

**FUTURE PLANS AND USE OF [REDACTED]**

**FUTURE PLANS AND PROSPECTS**

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

**USE OF [REDACTED]**

Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the stated range of the [REDACTED] of between HK\$[REDACTED] and HK\$[REDACTED] per [REDACTED]), we estimate that we will receive net [REDACTED] of approximately HK\$[REDACTED] million from the [REDACTED] after deducting the [REDACTED] and other estimated expenses in connection with the [REDACTED] and assuming the [REDACTED] is not exercised. We intend to use the net [REDACTED] from the [REDACTED] for the following purposes and in the amounts set out below, subject to changes in light of our evolving business needs and changing market conditions:

- approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for business expansion, opening new Arrail and Rytime hospital and clinics in existing and new cities. To facilitate our expansion, we aim to continue our dual-brand strategy to expand rapidly across a variety of regions and locations, catering to the demand and growth potential for high-quality dental services in the up- and middle-markets, and tapping into a more diverse patient pool to fuel further growth. Although we slowed down our expansion plan and opened only 2 hospitals and clinics in fiscal 2021 due to the impact of the COVID-19 pandemic, we resumed our expansion plan and expect to open more than 10 new hospitals and clinics each year beginning from fiscal 2022. Please refer to the table below for details.

New Hospitals and Clinics	Year ended March 31,						Total
	2022	2023	2024	2025	2026	2027	
<b>Hospitals and clinics by numbers</b>							
<b>Arrail Dental</b>							
Clinics	4	4	5	5	7	7	32
<b>Rytime Dental</b>							
Hospitals	2	3	3	4	4	5	21
Clinics	4	5	9	11	16	20	65
<b>Total</b>	10	12	17	20	27	32	118
<b>Hospitals and clinics by chairs</b>	160	210	260	350	390	440	1,810

To avoid cannibalization among our own dental hospitals and clinics, we generally avoid opening a new store within a three-kilometer radius of an existing store in each city.

---

## FUTURE PLANS AND USE OF [REDACTED]

---

The annual targets of our planned business expansion are not completely fixed. The actual number, location, timing and type of new hospitals and clinics to be opened in any period will be affected by a number of factors and some of them are beyond our control, particularly the duration and impacts of the COVID-19 pandemic. We may make necessary adjustment to our expansion plan depending on market conditions, status of preparation of new hospitals and clinics and other relevant factors, to strike a balance between our business expansion and profitability.

We assess new locations for our hospitals and clinics based on a variety of factors, including: (i) transportation factors such as proximity to public transport, (ii) commercial viability including proximity to public hospitals, and (iii) cost factors such as rental rate levels. Among such, we plan on, but are not limited by:

- dedicating approximately [REDACTED]%, or HK\$[REDACTED] million, to further increase our penetration and grow our footprint in existing and emerging Tier-1 cities and existing Tier-2 cities. We plan to open (i) a total of 32 new clinics under our Arrail Dental brand assuming an average of 10 chairs per clinic, and (ii) a total of 46 new hospitals and clinics under our Rytime Dental brand assuming an average of 40 chairs per hospital and 10 chairs per clinic within six years. We aim to target prime locations in Grade A office buildings or in high-end shopping malls or residential areas to service more consumers; and
- dedicating approximately [REDACTED]%, or HK\$[REDACTED] million, to further our expansion into new key Tier-2 cities. We plan to open a total of 40 new hospitals and clinics under our Rytime Dental assuming an average of 40 chairs per hospital and 10 chairs per clinic within six years. We aim to target middle market consumers across emerging metropolitans in the Northern, Eastern, Southern and Western parts of China. In these regions, we plan to identify key locations in residential areas where accessibility to customers and families are high;
- approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to build and optimize our IT infrastructure including but not limited to (i) the expansion of our online knowledge sharing and teaching platform to encourage our dentists to exchange practical skills, (ii) continuously upgrading our CRM software to deepen our connection with our customers and expanding our membership program; and (iii) upgrading our digital infrastructure to increase operational efficiency and enable services standardization across our network. During the Track Record Period, our expenditures on IT infrastructure were RMB32.1 million, RMB34.4 million, RMB37.7 million and RMB22.4 million for fiscal 2019, 2020 and 2021 and the six months ended September 30, 2021, respectively. We expect to continue to invest in our IT infrastructure, as we believe that our continuous efforts in developing our SaaS systems for optimizing dental operations, procurement, medical record management and patient relationship management will enable our dentists to focus on core treatments and consistently provide high quality dental services to patients across our hospitals and clinics. By further enhancing our

**FUTURE PLANS AND USE OF [REDACTED]**

customized operating systems, we expect to continue to strengthen our digital infrastructure capabilities, synergize our research and development initiatives, and improve our operational efficiency and the returns on our research and development efforts, which will ultimately benefit our dentists and patients. With our continuous operational expansion, investing in IT infrastructure can allow us to streamline and provide consistently high quality dental healthcare service offerings that meet our standards.

