
INDUSTRY OVERVIEW

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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 2024, TCM accounted for 26.5% of China’s total healthcare market. The number of TCM diagnostic and treatment sessions in China has shown consistent year-over-year increases, reaching 1,540.0 million in 2023. The institutional landscape has also expanded substantially, with TCM medical facilities growing to approximately 92,500 establishments in China in 2023, 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 20.5% in 2022, reflecting both growing public acceptance and institutional commitment to TCM.

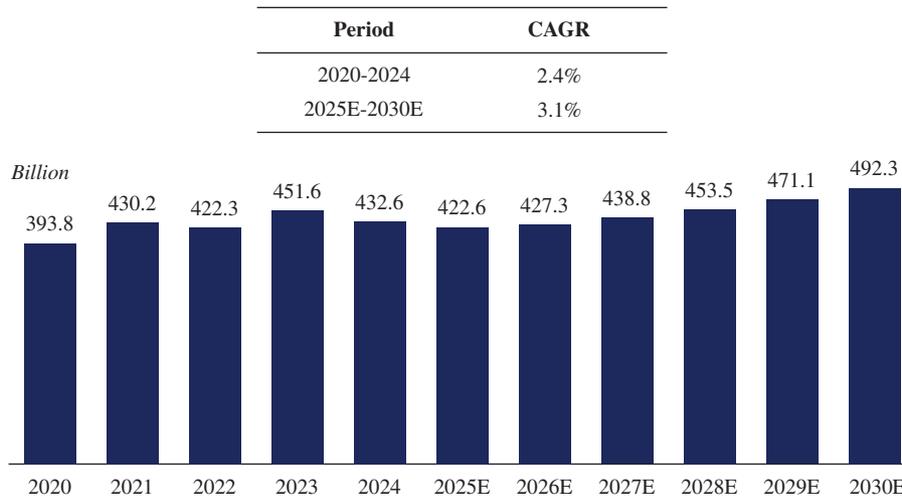
Market Size

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 supplements. 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.

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China’s TCM product market increased from RMB393.8 billion in 2020 to RMB432.6 billion in 2024 at a CAGR of 2.4% and is projected to continue its growth at a CAGR of 3.1% from 2025 to 2030, reaching RMB492.3 billion in 2030.

China’s TCM Product Market Size, 2020-2030E



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

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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 experiencing substantial growth through the development of 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 209,000 tonnes in 2024. 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.

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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.

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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	<i>Ginseng</i> (人參), <i>Velvet antler</i> (鹿茸), <i>Schisandra chinensis</i> (北五味), <i>Guan Phellodendron</i> (關黃柏), <i>Manchurian Wildginger Herb</i> (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	<i>Scutellaria baicalensis</i> (黃芩), <i>Forsythia suspensa</i> (連翹), <i>Codonopsis</i> (黨參), <i>Astragalus</i> (黃芪), <i>Ziziphi spinosae semen</i> (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	<i>Fritillaria thunbergii</i> (浙貝母), <i>Curcuma wenyujin</i> Y.H. Chen et C. Ling (溫鬱金), <i>Radix paeoniae alba</i> (白芍), <i>Angelica dahurica</i> (白芷), <i>Dwarf lilyturf</i> (麥冬), etc.	11%
Central China	This area is temperate, subtropical monsoon climate, is Huaiyao, Qigao and other main producing areas.	Henan, Hubei, Hunan and other provinces	<i>Huai yam</i> (懷山藥), <i>Rehmannia glutinosa</i> (地黃), <i>Achyranthes bidentata</i> (牛膝), <i>Chrysanthemum</i> (菊花), <i>Honeysuckle</i> (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	<i>Yangchun sand</i> (陽春砂), <i>Xinhui chenpi</i> (新會陳皮), <i>Tangerine red</i> (橘紅), <i>Gaoliang ginger</i> (高良姜), <i>Bergamot</i> (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, expensive medicine and cloud medicine.	Chongqing, Sichuan, Guizhou, Yunnan and other provinces	<i>Ligusticum chuanxiong</i> (川芎), <i>Dipsacus chuanxuan</i> (川續斷), <i>Fritillaria cirrhosa</i> (川貝母), <i>Dwarf lilyturf</i> (麥冬), <i>Coptis root</i> (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	<i>Angelica sinensis</i> (當歸), <i>Rhubarb</i> (大黃), <i>Codonopsis</i> (黨參), <i>Chinese wolfberry</i> (枸杞子), <i>Silver bupleurum</i> (銀柴胡), etc.	30%

