executive Directors

Mr. Jiang Yun (江雲), aged 64, is the founder, chairman of the Board and an executive Director. Mr. Jiang was appointed as a Director and the chairman of the Board in December 2001 and was redesignated as an executive Director on March 26, 2025. He is primarily responsible for overseeing the management and strategic development of our Group.

Mr. Jiang's journey in the pharmaceutical industry and TCM sector spans almost four decades, marked by notable leadership roles in several pharmaceutical and investment companies, including (i) as the chairman of the board of directors at Kinna Investment since April 1996; (ii) as the chairman of the board of directors at Chengdu Kinna United Pharmaceutical Co., Limited. (成都國嘉聯合製藥有限公司) from April 1996 to August 2007, as well as at its subsidiary, Sichuan Gulin Gansu Pharmaceutical Company Limited (四川古蘭肝蘇藥業有限公司), from June 2001 to August 2007; and (iii) as an executive director at Pharmesis International Ltd. (中嘉國際有限公司), a company founded by Mr. Jiang and listed on the Singapore Exchange (stock code: BFK) ("**Pharmesis International**") from October 2004 to January 2009 and from January 2015 to December 2017.

Additionally, Mr. Jiang Yun has been the vice president of China Association of Traditional Chinese Medicine (中國中藥協會) since November 2019 and the president of Chengdu Chinese Herbal Medicine and Chinese Medicine Decoction-ready Products Industry Association (成都市中藥材中藥飲片行業協會) since December 2016.

Mr. Jiang obtained a master's degree in science from West China University of Medical Sciences (華西醫科大學) (currently known as the West China Medical Center of Sichuan University (四川大學華西醫學中心)) in China in October 1988. Mr. Jiang's contribution to the TCM sector has been recognized with prestigious awards, including the "First Prize of Sichuan Science and Technology Progress Award" (四川省科學技術進步獎一等獎) by the Sichuan Provincial People's Government in April 2016, and the "Second Prize of Science and Technology Award of the Chinese Society of Traditional Chinese Medicine" (中華中醫藥學會科學技術獎二等獎) by the Chinese Society of Traditional Chinese Medicine in November 2020.

Mr. Feng Bin (馮斌), aged 63, is an executive Director and the general manager of our Company. He was appointed as a Director and general manager of our Company in May 2009 and was redesignated as an executive Director on March 26, 2025. In addition to these roles, Mr. Feng currently holds directorships at two subsidiaries within our Group. Mr. Feng is mainly responsible for the overall corporate and business strategies and key business and operational decision-making of our Group.

Joining our Group in May 2003, Mr. Feng ascended through various strategic roles, including the sales manager and the deputy general manager of sales, steering our Company through numerous successful initiatives and growth phases.

Mr. Feng obtained a bachelor's degree in textile engineering from Northwest Textile Science and Technology University (西北紡織工學院) (currently known as Xi'an Polytechnic University (西安工程大學)) in China in July 1983.

Mr. Jiang Ercheng (江爾成), aged 36, is an executive Director and the deputy director of R&D of our Company. Mr. Jiang Ercheng was appointed as a Director in February 2019 and was redesignated as an executive Director on March 26, 2025. He is primarily responsible for the overall strategic planning and development of our Group.

Mr. Jiang Ercheng's professional endeavors began with the position as the general manager at Kinna Investment from September 2013 to April 2022. He also served as a non-executive director at Pharmesis International from July 2016 to November 2017.

Mr. Jiang Ercheng obtained a bachelor's degree in biochemistry from the University of California in the United States in June 2013 and a master's degree in environmental and public health management from Hong Kong Baptist University in May 2023.

Mr. Luo Yujin (羅玉金), aged 44, is an executive Director and the deputy general manager of our Company. Mr. Luo was appointed as a Director in February 2019 and was redesignated as an executive Director on March 26, 2025. He is primarily responsible for the overall management of sales center of our Group.

Joining our Group in September 2003, Mr. Luo successively served as the logistics supervisor from September 2003 to December 2008, sales manager from January 2009 to December 2014 and sales director from January 2015 to December 2015.

Mr. Luo graduated in meteorology from Hunan Hengyang Adult Secondary Specialized School (湖南省衡陽市成人中等專業學校) in China in July 2002.

Mr. Lan Zelun (蘭澤倫), aged 44, is an executive Director and the secretary of the Board of our Company. Mr. Lan was appointed as a Director in February 2025 and was redesignated as an executive Director on March 26, 2025. He is primarily responsible for information disclosure and investor relations management, equity affairs management and corporate governance.

Mr. Lan joined our Group in July 2007 and held several management positions within the R&D department. He was promoted to the position of secretary of the Board in July 2023.

Mr. Lan obtained a bachelor's degree in Chinese medicinal science and a master's degree in pharmacognosy from Chengdu University of Traditional Chinese Medicine (成都中醫藥大學) in China in July 2004 and in June 2007, respectively. In March 2023, Mr. Lan was also awarded the "Third Prize of Sichuan Provincial Science and Technology Progress Award" (四川省科學技術進步獎三等獎) by the People's Government of Sichuan Province.

Non-executive Director

Mr. Lai Zhitian (賴智填), aged 58, is a non-executive Director of our Company. Mr. Lai was appointed as a Director in August 2023 and was redesignated as a non-executive Director on March 26, 2025. He is mainly responsible for overseeing Board affairs and giving strategic advice and guidance on the business operations of our Group.

Mr. Lai has over 30 years of experience in the pharmaceutical industry and has extensive experience in pharmaceutical products development, manufacturing and distribution. Mr. Lai is the ultimate controller of Zhongshan Pharmaceutical Management Company (中山市醫藥經營公司) (currently known as Zhongshan Zhongzhi Pharmaceutical Group Co., Ltd (中山市中智藥業集團有限公司)) ("**Zhongzhi Pharmaceutical**"), one of the Pre-IPO Investors, and currently serves as: (i) the general manager, and (ii) the chairman and director of Zhongzhi Pharmaceutical. Zhongzhi Pharmaceutical is an indirect wholly owned subsidiary of Zhongzhi Pharmaceutical Holdings Limited (中智藥業控股有限公司), a company principally engaged in pharmaceutical manufacturing and the operation of chain pharmacies, whose shares are listed on the Stock Exchange (stock code: 3737), where he has been serving as its chairman and executive director since January 2015 and is responsible for the operation and management of the company.

Mr. Lai holds, amongst others, the following positions: (i) associate professor and master's course instructor of the Research Center of Chinese Herbal Resource Science and Engineering in Guangzhou University of Chinese Medicine (廣州中醫藥大學中藥資源科學與工程研究中心); and (ii) executive vice chairman of Guangdong Association of Traditional Chinese Medicine (廣東省中藥協會).

Independent Non-executive Directors

Dr. Wan Jianbo (萬建波), aged 46, is an independent non-executive Director of our Company. Dr. Wan was appointed as an independent Director in October 2023 and was redesignated as an independent non-executive Director on March 26, 2025. He is mainly responsible for providing independent advice and judgment to our Board.

Dr. Wan brings a wealth of academic expertise to his role. He has had a prolific academic career at the University of Macau (澳門大學), where he initially joined as an assistant professor in August 2011, advanced to an associate professor in August 2017 and has been serving as a professor since August 2023.

Dr. Wan obtained a bachelor's degree in pharmacy from Wuhan University (武漢大學) in China in June 2001, and a master's degree in pharmaceutical chemistry from China Pharmaceutical University (中國藥科大學) in China in June 2004, as well as a master's degree in traditional Chinese medicine from the University of Macau (澳門大學) in Macau in August 2004. Further, Dr. Wan obtained a Ph.D. in biomedicine from the University of Macau (澳門大學) in Macau in August 2008. Following his Ph.D., Dr. Wan completed a postdoctoral fellowship at the Laboratory of Lipid Medicine and Technology, Massachusetts General Hospital & Harvard Medical School in the United States in April 2011.

Dr. Chen Jianping (陳建萍), aged 69, is an independent non-executive Director of our Company. Dr. Chen was appointed as an independent Director in February 2025 and was redesignated as an independent non-executive Director on March 26, 2025. She is mainly responsible for providing independent advice and judgment to our Board.

Dr. Chen brings over three decades of experience in the field of TCM. From July 1984 to August 1993, she successively trained as resident physician and attending physician. From July 1998 to October 2000, she served as an associate professor of Sun Yat-sen Medical University (中山醫科大學) (currently merged into Sun Yat-sen University (中山大學)) focusing on TCM researches. Later in 2001, Dr. Chen joined The University of Hong Kong as an assistant professor at the TCM division of School of Professional and Continuing Education. She further transitioned to School of Chinese Medicine of The University of Hong Kong in 2002 and successively served as its assistant professor and associate professor. Starting from September 2020, she has been a principal lecturer of School of Chinese Medicine.

Dr. Chen obtained a bachelor's degree, a master's degree and a Ph.D., all in traditional Chinese medicine, from Chengdu College of Traditional Chinese Medicine (成都中醫學院) (currently known as Chengdu University of Traditional Chinese Medicine (成都中醫藥大學)) in July 1984, July 1990 and July 1996, respectively.

Ms. Liu Jianhua (劉建華), aged 57, is an independent non-executive Director of our Company. Ms. Liu was appointed as an independent non-executive Director on March 26, 2025. She is mainly responsible for providing independent advice and judgment to our Board.

Ms. Liu possesses over 25 years of expertise in financial management and professional advisory services. She has been serving as the chairperson of Sichuan Hongyu Jianhua Tax & Financial Advisory Co., Ltd. (四川宏宇建華財稅諮詢有限公司) since June 2024, and the general manager of Sichuan BetterLink Accounting Firm Co., Ltd. (四川貝特領勢會計師事務所有限公司) since September 2017.

Ms. Liu obtained her diploma in accounting from China Central Radio and TV University (中央廣播電視大學) (currently known as The Open University of China (國家開放大學)) in January 2009. She further obtained a master's degree in business administration from Hong Kong Finance and Economics College in September 2016. Ms. Liu also holds membership at the Chinese Institute of Certified Public Accountants (中國註冊會計師協會).

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The following table sets forth the key information about our senior management as of the Latest Practicable Date.

Name	Age	Positions	Roles and responsibilities	Date of joining our Group	Date of appointment as a senior management
Mr. Feng Bin (馮斌)	63	Executive Director and general manager	Overall corporate and business strategies and key business and operational decision-making of our Group	May 10, 2003	May 10, 2009
Mr. Luo Yujin (羅玉金)	44	Executive Director and deputy general manager	Overall management of sales center of our Group	September 12, 2003	April 1, 2017
Mr. Lan Zelun (蘭澤倫)	44	Executive Director and secretary of the Board	Information disclosure and investor relations management, equity affairs management and corporate governance	July 3, 2007	July 28, 2023
Ms. Zhang Xiaojia (張曉佳)	52	Deputy general manager	Overall management of the production management center	November 2008	March 18, 2022
Mr. Liao Min (廖敏)	39	Finance director	Overall financial management and planning of our Group	May 13, 2014	July 28, 2023

Mr. Feng Bin (馮斌), aged 63, is the general manager of our Company. For his biography, see "— Board of Directors — Executive Directors" in this section.

Mr. Luo Yujin (羅玉金), aged 44, is a deputy general manager of our Company. For his biography, see "— Board of Directors — Executive Directors" in this section.

Mr. Lan Zelun (蘭澤倫), aged 44, is the secretary of the Board of our Company. For his biography, see "— Board of Directors — Executive Directors" in this section.

Ms. Zhang Xiaojia (張曉佳), aged 52, was appointed as a deputy general manager of our Company in March 2022. Apart from these roles, Ms. Zhang currently holds directorship at one subsidiary within our Group. She is mainly responsible for the overall management of the production management center.

Ms. Zhang joined our Group in November 2008, initially serving as the administration manager. She then advanced to the role of administration and human resources director in January 2013, before being promoted to deputy general manager in March 2022.

Ms. Zhang obtained her diploma in accounting from Chengdu Institute of Meteorology (成都氣象學院) (currently known as Chengdu University of Information Technology (成都信息工程大學)) in China in June 1997 and a master's degree in business administration from the Capital University of Economics and Business (首都經濟貿易大學) in China in January 2003.

Mr. Liao Min (廖敏), aged 39, was appointed as finance director of our Company in July 2023. He is mainly responsible for overall financial management and planning of our Group.

Mr. Liao joined our Group in May 2014, initially serving as a finance specialist. He then advanced to deputy finance manager and finance executive manager, before being promoted to financial director in July 2023.

Mr. Liao obtained a bachelor's degree in accounting from Jiangxi Science and Technology Normal College (江西科技師範學院) (currently known as Jiangxi Science and Technology Normal University (江西科技師範大學)) in China in July 2010.

OTHER INFORMATION IN RELATION TO OUR DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed above, to the best knowledge, information and belief of the Directors having made all reasonable inquiries, there are no material matters relating to their appointment as a Director that need to be brought to the attention of our Shareholders and there is no other information in relation to his or her appointment which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and paragraph 2 of chapter 3.10 of the Guide for New Listing Applicants as of the Latest Practicable Date.

Save as disclosed above, none of the Directors and senior management held any other directorships in any other company listed in Hong Kong or overseas during the three years immediately preceding the date of this prospectus.

Save as disclosed above, none of our Directors and senior management is related to other Directors and senior management.

JOINT COMPANY SECRETARIES

Mr. Lan Zelun (蘭澤倫) was appointed as one of the joint company secretaries of our Company with effect from Listing. For details of his biography, see "— Board of Directors — Executive Directors" above.

Mr. Poon Kin Hei (潘健希) was appointed as one of our joint company secretaries with effect from Listing.

Mr. Poon currently serves as a manager of the corporate secretarial department of TMF Hong Kong Limited and is responsible for the provision of corporate secretarial and compliance services to public company clients. He had over 10 years of experience in the company secretarial field. Mr. Poon is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom.

Mr. Poon obtained a bachelor's degree in engineering from The Chinese University of Hong Kong in December 2002 and a master of science in professional accounting and corporate governance (CG Stream) from the City University of Hong Kong in July 2011.

BOARD COMMITTEES

Our Company has established four committees under the Board in accordance with the relevant laws and regulations in Chinese Mainland, the Articles and the code of corporate governance practices under the Listing Rules, including the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee and the Strategy Committee.

Audit Committee

We have established the Audit Committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of our Group, review and approve connected transactions and to advise the Board. The Audit Committee comprises one non-executive Director and two independent non-executive Directors, namely, Ms. Liu Jianhua, Dr. Wan Jianbo and Mr. Lai Zhitian. Ms. Liu Jianhua is the chairperson of the Audit Committee. She holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Remuneration and Appraisal Committee

We have established the Remuneration and Appraisal Committee in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the Remuneration and Appraisal Committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management. The Remuneration and Appraisal Committee comprises one executive Director and two independent non-executive Directors, namely, Dr. Wan Jianbo, Ms. Liu Jianhua and Mr. Feng Bin. Dr. Wan Jianbo is the chairperson of the Remuneration and Appraisal Committee.

Nomination Committee

We have established the Nomination Committee in compliance with the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the Nomination Committee are to make recommendations to our Board regarding the appointment of Directors and Board succession. The Nomination Committee comprises one executive Director and two independent non-executive Directors, namely, Mr. Jiang Yun, Dr. Wan Jianbo and Dr. Chen Jianping. Mr. Jiang Yun is the chairperson of the Nomination Committee.

Strategy Committee

We have established the Strategy Committee in compliance with the Articles of Association. The primary duties of the Strategy Committee are to make recommendations to our Board on the long-term development strategy and major investments and projects of our Company. The Strategy Committee comprises one executive Director, one non-executive Director and one independent non-executive Director, namely Mr. Jiang Yun, Mr. Lai Zhitian and Dr. Wan Jianbo. Mr. Jiang Yun is the chairperson of the Strategy Committee.

CORPORATE GOVERNANCE CODE

We recognize the importance of incorporating elements of good corporate governance in our management structure and internal control procedures so as to achieve effective accountability. We have adopted the code provisions stated in the Corporate Governance Code. We are committed to the view that the Board should include a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors so that there is a strong independent element on the Board that can effectively exercise independent judgment.

To accomplish the high standards of corporate governance, we will comply with the Corporate Governance Code set out in Appendix C1 to the Listing Rules and the associated Listing Rules after the Listing.

MANAGEMENT PRESENCE

According to Rules 8.12 and 19A.15 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Since the principal business operations of our Group are conducted in Chinese Mainland, members of our senior management are, and are expected to continue to be, based in Chinese Mainland. Further, as our executive Directors have a vital role in our Group's operations, it is crucial for them to remain in close proximity to our Group's central management located in Chinese Mainland. Our Company does not and, for the foreseeable future, will not have a sufficient management presence in Hong Kong. We have applied for, and the Stock Exchange has granted, a waiver from compliance with Rules 8.12 and 19A.15 of the Listing Rules. For further details, see "Waivers from Strict Compliance with the Listing Rules — Management Presence in Hong Kong."

BOARD DIVERSITY POLICY

Our Board has adopted a diversity policy to support our strategic goals and sustainable growth. We value diversity in areas such as gender, age, background, experience, and skills. Director candidates are selected based on merit and their alignment with our business needs, with diversity as an important consideration. We place particular emphasis on gender diversity. After the Listing, we aim to gradually increase the number of female directors by identifying and maintaining a pool of qualified female candidates with diverse expertise. Female investor representatives are also considered, and we promote gender balance in mid-to senior-level recruitment to build a pipeline of future female leaders. We will provide training to high-potential female employees in areas such as operations, management, finance, and compliance, to prepare them for leadership roles. Our Nomination Committee oversees board diversity and will review the policy annually. Progress and measurable outcomes will be disclosed in our corporate governance report.

COMPLIANCE ADVISOR

We have appointed First Shanghai Capital Limited as our Compliance Advisor pursuant to Rule 3A.19 of the Listing Rules. Our Compliance Advisor will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, our Compliance Advisor will advise our Company in certain circumstances including:

(i) before the publication of any regulatory announcement, circular, or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues, sales or transfers of treasury shares and share repurchases; and

(iii) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this prospectus; and where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

Pursuant to Rule 3A.24 of the Listing Rules, the Compliance Advisor will, on a timely basis, inform our Company of any amendment or supplement to the Listing Rules that are announced by the Stock Exchange. The Compliance Advisor will also inform our Company of any new or amended law, regulation or code in Hong Kong applicable to us, and advise us on the applicable requirements under the Listing Rules and laws and regulations.

The term of appointment of our Compliance Advisor shall commence on the Listing Date and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

The Directors and senior management members who receive remuneration from the Company are paid in forms of wages, salaries, bonuses and pension scheme contributions. When reviewing and determining the specific remuneration packages for our Directors and members of the senior management of our Company, the Shareholders' meetings and the Board of Directors take into account factors such as salaries paid by comparable companies, time commitment, level of responsibilities, employment elsewhere in our Group and desirability of performance-based remuneration. As required by the relevant PRC laws and regulations, our Company also participates in various defined contribution plans organized by relevant provincial and municipal government authorities and welfare schemes for employees of our Company, including medical insurance, injury insurance, unemployment insurance, pension insurance, maternity insurance and housing provident fund.

For the years ended December 31, 2023, 2024 and 2025, and for the four months ended April 30, 2026, the total amount of remuneration (including fees, wages, salaries, bonuses and pension scheme contributions) and other benefits in kind (if applicable) paid to our Directors were RMB4.2 million, RMB2.7 million, RMB3.6 million and RMB1.3 million, respectively.

According to existing effective arrangements, we estimate the total remuneration before taxation to be accrued to our Directors for their service for the year ending December 31, 2026 to be approximately RMB4.0 million. The actual remuneration of our Directors in 2026 may be different from the expected remuneration.

For the years ended December 31, 2023, 2024 and 2025, and for the four months ended April 30, 2026, the total emoluments paid to the five highest paid individuals (excluding two, two, three and two Director(s)) amounted to RMB2.8 million, RMB2.5 million, RMB1.5 million and RMB1.1 million, respectively.

During the Track Record Period, no remuneration was paid by our Company to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Company or as compensation for loss of office in connection with the management positions of our Company or any of our subsidiaries.

During the Track Record Period, none of our Directors waived any remuneration. Save as disclosed above, during the Track Record Period, no other amounts shall be paid or payable by us or any of our subsidiaries to our Directors or the five highest paid individuals.

CONFIRMATIONS FROM OUR DIRECTORS

Rule 8.10 of the Listing Rules

Each of our Directors confirms that as of the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business and requires disclosure under Rule 8.10 of the Listing Rules.

From time to time our non-executive Director, namely Mr. Lai Zhitian, may serve on the boards of both private and public companies within the broader healthcare and biopharmaceutical industries. However, as Mr. Lai is not a member of our executive management team, we do not believe that Mr. Lai's interests in such companies as director would render us incapable of carrying on our business independently from the other companies in which Mr. Lai may hold directorships from time to time.

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on March 29, 2025, and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed (i) his or her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he or she has no past or present financial or other interest in the business of our Company or its subsidiaries or any connection with any core connected person of our Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his or her independence at the time of his or her appointments.

You should read the following discussion and analysis in conjunction with our consolidated financial information, including the notes thereto, included in the Accountants' Report set out in Appendix I to this prospectus. Our consolidated financial information has been prepared in accordance with IFRS Accounting Standards.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors. We discuss factors that we believe could cause or contribute to these differences below and elsewhere in this prospectus, including those set forth in "Risk Factors" and "Forward-Looking Statements" in this prospectus.

OVERVIEW

We are a large scale TCM decoction-ready products provider in China. We rank second in China in terms of revenue from TCM decoction-ready products in 2025, capturing a market share of 0.4% within a competitive landscape where the top five market players collectively hold 2.7% of market shares.

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

During the Track Record Period, our revenue increased from RMB1,145.6 million in 2023 to RMB1,334.7 million in 2025, and our gross profit increased from RMB212.0 million to RMB253.2 million in the same years. In addition, our revenue increased from RMB382.8 million in the four months ended April 30, 2025 to RMB432.2 million in the four months ended April 30, 2026, and our gross profit increased from RMB72.2 million to RMB94.2 million in the same periods.

BASIS OF PREPARATION

Our historical financial information has been prepared in accordance with IFRS Accounting Standards, which comprise all applicable standards and interpretations approved by the International Accounting Standards Board. All IFRS Accounting Standards effective for the accounting period commencing from January 1, 2025, together with the relevant transitional provisions, have been early adopted by us in the preparation of our historical financial information throughout the Track Record Period. Our historical financial information has been prepared under the historical cost convention, except for certain financial instruments, which have been measured at fair value at the end of each financial year during the Track Record Period.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business and results of operations are affected by the general factors that impact our total addressable market, including, among others, the growth of the TCM market and its competitive landscape, our ability to expand our business reach and customer network, our ability to control our profitability and costs and expenses, as well as regulatory developments.

Growth of the TCM product market and demand for our products

Our financial performance and future business growth depend on the growth of the overall TCM market and in turn, demand for our products. In China, TCM product market reached RMB426.6 billion in 2025 and is expected to reach RMB469.2 billion by 2035 driven by health and wellness awareness as well as increasing digitalization and AI adoption. Decoction-ready products, as the most widely used form of TCM, command a vast RMB320.5 billion market in 2025 and were the fastest-growing pharmaceutical sub-sector in 2025, achieving 4.5% revenue growth in 2025. Concurrently, overseas markets demonstrate demand for herbal medicine exports, driven by global recognition of TCM's preventative care value. See "Industry Overview" for details of the market and its competitive landscape. As one of the largest providers of TCM decoction-ready products in China, we believe that our business model covering core TCM markets and responsive solutions to reach modern consumers in underserved segments, as well as our foundational capabilities in industry standardization, manufacturing and quality control, will enable us to scale and capture growth opportunities in the TCM market in China and abroad.

Our ability to deepen and expand our network of institutional customers

During the Track Record Period, over 50% of our revenue was generated through stable business relationships with institutional customers, including TCM hospitals and pharmacies. Our ability to maintain relationships with these institutional customers, as well as our ability to expand our network within these customer bases will be crucial to our continued business and financial growth.

Our extensive TCM hospital network has served as the cornerstone of our historical success with a revenue contribution of 37.0% and 38.4% in 2024 and 2025 and a revenue CAGR of 11.0% during the Track Record Period. TCM hospitals represent the largest segment in terms of revenue in China's TCM decoction-ready product market in 2024. We work with over 1,000 hospitals and medical institutions across over 30 provinces in China, including some of the largest and most well-known. Our ability to offer larger volumes of major product types, such as *Fritillaria cirrhosa* (川貝母) and processed *Pinellia ternata* (製半夏), to TCM hospitals will allow us to strengthen our leadership position, particularly under the nationwide centralized procurement scheme.

Pharmacies are another major customer segment from which we derived 16.9% and 13.4% of our revenue in 2024 and 2025. We maintain strategic cooperation with major national pharmacy chains in China. Our continued partnership with these pharmacy chains enables accessibility to our products on a wide scale and penetration of multiple-tiered cities. Moreover, their continued expansion will create significant opportunities for our further business growth.

Our ability to effectively control costs and expenses and improve operational efficiency

Raw material costs are a significant component in our cost structure. As such, fluctuations in raw material costs and our ability to control or negotiate favorable prices with suppliers are major factors in our profit margins. During the Track Record Period, our raw material costs as a percentage of revenue increased from 76.9% in 2023 to 78.0% in 2024, and further decreased to 74.6% in 2025. Our raw material costs as a percentage of revenue decreased from 74.1% in the four months ended April 30, 2025 to 71.3% in the four months ended April 30, 2026. We have taken, and will endeavor to take, various measures to manage such costs. For instance, as we grow in scale and expand our market share in major product types, we will aim to negotiate volume purchases prices as well as strategically time our procurement based on cost fluctuations.

In addition to raw material costs, our ability to manage operational efficiency and control our selling and distribution expenses, administrative expenses and research and development expenses also contribute to our profitability. During the Track Record Period, these expenses, in aggregate,

accounting for 8.5%, 9.1%, 10.3%, 11.8% and 12.1% of our total revenue in 2023, 2024 and 2025, and the four months ended April 30, 2025 and 2026, respectively. Going forward, we will continue to adjust and streamline operations to bring greater economies of scale as our business grows.

Our ability to navigate the evolving regulatory environment

The industry in which we operate is subject to evolving legal and regulatory requirements, including those relating to TCM decoction-ready product quality, production and sales, government spending on healthcare, reimbursement schemes, among others. These regulations will continue to evolve and new regulations may be introduced that affect our market landscape and operations. For example, in 2024, 45 TCM decoction-ready product types were included in the nationwide centralized procurement scheme, which set clear volume, price and quality requirements for TCM decoction-ready products sold to hospitals on a national scale. For details, see "Regulatory Overview — Regulations on Centralized Procurement." As these regulations evolve, we expect that they will continue to impact our operations and financial performance.

MATERIAL ACCOUNTING POLICY INFORMATION AND CRITICAL JUDGMENTS AND ESTIMATES

The preparation of our historical financial information requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future. See notes 2.3 and 3 to the Accountants' Report set out in Appendix I to this prospectus for a detailed description of our material accounting policy information, judgments and estimates which we believe are most important for understanding our results of operations and financial condition.

Material Accounting Policy Information

We set forth below accounting policies that we believe involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Our material accounting policy information, as well as our key source of estimation uncertainties, which are important for understanding our financial condition and results of operations, are set forth in Notes 2.3 and 3 to the Accountants' Report in Appendix I to this prospectus.

DESCRIPTION OF SELECTED COMPONENTS OF THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income for the periods indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	For the year ended December 31,						For the four months ended April 30,			
	2023		2024		2025		2025		2026	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Revenue	1,145,571	100.0	1,249,402	100.0	1,334,707	100.0	382,819	100.0	432,185	100.0
Cost of sales	(933,553)	(81.5)	(1,036,329)	(82.9)	(1,081,546)	(81.0)	(310,585)	(81.1)	(337,957)	(78.2)
Gross profit	212,018	18.5	213,073	17.1	253,161	19.0	72,234	18.9	94,228	21.8
Other income and gains	4,692	0.4	7,506	0.6	8,664	0.6	2,197	0.6	1,167	0.3
Selling and distribution expenses	(52,389)	(4.6)	(50,464)	(4.0)	(66,992)	(5.0)	(19,187)	(5.0)	(26,835)	(6.2)
Administrative expenses	(34,036)	(3.0)	(46,318)	(3.7)	(61,923)	(4.6)	(23,920)	(6.2)	(21,772)	(5.0)

	For the year ended December 31,						For the four months ended April 30,			
	2023		2024		2025		2025		2026	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Research and development expenses	(11,501)	(1.0)	(17,125)	(1.4)	(7,997)	(0.6)	(1,915)	(0.5)	(3,802)	(0.9)
Impairment losses	(7,091)	(0.6)	(8,721)	(0.7)	(7,212)	(0.5)	(5,827)	(1.5)	(5,231)	(1.2)
Other expenses	(176)	(0.0)	(1,849)	(0.1)	(2,069)	(0.2)	(120)	0.0	(788)	(0.2)
Finance costs	(5,931)	(0.5)	(5,786)	(0.5)	(8,138)	(0.6)	(2,722)	(0.7)	(2,355)	(0.5)
Share of profit and loss of a joint venture	(46)	(0.0)	–	–	–	–	–	–	–	–
Loss on disposal of a joint venture	(904)	(0.1)	–	–	–	–	–	–	–	–
Profit before tax	**104,636**	**9.1**	**90,316**	**7.2**	**107,494**	**8.1**	**20,740**	**5.4**	**34,612**	**8.0**
Income tax expense	(662)	(0.1)	(1,204)	(0.1)	(1,053)	(0.1)	–	–	(734)	(0.2)
Profit for the year/period	**103,974**	**9.1**	**89,112**	**7.1**	**106,441**	**8.0**	**20,740**	**5.4**	**33,878**	**7.8**
Other comprehensive loss										
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:										
Exchange differences	(13)	(0.0)	(21)	(0.0)	118	0.0	(12)	(0.0)	163	0.0
Total comprehensive income for the year/period	**103,961**	**9.1**	**89,091**	**7.1**	**106,559**	**8.0**	**20,728**	**5.4**	**34,041**	**7.9**
Attributable to:										
Owners of the parent	103,922	9.1	89,101	7.1	106,573	8.0	20,735	5.4	34,042	7.9
Non-controlling interest	39	0.0	(10)	(0.0)	(14)	0.0	(7)	(0.0)	(1)	(0.0)

Revenue

During the Track Record Period, we primarily generated revenue from sales of decoction-ready products. For the years ended December 31, 2023, 2024 and 2025, and for the four months ended April 30, 2025 and 2026, our revenue amounted to RMB1,145.6 million, RMB1,249.4 million, RMB1,334.7 million, RMB382.8 million and RMB432.2 million, respectively. During the Track Record Period, we have experienced revenue growth, which was boosted by our sales growth with our major customers, all of which being major TCM hospitals and chained pharmacies in China. Revenue generated from our ten largest customers increased from RMB463.4 million in 2023 to RMB506.4 million in 2024, and remained relatively stable at RMB489.9 million in 2025. In addition, our revenue generated from our ten largest customers increased from RMB152.4 million in the four months ended April 30, 2025 to RMB167.2 million in the four months ended April 30, 2026. Such sales increase was primarily attributable to (i) our quality control standards and (ii) our capability to offer a wide range of TCM decoction-ready products. Currently, most market players in China's TCM decoction-ready product market only operate on a relatively small scale and limited production capacity. As such, according to Frost & Sullivan, major TCM hospitals and TCM medical trading companies tend to procure TCM decoction-ready products from suppliers with high quality standards and diversified product portfolio to streamline their procurement process.

Revenue by Types of Goods

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

	For the year ended December 31,						For the four months ended April 30,			
	2023		2024		2025		2025		2026	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Toxic decoction-ready products	192,492	16.8	172,433	13.8	137,626	10.3	44,466	11.6	39,023	9.0
Non-toxic decoction-ready products	953,079	83.2	1,076,969	86.2	1,197,081	89.7	338,353	88.4	393,162	91.0
Total	**1,145,571**	**100.0**	**1,249,402**	**100.0**	**1,334,707**	**100.0**	**382,819**	**100.0**	**432,185**	**100.0**

The following table sets forth a breakdown of the revenue of our top five best-selling products that generated the highest revenue for each period in the Track Record Period, for the periods indicated:

	For the year ended December 31,						For the four months ended April 30,			
	2023		2024		2025		2025		2026	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Fritillaria Cirrhosa (川貝母)	109,658	9.6	107,210	8.6	87,204	6.5	32,514	8.5	19,433	4.5
Dwarf Lilyturf (麥冬)	41,392	3.6	65,961	5.3	39,789	3.0	7,672	2.0	26,056	6.0
Rhizoma Pinelliae Preparatum (法半夏)	57,666	5.0	60,328	4.8	48,833	3.7	17,912	4.7	15,166	3.5
Stir-fried Ziziphi Spinosae Semen (炒酸棗仁)	95,802	8.4	53,637	4.3	38,738	2.9	12,574	3.3	13,826	3.2
Coptis root (黃連)	28,701	2.5	29,700	2.4	31,624	2.4	7,282	1.9	11,639	2.7

Our revenue from *Fritillaria Cirrhosa* (川貝母) decreased by 2.2% from RMB109.7 million in 2023 to RMB107.2 million in 2024, mainly due to the slight cut in selling price while our sales volumes remained stable. *Dwarf Lilyturf* (麥冬) increase by 59.4% from RMB41.4 million in 2023 to RMB66.0 million in 2024. The growth in revenue is attributed to (i) the increase in selling price which aligned with the growth of raw material cost in 2023, and (ii) significant sales volume growth contributed by new clients in 2024. The revenue generated from *Stir-fried Ziziphi Spinosae Semen* (炒酸棗仁) declined by 44.0% from RMB95.8 million in 2023 to RMB53.6 million in 2024, primarily because we lowered the selling price in line with the falling of raw material cost, along with a slight decrease in sales volume. Our revenue from *Fritillaria Cirrhosa* (川貝母) decreased by 40.2% from RMB32.5 million in the four months ended April 30, 2025 to RMB19.4 million in the four months ended April 30, 2026, primarily due to lower sales volumes from pharmacies attributable to a decrease in end-market demand, and from pharmaceutical companies driven by uncertainties in relation to tender timelines. *Dwarf Lilyturf* (麥冬) significantly increased by 239.6% from RMB7.7 million in the four months ended April 30, 2025 to RMB26.1 million in the four months ended April 30, 2026, primarily contributed by an increase in sales volumes from pharmacies. *Coptis root* (黃連) increased by 59.8% from RMB7.3 million in the four months ended April 30, 2025 to RMB11.6 million in the four months ended April 30, 2026, mainly due to growth in sales of non-toxic decoction-ready products to medical trading companies.

For the years ended December 31, 2023, 2024 and 2025, and for the four months ended April 30, 2025 and 2026, our revenue generated from sales of over 770 types and 4,900 varieties of decoction-ready products, with *Rhizoma pinelliae preparatum* (法半夏) and *Ginger processed pinelliae* (薑半夏) from our toxic decoction-ready products and *Fritillaria cirrhosa* (川貝母), *Dwarf lilyturf* (麥冬), stir-fried *Ziziphi spinosae semen* (炒酸棗仁) and *Coptis root* (黃連) from our non-toxic decoction-ready products contributing significantly to our revenue during the Track Record Period.

From 2023 to 2024, sales volume of *Fritillaria cirrhosa* (川貝母), and *Rhizoma pinelliae preparatum* (法半夏) remained relatively stable, while sales volumes of other products, such as *Dwarf lilyturf* (麥冬) and new product types increased and drove our overall revenue growth. From 2024 to 2025, the increased revenue from non-toxic decoction-ready products was mainly driven by the increased sales volume of major products such as Coptis root (黃連), while the decreased revenue from toxic decoction-ready products was mainly due to the decreased sales volume of major products such as Rhizoma pinelliae preparatum (法半夏). Average selling prices of products fluctuated generally in line with movements in raw material costs. In the four months ended April 30, 2026, our revenue from *Dwarf Lilyturf* (麥冬) increased significantly compared with the corresponding period in 2025, primarily driven by a tender-based contract with a pharmacy customer, which resulted in higher sales volume of the product.

Revenue by Geographical Market

The following table sets forth a breakdown of our revenue by geographical regions both in absolute amount and as a percentage of our total revenue for the periods indicated:

	For the year ended December 31,						For the four months ended April 30,			
	2023		2024		2025		2025		2026	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Chinese Mainland	1,100,174	96.0	1,193,156	95.5	1,289,338	96.6	376,132	98.3	411,366	95.2
Other Countries/Regions[(1)]	45,397	4.0	56,246	4.5	45,369	3.4	6,687	1.7	20,819	4.8
Total	**1,145,571**	**100.0**	**1,249,402**	**100.0**	**1,334,707**	**100.0**	**382,819**	**100.0**	**432,185**	**100.0**

Note:

(1) Other countries/regions include Hong Kong, Taiwan, Vietnam and Malaysia.

Revenue by Customer Types

The following table sets forth a breakdown of our revenue by customer types both in absolute amount and as a percentage of our total revenue for the periods indicated:

	For the year ended December 31,						For the four months ended April 30,			
	2023		2024		2025		2025		2026	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Hospitals and medical institutions	371,904	32.5	461,875	37.0	512,741	38.4	161,767	42.3	170,438	39.4
– Public hospitals	329,615	28.8	396,948	31.8	441,470	33.1	140,774	36.8	152,826	35.4
– Private hospitals and clinics	42,289	3.7	64,927	5.2	71,271	5.3	20,993	5.5	17,612	4.0

	For the year ended December 31,						For the four months ended April 30,			
	2023		2024		2025		2025		2026	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Medical trading companies	385,253	33.6	443,828	35.5	471,769	35.3	99,787	26.1	148,127	34.3
Pharmacies	238,449	20.8	210,608	16.9	179,036	13.4	69,874	18.3	61,816	14.3
Pharmaceutical companies	149,965	13.1	133,091	10.6	171,161	12.9	51,391	13.3	51,804	12.0
Total	**1,145,571**	**100.0**	**1,249,402**	**100.0**	**1,334,707**	**100.0**	**382,819**	**100.0**	**432,185**	**100.0**

Revenue from hospitals and medical institutions, particularly public hospitals, increased steadily during the Track Record Period, primarily due to our expanding hospital network, increased adoption of standardized TCM decoction-ready products, and stable orders under the existing hospital procurement pricing mechanisms.

Revenue from pharmacies decreased from 2023 to 2025 and from the four months ended April 30, 2025 to the four months ended April 30, 2026 primarily attributable to the following factors, which resulted in lower purchase volumes from, and lower average selling prices to, such customers:

(i) **Weaker end-market sales by our pharmacy-sector customers.** In recent years, adjustments to medical insurance policies reduced the dispensing of TCM prescriptions at retail pharmacies. On October 16, 2024, the NHSA General Office issued the Circular on Regulating the Management of Externally Dispensed Prescriptions for Medical Insurance Drugs (Yi Bao Ban Han [2024] No. 86). The Circular tightened the management of externally dispensed prescriptions at designated medical institutions and retail pharmacies, strengthened prescription circulation management, and accelerated the construction of electronic prescription centers. In particular, prescriptions now generally need to be mainly issued through medical institutions or internet hospitals connected to the electronic prescription platform. This creates a direct barrier for retail pharmacies, as they can no longer seamlessly process traditional non-electronic (paper) prescriptions, which now require cumbersome verification steps to be recognized, thereby introducing administrative friction into the out-of-hospital dispensing process. In addition, the Circular requires hospitals to stock medicines on their own, with in-hospital dispensing as the primary mode and external dispensing as a supplement, such that most patient demand can be met through in-hospital dispensing. Consequently, the increased administrative friction in processing out-of-hospital prescriptions, combined with the policy-driven enhancement of in-hospital dispensing, has led patients to increasingly prefer the convenience of having their TCM prescriptions filled directly at hospitals, leading to a decline in prescription volumes flowing to retail pharmacies. To a lesser extent, weaker end-market sales were also driven by the decrease in certain high-value products, such as *Fritillaria cirrhosa* (川貝母) (decreasing by 26% and 21% year-on-year from 2023 to 2024 and 2024 to 2025) and stir-fried *Ziziphi spinosae semen* (炒酸棗仁) (decreasing by 31% and 65% year-on-year from 2023 to 2024 and 2024 to 2025) decreased at pharmacies. As such, certain key pharmacy customers adjusted their inventory levels and therefore reduced their purchases.

(ii) **Lower average selling prices in line with raw material costs.** TCM raw material prices have steadily decreased since 2024, and we lowered the selling prices of certain products accordingly. Overall, our average selling prices from pharmacy channels decreased by 12% and 11% from 2023 to 2024 and 2024 to 2025. In the meantime, our average procurement unit price decreased from RMB93.06 in 2023 to RMB91.80 in 2024 and RMB82.12 in 2025.

(iii) **Decreased orders under tender-based framework agreements with major pharmacies.** For example, our tender-based framework agreements with three major pharmacy customers, comprising a nationwide pharmaceutical retail and healthcare services group and two leading nationwide pharmacy chains listed on the Shanghai Stock Exchange, remained in effect throughout the Track Record Period, but these customers placed fewer orders with us amid intensified competition from other suppliers. As a result, our sales of the principal affected products to these customers decreased by over 50% from 2023 to 2025, mainly due to Fritillaria cirrhosa and stir-fried Ziziphi spinosae semen, which together accounted for over 75% of the decrease.

Revenue from pharmaceutical companies decreased from 2023 to 2024, primarily due to the pricing trends of *Dwarf lilyturf* (麥冬) and stir-fried *Ziziphus jujuba seeds* (炒酸棗仁) sold through these channels, which mirrored raw material price fluctuations. After reaching a peak in 2023, prices remained elevated in the first half of 2024 but gradually began to decline in the second half. This decrease contributed to lower average selling prices and a reduction in overall channel revenue. Revenue from pharmaceutical companies increased from 2024 to 2025 and from the four months ended April 30, 2025 to the four months ended April 30, 2026, primarily as we continue to deepen our business relationship with major customers.

Cost of Sales

During the Track Record Period, our cost of sales consisted of raw materials costs, as well as labor costs, depreciation, freight costs and other expenses. For the years ended December 31, 2023, 2024 and 2025, and for the four months ended April 30, 2025 and 2026, our cost of sales amounted to RMB933.6 million, RMB1,036.3 million, RMB1,081.5 million, RMB310.6 million and RMB338.0 million, respectively. The following table sets forth a breakdown of our cost of sales for the periods indicated:

	For the year ended December 31,						For the four months ended April 30,			
	2023		2024		2025		2025		2026	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Raw materials	881,308	94.3	974,150	94.0	996,169	92.1	283,802	91.4	308,320	91.2
Labor costs	17,435	1.9	20,838	2.0	25,057	2.3	7,226	2.3	9,269	2.7
Depreciation	6,240	0.7	8,704	0.8	11,974	1.1	3,393	1.1	4,003	1.2
Freight costs	12,078	1.3	17,510	1.7	20,330	1.9	5,619	1.8	6,409	1.9
Other expenses	16,492	1.8	15,127	1.5	28,016	2.6	10,545	3.4	9,956	3.0
Total	**933,553**	**100.0**	**1,036,329**	**100.0**	**1,081,546**	**100.0**	**310,585**	**100.0**	**337,957**	**100.0**

Gross Profit and Gross Profit Margin

For the years ended December 31, 2023, 2024 and 2025, and for the four months ended April 30, 2025 and 2026, our gross profit amounted to RMB212.0 million, RMB213.1 million, RMB253.2 million, RMB72.2 million and RMB94.2 million, respectively. Our gross profit margin was 18.5%, 17.1%, 19.0%, 18.9% and 21.8% for the same periods, respectively.

Gross Profit and Gross Profit Margin by Product Types

The following table sets forth a breakdown of our gross profit and gross profit margin for the periods indicated:

	For the year ended December 31,						For the four months ended April 30,			
	2023		2024		2025		2025		2026	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Toxic decoction-ready products	46,158	24.0	32,862	19.1	32,372	23.5	10,051	22.6	11,913	30.5
Non-toxic decoction-ready products	165,860	17.4	180,211	16.7	220,789	18.4	62,183	18.4	82,315	20.9
Total gross profit/overall gross profit margin	**212,018**	**18.5**	**213,073**	**17.1**	**253,161**	**19.0**	**72,234**	**18.9**	**94,228**	**21.8**

The gross profit margin of toxic decoction-ready products decreased from 24.0% in 2023 to 19.1% in 2024, and recovered to 23.5% in 2025. The gross profit margin of toxic decoction-ready products increased from 22.6% in the four months ended April 30, 2025 to 30.5% in the four months ended April 30, 2026. As a majority of our revenue from toxic decoction-ready products are from Rhizoma pinelliae preparatum (法半夏), the fluctuation of our gross profit margin for toxic decoction-ready products were generally reflecting the gross profit margins of these products. Please refer to "— Description of Selected Components of the Consolidated Statements of Profit or Loss and Other Comprehensive Income — Gross Profit and Gross Profit Margin — Gross Profit and Gross Profit Margin of Top Five Best-selling Products" for a detailed analysis.

For non-toxic decoction-ready products, the gross profit margin declined from 17.4% in 2023 to 16.7% in 2024. This decrease reflected raw material cost increases while our average selling prices for major products remained stable as many of these products were sold with price-lock mechanisms under the procurement agreements, which limit our ability to adjust selling prices in response to raw material cost fluctuations. Key materials experiencing substantial price increases included Fritillaria cirrhosa (川貝母), Ziziphus jujuba seeds (酸棗仁), Ophiopogon japonicus (麥冬), Coptis chinensis (黃連), and Angelica sinensis (當歸). The margin recovered to 18.4% in 2025 following the stabilization and subsequent moderation of raw material prices. The gross profit margin increased from 18.4% in the four months ended April 30, 2025 to 20.9% in the four months ended April 30, 2026, primarily attributable to lower raw material costs in the four months ended April 30, 2026, while we maintained fixed selling prices for our major customer type, public hospitals.

The substantial escalation in TCM raw material prices during 2023 and 2024 stemmed from multiple interconnected factors. First, the lingering effects of the COVID-19 pandemic disrupted traditional cultivation and harvesting operations while simultaneously depleting inventory levels due to increased TCM utilization in pandemic treatment; the subsequent post-pandemic consumption recovery further amplified demand pressures against constrained supply. Second, cultivation costs experienced systematic increases driven by rising land rental fees, labor expenses, and agricultural input costs, which were transmitted to market prices.

Please see below a detailed analysis on the gross profit and gross profit margin of our major products.

Gross Profit and Gross Profit Margin of Top Five Best-selling Products

The following table sets forth a breakdown of the profit and profit margin of our top five best-selling products that generated the highest revenue for each period in the Track Record Period for the periods indicated:

	For the year ended December 31,						For the four months ended April 30,			
	2023		2024		2025		2025		2026	
	Product profit	Product profit margin	Product profit	Product profit margin	Product profit	Product profit margin	Product profit	Product profit margin	Product profit	Product profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Fritillaria Cirrhosa (川貝母)	6,317	5.8	6,435	6.0	8,284	9.5	1,681	5.2	3,108	16.0
Dwarf Lilyturf (麥冬)	3,105	7.5	12,734	19.3	4,257	10.7	1,547	20.2	5,472	21.0
Rhizoma Pinelliae Preparatum (法半夏)	19,872	34.5	15,295	25.4	16,115	33.0	5,160	28.8	7,067	46.6
Stir-fried Ziziphi Spinosae Semen (炒酸棗仁)	6,256	6.5	6,719	12.5	10,111	26.1	2,531	20.1	6,043	43.7
Coptis root (黃連)	1,630	5.7	1,203	4.1	2,467	7.8	35	0.5	216	1.9

Note: Product profit refers to sales revenue after deducting raw material costs.

Generally, given the nature of our business, our product profit margin for each product is affected by the raw material costs. Set forth below is a detailed analysis of the product profit margin fluctuations of our top five best-selling products. Please also see "Risk Factors — Risks Relating to Our Business — Our business and profitability may be adversely affected by price fluctuations and supply shortages of TCM raw materials" for details.

Fritillaria Cirrhosa (川貝母)

During the Track Record Period, the product profit margin for *Fritillaria Cirrhosa* was relatively stable at 5.8%, 6.0%, 9.5%, 5.2% and 16.0% in 2023, 2024, 2025 and the four months ended April 30, 2025 and 2026. The increase in its product profit margin in 2025 was primarily resulted from hospital and medical institution channels, as we are able to negotiate a higher selling prices in these channels. The increase in its product profit margin in the four months ended April 30, 2026 was primarily attributable to a substantial reduction in product purchase prices, while selling prices to our customers remained stable.

Dwarf Lilyturf (麥冬)

During the Track Record Period, the product profit margin for *Dwarf Lilyturf* was primarily affected by the extreme fluctuation of raw material cost. Product profit margin of Dwarf Lilyturf increased from 7.5% in 2023 to 19.3% in 2024, due to the drop of raw material cost, which drove up the profit margin of the sales to medical trading companies and pharmacies, while the profit margin sales to hospitals remained relatively stable. In 2025, its product profit margin decreased to 10.7%. Such decrease was primarily because the low cost inventory of *Dwarf Lilyturf* was depleted and we restocked at an increased market price. While the product profit margin for Dwarf Lilyturf remained stable at 20.2% and 21.0% in the four months ended April 30, 2025 and 2026, our gross profit achieved growth, primarily attributable to tender-based contracts secured from a leading pharmacy-sector customer, which drove higher sales volumes of our Dwarf Lilyturf.

Rhizoma Pinelliae Preparatum (法半夏)

During the Track Record Period, *Rhizoma Pinelliae Preparatum*'s product profit margin amounted to 34.5%, 25.4%, 33.0%, 28.8% and 46.6% in 2023, 2024, 2025 and the four months ended April 30, 2025 and 2026. The decrease in 2024 was primarily driven by hospital and medical institution channels. Given the price lock-up in the framework agreements with hospitals, which typically has a term of two years, the decrease was largely attributable to the lag in price adjustments in public hospitals, while raw material costs continued to rise throughout the year. In 2025, our product profit margin for *Rhizoma Pinelliae Preparatum* slightly increased from 25.4% in 2024 to 33.0%. As the framework agreements with hospitals ensured that the sales prices were not reduced in line with the drop in raw material costs, an increase in the gross profit margin from hospital channel can be witnessed in 2025. In the four months ended April 30, 2026, our product profit margin for *Rhizoma Pinelliae Preparatum* was 46.6%, increasing from 28.8% during the same period in 2025, primarily due to a reduction in costs of raw materials, while selling prices of such product were maintained.