The following table sets forth an expected progress for our use of the net [REDACTED] from the [REDACTED] for building and optimizing our IT infrastructure:

	Year ended March 31,				
	2022	2023	2024	2025	Total
	(HK\$ in millions)				
SaaS System	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Client relationship management software	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Electronic medical records system	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Smart software technologies	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Digital operating and analytical technologies	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Diagnostic assistant technologies	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>Total</b>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

In particular, we plan to, but are not limited by:

- dedicating approximately [REDACTED]%, or HK\$[REDACTED] million, to continuously upgrading our SaaS System with an aim to cover every aspect that is integral to our operations with a client-centric approach through creating an online-to-offline management platform that can benefit both ourselves and other stakeholders within the dental industry. Specifically, we plan to invest approximately [REDACTED]%, or HK\$[REDACTED] million, in further enhancing the functions and security of our SaaS system to create an online-to-offline management platform that can benefit both ourselves and other stakeholders within the dental industry; we will also invest approximately [REDACTED]%, or HK\$[REDACTED] million, in both hiring top-tier software and systems developers and licensing relevant technologies from third parties;

---

## FUTURE PLANS AND USE OF [REDACTED]

---

- dedicating approximately [REDACTED]%, or HK\$[REDACTED] million, to the upgrades of client relationship management software to further empower our dentists to offer quality services and increase the customer engagement through building more tailored and user-friendly platforms. Specifically, we plan to invest [REDACTED]%, or HK\$[REDACTED] million, to further develop and upgrade the functionality and performance of various modules of our client relationship software, such as customer information management, dedicated follow-up services, consultant performance management and complaint management, as well as to improve software security; we will invest [REDACTED]%, or HK\$[REDACTED] million, to recruit, train and retain software personnel; we will also invest [REDACTED]%, or HK\$[REDACTED] million, in outsourcing software development;
- dedicating approximately [REDACTED]%, or HK\$[REDACTED] million, to the continuous improvement of our electronic medical records system, which enables us to further enhance quality control of patient information, accumulate meaningful treatment data, provide greater convenience to patients across the country, and encourage knowledge sharing among our dentists. Specifically, we plan to invest approximately [REDACTED]%, or HK\$[REDACTED] million, to deploy software and hardware to integrate our electronic medical records system into our SaaS system, which will enhance our online knowledge sharing and teaching platform and ensure data protection and data security; we will invest approximately [REDACTED]%, or HK\$[REDACTED] million, in additional research and development personnel to continuously enhance and improve the robustness of our electronic medical records system; we will also invest approximately [REDACTED]%, or HK\$[REDACTED] million, in outsourcing software development;
- dedicating approximately [REDACTED]%, or HK\$[REDACTED] million, to the development of a variety of smart software to support our offerings of premium and paperless services targeting the affluent consumers at upmarket locations. Specifically, we plan to invest approximately [REDACTED]%, or HK\$[REDACTED] million, in purchasing relevant hardware, software and servers and enhancing our system safety; we will invest approximately [REDACTED]%, or HK\$[REDACTED] million, in software development personnel; we will also invest approximately [REDACTED]%, or HK\$[REDACTED] million, in outsourcing software development;
- dedicating approximately [REDACTED]%, or HK\$[REDACTED] million, to the development of our digital operating and analytical functions, which is expected to strengthen our capability to manage and analyze data we accumulate and improve our operational efficiency. Specifically, we plan to invest approximately [REDACTED]%, or HK\$[REDACTED] million, in upgrading the digital operating and analytical functions of our existing analytical infrastructure as well as our data security measures to provide technological support for our clinics and hospitals; we will invest approximately [REDACTED]%, or HK\$[REDACTED] million, in staff costs for digital operation and analysis; we will also invest approximately [REDACTED]%, or HK\$[REDACTED] million, in outsourcing software development; and