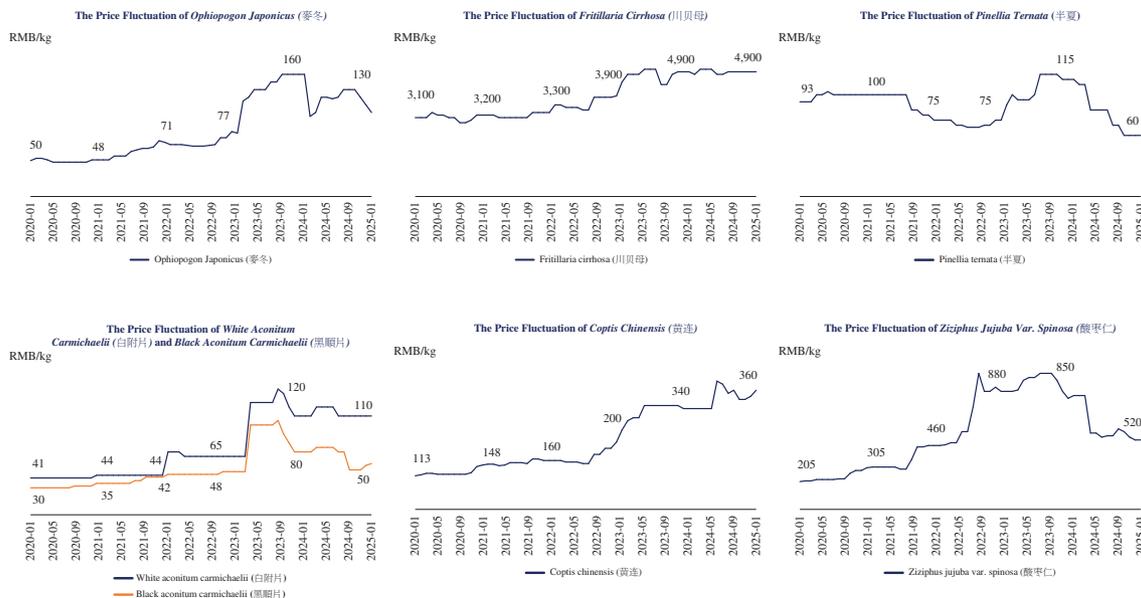
* The area ratio refers to the percentage of regional TCM materials cultivation area among China’s total TCM materials cultivation area.

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.

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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: Zycyd.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.

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<u>Core Technology</u>	<u>Common Methods</u>	<u>Technology Difficulties</u>
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.

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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.

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- ***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 health supplements 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.

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- ***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

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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 varieties, comprising 84 specifications, of TCM decoction-ready products included in 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.

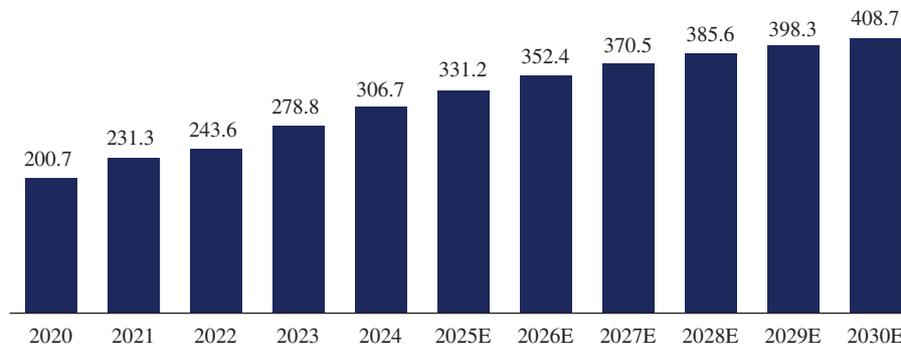
Market Size

China’s TCM decoction-ready product market grew rapidly from RMB200.7 billion in 2020 to RMB306.7 billion in 2024 at a CAGR of 11.2% and is projected to continue its growth at a CAGR of 4.3% from 2025 to 2030 and reach RMB408.7 billion in 2030.