Stir-fried Ziziphi Spinosae Semen (炒酸棗仁)

During the Track Record Period, the product profit margin for stir-fried *Ziziphi Spinosae Semen* amounted to 6.5%, 12.5%, 26.1%, 20.1% and 43.7% in 2023, 2024, 2025 and the four months ended April 30, 2025 and 2026. The increase in its product profit margin in 2024 was primarily driven by the reduction in raw material costs, while our sales prices remained relatively stable. In particular, selling prices for hospital channels were locked in under two-year framework agreements, which maintained price stability despite the declining cost base. This combination of reduced costs and stable pricing, supported by the strong premium associated with our brand and quality standards, resulted in margin expansion. In 2025, its product profit margin further increased to 26.1%, primarily driven by the continued decrease in raw material costs, while sales prices remained relatively stable for similar reasons. In the four months ended April 30, 2026, its product profit margin increased to 43.7%. Such increase was primarily attributable to lower raw material costs, together with higher sales volumes from new customers secured through successful tenders.

Coptis root (黃連)

During the Track Record Period, the product profit margin for *Coptis Root* amounted to 5.7%, 4.1%, 7.8%, 0.5% and 1.9% in 2023, 2024, 2025 and the four months ended April 30, 2025 and 2026. The decrease in its product profit margin in 2024 was primarily due to an increase in raw material costs while the selling prices of Coptis root remained relatively stable. The increase in its product profit margin in 2025 was primarily due to a decrease in raw material costs while the selling prices of Coptis root remained relatively stable. The increase in its product profit margin in the four months ended April 30, 2026 compared to the corresponding period in 2025 was primarily driven by (i) a higher average selling price while the purchase prices for such products remained stable, and (ii) an improved product-mix with a greater proportion of higher-margin processed products offered to our customers.

The following table sets forth a breakdown of the sales volume and average selling price of our top five best-selling products that generated the highest revenue for each period in the Track Record Period, for the periods indicated:

	For the year ended December 31,						For the four months ended April 30,			
	2023		2024		2025		2025		2026	
	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price
	ton	*RMB'000 per ton*	*ton*	*RMB'000 per ton*	*ton*	*RMB'000 per ton*	*ton*	*RMB'000 per ton*	*ton*	*RMB'000 per ton*
Fritillaria Cirrhosa (川貝母)	25	4,386	25	4,288	21	4,153	7	4,645	5	3,887
Dwarf Lilyturf (麥冬)	265	156	451	146	286	139	54	142	178	146
Rhizoma Pinelliae Preparatum (法半夏)	372	155	371	163	338	144	134	134	100	152
Stir-fried Ziziphi Spinosae Semen (炒酸棗仁)	98	978	64	838	62	625	20	629	26	532
Coptis root (黃連)	90	319	80	371	90	351	25	291	29	401

The pricing of our products is primarily determined based on the cost of raw materials and is also affected by a number of factors including the supply and demand conditions in the market for our products, the prices of competitors, the level of difficulty in producing different categories of medicinal materials, the types of downstream customers, and relevant government policies.

During the Track Record Period, the analysis of the average selling prices as compared to its average purchase price of raw materials of our major products are summarized as follows:

	For the year ended December 31,						For the four months ended April 30,			
	2023		2024		2025		2025		2026	
	Average Selling Price	Average Purchase Price of Raw Materials	Average Selling Price	Average Purchase Price of Raw Materials	Average Selling Price	Average Purchase Price of Raw Materials	Average Selling Price	Average Purchase Price of Raw Materials	Average Selling Price	Average Purchase Price of Raw Materials
	RMB'000 per ton									
Fritillaria Cirrhosa (川貝母)	4,386	3,456	4,288	3,632	4,153	3,317	4,645	3,701	3,887	2,931
Dwarf Lilyturf (麥冬)	156	141	146	114	139	120	142	115	146	127
Rhizoma Pinelliae Preparatum (法半夏)	155	90	163	87	144	78	134	46	152	56
Stir-fried Ziziphi Spinosae Semen (炒酸棗仁)	978	872	838	616	625	597	629	468	532	436
Coptis root (黃連)	319	308	371	374	351	330	291	363	401	426

Generally, the fluctuations of our purchase price for raw materials are determined based on market conditions. The decline in raw material prices affected our cost structure and was gradually reflected in the selling prices of the relevant products. In particular,

- In 2024, the selling price of *Fritillaria cirrhosa* (川貝母) slightly decreased despite the stable-to-rising trend of its raw medicinal material price. This was mainly because downstream pharmaceutical enterprises made bulk and concentrated purchases during the high price period of 2024, which temporarily increased the proportion of sales of

Fritillaria cirrhosa (川貝母) to pharmaceutical enterprises. As the TCM decoction ready products procured by pharmaceutical enterprises are generally priced lower than other types of customers, the overall selling price decreased.

- *Rhizoma pinelliae preparatum* (法半夏) is toxic decoction-ready products, and its processing and production process are relatively more complex, allowing us to enjoy higher bargaining power.

- In 2025, the selling price of *Dwarf Lilyturf* (麥冬) decreased while our raw material procurement costs increased. The decrease in selling price was mainly driven by the implementation of the centralized procurement scheme.

- In the four months ended April 30, 2026, selling prices of our products were subject to relatively low volatility, mainly attributable to fixed tender-locked pricing for public hospitals, compared with the corresponding period in 2025.

For certain products, the profit margin and average selling price experienced disproportionate fluctuations. This was mainly because, although product selling prices were closely correlated with the fluctuations in raw medicinal material prices, the timing of passing on changes in raw material costs (whether increases or decreases) to downstream customers through product price adjustments was subject to certain delays. Such delays arose from multiple factors, including the frequency of downstream price adjustments, contractual pricing arrangements (whereby certain customers agreed to lock the prices within a fixed period or a specified purchase volume), and raw material procurement strategies. As a result, the extent of changes in product selling prices was not always fully aligned with changes in raw material costs.

For example, the average selling price of *Dwarf lilyturf* (麥冬) decreased by 6.4% in 2024 as compared to 2023, while the gross profit margin of *Dwarf lilyturf* (麥冬) increased from 7.5% in 2023 to 19.3% in 2024. As the product selling price adjustments lagged behind the continuous increase in raw material costs, the magnitude of changes in raw material costs exceeded that of the product prices, resulting in a significant decline in gross profit margin in 2023. In 2024, the decline in the selling price of stir-fried *Ziziphi spinosae semen* (炒酸棗仁) was smaller than the fluctuation in the price of its raw medicinal material. The main reason was that certain customers, such as large chain pharmacies, locked in prices during high-price periods. These price-lock arrangements were driven by factors such as large purchase volumes, continuous procurement cycles, and stable supply capacity, which together constrained the overall decrease in the average selling price of these products. Similar pricing dynamics and cost pass-through mechanisms also applied in 2025 and the four months ended April 30, 2026, and the fluctuations in the average selling prices and gross profit margins of the relevant products during the year were driven by factors consistent with those described above.

During the Track Record Period, our gross profit margin decreased in 2024 because our percentage of sales to medical trading companies and pharmacies increased, and such customer types generally had lower margins due to market competition. Our gross profit margin increased in 2025, primarily due to the decrease in our raw materials costs associated with certain major products, while our average selling prices remained relatively stable. Our gross profit margin increased from the four months ended April 30, 2025 to the same period in 2026, primarily because of the decrease in our raw materials costs associated with certain major products, including *Fritillaria cirrhosa* (川貝母) and *Rhizoma pinelliae preparatum* (法半夏). For details, see "— Period to Period Comparison of Results of Operations."

Other Income and Gains

During the Track Record Period, our other income and gains consisted of (i) government grants income, which primarily certain subsidies we received from the government, (ii) investment income from various wealth management products, (iii) bank interest income, (iv) gains on disposal of items of property, plant and equipment, (v) Fair value gains on financial assets at FVTPL, (vi) foreign exchange differences and (vii) others. For the years ended December 31, 2023, 2024 and 2025, and for the four months ended April 30, 2025 and 2026, our other income and gains amounted to RMB4.7 million, RMB7.5 million, RMB8.7 million, RMB2.2 million and RMB1.2 million, respectively. The following table sets forth a breakdown of our other income and gains for the periods indicated:

	For the year ended December 31,						For the four months ended April 30,			
	2023		2024		2025		2025		2026	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Other income										
Government grants income	3,077	65.7	4,914	65.5	5,578	64.4	985	44.8	493	42.3
Investment income	489	10.4	424	5.6	202	2.3	18	0.8	–	–
Interest income	977	20.8	1,337	17.9	2,041	23.6	722	32.9	425	36.4
Others	35	0.7	716	9.5	843	9.7	451	20.5	221	18.9
Gains										
Gains on disposal of items of property, plant and equipment	114	2.4	–	–	–	–	–	–	–	–
Fair value gains on financial assets at FVTPL	–	–	–	–	–	–	–	–	28	2.4
Foreign exchange differences, net	–	–	115	1.5	–	–	21	1.0	–	–
Total	**4,692**	**100.0**	**7,506**	**100.0**	**8,664**	**100.0**	**2,197**	**100.0**	**1,167**	**100.0**

Selling and Distribution Expenses

During the Track Record Period, our selling and distribution expenses consisted of employee benefit expenses, business development expenses, advertising and promotion expenses, and other expenses. For the years ended December 31, 2023, 2024 and 2025, and for the four months ended April 30, 2025 and 2026, our selling and distribution expenses amounted to RMB52.4 million, RMB50.5 million, RMB67.0 million, RMB19.2 million and RMB26.8 million, respectively. The following table sets forth a breakdown of our selling and distribution expenses in absolute amounts and as percentages of the total selling and distribution expenses for the periods indicated:

	For the year ended December 31,						For the four months ended April 30,			
	2023		2024		2025		2025		2026	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Employee benefit expenses	36,210	69.1	33,082	65.6	45,709	68.2	12,819	66.8	19,455	72.5
Business development expenses	5,486	10.5	7,339	14.5	11,038	16.5	3,518	18.3	3,470	12.9
Advertising and promotion expenses	3,733	7.1	2,739	5.4	2,668	4.0	759	4.0	1,435	5.4
Others[(1)]	6,960	13.3	7,304	14.5	7,577	11.3	2,091	10.9	2,475	9.2
Total	**52,389**	**100.0**	**50,464**	**100.0**	**66,992**	**100.0**	**19,187**	**100.0**	**26,835**	**100.0**

Note:

(1) Others primarily include travel expenses and other miscellaneous expenses.

Administrative Expenses

During the Track Record Period, our administrative expenses consisted of employee benefit expenses, listing expenses, business taxes and surcharges, raw material disposal, depreciation and amortization, office expenses, professional service fees and others. For the years ended December 31, 2023, 2024 and 2025, and for the four months ended April 30, 2025 and 2026, our administrative expenses amounted to RMB34.0 million, RMB46.3 million, RMB61.9 million, RMB23.9 million and RMB21.8 million, respectively. The following table sets forth a breakdown of our administrative expenses in absolute amounts and as percentages of the total administrative expenses for the periods indicated:

	For the year ended December 31,						For the four months ended April 30,			
	2023		2024		2025		2025		2026	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Listing expenses	–	–	11,081	23.9	20,664	33.4	11,776	49.2	7,353	33.8
Employee benefit expenses	11,083	32.6	13,331	28.9	16,231	26.2	5,141	21.5	5,414	24.9
Business taxes and surcharges	4,269	12.5	5,946	12.8	4,833	7.8	1,111	4.6	2,175	10.0
Raw material disposal	4,015	11.8	5,131	11.1	1,691	2.7	759	3.2	711	3.3
Depreciation and amortization	4,706	13.8	3,447	7.4	6,074	9.8	1,713	7.2	2,579	11.8
Office expenses	1,867	5.5	1,724	3.7	1,616	2.6	491	2.1	759	3.5
Professional service fees	3,004	8.8	854	1.8	1,331	2.1	379	1.6	528	2.4
Others[(1)]	5,092	15.0	4,804	10.4	9,483	15.4	2,550	10.6	2,253	10.3
Total	**34,036**	**100.0**	**46,318**	**100.0**	**61,923**	**100.0**	**23,920**	**100.0**	**21,772**	**100.0**

Note:

(1) Others primarily include travel expenses, rental expenses and other miscellaneous expenses.

Research and Development Expenses

During the Track Record Period, our research and development expenses consisted of employee benefit expenses, material expenses and other expenses. For the year ended December 31, 2023, 2024 and 2025 and the four months ended April 30, 2025 and 2026, our research and development expenses amounted to RMB11.5 million, RMB17.1 million, RMB8.0 million, RMB1.9 million and RMB3.8 million, respectively. The following table sets forth a breakdown of our research and development expenses in absolute amounts and as percentages of the total research and development expenses for the periods indicated:

	For the year ended December 31,						For the four months ended April 30,			
	2023		2024		2025		2025		2026	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Material expenses	7,255	63.1	12,979	75.7	3,569	44.6	504	26.3	2,440	64.2
Employee benefit expenses	3,893	33.8	3,914	22.9	4,004	50.1	1,307	68.3	1,253	33.0
Others	353	3.1	232	1.4	424	5.3	104	5.4	109	2.8
Total	**11,501**	**100.0**	**17,125**	**100.0**	**7,997**	**100.0**	**1,915**	**100.0**	**3,802**	**100.0**

Impairment Losses

During the Track Record Period, our impairment losses were primarily related to inventories, and trade and other receivables. For the years ended December 31, 2023, 2024 and 2025, and for the four months ended April 30, 2025 and 2026, our impairment losses amounted to RMB7.1 million, RMB8.7 million, RMB7.2 million, RMB5.8 million and RMB5.2 million, respectively.

Other Expenses

During the Track Record Period, our other expenses consisted of donations to charity, loss on disposal of property, plant and equipment, foreign exchange losses and others. For the years ended December 31, 2023, 2024 and 2025, and for the four months ended April 30, 2025 and 2026, our other expenses amounted to RMB0.2 million, RMB1.8 million, RMB2.1 million, RMB0.1 million and RMB0.8 million, respectively. The following table sets forth a breakdown of our other expenses in absolute amounts and as percentages of the total other expenses for the periods indicated:

	For the year ended December 31,						For the four months ended April 30,			
	2023		2024		2025		2025		2026	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Donations	171	97.2	1,116	60.4	1,656	80.0	88	73.3	537	68.1
Others	5	2.8	733	39.6	413	20.0	32	26.7	251	31.9
Total	**176**	**100.0**	**1,849**	**100.0**	**2,069**	**100.0**	**120**	**100.0**	**788**	**100.0**

Finance Costs

During the Track Record Period, our finance costs consisted of interest expenses on bank borrowings and lease liabilities. For the years ended December 31, 2023, 2024 and 2025, and for the four months ended April 30, 2025 and 2026, our finance costs amounted to RMB5.9 million, RMB5.8 million, RMB8.1 million, RMB2.7 million and RMB2.4 million, respectively.

Share of Profit and Loss in a Joint Venture

During the Track Record Period, our share of profit and loss in a joint venture represented our share of profit and loss in our joint venture, namely Eu Yan Sang Neautus (Hong Kong) Limited, which we disposed in 2023. For the years ended December 31, 2023, 2024 and 2025, and for the four months ended April 30, 2025 and 2026, we recorded share of loss of a joint venture of RMB46 thousand, nil, nil, nil and nil, respectively.

Loss on Disposal of a Joint Venture

During the Track Record Period, our loss on disposal of a joint venture represented our loss on disposal of 49% equity interest in Eu Yan Sang Neautus (Hong Kong) Limited. We record loss on disposal of a joint venture of RMB0.9 million in 2023, which was a non-recurring item.

Income Tax Expense

For the years ended December 31, 2023, 2024 and 2025, and for the four months ended April 30, 2025 and 2026, we recorded income tax expense of RMB0.7 million, RMB1.2 million, RMB1.1 million, nil and RMB0.7 million, respectively.

We are subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which our members are domiciled and operate.

Hong Kong

Our subsidiary which operates in Hong Kong is subject to profits tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Track Record Period.

Chinese Mainland

The provision for corporate income tax in Chinese Mainland is based on the statutory rate of 25% of the taxable profits determined in accordance with the Corporate Income Tax Law, which was approved and became effective on January 1, 2008, except for certain subsidiaries of us in Chinese Mainland which are granted tax concession and are taxed at preferential tax rates. In addition, our business related to primary processing of agricultural products was entitled to income tax exemption.

We have been qualified as an Encouraged Industrial Enterprise based in the western region of Chinese Mainland during the Track Record Period, and were entitled to a preferential CIT rate of 15% during the Track Record Period. Our decoction-ready product business was entitled to income tax exemption.

Our wholly-owned subsidiaries Chengdu Neautus and Neautus Pharmacy have been accredited as micro and small businesses, and were entitled to an income tax preferential rate of 20% of its taxable profits during the Track Record Period.

Profit for the Year/Period

For the years ended December 31, 2023, 2024 and 2025, and for the four months ended April 30, 2025 and 2026, our profit for the year/period amounted to RMB104.0 million, RMB89.1 million, RMB106.4 million, RMB20.7 million and RMB33.9 million, respectively.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Four months ended April 30, 2025 Compared to Four months ended April 30, 2026

Revenue

Our revenue increased by 12.9% from RMB382.8 million in the four months ended April 30, 2025 to RMB432.2 million in the four months ended April 30, 2026, primarily due to the increase in sales to hospitals and medical trading companies, stemming from our proactive actions to retain existing customers and acquire new customers.

Cost of Sales

Our cost of sales increased by 8.8% from RMB310.6 million in the four months ended April 30, 2025 to RMB338.0 million in the four months ended April 30, 2026. The increase in our cost of sales was primarily driven by an increase in employee benefit expenses, mainly due to growth in the headcount of our manufacturing team.

Gross Profit and Gross Profit Margin

Our gross profit increased by 30.4% from RMB72.2 million in the four months ended April 30, 2025 to RMB94.2 million in the four months ended April 30, 2026, primarily due to the increase in revenue from non-toxic decoction-ready products and in sales to hospitals and medical trading companies.

Our gross profit margin increased from 18.9% in the four months ended April 30, 2025 to 21.8% in the four months ended April 30, 2026, primarily attributable to the decrease in our raw materials costs associated with certain major products, including *Fritillaria cirrhosa* (川貝母) and *Rhizoma pinelliae preparatum* (法半夏).

Other Income and Gains

Our other income and gains decreased by 46.9% from RMB2.2 million in the four months ended April 30, 2025 to RMB1.2 million in the four months ended April 30, 2026, primarily due to decreases in government grants income and investment income.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 39.9% from RMB19.2 million in the four months ended April 30, 2025 to RMB26.8 million in the four months ended April 30, 2026, mainly due to an increase in employee benefit expenses, primarily driven by higher performance-based compensation for our sales personnel in line with sales growth and expansion of our sales team.

Administrative Expenses

Our administrative expenses decreased by 9.0% from RMB23.9 million in the four months ended April 30, 2025 to RMB21.8 million in the four months ended April 30, 2026, primarily attributable to lower listing expenses, partially offset by increases in business taxes and surcharges and depreciation and amortization.

Research and Development Expenses

Our research and development costs increased by 98.5% from RMB1.9 million in the four months ended April 30, 2025 to RMB3.8 million in the four months ended April 30, 2026, mainly due to an increase in material expenses, driven by the addition of new R&D projects, the advancement of certain R&D projects to the pilot production stage, and the use of higher-value raw materials in larger quantities for research and development activities.

Impairment Losses

Our impairment losses decreased from RMB5.8 million in the four months ended April 30, 2025 to RMB5.2 million in the four months ended April 30, 2026, mainly attributable to accelerated collections of long-aged trade receivables and a decrease in trade receivables subject to higher impairment loss rates, leading to lower impairment provisions.

Other Expenses

Our other expenses increased by 556.7% from RMB120.0 thousand in the four months ended April 30, 2025 to RMB788.0 thousand in the four months ended April 30, 2026, primarily in relation to the increase in the donations.

Finance Costs

Our finance costs decreased by 13.5% from RMB2.7 million in the four months ended April 30, 2025 to RMB2.4 million in the four months ended April 30, 2026, mainly due to a decrease in interest expenses on our interest-bearing bank borrowings arising from lower bank interest rates and a reduction in our total borrowings.

Share of Profit and Loss in a Joint Venture

We did not record any such loss in the four months ended April 30, 2026.

Income Tax Expense

Our income tax expense increased from nil in the four months ended April 30, 2025 to RMB0.7 million in the four months ended April 30, 2026, primarily in line with the increase in our profit before tax during the same periods.

Profit for the Four Months Ended April 30, 2026

As a result of the foregoing, our profit for the period increased by 63.3% from RMB20.7 million in the four months ended April 30, 2025 to RMB33.9 million in the four months ended April 30, 2026.

Year Ended December 31, 2025 Compared with Year Ended December 31, 2024

Revenue

Our revenue increased by 6.8% from RMB1,249.4 million in 2024 to RMB1,334.7 million in 2025, primarily driven by the increase in revenue from hospitals and medical institutions of RMB50.9 million. Such increase was mainly attributable to higher procurement volumes from certain major existing hospital and medical institution customers, despite a decrease in the total number of our public hospital customers during the year. In terms of product type, we recorded higher sales revenue from *Coptis root* (黃連) mainly resulting from the increased sales volume.

Cost of Sales

Our cost of sales increased by 4.4% from RMB1,036.3 million in 2024 to RMB1,081.5 million in 2025. The increase in our cost of sales was primarily driven by (i) higher raw material costs in line with increased sales volume, and (ii) an increase in other expenses primarily due to higher packaging costs, utility expenses and other indirect manufacturing overheads resulting from the increased sales volume.

Gross Profit and Gross Profit Margin

Our gross profit increased by 18.8% from RMB213.1 million in 2024 to RMB253.2 million in 2025, primarily due to the increase in revenue from non-toxic decoction-ready products and in sales to hospitals and medical trading companies.

Our gross profit margin increased from 17.1% in 2024 to 19.0% in 2025, primarily attributable to the decrease in our raw materials costs associated with certain major products, including *Coptis root* (黃連), *Fritillaria cirrhosa* (川貝母), and *Rhizoma pinelliae preparatum* (法半夏).

Other Income and Gains

Our other income and gains increased by 15.4% from RMB7.5 million in 2024 to RMB8.7 million in 2025, primarily due to increased income from government grants and bank investments.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 32.8% from RMB50.5 million in 2024 to RMB67.0 million in 2025, primarily due to (i) an increase in employee benefit expenses, due to salary adjustments and an expanded sales team to support business growth, and (ii) an increase in business development expenses as we strengthened customer interactions and business development activities.

Administrative Expenses

Our administrative expenses increased by 33.7% from RMB46.3 million in 2024 to RMB61.9 million in 2025. The increase was primarily driven by (i) a significant increase in listing expenses incurred for intermediary services related to our listing process, and (ii) an increase in employee benefit expenses, as we expanded our administrative workforce to support the growth in sales scale; partially offset by a slight decrease in business taxes and surcharges.

Research and Development Expenses

Our research and development expenses decreased by 53.3% from RMB17.1 million in 2024 to RMB8.0 million in 2025, primarily due to a significant decrease in material expenses, caused by the decreased raw material costs for certain major products.

Impairment Losses

Our impairment losses decreased by 17.3% from RMB8.7 million in 2024 to RMB7.2 million in 2025, primarily due to a decrease in trade receivables, leading to the decreased impairment provisions.

Other Expenses

Our other expenses increased by 11.9% from RMB1.8 million in 2024 to RMB2.1 million in 2025, primarily due to the increase in the donations.

Finance Costs

Our finance costs increased by 40.6% from RMB5.8 million in 2024 to RMB8.1 million in 2025, primarily due to an adjustment in right-of-use asset following the modification of our lease agreement.

Share of Profit and Loss in a Joint Venture

We did not record any such profit/loss in 2024 and 2025.

Loss on Disposal of a Joint Venture

We did not record any such loss in 2024 and 2025.

Income Tax Expense

Our income tax expense remained relatively stable at RMB1.2 million in 2024 and RMB1.1 million in 2025.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 19.4% from RMB89.1 million in 2024 to RMB106.4 million in 2025.

Year Ended December 31, 2024 Compared with Year Ended December 31, 2023

Revenue

Our revenue increased by 9.1% from RMB1,145.6 million in 2023 to RMB1,249.4 million in 2024, primarily driven by the increase in revenue generated from hospitals and medical institutions of RMB90.0 million, primarily because we have been able to deepen collaboration with major hospital and medical institution customers; and an increase in revenue generated from medical trading companies of RMB58.6 million, primarily because we continued to expand our medical trading company customer base from 549 in 2023 to 606 in 2024, leveraging our capability of delivering a wide range of TCM decoction-ready products with a high quality standard, which was partially offset by the decrease in revenue generated from pharmacies and pharmaceutical companies, primarily due to the decline in purchase volume from certain key pharmacy and pharmaceutical customers, mainly attributable to their internal inventory adjustments.

In terms of product type, our sales of non-toxic decoction-ready products increased significantly by RMB123.9 million, as we increased the types of products we offered, and saw notable increases in sales volume of *Dwarf lilyturf* (麥冬) while its selling price only decreased slightly and the significant increases in the selling price of *Angelica sinensis (*當歸). This was partially offset by a decrease in sales of unprocessed *Pinellia ternata* as a result of the decreased demand from pharmaceutical companies, and a decrease in sales of stir-fried *Ziziphi spinosae semen* (炒酸棗仁) due to a decrease in both its sales volume and selling price.

Cost of Sales

Our cost of sales increased by 11.0% from RMB933.6 million in 2023 to RMB1,036.3 million in 2024. The increase in our cost of sales was primarily driven by (i) an increase in raw materials costs, attributable to the growth in sales volume and rising procurement costs due to price fluctuations for raw materials for certain major products, (ii) an increase in labor costs, mainly due to salary adjustments and workforce expansion, and (iii) an increase in freight costs, primarily as a result of higher logistics expenses associated with increased sales volume.

Gross Profit and Gross Profit Margin

Our gross profit increased by 0.5% from RMB212.0 million in 2023 to RMB213.1 million in 2024, primarily due to the increase in revenue from non-toxic decoction-ready products and in sales to hospitals and medical trading companies.

Our gross profit margin decreased from 18.5% in 2023 to 17.1% in 2024, primarily reflected the decrease in gross profit margin in certain products. For example, we experienced a decrease in gross profit margin in *Rhizoma pinelliae preparatum* (法半夏) and *Fritillaria cirrhosa powder* (川貝母粉), as a result of the increase in their raw materials costs, which exerted pressure on our overall profitability.

Other Income and Gains

Our other income and gains increased by 60.0% from RMB4.7 million in 2023 to RMB7.5 million in 2024, primarily due to increased income from government grants and bank investments.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 3.7% from RMB52.4 million in 2023 to RMB50.5 million in 2024, primarily due to (i) a decrease in advertising and promotion expenses as we optimized our marketing strategies, and (ii) a decrease in employee benefit expenses as a result of adjustments in sales personnel compensation; partially offset by an increase in business development expenses and other expenses, related to the enhanced business development activities.

Administrative Expenses

Our administrative expenses increased by 36.1% from RMB34.0 million in 2023 to RMB46.3 million in 2024. The increase was primarily driven by (i) a significant increase in listing expenses incurred for intermediary services related to our listing process, (ii) an increase in employee benefit expenses due to salary adjustments, and (iii) an increase in business taxes and surcharges as our operations expanded.

Research and Development Expenses

Our research and development expenses increased by 48.9% from RMB11.5 million in 2023 to RMB17.1 million in 2024, primarily due to (i) an increase in material expenses, driven by the addition of three new R&D projects and the use of higher-value raw materials for research, and (ii) an increase in employee benefit expenses due to salary adjustments.

Impairment Losses

Our impairment losses increased by 23.0% from RMB7.1 million in 2023 to RMB8.7 million in 2024, primarily due to an increase in trade receivables and a rise in trade receivables aged two to three years, leading to higher impairment provisions.

Other Expenses

Our other expenses increased significantly from RMB176 thousand in 2023 to RMB1.8 million in 2024, primarily due to certain one-off donations we made in 2024.

Finance Costs

Our finance costs remained relatively stable at RMB5.9 million and RMB5.8 million in 2023 and 2024, respectively.

Share of Profit and Loss in a Joint Venture

We recorded share of loss of a joint venture of RMB46 thousand in 2023 primarily relating to the loss in our joint venture Eu Yan Sang Neautus (Hong Kong) Limited. We did not record any such loss in 2024.

Loss on Disposal of a Joint Venture

We recorded loss on disposal of a joint venture of RMB0.9 million in 2023 in relation to our disposal of 49% equity interest in Eu Yan Sang Neautus (Hong Kong) Limited. We did not record any such loss in 2024.

Income Tax Expense

Our income tax expense increased by 81.9% from RMB0.7 million in 2023 to RMB1.2 million in 2024, primarily due to an increase in our taxable income.

Profit for the Year

As a result of the foregoing, our profit for the year decreased by 14.3% from RMB104.0 million in 2023 to RMB89.1 million in 2024.

DESCRIPTION OF SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	As of December 31,			As of April 30,
	2023	2024	2025	2026
	(RMB'000)			
Non-current assets				
Property, plant and equipment	150,847	163,330	167,946	164,192
Right-of-use assets	8,921	9,657	46,261	44,537
Other intangible assets	2,294	3,115	3,999	3,835
Prepayments, other receivables and other assets	4,578	7,952	2,625	1,540
Total non-current assets	**166,640**	**184,054**	**220,831**	**214,104**
Current assets				
Inventories	218,531	242,956	246,163	251,421
Trade and bills receivables	503,803	557,937	613,535	642,726
Financial assets at fair value through other comprehensive income ("FVTOCI")	7,532	26,575	11,030	20,227
Prepayments, other receivables and other assets	8,517	23,464	52,326	55,533
Financial assets at FVTPL	–	–	–	30,028
Pledged deposits	42,382	52,791	1,806	–
Time deposits	14,507	–	–	–
Cash and bank balances	137,198	144,310	181,377	119,302
Total current assets	**932,470**	**1,048,033**	**1,106,237**	**1,119,237**
Current liabilities				
Trade and bills payables	456,392	476,414	477,865	449,298
Lease liabilities	–	368	3,673	2,963
Other payables and accruals	46,755	123,105	56,402	55,428
Contract liabilities	2,703	2,947	3,027	2,778
Interest-bearing bank borrowings	120,120	161,751	139,868	145,564
Tax payables	1,619	714	132	276
Total current liabilities	**627,589**	**765,299**	**680,967**	**656,307**
Net current assets	**304,881**	**282,734**	**425,270**	**462,930**
Total assets less current liabilities	**471,521**	**466,788**	**646,101**	**677,034**
Non-current liabilities				
Interest-bearing bank borrowings	–	–	38,000	35,500
Lease liabilities	–	613	35,060	34,772
Deferred income	13,014	12,172	12,479	12,159
Total non-current liabilities	**13,014**	**12,785**	**85,539**	**82,431**
Net assets	**458,507**	**454,003**	**560,562**	**594,603**

Property, Plant and Equipment

During the Track Record Period, our property, plant and equipment primarily consisted of (i) buildings, (ii) vehicles, (iii) machinery, (iv) electronic and office equipment, and (v) construction in progress of production facilities. The following table sets forth the details of our property, plant and equipment as of the dates indicated.

	As of December 31,			As of April 30,
	2023	2024	2025	2026
	(RMB'000)			
Buildings	124,867	120,665	124,818	122,178
Machinery	21,727	30,609	36,068	35,775
Construction in progress	–	6,826	239	–
Vehicles	1,876	3,122	4,101	3,743
Electronic and office equipment	2,377	2,108	2,720	2,496
Total	**150,847**	**163,330**	**167,946**	**164,192**

Our property, plant and equipment increased from RMB150.8 million as of December 31 2023 to RMB163.3 million as of December 31, 2024, primarily due to (i) an increase in machinery of RMB8.9 million primarily relating to the decoction equipment we purchased, and (ii) an increase in construction in progress of RMB6.8 million in relation to our ongoing manufacturing facility expansion in 2024. Our property, plant and equipment increased by 2.8% from RMB163.3 million as of December 31, 2024 to RMB167.9 million as of December 31, 2025, primarily driven by an increase in buildings related to the expansion and upgrading of our manufacturing activities. In addition, our property, plant and equipment decreased from RMB167.9 million as of December 31, 2025 to RMB164.2 million as of April 30, 2026, primarily due to depreciation charges recognized during the period, mainly in relation to buildings.

Inventories

During the Track Record Period, our inventories primarily consisted of (i) finished goods, (ii) raw materials, (iii) work in progress and (iv) goods in transit. The following table sets forth the details of our inventories as of the dates indicated.

	As of December 31,			As of April 30,
	2023	2024	2025	2026
	(RMB'000)			
Finished goods	85,382	79,717	71,937	64,026
Raw materials	71,381	96,215	115,482	111,881
Work in progress	56,080	54,079	45,833	51,424
Goods in transit	12,057	19,003	20,899	32,615
	224,900	249,014	254,151	259,946
Less: Impairment losses	6,369	6,058	7,988	8,525
Total	**218,531**	**242,956**	**246,163**	**251,421**

Our inventories increased by 11.2% from RMB218.5 million as of December 31, 2023 to RMB243.0 million as of December 31, 2024, primarily because we strategically raised our inventory level in anticipation of sales growth. Our inventories slightly increased by 1.3% from RMB243.0 million as of December 31, 2024 to RMB246.2 million as of December 31, 2025, primarily driven by the increase in the raw materials, which is in line with our sales growth. Our inventories slightly increased by 2.1% from RMB246.2 million as of December 31, 2025 to RMB251.4 million, mainly due to an increase in goods in transit driven by a significant volume of deliveries for which customer acceptance occurred in the subsequent reporting period. We recorded impairment losses on certain finished goods based on our assessment and estimates of the recoverable amount from year to year, and such balances remained relatively stable.

The following table sets forth an aging analysis of our inventories as of the dates indicated.

	As of December 31,			As of April 30,
	2023	2024	2025	2026
	(RMB'000)			
Within 1 year	216,776	229,569	218,163	239,000
1-2 years	1,663	13,136	26,652	8,014
Over 2 years	92	251	1,348	4,407
Total	**218,531**	**242,956**	**246,163**	**251,421**

Our inventory turnover days were 74, 81, 83 days and 88 days in 2023, 2024, 2025 and the four months ended April 30, 2026. Inventory turnover days are calculated by dividing the average balance of inventories for the relevant year by cost of sales for the relevant year and multiplying by 365 days. The increase in our inventory turnover days from 2023 to 2024 was primarily due to the increase in raw material in inventory as we manage procurement cadence based on raw material costs. Our inventory turnover days remained relatively stable at 81 days and 83 days in 2024 and 2025, respectively, and slightly increased to 88 days for the four months ended April 30, 2026, primarily reflecting a short-term disturbance arising from changes in inventory mix.

As of August 31, 2026, RMB227.0 million, or 90.3%, of our inventories as of April 30, 2026, had been consumed.

Trade and Bill Receivables

During the Track Record Period, our trade and bill receivables primarily consisted of (i) trade receivables from third parties, and (ii) bill receivable, representing bank acceptance bills. The following table sets forth the details of our trade and bill receivables as of the dates indicated.

	As of December 31,			As of April 30,
	2023	2024	2025	2026
	(RMB'000)			
Trade receivables	508,100	566,431	616,342	639,114
Bills receivable	3,309	2,705	8,301	13,724
	511,409	569,136	624,643	652,838
Less: impairment losses	7,606	11,199	11,108	10,112
Total	**503,803**	**557,937**	**613,535**	**642,726**

Trade Receivables

Our trade receivables primarily consisted of outstanding amounts due from our customers for products we have sold in the ordinary course of our business. Our trading terms with customers are mainly on credit, except for individual customers and certain distributors, where payment in advance is required. The credit period generally ranges from 0 days to 180 days. Trade receivables are generally settled in accordance with the terms of the respective contracts.

The following table sets forth the aging analysis of our trade receivables based on invoice date and net of loss allowance, as of the dates indicated.

	As of December 31,			As of April 30,
	2023	2024	2025	2026
	(RMB'000)			
0 to 180 days	448,526	483,764	510,639	527,321
181 to 360 days	40,660	54,609	79,255	83,904
1 to 2 years	10,822	15,374	14,881	16,976
2 to 3 years	486	1,485	459	801
Total	**500,494**	**555,232**	**605,234**	**629,002**

Our trade receivables turnover days were 146, 157, 162 and 174 days in 2023, 2024, 2025 and the four months ended April 30, 2026. Trade receivables turnover days are calculated by dividing the average balance of trade receivables for the relevant year by the total revenue for the relevant year and multiplying by 365 days. The increase in trade turnover days from 2023 to 2025 was mainly due to (i) the rising proportion of accounts receivable from hospital customers, which generally have longer credit terms, thereby leading to an overall extension of the trade receivable turnover period; (ii) the industry-wide downturn in the pharmacy sector. The increase in our trade receivables turnover days from 2025 to the four months ended April 30, 2026 was mainly attributable to the increasing proportion of trade receivables from public hospitals as we actively broadened our public hospital coverage, and public hospitals generally have longer credit terms.

We seek to maintain strict control over our outstanding receivables to minimize credit risk. Overdue balances are reviewed regularly by our senior management. We do not hold any collateral or other credit enhancements over our trade receivable balances. Trade receivables are non-interest-bearing.

As of August 31, 2026, RMB400.2 million, or 62.6% of our trade receivables as of April 30, 2026 had been settled subsequently. For customers with trade receivables aged over 180 days and low subsequent settlement, we have made full or adequate provisions for impairment losses, taking into account various factors including historical payment patterns, creditworthiness of the customers, communication history, and the nature and continuity of the business relationship. In addition, a significant portion of the long-aged trade receivables are due from public hospitals, which have no history of bad debts and are considered highly creditworthy. Based on such assessment, our Directors are of the view that our trade receivables aged over 180 days are recoverable or have been sufficiently provided for, and there was no material recoverability issue identified as of the Latest Practicable Date.

Bills Receivable

Our bills receivable represent bank acceptance bills, which amounted to RMB3.3 million, RMB2.7 million, RMB8.3 million and RMB13.7 million as of December 31, 2023, 2024, 2025 and April 30, 2026, respectively. Bills receivable are non-interest-bearing. Bills receivable as of the same dates were all aged within 180 days.

As of August 31, 2026, RMB1.6 million or 12.0% of our bills receivable as of April 30, 2026 had been settled subsequently.

Impairment Losses

The following table sets forth movements in the loss allowance for expected credit losses of trade receivables, as of the dates indicated.

	As of December 31,			As of April 30,
	2023	2024	2025	2026
	(RMB'000)			
At beginning of year	5,943	7,606	11,199	11,108
Impairment losses	1,809	3,646	37	–
Impairment written off	(146)	(53)	(56)	(450)
Reversal	–	–	(72)	(546)
At end of year	**7,606**	**11,199**	**11,108**	**10,112**

An impairment analysis is performed at the end of each Track Record Period, using a provision matrix to measure expected credit losses. The provision rates are based on the aging of trade receivables for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The calculation reflects the probability-weighted outcome, and reasonable and supportable information that is available during the Track Record Period about past events, current conditions and forecasts of future economic conditions.

Financial Assets at FVTOCI

Our financial assets at FVTOCI represent bank accepted bill receivables. We normally choose either to discount them or endorse to suppliers. As of December 31, 2023, 2024, 2025 and April 30, 2026, we recorded financial assets at FVTOCI of RMB7.5 million, RMB26.6 million, RMB11.0 million and RMB20.2 million, respectively.

Prepayments, Other Receivables and Other Assets

During the Track Record Period, the current portion of our prepayments, other receivables and other assets consisted of (i) deposits, (ii) right-of-return assets, (iii) value-added tax recoverable, (iv) amounts due from a shareholder, (v) prepayments, representing prepaid selling and distribution expenses, prepaid internet service costs, and prepayment for raw material and other prepayments, (vi) deferred listing expenses, (vii) impairment losses and (viii) other receivables. The non-current portion of our prepayments, other receivables and other assets consisted of (i) deposits, and (ii) prepayments for property, plant and equipment. As of December 31, 2023, 2024, 2025 and April 30, 2026, we recorded current portion of prepayments, other receivables and other assets of RMB8.5 million, RMB23.5 million, RMB52.3 million and RMB55.5 million, respectively, and non-current portion of prepayments, other receivables and other assets of RMB4.6 million, RMB8.0 million, RMB2.6 million and RMB1.5 million, respectively. The increase in our prepayments, other receivables and other assets as of December 31, 2024, was primarily due to value-added tax recoverables as we increased our procurement in 2024, which was in line with our business growth. The increase in our prepayments, other receivables and other assets as of December 31, 2025, was primarily due to an increase in amount due from Chengdu Kinna Investment Co., Ltd., which was primarily related to interest-bearing loans we provided to Chengdu Kinna Investment Co., Ltd. The increase in loans provided to Chengdu Kinna Investment Co., Ltd. was mainly attributable to (i) before year-end 2024, we entered into certain refinancing arrangements with Chengdu Kinna Investment Co., Ltd., pursuant to which the original loan to support their property-related costs was fully repaid and subsequently re-extended in early 2025; and (ii) we provided new loans in 2025 to

support their daily operations, including property-related costs such as maintenance, taxes, and tenant fit-out works. The current portion of our prepayments, other receivables and other assets remained relatively stable from RMB52.3 million as of December 31, 2025 to RMB55.5 million as of April 30, 2026.

Financial Assets at FVTPL

We had financial assets at FVTPL of nil, nil, nil and RMB30.0 million as of December 31, 2023, 2024, 2025 and April 30, 2026, respectively. These financial assets at FVTPL represent wealth management products issued by reputable banks in the Chinese mainland. The expected return rates ranged from 0.85%~1.85% during the four months ended April 30, 2026. These wealth management products are structured deposits in nature, are principal guaranteed, have a maturity of one month and are automatically redeemed back to cash when they become due. We actively monitor our cash position and purchase such products only with surplus cash that is not required for our immediate operations. Their short tenure is matched to our expected working capital needs, so that the funds return to cash within a short period and can be used for our operations as needed. Because these products mature within one month and are automatically redeemed into cash upon maturity, the funds invested become available to us within a timeframe that generally corresponds to our regular payment cycles, without the need for early redemption. Before each purchase, our finance department prepares a cash flow forecast for the following month based on expected collections from customers, scheduled payments to suppliers and other anticipated expenditures, and we determine the amount to be invested only after reserving sufficient cash to meet these anticipated needs. Upon maturity, we reassess our cash position and upcoming funding requirements before deciding whether to reinvest any surplus cash. We believe this approach allows us to earn a return on idle cash while maintaining the liquidity required for our day-to-day operations.

We have established a prudent investment policy and internal control framework for the management of our wealth management products, with a primary focus on capital preservation, liquidity and risk mitigation. Our investment strategy is designed to match the intended use and liquidity needs of our funds, ensuring that operational and surplus funds are directed toward appropriate low-risk financial instruments to optimize returns while maintaining flexibility. The management and execution of these investment activities are overseen by our Board. All investment decisions are subject to a robust internal approval process, which includes the preparation of investment plans by the finance department, multi-level review and approval by the Chairman of the Board. The Board is actively involved in supervising significant fund allocations, ensuring that all investments are conducted in strict compliance with our internal policies and corporate governance requirements. After the Listing, our investments in the financial assets at fair value through profit or loss will be subject to Chapter 14 of the Listing Rules.

Cash and Bank Balances

We had cash and bank balances of RMB137.2 million, RMB144.3 million, RMB181.4 million and RMB119.3 million as of December 31, 2023, 2024, 2025 and April 30, 2026, respectively. For details on the fluctuations of our cash and bank balances during the Track Record Period, see "— Liquidity and Capital Resources — Cash Flows."

Trade and Bill Payables

During the Track Record Period, our trade and bill payables consisted of (i) trade payables in connection with our procurement of raw materials, (ii) bills payable in connection with bank acceptance bills.

Our trade and bill payables increased by 4.4% from RMB456.4 million as of December 31, 2023 to RMB476.4 million as of December 31, 2024, primarily due to an increase in our procurement of raw materials to support our sales expansion. Our trade and bill payables remained stable at RMB476.4 million as of December 31, 2024 and RMB477.9 million as of December 31, 2025. In addition, the trade and bill payables decreased from RMB477.9 million as of December 31, 2025 to RMB449.3 million as of April 30, 2026, primarily due to (i) timely settlement of payments to our suppliers, and (ii) no new trade payables from suppliers were incurred.

An aging analysis of the trade and bill payables as of the end of each of the Track Record Period, based on the invoice date, is as follows:

	As of December 31,			As of April 30,
	2023	2024	2025	2026
	(RMB'000)			
Within 1 year	455,335	475,902	473,833	448,308
1 to 2 years	10	80	3,578	536
More than 2 years	1,047	432	454	454
Total	**456,392**	**476,414**	**477,865**	**449,298**

Our trade and bill payables turnover days remained relatively stable at 149, 164, 161 and 165 days in 2023, 2024, 2025 and the four months ended April 30, 2026. Trade and bills payables turnover days are calculated by dividing the average balance of trade payables for the relevant year by the cost of sales for the relevant year and multiplying by 365 days.

As of August 31, 2026, RMB320.8 million, or 71.4%, of our trade and bills payables as of April 30, 2026 had been subsequently settled.

Other Payables and Accruals

During the Track Record Period, our other payables and accruals consisted of (i) payables to shareholders in relation to capital reduction, (ii) payroll payables, (iii) accrual related to sales return, sales rebate and other expense, (iv) other payables related to property, plant and equipment and others, and (v) other tax payables, mainly representing value-added tax payables. Our other payables and accruals increased from RMB46.8 million as of December 31, 2023 to RMB123.1 million as of December 31, 2024, primarily due to payables to a shareholder in relation to capital reduction of RMB73.8 million recorded as of December 31, 2024. Our other payables and accruals decreased by 54.2% from RMB123.1 million as of December 31, 2024 to RMB56.4 million as of December 31, 2025, primarily because the payables to shareholders in relation to capital reduction were fully settled. In addition, our other payables and accruals remained stable at RMB56.4 million as of December 31, 2025 and RMB55.4 million as of April 30, 2026. For further details, see "History and Corporate Structure."

The following table sets forth the details of our other payables and accruals as of the dates indicated.

	As of December 31,			As of April 30,
	2023	2024	2025	2026
	(RMB'000)			
Payables to shareholders in related to capital reduction	–	73,789*	–	–
Payroll payables	26,441	22,977	27,291	24,302
Accruals	12,844	15,485	17,072	23,316
Other payables	6,073	9,995	11,083	6,562
Other tax payables	1,397	859	956	1,248
Total	**46,755**	**123,105**	**56,402**	**55,428**

* As of the Latest Practicable Date, the amount was fully settled.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we funded our cash requirements principally from revenue from sales of products, bank borrowings, and proceeds received from pre-IPO investments. As of April 30, 2026, we had cash and bank balances of RMB119.3 million. Going forward, we believe that our liquidity requirements will be satisfied by using a combination of revenue from sales of product, funds raised from the capital markets from time to time and the net proceeds received from the Global Offering.

Current Assets and Liabilities

	As of December 31,			As of April 30,	As of August 31,
	2023	2024	2025	2026	2026
			(RMB'000)		*(unaudited)*
Current assets					
Inventories	218,531	242,956	246,163	251,421	227,431
Trade and bills receivables	503,803	557,937	613,535	642,726	698,173
Financial assets at fair value through other comprehensive income ("FVTOCI")	7,532	26,575	11,030	20,227	44,384
Prepayments, other receivables and other assets	8,517	23,464	52,326	55,533	51,171
Financial assets at FVTPL	–	–	–	30,028	1,000
Pledged deposits	42,382	52,791	1,806	–	–
Time deposits	14,507	–	–	–	–
Cash and bank balances	137,198	144,310	181,377	119,302	179,009
Total current assets	**932,470**	**1,048,033**	**1,106,237**	**1,119,237**	**1,201,168**
Current liabilities					
Trade and bills payables	456,392	476,414	477,865	449,298	480,882
Lease liabilities	–	368	3,673	2,963	2,222
Other payables and accruals	46,755	123,105	56,402	55,428	61,722
Contract liabilities	2,703	2,947	3,027	2,778	3,743
Interest-bearing bank borrowings	120,120	161,751	139,868	145,564	144,015
Tax payables	1,619	714	132	276	2,879
Total current liabilities	**627,589**	**765,299**	**680,967**	**656,307**	**695,463**
Net current assets	**304,881**	**282,734**	**425,270**	**462,930**	**505,705**

Our net current assets increased from RMB462.9 million as of April 30, 2026 to RMB505.7 million as of August 31, 2026, primarily due to (i) an increase in cash and cash equivalents of RMB59.7 million, (ii) an increase in trade and bills receivables of RMB55.4 million, and (iii) an increase in financial assets at FVTOCI of RMB24.2 million; partially offset by (i) a decrease in financial assets at FVTPL of RMB29.0 million, and (ii) a decrease in inventories of RMB24.0 million. The increase in our net current assets was also partially offset by an increase in trade and bills payables of RMB31.6 million.

Our net current assets increased from RMB425.3 million as of December 31, 2025 to RMB462.9 million as of April 30, 2026, primarily due to (i) an increase in trade and bills receivables of RMB29.2 million, and (ii) an increase in financial assets at FVTPL of RMB30.0

million. Such increases were partially offset by a decrease in cash and bank balances of RMB62.1 million. The increase in our net current assets was also attributable to a decrease in our current liabilities of RMB24.7 million, primarily due to a decrease in trade and bills payables of RMB28.6 million.

Our net current assets increased from RMB282.7 million as of December 31, 2024 to RMB425.3 million as of December 31, 2025, primarily due to (i) an increase in trade and bill receivables of RMB55.6 million in line with our sales growth, (ii) an increase in prepayments, other receivables and other assets of RMB28.9 million primarily attributable to the increase in bid deposits, and (iii) a decrease in financial assets at FVTOCI of RMB15.5 million, representing bank accepted bill receivables. The increase in our net current assets was also attributable to a decrease in our current liabilities of RMB84.3 million, primarily due to (i) a decrease in other payables and accruals of RMB66.7 million mainly as a result of the settlement of payables to shareholders related to capital reduction, and (ii) a decrease in interest-bearing bank borrowings of RMB21.9 million in line with the timing of our procurement and payment cycles.