---

## FUTURE PLANS AND USE OF [REDACTED]

---

- dedicating approximately [REDACTED]%, or HK\$[REDACTED] million, to the research and development of diagnostic technologies. Specifically, we plan to invest approximately [REDACTED]%, or HK\$[REDACTED] million, in the development of diagnostic assistant, which serves to enhance our digital infrastructure, improve our operational efficiency, standardize our services and empower our dentists on areas such as X-ray film analysis and orthodontics treatment planning; we will invest approximately [REDACTED]%, or HK\$[REDACTED] million, to both license relevant technologies from third parties and build our in-house research and development team for the development of diagnostic technologies; we will also invest approximately [REDACTED]%, or HK\$[REDACTED] million, in software and system security;

To carry out these initiatives, we will keep abreast of the latest technology trends, market conditions and take into consideration our budgets and growth strategies when making investments to drive our technological advancement. Given our long-term commitment to technological advancement, we anticipate using this amount prudently and sustainably within three years of the [REDACTED].

According to Frost & Sullivan, it is customary industry practice for participants in the healthcare services and dental services markets to allocate resources to upgrade their IT infrastructure. Improvement of IT infrastructure is considered a key success factor for healthcare services and dental services providers as more and more consumers tend to seek higher quality services, which necessitates the use of advanced technologies and intelligent service systems. A well-developed IT infrastructure empowers healthcare services and dental services providers to streamline their service delivery and enhance their operational efficiency, which in turn would improve their overall profitability.

Since we provide premium dental services mainly targeting upper market consumers who are willing to pay for high quality dental services, we are expected to utilize robust IT infrastructure to facilitate the use and protection of medical data, the management of client relationship, the development of professional training systems and other research and development activities, to improve customer satisfaction and maintain competitiveness in the market. In addition to the market positioning, the proposed spending of the net [REDACTED] from the [REDACTED] to build and optimize our IT infrastructure is consistent with the implementation of our Company's business strategies. Based on the foregoing, Frost & Sullivan is of the view that the proposed use of [REDACTED] in connection with IT infrastructure upgrades is reasonable and in line with the industry practice.

---

## FUTURE PLANS AND USE OF [REDACTED]

---

- approximately [REDACTED]%, or HK\$[REDACTED] million, will be used as working capital to continue to deliver superior dental services to our clients, adopting initiatives including but not limited to:
  - providing training bases at top universities to enhance our dentists' know-hows, encourage specialization across a variety of practices and adopting more ongoing training initiatives; and
  - procuring the best-in-class dental equipment at optimal prices.

To the extent that our actual net [REDACTED] from the [REDACTED] is higher or lower than our estimate above, we will increase or decrease our allocation of the net [REDACTED] for the purposes set out above on a pro rata basis.

After deducting the [REDACTED] fees, commissions and estimated expenses payable by us in relation to the [REDACTED], we estimate that we will receive net [REDACTED] of approximately HK\$[REDACTED] million from the [REDACTED], assuming the [REDACTED] is determined to be HK\$[REDACTED] per [REDACTED], being the high-end of the indicative [REDACTED] range stated in this document, approximately HK\$[REDACTED] million, assuming the [REDACTED] is determined to be HK\$[REDACTED] per [REDACTED], being the low-end of the indicative [REDACTED] range stated in this document, and approximately HK\$[REDACTED] million, assuming the [REDACTED] is determined to be HK\$[REDACTED] per [REDACTED], being the mid-end of indicative [REDACTED] range stated in this document.

Assuming the [REDACTED] was exercised in full, after deducting the [REDACTED] and estimated related expenses payable by our Company, we estimate that the total net [REDACTED] that we would receive would be (i) HK\$[REDACTED] million (assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the high-end of the indicative [REDACTED] range stated in this document), (ii) HK\$[REDACTED] million (assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-end of the indicative [REDACTED] range stated in this document) and (iii) HK\$[REDACTED] million (assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the low-end of the indicative [REDACTED] range stated in this document). We intend to apply the additional net [REDACTED] to the above uses on a pro rata basis in the event that the [REDACTED] is exercised.

To the extent that the net [REDACTED] of the [REDACTED] are not immediately required for the above purposes or if we are unable to put into effect any part of our plan as intended, we will hold such funds in short-term interest-bearing accounts at authorized licensed banks.

We will issue announcements, where required, if there is any material change in the use of [REDACTED] mentioned above.