Our net current assets decreased from RMB304.9 million as of December 31, 2023 to RMB282.7 million as of December 31, 2024, primarily due to (i) an increase in other payables and accruals of RMB76.4 million as we incurred payables to shareholders in related to capital reduction as of December 31, 2024, and (ii) an increase in interest-bearing bank borrowings of RMB41.6 million; partially offset by (i) an increase in trade and bill receivables of RMB54.1 million in line with our sales growth, (ii) an increase in inventories of RMB24.4 million as we strategically raised our inventory level in line with sales growth and (iii) an increase in financial assets at FVTOCI of RMB19.0 million, representing bank accepted bill receivables.

Cash Flows

The following table sets forth the components of our consolidated statements of cash flows for the periods indicated:

	For the year ended December 31,			For the four months ended April 30,	
	2023	**2024**	**2025**	**2025**	**2026**
			(RMB'000)		
				(unaudited)	
Net cash flows generated from/(used in) operating activities	74,853	(467)	154,051	(22,868)	(26,996)
Net cash flows used in investing activities	(15,997)	(7,699)	(46,177)	(49,457)	(34,517)
Net cash flows (used in)/generated from financing activities	(53,763)	15,184	(70,749)	21,434	(476)
Net increase/(decrease) in cash and cash equivalents	5,093	7,018	37,125	(50,891)	(61,989)
Cash and cash equivalents at beginning of year	132,123	137,198	144,310	144,310	181,377
Effect of foreign exchange rate changes, net	(18)	94	(58)	9	(86)
Cash and cash equivalents at end of year	137,198	144,310	181,377	93,428	119,302

Net Cash Generated from/(Used in) Operating Activities

For the four months ended April 30, 2026, we had net cash used in operating activities of RMB27.0 million, which was primarily attributable to our profit before taxation of RMB34.6 million adjusted by certain non-cash and working capital items, primarily including an increase in trade and bills receivables of RMB37.8 million, a decrease in trade and bills payables of RMB28.6 million and an increase in inventories of RMB11.1 million.

For the year ended December 31, 2025, we had net cash generated from operating activities of RMB154.1 million, which was primarily attributable to our profit before taxation of RMB107.5 million adjusted by certain non-cash and working capital items, including (i) positive adjustments, which primarily included a decrease in pledged deposits of RMB51.0 million, depreciation of property, plant and equipment of RMB14.1 million, a decrease in prepayments, other receivables and other assets of RMB8.5 million, partially offset by (ii) negative adjustments, which primarily included an increase in trade and bill receivables of RMB40.1 million and an increase in inventories of RMB10.4 million.

For the year ended December 31, 2024, we had net cash used in operating activities of RMB0.5 million, which was primarily attributable to our profit before taxation of RMB90.3 million adjusted by certain non-cash and working capital items, including (i) positive adjustments, which primarily included increase in trade and bills payables of RMB20.0 million and depreciation of property, plant and equipment of RMB12.2 million, and (ii) negative adjustments, which primarily included increase in trade and bill receivables of RMB77.0 million and increase in inventories of RMB29.5 million.

For the year ended December 31, 2023, we had net cash generated from operating activities of RMB74.9 million, which was primarily attributable to our profit before taxation of RMB104.6 million adjusted by certain non-cash and working capital items, including (i) positive adjustments, which primarily included increase in trade and bills payables of RMB148.3 million, and (ii) negative adjustments, which primarily included increase in trade receivables of RMB94.2 million, increase in inventories of RMB62.2 million and increase in pledged deposits of RMB42.4 million.

In 2024, we recorded a net cash outflow from operating activities of RMB0.5 million, which was primarily due to (i) we settled a significant amount of the trade payables as of December 31, 2023 and (ii) we generally granted a longer credit term to our customers, as compared to the credit terms we were granted by our suppliers in 2024.

For the four months ended April 30, 2026, we recorded net cash used in operating activities of RMB27.0 million. This was primarily attributable to seasonal and timing factors, including (i) slower collection of trade receivables in the first quarter, as business activity of our customers slows during the Chinese Lunar New Year holidays, which was reflected in an increase in trade and bills receivables of RMB37.8 million; (ii) the payment of annual year-end bonuses to our employees in the first quarter; and (iii) a decrease in trade and bills payables of RMB28.6 million, mainly because a portion of our procurement payments from December 2025 was deferred and subsequently settled in January 2026. Our operating cash flows are subject to seasonality. We also recorded net cash used in operating activities of RMB22.9 million in the four months ended April 30, 2025, compared with net cash generated from operating activities of RMB154.1 million for the year ended December 31, 2025.

We believe we will be able to improve such position going forward through the following measures: (i) strengthening control over trade receivable collections, (ii) improving inventory management policies to enhance inventory turnover days, and (iii) negotiate longer credit terms with our suppliers.

Net Cash Used in Investing Activities

For the four months ended April 30, 2026, we had net cash used in investing activities of RMB34.5 million, primarily attributable to purchases of financial assets at FVTPL of RMB30.0 million.

For the year ended December 31, 2025, we had net cash used in investing activities of RMB46.2 million, primarily attributable to a loan to a shareholder of RMB52.0 million and purchase of items of property, plant and equipment of RMB11.1 million, partially offset by repayment of loan from a shareholder of RMB18.0 million.

For the year ended December 31, 2024, we had net cash used in investing activities of RMB7.7 million, primarily attributable to purchase of items of property, plant and equipment of RMB21.4 million; partially offset by proceeds from withdrawal of time deposits with original maturity of more than three months of RMB14.0 million.

For the year ended December 31, 2023, we had net cash used in investing activities of RMB16.0 million, primarily attributable to purchase of items of property, plant and equipment of RMB17.1 million, partially offset by proceeds from disposal of a joint venture of RMB1.8 million.

Net Cash (Used in)/Generated from Financing Activities

For the four months ended April 30, 2026, we had net cash used in financing activities of RMB0.5 million, primarily attributable to repayment of interest-bearing bank borrowings of RMB65.5 million, interest paid of RMB2.0 million and principal portion of lease payments of RMB1.0 million, largely balanced by new interest-bearing bank borrowings of RMB68.4 million.

For the year ended December 31, 2025, we had net cash used in financing activities of RMB70.7 million, primarily attributable to repayment of interest-bearing bank borrowings of RMB268.1 million and payments in relation to a capital reduction of RMB73.8 million, partially offset by new interest-bearing bank borrowings of RMB284.2 million.

For the year ended December 31, 2024, we had net cash generated from financing activities of RMB15.2 million, primarily attributable to new interest-bearing bank borrowings of RMB232.6 million; partially offset by repayment of interest-bearing bank borrowings of RMB191.0 million.

For the year ended December 31, 2023, we had net cash used in financing activities of RMB53.8 million, primarily attributable to (i) repayment of interest-bearing bank borrowings of RMB243.8 million and (ii) purchase of non-controlling interests of a subsidiary of RMB10.4 million, partially offset by new interest-bearing bank borrowings of RMB206.2 million.

WORKING CAPITAL CONFIRMATION

Taking into account the financial resources available to us, including our cash and bank balances on hand, financial asset, available facilities and the estimated net proceeds from the Global Offering, our Directors are of the view that we have sufficient working capital to meet our present needs and for at least next 12 months from the date of this prospectus. Our Directors confirm that we had no material defaults in payment of trade and non-trade payables during the Track Record Period.

INDEBTEDNESS

As of December 31, 2023, 2024 and 2025, April 30, 2026 and August 31, 2026, being the most recent practicable date for determining our indebtedness, except as disclosed in the table below, we did not have any material indebtedness. Since August 31, 2026 and up to the Latest Practicable Date, there had been no material change to our indebtedness.

	As of December 31,			As of April 30,	As of August 31,
	2023	2024	2025	2026	2026
			(RMB'000)		*(unaudited)*
Current					
Interest-bearing bank borrowings	120,120	161,751	139,868	145,564	144,015
Lease liabilities	–	368	3,673	2,963	2,222
Non-current					
Interest-bearing bank borrowings	–	–	38,000	35,500	35,250
Lease liabilities	–	613	35,060	34,772	34,432
Total	**120,120**	**162,732**	**216,601**	**218,799**	**215,919**

Interest-Bearing Bank Borrowings

During the Track Record Period, we obtained certain interest-bearing bank borrowings from certain commercial banks in the PRC for supplementing our working capital. As of December 31, 2023, 2024 and 2025, April 30, 2026 and August 31, 2026, the outstanding balances of our interest-bearing bank borrowings were RMB120.1 million, RMB161.8 million, RMB177.9 million, RMB181.1 million and RMB179.3 million, respectively. The outstanding balance of our interest-bearing bank borrowings increased from RMB161.8 million as of December 31, 2024 to RMB177.9 million as of December 31, 2025, primarily due to the bank borrowings we took on for the payment of share repurchases in accordance with the share repurchase agreements with certain Pre-IPO Investors. For details, see "History and Corporate Structure — Corporate Development and Major Shareholding Changes of Our Company — Major Shareholding Changes during the Track Record Period — Share Repurchase and Reduction of Registered Capital." We have made the repayment on schedule. As of August 31, 2026, the outstanding balances of our bank borrowings amounted to RMB179.3 million and we had unutilized but committed banking borrowings of RMB151.3 million.

The average effective interest rates of our borrowings as of December 31, 2023, 2024, 2025 and April 30, 2026, were 4.02%, 3.75%, 2.90% and 2.68%, respectively. Our bank borrowings agreements contain standard terms, conditions and covenants that are customary for commercial bank loans. For details, see Note 27 to the Accountants' Report as set out in Appendix I of this prospectus. The following table sets forth the details of our interest-bearing bank borrowings as of the dates indicated.

	As of December 31,			As of April 30,	As of August 31,
	2023	2024	2025	2026	2026
			(RMB'000)		*(Unaudited)*
Secured bank loans	–	–	38,035	–	–
Unsecured bank loans	–	45,053	139,833	181,064	179,265
Guaranteed bank loans	40,038	42,110	–	–	–
Secured and guaranteed bank loans	80,082	74,588	–	–	–
Total	120,120	161,751	177,868	181,064	179,265

During the Track Record Period and up to the Latest Practicable Date, we did not experience any difficulties in obtaining bank loans or other financing facilities, and there was no default in the repayment of bank loans and other borrowings, nor any breach of financial covenants under our loan agreements.

Lease Liabilities

During the Track Record Period, our lease liabilities were primarily in relation to our lease of buildings, equipment and office premises used in our operations. We recorded lease liabilities in aggregate of nil, RMB1.0 million, RMB38.7 million, RMB37.7 million and RMB36.7 million as of December 31, 2023, 2024 and 2025, April 30, 2026 and August 31, 2026, respectively.

CAPITAL EXPENDITURES

In 2023, 2024, 2025 and the four months ended April 30, 2026, we incurred capital expenditures of RMB11.6 million, RMB24.8 million, RMB18.9 million and RMB1.4 million, respectively, which was reflected in the addition to our property, plant and equipment. The following table sets forth the details of our capital expenditure for the periods indicated.

	For the year ended December 31,			For the four months ended April 30,
	2023	2024	2025	2026
	(RMB'000)			
Buildings	200	–	–	–
Vehicles	1,665	1,977	1,928	27
Machinery	4,049	4,001	7,617	1,305
Electronic and office equipment	1,731	338	1,451	48
Construction in progress	3,944	18,455	7,900	–
Total	**11,589**	**24,771**	**18,896**	**1,380**

We plan to finance our future capital expenditures primarily with our existing cash and bank balances, revenue generated from sales of products and net proceeds from the Global Offering. See the section "Future Plans and Use of Proceeds" in the prospectus for more details. We may reallocate the fund to be utilized on capital expenditures based on our ongoing business needs.

CAPITAL COMMITMENTS

As of December 31, 2023, 2024, 2025 and April 30, 2026, we had capital commitments contracted for but not yet provided of RMB10.2 million, RMB17.0 million, RMB469 thousand and RMB1.1 million, respectively, primarily in connection with purchase of items of property, plant and equipment. The following table sets forth our contractual commitments as of the dates indicated.

	As of December 31,			As of April 30,
	2023	2024	2025	2026
	(RMB'000)			
Contracted, but not provided for:				
Purchase of items of property, plant and equipment	10,239	17,000	469	1,058
Total	**10,239**	**17,000**	**469**	**1,058**

CONTINGENT LIABILITIES

As of December 31, 2023, 2024, 2025 and April 30, 2026, we did not have any contingent liabilities. Our Directors confirm that there has been no material change in our contingent liabilities since April 30, 2026 to the date of this prospectus.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements such as relationships with unconsolidated entities or financial partnerships, which are often referred to as structured finance or special purpose entities, established for the purpose of facilitating financing transactions that are not required to be reflected on our balance sheets.

KEY FINANCIAL RATIOS

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

	As of December 31,			As of April 30,
	2023	2024	2025	2026
Current ratio[(1)]	1.49	1.37	1.62	1.71
Quick ratio[(2)]	1.14	1.05	1.26	1.32
Net profit margin	9.1%	7.1%	8.0%	7.8%
Net debt-to-equity ratio[(3)]	(3.7%)	4.1%	6.3%	16.7%
Interest coverage ratio[(4)]	–	5,653.06	71.55	70.15
Return on assets[(5)]	10.4%	7.6%	8.3%	2.5%
Return on equity[(6)]	25.3%	19.5%	21.0%	5.9%

Notes:

(1) Current ratio represents current assets divided by current liabilities as of the same date.

(2) Quick ratio represents current assets minus inventories, divided by current liabilities as of the same date.

(3) Net debt-to-equity ratio represents total debt (being interest-bearing bank borrowings and lease liabilities net of cash and cash equivalents) divided by total equity as at the end of the respective periods.

(4) Interest coverage ratio represents profit before interest and tax divided by interests on lease liabilities for the relevant periods.

(5) Return on assets represents profit for the year/period divided by the average of the beginning and ending total assets for that year and multiplied by 100%.

(6) Return on equity represents profit for the year/period divided by the average of the beginning and ending balance of total equity for that year, then multiplied by 100%.

RELATED PARTY TRANSACTIONS

For details of our related party transactions during the Track Record Period, see Note 34 to the Accountants' Report as set out in Appendix I to this prospectus.

We enter into transactions with our related parties from time to time. Prior to the Listing, the guarantee provided by related parties will be released, and the non-trade balances with related parties will be settled. Our Directors are of the view that each of the related party transactions in Note 34 to the Accountants' Report as set out in Appendix I to this prospectus was conducted in the ordinary course of business on an arm's length basis and on normal commercial terms between the relevant parties. Our Directors are of the view that our related party transactions during the Track Record Period would not distort our track record results or cause our historical results to become non-reflective of our future performance.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to a variety of market risks and other financial risks, including credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. For further details, including relevant sensitivity analysis, see Note 37 in the Accountants' Report set out in Appendix I of this prospectus.

Credit Risk

We only trade with recognized and creditworthy third parties. All customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant. For further details and an analysis of the credit quality and the maximum exposure to credit risk at the end of each year/period during the Track Record Period, see Note 37 of the Accountants' Report set out in Appendix I to this prospectus.

Liquidity Risk

We aim to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operations and bank borrowings. We review our major funding positions regularly to ensure that we have adequate financial resources in meeting its financial obligations. For further details and an analysis of the maturity profile of our financial liabilities and lease liabilities as of the end of each of the Track Record Period, see Note 37 of the Accountants' Report set out in Appendix I to this prospectus.

DIVIDENDS

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

LISTING EXPENSES

Listing expenses to be borne by us are estimated to be approximately HK$66.1 million assuming an Offer Price of HK$45.38 per H Share, representing approximately 22.3% of the estimated gross proceeds from the Global Offering. The listing expenses consist of (i) underwriting-related expenses, including underwriting commission, of approximately HK$4.2 million, and (ii) non-underwriting-related expenses of approximately HK$61.9 million, comprising (a) fees and expenses of our legal advisors and reporting accountants of approximately HK$32.0 million, and (b) other fees and expenses of approximately HK$29.9 million. During the Track Record Period, the listing expenses charged to our consolidated statements of profit or loss were HK$45.7 million and the issue costs, which was recognized as prepayments and are expected to be deducted from equity upon the Listing, were HK$4.4 million. After the Track Record Period, approximately HK$11.1

million is expected to be charged to our consolidated statements of profit or loss, and approximately HK$4.9 million is expected to be accounted for as a deduction from equity upon the Listing. We do not believe any of the above fees or expenses are material or are unusually high to us. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of our adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effect of the Global Offering on our consolidated net tangible assets attributable to equity Shareholders of our Company as of April 30, 2026 as if the Global Offering had taken place on that date.

The unaudited pro forma statement of our adjusted net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of our financial position had the Global Offering been completed as of April 30, 2026 or at any future date. No adjustment has been made to reflect any of our trading results or open transactions entered into subsequent to April 30, 2026. For details, see Appendix II to this prospectus.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, except as disclosed in "Summary — Recent Developments and No Material Change" and up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since April 30, 2026, and there is no event since April 30, 2026, that would materially affect the information as set out in the Accountants' Report included in Appendix I to this prospectus.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, they were not aware of any circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND PROSPECTS

See "Business — Our Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$229.7 million, after deducting underwriting commissions, fees and estimated expenses payable by us in connection with the Global Offering, assuming an Offer Price of HK$45.38, being the mid-point of the indicative Offer Price range stated in this prospectus. If the Offer Price is set at HK$50.55 per H Share, being the high end of the indicative Offer Price range, the net proceeds from the Global Offering will increase by approximately HK$32.2 million. If the Offer Price is set at HK$40.20 per H Share, being the low end of the indicative Offer Price range, the net proceeds from the Global Offering will decrease by approximately HK$32.2 million. Assuming an Offer Price at the mid-point of the indicative Offer Price range, we intend to use our proceeds from the Global Offering for the purposes and in the amounts set below:

- approximately 33.4%, or HK$76.7 million, will be used to expand our production capacity of TCM decoction-ready products and enhancing our production system with digital and intelligent capabilities. We have commenced the preparation of the production capacity expansion in late 2025, and we expect to complete the production capacity by the end of 2028.

  — approximately 19.9%, or HK$45.7 million, will be used for the construction of a new digitalized and automated production line and the digitalization and automation upgrades of existing product lines for non-toxic TCM decoction-ready product, among which approximately HK$35.9 million will be used for the construction of a new digitalized and automated production line and approximately HK$9.8 million will be used for the digitalization and automation upgrades of existing product lines. The new manufacturing facility will have a GFA of approximately 5,000 sq. m.;

  — approximately 3.0%, or HK$6.9 million, will be used for the construction of a new digitalized and automated production line and the digitalization and automation upgrades of existing product lines for toxic TCM decoction-ready products, among which approximately HK$4.9 million will be used for the construction of a new digitalized and automated production line for toxic TCM decoction-ready products and approximately HK$2.0 million will used for the digitalization and automation upgrades of existing product lines. The new manufacturing facility will have a GFA of approximately 8,000 sq.m.;

  — approximately 10.5%, or HK$24.1 million, will be used to enhance our storage facilities, including low-temperature storage, dynamic atmosphere control and intelligent monitoring facilities for our raw materials and finished product warehouses, which are expected to extend the shelf life of our raw materials and products, enhancing our procurement flexibility while effectively mitigating risks associated with raw material price volatility;

  Upon the completion of these new production lines, we expect that our production capacity will increase by approximately 6,000 tonnes (including 500 tonnes for toxic TCM decoction-ready products and 5,500 for non-toxic TCM decoction ready products), reaching over 16,000 tonnes in total;

  Although revenue from our toxic TCM decoction-ready products decreased during the Track Record Period, primarily due to lower average selling prices and, to a lesser extent, lower sales volume in certain periods, our sales volume has since begun to

recover. Our sales volume of toxic TCM decoction-ready products increased from 1,330.8 tonnes in 2024 to 1,393.8 tonnes in 2025, and further increased from 885.8 tonnes in the nine months ended September 30, 2025 to 918.6 tonnes in the same period of 2026. The average selling prices of TCM decoction-ready products are mainly determined by raw material costs, which depend on factors largely beyond our control, such as climate, cultivation patterns and supply-demand imbalances. In addition, a single TCM prescription typically incorporates over ten types of decoction-ready products, and toxic decoction-ready medicines are commonly used in TCM prescriptions. As customers such as hospitals and medical trading companies tend to procure a wide range of products from a single supplier to streamline their procurement, comprehensive coverage across product types, including toxic products, is essential for us to meet their one-stop procurement needs. Given that toxic products must be processed in dedicated and segregated facilities, and that the market for toxic TCM decoction-ready products in China is expected to grow from RMB10.7 billion in 2025 to RMB16.6 billion in 2035, we believe the new production line is necessary to support our future business growth.

During the Track Record Period, our designed capacity increased from 8,570 tonnes in 2023 to 10,223 tonnes in 2024 and further to 11,526 tonnes in 2025, representing year-on-year increases of approximately 19.3% and 12.7%, respectively. Over the same period, our utilisation rates remained relatively stable at 81.9%, 83.9% and 82.6%, respectively. We achieved these increases by retrofitting our existing production facility, and we sized each retrofit only to meet our projected output for the following year rather than to create surplus capacity. However, retrofits are limited to localized upgrades. They are constrained by available floor space, workshop layout and GMP requirements, and cannot expand our capacity indefinitely. In particular, we must process toxic decoction-ready products in dedicated, segregated facilities under applicable regulatory requirements. In addition, designed capacity is a theoretical maximum, and our effective capacity is materially lower in practice. Our product portfolio of over 4,900 varieties requires frequent line changeovers, each involving downtime for cleaning, set-up and validation. Complex processed products, which require longer processing times and additional processing steps, accounted for 6,706 tonnes, or approximately 70.4%, of the 9,521 tonnes we produced in 2025. In light of the above, we believe that building new production facilities of approximately 5,000 sq.m. for non-toxic products and 8,000 sq.m. for toxic products is necessary to overcome our existing capacity bottleneck, support our future business growth and meet the anticipated market demand for our products.

- approximately 29.0%, or HK$66.6 million, will be used for our sales and marketing activities, which are expected to commence in late 2026 and be completed by the end of 2028;

  — approximately 12.5%, or HK$28.7 million, will be used to enhance our brand awareness through increasing advertising efforts, including building our connections with national-level media;

  — approximately 8.2%, or HK$18.8 million, will be used to strengthen our sales team by recruiting approximately 80 to 100 sales personnel to expand market penetration and sales coverage across China;

  — approximately 4.6%, or HK$10.6 million, will be used to establish three flagship TCM product stores in Beijing, Hangzhou and Chengdu China, aiming to provide customers with offline and onsite interactions with our business, thus enhancing acknowledgment with our brand; and

— approximately 3.7%, or HK$8.5 million, will be used for tailored sales marketing strategies for our to-C business to support the continuous expansion of our to-C business;

- approximately 11.4%, or HK$26.2 million, will be used for our to-C business from 2026 to 2028, including (i) 7.1%, or HK$16.3 million for the R&D of TCM wellness products tailored for individual customers; and (ii) 4.3%, or HK$9.9 million to establish our to-C operating team;

- approximately 10.2%, or HK$23.4 million, for building our overseas sales channels in Vietnam and Malaysia by the end of 2027. According to Frost & Sullivan, TCM has established strong market presence in both Malaysia and Vietnam, driven by substantial ethnic Chinese populations and deep cultural integration spanning centuries. Malaysia's Chinese community, representing over 20% of the population, maintains TCM as primary healthcare rather than alternative medicine, with families routinely combining Western and traditional treatments for chronic conditions and wellness maintenance. Vietnam presents an even more complex integration, where TCM principles have merged with local Vietnamese traditional medicine (Thuôc Nam) through geographic proximity and cultural exchange, creating acceptance that extends beyond the ethnic Chinese Hoa minority to the broader Vietnamese population. Both countries have developed regulatory frameworks to accommodate this demand, with Malaysia serving as a regional TCM distribution hub and Vietnam's growing middle class increasingly seeking quality traditional medicine products;

  We have already commenced exportation of our TCM decoction-ready products to Vietnam market in July 2025, following the obtaining of GMP certification in April 2025 from the Department of Traditional Medicine Administration under Vietnam's Ministry of Health;

- approximately 6.0%, or HK$13.8 million, will be used for strategic investments and potential acquisitions, with a focus on upstream TCM supply chain. For example, we may make strategic investment in or prepayment to upstream TCM raw material companies to secure stable supply of raw materials. When selecting potential targets, we will primarily consider upstream TCM raw material suppliers in China that meet the following criteria:

  (i) Production scale: we will generally target suppliers with an annual production capacity of approximately 100 tonnes or above for relevant TCM raw material categories, taking into account the characteristics of different raw materials and the Group's procurement needs.

  (ii) Quality control and compliance: the target shall adopt rigorous quality control systems, including cultivation, harvesting and primary processing in line with the GAP , and the ability to supply consistent, pharmaceutical-grade raw materials that meet the standards of the Pharmacopoeia of the People's Republic of China;

  (iii) Traceability and origin: the target shall have established cultivation bases, preferably in genuine producing regions;

  (iv) Product range: the target shall have product range that covers the key raw material categories we use most, in particular those that are subject to price volatility or supply shortages; and

(v) Operating track record and licences: the target shall have a stable operating history, sound financial condition, all requisite licences and permits, and no material non-compliance incidents.

According to Frost & Sullivan, there are over 300 companies that meet this criteria, especially considering that the current China's TCM raw material market is very fragmented. As of the Latest Practicable Date, we had not identified any specific acquisition targets and therefore were not involved in any related negotiations; and

- approximately 10.0%, or HK$23.0 million, will be used for working capital and other general corporate purposes.

The above allocation of the net proceeds from the Global Offering will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the indicative Offer Price range stated in this prospectus.

If the net proceeds of the Global Offering are not immediately used for the purposes described above, to the extent permitted by the relevant laws and regulations, we will only deposit the unused net proceeds into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions as defined under the Securities and Futures Ordinance and other relevant laws and regulations in other jurisdictions. We will comply with all disclosure requirements under the Listing Rules if there is any change to the above proposed use of proceeds. We will issue an appropriate announcement if there is any material change to the above proposed use of proceeds.

HONG KONG UNDERWRITERS

GF Securities (Hong Kong) Brokerage Limited
ABCI Securities Company Limited
ICBC International Securities Limited
CMBC Securities Company Limited
uSmart Securities Limited
Tiger Brokers (HK) Global Limited
Zhongtai International Securities Limited
BOCI Asia Limited
SDIC Securities (Hong Kong) Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between the Sponsor-Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 651,750 Hong Kong Offer Shares and the International Offering of initially 5,865,550 International Offer Shares, subject, in each case, to reallocation on the basis as described in the section headed "Structure of the Global Offering" in this prospectus.

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering the Hong Kong Offer Shares for subscription on the terms and conditions set out in this prospectus and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (a) the Listing Committee granting approval for the listing of, and permission to deal in, the H Shares to be offered pursuant to the Global Offering on the Main Board of the Stock Exchange and such approval not subsequently having been revoked prior to the commencement of trading of the H Shares on the Stock Exchange and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The Joint Sponsors and the Sponsor-Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) shall have the right, in their sole and absolute discretion and upon giving notice in writing to the Company, to terminate the Hong Kong Underwriting Agreement with immediate effect if any of the following events shall occur prior to 8:00 a.m. on the Listing Date:

(a) there develops, occurs, exists or comes into force:

(i) any new law or regulation or any change or development involving a prospective change or any event or series of events or circumstances likely to result in a change or a development involving a prospective change in existing laws or regulations, or the interpretation or application thereof by any court or any competent authority in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union (or any member thereof), or other jurisdictions relevant to the Group or the Global Offering (each a "**Relevant Jurisdiction**" and collectively, the "**Relevant Jurisdictions**"); or

(ii) any change or development involving a prospective change, or any event or series of events or circumstances likely to result in a change or prospective change, in any local, national, regional or international financial, political, military, industrial, economic, fiscal, legal, regulatory, currency, credit or market conditions or sentiments, taxation, equity securities or currency exchange rate or controls or any monetary or trading settlement system, or foreign investment regulations (including, without limitation, a devaluation of the Hong Kong dollar, United States dollar or Renminbi against any foreign currencies, a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or the Renminbi is linked to any foreign currency or currencies) or other financial markets (including, without limitation, conditions and sentiments in stock and bond markets, money and foreign exchange markets, the inter-bank markets and credit markets) in or affecting any Relevant Jurisdictions, or affecting an investment in the Offer Shares; or

(iii) any event or series of events, or circumstances in the nature of force majeure (including, without limitation, any acts of government, declaration of a regional, national or international emergency or war, calamity, crisis, economic sanctions, strikes, labor disputes, other industrial actions, lock-outs, fire, explosion, flooding, tsunami, earthquake, volcanic eruption, civil commotion, riots, rebellion, public disorder, paralysis in government operations, acts of war, epidemic, pandemic, outbreak or escalation, mutation or aggravation of diseases, interruption or delay in transportation, local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared), act of God or act of terrorism (whether or not responsibility has been claimed)) in or affecting any of the Relevant Jurisdictions; or

(iv) the imposition or declaration of any moratorium, suspension or limitation (including without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on the trading in shares or securities generally on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market or the London Stock Exchange; or

(v) the imposition or declaration of any general moratorium on banking activities in or affecting any of the Relevant Jurisdictions or any disruption in commercial banking or foreign exchange trading or securities settlement or clearing services, procedures or matters in or affecting any of the Relevant Jurisdictions; or

(vi) other than with the prior written consent of the Sponsor-Overall Coordinators, the issue or requirement to issue by the Company of a supplement or amendment to this prospectus or other documents in connection with the offer and sale of the Offer Shares pursuant to the Companies (Winding up and Miscellaneous Provisions) Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange and/or the SFC; or

(vii) the commencement by any authority or other regulatory or political body or organization of any public action or investigation against a member of the Group or a director or a senior management member of any member of the Group or announcing an intention to take any such action; or

(viii) the imposition of sanctions or export controls in whatever form, directly or indirectly, on any member of the Group or the Controlling Shareholders or by or on any Relevant Jurisdiction, or the withdrawal of trading privileges which existed on the date of the Hong Kong Underwriting Agreement, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction; or

(ix) any valid demand by creditors for payment or repayment of indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity; or

(x) an order or petition is presented for the winding-up or liquidation of any member of the Group (other than the Company), or any member of the Group (other than the Company) makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group (other than the Company) or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group (other than the Company) or anything analogous thereto occurs in respect of any member of the Group (other than the Company); or

(xi) any non-compliance of this prospectus (or any other documents used in connection with the contemplated offering, allotment, issue, subscription or sale of any of the Offer Shares), the CSRC filings or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or

(xii) any litigation, dispute, legal action or claim or regulatory or administrative investigation or action being threatened, instigated or announced against any member of the Group or the Controlling Shareholders or any Director or senior management members as named in this prospectus; or

(xiii) any contravention by any member of the Group or any Director of the Listing Rules or applicable laws; or

(xiv) any Director (other than executive Director) seeks to retire, or is removed from office or vacating his/her office; or

(xv) any change or prospective change, or a materialization of, any of the risks set out in the section headed "Risk Factors" in this prospectus,

which, in any such case individually or in the aggregate, in the sole and absolute opinion of the Joint Sponsors and the Sponsor-Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

(1) has or will or is reasonably likely to have a material adverse effect or any development involving a prospective material adverse effect, on the profits, losses, results of operations, assets, liabilities, general affairs, business, management, performance, prospects, shareholders' equity, position or condition (financial, trading or otherwise) of the Group, taken as a whole;

(2) has or will or is reasonably likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of indications of interest under the International Offering; or

(3) makes or will make or is reasonably likely to make it impracticable, inadvisable, inexpedient or incapable for any material part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged, or for the Hong Kong Public Offering and/or the Global Offering to proceed, or to market the Global Offering, or the delivery or distribution of the Offer Shares on the terms and in the manner contemplated by the Offering Documents (as defined in the Hong Kong Underwriting Agreement); or

(4) has or will or is reasonably likely to have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Joint Sponsors and the Sponsor-Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) that:

(i) any statement contained in any of the Offering Documents, the CSRC filings and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) (but excluding the logos, names and addresses of the Joint Sponsors and the Underwriters) (the "**Global Offering Documents**") was, when it was issued, or has become untrue, incorrect, inaccurate in any material respect or misleading; or that any estimate, forecast, expression of opinion, intention or expectation contained in any such documents, was, when it was issued, or has become unfair or misleading in any respect or based on untrue, dishonest or unreasonable assumptions or given in bad faith; or

(ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission or misstatement in any Global Offering Document; or

(iii) any breach of, or any event or circumstance rendering untrue or incorrect or misleading in any respect, any of the representations, warranties and undertakings given by the Company or the Controlling Shareholders in the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

(iv) any event, act or omission which gives rise or is likely to give rise to any liability of any of the Indemnifying Parties (as defined in the Hong Kong Underwriting Agreement) pursuant to the indemnities in the Hong Kong Underwriting Agreement; or

(v) any breach of any of the obligations or undertakings imposed upon the Company or the Controlling Shareholders to the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

(vi) there is any change or development involving a prospective change, constituting or having a material adverse effect or any development involving a prospective material adverse effect, on the profits, losses, results of operations, assets, liabilities, general affairs, business, management, performance, prospects, shareholders' equity, position or condition (financial, trading or otherwise) of the Group, taken as a whole; or

(vii) the Chairman of the Board or any executive Director seeks to retire, or is removed from office or vacating his/her office; or

(viii) any Director or any member of senior management of the Company named in this prospectus is being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management or taking directorship of a company; or

(ix) the Company withdraws this prospectus (and/or any other documents used in connection with the subscription or sale of any of the Offer Shares pursuant to the Global Offering) or the Global Offering; or

(x) the approval by the Listing Committee of the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld; or

(xi) any expert named as expert in this prospectus (other than any of the Joint Sponsors) has withdrawn its consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or

(xii) any prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Global Offering; or

(xiii) an order or petition is presented for the winding-up or liquidation of the Company, or the Company makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of the Company or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of the Company or anything analogous thereto occurs in respect of the Company; or

(xiv) (A) the notice of acceptance of the CSRC filings issued by the CSRC and/or the results of the CSRC filings published on the website of the CSRC is rejected, withdrawn, revoked or invalidated; or (B) other than with the prior written consent of the Sponsor-Overall Coordinators, the issue or requirement to issue by the Company of a supplement or amendment to the CSRC filings pursuant to the Overseas Listing Trial Measures and the Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Issuance and Listing by Domestic Enterprises (together, the "CSRC Rules") or upon any requirement or request of the CSRC; or (C) any non-compliance of the CSRC filings with the CSRC Rules or any other applicable laws; or

(xv) a material portion of the orders placed or confirmed in the bookbuilding process have been withdrawn, terminated or cancelled, or with respect to which the payment of the relevant orders and/or investment commitment has not been received or settled in the stipulated time and manner or otherwise.

Undertakings to the Stock Exchange pursuant to the Listing Rules

(A) Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that it will not issue any further Shares, or securities convertible into equity securities of our Company (whether or not of a class already listed) or enter into any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except pursuant to the Global Offering or under any of the circumstances provided under Rule 10.08 of the Listing Rules.

(B) Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of the Controlling Shareholders has irrevocably and unconditionally undertaken to the Stock Exchange and our Company that, except in compliance with the requirements of the Listing Rules, he/it will not and will procure that the relevant registered holder(s) will not, either directly or indirectly:

(i) in the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the securities of our Company in respect of which he/it is shown in this prospectus to be the beneficial owner(s); and

(ii) in the period of six months commencing on the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the securities referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a Controlling Shareholder of our Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has irrevocably and unconditionally undertaken to the Stock Exchange and our Company that, within the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is twelve months from the Listing Date, he/it will and will procure that the relevant registered holder(s) will:

(i) when he/it pledges or charges any Shares or securities of our Company beneficially owned by him/it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge/charge together with the number of the Shares or securities so pledged or charged; and

(ii) when he/it receives any indication, either verbal or written, from the pledgee or chargee that any of the pledged/charged Shares or securities will be disposed of, immediately inform our Company of such indications.

Our Company will inform the Stock Exchange as soon as it has been informed of the matters referred to in paragraphs (i) and (ii) above (if any) by any of the Controlling Shareholders and subject to the then requirements of the Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Undertakings pursuant to the Hong Kong Underwriting Agreement

(A) Undertakings by our Company and our Controlling Shareholders in respect of our Company

Our Company has undertaken to each of the Joint Sponsors, the Sponsor-Overall Coordinators, the Overall Coordinators, the Joint Global Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that except pursuant to the Global Offering, at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the Listing Date (the "**First Six Month Period**"), it will not, without the prior written consent of the Joint Sponsors and the Sponsor-Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, assign, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any legal or beneficial interest in the share capital or any other equity securities of our Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase any share capital or other equity securities of our Company, as applicable), or deposit any share capital or other equity securities of our Company, as applicable, with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of the Shares or any other equity securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or

(c) enter into any transaction with the same economic effect as any transaction described in paragraph (a) or (b) above; or

(d) offer to or agree to do any of the foregoing specified in paragraph (a), (b) or (c) above or announce any intention to do so,

in each case, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise (whether or not the issue of such share capital or other securities will be completed within the First Six Month Period).

Our Company has further agreed that, in the event our Company is allowed to enter into any of the transactions described in paragraph (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction during the period of six months commencing on the date on which the First Six Month Period expires (the "**Second Six Month Period**"), it will take all reasonable steps to ensure that such an issue or disposal will not, and no other act of our Company will, create a disorderly or false market for any Shares or other securities of our Company.

Our Controlling Shareholders have undertaken to each of the Joint Sponsors, the Sponsor-Overall Coordinators, the Overall Coordinators, the Joint Global Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that he/it shall procure our Company to comply with the above undertakings.

(B) Undertakings by our Controlling Shareholders in respect of themselves

Each of our Controlling Shareholders has undertaken to each of our Company, the Joint Sponsors, the Sponsor-Overall Coordinators, the Overall Coordinators, the Joint Global Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, without the prior written consent of the Joint Sponsors and the Sponsor-Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) he/it will not, and will procure that the relevant registered holder(s), any nominee or trustee holding on trust for him/it and the companies controlled by him/it will not, at any time during the First Six Month Period, (i) sell, offer to sell, accept subscription for, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other equity securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities of our Company, as applicable or any interest in any of the foregoing), or deposit any Shares or other equity securities of our Company with a depositary in connection with the issue of depositary receipts, or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of any Shares or other equity securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other equity securities of our Company, as applicable or any interest in any of the foregoing), or (iii) enter into any transaction with the same economic effect as any transaction specified in paragraph (a)(i) or (ii) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified in paragraph (a)(i), (ii) or (iii) above, in each case, whether any of the transactions specified in paragraph (a)(i), (ii) or (iii) above is to be settled by delivery of Shares or other equity securities of our Company or in cash or otherwise, and whether or not the transactions will be completed within the First Six Month Period;

(b) he/it will not, during the Second Six Month Period, enter into any of the transactions specified in paragraph (a)(i), (ii) or (iii) above or offer to or agree to contract to or publicly announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, he/it will cease to be a "controlling shareholder" (as defined in the Listing Rules) of our Company or a member of a group of "controlling shareholders" (as defined in the Listing Rules) of our Company or would together with the other Controlling Shareholders cease to be "controlling shareholders" (as defined in the Listing Rules) of our Company; and

(c) until the expiry of the Second Six Month Period, in the event that he enters into any of the transactions specified in paragraph (a)(i), (ii) or (iii) or offer to or agrees to or contract to or publicly announce any intention to effect any such transaction, he/it will take all reasonable steps to ensure that such a disposal will not create a disorderly or false market in the securities of our Company.

The restrictions above shall not prevent our Controlling Shareholders from (i) purchasing additional Shares or other securities of our Company and disposing of such additional Shares or securities of our Company in accordance with the Listing Rules, provided that any such purchase or disposal does not contravene the lock-up arrangements with our Controlling Shareholders referred to above or the compliance by our Company with the minimum public float requirement under the Listing Rules, and (ii) using the Shares or other securities of our Company or any interest therein beneficially owned by them as security (including a charge or a pledge) in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, provided that (a) our Controlling Shareholders will immediately inform our Company and the Sponsor-Overall Coordinators in writing of such pledge or charge together with the number of Shares or other equity securities of our Company so pledged or charged if and when it/he or the relevant registered holder(s) pledges or charges any Shares or other equity securities of our Company beneficially owned by it/him, and (b) when our Controlling Shareholders receive indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares or other equity securities of our Company will be disposed of, it/he will immediately inform our Company and the Sponsor-Overall Coordinators of such indications. Our Company has undertaken to the Joint Sponsors, the Sponsor-Overall Coordinators, the Overall Coordinators, the Joint Global Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that upon receiving such information in writing from our Controlling Shareholders, it will, as soon as practicable and if required pursuant to the Listing Rules, the SFO and/or any other applicable Law, notify the Stock Exchange and/or other relevant authorities, and make a public disclosure in relation to such information by way of an announcement.

Hong Kong Underwriters' Interests in our Company

Save for their respective obligations under the Hong Kong Underwriting Agreement, as of the Latest Practicable Date, none of the Hong Kong Underwriters was interested, legally or beneficially, directly or indirectly, in any Shares or any securities of any member of the Group or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any Shares or any securities of any member of the Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement.

International Offering

International Underwriting Agreement

In connection with the International Offering, our Company expects to enter into the International Underwriting Agreement with, among others, the International Underwriters on or around the Price Determination Date. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, agree severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the International Offer Shares initially being offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that in the event that the International Underwriting Agreement is not entered into or is terminated, the Global Offering will not proceed. For details, see "Structure of the Global Offering — The International Offering" in this prospectus.

Commissions and Expenses

The Underwriters and the Capital Market Intermediaries will receive an underwriting commission of 3.5% of the aggregate Offer Price of all the Offer Shares (the "**Fixed Fees**") out of which they will pay any sub-underwriting commissions and other fees.

The Underwriters and the Capital Market Intermediaries may receive a discretionary incentive fee of up to 1.0% of the aggregate Offer Price of all the Offer Shares (the "**Discretionary Fees**").

For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the relevant International Underwriters.

The amount and respective entitlement among the Underwriters and the Capital Market Intermediaries of which is expected to be determined before the Listing Date in compliance with the Listing Rules. Assuming the Discretionary Fees are paid in full, the ratio of the Fixed Fees and the Discretionary Fees paid or payable to all Underwriters and all Capital Market Intermediaries is 78:22.

The aggregate underwriting commissions and fees together with the Stock Exchange listing fees, the SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering are estimated to be approximately HK$66.1 million (assuming an Offer Price of HK$45.38 per Offer Share (being the mid-point of the Offer Price range) and the full payment of the discretionary incentive fee), which will be made by our Company.

Indemnity

Each of our Company and the Controlling Shareholders has agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer or incur, including losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by any of our Company and the Controlling Shareholders of the Hong Kong Underwriting Agreement.

JOINT SPONSORS' INDEPENDENCE

Each of the Joint Sponsors satisfies the independence criteria set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of our Company and/or persons and entities with relationships with our Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with the Group's loans and other debt.

In relation to the H Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the H Shares (which financing may be secured by the H Shares) in the Global Offering, proprietary trading in the H Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares, which may have a negative impact on the trading price of the H Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the H Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

No stabilizing manager will be appointed, and it is anticipated that no stabilization activities will be carried out in relation to the Global Offering. Such activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares and the volatility of the price of the H Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and each of its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of Offer Shares in the Global Offering.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. GF Securities (Hong Kong) Brokerage Limited and ABCI Capital Limited are the Sponsor-Overall Coordinators of the Global Offering.

The listing of the H Shares on the Stock Exchange is sponsored by the Joint Sponsors. The Joint Sponsors have made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the H Shares in issue and to be issued as mentioned in this prospectus.

6,517,300 Offer Shares will initially be made available under the Global Offering comprising:

(a) the Hong Kong Public Offering of initially 651,750 H Shares (subject to reallocation) in Hong Kong as described in the sub-section "— The Hong Kong Public Offering" in this section below; and

(b) the International Offering of initially 5,865,550 H Shares (subject to reallocation) outside the United States (including with professional, institutional, corporate and other investors whom we anticipate may have a reasonable demand for the H Shares in Hong Kong) in offshore transactions in reliance on Regulation S as described in the sub-section headed "— The International Offering" in this section below.

Investors may either:

(i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or

(ii) apply for or indicate an interest for International Offer Shares under the International Offering,

but may not do both.

The Offer Shares will represent approximately 10.0% of the total Shares in issue immediately following the completion of the Global Offering.

References in this prospectus to applications, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 651,750 H Shares (subject to reallocation) for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 1.0% of the total Shares in issue immediately following the completion of the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in the sub-section headed "— Conditions of the Global Offering" in this section.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally into two pools (with any odd lots being allocated to pool A): pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to valid applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of HK$5 million (excluding the brokerage fee, the SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to valid applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of more than HK$5 million (excluding the brokerage fee, the SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the "price" for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 50% of the 651,750 Offer Shares initially comprised in the Hong Kong Public Offering (that is 325,850 Offer Shares) is liable to be rejected.

Reallocation

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sponsor-Overall Coordinators. Subject to the allocation cap described in the subsequent paragraph, the Sponsor-Overall Coordinators may in their discretion reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In addition, if the Hong Kong Public Offering is not fully subscribed, the Sponsor-Overall Coordinators will have the discretion (but shall not be under any obligation) to reallocate to the International Offering all or any unsubscribed Hong Kong Offer Shares in such amounts as they deem appropriate.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Sponsor-Overall Coordinators deem appropriate. In the event of reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering in the circumstances where (a) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times; or (b) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times, then up to 325,800 Offer Shares may be reallocated from the International Offering to the Hong Kong Public Offering, so that the total number of Offer Shares available for subscription under the Hong Kong Public Offering will

increase up to 977,550 Offer Shares, representing approximately 15% of the number of Offer Shares initially available under the Global Offering and the final Offer Price shall be fixed at the low end of the indicative price range (i.e. HK$40.20 per Offer Share) in accordance with Chapter 4.14 of the Guide for New Listing Applicants. In the circumstance where the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are undersubscribed, there will be no reallocation from the International Offering to the Hong Kong Public Offering, and no over-allocation of Shares to the Hong Kong Public Offering.

Given the initial allocation of the Offer Shares to the Hong Kong Public Offering and the International Offering follows Mechanism B set out under paragraph 2 of Chapter 4.14 of the Guide and the provision of Paragraph 4.2(b) of Practice Note 18 of the Listing Rules, no mandatory clawback or reallocation mechanism is required to increase the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering.

Details of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering will be disclosed in the results announcement of the Global Offering, which is expected to be published on Tuesday, November 10, 2026.

Where the International Offer Shares are undersubscribed, if the Hong Kong Offer Shares are also undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus and the Underwriting Agreements.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering. Such applicant's application under the International Offering is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be).

Applicants under the Hong Kong Public Offering may be required to pay, on application (subject to application channels), the maximum Offer Price of HK$50.55 per Offer Share in addition to the brokerage fee, the SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK$2,552.99 for one board lot of 50 H Shares. If the Offer Price, as finally determined in the manner described in the sub-section headed "— Pricing and Allocation" in this section below, is less than the maximum Offer Price of HK$50.55 per Offer Share, appropriate refund payments (including the brokerage fee, the SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants (subject to application channels), without interest. For details, see "How to Apply for Hong Kong Offer Shares" in this prospectus.

THE INTERNATIONAL OFFERING

Number of Offer Shares initially offered

The International Offering will consist of an offering of initially 5,865,550 H Shares, representing approximately 90.0% of the total number of Offer Shares initially available under the Global Offering (subject to reallocation). The number of Offer Shares initially offered under the International Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 9.00% of the total Shares in issue immediately following the completion of the Global Offering.

Allocation

Pursuant to the International Offering, the International Offer Shares will be conditionally placed on behalf of our Company by the International Underwriters or through selling agents appointed by them. The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Allocation of Offer Shares under the International Offering will be effected in accordance with the "book-building" process described in the subsection headed "— Pricing and Allocation" in this section and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the investor is likely to buy further H Shares, and/or hold or sell its H Shares, after the Listing. This basis of allocation is intended to result in a distribution of the Offer Shares which is likely to lead to the establishment of a solid and stable professional and institutional shareholder base to the benefit of our Group and our Shareholders as a whole.

The Sponsor-Overall Coordinators (for themselves and on behalf of the Underwriters) may require an investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sponsor-Overall Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the International Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the reallocation arrangement described in the subsection "— The Hong Kong Public Offering — Reallocation" in this section above, and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

PRICING AND ALLOCATION

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or before Monday, November 9, 2026 and, in any event, not later than 12:00 noon on Monday, November 9, 2026, by agreement between the Sponsor-Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$50.55 per Offer Share and is expected to be not less than HK$40.20 per Offer Share, unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering may be required to pay, on application (subject to application channels), the maximum Offer Price of HK$50.55 per Offer Share plus brokerage fee of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%, amounting to a total of HK$2,552.99 for one board lot of 50 H Shares. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the minimum Offer Price stated in this prospectus.

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Sponsor-Overall Coordinators (for themselves and on behalf of the Underwriters) may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the websites of our Company and the Stock Exchange at **www.xinhehua.com** and **www.hkexnews.hk**, respectively, an announcement, cancel the offer and relaunch the offer at the revised number of Offer Shares and/or the revised Offer Price range and the requirements under Rule 11.13 of the Listing Rules (which include the issue of a supplemental prospectus or a new prospectus (as appropriate)). Upon issue of such announcement or supplemental prospectus (as appropriate), the number of the Offer Shares offered in the Global Offering and/or the revised Offer Price range will be final and conclusive, and the Offer Price, if agreed upon by the Sponsor-Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range. The Global Offering must first be cancelled and subsequently relaunched on FINI pursuant to the supplemental prospectus.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement or supplemental prospectus (as appropriate) of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. In the absence of any such announcement so published, the number of Offer Shares will not be reduced and/or the Offer Price if agreed upon by the Sponsor-Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares, the Sponsor-Overall Coordinators (for themselves and on behalf of the other Underwriters) may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering in accordance with Chapter 4.14 of the Guide for New Listing Applicants and paragraph 4.2 of Practice Note 18 of the Listing Rules, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering. Subject to the foregoing paragraph, the Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Sponsor-Overall Coordinators (for themselves and on behalf of the Underwriters).

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in the section headed "How to Apply for Hong Kong Offer Shares — B. Publication of Results" in this prospectus.

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to, among other things, the Sponsor-Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company agreeing on the Offer Price.

Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarized in the section headed "Underwriting" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

(a) the Stock Exchange granting approval for the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering on the Main Board of the Stock Exchange and such approval and permission not subsequently having been withdrawn or revoked prior to the Listing Date;

(b) the Offer Price having been agreed between the Sponsor-Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company;

(c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

(d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between the Sponsor-Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company by 12:00 noon on Monday, November 9, 2026, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the websites of our Company and the Stock Exchange at **www.xinhehua.com** and **www.hkexnews.hk**, respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares — D. Dispatch/Collection of H Share Certificates and Refund of Application Monies" in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

H Share certificates for the Offer Shares will only become valid evidence of title at 8:00 a.m. on Wednesday, November 11, 2026, provided that the Global Offering has become unconditional in all respects at or before that time.

DEALINGS IN THE H SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, November 11, 2026, it is expected that dealings in the H Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, November 11, 2026. The H Shares will be traded in board lots of 50 H Shares each and the stock code of the H Shares will be 2206.

IMPORTANT NOTICE TO APPLICANTS OF HONG KONG OFFER SHARES

FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering and below are the procedures for application.

This prospectus is available at the website of the Stock Exchange at **www.hkexnews.hk** under the "HKEXnews > New Listings > New Listing Information" section and our website at **www.xinhehua.com**.

The contents of this prospectus are identical to the prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

A. APPLICATION FOR HONG KONG OFFER SHARES

1. Who Can Apply

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address *(for the **HK eIPO White Form** service only)*; and
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act).

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying:

- are an existing Shareholder or its/his/her close associates;
- are a Director or any of his/her close associates;
- are a core connected person (as defined in the Listing Rules) of the Company or will become a core connected person of the Company immediately upon completion of the Global Offering; or
- have been allocated or have applied for any International Offer Shares or otherwise participated in the International Offering.

2. Application Channels

The Hong Kong Public Offering period will begin at 9:00 a.m. on Friday, October 30, 2026 and end at 12:00 noon on Friday, November 6, 2026 (Hong Kong time).

To apply for Hong Kong Offer Shares, you may use one of the following application channels:

Application Channel	Platform	Target Investors	Application Time
HK eIPO White Form service . . .	**www.hkeipo.hk**	Applicants who would like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 a.m. on Friday, October 30, 2026 to 11:30 a.m. on Friday, November 6, 2026 (Hong Kong time). The latest time for completing full payment of application monies will be 12:00 noon on Friday, November 6, 2026 (Hong Kong time).

Application Channel	Platform	Target Investors	Application Time
HKSCC EIPO channel	Your broker or custodian who is a HKSCC Participant will submit electronic application instruction(s) on your behalf through HKSCC's FINI system in accordance with your instructions.	Applicants who would not like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant's stock account.	Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

The **HK eIPO White Form** service and the **HKSCC EIPO** channel are facilities subject to capacity limitations and potential service interruptions, and you are advised not to wait until the last day for applications to apply for Hong Kong Offer Shares.

For those applying through the **HK eIPO White Form** service, once you complete payment in respect of any application instruction given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. If you are a person for whose benefit the application instructions are given, you shall be deemed to have declared that only one set of application instructions has been given for your benefit. If you are an agent for another person, you shall be deemed to have declared that you have only given one set of application instructions for the benefit of the person for whom you are an agent and that you are duly authorized to give those instructions as an agent.

For the avoidance of doubt, giving an application instruction under the **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you apply through the **HK eIPO White Form** service, you are deemed to have authorized the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

By instructing your broker or custodian to apply for Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to apply for Hong Kong Offer Shares on your behalf and to do on your behalf all the things stated in this prospectus and any supplement to it.

For those applying through the **HKSCC EIPO** channel, an actual application will be deemed to have been made for any application instruction given by you or for your benefit to HKSCC (in which case an application will be made by HKSCC Nominees on your behalf) provided such application instruction has not been withdrawn or otherwise invalidated before the closing time of the Hong Kong Public Offering.

HKSCC Nominees will only be acting as a nominee for you and neither HKSCC nor HKSCC Nominees shall be liable to you or any other person in respect of any actions taken by HKSCC or HKSCC Nominees on your behalf to apply for Hong Kong Offer Shares or for any breach of the terms and conditions of this prospectus.

3. Information Required to Apply

You must provide the following information with your application:

For Individual/Joint Applicants

- Full name(s)[(2)] as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
  - i. Hong Kong identity card ("**HKID**"); or
  - ii. National identification document; or
  - iii. Passport; and
- Identity document number

For Corporate Applicants

- Full name(s)[(2)] as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
  - i. Legal Entity Identifier ("**LEI**") registration document; or
  - ii. Certificate of incorporation; or
  - iii. Business registration certificate; or
  - iv. Other equivalent document; and
- Identity document number

Notes:

(1) If you are applying through the **HK eIPO White Form** service, you are required to provide a valid e-mail address, a contact telephone number and a Hong Kong address. You are also required to declare that the identity information provided by you follows the requirements as described in Note 2 below. In particular, where you cannot provide a HKID number, you must confirm that you do not hold a HKID card. The number of joint applicants may not exceed four. If you are a firm, the applicant must be in the individual members' names.

(2) The applicant's full name as shown on their identity document must be used and the surname, given name, middle and other names (if any) must be input in the same order as shown on the identity document. If an applicant's identity document contains both English and Chinese names, both English and Chinese names must be used. Otherwise, either English or Chinese name will be accepted. The order of priority of the applicant's identity document type must be strictly followed and where an individual applicant has a valid HKID card (including both Hong Kong Residents and Hong Kong Permanent Residents), the HKID number must be used when making an application for Hong Kong Offer Shares. Similarly, for corporate applicants, a LEI number must be used if an entity has a LEI certificate.

(3) If the applicant is a trustee, the client identification data ("**CID**") of the trustee, as set out above, will be required. If the applicant is an investment fund (i.e. a collective investment scheme, or CIS), the CID of the asset management company or the individual fund, as appropriate, which has opened a trading account with the broker will be required, as above.

(4) The maximum number of joint applicants on FINI is capped at 4 in accordance with market practice.

(5) If you are applying as a nominee, you must provide: (i) the full name (as shown on the identity document), the identity document's issuing country or jurisdiction, the identity document type; and (ii) the identity document number, for each of the beneficial owners or, in the case(s) of joint beneficial owners, for each of the joint beneficial owners. If you do not include this information, the application will be treated as being made for your benefit.

(6) If an application is made by an unlisted company and (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit and you should provide the required information in your application as stated above.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange or any other stock exchange.

"Statutory control" means you: (i) control the composition of the board of directors of the company; (ii) control more than half of the voting power of the company; or (iii) hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

For those applying through the **HKSCC EIPO** channel and making an application under a power of attorney, the Sponsor-Overall Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

Failing to provide any required information may result in your application being rejected.

4. Permitted Number of Hong Kong Offer Shares for Application

Board lot size . . . . : 50 H Shares

Permitted number of Hong Kong Offer Shares for application and amount payable on application/ successful allotment . . . . . :

Hong Kong Offer Shares are available for application in specified board lot sizes only. Please refer to the amount payable associated with each specified board lot size in the table below.

The maximum Offer Price is HK$50.55 per Offer Share, plus brokerage fee of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and the Stock Exchange trading fee of 0.00565%.

If you are applying through the **HKSCC EIPO** channel, your broker or custodian may require you to pre-fund your application, in such amount as determined by the broker or custodian, based on the applicable laws and regulations in Hong Kong. You are responsible for complying with any such pre-funding requirement imposed by your broker or custodian with respect to the Hong Kong Offer Shares you applied for.

By instructing your broker or custodian to apply for Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to arrange payment of the final Offer Price, brokerage fee, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee by debiting the relevant nominee bank account at the designated bank for your broker or custodian.

If you are applying through the **HK eIPO White Form** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective maximum amount payable on application in full upon application for Hong Kong Offer Shares.

No. of Hong Kong Offer Shares applied for	Maximum Amount payable[2] on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable[2] on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable[2] on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable[2] on application/ successful allotment
	HK$		*HK$*		*HK$*		*HK$*
50	2,552.99	800	40,847.83	7,000	357,418.57	100,000	5,105,979.68
100	5,105.99	900	45,953.82	8,000	408,478.38	200,000	10,211,959.36
150	7,658.97	1,000	51,059.80	9,000	459,538.16	325,850[1]	16,637,834.78
200	10,211.96	1,500	76,589.69	10,000	510,597.97		
250	12,764.95	2,000	102,119.59	20,000	1,021,195.94		
300	15,317.94	2,500	127,649.49	30,000	1,531,793.90		
350	17,870.94	3,000	153,179.39	40,000	2,042,391.86		
400	20,423.92	3,500	178,709.30	50,000	2,552,989.83		

No. of Hong Kong Offer Shares applied for	Maximum Amount payable[2] on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable[2] on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable[2] on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable[2] on application/ successful allotment
	HK$		*HK$*		*HK$*		*HK$*
450	22,976.91	4,000	204,239.18	60,000	3,063,587.80		
500	25,529.90	4,500	229,769.08	70,000	3,574,185.78		
600	30,635.88	5,000	255,298.98	80,000	4,084,783.75		
700	35,741.86	6,000	306,358.78	90,000	4,595,381.71		

(1) Maximum number of Hong Kong Offer Shares you may apply for and this is approximately 50% of the Hong Kong Offer Shares initially offered.

(2) The amount payable is inclusive of the brokerage fee, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, the brokerage fee will be paid to the Exchange Participants (as defined in the Listing Rules) or to the **HK eIPO White Form** Service Provider (for applications made through the application channel of the **HK eIPO White Form** service) while the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

5. Multiple Applications Prohibited

You or your joint applicant(s) shall not make more than one application for your own benefit, except where you are a nominee and provide the information of the underlying investor in your application as required under the paragraph headed "— A. Application for Hong Kong Offer Shares — 3. Information Required to Apply" in this section. If you are suspected of submitting or causing to be submitted more than one application, all of your applications will be rejected.

Multiple applications made either through (i) the **HK eIPO White Form** service, (ii) the **HKSCC EIPO** channel or (iii) both channels concurrently are prohibited and will be rejected. If you have made an application through the **HK eIPO White Form** service or the **HKSCC EIPO** channel, you or the person(s) for whose benefit you have made the application shall not apply for any International Offer Shares.

The H Share Registrar would record all applications into its system and identify suspected multiple applications with identical names and identification document numbers according to the Best Practice Note on Treatment of Multiple/Suspected Multiple Applications ("**Best Practice Note**") issued by the Federation of Share Registrars Limited.

Since applications are subject to personal information collection statements, identification document numbers displayed are redacted.

6. Terms and Conditions of an Application

By applying for Hong Kong Offer Shares through the **HK eIPO White Form** service or the **HKSCC EIPO** channel, you (or as the case may be, HKSCC Nominees will do the following things on your behalf):

(i) undertake to execute all relevant documents and instruct and authorize us and/or the Sponsor-Overall Coordinators (or their agents or nominees), as our agents, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association, and (if you are applying through the **HKSCC EIPO** channel) to deposit the allotted Hong Kong Offer Shares directly into CCASS for the credit of your designated HKSCC Participant's stock account on your behalf;

(ii) confirm that you have read and understood the terms and conditions and application procedures set out in this prospectus and the designated website of the **HK eIPO White Form** service (or as the case may be, the agreement you entered into with your broker or custodian), and agree to be bound by them;

(iii) (if you are applying through the **HKSCC EIPO** channel) agree to the arrangements, undertakings and warranties under the participant agreement between your broker or custodian and HKSCC and observe the General Rules of HKSCC and the HKSCC Operational Procedures for giving application instructions to apply for Hong Kong Offer Shares;

(iv) confirm that you are aware of the restrictions on the Hong Kong Public Offering set out in this prospectus and they do not apply to you or the person(s) for whose benefit you have made the application;

(v) confirm that you have read this prospectus and any supplement to it, and have relied only on the information and representations contained therein in making your application (or as the case may be, causing your application to be made), and will not rely on any other information or representations;

(vi) agree that we, the Joint Sponsors, the the Sponsor-Overall Coordinators, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Underwriters, our and their respective directors, officers, employees, partners, agents, advisors and other parties involved in the Global Offering (the "**Relevant Persons**"), the H Share Registrar, the **HK eIPO White Form** Service Provider and HKSCC will not be liable for any information and representations not in this prospectus and any supplement to it;

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest in, and will not apply for or take up, or indicate an interest in, any International Offer Shares nor participated in the International Offering;

(viii) agree to disclose the details of your application and your personal data and any other personal data which may be required about you and the person(s) for whose benefit you have made the application to us, the Relevant Persons, the H Share Registrar, HKSCC, HKSCC Nominees, the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, for the purposes specified under the paragraph headed "— G. Personal Data" in this section;

(ix) agree (without prejudice to any other rights which you may have once your application (or as the case may be, HKSCC Nominees' application) has been accepted) that you will not rescind it because of an innocent misrepresentation;

(x) agree that subject to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any application made by you or HKSCC Nominees on your behalf cannot be revoked once it is accepted, which will be evidenced by the notification of the result of the ballot by the H Share Registrar by way of publication of the results at the time and in the manner as specified in the paragraph headed "— B. Publication of Results" in this section;

(xi) confirm that you are aware of the situations specified in the paragraph headed "— C. Circumstances in Which You Will Not Be Allocated Hong Kong Offer Shares" in this section;

(xii) agree that your application or HKSCC Nominees' application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

(xiii) agree and warrant that you have complied with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Articles of Association, and laws of any place outside Hong Kong that apply to your application, and that neither we nor the Relevant Persons will breach any law inside and/or outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;

(xiv) represent, warrant and undertake that (a) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (b) you and the person(s) for whose benefit you have made the application are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xv) confirm that (a) your application or HKSCC Nominees' application on your behalf is not financed directly or indirectly by the Company, any of the directors, chief executives, substantial shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates; and (b) you are not accustomed or will not be accustomed to taking instructions from the Company, any of the directors, chief executives, substantial shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in your name or otherwise held by you;

(xvi) warrant that the information you have provided is true and accurate;

(xvii) confirm that you understand that we and the Sponsor-Overall Coordinators will rely on your declarations and representations in deciding whether or not to allocate any Hong Kong Offer Shares to you, and that you may be prosecuted for making a false declaration;

(xviii) agree to accept Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;

(xix) authorize us to place your name(s) or the name of HKSCC Nominees on our register of members as the holder(s) of any Hong Kong Offer Shares allocated to you and such other registers as may be required under the Memorandum and Articles of Association, and we and/or our agents to send any H Share certificate(s) and/or any **HK eIPO White Form** e-Auto Refund payment instructions and/or any refund check(s) to you or the first-named applicant for joint application to the address specified in your application instructions by ordinary post at your own risk, unless you are eligible to collect the H Share certificate(s) and/or refund check(s) in person;

(xx) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xxi) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving application instructions to HKSCC directly or indirectly or through the application channel of the **HK eIPO White Form** service or by you or by anyone as your agent or by any other person; and

(xxii) (if you are making the application as an agent for the benefit of another person) warrant that (a) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving application instructions to HKSCC or to the **HK eIPO White Form** Service Provider and (b) you have due authority to give application instructions on behalf of that other person as its agent.

B. PUBLICATION OF RESULTS

Results of Allocation

You can check whether you are successfully allocated any Hong Kong Offer Shares through:

Platform		Date/Time
Applying through the HK eIPO White Form service or HKSCC EIPO channel		
Website	The designated results of allocations website at **www.hkeipo.hk/IPOResult** (or **www.tricor.com.hk/ipo/result**) with a "search by ID" function.	24 hours, from 11:00 p.m. on Tuesday, November 10, 2026 to 12:00 midnight on Monday, November 16, 2026 (Hong Kong time).
	The full list of (i) wholly or partially successful applicants using the **HK eIPO White Form** service and **HKSCC EIPO** channel, and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed at **www.hkeipo.hk/IPOResult** or **www.tricor.com.hk/ipo/result**.	
	The Stock Exchange's website at **www.hkexnews.hk** and our website at **www.xinhehua.com**, which will provide links to the above-mentioned websites of the H Share Registrar.	No later than 11:00 p.m. on Tuesday, November 10, 2026 (Hong Kong time).
Telephone	+852 3691 8488 — the allocation results telephone enquiry line provided by the H Share Registrar	Between 9:00 a.m. and 6:00 p.m., from Wednesday, November 11, 2026 to Monday, November 16, 2026 (Hong Kong time) on a business day.

For those applying through the **HKSCC EIPO** channel, you may also check with your broker or custodian from 6:00 p.m. on Monday, November 9, 2026 (Hong Kong time).

HKSCC Participants can log into FINI and review the allotment result from 6:00 p.m. on Monday, November 9, 2026 (Hong Kong time) on a 24-hour basis, and should report any discrepancies on allotments to HKSCC as soon as practicable.

Allocation Announcement

We expect to announce the final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares on the Stock Exchange's website at **www.hkexnews.hk** and our website at **www.xinhehua.com** by no later than 11:00 p.m. on Tuesday, November 10, 2026 (Hong Kong time).

C. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or the person(s) for whose benefit you are applying:

1. If your application is revoked:

Your application or the application made by HKSCC Nominees on your behalf may be revoked pursuant to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

2. If we or our agents exercise our discretion to reject your application:

We, the Sponsor-Overall Coordinators, the H Share Registrar and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

3. If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either: (i) within three weeks from the closing date of the application lists; or (ii) within a longer period of up to six weeks if the Stock Exchange notifies us of that longer period within three weeks of the closing date of the application lists.

4. IF: (i) you make multiple applications or suspected multiple applications. For details, see "— A. Application for Hong Kong Offer Shares — 5. Multiple Applications Prohibited" in this section; (ii) your application instruction is incomplete; (iii) your payment (or confirmation of funds, as the case may be) is not made correctly; (iv) the Underwriting Agreements do not become unconditional or are terminated; or (v) the Company or the Sponsor-Overall Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations.

5. If there is money settlement failure for allotted Shares:

Based on the arrangements between HKSCC Participants and HKSCC, HKSCC Participants will be required to hold sufficient application funds on deposit with their designated bank before balloting. After balloting of Hong Kong Offer Shares, the receiving bank will collect the portion of these funds required to settle each HKSCC Participant's actual Hong Kong Offer Share allotment from their designated bank.

There is a risk of money settlement failure. In the extreme event of money settlement failure by a HKSCC Participant (or its designated bank), who is acting on your behalf in settling payment for your allotted shares, HKSCC will contact the defaulting HKSCC Participant and its designated bank to determine the cause of failure and request such defaulting HKSCC Participant to rectify or procure to rectify the failure.

However, if it is determined that such settlement obligation cannot be met, the affected Hong Kong Offer Shares will be reallocated to the International Offering. Hong Kong Offer Shares applied for by you through the broker or custodian may be affected to the extent of the settlement failure. In the extreme case, you will not be allocated any Hong Kong Offer Shares due to the money settlement failure by such HKSCC Participant. None of us, the Relevant Persons, the H Share Registrar and HKSCC is or will be liable if Hong Kong Offer Shares are not allocated to you due to the money settlement failure.

D. DISPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the **HKSCC EIPO** channel where the H Share certificates will be deposited into CCASS as described below). No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

H Share certificates will only become valid evidence of title at 8:00 a.m. on the Listing Date, which is expected to be Wednesday, November 11, 2026 (Hong Kong time), provided that the Global Offering has become unconditional in all respects and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid evidence of title do so entirely at their own risk. The right is reserved to retain any H Share certificate(s) and (if applicable) any surplus application monies pending clearance of application monies. The following sets out the relevant procedures and time:

	HK eIPO White Form service	HKSCC EIPO channel
Despatch/collection of H Share certificate		
For application of 100,000 Hong Kong Offer Shares or more	Collection in person from the H Share Registrar, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.	H Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to your designated HKSCC Participant's stock account.
	Time: from 9:00 a.m. to 1:00 p.m. on Wednesday, November 11, 2026 (Hong Kong time)	No action by you is required.
	If you are an individual, you must not authorize any other person to collect for you. If you are a corporate applicant, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop.	
	Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.	
	Note: If you do not collect your H Share certificate(s) personally within the time above, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk.	

	HK eIPO White Form service	HKSCC EIPO channel
For application of less than 100,000 Hong Kong Offer Shares	Your H Share certificate(s) will be sent to the address specified in your application instructions by ordinary post at your own risk. Date: Tuesday, November 10, 2026	

Refund mechanism for surplus application monies paid by you

Date	Wednesday, November 11, 2026	Subject to the arrangement between you and your broker or custodian.
Responsible party	H Share Registrar	Your broker or custodian.
Application monies paid through single bank account	**HK eIPO White Form** e-Auto Refund payment instructions to your designated bank account.	Your broker or custodian will arrange refund to your designated bank account subject to the arrangement between you and it.
Application monies paid through multiple bank accounts	Refund check(s) will be dispatched to the address specified in your application instructions by ordinary post at your own risk.	

Except in the event of any Severe Weather Signals (as defined below) in force in Hong Kong in the morning on Tuesday, November 10, 2026 rendering it impossible for the relevant H Share certificates to be dispatched to HKSCC in a timely manner, we shall procure the H Share Registrar to arrange for delivery of the supporting documents and H Share certificates in accordance with the contingency arrangements as agreed between them. For details, see "— E. Severe Weather Arrangements" in this section.

E. SEVERE WEATHER ARRANGEMENTS

The application lists will not open or close on Friday, November 6, 2026 if there is/are: (i) a tropical cyclone warning signal number 8 or above; (ii) a "black" rainstorm warning; and/or (iii) Extreme Conditions (collectively, "Severe Weather Signals"), in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, November 6, 2026 (Hong Kong time).

Instead they will open between 11:45 a.m. and 12:00 noon and/or close at 12:00 noon on the next business day which does not have Severe Weather Signals in force at any time between 9:00 a.m. and 12:00 noon (Hong Kong time).

Prospective investors should be aware that a postponement of the opening/closing of the application lists may result in a delay in the Listing Date. Should there be any changes to the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made and published on the Stock Exchange's website at **www.hkexnews.hk** and our website at **www.xinhehua.com** of the revised timetable.

If a Severe Weather Signal is hoisted on Tuesday, November 10, 2026, the H Share Registrar will make appropriate arrangements for the delivery of the H share certificates to the CCASS Depository's service counter so that they would be available for trading on Wednesday, November 11, 2026.

If a Severe Weather Signal is hoisted on Tuesday, November 10, 2026, for application of less than 100,000 Hong Kong Offer Shares, the dispatch of physical H Share certificate(s) will be made by ordinary post when the post office re-opens after the Severe Weather Signal is lowered or cancelled (e.g. in the afternoon of Tuesday, November 10, 2026 or on Wednesday, November 11, 2026).

If a Severe Weather Signal is hoisted on Wednesday, November 11, 2026, for application of 100,000 Hong Kong Offer Shares or more, physical H Share certificate(s) will be available for collection in person at the H Share Registrar's office after the Severe Weather Signal is lowered or cancelled (e.g. in the afternoon of Wednesday, November 11, 2026 or on Thursday, November 12, 2026).

Prospective investors should be aware that if they choose to receive physical H Share certificates issued in their own name, there may be a delay in receiving the H Share certificates.

F. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time. All necessary arrangements have been made enabling the Shares to be admitted into CCASS. You should seek the advice of your broker or other professional advisors for details of those settlement arrangements as such arrangements may affect your rights and interests.

G. PERSONAL DATA

The following Personal Information Collection Statement applies to any personal data collected and held by the Company, the H Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. Such personal data may include client identifier(s) and your identification information. By giving application instructions to HKSCC, you acknowledge that you have read, understood and agree to all of the terms of the Personal Information Collection Statement below.

1. Personal Information Collection Statement

This Personal Information Collection Statement informs applicant for, and holder of, Hong Kong Offer Shares, of the policies and practices of the Company and the H Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

2. Reasons for the Collection of Your Personal Data

It is necessary for applicants and registered holders of Hong Kong Offer Shares to ensure that personal data supplied to the Company or its agents and the H Share Registrar is accurate and up-to-date when applying for Hong Kong Offer Shares or transferring Hong Kong Offer Shares into or out of their names or in procuring the services of the H Share Registrar.

Failure to supply the requested data or supplying inaccurate data may result in your application for Hong Kong Offer Shares being rejected, or in the delay or the inability of the Company or the H Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of Hong Kong Offer Shares which you have successfully applied for and/or the despatch of H Share certificate(s) to which you are entitled.

It is important that applicants for and holders of Hong Kong Offer Shares inform the Company and the H Share Registrar immediately of any inaccuracies in the personal data supplied.

3. Purposes

Your personal data may be used, held, processed and/or stored (by whatever means) for the following purposes: (i) processing your application and refund check and **HK eIPO White Form** e-Auto Refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of Hong Kong Offer Shares; (ii) compliance with applicable laws and regulations in Hong Kong and elsewhere; (iii) registering new issues or transfers into or out of the names of the holders of the H Shares including, where applicable, HKSCC Nominees; (iv) maintaining or updating the Company's register of members; (v) verifying identities of applicants for and holders of the H Shares and identifying any duplicate applications for the H Shares; (vi) facilitating Hong Kong Offer Shares balloting; (vii) establishing benefit entitlements of holders of the H Shares, such as dividends, rights issues, bonus issues, etc.; (viii) distributing communications from the Company and its subsidiaries; (ix) compiling statistical information and profiles of the holder of the H Shares; (x) disclosing relevant information to facilitate claims on entitlements; and (xi) any other incidental or associated purposes relating to the above and/or to enable the Company and the H Share Registrar to discharge their obligations to applicants for and holders of the H Shares and/or regulators and/or any other purposes to which applicants for and holders of the H Shares may from time to time agree.

4. Transfer of Personal Data

Personal data held by the Company and the H Share Registrar relating to the applicants for and holders of Hong Kong Offer Shares will be kept confidential but the Company and the H Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following: (i) the Company's appointed agents such as financial advisors, receiving bank and overseas principal share registrar; (ii) HKSCC or HKSCC Nominees, who will use the personal data and may transfer the personal data to the H Share Registrar, in each case for the purposes of providing its services or facilities or performing its functions in accordance with its rules or procedures and operating FINI and CCASS (including where applicants for the Hong Kong Offer Shares request a deposit into CCASS); (iii) any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the H Share Registrar in connection with their respective business operations; (iv) the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, including for the purposes of the Stock Exchange's administration of the Listing Rules and the SFC's performance of its statutory functions; and (v) any persons or institutions with which the holders of Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or brokers etc.

5. Retention of Personal Data

The Company and the H Share Registrar will keep the personal data of the applicants for and holders of Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

6. Access to and Correction of Personal Data

Applicants for and holders of Hong Kong Offer Shares have the right to ascertain whether the Company or the H Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the H Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company, at the Company's registered address disclosed in the section headed "Corporate Information" in this prospectus or as notified from time to time, for the attention of the joint company secretaries, or the H Share Registrar for the attention of the privacy compliance officer.

The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants and Registered Public Interest Entity Auditor, Hong Kong, for the purpose of incorporation in this Document.



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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SICHUAN NEAUTUS TRADITIONAL CHINESE MEDICINE CO., LTD., GF CAPITAL (HONG KONG) LIMITED AND ABCI CAPITAL LIMITED

Introduction

We report on the historical financial information of Sichuan NEAUTUS Traditional Chinese Medicine Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-62, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2023, 2024 and 2025 and the four months ended 30 April 2026 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2023, 2024 and 2025 and 30 April 2026 and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-62 forms an integral part of this report, which has been prepared for inclusion in the documents of the Company dated 30 October 2026 (the "Document") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are

appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2023, 2024 and 2025 and 30 April 2026, and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the four months ended 30 April 2025 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to note 12 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

Certified Public Accountants
Hong Kong
October 30, 2026

I HISTORICAL FINANCIAL INFORMATION

Preparation of the Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing as issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December			Four months ended 30 April	
		2023	2024	2025	2025	2026
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
REVENUE	5	1,145,571	1,249,402	1,334,707	382,819	432,185
Cost of sales		(933,553)	(1,036,329)	(1,081,546)	(310,585)	(337,957)
Gross profit		212,018	213,073	253,161	72,234	94,228
Other income and gains	5	4,692	7,506	8,664	2,197	1,167
Selling and distribution expenses		(52,389)	(50,464)	(66,992)	(19,187)	(26,835)
Administrative expenses		(34,036)	(46,318)	(61,923)	(23,920)	(21,772)
Research and development expenses		(11,501)	(17,125)	(7,997)	(1,915)	(3,802)
Impairment losses		(7,091)	(8,721)	(7,212)	(5,827)	(5,231)
Other expenses	6	(176)	(1,849)	(2,069)	(120)	(788)
Finance costs	7	(5,931)	(5,786)	(8,138)	(2,722)	(2,355)
Share of profit and loss of a joint venture	17	(46)	–	–	–	–
Loss on disposal of a joint venture		(904)	–	–	–	–
PROFIT BEFORE TAX	8	104,636	90,316	107,494	20,740	34,612
Income tax expense	11	(662)	(1,204)	(1,053)	–	(734)
PROFIT FOR THE YEAR/PERIOD		103,974	89,112	106,441	20,740	33,878
Attributable to:						
Owners of the parent		103,935	89,122	106,455	20,747	33,879
Non-controlling interest		39	(10)	(14)	(7)	(1)
OTHER COMPREHENSIVE LOSS						
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:						
Exchange differences on translation of a foreign operation		(13)	(21)	118	(12)	163
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		103,961	89,091	106,559	20,728	34,041
Attributable to:						
Owners of the parent		103,922	89,101	106,573	20,735	34,042
Non-controlling interest		39	(10)	(14)	(7)	(1)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
Basic and diluted (RMB)	13	1.58	1.36	1.81	0.35	0.58

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	31 December			30 April
		2023	2024	2025	2026
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*14*	150,847	163,330	167,946	164,192
Right-of-use assets	*15*	8,921	9,657	46,261	44,537
Other intangible assets	*16*	2,294	3,115	3,999	3,835
Prepayments, other receivables and other assets	*21*	4,578	7,952	2,625	1,540
Total non-current assets		166,640	184,054	220,831	214,104
CURRENT ASSETS					
Inventories	*18*	218,531	242,956	246,163	251,421
Trade and bills receivables	*19*	503,803	557,937	613,535	642,726
Financial assets at fair value through other comprehensive income ("FVTOCI")	*20*	7,532	26,575	11,030	20,227
Prepayments, other receivables and other assets	*21*	8,517	23,464	52,326	55,533
Financial assets at FVTPL	*22*	–	–	–	30,028
Pledged deposits	*23*	42,382	52,791	1,806	–
Time deposits	*23*	14,507	–	–	–
Cash and bank balances	*23*	137,198	144,310	181,377	119,302
Total current assets		932,470	1,048,033	1,106,237	1,119,237
CURRENT LIABILITIES					
Trade and bills payables	*24*	456,392	476,414	477,865	449,298
Lease liabilities	*15*	–	368	3,673	2,963
Other payables and accruals	*25*	46,755	123,105	56,402	55,428
Contract liabilities	*26*	2,703	2,947	3,027	2,778
Interest-bearing bank borrowings	*27*	120,120	161,751	139,868	145,564
Tax payables		1,619	714	132	276
Total current liabilities		627,589	765,299	680,967	656,307
NET CURRENT ASSETS		304,881	282,734	425,270	462,930
TOTAL ASSETS LESS CURRENT LIABILITIES		471,521	466,788	646,101	677,034
NON-CURRENT LIABILITIES					
Interest-bearing bank borrowings	*27*	–	–	38,000	35,500
Lease liabilities	*15*	–	613	35,060	34,772
Deferred income	*28*	13,014	12,172	12,479	12,159
Total non-current liabilities		13,014	12,785	85,539	82,431
Net assets		458,507	454,003	560,562	594,603
EQUITY					
Equity attributable to owners of the parent					
Share capital	*29*	65,971	58,655	58,655	58,655
Reserves	*30*	392,536	395,214	501,787	535,829
		458,507	453,869	560,442	594,484
Non-controlling interests		–	134	120	119
Total equity		458,507	454,003	560,562	594,603

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent									
	Share capital	Share premium*	Share incentive reserve*	Statutory reserve*	Foreign exchange reserve*	Other reserve*	Retained profits*	Subtotal	Non-controlling interests	Total
	RMB'000 (note 29)	*RMB'000 (note 30)*	*RMB'000 (note 30)*	*RMB'000 (note 30)*	*RMB'000 (note 30)*	*RMB'000 (note 30)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	65,971	86,781	2,200	29,445	–	2,553	169,131	356,081	8,898	364,979
Profit for the year	–	–	–	–	–	–	103,935	103,935	39	103,974
Other comprehensive loss for the year:										
Exchange differences	–	–	–	–	(13)	–	–	(13)	–	(13)
Total comprehensive income for the year	–	–	–	–	(13)	–	103,935	103,922	39	103,961
Transfer from retained profits	–	–	–	3,540	–	–	(3,540)	–	–	–
Acquisition of non-controlling interests *(note 30)*	–	–	–	–	–	(1,496)	–	(1,496)	(8,937)	(10,433)
At 31 December 2023	65,971	86,781	2,200	32,985	(13)	1,057	269,526	458,507	–	458,507

Year ended 31 December 2024

	Attributable to owners of the parent									
	Share capital	Share premium*	Share incentive reserve*	Statutory reserve*	Foreign exchange reserve*	Other reserve*	Retained profits*	Subtotal	Non-controlling interests	Total
	RMB'000 (note 29)	*RMB'000 (note 30)*	*RMB'000 (note 30)*	*RMB'000 (note 30)*	*RMB'000 (note 30)*	*RMB'000 (note 30)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2024	65,971	86,781	2,200	32,985	(13)	1,057	269,526	458,507	–	458,507
Profit for the year	–	–	–	–	–	–	89,122	89,122	(10)	89,112
Other comprehensive loss for the year:										
Exchange differences	–	–	–	–	(21)	–	–	(21)	–	(21)
Total comprehensive income for the year	–	–	–	–	(21)	–	89,122	89,101	(10)	89,091
Capital reduction by shareholders *(note 29)*	(7,316)	(86,423)	–	–	–	–	–	(93,739)	–	(93,739)
Contributions of non-controlling interests	–	–	–	–	–	–	–	–	144	144
At 31 December 2024	58,655	358	2,200	32,985	(34)	1,057	358,648	453,869	134	454,003

Year ended 31 December 2025

	Attributable to owners of the parent									
	Share capital	Share premium*	Share incentive reserve*	Statutory reserve*	Foreign exchange reserve*	Other reserve*	Retained profits*	Subtotal	Non-controlling interests	Total
	RMB'000 (note 29)	*RMB'000 (note 30)*	*RMB'000 (note 30)*	*RMB'000 (note 30)*	*RMB'000 (note 30)*	*RMB'000 (note 30)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2025	58,655	358	2,200	32,985	(34)	1,057	358,648	453,869	134	454,003
Profit for the year	–	–	–	–	–	–	106,455	106,455	(14)	106,441
Exchange differences	–	–	–	–	118	–	–	118	–	118
Total comprehensive income for the year	–	–	–	–	118	–	106,455	106,573	(14)	106,559
At 31 December 2025	58,655	358	2,200	32,985	84	1,057	465,103	560,442	120	560,562

Four months ended 30 April 2026

	Attributable to owners of the parent									
	Share capital	Share premium*	Share incentive reserve*	Statutory reserve*	Foreign exchange reserve*	Other reserve*	Retained profits*	Subtotal	Non-controlling interests	Total
	RMB'000 (note 29)	*RMB'000 (note 30)*	*RMB'000 (note 30)*	*RMB'000 (note 30)*	*RMB'000 (note 30)*	*RMB'000 (note 30)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2026	58,655	358	2,200	32,985	84	1,057	465,103	560,442	120	560,562
Profit for the period	–	–	–	–	–	–	33,879	33,879	(1)	33,878
Exchange differences	–	–	–	–	163	–	–	163	–	163
Total comprehensive income for the period	–	–	–	–	163	–	33,879	34,042	(1)	34,041
At 30 April 2026	58,655	358	2,200	32,985	247	1,057	498,982	594,484	119	594,603

* These accounts comprise the reserves of RMB392,536,000, RMB395,214,000, RMB501,787,000 and RMB535,829,000 in the consolidated statements of financial position as at 31 December 2023, 2024 and 2025 and 30 April 2026, respectively.

Four months ended 30 April 2025 (unaudited)

	Attributable to owners of the parent									
	Share capital	Share premium	Share incentive reserve	Statutory reserve	Foreign exchange reserve	Other reserve	Retained profits	Subtotal	Non-controlling interests	Total
	RMB'000 (note 29)	*RMB'000 (note 30)*	*RMB'000 (note 30)*	*RMB'000 (note 30)*	*RMB'000 (note 30)*	*RMB'000 (note 30)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2025	58,655	358	2,200	32,985	(34)	1,057	358,648	453,869	134	454,003
Profit for the period	–	–	–	–	–	–	20,747	20,747	(7)	20,740
Exchange differences	–	–	–	–	(12)	–	–	(12)	–	(12)
Total comprehensive income for the period	–	–	–	–	(12)	–	20,747	20,735	(7)	20,728
At 30 April 2025 (unaudited)	58,655	358	2,200	32,985	(46)	1,057	379,395	474,604	127	474,731

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December			Four months ended 30 April	
		2023	2024	2025	2025	2026
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		104,636	90,316	107,494	20,740	34,612
Adjustments for:						
Foreign exchange losses/(gains), net	*5/6*	5	(115)	176	(21)	249
Finance costs	*7*	5,931	5,786	8,138	2,722	2,355
Investment income	*5*	(489)	(424)	(202)	(18)	–
Fair value gains on financial assets at FVTPL	*5*	–	–	–	–	(28)
Share of profits and losses of a joint venture	*17*	46	–	–	–	–
Loss on disposal of a joint venture		904	–	–	–	–
(Gain)/loss on disposal of items of property, plant and equipment		(114)	87	69	–	2
Depreciation of property, plant and equipment	*14*	10,735	12,196	14,143	4,291	5,132
Depreciation of right-of-use assets	*15*	238	394	4,437	1,181	1,724
Amortisation of other intangible assets	*16*	231	406	510	224	185
Amortisation of deferred income		(843)	(842)	(931)	(283)	(320)
Impairment losses/(reversal of impairment losses) on financial asset, net		1,818	3,675	(12)	247	(565)
Impairment losses on inventories, net		5,273	5,046	7,224	5,580	5,796
		128,371	116,525	141,046	34,663	49,142
(Increase)/decrease in pledged deposits		(42,382)	(10,409)	50,985	21,806	1,806
(Increase)/decrease in inventories		(62,239)	(29,471)	(10,431)	6,884	(11,054)
(Increase)/decrease in trade and bills receivables		(94,237)	(76,983)	(40,064)	28,224	(37,842)
(Increase)/decrease in prepayments, other receivables and other assets		(882)	(16,087)	8,450	4,585	(2,182)
Increase/(decrease) in trade and bills payables		148,318	20,022	1,451	(118,204)	(28,567)
(Decrease)/increase in other payables and accruals		(588)	(2,199)	2,931	(1,461)	2,540
(Decrease)/increase in deferred income		(1,037)	–	1,238	639	–
(Decrease)/Increase in contract liabilities		(23)	244	80	102	(249)

	Notes	Year ended 31 December			Four months ended 30 April	
		2023	2024	2025	2025	2026
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Cash generated from operations		75,301	1,642	155,686	(22,762)	(26,406)
Income tax paid		(448)	(2,109)	(1,635)	(106)	(590)
Net cash flows generated from/(used in) operating activities		74,853	(467)	154,051	(22,868)	(26,996)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received		170	931	202	18	–
Purchases of items of property, plant and equipment		(17,095)	(21,408)	(11,053)	(4,137)	(4,496)
Purchases of other intangible assets		(1,032)	(1,227)	(1,394)	(338)	(21)
Proceeds from disposal of items of property, plant and equipment		154	5	68	–	–
Proceeds from disposal of a joint venture		1,806	–	–	–	–
Loan to a shareholder	*34*	–	(35,000)	(52,000)	(52,000)	–
Repayment of loan from a shareholder	*34*	–	35,000	18,000	7,000	–
Proceeds from withdrawal of time deposits with original maturity of more than three months		–	14,000	–	–	–
Purchases of financial assets at FVTPL		–	–	–	–	(30,000)
Net cash flows used in investing activities		(15,997)	(7,699)	(46,177)	(49,457)	(34,517)
CASH FLOWS FROM FINANCING ACTIVITIES						
New interest-bearing bank borrowings		206,180	232,586	284,218	173,580	68,384
Proceeds from non-controlling shareholders of a subsidiary		–	144	–	–	–
Purchases of non-controlling interests of a subsidiary		(10,433)	–	–	–	–
Payments in relation to a capital reduction		–	(19,950)	(73,789)	(73,789)	–
Repayment of interest-bearing bank borrowings		(243,762)	(190,982)	(268,103)	(73,823)	(65,523)
Principal portion of lease payments		–	(149)	(3,289)	(554)	(998)
Interest paid		(5,748)	(5,599)	(8,090)	(2,791)	(2,020)
Payments for listing expense		–	(866)	(1,696)	(1,189)	(319)
Net cash flows (used in)/generated from financing activities		(53,763)	15,184	(70,749)	21,434	(476)

	Notes	Year ended 31 December			Four months ended 30 April	
		2023	2024	2025	2025	2026
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		5,093	7,018	37,125	(50,891)	(61,989)
Cash and cash equivalents at beginning of year/period		132,123	137,198	144,310	144,310	181,377
Effect of foreign exchange rate changes, net		(18)	94	(58)	9	(86)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		137,198	144,310	181,377	93,428	119,302
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances as stated in the consolidated statements of financial position		137,198	144,310	181,377	93,428	119,302

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December			30 April
		2023	2024	2025	2026
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*14*	124,314	137,877	143,276	139,896
Right-of-use assets	*15*	5,435	5,280	49,020	46,887
Other intangible assets	*16*	2,294	3,111	3,910	3,751
Investments in subsidiaries	*1*	31,229	26,304	26,304	28,385
Prepayments, other receivables and other assets	*21*	4,578	7,952	2,625	1,516
Total non-current assets		167,850	180,524	225,135	220,435
CURRENT ASSETS					
Inventories	*18*	218,079	241,339	244,317	249,594
Trade and bills receivables	*19*	502,902	557,074	612,371	641,759
Financial assets at FVTOCI	*20*	7,532	26,575	11,030	20,227
Prepayments, other receivables and other assets	*21*	8,346	23,296	52,012	54,978
Amounts due from subsidiaries	*34(c)*	12,002	16,125	17,932	17,548
Financial assets at FVTPL	*22*	–	–	–	30,028
Pledged deposits	*23*	42,382	52,791	1,806	–
Time deposits	*23*	14,507	–	–	–
Cash and bank balances	*23*	133,477	136,957	175,670	113,017
Total current assets		939,227	1,054,157	1,115,138	1,127,151
CURRENT LIABILITIES					
Trade and bills payables	*24*	456,377	476,414	477,865	449,292
Lease liabilities	*15*	–	–	4,908	4,225
Other payables and accruals	*25*	46,536	122,598	55,975	54,969
Amounts due to subsidiaries	*34(c)*	1,353	–	–	–
Contract liabilities	*26*	2,703	2,947	3,027	2,778
Interest-bearing bank borrowings	*27*	120,120	161,751	139,868	145,564
Tax payable		1,622	714	132	276
Total current liabilities		628,711	764,424	681,775	657,104
NET CURRENT ASSETS		310,516	289,733	433,363	470,047
TOTAL ASSETS LESS CURRENT LIABILITIES		478,366	470,257	658,498	690,482
NON-CURRENT LIABILITIES					
Interest-bearing bank borrowings	*27*	–	–	38,000	35,500
Lease liabilities	*15*	–	–	40,024	39,469
Deferred income	*28*	11,784	11,009	11,384	11,086
Total non-current liabilities		11,784	11,009	89,408	86,055
Net assets		466,582	459,248	569,090	604,427
EQUITY					
Equity attributable to owners of the parent					
Share capital	*29*	65,971	58,655	58,655	58,655
Reserves	*30*	400,611	400,593	510,435	545,772
Total equity		466,582	459,248	569,090	604,427

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

Sichuan NEAUTUS Traditional Chinese Medicine Co., Ltd. (the "Company") was incorporated in People's Republic of China (the "PRC") on 30 December 2001 as a limited liability company and converted into a joint stock company with limited liability on 9 June 2009. The registered address of the Company is located at 8 South Herui Road, High-tech Industrial Development Zone, Chengdu, Sichuan, PRC.

During the Relevant Periods, the Company and its subsidiaries (together, the "Group") are principally engaged in the research and development, production and sale of traditional Chinese medicine decoction-ready products ("decoction-ready medicine").

As at the date of this report, the Company had direct interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Entity name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/registered share capital	Percentage of equity interest attributable to the Company	Principal activities
			Direct	
Chengdu Neautus West Daodi Traditional Chinese Medicine Co., LTD. ("Chengdu Neautus") ("成都新荷花西部道地中藥有限公司") *(note (a))*	Chinese mainland 21 August 2013	RMB20,000,000	100%	Research and Development, manufacture and exportation of decoction-ready medicine
Sichuan Neautus Pharmacy Co., LTD. ("Neautus Pharmacy") ("四川新荷花智慧大藥房有限公司") *(note (b))*	Chinese mainland 1 April 2021	RMB3,000,000	100%	Retail of decoction-ready medicine
Neautus (H.K.) Natural Medicine Co., LTD. ("Neautus HK") ("新荷花(香港)中藥有限公司") *(note (c))*	Hong Kong 21 January 2020	HKD3,000,000	100%	Import and export of Chinese herbs and decoction-ready medicine
Sichuan Jinfang Caotang E-commerce Co., LTD. ("Jinfang Caotang") ("四川金方草堂電子商務有限公司") *(note (d))*	Chinese mainland 28 August 2024	RMB3,000,000	68%	Jinfang Caotang had not commenced any substantial business operations

Notes:

(a) The statutory financial statements of this entity were prepared under China Accounting Standards for Business Enterprises ("PRC GAAP"). The statutory financial statements for the year ended 31 December 2023 were audited by Tianjian Certified Public Accountants Firm (天健會計師事務所), while those for the years ended 31 December 2024 and 2025 were audited by Sichuan Shuhong Certified Public Accountants Co., Ltd. (四川蜀鴻會計師事務所有限公司).

(b) The statutory financial statements of this entity were prepared under the PRC GAAP. The statutory financial statements for the year ended 31 December 2023 were audited by Sichuan Weicheng Certified Public Accountants Co., Ltd. (四川維誠會計師事務所有限公司), while those for the years ended 31 December 2024 and 2025 were audited by Sichuan Shuhong Certified Public Accountants Co., Ltd. (四川蜀鴻會計師事務所有限公司).

(c) The statutory financial statements of this entity were prepared in accordance with the *Small and Medium-Sized Entity Financial Reporting Framework and Financial Reporting Standard* as issued by the HKICPA. The statutory financial statements for the years ended 31 December 2023, 2024, and 2025 were audited by PHILIP SING & CO. (成定邦會計師事務所), certified public accountants registered in Hong Kong.

(d) The statutory financial statements of this entity for the years ended 31 December 2024 and 2025 were prepared under the PRC GAAP and were audited by Sichuan Shuhong Certified Public Accountants Co., Ltd. (四川蜀鴻會計師事務所有限公司).

The English names of subsidiaries registered in Chinese mainland represent the best efforts made by management of the Company to translate their Chinese names as these subsidiaries do not have official English names.

The investments in subsidiaries in the Company's statements of financial position represent:

	Year ended 31 December			Four months ended 30 April
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investment in subsidiaries, at cost	31,229	26,304	26,304	28,385

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"). All IFRS Accounting Standards effective for the accounting period commencing from 1 January 2026, together with the relevant transitional provisions, have been consistently adopted by the Group in the preparation of the Historical Financial Information and the Interim Comparative Financial Information. The Historical Financial Information has been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value at the end of each of the Relevant Periods.

Basis of consolidation

The Historical Financial Information includes the financial statements of the Company and its subsidiaries for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same Relevant Periods as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

The Group has not applied the following new and amended IFRS Accounting Standards, that have been issued but are not yet effective, in the Historical Financial Information.

IFRS 18	*Presentation and Disclosure in Financial Statements*[1]
IFRS 19 and its amendments	*Subsidiaries without Public Accountability: Disclosures*[1]
Amendments to IAS 21	*Translation to a Hyperinflationary Presentation Currency*[1]
IFRS 20	*Regulatory Assets and Regulatory Liabilities*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IAS 28	*Amendments to the Fair Value Option for Investments in Associates And Joint Ventures*[4]

[1] Effective for annual/reporting periods beginning on or after 1 January 2027

[2] Effective for the annual periods beginning on or after 1 January 2029

[3] No mandatory effective date yet determined but available for adoption

[4] Effective when an entity first applies IFRS 18

The Group is in the process of making a detailed assessment of the impact of these new and revised IFRS Accounting Standards upon initial application. So far, the Group considers that these new and revised IFRS Accounting Standards, except for IFRS 18, may result in changes in accounting policies but are unlikely to have a significant impact on the Group's financial performance and financial position in the year of initial application. IFRS 18 replaces IAS 1 Presentation of Financial Statements. While a number of sections have been brought forward from IAS 1 with limited changes, IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in IAS 1 are moved to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, which is renamed as IAS 8 Basis of Preparation of Financial Statements. As a consequence of the issuance of IFRS 18, limited, but widely applicable, amendments are made to IAS 7 Statement of Cash Flows, IAS 33 Earnings per Share and IAS 34 Interim Financial Reporting. In addition, there are minor consequential amendments to other IFRS Accounting Standards. IFRS 18 and the consequential amendments to other IFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. Based on the preliminary assessment made by the directors of the Company, the adoption of IFRS 18 is not expected to have a material impact on the financial position of the Group but is expected to affect the presentation and disclosure of the Group's financial statements.

2.3 MATERIAL ACCOUNTING POLICIES

Investment in a joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investment in a joint venture is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of a joint venture are included in the consolidated statement of profit or loss and consolidated other comprehensive income. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its joint venture are eliminated to the extent of the Group's investments in the joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred.

Upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Fair value measurement

The Group measures certain financial instruments, at fair value at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly;

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to consolidated statements of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Group are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

  (vi) the entity is controlled or jointly controlled by a person identified in (a);

  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

  (viii) the entity, or any member of a group of which it is a part, provides key management personal services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	3.46% to 4.85%
Vehicles	9.70% to 19.40%
Machinery	9.70%
Electronic and office equipment	19.40%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of each reporting period.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Intangible assets are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives. The principal useful lives are as follows:

Software	10 years

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the Group's ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	50 years
Buildings	1.5 to 20 years
Equipment	5 years
Office premises	3 years

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are presented in a separate line on the consolidated statement of financial position.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of offices and a warehouse (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, FVTOCI and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or FVTOCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at FVTOCI (debt instruments)

For debt investments at FVTOCI, interest income is recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

Financial assets at FVTPL

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each Relevant Periods, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

For debt investments at FVTOCI, the Group applies the low credit risk simplification. At each Relevant Periods, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. Debt investments graded in the top investment categories are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk of debt investments since origination, the allowance will be based on the lifetime ECL.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at FVTOCI and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, and payables as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, financial liabilities included in other payables and accruals and interest-bearing bank borrowings.

The Group classifies financial liabilities that arise from a supplier finance arrangement within interest-bearing bank borrowings in the consolidated statement of financial position and the related cash flows are included in financing activities in the consolidated statement of cash flows.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (trade, bills and other payables, and loans and borrowings)

After initial recognition, trade and bills payables, financial liabilities included in other payables and accruals, and interest-bearing bank borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the consolidated statements of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statements of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above.

Income tax

Income tax comprises current. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received, and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(a) Sale of decoction-ready medicine

Revenue from the sale of decoction-ready medicine is recognised at the point in time when control of the product is transferred to the customer, generally on acceptance of products.

Some contracts for the sale of products provide customers with rights of return and volume rebates, giving rise to variable consideration.

(i) Rights of return

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For products that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

(ii) Sales rebates

Retrospective volume rebates may be provided to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single-volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the most likely amount of return. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognised.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Right-of-return assets

A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the goods to be returned, less any expected costs to recover the goods and any potential decreases in the value of the returned goods. The Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned goods.

Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each of the Relevant Periods.

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Chinese mainland are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the reporting date, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its consolidated financial statements to reflect any adjusting events after the Relevant Periods and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its consolidated financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in the consolidated statements of profit or loss and other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain subsidiaries other than those in Chinese mainland are currencies other than RMB. As at the end of each of the Relevant Periods, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each of the Relevant Periods and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign exchange reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of subsidiaries other than those in Chinese mainland which arise throughout the year/period are translated into RMB at the average exchange rates for the year/period.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information.

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount of revenue from contracts with customers:

(i) Determining the method to estimate variable consideration and assessing the constraint for the sale of products. Certain contracts for the sale of products include a right of return and volume rebates that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of products with rights of return, given the large number of customer contracts that have similar characteristics. In estimating the variable consideration for the sale of products with sales rebates, the Group determined that using the most likely amount method is appropriate. The most likely amount method is used for those contracts with a single volume threshold, while the expected value method is used for contracts with more than one volume threshold.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgement on the future tax treatment of certain transactions and when certain matters relating to the income taxes have not been confirmed by the local tax bureau. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Variable consideration for sales returns and sales rebates

The Group estimates variable consideration to be included in the transaction price for the sale of decoction-ready medicine product with rights of return and sales rebates.

The Group has developed a statistical model for forecasting sales returns. The model used the historical return data of each product to estimate expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Group.

The Group's expected sales rebates are analysed on a per customer basis for contracts that are subject to a single volume threshold. Determining whether a customer is likely to be entitled to a rebate depends on the customer's historical rebate entitlement and accumulated purchases to date.

The Group updates its assessment of expected returns and sales rebates quarterly and the refund liabilities are adjusted accordingly. Estimates of expected returns and sales rebates are sensitive to changes in circumstances and the Group's past experience regarding returns and rebate entitlements may not be representative of customers' actual returns and rebate entitlements in the future.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on the aging of trade receivables for groupings of various customer segments that have similar loss patterns (i.e. customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At the end of each of the Relevant Periods, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 19 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

Operating segment information

For management purposes, the Group has only one reportable operating segment, which is the development, production and sale of decoction-ready medicine. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

Since nearly all the Group's non-current assets were located in Chinese mainland, no geographical information in accordance with IFRS 8 Operating Segments is presented. The revenue information based on the locations of the customers is disclosed in note 5 to the Historical Financial Information.

Information about a major customer

During the Relevant Periods and the four months ended 30 April 2025, no transaction with any single customer of the Group exceeded 10% of the Group's revenue.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December			Four months ended 30 April	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Revenue from contracts with customers	1,145,571	1,249,402	1,334,707	382,819	432,185

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December			Four months ended 30 April	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Type of goods					
Decoction-ready medicine	1,145,571	1,249,402	1,334,707	382,819	432,185
Geographical markets					
Chinese mainland	1,100,174	1,193,156	1,289,338	376,132	411,366
Other countries/regions	45,397	56,246	45,369	6,687	20,819
Total	1,145,571	1,249,402	1,334,707	382,819	432,185
Timing of revenue recognition					
Goods transferred at a point in time	1,145,571	1,249,402	1,334,707	382,819	432,185

The following table shows the amounts of revenue recognised during the Relevant Periods and the four months ended 30 April 2025 that were included in the contract liabilities at the beginning of each Relevant Period and the four months ended 30 April 2025:

	Year ended 31 December			Four months ended 30 April	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Revenue recognised that was included in the contract liability balance at the beginning of year/period:					
Sale of decoction-ready medicine	23	–	264	212	174

(b) Performance obligations

The performance obligation is satisfied upon acceptance of the decoction-ready medicines and payment is generally due within 0 to 180 days from delivery. Some contracts provide customers with a right of return and volume rebates which give rise to variable consideration subject to constraint.

An analysis of other income and gains is as follows:

	Year ended 31 December			Four months ended 30 April	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Other income					
Government grants					
– income*	2,234	4,072	4,647	702	173
– assets**	843	842	931	283	320
Investment income	489	424	202	18	–
Interest income	977	1,337	2,041	722	425
Others	35	716	843	451	221
Total other income	4,578	7,391	8,664	2,176	1,139

	Year ended 31 December			Four months ended 30 April	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Gains					
Gains on disposal of items of property, plant and equipment	114	–	–	–	–
Fair value gains on financial assets at FVTPL	–	–	–	–	28
Foreign exchange differences, net	–	115	–	21	–
Total other income and gains	4,692	7,506	8,664	2,197	1,167

* This represents government grants related to income that is received as compensation for expenses or for the purpose of giving immediate financial support to the Group. There are no unfulfilled conditions or contingencies relating to these grants.

** The Group had complied with all conditions attaching to the government grants related to assets which were recognised in profit or loss over the useful lives of the relevant assets.

6. OTHER EXPENSES

An analysis of other expenses is as follows:

	Year ended 31 December			Four months ended 30 April	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Donations	171	1,116	1,656	88	537
Others	5	733	413	32	251
Total	176	1,849	2,069	120	788

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December			Four months ended 30 April	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Interest expenses on interest-bearing bank borrowings	5,931	5,769	6,522	2,193	1,828
Interest expenses on lease liabilities	–	17	1,616	529	527
Total	5,931	5,786	8,138	2,722	2,355

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

		Year ended 31 December			Four months ended 30 April	
	Notes	2023	2024	2025	2025	2026
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Cost of inventories sold		913,969	1,009,423	1,049,242	301,574	327,546
Depreciation of property, plant and equipment	*14*	10,735	12,196	14,143	4,291	5,132
Depreciation of right-of-use assets	*15(a)*	238	394	4,437	1,181	1,724
Amortisation of intangible assets	*16*	231	406	510	224	185
Listing expenses		–	11,081	20,664	11,776	7,353

	Notes	Year ended 31 December			Four months ended 30 April	
		2023	2024	2025	2025	2026
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Lease payments not included in the measurement of lease liabilities	*15(c)*	554	1,676	1,471	509	343
Auditor's remuneration		498	208	185	99	113
Government grants	*5*	(3,077)	(4,914)	(5,578)	(985)	(493)
Investment income	*5*	(489)	(424)	(202)	(18)	–
Interest income	*5*	(977)	(1,337)	(2,041)	(722)	(425)
Impairment losses/(reversal of impairment losses) on financial assets, net		1,818	3,675	(12)	247	(565)
Impairment losses on inventories		5,273	5,046	7,224	5,580	5,796
Total impairment losses		7,091	8,721	7,212	5,827	5,231
Employee benefit expense (excluding directors' and chief executive's remuneration *(note 9)*):						
– Wages, salaries and bonuses		67,089	73,788	91,855	25,965	34,430
– Pension scheme contributions		6,675	7,646	8,889	2,695	3,193
Total employee benefit expense (excluding directors' and chief executive's remuneration)		73,764	81,434	100,744	28,660	37,623

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the Relevant Periods and the four months ended 30 April 2025, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended 31 December			Four months ended 30 April	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Fees	97	80	91	31	30
Other emoluments:					
Wages, salaries, and bonuses	3,907	2,457	3,374	1,127	1,221
Pension scheme contributions	219	145	168	53	55
Total other emoluments	4,126	2,602	3,542	1,180	1,276
Total	4,223	2,682	3,633	1,211	1,306

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the Relevant Periods and the four months ended 30 April 2025 were as follows:

	Year ended 31 December			Four months ended 30 April	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Ms. Li Yuedong *(a)*	5	–	–	–	–
Mr. Wang Shu *(b)*	28	–	–	–	–
Ms. Xie Ping *(c)*	30	30	5	5	–
Mr. Wan Jianbo *(d)*	8	30	30	10	10
Mr. Zheng Yaguang *(e)*	18	–	–	–	–
Mr. Li Renhua *(f)*	8	8	–	–	–
Mr. Si Ao *(g)*	–	12	5	5	–
Ms. Liu Jianhua *(h)*	–	–	23	3	10

	Year ended 31 December			Four months ended 30 April	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Ms. Chen Jianping *(i)*	–	–	25	5	10
Mr. Chen Weiliang *(j)*	–	–	3	3	–
Total	97	80	91	31	30

There were no other emoluments payable to the independent non-executive directors during the Relevant Periods and the four months ended 30 April 2025.

Notes:

(a) Ms. Li Yuedong was appointed as an independent non-executive director of the Company with effect from 10 January 2020 and resigned on 23 February 2023.

(b) Mr. Wang Shu was appointed as an independent non-executive director of the Company with effect from 10 January 2020 and resigned on 3 September 2023.

(c) Ms. Xie Ping was appointed as an independent non-executive director of the Company with effect from 10 January 2020 and resigned on 2 February 2025.

(d) Mr. Wan Jianbo was appointed as an independent non-executive director of the Company with effect from 7 October 2023.

(e) Mr. Zheng Yaguang was appointed as an independent non-executive director of the Company with effect from 23 February 2023 and resigned on 15 September 2023.

(f) Mr. Li Renhua was appointed as an independent non-executive director of the Company with effect from 7 October 2023 and resigned on 29 March 2024.

(g) Mr. Si Ao was appointed as an independent non-executive director of the Company with effect from 3 August 2024 and resigned on 2 February 2025.

(h) Ms. Liu Jianhua was appointed as an independent non-executive director of the Company with effect from 26 March 2025.

(i) Ms. Chen Jianping was appointed as an independent non-executive director of the Company with effect from 25 February 2025.

(j) Mr. Chen Weiliang was appointed as an independent non-executive director of the Company with effect from 2 February 2025 and resigned on 14 March 2025.

(b) Executive directors, non-executive directors and the chief executive

Year ended 31 December 2023

	Wages, salaries and bonuses	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*
Executive director and the chief executive:			
Mr. Jiang Yun *(a)*	580	–	580
Executive directors:			
Mr. Feng Bin *(b)*	880	32	912
Mr. Guo Xianjun *(c)*	309	51	360
Mr. Luo Yujin *(d)*	1,678	56	1,734
Mr. Jiang Ercheng *(e)*	460	80	540
Non-executive directors:			
Ms. Shen Wenzhu *(f)*	–	–	–
Mr. Lai Zhitian *(g)*	–	–	–
Total	3,907	219	4,126

Year ended 31 December 2024

	Wages, salaries and bonuses	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*
Executive director and the chief executive:			
Mr. Jiang Yun *(a)*	580	–	580
Executive directors:			
Mr. Feng Bin *(b)*	697	–	697
Mr. Luo Yujin *(d)*	720	56	776
Mr. Jiang Ercheng *(e)*	460	89	549
Non-executive directors:			
Ms. Shen Wenzhu *(f)*	–	–	–
Mr. Lai Zhitian *(g)*	–	–	–
Total	2,457	145	2,602

Year ended 31 December 2025

	Wages, salaries and bonuses	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*
Executive director and the chief executive:			
Mr. Jiang Yun *(a)*	580	–	580
Executive directors:			
Mr. Feng Bin *(b)*	1,317	–	1,317
Mr. Luo Yujin *(d)*	717	58	775
Mr. Lan Zelun *(h)*	300	16	316
Mr. Jiang Ercheng *(e)*	460	94	554
Non-executive directors:			
Mr. Lai Zhitian *(g)*	–	–	–
Total	3,374	168	3,542

Four months ended 30 April 2025 (unaudited)

	Wages, salaries and bonuses	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*
Executive director and the chief executive:			
Mr. Jiang Yun *(a)*	193	–	193
Executive directors:			
Mr. Feng Bin *(b)*	474	–	474
Mr. Luo Yujin *(d)*	257	19	276
Mr. Lan Zelun *(h)*	50	3	53
Mr. Jiang Ercheng *(e)*	153	31	184
Non-executive directors:			
Mr. Lai Zhitian *(g)*	–	–	–
Total	1,127	53	1,180

Four months ended 30 April 2026

	Wages, salaries and bonuses	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*
Executive director and the chief executive:			
Mr. Jiang Yun *(a)*	193	–	193
Executive directors:			
Mr. Feng Bin *(b)*	542	–	542
Mr. Luo Yujin *(d)*	233	19	252
Mr. Lan Zelun *(h)*	100	5	105
Mr. Jiang Ercheng *(e)*	153	31	184
Non-executive directors:			
Mr. Lai Zhitian *(g)*	–	–	–
Total	1,221	55	1,276

There was no arrangement under which directors or the chief executive waived or agreed to waive any remuneration during the Relevant Periods and the four months ended 30 April 2025.

Notes:

(a) Mr. Jiang Yun was appointed as an executive director and the chief executive of the Company with effect from 30 December 2001.

(b) Mr. Feng Bin was appointed as an executive director of the Company with effect from 10 May 2009.

(c) Mr. Guo Xianjun was appointed as an executive director of the Company with effect from 22 February 2019 and resigned on 27 June 2023.

(d) Mr. Luo Yujin was appointed as an executive director of the Company with effect from 22 February 2019.

(e) Mr. Jiang Ercheng was appointed as an executive director of the Company with effect from 18 March 2022.

(f) Ms. Shen Wenzhu was appointed as a non-executive director of the Company with effect from 20 January 2020 and resigned on 22 December 2024.

(g) Mr. Lai Zhitian was appointed as a non-executive director of the Company with effect from 14 August 2023.

(h) Mr. Lan Zelun was appointed as an executive director of the Company with effect from 25 February 2025.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees included two, two, three, one and two director during the years ended 2023, 2024 and 2025 and the four months ended 30 April 2025 and 2026, details of whose remuneration are set out in note 9 to the Historical Financial Information. Details of the remuneration for the years ended 2023, 2024 and 2025 and the four months ended 30 April 2025 and 2026 of the remaining three, three, two, four and three highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December			Four months ended 30 April	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Wages, salaries and bonuses	2,780	2,447	1,464	1,570	1,114
Pension scheme contributions	52	53	32	13	13
Total	2,832	2,500	1,496	1,583	1,127

The numbers of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands are as follows:

	Year ended 31 December			Four months ended 30 April	
	2023	2024	2025	2025	2026
				(unaudited)	
HKD1 to HKD1,000,000	2	2	2	4	3
HKD1,000,001 to HKD1,500,000	1	1	–	–	–
Total	3	3	2	4	3

During the Relevant Periods and the four months ended 30 April 2025, none of the highest paid employees waived or agreed to waive any remuneration and no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

11. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Hong Kong

The subsidiary which operates in Hong Kong was subject to profits tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Relevant Periods and the four months ended 30 April 2025.

Chinese mainland

The provision for corporate income tax in Chinese mainland is based on the statutory rate of 25% of the taxable profits determined in accordance with the Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in Chinese mainland which are granted tax concession and are taxed at preferential tax rates.

The Company was qualified as an Encouraged Industrial Enterprise based in the western region of Chinese mainland during the Relevant Periods and the four months ended 30 April 2025, and was entitled to a preferential tax rate of 15% during the Relevant Periods and the four months ended 30 April 2025. The Company's decoction-ready medicines business was entitled to income tax exemption.

The Company's wholly-owned subsidiaries Chengdu Neautus and Neautus Pharmacy have been accredited as micro and small businesses and were entitled an income tax preferential rate of 20% of their taxable profits during the Relevant Periods and the four months ended 30 April 2025.

The income tax expense of the Group during the Relevant Periods and the four months ended 30 April 2025 is analysed as follows:

	Year ended 31 December			Four months ended 30 April	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Current income tax					
Charge for the year/period	662	1,204	1,053	–	734
Total tax charge for the year/period	662	1,204	1,053	–	734

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December			Four months ended 30 April	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Profit before tax	104,636	90,316	107,494	20,740	34,612
Tax at the statutory tax rate (25%)	26,159	22,579	26,874	5,185	8,653
Different tax rates enacted by local tax authority	(566)	(350)	(356)	1,237	(27)
Tax losses utilised from previous periods	–	(91)	(20)	–	–
Income not subject to tax	(23,729)	(23,992)	(26,619)	(8,731)	(10,544)
Expenses not deductible for tax	676	3,688	1,878	611	551
Deductible temporary difference and tax losses not recognised	745	882	89	1,698	1,610
Additional deductible allowance for qualified research and development costs	(2,623)	(1,512)	(843)	–	–
Adjustments in respect of current tax of previous periods	–	–	50	–	491
Tax charge at the Group's effective rate	662	1,204	1,053	–	734

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	31 December			30 April
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Gross deferred tax assets at end of the year/period	–	–	6,584	6,272
Gross deferred tax liabilities at end of the year/period	–	–	6,584	6,272
Deferred tax assets/(liabilities)	–	–	–	–

The movements in deferred tax assets and liabilities during the Relevant Period are as follows:

Deferred tax assets

	Lease liabilities
	RMB'000
At 1 January 2025	–
Deferred tax (charged)/credited to the consolidated statement of profit or loss	6,584
At 31 December 2025 and 1 January 2026	6,584
Deferred tax (charged)/credited to the consolidated statement of profit or loss	(312)
At 30 April 2026	6,272

Deferred tax liabilities

	Right-of-use assets
	RMB'000
At 1 January 2025	–
Deferred tax (charged)/credited to the consolidated statement of profit or loss	6,584
At 31 December 2025 and 1 January 2026	6,584
Deferred tax (charged)/credited to the consolidated statement of profit or loss	(312)
At 30 April 2026	6,272

At each of the Relevant Periods and the four months ended 30 April 2025, the Group has tax losses available in 5 to 10 years for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making and it is not considered probable that taxable profits will be available against which the tax losses can be utilised. Deferred tax assets have not been recognised in respect of the following items:

	31 December			30 April
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tax losses	3,284	3,794	7,282	8,609
Deductible temporary differences	22,542	24,019	21,582	27,245
Total	25,826	27,813	28,864	35,854

12. DIVIDENDS

No dividend has been paid or declared by the Company during the Relevant Periods and the four months ended 30 April 2025.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the Relevant Periods and the four months ended 30 April 2025 attributable to ordinary equity holders of the parent, and the weighted average numbers of ordinary shares in issuing during the Relevant Periods and the four months ended 30 April 2025.

The Group had no potentially dilutive ordinary shares in issue during the Relevant Periods and the four months ended 30 April 2025.

The calculation of basic earnings per share is based on:

	Year ended 31 December			Four months ended 30 April	
	2023	2024	2025	2025	2026
				(unaudited)	
Earnings					
Profits attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation (RMB'000)	103,935	89,122	106,455	20,747	33,879

	Year ended 31 December			Four months ended 30 April	
	2023	2024	2025	2025	2026
				(unaudited)	
Shares					
Weighted average number of ordinary shares in issuing during the year/period used in the basic earnings per share calculation (number of shares) ('000)	65,971	65,710	58,655	58,655	58,655
Earnings per share (basic and diluted) (RMB per share)	1.58	1.36	1.81	0.35	0.58

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Vehicles	Machinery	Electronic and office equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2023						
At 1 January 2023:						
Cost	157,643	2,501	41,536	8,913	16,097	226,690
Accumulated depreciation	(46,548)	(1,569)	(21,357)	(7,183)	–	(76,657)
Net carrying amount	111,095	932	20,179	1,730	16,097	150,033
At 1 January 2023, net of accumulated depreciation	111,095	932	20,179	1,730	16,097	150,033
Additions	200	1,665	4,049	1,731	3,944	11,589
Transfer	20,014	–	–	27	(20,041)	–
Disposals	–	(27)	(13)	–	–	(40)
Depreciation provided during the year	(6,442)	(694)	(2,488)	(1,111)	–	(10,735)
At 31 December 2023, net of accumulated depreciation	124,867	1,876	21,727	2,377	–	150,847
At 31 December 2023:						
Cost	177,857	3,240	45,165	10,671	–	236,933
Accumulated depreciation	(52,990)	(1,364)	(23,438)	(8,294)	–	(86,086)
Net carrying amount	124,867	1,876	21,727	2,377	–	150,847

	Buildings	Vehicles	Machinery	Electronic and office equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2024						
At 1 January 2024:						
Cost	177,857	3,240	45,165	10,671	–	236,933
Accumulated depreciation	(52,990)	(1,364)	(23,438)	(8,294)	–	(86,086)
Net carrying amount	124,867	1,876	21,727	2,377	–	150,847
At 1 January 2024, net of Accumulated depreciation	124,867	1,876	21,727	2,377	–	150,847
Additions	–	1,977	4,001	338	18,455	24,771
Transfer	2,630	–	8,824	175	(11,629)	–
Disposals	–	(2)	(90)	–	–	(92)
Depreciation provided during the year	(6,832)	(729)	(3,853)	(782)	–	(12,196)
At 31 December 2024, net of accumulated depreciation	120,665	3,122	30,609	2,108	6,826	163,330
At 31 December 2024:						
Cost	180,487	5,154	57,878	11,172	6,826	261,517
Accumulated depreciation	(59,822)	(2,032)	(27,269)	(9,064)	–	(98,187)
Net carrying amount	120,665	3,122	30,609	2,108	6,826	163,330

	Buildings	Vehicles	Machinery	Electronic and office equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2025						
At 1 January 2025:						
Cost	180,487	5,154	57,878	11,172	6,826	261,517
Accumulated depreciation	(59,822)	(2,032)	(27,269)	(9,064)	–	(98,187)
Net carrying amount	120,665	3,122	30,609	2,108	6,826	163,330
At 1 January 2025, net of accumulated depreciation	120,665	3,122	30,609	2,108	6,826	163,330
Additions	–	1,928	7,617	1,451	7,900	18,896
Transfer	11,640	–	2,841	6	(14,487)	–
Disposals	–	(39)	(90)	(8)	–	(137)
Depreciation provided during the year	(7,487)	(910)	(4,909)	(837)	–	(14,143)
At 31 December 2025, net of accumulated depreciation	124,818	4,101	36,068	2,720	239	167,946
At 31 December 2025:						
Cost	192,030	6,966	65,327	12,357	239	276,919
Accumulated depreciation	(67,212)	(2,865)	(29,259)	(9,637)	–	(108,973)
Net carrying amount	124,818	4,101	36,068	2,720	239	167,946

	Buildings	Vehicles	Machinery	Electronic and office equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
30 April 2026						
At 1 January 2026:						
Cost	192,030	6,966	65,327	12,357	239	276,919
Accumulated depreciation	(67,212)	(2,865)	(29,259)	(9,637)	–	(108,973)
Net carrying amount	124,818	4,101	36,068	2,720	239	167,946
At 1 January 2026, net of accumulated depreciation	124,818	4,101	36,068	2,720	239	167,946
Additions	–	27	1,305	48	–	1,380
Transfer	–	–	239	–	(239)	–
Disposals	–	–	–	(2)	–	(2)
Depreciation provided during the period	(2,640)	(385)	(1,837)	(270)	–	(5,132)
At 30 April 2026, net of accumulated depreciation	122,178	3,743	35,775	2,496	–	164,192
At 30 April 2026:						
Cost	192,030	6,993	66,871	12,352	–	278,246
Accumulated depreciation	(69,852)	(3,250)	(31,096)	(9,856)	–	(114,054)
Net carrying amount	122,178	3,743	35,775	2,496	–	164,192

The Company

	Buildings	Vehicles	Machinery	Electronic and office equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2023						
At 1 January 2023:						
Cost	129,018	2,501	40,959	8,913	16,097	197,488
Accumulated depreciation	(45,012)	(1,569)	(21,273)	(7,183)	–	(75,037)
Net carrying amount	84,006	932	19,686	1,730	16,097	122,451
At 1 January 2023, net of accumulated depreciation	84,006	932	19,686	1,730	16,097	122,451
Additions	200	1,665	4,049	1,698	3,944	11,556
Transfer	20,014	–	–	27	(20,041)	–
Disposals	–	(27)	(13)	–	–	(40)

	Buildings	Vehicles	Machinery	Electronic and office equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Depreciation provided during the year	(5,418)	(694)	(2,432)	(1,109)	–	(9,653)
At 31 December 2023, net of accumulated depreciation	98,802	1,876	21,290	2,346	–	124,314
At 31 December 2023:						
Cost	149,232	3,240	44,588	10,638	–	207,698
Accumulated depreciation	(50,430)	(1,364)	(23,298)	(8,292)	–	(83,384)
Net carrying amount	98,802	1,876	21,290	2,346	–	124,314

	Buildings	Vehicles	Machinery	Electronic and office equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2024						
At 1 January 2024:						
Cost	149,232	3,240	44,588	10,638	–	207,698
Accumulated depreciation	(50,430)	(1,364)	(23,298)	(8,292)	–	(83,384)
Net carrying amount	98,802	1,876	21,290	2,346	–	124,314
At 1 January 2024, net of accumulated depreciation	98,802	1,876	21,290	2,346	–	124,314
Additions	–	1,977	3,997	335	18,455	24,764
Transfer	2,630	–	8,824	175	(11,629)	–
Disposals	–	(2)	(90)	–	–	(92)
Depreciation provided during the year	(5,808)	(729)	(3,796)	(776)	–	(11,109)
At 31 December 2024, net of accumulated depreciation	95,624	3,122	30,225	2,080	6,826	137,877
At 31 December 2024:						
Cost	151,862	5,154	57,297	11,148	6,826	232,287
Accumulated depreciation	(56,238)	(2,032)	(27,072)	(9,068)	–	(94,410)
Net carrying amount	95,624	3,122	30,225	2,080	6,826	137,877

	Buildings	Vehicles	Machinery	Electronic and office equipment	Lease improvement	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2025							
At 1 January 2025:							
Cost	151,862	5,154	57,297	11,148	–	6,826	232,287
Accumulated depreciation	(56,238)	(2,032)	(27,072)	(9,068)	–	–	(94,410)
Net carrying amount	95,624	3,122	30,225	2,080	–	6,826	137,877
At 1 January 2025, net of accumulated depreciation	95,624	3,122	30,225	2,080	–	6,826	137,877
Additions	–	1,927	7,293	1,437	–	7,900	18,557
Transfer	9,493	–	2,841	6	2,147	(14,487)	–
Disposals	–	(39)	(90)	(8)	–	–	(137)
Depreciation provided during the year	(6,408)	(910)	(4,834)	(815)	(54)	–	(13,021)
At 31 December 2025, net of accumulated depreciation	98,709	4,100	35,435	2,700	2,093	239	143,276
At 31 December 2025:							
Cost	160,966	6,965	64,423	12,321	2,147	239	247,061
Accumulated depreciation	(62,257)	(2,865)	(28,988)	(9,621)	(54)	–	(103,785)
Net carrying amount	98,709	4,100	35,435	2,700	2,093	239	143,276

	Buildings	Vehicles	Machinery	Electronic and office equipment	Lease improvement	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
30 April 2026							
At 1 January 2026:							
Cost	160,966	6,965	64,423	12,321	2,147	239	247,061
Accumulated depreciation	(62,257)	(2,865)	(28,988)	(9,621)	(54)	–	(103,785)
Net carrying amount	98,709	4,100	35,435	2,700	2,093	239	143,276
At 1 January 2026, net of accumulated depreciation	98,709	4,100	35,435	2,700	2,093	239	143,276
Additions	–	27	1,305	48	–	–	1,380
Transfer	–	–	239	–	–	(239)	–
Disposals	–	–	–	(2)	–	–	(2)
Depreciation provided during the period	(2,226)	(385)	(1,808)	(268)	(71)	–	(4,758)
At 30 April 2026, net of accumulated depreciation	96,483	3,742	35,171	2,478	2,022	–	139,896
At 30 April 2026:							
Cost	160,966	6,992	65,967	12,316	2,147	–	248,388
Accumulated depreciation	(64,483)	(3,250)	(30,796)	(9,838)	(125)	–	(108,492)
Net carrying amount	96,483	3,742	35,171	2,478	2,022	–	139,896

Certain of the Company's buildings under property, plant and equipment with net carrying amounts of approximately RMB70,915,000, RMB78,177,000 and RMB70,748,000, as at 31 December 2023, 2024 and 2025, respectively, were pledged to secure certain bank loans of the Company (note 27). No buildings of the Company were pledged as security for bank loans as at 30 April 2026.

15. LEASES

The Group as a lessee

The Group has lease contracts for office premises, leasehold land, buildings and equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of office premises have lease terms of 3 years. Leases of buildings have lease terms of 1.5 to 20 years. Leases of equipment have lease terms of 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

	Leasehold land	Office premises	Buildings	Equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2023	9,159	–	–	–	9,159
Depreciation charge	(238)	–	–	–	(238)
As at 31 December 2023 and 1 January 2024	8,921	–	–	–	8,921
Additions	–	1,130	–	–	1,130
Depreciation charge	(237)	(157)	–	–	(394)
As at 31 December 2024 and 1 January 2025	8,684	973	–	–	9,657
Additions	–	–	40,265	776	41,041
Depreciation charge	(238)	(373)	(3,671)	(155)	(4,437)
As at 31 December 2025 and 1 January 2026	8,446	600	36,594	621	46,261
Depreciation charge	(79)	(119)	(1,474)	(52)	(1,724)
As at 30 April 2026	8,367	481	35,120	569	44,537

Certain of the Group's right-of-use assets with net carrying amounts of approximately RMB5,435,000, RMB5,280,000 and RMB5,127,000 as at 31 December 2023, 2024 and 2025 were pledged to secure certain bank loans of the Company (note 27). No right-of-use assets of the Group were pledged as security for bank loans as at 30 April 2026.

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at 1 January	–	–	981	38,733
New leases	–	1,130	41,041	–
Accretion of interest recognised during the year/period	–	17	1,616	527
Payments	–	(166)	(4,905)	(1,525)
Carrying amount at 31 December/30 April	–	981	38,733	37,735
Analysed into:				
Current portion	–	368	3,673	2,963
Non-current portion	–	613	35,060	34,772

The maturity analysis of lease liabilities is disclosed in note 37 to the Historical Financial Information.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	31 December			30 April	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Interest on lease liabilities	–	17	1,616	529	527
Depreciation charge of right-of-use assets	238	394	4,437	1,181	1,724
Expense relating to leases of short-term and low-value assets	554	1,676	1,471	509	343
Total amount recognised in profit or loss	792	2,087	7,524	2,219	2,594

(d) The total cash outflow for leases is set out in note 31(c) to the Historical Financial Information.

The Company as a lessee

(a) Right-of-use assets

	Leasehold land	Buildings	Equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2023	5,588	–	–	5,588
Depreciation charge	(153)	–	–	(153)
As at 31 December 2023 and 1 January 2024	5,435	–	–	5,435
Depreciation charge	(155)	–	–	(155)
As at 31 December 2024 and 1 January 2025	5,280	–	–	5,280
Additions	–	48,613	776	49,389
Depreciation charge	(153)	(5,341)	(155)	(5,649)
As at 31 December 2025 and 1 January 2026	5,127	43,272	621	49,020
Depreciation charge	(51)	(2,031)	(51)	(2,133)
As at 30 April 2026	5,076	41,241	570	46,887

The Company's right-of-use assets with net carrying amounts of approximately RMB5,435,000, RMB5,280,000 and RMB5,127,000 as at 31 December 2023, 2024 and 2025 were pledged to secure certain bank loans of the Company (note 27). No right-of-use assets of the Company were pledged as security for bank loans as at 30 April 2026.

(b) The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at 1 January	–	–	–	44,932
New leases	–	–	49,389	–
Accretion of interest recognised during the year/period	–	–	1,866	601
Payments	–	–	(6,323)	(1,839)
Carrying amount at 31 December/30 April	–	–	44,932	43,694
Analysed into:				
Current portion	–	–	4,908	4,225
Non-current portion	–	–	40,024	39,469

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	31 December			30 April	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Interest on lease liabilities	–	–	1,866	616	601
Depreciation charge of right-of-use assets	153	155	5,649	1,585	2,133
Expense relating to leases of short-term and low-value assets	2,607	2,684	1,471	509	343
Total amount recognised in profit or loss	2,760	2,839	8,986	2,710	3,077

16. OTHER INTANGIBLE ASSETS

The Group

	Software
	RMB'000
Cost at 1 January 2023, net of accumulated amortisation	1,493
Additions	1,032
Amortisation provided during the year	(231)
At 31 December 2023	2,294
At 31 December 2023:	
Cost	2,729
Accumulated amortisation	(435)
Net carrying amount	2,294
Cost at 1 January 2024, net of accumulated amortisation	2,294
Additions	1,227
Amortisation provided during the year	(406)
At 31 December 2024	3,115
At 31 December 2024:	
Cost	3,956
Accumulated amortisation	(841)
Net carrying amount	3,115
Cost at 1 January 2025, net of accumulated amortisation	3,115
Additions	1,394
Amortisation provided during the year	(510)
At 31 December 2025	3,999
At 31 December 2025:	
Cost	5,350
Accumulated amortisation	(1,351)

	Software
	RMB'000
Net carrying amount	3,999
Cost at 1 January 2026, net of accumulated amortisation	3,999
Additions	21
Amortisation provided during the period	(185)
At 30 April 2026	3,835
At 30 April 2026:	
Cost	5,371
Accumulated amortisation	(1,536)
Net carrying amount	3,835

The Company

	Software
	RMB'000
Cost at 1 January 2023, net of accumulated amortisation	1,493
Additions	1,032
Amortisation provided during the year	(231)
At 31 December 2023	2,294
At 31 December 2023:	
Cost	2,729
Accumulated amortisation	(435)
Net carrying amount	2,294
Cost at 1 January 2024, net of accumulated amortisation	2,294
Additions	1,223
Amortisation provided during the year	(406)
At 31 December 2024	3,111
At 31 December 2024:	
Cost	3,952
Accumulated amortisation	(841)
Net carrying amount	3,111
Cost at 1 January 2025, net of accumulated amortisation	3,111
Additions	1,305
Amortisation provided during the year	(506)
At 31 December 2025	3,910
At 31 December 2025:	
Cost	5,256
Accumulated amortisation	(1,346)
Net carrying amount	3,910
Cost at 1 January 2026, net of accumulated amortisation	3,910
Additions	21
Amortisation provided during the period	(180)
At 30 April 2026	3,751
At 30 April 2026:	
Cost	5,277
Accumulated amortisation	(1,526)
Net carrying amount	3,751

17. INVESTMENT IN A JOINT VENTURE

In 2023, Group entered into a share disposal agreement to dispose of 49% equity interest in Eu Yan Sang Neautus (Hong Kong) Limited for a total consideration of RMB1,806,000, resulting a loss of RMB904,000.

The following table illustrates the financial information of the joint venture, which is not material to the consolidated financial statements of the Group:

	Year ended 31 December			Four months ended 30 April	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Share of a joint venture's loss for the year/period	46	–	–	–	–
Share of a joint venture's total comprehensive loss for the year/period	46	–	–	–	–
Aggregate carrying amount of the Group's investment in a joint venture	–	–	–	–	–

18. INVENTORIES

The Group

	31 December			30 April
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Finished goods	85,382	79,717	71,937	64,026
Raw materials	71,381	96,215	115,482	111,881
Work in progress	56,080	54,079	45,833	51,424
Goods in transit	12,057	19,003	20,899	32,615
	224,900	249,014	254,151	259,946
Less: Impairment losses	6,369	6,058	7,988	8,525
Total	218,531	242,956	246,163	251,421

The Company

	31 December			30 April
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Finished goods	84,926	78,100	70,091	62,199
Raw materials	71,381	96,215	115,482	111,881
Work in progress	56,080	54,079	45,833	51,424
Goods in transit	12,057	19,003	20,899	32,615
	224,444	247,397	252,305	258,119
Less: Impairment losses	6,365	6,058	7,988	8,525
Total	218,079	241,339	244,317	249,594

19. TRADE AND BILLS RECEIVABLES

The Group

	31 December			30 April
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	508,100	566,431	616,342	639,114
Bills receivable	3,309	2,705	8,301	13,724
	511,409	569,136	624,643	652,838
Less: Impairment losses	7,606	11,199	11,108	10,112
Total	503,803	557,937	613,535	642,726

The Company

	31 December			30 April
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	507,179	565,544	615,117	638,116
Bills receivable	3,309	2,705	8,301	13,724
	510,488	568,249	623,418	651,840
Less: Impairment losses	7,586	11,175	11,047	10,081
Total	502,902	557,074	612,371	641,759

The Group's trading terms with its business customers are mainly on credit. The credit period is generally 0 to 180 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management.

The Group apply the simplified approach in calculating ECLs for bills receivables. The Group considers the historical loss rate and adjusts for forward-looking macroeconomic data. During the Relevant Periods, the Group estimated that the expected credit loss rate for bills receivables was minimal.

In view of the aforementioned and the fact that the Group's trade receivables relate to diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade and bills receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of each of the Relevant Periods and the four months ended 30 April 2025, based on the invoice date and net of loss allowance, is as follows:

The Group

	31 December			30 April
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 to 180 days	448,526	483,764	510,639	527,321
181 to 360 days	40,660	54,609	79,255	83,904
1 to 2 years	10,822	15,374	14,881	16,976
2 to 3 years	486	1,485	459	801
Total	500,494	555,232	605,234	629,002

The Company

	31 December			30 April
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 to 180 days	447,633	482,911	510,543	526,359
181 to 360 days	40,655	54,606	78,190	83,900
1 to 2 years	10,819	15,369	14,879	16,976
2 to 3 years	486	1,483	458	800
Total	499,593	554,369	604,070	628,035

Movements in the loss allowance for expected credit losses of trade receivables are as follows:

The Group

	31 December			30 April
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	5,943	7,606	11,199	11,108
Impairment losses	1,809	3,646	37	–
Impairment written off	(146)	(53)	(56)	(450)
Reversal	–	–	(72)	(546)
At end of year/period	7,606	11,199	11,108	10,112

The Company

	31 December			30 April
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	5,934	7,586	11,175	11,047
Impairment losses	1,798	3,642	–	–
Impairment written off	(146)	(53)	(56)	(450)
Reversal	–	–	(72)	(516)
At end of year/period	7,586	11,175	11,047	10,081

An impairment analysis is performed at the end of each of the Relevant Periods using a provision matrix to measure expected credit losses. The provision rates are based on the aging of trade receivables for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The calculation reflects the probability-weighted outcome, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	31 December 2023		
	Gross carrying amount	Expected loss rate	Expected credit loss
	RMB'000	*%*	*RMB'000*
0 to 180 days	450,199	0.37	1,673
181 to 360 days	42,227	3.71	1,567
1 to 2 years	13,619	20.54	2,797
2 to 3 years	875	44.46	389
More than 3 years	1,180	100.00	1,180
Total	508,100	1.50	7,606

	31 December 2024		
	Gross carrying amount	Expected loss rate	Expected credit loss
	RMB'000	*%*	*RMB'000*
0 to 180 days	485,477	0.35	1,713
181 to 360 days	56,707	3.70	2,098
1 to 2 years	19,678	21.87	4,304
2 to 3 years	3,366	55.88	1,881
More than 3 years	1,203	100.00	1,203
Total	566,431	1.98	11,199

	31 December 2025		
	Gross carrying amount	Expected loss rate	Expected credit loss
	RMB'000	*%*	*RMB'000*
0 to 180 days	512,314	0.33	1,675
181 to 360 days	81,755	3.06	2,500
1 to 2 years	17,271	13.84	2,390
2 to 3 years	3,913	88.27	3,454
More than 3 years	1,089	100.00	1,089
Total	616,342	1.80	11,108

	30 April 2026		
	Gross carrying amount	Expected loss rate	Expected credit loss
	RMB'000	*%*	*RMB'000*
0 to 180 days	528,955	0.31	1,634
181 to 360 days	86,133	2.59	2,229
1 to 2 years	18,659	9.02	1,683
2 to 3 years	4,350	81.59	3,549
More than 3 years	1,017	100.00	1,017
Total	639,114	1.58	10,112

The Company

Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix:

	31 December 2023		
	Gross carrying amount	Expected loss rate	Expected credit loss
	RMB'000	*%*	*RMB'000*
0 to 180 days	449,303	0.37	1,670
181 to 360 days	42,222	3.71	1,567
1 to 2 years	13,615	20.54	2,796
2 to 3 years	875	44.46	389
More than 3 years	1,164	100.00	1,164
Total	507,179	1.50	7,586

	31 December 2024		
	Gross carrying amount	Expected loss rate	Expected credit loss
	RMB'000	*%*	*RMB'000*
0 to 180 days	484,620	0.35	1,709
181 to 360 days	56,704	3.70	2,098
1 to 2 years	19,670	21.87	4,301
2 to 3 years	3,362	55.89	1,879
More than 3 years	1,188	100.00	1,188
Total	565,544	1.98	11,175

	31 December 2025		
	Gross carrying amount	Expected loss rate	Expected credit loss
	RMB'000	*%*	*RMB'000*
0 to 180 days	512,218	0.33	1,675
181 to 360 days	80,657	3.06	2,467
1 to 2 years	17,268	13.83	2,389
2 to 3 years	3,905	88.27	3,447
More than 3 years	1,069	100.00	1,069
Total	615,117	1.80	11,047

	30 April 2026		
	Gross carrying amount	Expected loss rate	Expected credit loss
	RMB'000	*%*	*RMB'000*
0 to 180 days	527,990	0.31	1,631
181 to 360 days	86,129	2.59	2,229
1 to 2 years	18,659	9.02	1,683
2 to 3 years	4,341	81.57	3,541
More than 3 years	997	100.00	997
Total	638,116	1.58	10,081

20. FINANCIAL ASSETS AT FVTOCI

The Group and The Company

	31 December			30 April
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bills receivables	7,532	26,575	11,030	20,227

Bills receivables are held with the objective of both holding to collect contractual cash flows and selling as the Group sometimes endorses bills receivable to suppliers prior to their expiry date. These are classified and measured as financial assets at FVTOCI.

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	31 December			30 April
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Right-of-return assets	5,867	5,263	7,256	8,442
Prepayments*	1,509	2,283	2,296	3,750
Deposits	1,130	318	4,503	3,826
Value-added tax recoverable	1	13,899	907	659
Other receivables	21	80	170	795
Amounts due from a shareholder**	–	400	34,000	34,357
Deferred listing expenses	–	1,231	3,250	3,749
Impairment losses	(11)	(10)	(56)	(45)
Total	8,517	23,464	52,326	55,533
Non-current				
Prepayments for property, plant and equipment	3,204	4,601	913	515
Deposits	1,388	3,395	1,733	1,038
Impairment losses	(14)	(44)	(21)	(13)
Total	4,578	7,952	2,625	1,540

Movements in the loss allowance for expected credit losses of other receivables are as follows:

	31 December			30 April
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	16	25	54	77
Impairment losses	9	29	23	–
Reversal	–	–	–	(19)
At end of year/period	25	54	77	58

The Company

	31 December			30 April
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Right-of-return assets	5,867	5,263	7,256	8,442
Prepayments*	1,421	2,204	2,113	3,502
Deposits	1,062	251	4,395	3,604
Value-added tax recoverable	–	13,892	901	627
Other receivables	7	65	152	740
Amounts due from a shareholder**	–	400	34,000	34,357
Deferred listing expenses	–	1,231	3,250	3,749
Impairment losses	(11)	(10)	(55)	(43)
Total	8,346	23,296	52,012	54,978

	31 December			30 April
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Deposits	1,388	3,395	1,733	1,038
Prepayments for property, plant and equipment	3,204	4,601	913	491
Impairment losses	(14)	(44)	(21)	(13)
Total	4,578	7,952	2,625	1,516

Movements in the loss allowance for expected credit losses of other receivables are as follows:

	31 December			30 April
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	16	25	54	76
Impairment losses	9	29	22	–
Reversal	–	–	–	(20)
At end of year/period	25	54	76	56

* Prepayments includes prepaid selling and distribution expenses, prepaid internet services costs, prepayment for raw material and other prepayments.

** Details of the Group and Company's other receivables balances with its shareholder as at the end of the Relevant Periods are disclosed in note 34 to the Historical Financial Information.

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Long ageing balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its prepayments and other receivable balances.

The financial assets included in the above balances relate to receivables for which there was no recent history of default. The financial assets included in the above balances relating to receivables were categorised in stage 1 at the end of each of the Relevant Periods. In calculating the expected credit loss rate, the Group considers the historical loss rate and adjusts for forward-looking macroeconomic data.

22. FINANCIAL ASSETS AT FVTPL

The Group and the Company

	31 December			30 April
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Wealth management products	–	–	–	30,028

The above unlisted investments were wealth management products issued by banks in the Chinese mainland. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. The expected return rates ranged from 0.85%~1.85% during the four months ended 30 April 2026.

23. TIME DEPOSITS, PLEDGED DEPOSITS AND CASH AND BANK BALANCES

The Group and the Company

Time deposits

	31 December			30 April
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Time deposits over three months but less than one year*	14,507	–	–	–
Total	14,507	–	–	–

	31 December			30 April
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Denominated in				
– RMB	14,507	–	–	–
Total	14,507	–	–	–

* Time deposits are made for depending on the immediate cash requirements of the Group and earn interest at the time deposit rates. The time deposits are deposited with creditworthy banks with no recent history of default.

Pledged deposits

	31 December			30 April
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Pledged deposits*	42,382	52,791	1,806	–

	31 December			30 April
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Denominated in				
– RMB	42,382	52,791	1,806	–

* Pledged deposits represented the cash balances pledged as at 31 December 2023, 2024 and 2025 and 30 April 2026 for the purpose of issuing bank acceptance bills.

The Group

Cash and bank balances

	31 December			30 April
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at banks	137,198	144,310	181,377	119,302

	31 December			30 April
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Denominated in				
– RMB	137,131	142,195	181,006	118,655
– HKD	67	2,115	371	647
Total	137,198	144,310	181,377	119,302

The Company

Cash and bank balances

	31 December			30 April
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at banks	133,477	136,957	175,670	113,017

	31 December			30 April
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Denominated in				
– RMB	133,477	136,957	175,670	113,017

The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at bank balances earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and bank balances approximate to their fair values.

24. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

The Group

	31 December			30 April
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	455,335	475,902	473,833	448,308
1 to 2 years	10	80	3,578	536
More than 2 years	1,047	432	454	454
Total	456,392	476,414	477,865	449,298

The Company

	31 December			30 April
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	455,320	475,902	473,833	448,302
1 to 2 years	10	80	3,578	536
More than 2 years	1,047	432	454	454
Total	456,377	476,414	477,865	449,292

The trade payables are non-interest-bearing and are normally settled on 90 days.

	31 December			30 April
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount of financial liabilities that are part of the supplier finance arrangements included in:				
Interest-bearing bank borrowings	–	32,104	10,718	14,579
Of which suppliers have received payments	–	32,104	10,718	14,579

For financial liabilities that are part of the supplier finance arrangements included in interest-bearing bank borrowings, the related non-cash transaction is disclosed in note 31 to the Historical Financial Information.

25. OTHER PAYABLES AND ACCRUALS

The Group

	31 December			30 April
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payables to shareholders in relation to capital reduction	–	73,789	–	–
Payroll payables	26,441	22,977	27,291	24,302
Accruals:				
Accrual of sales return	9,301	6,136	8,949	10,774
Accrual of sales rebates	2,441	4,580	1,168	1,129
Accrual of other expense	1,102	4,769	6,955	11,413
Other payables:				
Property, plant, and equipment	1,887	6,647	6,042	2,528
Others	4,186	3,348	5,041	4,034
Other tax payables	1,397	859	956	1,248
Total	46,755	123,105	56,402	55,428

The Company

	31 December			30 April
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payables to a shareholder in related to capital reduction	–	73,789	–	–
Payroll payables	26,386	22,596	27,016	24,047
Accruals:				
Accrual of sales return	9,301	6,136	8,949	10,774
Accrual of sales rebates	2,441	4,580	1,168	1,129
Accrual of other expense	1,101	4,769	6,955	11,413
Other payables:				
Property, plant, and equipment	1,826	6,585	5,961	2,455
Others	4,186	3,347	5,009	3,992
Other tax payables	1,295	796	917	1,159
Total	46,536	122,598	55,975	54,969

26. CONTRACT LIABILITIES

The Group

The Group recognised the following revenue-related contract liabilities:

	31 December			30 April
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Sales of decoction-ready medicines	2,703	2,947	3,027	2,778

The Company

The Company recognised the following revenue-related contract liabilities:

	31 December			30 April
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Sales of decoction-ready medicines	2,703	2,947	3,027	2,778

27. INTEREST-BEARING BANK BORROWINGS

The Group and The Company

	31 December 2023		
	Effective interest rate (%)	*Maturity*	*RMB'000*
Bank loans – secured and guaranteed *(a-i)*	4.10	2024	80,082
Bank loans – guaranteed *(b)*	4.00	2024	20,020
Bank loans – guaranteed *(c)*	3.65	2024	20,018
Total			120,120

	31 December 2024		
	Effective interest rate (%)	*Maturity*	*RMB'000*
Bank loans – secured and guaranteed *(a-ii)*	3.90	2025	74,588
Bank loans – unsecured	3.45-3.60	2025	45,053
Bank loans – guaranteed *(d)*	3.25	2025	10,006
Bank loans – guaranteed *(e)*	3.10-3.35	2025	32,104
Total			161,751

	31 December 2025		
	Effective interest rate (%)	*Maturity*	*RMB'000*
Current			
Bank loans – unsecured	2.70-3.20	2026	91,115
Bank loans – secured *(a-iii)*	3.00-3.10	2026	38,035
Bank loans – unsecured *(e)*	2.40	2026	10,718
Non-current			
Bank loans – unsecured	2.70-3.20	2027-2028	38,000
Total			177,868

	30 April 2026		
	Effective interest rate (%)	*Maturity*	*RMB'000*
Current			
Bank loans – unsecured	2.50-3.20	2026-2027	130,985
Bank loans – unsecured *(e)*	2.40	2026	14,579
Non-current			
Bank loans – unsecured	2.70-3.20	2027-2028	35,500
Total			181,064

(a-i) The bank loans were: i) secured by the Group's property, plant and equipment and right-of-use assets with a total carrying amount of approximately RMB76,350,000; ii) secured by Chengdu Kinna Investment Co., Ltd.'s property, plant and equipment with a valuation amount of RMB58,159,000; and iii) guaranteed by Mr. Jiang Yun and Mr. Jiang Ercheng.

(a-ii) The bank loans were secured by the Group's property, plant and equipment and right-of-use assets with a total carrying amount of approximately RMB83,457,000.

(a-iii) The bank loans were secured by the Group's property, plant and equipment and right-of-use assets with a net carrying amount of approximately RMB76,547,000.

(b) As at 31 December 2023, the bank loans were guaranteed by Mr. Jiang Yun, and were repaid in 2024.

(c) As at 31 December 2023, the bank loans were guaranteed by Mr. Jiang Yun, Mr. Jiang Ercheng and Chengdu Small & Medium Enterprises Credit Assurance Co., Ltd. (成都中小企業融資擔保有限責任公司) and were repaid in 2024.

(d) As at 31 December 2024, the bank loans were guaranteed by Mr. Jiang Yun.

(e) The Group has established supplier finance arrangements that are offered to the Group's key suppliers in Chinese mainland. Participation in the arrangements is at the suppliers' own discretion. Suppliers that participate in the supplier finance arrangements will receive payments at the original due dates on invoices sent to the Group from the Group's external finance provider. In order for the finance provider to pay the invoices, the goods must have been received or supplied, and the invoices must have been approved by the Group. Payments to suppliers at the invoice due date are processed by the finance provider and, in all cases, the Group settles the original invoice by paying the finance provider in line with the original invoice maturity date or at a later date as agreed with the finance provider. Payment terms with suppliers have not been renegotiated in conjunction with the arrangements. As at 31 December 2024, 31 December 2025 and 30 April 2026, all financial liabilities that were part of the supplier finance arrangements were included in interest-bearing bank borrowings in the consolidated statements of financial position, with the balance as at 31 December 2024 guaranteed by Mr. Jiang Yun, and no guarantee provided by Mr. Jiang Yun as at 31 December 2025 and 30 April 2026.

Bank loans repayable

	31 December			30 April
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed into:				
Bank loans repayable within one year	120,120	161,751	139,868	145,564
In the second year	–	–	19,500	35,500
In the third to fifth years, inclusive	–	–	18,500	–
Total	120,120	161,751	177,868	181,064

28. DEFERRED INCOME

The Group

	31 December			30 April
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Government grants	13,014	12,172	12,479	12,159

The movements in deferred income during the Relevant Periods are as follows:

	31 December			30 April
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	14,894	13,014	12,172	12,479
Grants received during the year/period	–	–	1,238	–
Amounts released to profit or loss during the year/period	(1,880)	(842)	(931)	(320)
At the end of the year/period	13,014	12,172	12,479	12,159

The Company

	31 December			30 April
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Government grants	11,784	11,009	11,384	11,086

The movements in deferred income during the Relevant Periods are as follows:

	31 December			30 April
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	13,596	11,784	11,009	11,384
Grants received during the year/period	–	–	1,238	–
Amounts released to profit or loss during the year/period	(1,812)	(775)	(863)	(298)
At the end of the year/period	11,784	11,009	11,384	11,086

The government grants mainly represent subsidies received from the government that relate to both expenses and assets. Government grants were released to profit or loss either over the periods that the expenses for which it is intended to compensate are expensed, or over the expected useful life of the relevant asset, when all attaching conditions and requirements are compliant with.

29. SHARE CAPITAL

Shares

Issued and fully paid:

	Year ended 31 December			30 April
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Ordinary Shares	65,971	58,655	58,655	58,655

	Number of ordinary shares	Share capital
		RMB'000
As at 1 January 2022, 31 December 2022, 1 January 2023, 31 December 2023, and 1 January 2024	65,971,000	65,971
Capital reduction during the year*	(7,316,000)	(7,316)
As at 31 December 2024, 1 January 2025, 31 December 2025, 1 January 2026 and 30 April 2026	58,655,000	58,655

* On 19 December 2024, it was resolved by the shareholders' resolutions that the Company's share capital would be reduced from RMB65,971,000 to RMB58,655,000. A share capital reduction agreement was entered into between the Company and Guoyao Junbai Equity Investment Fund Partnership Enterprise (Limited Partnership) (國藥君柏(山東)股權投資基金合夥企業), Mr. Xie Li, Mr. Du Qinglong, Ms. Liu Tong, Ms. Xue Ping and Mr. Sun Yu simultaneously with a total consideration of RMB93,738,000. As of 31 December 2025, RMB93,738,000 was fully settled.

30. RESERVES

The Group

The amounts of the Group's reserves and the movement therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

(a) Share premium

The Share premium represents the difference between the par value of the shares issued and the consideration received.

(b) Foreign exchange reserve

The foreign exchange reserve of the Group is used to record exchange differences arising from the translation of the financial statements of a subsidiary of which the functional currencies are not RMB.

(c) Share incentive reserve

The share incentive reserve represents the share-based compensation due to equity-settled share award before the Relevant Periods.

(d) Statutory reserve

In accordance with the PRC Company Law and the articles of association of the Company and the subsidiaries established in the PRC, the Group is required to appropriate 10% of their net profits after tax, as determined under the PRC GAAP, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the subsidiaries, the statutory reserve may be used either to offset losses, or to be converted to increase paid-in capital, provided that the balance after such conversion is not less than 25% of the registered capital of the respective entities. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

(e) Other reserve

Other reserve represents i) the amount of liability waived by a shareholder of the Company in 2017; and ii) the acquisition of 49% additional interest in Chengdu Neautus from a non-controlling shareholder at a consideration of RMB10,434,000 in 2023.

The Company

Year ended 31 December 2023

	Share premium	Share incentive reserve	Statutory reserve	Other reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	86,781	2,200	29,445	2,553	175,131	296,110
Profit for the year	–	–	–	–	104,501	104,501
Total comprehensive income for the year	–	–	–	–	104,501	104,501
Transfer from retained profits	–	–	3,540	–	(3,540)	–
At 31 December 2023	86,781	2,200	32,985	2,553	276,092	400,611

Year ended 31 December 2024

	Share premium	Share incentive reserve	Statutory reserve	Other reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2024	86,781	2,200	32,985	2,553	276,092	400,611
Profit for the year	–	–	–	–	86,405	86,405
Total comprehensive income for the year	–	–	–	–	86,405	86,405
Capital reduction by shareholders	(86,423)	–	–	–	–	(86,423)
At 31 December 2024	358	2,200	32,985	2,553	362,497	400,593

Year ended 31 December 2025

	Share premium	Share incentive reserve	Statutory reserve	Other reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2025	358	2,200	32,985	2,553	362,497	400,593
Profit for the year	–	–	–	–	109,842	109,842
Total comprehensive income for the year	–	–	–	–	109,842	109,842
At 31 December 2025	358	2,200	32,985	2,553	472,339	510,435

Four months ended 30 April 2026

	Share premium	Share incentive reserve	Statutory reserve	Other reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2026	358	2,200	32,985	2,553	472,339	510,435
Profit for the period	–	–	–	–	35,337	35,337
Total comprehensive income for the period	–	–	–	–	35,337	35,337
At 30 April 2026	358	2,200	32,985	2,553	507,676	545,772

Four months ended 30 April 2025 (unaudited)

	Share premium	Share incentive reserve	Statutory reserve	Other reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2025	358	2,200	32,985	2,553	362,497	400,593
Profit for the period	–	–	–	–	21,378	21,378
Total comprehensive income for the period	–	–	–	–	21,378	21,378
At 30 April 2025	358	2,200	32,985	2,553	383,875	421,971

31. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the years ended 31 December 2023, 2024 and 2025 and the four months ended 30 April 2026, the Group had non-cash additions to right-of-use assets and leases liabilities of nil, RMB1,130,000, RMB41,041,000 and nil in respect of lease arrangements for office premises, buildings and equipment, respectively.

The Group endorsed bills receivable of RMB76,406,000, RMB244,725,000, RMB212,167,000 and RMB58,831,000 to suppliers during the years ended 31 December 2023, 2024 and 2025 and the four months ended 30 April 2026, settled through non-cash transactions.

The Group reclassified trade payables of nil, RMB32,104,000, RMB10,718,000 and RMB14,579,000 to interest-bearing bank borrowings in respect of the supplier finance arrangements during the years ended 31 December 2023, 2024 and 2025 and the four months ended 30 April 2026.

(b) Changes in liabilities arising from financing activities

	Lease liabilities	Interest-bearing bank borrowings	Payables for capital reduction included in other payables and accruals	Other payables
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2022	–	158,889	–	–
Changes from financing cash flows	–	(44,700)	–	–
Interest accretion	–	5,931	–	–
At 31 December 2023	–	120,120	–	–
Changes from financing cash flows	(166)	35,862	(19,950)	(866)
Changes from operating cash flows	–	–	–	(7,789)
Interest accretion	17	5,769	–	–
New lease addition	1,130	–	–	–
Increase in listing expense	–	–	–	11,081
Increase in deferred listing expenses	–	–	–	1,231
Increase arising from capital reduction	–	–	93,739	–
At 31 December 2024	981	161,751	73,789	3,657
Changes from financing cash flows	(4,905)	9,595	(73,789)	(1,696)
Changes from operating cash flows	–	–	–	(17,787)
Interest accretion	1,616	6,522	–	–
New lease addition	41,041	–	–	–
Increase in listing expense	–	–	–	20,664
Increase in deferred listing expenses	–	–	–	2,019
At 31 December 2025	38,733	177,868	–	6,857
Changes from financing cash flows	(1,525)	1,368	–	(319)
Changes from operating cash flows	–	–	–	(3,090)
Interest accretion	527	1,828	–	–
New lease addition	–	–	–	–
Increase in listing expense	–	–	–	7,353
Increase in deferred listing expenses	–	–	–	499
At 30 April 2026	37,735	181,064	–	11,300
At 1 January 2025	981	161,751	73,789	3,657
Changes from financing cash flows (unaudited)	(1,083)	97,495	(73,789)	(1,189)
Changes from operating cash flows (unaudited)	–	–	–	(11,645)
Interest accretion (unaudited)	529	2,193	–	–
New lease addition (unaudited)	38,065	–	–	–
Increase in listing expense (unaudited)	–	–	–	11,776
Increase in deferred listing expenses (unaudited)	–	–	–	1,233
At 30 April 2025 (unaudited)	38,492	261,439	–	3,832

(c) The cash outflow for leases

The total cash outflow for leases included in the consolidated statements of cash flows is as follows:

	Year ended 31 December			Four months ended 30 April	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Within financing activities	–	166	4,905	1,083	1,525
Within operating activities	554	1,676	1,471	509	343
Total	554	1,842	6,376	1,592	1,868

32. PLEDGE OF ASSETS

Details of the Group's assets pledged are included in note 14,15 and 23 to the Historical Financial Information.

33. COMMITMENTS

The Group had the following capital commitments at the end of the Relevant Periods:

	31 December			30 April
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for: purchase of items of property, plant and equipment	10,239	17,000	469	1,058

34. RELATED PARTY TRANSACTIONS

The Directors are of the view that the following company is a related party that has material transactions or balances with the Group during the Relevant Periods.

(a) Name and relationship

Name of related party	Relationship with the Group
Chengdu Kinna Investment Co., Ltd. (成都國嘉投資股份有限公司)	A company controlled by Mr. Jiang Yun

(b) Significant related party transactions

In addition to the transactions detailed elsewhere in the Historical Financial Information, the Group had the following material related party transactions during the Relevant Periods and the four months ended 30 April 2025:

	Year ended 31 December			Four months ended 30 April	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Loan borrowing non-trade Chengdu Kinna Investment Co., Ltd.	–	35,000	52,000	52,000	–
Loan repayment non-trade Chengdu Kinna Investment Co., Ltd.	–	35,000	18,000	7,000	–
Interest income non-trade Chengdu Kinna Investment Co., Ltd.	–	400	1,809	379	357

The interest rates of the Group's loan borrowings to Chengdu Kinna Investment Co., Ltd at the end of each of the Relevant Periods and the four months ended 30 April 2025 were ranging from 4.00% to 4.20% and the borrowings were with a maturity period from 6 to 12 months.

(c) Outstanding balances with related party

The Group

The Group had following outstanding balances with related parties at the end of each of the Relevant Periods.

	31 December			30 April
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments, other receivables and other assets non-trade				
Chengdu Kinna Investment Co., Ltd.	–	400	34,000	34,357
Total	–	400	34,000	34,357

The Company

The Company had following outstanding balances with related parties at the end of each of the Relevant Periods:

	31 December			30 April
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments, other receivables and other assets non-trade				
Chengdu Neautus	10,605	9,182	8,441	8,191
Chengdu Kinna Investment Co., Ltd.	–	400	34,000	34,357
Total	10,605	9,582	42,441	42,548
Trade receivables – trade				
Neautus HK	1,334	6,883	9,364	8,720
Neautus Pharmacy	63	60	127	637
Total	1,397	6,943	9,491	9,357
Other payables, accruals and other current liabilities non-trade				
Sichuan Neautus Traditional Chinese Medicine Processing Engineering Research Co., Ltd.	1,353	–	–	–

The directors are of the view that the non-trade balances with related parties will be settled prior to the Listing.

(d) Compensation of key management personnel of the Group

	Year ended 31 December			Four months ended 30 April	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Wages, salaries and bonuses	3,269	2,499	3,133	1,050	1,135
Pension scheme contributions	184	176	184	59	61
Total	3,453	2,675	3,317	1,109	1,196

Further details of directors' and chief executive' emoluments are included in note 9 to the Historical Financial Information.

Redemption rights of the Pre-IPO Investors granted by Mr. Jiang Yun, Mr. Jiang Ercheng and Chengdu Kinna Investment Co., Ltd ("Kinna Investment").

Prior to the Relevant Periods, the Pre-IPO Investors had been granted the redemption right by Mr. Jiang Yun, Mr. Jiang Ercheng and Kinna Investment since June 2021. The Company has not, at any time thereafter, granted or assumed any redemption obligation in favor of any Pre-IPO Investor.

The Company has not provided any form of guarantee in connection with any potential default or failure by Mr. Jiang Yun, Mr. Jiang Ercheng and Kinna Investment to fulfill their obligations relating to redemption right. Accordingly, no financial liability regarding redemption right was recorded during the Relevant Periods.

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of the categories of financial instruments of the Group as at the end of each of the Relevant Periods are as follows:

The Group

Financial assets

	31 December			30 April
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at FVTOCI:				
bills receivable	7,532	26,575	11,030	20,227
Financial assets at FVTPL:				
Wealth management products	–	–	–	30,028
Financial assets at amortised cost:				
Trade and bills receivables	503,803	557,937	613,535	642,726
Financial assets included in prepayments, deposits and other receivables	2,514	4,139	40,329	39,958
Pledged deposits	42,382	52,791	1,806	–
Cash and bank balances	137,198	144,310	181,377	119,302
Time deposits	14,507	–	–	–
Total	700,404	759,177	837,047	801,986

Financial liabilities

Financial liabilities at amortised cost:				
Trade and bills payables	456,392	476,414	477,865	449,298
Financial liabilities included in other payables and accruals	18,917	99,269	28,155	29,878
Interest-bearing bank borrowings	120,120	161,751	177,868	181,064
Total	595,429	737,434	683,888	660,240

The Company

Financial assets

	31 December			30 April
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at FVTOCI:				
Bills receivable	7,532	26,575	11,030	20,227
Financial assets at FVTPL:				
Wealth management products	–	–	–	30,028
Financial assets at amortised cost:				
Trade and bills receivables	502,902	557,074	612,371	641,759
Financial assets included in prepayments, deposits and other receivables	2,432	4,057	40,204	39,683
Amounts due from subsidiaries	12,002	16,125	17,932	17,548
Pledged deposits	42,382	52,791	1,806	–
Cash and bank balances	133,477	136,957	175,670	113,017
Time deposits	14,507	–	–	–
Total	707,702	767,004	847,983	812,007

Financial liabilities

Financial liabilities at amortised cost:				
Trade and bills payables	456,377	476,414	477,865	449,292
Financial liabilities included in other payables and accruals	18,855	99,206	28,042	29,763
Amounts due to subsidiaries	1,353	–	–	–
Interest-bearing bank borrowings	120,120	161,751	177,868	181,064
Total	596,705	737,371	683,775	660,119

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Fair value hierarchy

Financial assets at FVTOCI:

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bills receivable	–	7,532	–	7,532

As at 31 December 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bills receivable	–	26,575	–	26,575

As at 31 December 2025

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bills receivable	–	11,030	–	11,030

As at 30 April 2026

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bills receivable	–	20,227	–	20,227

Fair value hierarchy

Financial assets at FVTPL:

As at 30 April 2026

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Wealth management products	–	30,028	–	30,028

During the Relevant Periods and the four months ended 30 April 2025, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

Assets for which fair values are disclosed:

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Long-term deposits	–	1,374	–	1,374

As at 31 December 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Long-term deposits	–	3,351	–	3,351

As at 31 December 2025

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Long-term deposits	–	1,712	–	1,712

As at 30 April 2026

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Long-term deposits	–	1,025	–	1,025

Liabilities for which fair values are disclosed:

As at 31 December 2025

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank borrowings, non-current portion	–	38,000	–	38,000

As at 30 April 2026

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank borrowings, non-current portion	–	35,500	–	35,500

The Group did not have any liabilities for which fair values are disclosed as at 31 December 2023 and 2024.

Management has assessed that the fair values of cash and bank balances, time deposits, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals and current portion of interest-bearing bank borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the Finance Director is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The directors review the results of the fair value measurement of financial instruments periodically for financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of financial assets included in non-current portion of time deposits and prepayments, deposits and other receivables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The fair values of the non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank borrowings as at 31 December 2025 and 30 April 2026 were assessed to be insignificant.

The Group invests in unlisted investments, which represent structured deposits issued by banks in the Chinese mainland. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as cash and bank balances, trade and bills receivables, trade payables and financial assets and liabilities included in prepayments, other receivables and other assets and other payable and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The board of directors review and agree policies for managing each of these risks and they are summarised below.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Transferred financial assets that are not derecognised in their entirety

The Group endorsed certain bills receivable accepted by banks in Chinese mainland (the "Endorsed Bills") with a carrying amounts of RMB2,060,000, RMB1,662,000, RMB582,000 and RMB188,000 at 31 December 2023, 2024 and 2025 and 30 April 2026, to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties.

Transferred financial assets that are derecognised in their entirety

The Group endorsed certain bills receivable accepted by banks in the Chinese mainland (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB76,406,000, RMB244,725,000, RMB212,167,000 and RMB58,831,000 at 31 December 2023, 2024 and 2025 and 30 April 2026. The Derecognised Bills had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills may exercise the right of recourse against any, several or all of the persons liable for the Derecognised Bills, including the Group, in disregard of the order of precedence (the "Continuing Involvement"). In the opinion of the directors, the risk of the Group being claimed by the holders of the Derecognised Bills is remote in the absence of a default of the accepted banks. The Group has transferred substantially all risks and rewards relating to the derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the Relevant Periods, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or and cumulatively. The endorsement has been made evenly throughout the year.

Maximum exposure and year-end/period-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end/period-end staging classification as at 31 December/30 April. The amounts presented are gross carrying amounts for financial assets.

At 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables*	–	–	–	511,409	511,409
Financial assets at FVTOCI	7,532	–	–	–	7,532
Financial assets included in prepayments, other receivables and other assets – Normal**	2,539	–	–	–	2,539
Cash and bank balances	137,198	–	–	–	137,198
Pledged deposits	42,382	–	–	–	42,382
Time deposits	14,507	–	–	–	14,507
Total	204,158	–	–	511,409	715,567

At 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables*	–	–	–	569,136	569,136
Financial assets at FVTOCI	26,575	–	–	–	26,575
Financial assets included in prepayments, other receivables and other assets – Normal**	4,193	-	–	–	4,193
Cash and bank balances	144,310	–	–	–	144,310
Pledged deposits	52,791	–	–	–	52,791
Total	227,869	–	–	569,136	797,005

At 31 December 2025

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables*	–	–	–	624,643	624,643
Financial assets at FVTOCI	11,030	–	–	–	11,030
Financial assets included in prepayments, other receivables and other assets – Normal**	40,406	–	–	–	40,406
Cash and bank balances	181,377	–	–	–	181,377
Pledged deposits	1,806	–	–	–	1,806
Total	234,619	–	–	624,643	859,262

At 30 April 2026

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables*	–	–	–	652,838	652,838
Financial assets at FVTOCI	20,227	–	–	–	20,227
Financial assets included in prepayments, other receivables and other assets – Normal**	40,016	–	–	–	40,016
Cash and bank balances	119,302	–	–	–	119,302
Total	179,545	–	–	652,838	832,383

* For trade and bills receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operations and bank borrowings. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

Due to the Group's supplier finance arrangements, the relevant trade payables are due to a single counterparty rather than individual suppliers. This results in the Group being required to settle a significant amount with a single counterparty, rather than less significant amounts with a number of suppliers. However, the Group's payment terms for trade payables covered by the arrangements are generally extended to not more than 180 days. Management does not consider the supplier finance arrangements to result in excessive concentrations of liquidity risk given the payment terms are not significantly extended. Details of the arrangements are disclosed in note 27(e) to the Historical Financial Information.

The maturity profile of the Group's financial liabilities and lease liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, was as follows:

	31 December 2023		
	Less than 1 year or on demand	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills payables	456,392	–	456,392
Financial liabilities included in other payables and accruals	18,917	–	18,917
Interest-bearing bank borrowings	121,256	–	121,256
Total	596,565	–	596,565

	31 December 2024		
	Less than 1 year or on demand	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills payables	476,414	–	476,414
Financial liabilities included in other payables and accruals	99,269	–	99,269
Interest-bearing bank borrowings	163,817	–	163,817
Lease liabilities	400	633	1,033
Total	739,900	633	740,533

	31 December 2025			
	Less than 1 year or on demand	1 to 5 years	more than 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	477,865	–	–	477,865
Financial liabilities included in other payables and accruals	28,155	–	–	28,155
Interest-bearing bank borrowings	143,262	39,232	–	182,494
Lease liabilities	4,949	9,985	40,772	55,706
Total	654,231	49,217	40,772	744,220

	30 April 2026			
	Less than 1 year or on demand	1 to 5 years	more than 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	449,298	–	–	449,298
Financial liabilities included in other payables and accruals	29,878	–	–	29,878
Interest-bearing bank borrowings	148,492	36,332	–	184,824
Lease liabilities	4,209	9,962	40,156	54,327
Total	631,877	46,294	40,156	718,327

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes interest-bearing bank borrowings, trade and bills payables and other payables and accruals, less cash and bank balances, and time deposits. Capital includes equity attributable to owners of the parent.

The Group has established supplier finance arrangements to manage its working capital, details of which are included in note 27 to the Historical Financial Information.

The gearing ratios as at the end of each of the Relevant Periods were as follows:

	31 December			30 April
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank borrowings *(note 27)*	120,120	161,751	177,868	181,064
Trade and bills payables	456,392	476,414	477,865	449,298
Other payables and accruals *(note 35)*	18,917	99,269	28,155	29,878
Less: Cash and bank balances	(137,198)	(144,310)	(181,377)	(119,302)
Time deposits	(14,507)	–	–	–
Net debt	443,724	593,124	502,511	540,938
Equity attributable to owners of the parent	458,507	453,869	560,442	594,484
Capital and net debt	902,231	1,046,993	1,062,953	1,135,422
Gearing ratio	49%	57%	47%	48%

38. SUBSEQUENT EVENTS

No significant events have occurred to the Group in respective of any period subsequent to 30 April 2026.

39. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of its subsidiaries in respect of any period subsequent to 30 April 2026.

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this Document, and is included herein for information purpose only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this Document and the Accountants' Report set out in Appendix I to this Document.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to owners of the parent as if the Global Offering had taken place on April 30, 2026.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group to owners of the parent had the Global Offering been completed as of April 30, 2026 or as at any future dates.

	Consolidated net tangible assets of the Group attributable to owners of the Company as at April 30, 2026	**Estimated net Proceeds from the Global Offering**	**Unaudited pro forma adjusted consolidated net tangible assets as at April 30, 2026**	**Unaudited pro forma adjusted consolidated net tangible assets per Share as at April 30, 2026**	
	RMB'000 (Note 1)	*RMB'000 (Note 2)*	*RMB'000*	*RMB (Note 4)*	*HK$ (Note 5)*
Based on an Offer Price of HK$40.20 per Share . . .	590,649	208,158	798,807	12.26	14.32
Based on an Offer Price of HK$ 45.38 per Share . .	590,649	235,760	826,409	12.68	14.81
Based on an Offer Price of HK$ 50.55 per Share . .	590,649	263,308	853,957	13.10	15.30

Notes:

1. The consolidated net tangible assets of the Group attributable to equity holders of the Company as at April 30, 2026 was arrived at after deducting intangible assets of RMB3,835,000 from the consolidated net assets attributable to owners of the Company as at April 30, 2026 of RMB594,484,000 set out in the Accountants' Report in Appendix I to this document.

2. The estimated net proceeds from the Global Offering are based on an Offer Price of HK$45.38 per Share, after deduction of the underwriting fees and other related expenses paid or payable by the Company (excluding the listing expenses of RMB39,098,000 which have been expensed prior to April 30, 2026).

3. The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on a total of 65,172,741 Shares, which comprise of: i) 58,655,441 Ordinary Shares issued as of April 30, 2026; and ii) 6,517,300 Shares in issue, assuming the Global Offering has been completed on April 30, 2026.

4. The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into HK$ at an exchange rate of HK$1.00 to RMB0.85619 prevailing on October 21, 2026 (being the last business day before the Latest Practicable Date).

5. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to April 30, 2026.

The following is the text of a report received from our reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this Document, in respect of the pro forma financial information of the Group.



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B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Sichuan Neautus Traditional Chinese Medicine Co., Ltd.:

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Sichuan Neautus Traditional Chinese Medicine Co., Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated net tangible assets as at April 30, 2026, and related notes as set out on pages II-1 to II-3 of the prospectus dated 30 October 2026 (the "Prospectus") issued by the Company (the "Unaudited Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in note 1 to 5.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group's financial position as at April 30, 2026. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the year ended April 30, 2026, on which an accountants' report has been published.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Certified Public Accountants
Hong Kong

October 30, 2026

PRC TAXATION

Taxation of Security Holders

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current effective laws and practices, and no predictions are made about changes or adjustments to relevant laws or policies, and no comments or suggestions will be made accordingly. The discussion has no intention to cover all possible tax consequences resulting from the investment in H Shares, nor does it take the specific circumstances of any particular investor into account, some of which may be subject to special regulations. Accordingly, you should consult your own tax advisor regarding the tax consequences of an investment in H Shares. The discussion is based upon laws and relevant interpretations in effect as of the date of this document, which is subject to change or adjustment and may have retrospective effect. No issues on PRC or Hong Kong taxation other than income tax, capital appreciation and profit tax, business tax/appreciation tax, stamp duty and estate duty were referred in the discussion. Prospective investors are urged to consult their financial adviser regarding the PRC and other tax consequences of owning and disposing of H Shares.

The PRC Taxation

Taxation on dividends

Individual investors

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得税法》), which was last amended on August 31, 2018 by the Standing Committee of the National People's Congress (the "**SCNPC**") and came into effect on January 1, 2019, and the Regulations on Implementation of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得税法實施條例》), which was last amended on December 18, 2018 by the State Council and came into effect on January 1, 2019 (hereinafter collectively referred to as the "**IIT Law**"), dividends distributed by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by relevant tax treaty.

Pursuant to the Circular on Certain Issues Concerning the Policies of Individual Income Tax (《關於個人所得税若干政策問題的通知》) promulgated by the Ministry of Finance (the "**MOF**") and the State Administration of Taxation of the PRC (the "**SAT**") on May 13, 1994, overseas individuals are exempted from the individual income tax for dividends or bonuses received from foreign-invested enterprises.

Enterprise investors

According to the Enterprise Income Tax of the PRC《中華人民共和國企業所得税法》, which was latest amended by the SCNPC and implemented on December 29, 2018, and the Implementation Rules for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法實施條例》) enacted on December 6, 2007 by the State Council and became effective on January 1, 2008, and last amended on December 6, 2024, and came into effect on January 20, 2025 (hereinafter collectively referred to as the "**EIT Law**"), the rate of corporate income tax shall be 25%. A non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income (including dividends received from a PRC resident enterprise that issues shares in Hong Kong), if it does not have an establishment or premise in the PRC or has an establishment or premise in the

PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable for non-resident enterprises is deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise.

The Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-Share Holders Which Are Overseas Non-resident Enterprises (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》), which was issued and implemented by the SAT on November 6, 2008, further clarifies that a PRC-resident enterprise must withhold enterprise income tax at a rate of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares. In addition, the Response to Questions on Levying Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B Shares (Guo Shui Han [2009] No. 394) (《關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》(財稅函[2009]394號)), which was issued by the SAT and came into effect on July 24, 2009, further provides that any PRC-resident enterprise whose shares are listed on overseas stock exchanges must withhold and remit enterprise income tax at a rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprises. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has entered into with a relevant country or region, where applicable.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the "**Arrangement**"), which was signed between the SAT and the Hong Kong Government on August 21, 2006, the PRC Government may levy taxes on the dividends paid by a PRC company to Hong Kong residents (including resident individual and resident entities) in an amount not exceeding 10% of the total dividends payable by the PRC company unless a Hong Kong resident directly holds 25% or more of the equity interest in the PRC company, then such tax shall not exceed 5% of the total dividends payable by the PRC company. The Fifth Protocol to the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第五議定書》), which came into effect on December 6, 2019, adds a criteria for the qualification of entitlement to enjoy treaty benefits. Although there may be other provisions under the Arrangement, the treaty benefits under the criteria shall not be granted in the circumstance where relevant gains, after taking into account all relevant facts and conditions, are reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under this Arrangement, except when the grant of benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax law and regulation, such as the Notice of the SAT on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》).

Tax Treaties

Non-resident investors residing in jurisdictions which have entered into treaties or adjustments for the avoidance of double taxation with the PRC might be entitled to a reduction of the Chinese enterprise income tax imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties or Arrangements with a number of countries and regions including Hong Kong, Macau, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant taxation treaties or arrangements are required to apply to the PRC tax authorities for a refund of the enterprise income tax in excess of the agreed tax rate, and the refund application is subject to approval by the PRC tax authorities.

Taxation on Share Transfer

VAT and Local Additional Tax

According to the Interim Regulations of the PRC on Value-Added Tax (《中華人民共和國增值税暫行條例》) which was promulgated by the State Council on December 13, 1993, and amended on November 10, 2008, February 6, 2016 and November 19, 2017, and the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值税暫行條例實施細則》) which was promulgated by the MOF on December 25, 1993 and subsequently amended on December 15, 2008 and October 28, 2011, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, sales of service, intangible assets and real estate and the importation of goods within the territory of the PRC shall pay value-added tax (the "**VAT**") at the rate of 0%, 6%, 11% and 17% for the different goods it sells and different services it provides, except when specified otherwise.

According to the Notice on Adjusting Value-Added Tax Rates (《關於調整增值税税率的通知》) issued by the Ministry of Finance and the State Administration of Taxation on April 4, 2018, which took effect on May 1, 2018, for taxpayers engaged in VAT taxable sales activities or importing goods, the original applicable tax rates of 17% and 11% were adjusted to 16% and 10%, respectively.

According to the Announcement on Policies Related to Deepening VAT Reform (《關於深化增值税改革有關政策的公告》) issued on March 20, 2019, which took effect on April 1, 2019, for VAT taxable sales activities or importing goods, the original applicable tax rates of 16% and 10% were adjusted to 13% and 9%, respectively.

On December 25, 2024, the Standing Committee of the National People's Congress promulgated the Value-Added Tax Law of the People's Republic of China (《中華人民共和國增值税法》), which came into effect on January 1, 2026, and replaced the Interim Regulations of the PRC on Value-added Tax.

Income Tax

Individual investor

According to the IIT Law gains on the transfer of equity interests in the PRC resident enterprises are subject to individual income tax at a rate of 20%. Pursuant to the Circular on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得税的通知》) promulgated by the MOF and the SAT and became effective on March 30, 1998, since January 1, 1997, the individual income tax levied on the individual income from transfer of stocks of listed companies will continue to be temporarily exempted. In the newly revised IIT Law of the PRC, the SAT did not clearly stipulate whether to continue to exempt individuals from tax on the income from transfer of stocks of listed companies.

On December 31, 2009, the MOF, SAT and CSRC jointly issued the Notice on Related Issues Concerning Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得税有關問題的通知》), which came into effect on the same day, which stipulates that income derived by individuals from transfer of shares of listed companies issued to the public by the listed companies and transfer of shares of listed companies obtained from the market at the Shanghai Stock Exchange and Shenzhen Stock Exchange shall continue to be exempted from individual income tax, provided that it excludes the relevant restricted shares as defined in the Supplementary Notice Concerning the Levy of Individual Income Tax on Incomes from the Transfer of Restricted Shares of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得税有關問題的補充通知》) which was jointly issued and implemented by MOF, SAT and CSRC on November 10, 2010.

As of the Latest Practicable Date, the aforementioned provisions did not specify whether to impose the individual income tax on the income from the transfer of shares of PRC-resident enterprise listed on overseas stock exchanges by non-PRC resident individuals.

Enterprise investors

In accordance with the EIT Law, a non-resident enterprise is generally subject to enterprise income tax at the rate of a 10% on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. Such income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

Stamp Duty

According to the Stamp Tax Law of the PRC (《中華人民共和國印花税法》) promulgated by the SCNPC on June 10, 2021 and came into effect on July 1, 2022, the PRC stamp duty is applicable to the entities and individuals that conclude taxable vouchers or conduct securities trading within the territory of the PRC, and the entities and individuals outside the territory of the PRC that conclude taxable vouchers that are used inside China. Therefore, the purchase and disposal of H shares by non-PRC investors outside of the PRC does not apply to the relevant provisions of the Stamp Duty Law of the PRC.

Estate Duty

As of the Latest Practicable Date, no estate duty was levied within the PRC.

HONG KONG TAXATION

Tax on Dividends

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of H Shares. However, trading gains from the sale of the H Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. The gains of certain categories of taxpayers (for example, financial institutions, insurance companies and securities dealers) are likely to be regarded as deriving trading gains rather than capital gains unless these taxpayers can prove that the investment securities are held for long-term investment purposes. Trading gains from sales of H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of Hong Kong securities, including H Shares (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed stamp duty of HK$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties of the transfer is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which no Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application of a grant of representation in respect of holders of H Shares whose deaths occur on or after February 11, 2006.

PRC FOREIGN EXCHANGE

The lawful currency of the PRC is Renminbi. The SAFE, with the authorization of the People's Bank of China (the "**PBOC**"), is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

The Regulations on Foreign Exchange Control of the PRC (《中華人民共和國外匯管理條例》), which was issued by the State Council on January 29, 1996, implemented on April 1, 1996 and latest amended on 5 August, 2008, classifies all international payments and transfers into current items and capital items. Current items are subject to the reasonable examination of the veracity of transaction documents and the consistency of the transaction documents and the foreign exchange receipts and payments by financial institutions engaging in conversion and sale of foreign currencies and supervision and inspection by the foreign exchange control authorities. For capital items, overseas organizations and overseas individuals making direct investments in China shall, upon approval by the relevant authorities in charge, process registration formalities with the foreign exchange control authorities. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. In the event that international revenues and expenditure occur or may occur a material misbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard and regulatory measures o international revenues and expenditure.

The Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), which was promulgated by the PBOC on June 20, 1996 and implemented on July 1, 1996, removes other restrictions on convertibility of foreign exchange under current items, while regulates foreign exchange transactions under capital account items.

According to the Announcement on Improving the Reform of the Renminbi (《關於完善人民幣匯率形成機制改革的公告》), which was issued by the PBOC and implemented on July 21, 2005, the PRC has started to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies since July 21, 2005. Therefore, the Renminbi exchange rate was no longer pegged to the U.S. dollar. PBOC would publish the closing price of the exchange rate of the Renminbi against trading currencies such as the U.S. dollar in the interbank foreign exchange market after the closing of the market on each working day, as the central parity of the currency

against Renminbi transactions on the following working day. According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at the designated foreign exchange bank, on the strength of valid transaction receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange (such as our Company) may, on the strength of resolutions of the board of directors or the shareholders' meeting on the distribution of profits, effect payment from foreign exchange accounts at the designated foreign exchange bank, or effect exchange and payment at the designated foreign exchange bank.

The Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (《關於取消和調整一批行政審批項目等事項的決定》) promulgated by the State Council and came into effect on October 23, 2014 provide to cancel the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts.

Pursuant to the Notice on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《關於境外上市外匯管理有關問題的通知》) issued by the SAFE and became effective on December 26, 2014, a domestic company shall, within 15 business days from the date of the end of its overseas listing issuance, register the overseas listing with the local branch office of state administration of foreign exchange at the place of its establishment; the proceeds from an overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the prospectus and other disclosure documents. A domestic company (except for bank financial institutions) shall present its certificate of overseas listing to open a special account at a local bank for its initial public offering (or follow-on offering) and repurchase business to handle the exchange, remittance and transfer of funds for the business concerned.

According to the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) promulgated by the SAFE on February 13, 2015 and became effective on June 1, 2015, and partially repealed on December 30, 2019, the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment shall be directly examined and handled by banks. The SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Notice of the SAFE of the PRC on Revolutionizing and Regulating Capital Account Settlement Management Policies (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) which was promulgated by the SAFE and implemented on June 9, 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjustment of the SAFE in due time in accordance with international revenue and expenditure situations. According to the Circular of the State Administration of Foreign Exchange on Further Deepening the Reform to Promote the Facilitation of Cross-border Trade and Investment (《國家外匯管理局關於進一步深化改革促進跨境貿易投資便利化的通知》) promulgated by the SAFE on December 4, 2023, in order to facilitate the payment and use of funds from equity transfer under domestic re-investment of foreign-invested enterprises (FDI) and funds raised through overseas listing, the asset realization account of capital accounts shall be adjusted to the settlement account of capital accounts. Foreign exchange funds raised by a domestic enterprise listing overseas may be directly remitted to a settlement account under capital account, and funds in a settlement account under capital account may be settled and used on its own.

On January 26, 2017, Notice on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance (《關於進一步推進外匯管理改革完善真實合規性審核的通知》) was issued by the SAFE to further expand the scope of settlement for domestic foreign exchange loans, allow settlement for domestic foreign exchange loans with export background under goods trading, allow repatriation of funds under domestic guaranteed foreign loans for domestic utilization, allow settlement for domestic foreign exchange accounts of foreign institutions operating in the Free Trade Pilot Zones, and adopt the model of full-coverage RMB and foreign currency overseas lending management, where a domestic institution engages in overseas lending, the sum of its outstanding overseas lending in RMB and outstanding overseas lending in foreign currencies shall not exceed 30% of its owner's equity in the audited financial statements of the preceding year.

On October 23, 2019, the SAFE issued the Notice on Further Facilitating Cross-Board Trade and Investment (《關於進一步促進跨境貿易投資便利化的通知》), which canceled restrictions on domestic equity investments made with capital funds by non-investing foreign-funded enterprises. In addition, restrictions on the use of funds for foreign exchange settlement of domestic accounts for the realization of assets have been removed and restrictions on the use and foreign exchange settlement of foreign investors' security deposits have been relaxed. Eligible enterprises in the pilot area are also allowed to use revenues under capital accounts, such as capital funds, foreign debts and overseas listing revenues for domestic payments without providing materials to the bank in advance for authenticity verification on an item-by -item basis, while the use of funds should be true, in compliance with applicable rules and conforming to the current capital revenue management regulations.

According to the Notice on Optimising Administration of Foreign Exchange to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) issued by the SAFE and became effective on April 10, 2020, eligible enterprises are allowed to make domestic payments by using their capital, foreign credits and the income under capital accounts of overseas listing, without providing materials to the bank in advance for authenticity verification on an item-by-item basis, provided that their utilised capital shall be authentic and in line with provisions, and conform to the prevailing administrative regulations related to the use of income under capital accounts. The concerned bank shall manage and control the relevant business risks under the principle of prudent business development and conduct spot checks afterwards in accordance with the relevant requirements. Local foreign exchange authorities shall strengthen monitoring and analysis and interim and ex-post supervision.

This appendix contains a summary of laws and regulations on companies and securities in the PRC. The principal objective is to provide an overview of the principal laws and regulations applicable to us. Laws and regulations relating to taxation in the PRC are discussed in "Appendix III — Taxation and Foreign Exchange." For the discussion of laws and regulations specifically governing the business of the Company, please see the section headed "Regulatory Overview".

THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution (《中華人民共和國憲法》) (the "**Constitution**"), which was adopted on December 4, 1982 and respectively amended on April 12, 1988, March 29, 1993, March 15, 1999, March 14, 2004 and March 11, 2018. The PRC legal system is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments, laws of special administrative regions and international treaties of which the PRC government is a signatory and other regulatory documents. Court judgments do not constitute legally binding precedents, although they are used for the purposes of judicial reference and guidance.

The National People's Congress (the "**NPC**") and its Standing Committee are empowered to exercise the legislative power of the State in accordance with the Constitution and the PRC Legislation Law (《中華人民共和國立法法》) (the "**Legislation Law**"), which was adopted on July 1, 2000 and amended on March 15, 2015 and March 13, 2023. The NPC has the power to formulate and amend basic laws governing state organs, civil, criminal and other matters. The Standing Committee of the NPC formulates and amends laws other than those required to be enacted by the NPC and to supplement and amend parts of the laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws. The people's congresses of the provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people's congresses of cities divided into districts and their respective standing committees may formulate local regulations on aspects such as urban and rural construction and management, environmental protection and historical and cultural protection based on the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. If the law provides otherwise on the matters concerning formulation of local regulations by cities divided into districts, those provisions shall prevail. Such local regulations will become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions. The standing committees of the people's congresses of the provinces or autonomous regions examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of such provinces or autonomous regions. During the examination for approval of local regulations of cities divided into districts by the standing committees of the people's congresses of the provinces or autonomous regions, if conflicts are identified with the rules and regulations of the people's governments of the provinces or autonomous regions concerned, a decision should be made by the standing committees of the people's congresses of provinces or autonomous regions to resolve the issue. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned.

The ministries and commissions of the State Council, the People's Bank of China (the "PBOC"), National Audit Office, the subordinate institutions with administrative functions directly under the State Council and the institutions required by the law may formulate departmental rules within the jurisdiction of their respective departments based on the laws and administrative regulations, and the decisions and orders of the State Council. The people's governments of the provinces, autonomous regions, municipalities, cities divided into districts and autonomous prefectures may formulate rules and regulations based on the laws, administrative regulations and local regulations of such provinces, autonomous regions and municipalities.

According to the Constitution and the Legislation Law, the power to interpret laws is vested in the Standing Committee of the NPC. Pursuant to the Resolution of the Standing Committee of the NPC Providing an Improved Interpretation of the Law (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) implemented on June 10, 1981, the Supreme People's Court of the PRC has the power to give interpretation on issues related to the application of laws in a court trial, and issues related to the application of laws in a prosecution process of a procuratorate should be interpreted by the Supreme People's Procuratorate. If there is any disagreement in principle between Supreme People's Court's interpretations and Supreme People's Procuratorate's interpretations, such issues shall be reported to the Standing Committee of the NPC for interpretation or judgment. The other issues related to laws other than the above-mentioned should be interpreted by the State Council and the competent authorities. The State Council and its ministries and commissions are also vested with the power to give interpretations of the administrative regulations and departmental rules which they have promulgated. At the regional level, the power to interpret regional laws is vested in the regional legislative and administrative authorities which promulgate such laws.

THE PRC JUDICIAL SYSTEM

Under the Constitution and the Law of Organization of the People's Courts of the PRC (《中華人民共和國人民法院組織法》), which is adopted on January 1, 1980 and respectively amended on September 2, 1983, December 2, 1986, October 31, 2006 and October 26, 2018, the PRC judicial system is made up of the Supreme People's Court, the local people's courts and special people's courts.

The local people's courts are comprised of the basic people's courts, the intermediate people's courts and the higher people's courts. The intermediate people's courts have divisions similar to those of the basic people's courts and may set up other special divisions if needed. These two levels of people's courts are subject to supervision by people's courts at higher levels. The Supreme People's Court is the highest judicial authority in the PRC. It supervises the administration of justice by the people's courts at all levels and special people's courts.

A people's court takes the rule of the second instance as the final rule. A party may appeal against the judgment or ruling of the first instance of a local people's court. The people's procuratorate may present a protest to the people's court at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgments or rulings of the people's court are final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court, and judgments or rulings of the first instance of the Supreme People's Court are final. However, if the Supreme People's Court finds some definite errors in a legally effective judgment, ruling or conciliation statement of the people's court at any level, or if the people's court at a higher level finds such errors in a legally effective judgment, ruling or conciliation statement of the people's court at a lower level, it has the authority to review the case itself or to direct the lower-level people's court to conduct a retrial. If the chief judge of all levels of people's courts finds some definite errors in a legally effective judgment, ruling or conciliation statement, and considers a retrial is preferred, such case shall be submitted to the judicial committee of the people's court at the same level for discussion and decision.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) (the "**Civil Procedure Law**") adopted on April 9, 1991 and respectively amended on October 28, 2007, August 31, 2012, June 27, 2017, December 24, 2021 and September 1, 2023, prescribes the conditions for instituting a civil action, the jurisdiction of the people's courts, the procedures for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC must abide by the Civil Procedure Law. Generally, a civil case is initially heard by the court located in the defendant's place of domicile. The court of jurisdiction in respect of a civil action may also be chosen by explicit agreement among the parties to a contract, provided that the people's court having jurisdiction should be located at places substantially connected with the disputes, such as the plaintiff's or the defendant's place of domicile, the place where the contract is executed or signed or the place where the object of the action is located, provided that the provisions regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign individual, a person without nationality, a foreign enterprise or a foreign organization is given the same litigation rights and obligations as a citizen, a legal person or other organizations of the PRC when initiating actions or defending against litigations at a PRC court. Should a foreign court limit the litigation rights of PRC citizens or enterprises, the PRC court may apply the same limitations to the citizens and enterprises of such foreign country. A foreign individual, a person without nationality, a foreign enterprise or a foreign organization must engage a PRC lawyer in case he or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at a PRC court. In accordance with the international treaties to which the PRC is a signatory or participant or according to the principle of reciprocity, a people's court and a foreign court may request each other to serve documents, conduct investigation and collect evidence and conduct other actions on its behalf. All parties to a civil action shall perform the legally effective judgments and rulings. If any party to a civil action refuses to abide by a judgment or ruling made by a people's court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people's court for the enforcement of the same subject to application for postponed enforcement or revocation. If a party fails to satisfy within the stipulated period a judgment which the court has granted an enforcement approval, the court may, upon the application of the other party, mandatorily enforce the judgment on the party.

Where a party applies for enforcement of a judgment or ruling made by a people's court, and the opposite party or his property is not within the territory of the PRC, the applicant may directly apply to a foreign court with jurisdiction for recognition and enforcement of the judgment or ruling, or apply to a foreign court with jurisdiction or recognition in accordance with the international treaties that China has concluded or acceded to or in accordance with the principle of reciprocity. A foreign judgment or ruling may also be recognized and enforced by the people's court in accordance with the PRC enforcement procedures if the PRC has entered into, or acceded to, international treaties with the relevant foreign country, which provided for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court considers that the recognition or enforcement of such judgment or ruling would violate the basic legal principles of the PRC, its sovereignty or national security, or against the social and public interests.

THE PRC COMPANY LAW, OVERSEAS LISTING TRIAL MEASURES AND GUIDANCE FOR ARTICLES OF ASSOCIATION

The PRC Company Law (《中華人民共和國公司法》) (the "**Company Law**") was adopted by the 5th meeting of the Standing Committee of the 8th National People's Congress Session on December 29, 1993 and came into effect on July 1, 1994. It was amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, October 26, 2018 and December 29, 2023 respectively. The latest revised PRC Company Law was implemented on July 1, 2024.

On February 17, 2023, with the approval of the State Council, the China Securities Regulatory Commission (the "**CSRC**") promulgated the Overseas Listing Trial Measures and relevant five guidelines, which came into force on March 31, 2023. The Overseas Listing Trial Measures are designated in accordance with the Securities Law and other laws and are applicable to domestic enterprises that issue securities overseas or list their securities for trading.

On February 17, 2023, the CSRC promulgated the Guidelines for the Applications of Regulatory Rules — Overseas Issuance and Listing Category No. 1, stipulating that direct issuance and listing by domestic companies shall abide by the relevant provisions of the Overseas Listing Trial Measures and refer to the Guidelines for Articles of Association of Listed Companies and other relevant provisions of the CSRC on corporate governance to formulate its articles of association and standardize corporate governance. Domestic companies directly issuing and listing overseas shall formulate their articles of association in accordance with the Guidelines for the Articles of Association of Listed Companies (《上市公司章程指引》) (the "**Guidelines for Articles of Association**") which was revised and effective on March 28, 2025.

Set out below is a summary of the major provisions of the PRC Company Law, the Overseas Listing Trial Measures, and Guidelines for Articles of Association of Listed Companies.

General

A joint stock limited company refers to an enterprise legal person incorporated under the Company Law with its registered capital divided into shares of equal par value. The liability of its shareholders is limited to the amount of shares held by them and the company is liable for its debts with all its property.

A joint stock limited company shall conduct its business in accordance with laws and administrative regulations. It may invest in other limited liability companies and joint stock limited companies and its liabilities with respect to such invested companies are limited to the amount invested. Unless otherwise provided by law, the joint stock limited company may not be a contributor that undertakes joint and several liabilities for the debts of the invested companies.

Incorporation

A joint stock limited company may be incorporated by promotion or public subscription.

A joint stock limited company may be incorporated by a minimum of one but not more than 200 promoters, and at least half of the promoters must have residence within the PRC. The promoters must convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and must give notice to all subscribers or make an announcement of the date of the inaugural meeting 15 days before the meeting. The inaugural meeting may be convened only with the presence of promoters or subscribers representing at least half of the shares in the company. At the inaugural meeting, matters including the adoption of articles of association and the election of members of the board of directors and members of the supervisory committee of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors must apply to the registration authority for registration of the establishment of the joint stock limited company. A company is formally established, and has the status of a legal person, after the business license has been issued by the relevant registration authority.

Share Capital

The promoters of a company may make a capital contribution in currencies, or non-monetary assets such as in kind or intellectual property rights or land use rights which can be appraised with monetary value and transferred lawfully, except for assets which are prohibited from being contributed as capital by the laws or administrative regulations. If a capital contribution is made in non-monetary assets, a valuation and verification of the fair value of the assets contributed must be carried out.

Under the Company Law, when a company issues shares in registered form, it shall maintain a register of shareholders, stating the following matters: (1) the name and domicile of a shareholder; (2) the type and number of shares held by each shareholder; (3) the serial number of the shares held by each shareholder, if issued in paper form; and (4) the date on which each shareholder acquired the shares.

Allocation and issuance of shares

All issue of shares of a joint stock limited company shall be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. Shares may be offered at a price equal to or greater than, but not less than, par value.

The domestic enterprises that engage in the overseas issuance and listing of securities shall, in accordance with the Overseas Listing Trial Measures, submit to the CSRC a filing report, legal opinions and other relevant materials that truly, accurately and completely describe shareholder information and other circumstances for the record. In case of the direct overseas issuance and listing of domestic enterprises, the issuer shall report the matter to the CSRC for the record. In case of the indirect Overseas Issuance and Listing of domestic enterprises, the issuer shall designate a major domestic operating entity as the domestic responsible person to report the matter to the CSRC for the record.

Registered shares

Under the Company Law, when the company issues shares in registered form, it shall maintain a register of shareholders, stating the following matters:

- the name and domicile of each shareholder;
- the number of shares held by each shareholder;
- the serial numbers of shares held by each shareholder; and
- the date on which each shareholder acquired the shares.

Increase in Share Capital

According to the Company Law, if a joint stock limited company issues new shares, the general meeting shall pass a resolution on the class and amount of new shares, the issuance price of the new shares, the commencement and termination dates of the issuance of the new shares and the class and amount of new shares to be issued to existing shareholders. When a company is approved by the securities supervision and administration department under the State Council to issue new shares to the public, it shall publish the document, its financial and accounting statements, and shall prepare the subscription form. Upon full receipt of the proceeds from the company's newly issued shares, the company shall carry out alteration registration with the company registration authority and shall make a public announcement.

After the issue of new shares the company has been paid up, the change must be registered with the company registration authorities and a public announcement must be made accordingly. Where an increase in registered capital of a company is made by means of an issue of new shares, the subscription of new shares by shareholders shall be made in accordance with the relevant provisions on the payment of subscription monies for the establishment of a company.

Reduction of Share Capital

When a company needs to reduce its registered capital, it shall prepare a statement of financial position and a property list. The company shall inform its creditors within 10 days and publish an announcement in the newspaper or the National Enterprise Credit Information Publicity System within 30 days after the resolution of the shareholders' meeting approving the reduction of registered capital has been passed. Creditors may within 30 days after receiving the notice, or within 45 days of the public announcement if no notice has been received, require the company to pay its debts or provide guarantees covering the debts.

Repurchase of Shares

According to the Company Law, a joint stock limited company may not repurchase its own shares other than for one of the following purposes:

(i) to reduce its registered capital;

(ii) to merge with another company that holds its shares;

(iii) to grant its shares to its employees for the purpose of implementing the employee stock ownership plan or share incentive scheme;

(iv) to repurchase its shares from shareholders who are against the resolution regarding the merger or division with other companies at the general meeting;

(v) to use for the conversion of the convertible corporate bonds issued by the public company; and

(vi) to protect the value of the company and the rights and interests of shareholders of the public company as required.

The acquisition of shares on the grounds set out in (i) to (ii) above shall be approved by the resolution of general meeting. The repurchase of its shares in cases (iii), (v) or (vi) above shall require a resolution of the board of directors by two-thirds of the directors present at the board meeting, in accordance with the provisions of the articles of association of the company or as authorized by the general meeting.

Following the repurchase of its shares in accordance with (i) above, such shares shall be canceled within 10 days from the date of repurchase; the shares repurchased in the case of (ii) or (iv) above shall be transferred or canceled within six months. The total number of shares held by the company after share repurchase under the circumstances in (iii), (v) or (vi) above shall not exceed 10% of the total number of the company's issued shares, and shall be transferred or canceled within three years.

A public company that repurchases its own shares shall fulfill its disclosure obligations in accordance with the provisions of the Securities Law. If a share repurchase is made pursuant to (iii), (v) or (vi) above, it shall be publicly traded in a centralized manner.

Transfer of Shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Pursuant to the Company Law, transfer of shares by shareholders shall be carried out at a legally established securities exchange or in other ways stipulated by the State Council. No modifications of registration in the share register caused by transfer of registered shares shall be

carried out within 20 days prior to the convening of shareholder's general meeting or five days prior to the base date for determination of dividend distributions. However, where there are separate provisions by law on alternation of registration in the share register of listed companies, those provisions shall prevail.

Under the Company law, shares issued prior to the public issuance of shares shall not be transferred within one year from the date of the joint stock limited Company's listing on a stock exchange. Directors, supervisors and senior management shall declare to the company their shareholdings in the Company and any changes of such shareholdings. They shall not transfer more than 25% of all the shares they hold in the Company annually during their tenure. They shall not transfer the shares they hold within one year from the date on which the Company's shares are listed and commenced trading on a stock exchange, nor within six months after their resignation from their positions with the Company.

Shareholders

Under the Company Law and the Articles of Association Guidelines, the rights of holders of ordinary shares of a joint stock limited company include:

- the right to attend or appoint a proxy to attend general meetings and to vote thereat;
- the right to transfer shares in accordance with laws, administrative regulations and provisions of the articles of association;
- the right to inspect the Company's articles of association, share register, counterfoil of Company debentures, minutes of general meetings, resolutions of meetings of the board of directors, resolutions of meetings of the supervisory committee and financial and accounting reports and to make proposals or enquiries on the Company's operations;
- the right to bring an action in the people's court to rescind resolutions passed by general meetings and board of directors where the articles of association is violated by the above resolutions;
- the right to receive dividends and other forms of profit distribution according to the proportion of shares they hold;
- in the event of the termination or liquidation of the Company, the right to participate in the distribution of the residual properties of the Company in proportion to the number of shares held; and
- other rights granted by laws, administrative regulations, other regulatory documents and the Company's articles of association.

The obligations of a shareholder include the obligation to abide by the Company's articles of association, to pay the subscription moneys in respect of the shares subscribed for and in accordance with the form of making capital contributions, to be liable for the Company's debts and liabilities to the extent of the amount of his or her subscribed shares and any other shareholders' obligation specified in the Company's articles of association.

Shareholders' General Meetings

The general meeting is the organ of authority of the company, which exercises its powers in accordance with the Company Law. Under the Company Law, the general meeting exercises the following powers and functions:

- to elect or replace the directors and supervisors and to decide on matters relating to the remuneration of directors and supervisors;
- to review and approve reports of the board;
- to review and approve reports of the supervisory committee;
- to review and approve profit distribution plans and loss recovery plans;
- to make resolutions concerning the increase or reduction of the registered capital;
- to resolve on the issue and listing of corporate bonds and other securities;
- to decide on issues such as merger, division, dissolution, liquidation and structure change;
- to modify the articles of association; and
- other powers and functions stipulated by the articles of association.

The annual general meeting is required to be convened once a year. Under the Company Law, an extraordinary general meeting is required to be held within two months after the occurrence of any of the following:

- the number of directors is less than the number stipulated by the law or less than two thirds of the number specified in the articles of association;
- the aggregate losses of the company which are not recovered reach one-third of the company's total share capital;
- shareholders alone or in aggregate holding 10% or more of the Company's shares request for the convening of an extraordinary general meeting;
- the board considers it necessary;
- the supervisory committee proposes to hold; or
- other circumstances stipulated by the articles of association.

Under the Company Law, general meetings shall be convened by the board, and presided over by the chairman of the board. In the event that the chairman is incapable of performing or does not perform his duties, the meeting shall be presided over by the vice chairman. If the vice chairman is incapable of performing or does not perform his duties, a director nominated by more than half of directors shall preside over the meeting.

Where the board of directors is incapable of performing or does not perform its duties of convening the general meetings, the supervisory committee shall convene and preside over such meetings in a timely manner. In case the supervisory committee fails to convene and preside over such meetings, shareholders alone or in aggregate holding more than 10% of the company's shares for 90 days consecutively may unilaterally convene and preside over such meetings.

Under the Company Law, notice of general meetings shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. Notice of extraordinary general meeting shall be given to all shareholders 15 days prior to the meeting. According to the Articles of Association Guidelines, after the notice of the General Meeting is given, without cogent reason, the general meeting shall not be postponed or canceled, and the proposals set out in the notice shall not be canceled. Once the general meeting is adjourned or canceled, the convener shall make public announcement and explain the reasons at least 2 working days before the original holding date.

There is no specific provision in the PRC Company Law regarding the number of shareholders constituting a quorum in Shareholders' meetings. According to the Articles of Association Guidelines, the board of directors and the board secretary shall cooperate for the general meeting convened by the supervisory committee or the Shareholders on their own. When the general meeting is held, all the directors, supervisors and board secretary of the company shall attend the meeting, while the general manager and other senior management shall attend as a nonvoting delegate.

According to the Articles of Association Guidelines, the shareholders holding more than 3% of the shares of the Company separately or jointly may raise temporary proposal and submit it to the convener in writing 10 days before the general meeting is held. The convener shall supplement the notice of general meeting in 2 days after receiving the proposal and publicize the content of the temporary proposal.

Under the Company Law, shareholders present at general meetings have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights.

Pursuant to the provisions of the articles of association or a resolution of the general meeting, the accumulative voting system may be adopted for the election of directors and supervisors at the general meeting. Under the accumulative voting system, each share shall be entitled to vote equivalent to the number of directors or supervisors to be elected at the general meetings and shareholders may consolidate their voting rights when casting a vote.

Pursuant to the Company Law and the Articles of Association Guidelines, resolutions of the general meeting shall be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, resolutions of the general meeting regarding the following matters shall be adopted by more than two-thirds of the voting rights held by the shareholders present at the meeting: (i) amendments to the articles of association; (ii) the increase or decrease of registered capital; (iii) the equity incentive plans; (iv) the amount of purchase or disposal of major assets or guarantee of the company within one year exceeding thirty percent of the company's total audited assets for the most recent period; (v) the merger, division, dissolution, liquidation or change in the form of the company; (vi) other matters considered by the general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the company and should be adopted by a special resolution, according to the laws, administrative regulations or the articles of association.

Under the Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the general meetings. The chairman of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Board of Directors

Under the Company Law, a joint stock limited company shall have a board of directors. Members of the board of directors may include representatives of the employees of the company, who shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The term of the directors shall be prescribed by the articles of association, provided that each term may not exceed 3 years. Upon the expiration of the term, the

directors may be re-elected and serve consecutive terms. A director shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of directors results in the number of directors being less than the quorum.

Under the Company Law, the board of directors mainly exercises the following powers and functions:

- to convene the general meetings and report on its work to the general meetings;
- to implement the resolutions of general meetings;
- to decide on the company's business plans and investment proposals;
- to formulate the profit distribution plan and loss recovery plan of the Company;
- to formulate proposals for the increase or reduction of the Company's registered capital and the issuance of corporate bonds;
- to develop the scheme on the merger, separation, dissolution and change of company form of the Company;
- to make decisions on the establishment of the company's internal management departments;
- to make decisions on hiring or dismissing the company's manager and his salary and compensation, and, according to the nomination of the manager, deciding on the hiring or dismissal of vice manager(s) and the persons in charge of finance as well as their salaries and compensations;
- to formulate the basic management system of the Company; and
- any other powers and functions stipulated by the articles of association.

Meetings of the Board of Directors

Under the Company Law, meetings of the board of directors of a joint stock limited company shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of voting rights, more than one-third of the directors or the supervisory committee. The chairman of the board shall convene and preside over a board meeting within ten days after receiving the proposal. No meeting of the board of directors may be held unless a majority of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. In the voting process, one director shall represent one vote. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be released from that liability.

Chairman of the Board of Directors

Under the Company Law, the board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman are elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist the work of the chairman. In the event that the chairman is incapable of performing or not performing his duties, the duties shall be performed by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of the directors shall perform his duties.

Qualifications of Directors

The Company Law provides that the following persons may not serve as a director:

- a person who is unable or has limited ability to undertake any civil liabilities;
- a person who has been sentenced to criminal penalty due to an offense of corruption, bribery, encroachment of property, misappropriation of property or disrupting the order of the socialist market economy, or deprived of political rights for crime, and five years have not elapsed since the completion date of the execution of the penalty, or two years have not elapsed since the expiration of the probation period for suspended sentence, if applicable;
- a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;
- a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law and has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation;
- a person who is listed as a dishonest party subject to enforcement by the people's court for failure to pay a relatively large amount of debts when they become due.

Other unsuitable circumstances for directorships are detailed in the Articles of Association Guidelines.

Supervisory Committee

A joint stock limited company may establish an audit committee composed of directors of the board of directors in accordance with the company's bylaw which exercises the functions of the board of supervisors specified in this Law, and is not required to have a board of supervisors or supervisors.

A joint stock limited company that is small or has a small number of shareholders is not required to establish a board of supervisors but shall have one supervisor who exercises the functions of the board of supervisors as provided for in this Law.

Except for the above-mentioned two special circumstances, a joint stock limited company shall have a supervisory committee composed of not less than three members. The supervisory committee is made up of representatives of the shareholders and an appropriate proportion of representatives of the employees of the company. The actual proportion shall be stipulated in the

articles of association, provided that the proportion of representatives of the employees shall not be less than one third of the supervisors. Representatives of the employees of the company in the supervisory committee shall be democratically elected by the employees at the employees' representative assembly, employees' general meeting or otherwise. A director and a senior officer of the company shall not serve concurrently as a supervisor.

The supervisory committee shall have a chairman and may have a vice chairman. The chairman and deputy chairman of the supervisory committee shall be elected by more than half of all supervisors. The chairman of the supervisory committee shall convene and preside over the meetings of the supervisory committee. Where the chairman of the supervisory committee is unable or fails to perform his/her duties, the vice chairman of the supervisory committee shall convene and preside over the meetings of the supervisory committee. Where the vice chairman is unable or fails to perform his/her duties, the meetings shall be convened and presided over by a supervisor jointly nominated by more than half of all the supervisors.

Each term of a supervisor shall be three years, and a supervisor may continue to serve his post if he is re-elected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The supervisory committee shall convene a meeting at least every six months. According to the Company Law, the supervisory committee shall make resolutions with the consent of a majority of all supervisors.

The supervisory committee exercises the following functions and power:

- to review the company's financial position;
- to supervise the directors and senior management in the performance of their duties and to propose the dismissal of directors or senior management who violate laws, regulations, the articles of association or resolutions of the general meeting;
- when the acts of directors and senior management are harmful to the company's interests, to require correction of those acts;
- to propose the convening of extraordinary general meetings and to convene and preside over general meetings when the board of directors fails to perform the duty of convening and presiding over general meetings under the Company Law;
- to initiate proposals for resolutions to general meetings;
- to initiate proceedings against directors and senior management;
- other powers and functions stipulated by the articles of association; and

The supervisors may attend the meetings of the board, and may inquire about or put forth proposals on matters covered by resolutions of the board. The supervisory committee may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accounting firm to assist their work at the company's expense.

Manager and Senior Management

Pursuant to the Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager shall exercise his/her powers in accordance with the company's articles of association or the authorization of the board of directors. Other provisions

in the articles of association on the manager's powers shall also be complied with. The manager shall be present at meetings of the board of directors. However, the manager shall have no voting rights at meetings of the board of directors unless he/she concurrently serves as a director.

According to the Company Law, senior management shall mean the manager, deputy manager(s), person-in-charge of finance, board secretary (in case of a public company) of a company and other personnel as stipulated in the articles of association.

Duties of the Directors, Supervisors and Senior management

Directors, supervisors and senior management of the Company are required under the Company Law to comply with the relevant laws, regulations and the articles of association, and have fiduciary and diligent duties to the Company. The directors, supervisors and senior management are prohibited from:

- embezzling the property of the company and misappropriating the funds of the company;
- depositing the company's capital into accounts under his own name or the name of other individuals;
- taking advantage of power to accept bribes or other illegal income;
- accepting and possessing commissions paid by a third party for transactions conducted with the company;
- unauthorized divulgence of confidential business information of the Company;
- other acts in violation of the duty of loyalty to the company.

Where directors, supervisors and senior management who directly or indirectly contract or conduct a transaction with the company shall report to the board of directors or the shareholders' meeting on matters related to the contracting or conducting the transaction, and seek approval by resolution of the board of directors or the shareholders' meeting in accordance with the company's bylaw. If the close relatives of directors, supervisors, and senior management, enterprises under direct or indirect control of directors, supervisors, senior management, or their close relatives, and affiliates in any other affiliation relationship with directors, supervisors, and senior management contract or conduct transactions with the company, the provisions of the preceding paragraph shall report to the board of directors or the shareholders' meeting on matters related to the contracting or conducting the transaction, and seek approval by resolution of the board of directors or the shareholders' meeting in accordance with the Company's articles of association.

Directors, supervisors and senior management shall not take advantage of his position to take a business opportunity belonging to the company for himself or another person, except under any of the following circumstances:

- which has been reported to the board of directors or the shareholders' meeting and received approval by resolution of the board of directors or the shareholders' meeting according to the Company's articles of association.
- the company is unable to take the business opportunity according to laws, administrative regulations, or the Company's articles of association.

Directors, supervisors and senior management shall not conduct the same kind of business as the company on his own account or on the account of another person, without reporting to the board of directors or the shareholders' meeting, without approval by resolution of the board of directors or the shareholders' meeting according to the Company's articles of association.

Directors, supervisors and senior management who contravene any law, regulation or the Company's articles of association in the performance of his/her duties and result in any loss to the Company shall be personally liable to the Company.

The Guidance for Articles of Association provides that a company's directors and senior management shall have duties of diligence towards the company, for example, the directors shall be prudent, serious and diligent in exercising the authority conferred by the company to ensure that the business activities of the company comply with state's laws, administrative regulations and various economic policy requirements and that the business activities do not go beyond the scope of business activities specified in the company's business license; the directors shall treat all shareholders equally; the shareholders shall keep abreast of the company's business management status; both the directors and the senior management shall sign written statements confirming periodic reports of the company and ensure that the information disclosed by the company is true, accurate and complete; both the directors and the senior management shall provide accurate information and materials to the board of supervisors and shall not interfere with the performance of duties by the board of supervisors or individual supervisors; both the directors and the senior management shall have other diligence duties prescribed by laws, administrative regulations, departmental rules and the company's articles of association.

Finance and Accounting

Under the Company Law, a company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council. The Company shall at the end of each financial year prepare a financial and accounting report which shall be audited by an accounting firm as required by law. The Company's financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

Pursuant to the Company Law, the Company shall deliver its financial and accounting reports to all shareholders within the time limit stipulated in the articles of association and make its financial and accounting reports available at the Company for inspection by the shareholders at least 20 days before the convening annual general meeting. The joint stock limited company that has publicly issued its shares shall also publish its financial and accounting reports.

When distributing each year's after-tax profits, the company shall set aside 10% of its after-tax profits into a statutory common reserve fund (except where the fund has reached 50% of its registered capital).

If its statutory common reserve fund is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the statutory common reserve fund pursuant to the above provisions.

After making allocation to the statutory common reserve fund of the Company from its after-tax profits, the Company may, subject to resolutions adopted at a Shareholders' meeting, allocate funds from the after-tax profits to the discretionary common reserve fund.

For the remaining after-tax profits after making up losses and allocation of common reserve fund, a joint stock limited company shall be distributed in proportion to the number of shares held by the shareholders, unless otherwise stipulated in the articles of association. Shares held by the Company shall not be entitled to any distribution of profit.

A company's premium from the issuance of stocks at a price above the par value of the stocks, proceeds of issuance of no-par shares which have not been included in registered capital, and other items listed in the capital reserve under provisions of the treasury department of the State Council shall be listed as the company's capital reserve.

The Company's reserve fund shall be applied to make up losses of the Company, expand its business operations or be converted to increase the registered capital of the company.

When the company's losses are covered with common reserves, the discretionary common reserve and the statutory common reserve shall first be used; if they are insufficient, the capital common reserve may be used according to the applicable provisions.

Upon the conversion of statutory common reserve fund into increasing the registered capital, the balance of the statutory common reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

The Company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of any individual.

Appointment and Retirement of Accounting Firms

According to the Company Law, the appointment or dismissal of accounting firms responsible for the auditing of a company shall be determined by the general meeting, the board of directors or the board of supervisors in accordance with the articles of association. The accounting firm should be allowed to make representations when the shareholders' general meeting, the board or the board of supervisors of directors conducts a vote on the dismissal of the accounting firm. The company shall provide true and complete accounting vouchers, accounting books, financial accounting reports and other accounting materials to the hired accounting firm, and shall not refuse, conceal or make false reports.

According to the Guidelines for Articles of Association, the Company shall guarantee to provide true and complete accounting vouchers, accounting books, financial accounting reports and other accounting materials to the hired accounting firm, and shall not refuse, conceal or make false reports. The audit fee of an accounting firm shall be decided by the general meeting.

Profit Distribution

According to the Company Law, the Company shall not distribute profits before losses are covered and the statutory common reserve is drawn.

Revision of the Articles of Association

Any amendments to the company's articles of association must be made in accordance with the procedures set out in the company's articles of association. In the event of a company registration, the amendments to the articles of association shall be registered with the relevant registration authorities. Pursuant to the Company Law, the resolution of a shareholders' general meeting regarding any amendment to a company's articles of association requires affirmative votes by more than two-thirds of the votes held by shareholders attending the meeting.

Pursuant to the Guidance for Articles of Association, the company shall amend its articles of association under any of the following circumstances: (i) where, after any amendment to the Company Law or any other applicable law or administrative regulation, the provisions of the articles of association conflict with the law and/or administrative regulations amended; (ii) where the company's circumstances change to such an extent that they are inconsistent with what is recorded in the articles of association; and (iii) where the shareholders' general meeting decides to amend the articles of association.

Dissolution and Liquidation

According to the Company Law, a company shall be dissolved by reason of the following: (i) the term of its operations set down in the Articles of Association has expired or other events of dissolution specified in the Articles of Association have occurred; (ii) the general meeting has resolved to dissolve the company; (iii) the company is dissolved by reason of merger or division; (iv) the business license is revoked; the company is ordered to close down or be dissolved; or (v) the company is dissolved by the people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all its shareholders, on the grounds that the company suffers significant hardship in its operation and management that cannot be resolved through other means, and the ongoing existence of the company would bring significant losses to shareholders.

In the event of (i) or (ii) above, and the company has not distributed property to shareholders, it may continue to exist by amending the company's bylaw or with approval by resolution of the shareholders' meeting. For the amendment of the articles of association in accordance with provisions set out above, a joint stock limited company shall require approval of more than two thirds of voting rights of shareholders attending the general meeting.

Where the company is dissolved in the circumstances described in subparagraphs (i), (ii), (iv), or (v) above, a liquidation committee shall be established and the liquidation process shall commence within 15 days after the occurrence of an event of dissolution.

The liquidation group shall be composed of directors, unless otherwise provided for by the company's bylaw or a resolution of the shareholders' meeting. If a liquidation committee is not established within the stipulated period, an interested party may apply to the people's court and request the court to appoint relevant personnel to form the liquidation committee. The people's court should accept such application and form a liquidation committee to conduct liquidation in a timely manner.

The liquidation committee shall exercise the following functions and power during liquidation:

- to liquidate the company's assets and to prepare a balance sheet and an inventory of the assets;
- to notify creditors through notice or public announcement;
- to deal with the outstanding business of the Company in connection with liquidation;
- to settle all outstanding tax payment and the tax payment which arise in the course of the liquidation process;
- to claim credits and pay off debts;
- to handle the company's remaining assets after its debts have been paid off;
- to represent the company in civil lawsuits.

The liquidation committee shall notify the company's creditors within 10 days after its establishment and issue public notices in newspapers or the National Enterprise Credit Information Publicity System within 60 days. A creditor shall lodge his claim with the liquidation committee within 30 days after receiving notification, or within 45 days of the public notice if he/she did not receive any notification. A creditor shall state all matters relevant to his creditor rights in making his/her claim and furnish evidence. The liquidation committee shall register such claims. The liquidation committee shall not make any debt settlement to creditors during the period of claim.

Upon liquidation of properties and the preparation of the balance sheet and inventory of assets, the liquidation committee shall draw up a liquidation plan to be submitted to the general meeting or people's court for confirmation.

The company's remaining assets after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and debts shall be distributed to shareholders according to their shareholding proportion. It shall continue to exist during the liquidation period, although it can only engage in any operating activities that are related to the liquidation. The company's properties shall not be distributed to the shareholders before repayments are made in accordance to the foregoing provisions.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the people's court for bankruptcy liquidation.

After the people's court accepts the bankruptcy application, the liquidation group shall transfer the liquidation affairs to the trustee in bankruptcy designated by the people's court.

Upon completion of the liquidation, the liquidation committee shall submit a liquidation report to the shareholders' general meeting or the people's court for verification. Thereafter, the report shall be submitted to the registration authority of the company in order to cancel the company's registration.

The members of a liquidation group shall perform the duty of liquidation and have obligations of fidelity and diligence.

A member of the liquidation group shall be liable for compensation for losses caused to the company, if any, by his slackness in performing the duty of liquidation, or to creditors, if any, with intent or by gross negligence.

Overseas Listing

According to the Overseas Listing Trial Measures, overseas listing of a company shall be filed with CSRC. Where an issuer conducts an overseas initial public offering or listing, it shall file with CSRC within 3 working days after submitting the issuance and listing application documents overseas. The remittance and cross-border flow of funds related to overseas issuance and listing of domestic enterprises shall comply with national regulations on cross-border investment and financing, foreign exchange management and cross border RMB management.

Loss of Share Certificates

A shareholder may, in accordance with the public notice procedures set out in the PRC Civil Procedure Law, apply to a people's court if his share certificate(s) in registered form is either stolen, lost or destroyed, for a declaration that such certificate(s) will no longer be valid. After the people's court declares that such certificate(s) will no longer be valid, the shareholder may apply to the company for the issue of a replacement certificate(s).

Merger and Division

A merger agreement shall be signed by merging companies and the involved companies shall prepare respective statements of financial position and inventory of assets. The companies shall within 10 days of the date of passing the resolution approving the merger notify their respective creditors and publicly announce the merger in newspapers or the National Enterprise Credit Information Publicity System within 30 days. A creditor may, within 30 days of receipt of the

notification, or within 45 days of the date of the announcement if he has not received the notification, request the company to settle any outstanding debts or provide relevant guarantees. In case of a merger, the credits and debts of the merging parties shall be assumed by the surviving or the new company.

In case of a division, the company's assets shall be divided and a statement of financial position and an inventory of assets shall be prepared. When a resolution regarding the company's division is approved, the company should notify all its creditors within 10 days of the date of passing such resolution and publicly announce the division in newspapers or the National Enterprise Credit Information Publicity System within 30 days. Unless an agreement in writing is reached with creditors before the company's division in respect of the settlement of debts, the liabilities of the company which have accrued prior to the division shall be jointly borne by the divided companies.

Changes in the business registration of the companies as a result of the merger or division shall be registered with the relevant administration authority for industry and commerce.

In accordance with the laws, cancelation of a company shall be registered when a company is dissolved and incorporation of a company shall be registered when a new company is incorporated.

THE PRC SECURITIES LAWS AND REGULATIONS

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities- related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

The Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) deals with the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, the disclosure of information with respect to a public company, investigation, penalties and dispute settlement.

On December 25, 1995, the State Council promulgated the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》). These regulations principally govern the issue, subscription, trading and declaration of dividends and other distributions of domestic listed foreign shares and disclosure of information of joint stock limited companies having domestic listed foreign shares.

The Securities Law of the PRC (《中華人民共和國證券法》, the "PRC Securities Law") took effect on July 1, 1999 and was revised as of August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014 and December 28, 2019, respectively. The PRC Securities Law, which was revised on December 28, 2019 and came into effect on March 1, 2020, is divided into 14 chapters and 226 articles, regulating, among other things, the issue and trading of securities, the listing of securities, and takeovers by listed companies.

Article 224 of the PRC Securities Law provides that domestic enterprises which, directly or indirectly, issue securities or list and trade their securities outside the PRC shall comply with the relevant regulations of the State Council. Currently, the issue and trading of foreign issued securities (including shares) are principally governed by the regulations and rules promulgated by the State Council and the CSRC.

On November 14, 2019, the CSRC issued and implemented the Guidelines on Applications for "Full Circulation" of Domestic Non-listed Shares by H-share Companies (《H股公司境內未上市股份申請"全流通"業務指引》) which was partially revised on August 10, 2023 in accordance with the Decision on Revising and Abolishing Part of Securities and Futures Policy Documents (《關於修改和廢止部分證券期貨政策性文件的決定》) by the CSRC. H-share companies applying for "Full circulation" shall file a record with the CSRC. When applying for overseas refinancing, H-share companies may submit "Full circulation" applications either separately or concurrently. Domestic joint-stock companies that have not yet listed overseas may submit a "Full circulation" application together with their initial application for overseas IPO.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the "**PRC Arbitration Law**") was enacted by the Standing Committee of the NPC on August 31, 1994, which became effective on September 1, 1995 and was last amended on September 12, 2025. It is applicable to, among other matters, economic disputes involving foreign parties where all parties have entered into a written agreement to resolve disputes by arbitration before an arbitration committee constituted in accordance with the PRC Arbitration Law. The PRC Arbitration Law provides that an arbitration committee may, before the promulgation of arbitration regulations by the PRC Arbitration Association, formulate interim arbitration rules in accordance with the PRC Arbitration Law and the PRC Civil Procedure Law. Where the parties have agreed to settle disputes by means of arbitration, a people's court will refuse to handle a legal proceeding initiated by one of the parties at such people's court, unless the arbitration agreement is invalid.

Under the PRC Arbitration Law and PRC Civil Procedure Law, an arbitral award shall be final and binding on the parties involved in the arbitration. If any party fails to comply with the arbitral award, the other party to the award may apply to a people's court for its enforcement. The people's court can issue a ruling prohibiting the enforcement of an arbitral award made by an arbitration commission after verification by collegial bench formed by the people's court if there is any procedural irregularity (including but not limited to irregularity in the composition of the arbitration tribunal or arbitration proceedings, the jurisdiction of the arbitration commission, or the making of an award on matters beyond the scope of the arbitration agreement).

Any party seeking to enforce an award of a foreign affairs arbitral body of the PRC against a party who or whose property is not located within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the award. Likewise, an arbitral award made by a foreign arbitral body may be recognized and enforced by a PRC court in accordance with the principle of reciprocity or any international treaties concluded or acceded to by the PRC.

The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (《承認及執行外國仲裁裁決公約》) (the "**New York Convention**") adopted on June 10, 1958 pursuant to a resolution passed by the Standing Committee of the NPC on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties thereto subject to their rights to refuse enforcement under certain circumstances, including but without limitation to where the enforcement of the arbitral award is against the public policy of that state. At the time of the PRC's accession to the Convention, the Standing Committee of the NPC declared that (i) the PRC

will only apply the Convention to the recognition and enforcement of arbitral awards made in the territories of other parties based on the principle of reciprocity; and (ii) the will only be applied to disputes deemed under PRC laws to be arising from contractual or non-contractual mercantile legal relations.

An arrangement for mutual enforcement of arbitral awards between Hong Kong and the Supreme People's Court of China was reached. The Supreme People's Court of China adopted the Arrangements on the Mutual Enforcement of Arbitral Awards between the mainland and the Hong Kong Special Administrative Region (《關於內地與香港特別行政區相互執行仲裁裁決的安排》) on June 18, 1999, which went into effect on February 1, 2000. The arrangement reflects the spirit of the New York Convention. Under the arrangements, the courts of the Hong Kong SAR have agreed to enforce arbitration awards made by mainland Chinese arbitration organisations in accordance with the Arbitration Law of the People's Republic of China, and people's courts of Chinese mainland have agreed to enforce arbitration awards made in the Hong Kong SAR in accordance with the Arbitration Ordinate of the Hong Kong SAR. If the Mainland court finds that the enforcement of awards made by the Hong Kong arbitral bodies in the mainland will be against public interests of the mainland, or the court of Hong Kong SAR decides that the enforcement of the arbitral awards made by mainland Chinese arbitration organisations in Hong Kong SAR will be against public policies of Hong Kong SAR, the awards may not been forced. The Supreme People's Court of China adopted the Supplementary Arrangement Concerning Mutual Enforcement of Arbitral Awards between the Mainland and Hong Kong SAR (《關於內地與香港特別行政區相互執行仲裁裁決的補充安排》) (the "**Supplemental Arrangement**") on November 11, 2020. The Supplemental Arrangement mainly provide additional provisions to the Arrangement on Mutual Enforcement of Arbitral Awards between Chinese mainland and Hong Kong SAR (《關於內地與香港特別行政區相互執行仲裁裁決的安排》). Articles 1 and 4 of the Supplemental Arrangement shall come into effect on November 27, 2020, while articles 2 and 3 shall come into effect on a date to be announced by the Supreme People's Court.

Judicial Judgment and its Enforcement

According to the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Chinese mainland and of the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) promulgated by the Supreme People's Court on January 25, 2024 and implemented on January 29, 2024, in the case of effective judgment of a civil and commercial case or civil damages in a criminal case made by the court of China and the court of the Hong Kong Special Administrative Region, any party concerned may apply to the People's Court of China or the court of the Hong Kong Special Administrative Region for recognition and enforcement based on this arrangement.

This appendix contains a summary of the principal provisions of the Articles of Association of the Company which will be effective from the date of listing of H Shares on the Hong Kong Stock Exchange. This appendix is primarily intended to provide potential investors with an overview of the Company's Articles of Association and therefore may not contain all the information that is material to potential investors.

GENERAL PROVISIONS

The Articles of Association, regulate our Company's organization and conduct guidance and is binding on our Company, the Shareholders, Directors, and senior management. Subject to no violation of the relevant provisions of the Articles of Association, Shareholders may sue Shareholders; Shareholders may sue the Directors, general manager and other senior management; Shareholders may sue our Company, and our Company may sue Shareholders, Directors, general manager or other senior management.

SHARES

Issuance of Shares

The Shares of our Company take the registered form of Share certificates.

The Shares of our Company shall be issued in accordance with the principles of open, fairness and justice, and each Share in the same class shall rank pari passu. For the same class of Shares issued at the same time, each Share shall be issued on the same conditions and at the same price. All entities or individuals subscribing for the Shares shall pay the same price for each Share.

The Shares issued by the Company, all of which are ordinary Shares, are denominated in RMB with a par value of RMB1.00 per share.

Increase, Reduction, and Repurchase of Shares

According to the operation and development needs of the Company, subject to the laws, regulations, and the listing rules of the place where the Company's shares are listed, the Company may increase the share capital in the following ways upon approval of resolutions at the shareholders' general meeting:

(i) Public issuance of shares;

(ii) Non-public issuance of shares;

(iii) Distribution of bonus shares to existing shareholders;

(iv) Converting the reserve funds into share capital;

(v) Other means approved by the laws, administrative regulations or approved by the China Securities Regulatory Commission ("CSRC"), and the Hong Kong Stock Exchange.

Our Company may reduce its registered capital. Any reduction of the Company's registered capital shall be subject to the procedures stipulated by the Company Law, other relevant regulations, the Hong Kong Listing Rules, the securities regulatory rules of the stock exchange where the company's shares are listed, as well as the Articles of Association.

Our Company shall not repurchase its own shares, unless otherwise under the circumstances:

(i) Reducing our Company's registered share capital;

(ii) Merging with other companies which hold our shares;

(iii) Using the shares for an employee stock ownership plan or equity incentive plan;

(iv) Purchasing its shares from Shareholders who have voted against the resolutions on the merger or division of the Company at a shareholders' general meeting upon their request;

(v) Use of shares for conversion of convertible corporate bonds issued by the Company;

(vi) Necessary for the Company to maintain its value and protect the interests of the Shareholders;

(vii) Other circumstances permitted by laws and administrative regulations.

Our Company may repurchase its Shares through open centralized trading or other ways recognized by laws, administrative regulations and regulatory documents, the Hong Kong Listing Rules, other regulatory rules of the place where the Company's Shares are listed and the CSRC (if required). If the Share purchase is made under any of the circumstances stipulated in (iii), (v) or (vi) aforementioned, it shall be conducted by way of open centralized trading.

A resolution shall be passed at the shareholders' general meeting when the Company is to repurchase its own shares under the circumstances (i) and (ii) set out above. In case of the circumstances stipulated in (iii), (v) and (vi) above, a resolution of the Company's Board shall be passed by more than two-thirds of the Directors attending the Board meeting in accordance with the provisions of the Articles of Association or the authorization of the shareholders' general meeting, except as otherwise provided in the Hong Kong Listing Rules.

After the Company has repurchased its own shares in accordance with the circumstances above, the shares repurchased shall be canceled within ten days from the date of purchase (under the circumstance set out in (i) above), or shall be transferred or canceled within six months (under the circumstances set out in (ii) and (iv) above). If the Company repurchases its shares under the circumstances set out in (iii), (v) and (vi) above, the total number of shares held by the Company shall not exceed 10% of the total issued shares of the Company, and such shares shall be transferred or canceled within three years.

Transfer of Shares

The Shares of the Company can be transferred in accordance with laws.

The Company shall not accept any of its own Shares as the subject of pledge right.

Shares issued prior to the Company's public offering of Shares shall not be transferred for a period of one year from the date of listing and trading of the Company's Shares on the stock exchange.

The Directors and senior management personnel of the Company shall declare to the Company the Shares held by them in the Company and the changes therein, and shall not transfer more than 25% of the total number of Shares held by them in the Company each year during their terms of office; the Shares they hold in the Company shall not be transferred within one year from the date of listing and trading of the Company's Shares. The Shares of the Company held by the above-mentioned persons shall not be transferred within six months after their departure from office.

SHAREHOLDERS AND SHAREHOLDERS' GENERAL MEETING

Shareholders

Register of Members

The Company shall prepare a register of members based on the evidence provided by the securities registrar, and the register of members shall be sufficient evidence of the Shareholders' shareholdings in the Company. A Shareholder shall enjoy rights and bear obligations according to the class of his or her Shares. Shareholders holding Shares of the same class shall enjoy the same rights and bear the same obligations.

Shareholders' Rights and Obligations

Shareholders of the Company are entitled to the following rights:

(i) To receive dividends and other forms of interest distribution according to the number of shares held;

(ii) To legally require, convene, preside over, participate in or authorize proxies of Shareholders to attend the shareholders' general meeting and exercise corresponding voting rights;

(iii) To supervise business operations of our Company, provide suggestions or submit queries;

(iv) To transfer, grant or pledge the Company's shares held according to the provisions of the laws, administrative regulations and the Articles of Association;

(v) To read and copy the Articles of Association, the register of Shareholders, records of corporate bonds, shareholders' general meeting minutes, resolutions of meetings of the Board of Directors and financial and accounting reports;

(vi) To participate in the distribution of the remaining assets of our Company according to the proportion of shares held upon our termination or liquidation;

(vii) To require the company to purchase their shares if they object to the resolutions on the company's merger or division made by the Shareholders' meeting;

(viii) Other rights stipulated by laws, administrative regulations, departmental rules, the Hong Kong Listing Rules, or the Articles of Association.

The Shareholder who proposes to inspect or copy the aforementioned relevant information or to obtain materials shall provide the Company with a written document proving the type and quantity of shares they hold in the Company. Upon verifying the shareholder's identity, the Company shall provide the requested information in accordance with the shareholder's requirements.

If the content of a resolution of the shareholders' general meeting or Board of Directors of the Company violates laws or administrative regulations, Shareholders shall have the right to request the People's Court to hold it invalid. If the convening procedures or voting methods of the shareholders' general meeting or the board of directors violate laws, administrative regulations or the Articles of Association, or the content of the resolution violates the Articles of Association, the shareholders have the right to request the court of the PRC to revoke the resolution within 60 days

from the date on which the resolution is made. However, the resolution shall not be revoked if there are only minor flaws in the convening procedures or voting methods of the shareholders' general meeting or the board meeting resulting in no substantial impact on the resolution.

If the directors other than those on the Audit Committee or senior management personnel violate the provisions of laws, administrative regulations or the Articles of Association in performing duties for the Company and caused damage to the Company, Shareholders who hold 1% or more of the Shares in the Company, either individually or collectively, for 180 or more consecutive days shall have the right to request the Audit Committee in writing to institute a legal action in the People's Court; if the Audit Committee violates any law or administrative regulation or breaches the Articles of Association in performing duties for the Company and caused damage to the Company, Shareholders may request the Board in writing to institute a legal action in the People's Court. If the Audit Committee or the Board refuses to institute legal actions after receiving a written request from the Shareholder as provided for in the preceding paragraph, or if no legal actions are instituted within 30 days from the date of receipt of the request, or if the situation is urgent and failure to institute proceedings immediately would cause irreparable damage to the interests of the Company, the Shareholder as provided for in the preceding paragraph shall have the right to institute proceedings directly in the People's Court in his own name and for the interests of the Company. In the event that a third party infringes upon the lawful rights and interests of the Company and causes damage to the Company, the Shareholders provided for in the preceding paragraph may institute a legal action in the People's Court in accordance with the procedure described above.

Where a Director, Supervisor and senior management personnel of a wholly-owned subsidiary of the Company falls under the circumstances prescribed in the preceding paragraph, or where a third party infringes upon the lawful rights and interests of the wholly-owned subsidiary of the Company and causes damage to such wholly-owned subsidiary, Shareholders who hold 1% or more of the Shares in the Company, either individually or collectively, for 180 or more consecutive days may request the Supervisory Committee or the Board of the wholly-owned subsidiary in writing to institute proceedings in the People's Court in accordance with Article 189 of the Company law, or directly institute a legal action in the People's Court in his own name. If the wholly-owned subsidiary of the company does not have a supervisor, the procedures described above shall be applied.

If a Director or senior management personnel violates the provisions of laws, administrative regulations or the Articles of Association to the detriment of the interests of Shareholders, Shareholders may institute a legal action in the People's Court.

Shareholders of the Company shall assume the following obligations:

(i) To comply with laws, administrative regulations, departmental rules, the regulatory rules of the stock exchange where the company's shares are listed, and the Articles of Association;

(ii) To pay capital contribution as per the Shares subscribed for and the method of subscription;

(iii) Not to withdraw Shares unless prescribed otherwise in laws and administrative regulations;

(iv) Not to abuse Shareholders' rights to infringe upon the interests of the Company or other Shareholders; not to abuse the Company's status as an independent legal entity or the limited liability of Shareholders to damage the interests of the Company's creditors;

(v) Other obligations stipulated by laws, administrative regulations, the regulatory rules of the stock exchange where the company's shares are listed, and Articles of Association.

Any company Shareholder who abuses Shareholders' rights and causes the Company or other Shareholders to suffer a loss shall be liable for making compensation in accordance with the law. Any Shareholder who abuses the status of the Company as an independent legal entity or the limited liability of Shareholders to evade debts and seriously damages the interests of the Company's creditors shall assume joint and several liability for the Company's debts.

If a shareholder holding more than 5% of the voting shares of the Company pledges the shares he holds, he or she shall make a written report to the Company from the date of occurrence of such fact and make a declaration in accordance with applicable relevant laws and regulations.

Restriction on Rights of Controlling Shareholders

The Controlling Shareholder and the actual controller of the Company shall not use their connected relationship (related party relationship) to damage the interests of the Company. Any violation of such rule that causes damage to the Company shall be liable for compensation.

The Controlling Shareholder and the actual controller of the Company shall owe a duty of good faith to the Company and its public Shareholders. The Controlling Shareholders shall exercise their rights as capital contributors in strict accordance with the law. The Controlling Shareholders shall not use profit distribution, asset restructuring, external investment, fund occupation, loan guarantee, etc. to damage the legitimate rights and interests of the Company and those of the public Shareholders, and shall not use their control position to damage the interests of the Company and the public Shareholders.

Shareholder's General Meetings

General Provisions for Shareholder's General Meetings

The shareholders' general meeting is the organ of authority of the Company, which exercises its powers in accordance with the PRC Company Law:

(i) To elect or replace the Directors (other than the employee representatives) and to decide on matters relating to the remuneration of Directors;

(ii) To examine and approve reports of the Board of Directors;

(iii) To examine and approve the Company's proposals for profit distribution plans and loss recovery plans;

(iv) To decide on any increase or decrease of the Company's registered capital;

(v) To decide on the issue of corporate bonds by the Company;

(vi) To decide on matters such as merger, division, dissolution and liquidation or change of corporate form of the Company;

(vii) To amend the Articles of Association;

(viii) Resolution on appointment and dismissal of an accounting firm by the Company;

(ix) To examine and approve the external guarantees stipulated in the Articles of Association that need to be examined and approved by the Shareholders' general meeting;

(x) To examine matters relating to the purchases and sales of the Company's material assets within one year, which exceed 30% of the Company's latest audited total assets;

(xi) To examine and approve matters relating to changes in the use of proceeds;

(xii) To examine and approve the equity incentive plans and employee stock ownership plans;

(xiii) To examine other matters as required by the laws, administrative regulations, departmental rules, the Hong Kong Listing Rules, the securities regulatory rules of the place where the Company's shares are listed or the Articles of Association of the Company, which shall be decided by the shareholders' general meeting.

The following acts of external guarantee (including mortgages, pledges, or guarantees, etc.) of the Company shall be submitted to the shareholders' general meeting for deliberation and approval:

(i) Any guarantee to be provided after the total amount of external guarantees provided by the Company and the subsidiaries it controls has exceeded 50% of the Company's net assets as audited in the latest period;

(ii) Any guarantee to be provided after the total amount of external guarantees provided by the Company has exceeded 30% of the Company's total assets audited in the latest period;

(iii) The total amount of external guarantees provided by the Company has exceeded 30% of the Company's total assets audited in the latest period;

(iv) Any guarantee to be provided for a party whose ratio of liabilities to assets exceeds 70%;

(v) The single guarantee for an amount more than 10% of the Company's net assets audited in the latest period;

(vi) The guarantee to be provided to a Shareholder, or to an actual controller or related party thereof;

(vii) Other guarantees required by the laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company's shares are listed or the Articles of Association of the Company that shall be approved by the shareholders' general meeting.

The shareholders' general meetings are divided into annual shareholders' general meetings and extraordinary shareholders' general meetings. The annual shareholders' general meeting shall be convened once a year and be held within six months after the end of the previous fiscal year.

The Company shall convene an extraordinary shareholders' general meeting within two months from the date of the occurrence of any of the following circumstances:

(i) The number of directors is less than the number provided for in the PRC Company Law or less than two-thirds of the number prescribed in the Articles of Association;

(ii) The uncovered losses of our Company reach one-third of its total paid-in share capital;

(iii) A written request from shareholders who separately or jointly hold 10% or more shares in the Company;

(iv) The Board of Directors considers it necessary;

(v) The Audit committee proposes that such a meeting shall be held;

(vi) Other circumstances conferred by the laws, administrative regulations, departmental rules, the Hong Kong Listing Rules, securities regulatory rules of the place where the Company's shares are listed and the Articles of Association.

Summoning of Shareholders' General Meetings

The independent Directors shall have the right to propose to the Board to convene an extraordinary shareholders' general meeting. The Board shall, in accordance with relevant laws, administrative regulations and the Articles of Association, give a written response on whether or not it agrees to convene such an extraordinary shareholders' general meeting within 10 days after the receipt of the proposal. If the Board agrees to convene an extraordinary shareholders' general meeting, it shall give a notice convening such meeting within 5 days after it has so resolved. If the Board does not agree to convene the extraordinary shareholders' general meeting, it shall give the reasons and make an announcement.

The Audit Committee shall have the right to propose to the Board in writing to convene an extraordinary shareholders' general meeting. The Board shall, in accordance with relevant laws, administrative regulations and the Articles of Association, give a written response on whether or not it agrees to convene such an extraordinary shareholders' general meeting within 10 days after the receipt of the proposal. If the Board agrees to convene an extraordinary shareholders' general meeting, it shall give a notice convening such meeting within 5 days after it has so resolved. Any changes to be made to the original request in the notice shall be subject to approval of the Audit Committee. If the Board does not agree to convene an extraordinary shareholders' general meeting or fails to give a response within 10 days after the receipt of the proposal, the Audit Committee may convene and preside over such meeting on its own on the ground that the Board of Directors was unable or failed to perform its duty to convene a shareholders' general meeting.

Shareholders who individually or collectively hold more than 10% of the shares of the Company shall have the right to request the Board of Directors to convene an extraordinary shareholders' general meeting, and shall submit such request in writing to the Board of Directors. The Board of Directors shall in accordance with the provisions of laws, administrative regulations and the Articles of Association, provide written feedback on whether or not to convene the extraordinary shareholders' general meeting within 10 days after receiving the request. Where the Board of Directors agrees to convene an extraordinary shareholders' general meeting, it shall issue a notice of convening the shareholders' general meeting within 5 days after the resolution of the Board of Directors is made, and changes to the original request in the notice shall be subject to the consent of the relevant shareholders. Where the Board of Directors does not agree to convene an extraordinary shareholders' general meeting, or fails to give feedback within 10 days after receiving the request, shareholders who individually or collectively hold more than 10% of the Company's shares have the right to propose to the Audit Committee to hold an extraordinary shareholders' general meeting, and shall make a written request to the Audit Committee. Where the Audit Committee agrees to convene an extraordinary shareholders' general meeting, it shall issue a notice of convening the shareholders' general meeting within 5 days of receiving the request, and any changes to the original request in the notice shall be subject to the consent of the relevant shareholders. Where the Audit Committee fails to issue a notice of the shareholders' general meeting within the prescribed time limit, it shall be deemed that the Audit Committee has not convened and presided over the shareholders' general meeting, and shareholders who individually or collectively hold more than 10% of the Company's shares for more than 90 consecutive days may convene and preside over it on their own.

Proposals And Notices of Shareholders' General Meeting

The content of proposals shall fall within the functions and powers of the shareholders' general meeting, have clear subject for discussion and specific matters to be resolved and comply with relevant requirements of the laws, administrative regulations, the securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association.

The Board of Directors, the Audit Committee or Shareholders that hold, individually or collectively, 1% or more of the Shares of the Company shall have the right to propose resolutions in shareholders' general meeting.

Shareholders that hold, individually or collectively, 1% or more of the Shares of the Company may submit ad hoc proposals in writing to the convener 10 days before the convening of the shareholders' general meeting. The convener shall give a supplemental notice of the shareholders' general meeting within 2 days upon receipt of the proposals and announce the contents of the ad hoc proposals and submit the ad hoc proposals to the shareholders' general meeting for consideration, except for the cases where temporary proposal violates the provisions of laws, administrative regulations or the Articles of Association, or does not fall within the scope of the authority of the shareholders' general meeting.

Except for the circumstances provided for in the preceding paragraph, the convener shall not modify the proposals already listed in the notice of the shareholders' general meeting or add new proposals after issuing the notice of the shareholders' general meeting.

The convener of an annual shareholders' general meeting shall notify all Shareholders by means of an announcement 21 days before the meeting; the convener of an extraordinary shareholders' general meeting shall notify all Shareholders by means of an announcement 15 days before the meeting. Where the laws, administrative regulations and the securities regulatory rules of the place where the Company's shares are listed provide otherwise in respect of the matter, such rules shall also be applicable.

A notice of a shareholders' general meeting shall include the following:

(i) the time, venue and duration of the meeting;

(ii) matters and proposals submitted to the meeting for consideration;

(iii) a prominent written statement that all Shareholders are entitled to attend shareholders' general meeting and are entitled to appoint in writing a proxy to attend and vote at the meeting and that such proxy need not be a shareholder of the Company;

(iv) the record date of registration of Shareholders entitled to attend the shareholders' general meeting;

(v) the name and telephone number of the regular contact person for the meeting;

(vi) the time and procedure for voting online or through other means (if any);

(vii) Other requirements stipulated in laws, administrative regulations, departmental rules, the Hong Kong Listing Rules, securities regulatory rules of the place where the Company's shares are listed and the Articles of Association.

Notices or supplementary notices of shareholders' general meetings shall adequately and completely disclose the specific contents of all proposals. Where the opinions of an independent Director are required on the matters to be discussed, such opinions and reasons thereof shall also be disclosed when the notices or supplementary notices of shareholders' general meetings are served.

After the notice of the shareholders' general meeting is issued, the shareholders' general meeting shall not be postponed or canceled without justifiable reasons, and the proposals listed in the notice of the shareholders' general meeting shall not be canceled. Once there is a postponement or cancelation, the organizer shall make an announcement and explain the reasons at least 2 working days before the original date of the convening.

Convening of Shareholders' General Meetings

All shareholders or their proxies registered on the record date are entitled to attend the Shareholders' General Meeting and exercise their voting rights in accordance with relevant laws, regulations, and the Articles of Association. Shareholders may attend the Shareholders' General Meeting in person or appoint a proxy to attend and vote on their behalf.

When the Shareholders' General Meeting is convened, all directors and senior management personnel of the company shall attend the meeting and respond to shareholders' inquiries.

The Shareholders' General Meeting shall be presided over by the Chairman of the Board. If the Chairman is unable or unwilling to perform their duties, a director recommended by a majority of the directors shall preside over the meeting.

For Shareholders' General Meetings convened by the Audit Committee on its own, the convener of the Audit Committee shall preside. If the convener of the Audit Committee is unable or unwilling to perform their duties, a member of the Audit Committee recommended by a majority of its members shall preside.

For Shareholders' General Meetings convened by shareholders on their own, the convener or a representative recommended by them shall preside.

If the meeting chairperson violates the rules of procedure during the Shareholders' General Meeting, making it impossible to continue, the Shareholders' General Meeting may, with the consent of shareholders holding a majority of the voting rights present at the meeting, elect a new chairperson to continue the meeting.

The Company shall establish rules of procedure for the Shareholders' General Meeting, detailing the procedures for convening and voting, including notices, registration, review of proposals, voting, vote counting, announcement of results, formation of resolutions, meeting minutes and their signing, announcements, and the principles and specific content of the Shareholders' General Meeting's authorization to the Board of Directors. The rules of procedure for the Shareholders' General Meeting shall be an appendix to the articles of association, drafted by the Board of Directors and approved by the Shareholders' General Meeting.

Voting and Resolutions of Shareholders' General Meeting

Resolutions of the Shareholders' General Meeting are divided into ordinary resolutions and special resolutions. An ordinary resolution of the Shareholders' General Meeting shall be passed by a majority of the voting rights held by shareholders (including shareholder proxies) present at the meeting. A special resolution of the Shareholders' General Meeting shall be passed by at least two-thirds of the voting rights held by shareholders (including shareholder proxies) present at the meeting.

The following matters shall be passed by the Shareholders' General Meeting through ordinary resolutions:

(i) Work reports of the Board of Directors and the Audit Committee;

(ii) Profit distribution plans and plans for making up losses proposed by the Board of Directors;

(iii) Appointment and removal of directors not represented by employee representatives, and determination of their remuneration and payment methods;

(iv) Issuance of corporate bonds;

(v) Other matters not required by laws, administrative regulations, the Hong Kong Listing Rules, other securities regulatory rules of the stock exchange where the company's shares are listed, or the Articles of Association to be passed by special resolution.

The following matters shall be passed by the Shareholders' General Meeting through special resolutions:

(i) Increase or reduction of the Company's registered capital;

(ii) Division, split, merger, dissolution, and liquidation of the Company;

(iii) Amendments to the Articles of Association;

(iv) The purchase and sale of material assets or amount of guarantee provided by the Company within one year valued at more than 30% of the audited total assets of the Company as at the most recent period;

(v) Equity incentive plans;

(vi) Other matters stipulated by laws, administrative regulations, the Hong Kong Listing Rules, other securities regulatory rules of the stock exchange where the company's shares are listed, or the Articles of Association, as well as other matters deemed by the Shareholders' General Meeting through ordinary resolution to have a significant impact on the company and requiring a special resolution.

Shareholders (including shareholder proxies) shall exercise their voting rights based on the number of voting shares they represent, with each share carrying one vote. When voting, shareholders (including shareholder proxies) with two or more votes are not required to cast all their votes for or against a resolution.

The Company's own shares held by the Company do not carry voting rights, and such shares shall not be counted in the total number of voting shares present at the Shareholders' General Meeting.

When the Shareholders' General Meeting reviews matters related to connected transactions, connected shareholders shall not participate in the voting, and the number of voting shares they represent shall not be counted in the total valid votes. The announcement of the Shareholders' General Meeting resolution shall fully disclose the voting situation of non-connected shareholders.

DIRECTORS AND BOARD OF DIRECTORS

Directors

Directors may include executive Directors, non-executive Directors, and independent Directors. Independent Directors refer to individuals who meet the requirements stipulated in the Articles of Association.

Directors of the Company shall be natural persons and shall be subject to the qualification required by the laws, administrative regulations, departmental rules and the securities regulatory rules of the place where the shares of the Company are listed. A person may not serve as a Director of the Company in case of any of the following circumstances:

(i) the person without civil conduct capacity or with limited civil conduct capacity;

(ii) the person who has committed an offense of corruption, bribery, conversion of property, misappropriation of property or sabotaging the market economic order of socialism and has been punished therefor; or who has been deprived of his/her political rights, in each case where less than 5 years have elapsed since the date of the completion of implementation of such punishment or deprivation; in the case of a suspended sentence, for a period not exceeding two years from the date of expiry of the probationary period;

(iii) the person who is a former director, factory director or General Manager (President) of a company or enterprise which is insolvent and under liquidation and he/she is personally liable for the insolvency of such company or enterprise, where less than 3 years have elapsed since the date of the completion of such insolvency and liquidation of the company or enterprise;

(iv) the person who is a former legal representative of a company or enterprise which had its business license revoked and was ordered to shut down due to a violation of the law and who incurred personal liability, where less than 3 years have elapsed since the date of such revocation of the business license;

(v) the person listed as a judgment defaulter by the court of the PRC because the amount of debt he bears is relatively large and the debt is not paid off when it is due;

(vi) the person has been banned by the CSRC or Hong Kong Stock Exchange from access to the securities market, and the term of prohibition has not expired;

(vii) other contents stipulated by laws, administrative regulations or departmental rules, the Hong Kong Listing Rules and the securities regulatory rules of the place where the shares of the Company are listed.

Where a Director is elected or appointed in violation of the provisions above, the election, appointment or appointment shall be invalid. If a Director falls under the provisions above during his or her tenure, the Company shall dismiss him or her from office.

Directors are elected or replaced by the Shareholders' General Meeting and may be removed by an ordinary resolution of the Shareholders' General Meeting before the end of their term. Each term of a director is three years, and directors may be re-elected upon the expiration of their term.

The term of office of a Director shall commence from the date of taking the position until the expiry of the term of office of the current session of the Board. Where a re-election fails to be carried out in a timely manner upon the expiry of the term of office of a Director, such Director shall continue to perform his/her duties as a Director in accordance with the laws, administrative regulations, departmental rules and the Articles of Association.

General manager (president) or other senior management officers may serve concurrently as Directors, provided that the total number of such Directors who concurrently serve as general manager (president) or other senior management personnel and the employee representatives shall not exceed a half of the total number of the Directors of the Company.

The Board of Directors shall include one employee representative director, who shall be democratically elected by the company's employees through the employee representative assembly.

Directors shall comply with laws, administrative regulations, and the Articles of Association and has the fiduciary duties to the Company as follows:

(i) Not to use their authority to accept bribes or other illegal income;

(ii) Not to misappropriate the Company's property or expropriate the Company's funds;

(iii) Not to open accounts in their own name or in the name of others to store the Company's assets or funds;

(iv) Not to lend company funds to others or provide guarantees using the Company's property without the consent of the Shareholders' General Meeting or the Board of Directors, in violation of the Articles of Association;

(v) Not to enter into contracts or transactions with the Company directly or indirectly in violation of the provisions of this Articles of Association without a resolution of the Board of Directors or the Shareholders' General Meeting;

(vi) Not to use their position to seize business opportunities that belong to the Company for themselves or others, except that which has been reported to the Board of Directors or the Shareholders' General Meeting and approved by a resolution of the Shareholders' General Meeting;

(vii) Not to engage in or operate businesses similar to the Company's business for themselves or others without reporting to the Board of Directors or the Shareholders' General Meeting and approved by a resolution of the Shareholders' General Meeting;

(viii) Not to accept commissions in connection with the Company's transactions;

(ix) Not to disclose the secrets of the Company without consent;

(x) Not to use their connections to harm the interests of the Company;

(xi) Other fiduciary duties stipulated by laws, administrative regulations, departmental rules, the Hong Kong Listing Rules, other securities regulatory rules of the stock exchange where the company's shares are listed, and the Articles of Association.

Any gain arising from the breach of the preceding paragraphs by the Director shall belong to our Company. He/she shall be liable for compensation for any loss of our Company arising therefrom.

Directors shall abide by laws, administrative regulations and the Articles of Association, and have the following diligent obligations to the Company, and shall perform their duties with the reasonable care normally expected of a manager in the best interests of the Company:

(i) Shall prudently, earnestly and diligently exercise the powers the Company grants to them to ensure that the Company conducts its commercial activities in a manner that complies with the requirements of state laws, administrative regulations and government economic policies, and that the Company's commercial activities do not go beyond the scope of the business activities stipulated in the Company's business license;

(ii) Shall treat all Shareholders fairly;

(iii) Shall maintain a timely awareness of the operation and management of the Company;

(iv) Shall sign written statements confirming the regular reports of the Company, and ensure that the information disclosed by the Company is true, accurate and complete;

(v) Shall truthfully provide information and materials to the Audit Committee and shall not obstruct the Audit Committee from performing its or their duties;

(vi) Shall have sufficient time and energy to engage in affairs of the Company, prudently assessing the risks and benefits of agenda items; they should generally attend board meetings in person. If they authorize another director to attend on their behalf, they must carefully select the proxy and clearly specify the authorization and decision, without full delegation;

(vii) Shall pay attention to the company's business conditions, etc., and promptly report relevant issues and risks to the board of directors. They cannot claim exemption from liability on the grounds of unfamiliarity with company business or lack of knowledge of relevant matters;

(viii) Shall actively promote the Company's standardized operation, promptly correct the Company's illegal acts, and support the Company in fulfilling its social responsibilities;

(ix) other diligence obligations stipulated by laws, administrative regulations, departmental rules, the Hong Kong Listing Rules, other securities regulatory rules of the stock exchange where the company's shares are listed, and the Articles of Association.

If any Director fails to attend in person or appoint other Directors as his/her representative to attend meetings of the Board for two consecutive times, such Director shall be deemed as unable to perform his duties, and the Board shall propose to replace such Director at the Shareholders' general meeting.

A Director may submit his/her resignation before the expiry of his/her term of office. Where a Director resigns, he/she shall submit a written resignation report to the Board. The Board shall disclose the relevant information within two days.

When a Director's resignation becomes effective or his or her term of office expires, he or she shall complete all procedures for transfer to the Board. His or her obligation to keep the Company's trade secrets confidential shall remain in effect after the end of his or her term of office until such secrets become public information.

No Director shall act in his/her own name for our Company or the Board without authorization by the Board or unless otherwise provided in the Article of Association. Where a Director acts in his/her own name in a situation where a third party may reasonably believe that such director is acting for our Company or the Board, such Director shall declare in advance his/her stance and identity.

The Company shall have independent directors. Matters concerning the qualifications for appointment, nomination and election procedures, term of office, resignation and powers of the independent directors shall be governed by the relevant provisions of laws, administrative regulations, departmental rules, the Hong Kong Listing Rules and other securities regulatory rules of the place where the company's shares are listed.

Board of Directors

The company shall establish a Board of Directors, which is accountable to the Shareholders' General Meeting. The Board of Directors shall consist of nine directors, including one Chairman.

The Board of Directors exercises the following powers and responsibilities:

(i) Convening the Shareholders' General Meeting and reporting work to the Shareholders' General Meeting;

(ii) Implementing resolutions of the Shareholders' General Meeting;

(iii) Deciding on the Company's business plans and investment proposals;

(iv) Formulating the profit distribution plans and plans for recovery of losses of the Company;

(v) Formulating plans of the Company regarding increase or reduction of the registered capital, issuance of bonds or other securities and listing;

(vi) Drafting plans of the Company regarding increase or reduction of the registered capital, issuance of bonds or other securities and listing;

(vii) Determining the matters such as external investments, acquisition or sale of assets, asset mortgages, external guarantees, entrusted wealth management, connected transactions, and external donations within the scope authorized by the Shareholders' General Meeting;

(viii) Determining the internal management structure of the Company;

(ix) Determining the appointment or dismissal of the general manager of the Company, remuneration, rewards and penalties the Board secretary; and based on the nomination of the general manager, to determine the appointment or dismissal of the senior management including Senior Vice President and chief financial officer of the Company and determine their remuneration, rewards and penalties;

(x) Formulating the basic management systems of the Company;

(xi) Formulating proposals for any amendment of the Articles of Association;

(xii) Managing the information disclosure of the Company;

(xiii) Proposing to to the Shareholders' General Meeting for appointment or replacement of the accounting firms which provide audit services to the Company;

(xiv) Listening to work reports from the general manager of the Company and inspecting his/her work;

(xv) Other powers and responsibilities granted by laws, administrative regulations, departmental rules, the Hong Kong Listing Rules, other securities regulatory rules of the stock exchange where the company's shares are listed or the Articles of Association.

The Board of Directors of the Company has established the Audit Committee, the Strategy Committee, the Nomination Committee, and the Remuneration and Evaluation Committee. The special committees are responsible to the Board of Directors and performs their duties in accordance with the Articles of Association and the authorization of the Board of Directors, and the proposal shall be submitted to the Board of Directors for deliberation and decision. The members of the special committees are all composed of Directors, of which the independent Directors of the Audit Committee, the Nomination Committee and the Remuneration and Evaluation Committee shall account for the majority and serve as the Chairman (convener), and the members of the Audit Committee shall be Directors who do not serve as senior management personnel of the Company, and the chairmen shall be accounting professionals. The Board of Directors is responsible for formulating the detailed rules for the implementation of the special committees and regulating the operation of the special committees. Matters beyond the scope of authorization of the shareholders' meeting shall be submitted to the shareholders' general meeting for deliberation.

The Audit Committee shall exercise the powers of the Supervisory Board as stipulated in the Company Law.

The Board of Directors shall meet at least four times a year, with one regular meeting each quarter, convened by the Chairman, and written notice shall be provided to all directors 14 days (including the notice day, excluding the meeting day) before the meeting.

Shareholders representing more than one-tenth of the voting rights, one-third or more of the directors, or the Audit Committee and a majority of independent directors may propose to convene an extraordinary meeting of the Board of Directors. Extraordinary meetings of the Board of Directors shall be convened by the Chairman, and written notice shall be provided to all directors five days before the meeting.

A Board meeting requires the presence of a majority of the directors to be held. Resolutions made by the Board of Directors must be passed by a majority vote of all directors. Voting on resolutions of the Board shall be conducted on a one-person-one-vote basis.

Where a Director has any connected relationship with the enterprise involved in the matter to be decided at the Board meeting, he/she shall report to the Board in writing timely and shall not exercise his/her voting rights on the resolution, nor shall he/she exercise his/her voting rights on behalf of other Directors. The quorum of such a Board meeting shall be more than half of all the non-connected Directors, and the resolutions made at such a Board meeting shall require adoption by more than half of all the non-connected Directors. If the number of non-connected Directors in presence is less than 3 persons, the matter shall be submitted to the shareholders' meeting for deliberation.

GENERAL MANAGER AND OTHER SENIOR MANAGEMENT MEMBERS

The Company shall have one General Manager who shall be nominated by the Chairman of the Board and appointed or dismissed by the Board.

The general manager, deputy general managers, financial officer, technical officer, and the secretary of the Board of Directors are the Senior Management of the Company.

The circumstances of disqualification for Directors, the fiduciary duty and diligence duty of the Directors prescribed in the Articles of Association shall also be applicable to senior management.

The general manager shall serve for a term of 3 years and may serve consecutive terms if re-appointed.

The general manager is responsible to the Board of Directors and exercises the following powers:

(i) Presiding over the production, operation, and management of the company, implementing the resolutions of the Board of Directors, and reporting work to the Board of Directors;

(ii) Implementing the Company's annual business plan and investment plan;

(iii) Drafting the establishment plan of the Company's internal management structure;

(iv) Drafting the Company's basic management system;

(v) Formulating the Company's specific regulations;

(vi) Proposing to the Board of Directors the appointment or dismissal of Deputy general managers, Financial Officer, and other senior management personnel;

(vii) Appointing or dismissing management personnel other than those who should be appointed or dismissed by the Board of Directors;

(viii) Reviewing and approving other related transactions beyond the approval authority of the Board of Directors or the Shareholders' General Meeting;

(ix) Drafting the salaries, benefits, rewards, and punishments of the Company's employees, and deciding on the employment and dismissal of the company's employees;

(x) Making decisions on other external investments, acquisition and sale of assets, asset mortgage and pledge, external guarantees, entrusted wealth management, and related transactions, except for transactions that require approval from the Shareholders' General Meeting or the Board of Directors as stipulated in the Articles of Association;

(xi) Other powers granted by the Articles of Association or the Board of Directors.

The Company shall have a Board secretary who is nominated by the Chairman and appointed or dismissed by the Board of Directors. The Board secretary is responsible for preparing for the shareholders' general meetings and Board meetings, and maintaining documents and managing Shareholders' information, as well as handling information disclosure matters.

The senior management of the Company shall perform their duties faithfully and safeguard the best interests of the Company and all Shareholders. If the senior management of the Company fails to perform their duties faithfully or violates their fiduciary duties, causing damage to the interests of the Company and public Shareholders, they shall be liable for compensation in accordance with the laws.

FINANCIAL ACCOUNTING SYSTEM, PROFIT DISTRIBUTION, AND AUDIT

Financial Accounting System

The company shall establish its financial accounting system in accordance with laws, administrative regulations, and the provisions of relevant national departments.

The company shall prepare its annual financial accounting report within 4 months from the end of each fiscal year and its interim financial accounting report within 2 months from the end of the first 6 months of each fiscal year.

The abovementioned financial accounting reports are prepared in accordance with relevant laws, administrative regulations, departmental rules, the Hong Kong Listing Rules, and other securities regulatory rules of the stock exchange where the company's shares are listed.

The Company shall not establish the statutory account books other than those provided by law. Any assets of the Company shall not be kept under any account opened in the name of any individual.

Profit distribution

When distributing after-tax profits of the year, the Company shall allocate 10% of its after-tax profits for the Company's statutory reserve fund. When the aggregate balance in the statutory reserve fund has reached 50% or more of the Company's registered capital, the Company needs not to make any further allocations to that fund. Where the Company's statutory reserve fund is not enough to make up losses of the Company for the preceding year, the current year's profits shall be applied firstly to make up the losses before being allocated to the statutory reserve in accordance with the preceding provision.

Subject to a resolution passed at a shareholders' meeting, after allocation has been made to the Company's statutory reserve fund from its after-tax profits, the Company may set aside funds for the discretionary reserve fund from its after-tax profits. Except for those not distributed in proportion as prescribed in the Articles of Association, the remaining after-tax profit, after recovery of losses and appropriation of reserve funds, shall be distributed to Shareholders in proportion to their shareholdings. If the Company distributes profits to shareholders in violation of the provisions of the Articles of Association, Shareholders must refund to the Company the profits distributed in violation of the provisions; if losses are caused to the Company, the shareholders and the responsible Directors and senior management shall be liable for compensation. No profit shall be distributed in respect of the shares of the Company which are held by the Company.

The reserve fund of the Company shall be used for making up for the loss, expansion of the operation or increase of capital of the Company. Where the Company's statutory reserve fund and discretionary reserve fund are not enough to make up losses of the Company, the capital reserve fund shall only be applied. When the statutory reserve fund is capitalized, the retained portion of the fund shall not be less than 25% of the registered capital of the Company before the capitalization.

Internal Audit

The Company implements an internal audit system and employs dedicated audit personnel to conduct internal audit oversight of the financial revenues, expenditures, and economic activities of the company and its subsidiaries.

The Company's internal audit system and the responsibilities of the audit personnel shall be implemented upon approval by the Board of Directors. The head of the audit function is accountable to the Board of Directors and reports on their work.

Appointments of Accounting Firm

The Company shall appoint such accounting firm which has complied with the PRC Securities Law, the Hong Kong Listing Rules, regulations and securities regulatory rules of the place where the shares of the Company are listed for carrying out the audit for the accounting statements, net asset verification, and other relevant consultancy services. The term of appointment shall be 1 year and can be re-appointed.

The appointment of accounting firm by the Company shall be subject to the approval of shareholders' general meetings. The Board shall not appoint accounting firm before the approval of the shareholders' general meetings.

The Company guarantees that it shall provide the appointed accounting firm with true and complete accounting proofs, accounting books, financial and accounting reports and other accounting information, and that it engages without any refusal, withholding, and misrepresentation.

The auditing fee of the accounting firm or the method of determining audit fee shall be determined by the shareholders' general meeting.

In the event of termination of the appointment or non-renewal of appointment of an accounting firm, the Company shall notify the accounting firm 15 days in advance; when the shareholders' general meeting votes on termination of appointment of an accounting firm, the accounting firm shall be allowed to make its representation. An accounting firm proposing to resign shall state its opinions in the shareholders' general meeting whether the Company has committed any improper act.

MERGERS, DIVISIONS, CAPITAL INCREASES, CAPITAL DECREASES, DISSOLUTION, AND LIQUIDATION

Merger, Division, Capital Increase and Capital Reduction of the Company

A merger of the Company may take the form of a merger by absorption or a merger by new creation.

The absorption of one company into another is a merger by absorption and the absorbed company shall be dissolved. The merger of two or more companies to create a new company is a merger by new creation and the parties to the merger shall be dissolved.

In a merger of companies, all parties to the merger shall conclude a merger agreement and prepare their respective balance sheets and checklists of assets. The companies shall, within ten days of adopting the merger resolution, notify their creditors and make an announcement within 30 days on the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統). The creditors may, within 30 days of the receipt of the notice or within 45 days as of the issuance of the announcement if they do not receive the notice, require the Company to pay off debts or provide corresponding security.

Where the Company is divided, its assets shall be divided accordingly. Where the Company is divided, a balance sheet and a checklist of assets shall be prepared. Our Company shall notify the creditors within ten days of the date when the division resolution is made and make an announcement within 30 days on the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統).

Where the Company needs to reduce its registered capital, a balance sheet and a checklist of assets must be prepared. Our Company shall notify its creditors within ten days of making the resolution to reduce its registered capital and shall make an announcement within 30 days. The creditors shall, within thirty days of the receipt of the notice or within 45 days of the issuance of the announcement if they do not receive the notice, require the Company to pay off debts or to provide corresponding security.

The Company's registered capital shall not be lower than the statutory minimum after capital reduction.

Where the Company increases or reduces its registered capital, it shall go through registration amendments with the company registration authority in accordance with the law.

Dissolution and Liquidation of the Company

The Company shall be dissolved upon the occurrence of the following events:

(i) expiry of the term of business provided in the Articles of Association or other cause of dissolution as specified therein;

(ii) a resolution on dissolution is passed by a shareholders' general meeting;

(iii) dissolution is required due to the merger or division of the Company;

(iv) the business license of the Company is revoked or the Company is ordered to close down or dissolved in accordance with the laws;

(v) the Company suffers significant hardships in operation and management, and its continued existence would cause significant losses to Shareholders' interests, and such issues cannot be resolved through other means, Shareholders representing 10% or above of the total voting rights of the Company may plead the court of the PRC to dissolve the Company.

In the event that the Company has the dissolution causes as prescribed in the preceding paragraph, it is obligated to disclose the causes of dissolution through the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統) within 10 days.

Where the Company falls under the circumstances described in items (i) and (ii) above, and no property has been distributed to the Shareholders, the Company may survive by amending the Articles of Association. Amendments to the Articles of Association in accordance with the foregoing requirements shall be approved by at least two-thirds of the voting rights held by the Shareholders present at the general meeting.

If the Company shall be dissolved pursuant to the items (i), (ii), (iv) or (v) above, it shall establish a liquidation committee within 15 days from the date of occurrence of the reasons for dissolution to start the liquidation process. The liquidation committee shall be composed of Directors, unless otherwise stipulated in the Articles of Association or the general meeting has resolved to elect another person. If the liquidation obligors fail to perform liquidation obligations in a timely manner and cause losses to the Company or creditors, they shall be liable for compensation. If the liquidation committee is not established to commence liquidation after the deadline or the liquidation does not commence after the liquidation committee is established, interested parties may apply to the people's court to designate relevant persons to form a liquidation committee for liquidation.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Company shall amend the Articles of Association upon occurrence of any of the following circumstances:

(i) the Company Law or relevant laws, administrative regulations, Hong Kong Listing Rules and other regulatory rules of the place where the Company's shares are listed are amended, and the matters provided for in the Articles of Association are in conflict with the provisions of the amended laws, administrative regulations, Hong Kong Listing Rules and other regulatory rules of the place where the Company's shares are listed;

(ii) there has been a change in the circumstances of the Company, resulting in the inconsistency of the matters recorded in the Articles of Association;

(iii) the general meeting has decided to amend the Articles of Association.

If the amendment to the Articles of Association adopted by resolution of the general meeting is subject to the approval of the competent authority, it shall be reported to the competent authority for approval; if it involves matters of company registration, the registration of the changes shall be made with the company registration authority in accordance with the law.

The Board shall amend the Articles of Association in accordance with the resolution of the general meeting in relation to the amendment of the Articles of Association and the approval of the relevant competent authorities.

Where the amendments to the Articles of Association are information required to be disclosed by laws and regulations, the relevant matters shall be announced as required.

FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES

Incorporation

Our Company was established as a limited liability company in the PRC on December 30, 2001, and further converted into a joint stock company with limited liability on June 9, 2009.

As of the date of this prospectus, our registered office and head office are located at 8 South Herui Road, High-tech Industrial Development Zone, Chengdu, Sichuan Province, the PRC. Accordingly, our Company's corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of our Articles of Association is set out in "Appendix V — Summary of Articles of Association." A summary of certain relevant aspects of the laws and regulations of the PRC is set out in "Appendix IV — Summary of Principal Laws and Regulations."

Our Company has established a principal place of business in Hong Kong at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. We were registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on April 2, 2025. Mr. Poon Kin Hei (潘健希), one of our joint company secretaries, has been appointed as the authorized representative of our Company for the acceptance of the service of process on behalf of our Company in Hong Kong. The address for the service of process is the same as our principal place of business in Hong Kong.

Changes in Share Capital of Our Company

Save as disclosed in "History and Corporate Structure — Corporate Development and Major Shareholding Changes of Our Company," there has been no alteration in our share capital within two years immediately preceding the date of this prospectus.

Changes in the Share Capital of Our Subsidiaries

There has been no alteration in the share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

Shareholders' Resolutions

At the general meetings of our Company held on March 26, 2025 and on April 2, 2025, respectively, the following resolutions, among other things, were passed by the Shareholders:

(i) the issue by our Company of H Shares of the nominal value of RMB1.0 each and the listing of such H Shares on the Stock Exchange;

(ii) the number of H Shares to be issued pursuant to the Global Offering shall be no more than 7,494,850 H Shares;

(iii) subject to the completion of filing with the CSRC, upon completion of the Global Offering, 58,655,441 Unlisted Shares in aggregate held by our Shareholders will be converted into H Shares on a one-for-one basis;

(iv) subject to the completion of the Global Offering, the granting of a general mandate to the Board to allot and issue H Shares (including any sale or transfer of treasury shares of our Company) at any time within a period up to the date of the conclusion of the next annual general meeting of the Shareholders or the date on which the Shareholders pass resolution to revoke or change such mandate, whichever is earlier, upon such terms and conditions and for such purposes and to such persons as the Board in their absolute discretion deem fit, and to handle the approval or filing of the CSRC, the Stock Exchange and/or other relevant regulatory authorities with respect to the aforementioned general mandate in accordance with the relevant laws and regulations, provided that, the number of H Shares to be issued shall not exceed 20% of the number of H Shares in issue (excluding treasury shares, if any) as of the Listing Date;

(v) subject to the completion of the Global Offering, the granting of a general mandate to the Board to repurchase Shares issued on the Stock Exchange with an aggregate number of not exceeding 10% of the number of the H Shares in issue (excluding treasury shares, if any) as of the Listing Date;

(vi) subject to the completion of the Global Offering, the conditional adoption of the Articles of Association, which shall become effective on the Listing Date, and the Board has been authorized to amend the Articles of Association in accordance with any comments from the Stock Exchange and other relevant regulatory authorities;

(vii) authorization of the Board and its authorized persons to amend the resolutions in accordance with the requirements of competent regulatory authorities, and deal with the specific implementation; and

(viii) authorization of the Board and its authorized persons to handle all matters relating to, among other things, the Global Offering, the issue and listing of the H Shares.

Reorganization

We have not gone through any corporate reorganization for the purpose of the Global Offering. For details of the history and development of our Company, see "History and Corporate Structure."

Explanatory Statement on Repurchase of Our Own Securities

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this prospectus concerning the repurchase of our own securities.

(a) Reasons for repurchase

The Board considered that the repurchase of the Shares would be beneficial to and in the best interests of our Company and its Shareholders as a whole. It can strengthen the investors' confidence in our Company and promote a positive effect on maintaining our Company's reputation in the capital market. Such repurchases will only be made when the Board believes that such repurchases will benefit our Company and its Shareholder as a whole.

(b) Registered capital

As of the Latest Practicable Date, the registered capital of our Company was RMB58,655,441, comprising 58,655,441 Unlisted Shares in issue of nominal value RMB1.0 each. Upon Listing, the share capital of our Company will be RMB65,172,741, comprising 65,172,741 H Shares in issue of nominal value RMB1.0 each.

(c) Exercise of the general mandate to repurchase Shares

Subject to the passing of the special resolution approving the grant of the general mandate to repurchase H Shares at annual general meetings, the Board will be granted general mandate to repurchase H Shares until the end of the relevant period. The general mandate to repurchase Shares would expire on the earlier of:

(i) the conclusion of the next annual general meeting of our Company at which time it shall lapse unless, by special resolutions passed at that meeting, the authority is renewed, either unconditionally or subject to conditions;

(ii) the revocation or variation of the mandate under the resolution by a special resolution at the next general meeting of our Company; or

(iii) the revocation or variation of the mandate under the resolution by a special resolution at any general meeting of our Company.

Furthermore, we need to complete registration and approval procedures with relevant government authorities for the actual H Share repurchase under the general mandate, as applicable. The exercise in full of the general mandate to repurchase H Shares (on the basis of full circulation of the 65,172,741 Shares in issue as of the Listing Date and no Shares will be allotted and issued or repurchased by our Company on or prior to the date of the next annual general meeting) would result in a maximum of 6,517,274 H Shares being repurchased by our Company during the relevant period, being the maximum of 10% of the total H Shares in issue as of the Listing Date.

(d) Source of funds

In repurchasing the Shares, our Company intends to apply funds from our Company's internal resources (which may include surplus funds and retained profits) legally available for such purpose in accordance with the Articles of Association and the applicable laws, rules and regulations of the PRC.

Our Company is empowered by its Articles of Association to repurchase its Shares. Any repurchases by our Company may only be made out of either the funds of our Company that would otherwise be available for dividend or distribution or out of the proceeds of a new issue of shares made for such purpose. Under PRC laws, the Shares so repurchased should be canceled or transferred within certain period and our Company's registered capital would be reduced by amount equivalent to the aggregate nominal value of the Shares if such Shares were canceled. Our Company may not purchase securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(e) Suspension of repurchase

A public company shall not repurchase its shares on the Stock Exchange at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the issuer to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), until the date of the results announcement, the company may not repurchase its shares on the Stock Exchange unless there are exceptional circumstances.

(f) Close associates and core connected persons

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates have a present intention, in the event the general mandate to repurchase Shares is approved, to sell any Shares to our Company.

No core connected person of our Company has notified our Company that they have a present intention to sell Shares to our Company, or have undertaken to do so, if the general mandate to repurchase Shares is approved.

A public company shall not knowingly purchase its shares on the Stock Exchange from a core connected person (namely a director, chief executive or substantial shareholder of the company or any of its subsidiaries, or a close associate of any of them), and a core connected person shall not knowingly sell their interest in shares of the company to it.

(g) Status of repurchased Shares

Subject to the Articles of Association, the Listing Rules and any other applicable laws and regulations, if our Company repurchases any H Shares pursuant to the general mandate, our Company will either (i) cancel the H Shares repurchased and reduce our Company's registered capital in compliance with the applicable laws and regulations; and/or (ii) hold such H Shares as treasury H Shares, subject to market conditions and our Company's capital management needs at the relevant time any repurchases of H Shares are made. Under the PRC laws, if the H Shares repurchased by our Company will be canceled, our Company's registered capital will be reduced by an amount equivalent to the aggregate nominal value of the H Shares so canceled.

(h) Takeover implications

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the general mandate to repurchase Shares.

(i) General

If the general mandate to repurchase Shares were to be carried out in full at any time, there may be a material adverse impact on our working capital or gearing position (as compared with the position disclosed in our most recent published audited accounts). However, our Directors do not propose to exercise the general mandate to repurchase Shares to such an extent as would have a material adverse effect on our working capital or gearing position.

Our Directors will exercise the general mandate to repurchase Shares in accordance with the Listing Rules and the applicable laws in the PRC. Neither the Explanatory Statement on Repurchase of Our Own Securities nor the proposed share repurchase has any unusual features.

FURTHER INFORMATION ABOUT OUR BUSINESS

Summary of Material Contract

The following contract (not being contract entered into in the ordinary course of business) has been entered into by members of our Group within the two years preceding the date of this prospectus and is or may be material:

(i) the Hong Kong Underwriting Agreement.

Intellectual Property Rights

Trademarks

Registered Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of Registration	Registered Owner	Class	Registration Number	Expiry Date
1.	A  B  C 	Hong Kong	Our Company	5	306576670	2034.6.06
2.	古家	PRC	Our Company	30	35869999	2030.1.13
3.	古家	PRC	Our Company	32	35849497	2030.11.6
4.	彣观庄	PRC	Our Company	5	22743501	2028.2.20
5.	彣观庄	PRC	Our Company	30	22743441	2028.2.20
6.		PRC	Our Company	35	15626619	2035.12.20
7.	金色荷花	PRC	Our Company	5	12348178	2034.9.6
8.	金色荷花	PRC	Our Company	35	12348089	2034.10.6
9.	古家	PRC	Our Company	30	9250167	2032.3.27
10.	古家	PRC	Our Company	5	9250148	2032.3.27
11.		PRC	Our Company	44	8664093	2034.1.20
12.		PRC	Our Company	40	8664087	2031.9.27
13.		PRC	Our Company	35	8664083	2032.2.20

No.	Trademark	Place of Registration	Registered Owner	Class	Registration Number	Expiry Date
14.	金方草堂	PRC	Our Company	44	7884080	2031.6.13
15.	金方草堂	PRC	Our Company	5	7884065	2031.3.13
16.	NEAUTUS	PRC	Our Company	5	7762054	2032.7.6
17.		PRC	Our Company	5	3646036	2036.1.27
18.		PRC	Our Company	30	6545923	2030.3.27
19.	古家	PRC	Our Company	32	42200027	2031.3.27
20.	NEAUTUS	PRC	Our Company	30	55270261	2032.10.13
21.	金色荷花	PRC	Our Company	30	58047340	2032.6.6
22.	文观庄	PRC	Our Company	30	59611303	2032.3.20
23.	文观庄	PRC	Our Company	5	59634841	2032.3.20

Patent

As of the Latest Practicable Date, we had registered the following patents which we consider to be or may be material to our business:

No.	Patent	Type of patent	Place of Registration	Patent Number	Owner	Expiry Date
1. . . .	An integrated machine for rice stir-frying processing and sieving, and the rice stir-frying processing method (一種米炒炮製篩分一體機及米炒炮製方法)	Invention patent	PRC	ZL202410834598.8	Our Company	2044.6.26

No.	Patent	Type of patent	Place of Registration	Patent Number	Owner	Expiry Date
2. . .	An integrated method of processing *Pinellia ternata* suitable for industrialized mass production (一種適於工業化大生產的一體化炮製半夏的方法)	Invention patent	PRC	ZL202110914569.9	Our Company	2041.8.10
3. . .	An Online Quality Testing Method for Decoction-ready Products (一種中藥飲片的在線質量檢測方法)	Invention patent	PRC	ZL202310904041.2	Our Company	2043.7.24
4. . .	Intelligent control system for the production of Toxicity Decoction-ready Products of Araceae by production method (天南星科毒性飲片生產智能控制系統的生產方法)	Invention patent	PRC	ZL202310152675.7	Our Company	2043.2.23
5. . .	An automated cooking line (一種自動化蒸煮流水線)	Utility model patent	PRC	ZL202220873077.X	Our Company	2032.4.15
6. . .	An intelligent drying bed (一種智能乾燥烘床)	Utility model patent	PRC	ZL202120579930.2	Our Company	2031.3.22
7. . .	Processing Technology for Penthorum Chinense Pursh (趕黃草的炮製工藝)	Invention patent	PRC	ZL201410246584.0	Our Company	2034.6.5

Copyrights

As of the Latest Practicable Date, we had registered the following software copyright which we consider to be material to our business:

No.	Name of Software	Place of Registration	Registered Owner	Registration Number	Registration Date
1. . . .	Neautus Barcode Traceability Inquiry Management System V1.0 (新荷花條碼追溯查詢管理系統 V1.0)	PRC	Our Company	2011SR005210	2011.02.09

As of the Latest Practicable Date, we also had the following registered artwork copyrights which we consider to be material to our business:

No.	Name of artwork	Place of Registration	Registered Owner	Registration Number	Registration Date
1. . . .	Jin Fang Cao Tang Panda Series Art Designs (金方草堂熊貓系列美術設計)	PRC	Our Company	國作登字-2024-F-00059384	2024.02.22
2. . . .	Penthorum Chinense Pursh Packaging Label (趕黃草包裝標誌)	PRC	Our Company	國作登字-2012-F-00071978	2012.09.28

Domain Names

As of the Latest Practicable Date, we owned the following domain names, which we consider to be or may be material to our business:

No.	Domain Name	Registration Owner	Expiry Date
1. . . .	xhhonline.com	Our Company	2029.04.24
2. . . .	xinhehua.com	Our Company	2031.05.16

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights that were material in relation to our business.

FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Directors

Disclosure of Interests

Save as disclosed below, immediately following completion of the Global Offering and the Conversion of Unlisted Shares into H Shares so far as our Directors are aware, none of our Directors or chief executive has any interests or short positions in our Shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant

to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

Name	Position	Nature of Interest*	Number and description of Shares	% of shareholding in the total issued share capital[1]
Mr. Jiang Yun[2]	Executive Director	Beneficial owner	18,498,500 H Shares	28.4%
		Interested in a controlled corporation	9,151,965 H Shares	14.0%
Mr. Jiang Ercheng	Executive Director	Beneficial owner	10,645,170 H Shares	16.3%
Mr. Feng Bin	Executive Director and general manager	Beneficial owner	1,100,000 H Shares	1.7%
Mr. Luo Yujin[3]	Executive Director	Beneficial owner	140,000 H Shares	0.2%
Mr. Lai Zhitian[4]	Non-executive Director	Interested in a controlled corporation	2,308,976 H Shares	3.5%

Notes:

* Denotes that all interests stated represent long positions.

(1) The calculation is based on the total number of 65,172,741 H Shares in issue immediately after completion of the Global Offering and the Conversion of Unlisted Shares into H Shares. For details, see "Share Capital — Shares of Our Company."

(2) Kinna Investment, a company established in the PRC on April 3, 1996, was held as to 47.0% by Mr. Jiang Yun as of the Latest Practicable Date. Therefore, Mr. Jiang Yun is deemed to be interested in the Shares held by Kinna Investment under the SFO. For details, see "Relationship with Our Controlling Shareholders — Overview."

(3) Mr. Luo Yujin was interested as beneficial owner in approximately 8.0% of the equity interest in Sichuan Jinfang Caotang, a non-wholly owned subsidiary and an associated corporation of our Company within the meaning of Part XV of the SFO.

(4) Zhongzhi Pharmaceutical, a company established in the PRC on March 5, 1993, was controlled by Mr. Lai Zhitian, who held over one-third interest in the company as of the Latest Practicable Date. Therefore, Mr. Lai Zhitian is deemed to be interested in the Shares held by Zhongzhi Pharmaceutical under the SFO.

Particulars of Service Contracts

Each of our Directors has entered into a service contract with our Company. The principal particulars of these service agreements are: (a) each of the agreements is for a term of three years following their respective appointment date; and (b) each of the agreements is subject to termination in accordance with their respective terms. The service agreements may be renewed in accordance with our Articles of Association and the applicable rules.

Save as disclosed above, our Company has not entered, and does not propose to enter, into any service contracts with any of the Directors in their respective capacities as Directors (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

Directors' Remuneration

For details of the Directors' remuneration, see "Directors and Senior Management — Remuneration of Directors and Five Highest Paid Individuals" and Note 9 to the Accountants' Report as set out in Appendix I.

Substantial Shareholders

Interest in the Shares of Our Company

For information on the persons (other than our Directors or chief executive of our Company) who will, immediately following the completion of the Global Offering, have or be deemed or taken to have beneficial interests or short position in our Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or directly or indirectly be entitled to exercise, or control the exercise of, 10% or more of the voting power at any meeting of our Company, see "Substantial Shareholders."

Interest in the Shares of Our Subsidiaries

As of the Latest Practicable Date, so far as our Directors are aware, the following person (other than our Directors or chief executive of our Company) was interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of other member of our Group:

Name of subsidiary	Name of shareholder	Approximate percentage of ownership
Jinfang Caotang	Ms. Zhang Xiaojia (張曉佳)	20.00%

Disclaimers

Save as disclosed in "History and Corporate Structure" and this appendix, none of our Directors or any of the parties listed in "— Other Information — Consents of Experts" in this section:

(a) is interested in our promotion, or in any assets which, within the two years immediately preceding the date of this prospectus, have been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to our Company; or

(b) is materially interested in any contract or arrangement subsisting at the date of this prospectus that is significant in relation to our business.

OTHER INFORMATION

Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

Litigation

As of the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our financial condition or results of operations.

The Joint Sponsors

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the H Shares to be converted from Unlisted Shares and the H Shares to be issued pursuant to the Global Offering. All necessary arrangements have been made to enable our H Shares to be admitted into CCASS.

The Joint Sponsors confirm that they satisfy the independence criteria applicable to a sponsor set out in Rule 3A.07 of the Listing Rules.

Pursuant to the engagement letters entered into between the Company and the Joint Sponsors, the Joint Sponsors' fees payable by us to the Joint Sponsors in respect of their services as sponsors in connection with the Listing on the Stock Exchange is US$1,170,000 in aggregate.

Compliance Advisor

Our Company has appointed First Shanghai Capital Limited as our Compliance Advisor in compliance with Rule 3A.19 of the Listing Rules.

Preliminary Expenses

We have not incurred any material preliminary expenses in relation to the incorporation of our Company.

Taxation of holder of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer are effected on the H Share register of members of our Company, including in circumstances where such transaction is effected on the Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer is a 0.1% of the consideration or, if higher, the fair value of the H Shares being sold or transferred. For further information in relation to taxation, see "Appendix III — Taxation and Foreign Exchange."

Consents of Experts

The following experts have each given and have not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

Name	Qualification
GF Capital (Hong Kong) Limited.	A licensed corporation to conduct Type 6 (advising on corporate finance) regulated activity as defined under the SFO

Name	Qualification
ABCI Capital Limited	A licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
Jingtian & Gongcheng	PRC Legal Advisors, and PRC legal advisors of our Company as to data compliance
Ernst & Young	Certified Public Accountants and Registered Public Interest Entity Auditor
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant

As of the Latest Practicable Date, none of the experts named above had any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Promoters

Set forth below are the promoters of our Company:

(i) Chengdu Kinna Investment Co., Ltd. (成都國嘉投資股份有限公司)

(ii) Shuangliang Group Co., Ltd. (雙良集團有限公司)

(iii) Mr. Jiang Ping (江平)

(iv) Beijing Conghui Lide Information Consulting Co., Ltd. (北京聰慧利德信息諮詢有限公司)

(v) Mr. Wang Jinmao (王金茂)

(vi) Mr. Chen Zhili (陳志立)

(vii) Mr. Wu Xuedan (吳學丹)

(viii) Mr. Wang Sen (王森)

(ix) Mr. Zhao Lijun (趙利軍)

Save as disclosed in "History and Corporate Structure," within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to the promoters named above in connection with the Global Offering and the related transactions described in this prospectus.

Bilingual Document

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in so far as applicable.

No Material Adverse Change

Our Directors confirm that there has been no material adverse change in our financial, trading position or prospects since April 30, 2026, being the date of our consolidated financial statements as set out in "Appendix I — Accountants' Report," up to the date of this prospectus.

Miscellaneous

(i) Save as disclosed in "History and Corporate Structure" and this appendix and in connection with the Underwriting Agreements, within the two years immediately preceding the date of this prospectus:

  (a) no share or loan capital of our Company or any of its subsidiaries has been issued nor agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

  (b) no commissions, discounts, brokerage fee or other special terms have been granted in connection with the issue or sale of any Share or loan capital of our Company or any of our subsidiaries;

  (c) no Share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option; and

  (d) no commission has been paid or is payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions of any share in our Company or any of our subsidiaries.

(ii) We have not issued nor agreed to issue any founder shares, management shares or deferred shares;

(iii) There are no arrangements under which future dividends are waived or agreed to be waived;

(iv) There are no procedures for the exercise of any right of pre-emption or transferability of subscription rights;

(v) There have been no interruptions in our business which may have or have had a significant effect on our financial position in the 12 months preceding the date of this prospectus;

(vi) There are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong;

(vii) No part of the equity or debt securities of our Company or any member of our Group, if any, is currently listed on or dealt in on any stock exchange or trading system, and no such listing or permission to list on any stock exchange other than the Hong Kong Stock Exchange is currently being or agreed to be sought; and

(viii) Our Company has no outstanding convertible debt securities or debentures.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

(a) the written consents referred to in "Appendix VI — Statutory and General Information — Other Information — Consents of Experts;" and

(b) a copy of the material contract referred to in "Appendix VI — Statutory and General Information — Further Information about Our Business — Summary of Material Contract."

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.xinhehua.com** during a period of 14 days from the date of this prospectus:

(a) the Articles of Association;

(b) the Accountants' Report for the three years ended December 31, 2025 and the four months ended April 30, 2026 from Ernst & Young, the text of which is set out in Appendix I to this prospectus;

(c) the audited financial statements of our Group for the three years ended December 31, 2025 and the four months ended April 30, 2026;

(d) the report on unaudited pro forma financial information of our Group from Ernst & Young, the text of which is set out in Appendix II to this prospectus;

(e) the legal opinions issued by Jingtian & Gongcheng, our PRC Legal Advisors in respect of certain matters of our Group in the PRC;

(f) the industry report prepared by Frost & Sullivan, the summary of which is set forth in "Industry Overview;"

(g) a copy of each of the PRC Company Law, the PRC Securities Law, the Guidelines on the Bylaws of Listed Companies together with their unofficial English translations;

(h) the material contract referred to in "Appendix VI — Statutory and General Information — Further Information about Our Business — Summary of Material Contract;"

(i) the written consents referred to in "Appendix VI — Statutory and General Information — Other Information — Consents of Experts;" and

(j) the service contracts referred to in "Appendix VI — Statutory and General Information — Further Information about Our Directors and Substantial Shareholders — Directors — Particulars of Service Contracts."



四川新荷花中藥飲片股份有限公司

Sichuan Neautus Traditional Chinese Medicine Co., Ltd.