China’s TCM Decoction-Ready Product Market, 2020-2030E

Period	CAGR
2020-2024	11.2%
2025E-2030E	4.3%

Billion RMB



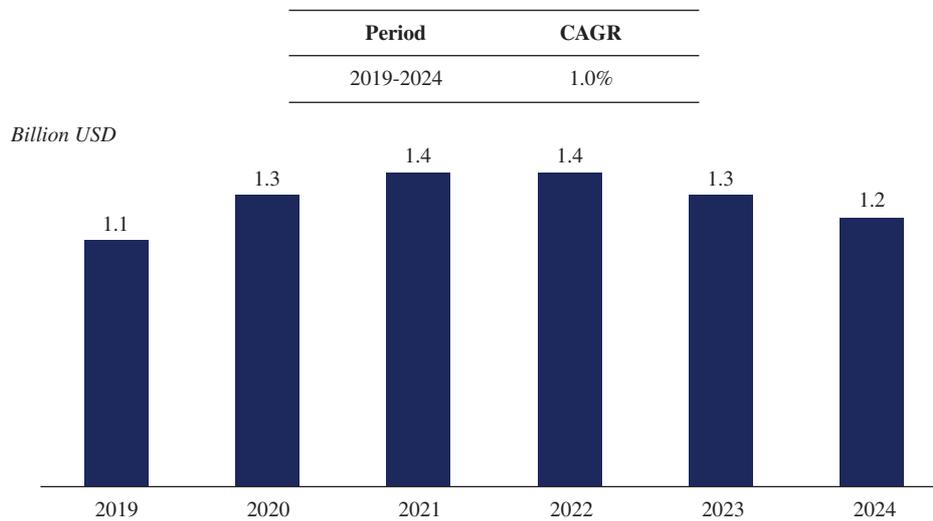
Source: Public information, expert interview, Frost & Sullivan analysis

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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\$1.2 billion in 2024 at a CAGR of 1.0%.

Export Value of TCM Materials and Decoction-Ready Products from China, 2019-2024



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

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The table below sets forth the top ten export markets for TCM materials and decoction-ready products from China in 2024.

Top 10 Export Markets for TCM Materials and Decoction-Ready Products in China, 2024

Export Market	Export Value (US\$ in Million)	Market Share
Japan	305.0	25.4%
South Korea	147.7	12.3%
Taiwan	137.8	11.5%
Hong Kong	129.3	10.8%
Vietnam	90.3	7.5%
Malaysia	48.7	4.1%
U.S.	44.4	3.7%
Germany	23.5	2.0%
Thailand	20.9	1.7%
Singapore	18.7	1.6%

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 2023, the total number of TCM decoction-ready product companies with production licenses in China has reached 2,334. 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.

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In 2024, 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 2024, with a market share of 0.4%.

China’s TCM Decoction-Ready Product Market Share in Terms of Sales Revenue in 2024

Company	2024 Revenue (RMB in billion)	Market Share
Company A	4.0	1.3%
Our Group	1.2	0.4%
Company B	1.2	0.4%
Company C	1.0	0.3%
Company D	0.9	0.3%
Others	298.4	97.3%

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.
- (3) Company C is a company specializing in TCM decoction-ready products based in Anhui.
- (4) Company D is a company specializing in TCM decoction-ready products based in Zhejiang.

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

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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 2024.

	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. 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.

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Type	Category	Effects	Processing	Medical Insurance Coverage	Centralized Procurement Inclusion
<i>Pinellia ternata</i> (半夏)	Toxic	Reduce internal moisture and phlegm, relieve nausea and chest congestion	Crush raw <i>Pinellia ternata</i> (半夏) before use	Yes	No
<i>Aconitum carmichaelii</i> (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 <i>Common monkshood daughter root</i> (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
<i>Kusnezoff monkshood mother root</i> (草烏頭)	Highly toxic	Relieve muscle stiffness and joint discomfort associated with cold or dampness	Remove impurities, wash, and dry	Yes	No
<i>Common monkshood mother root</i> (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.

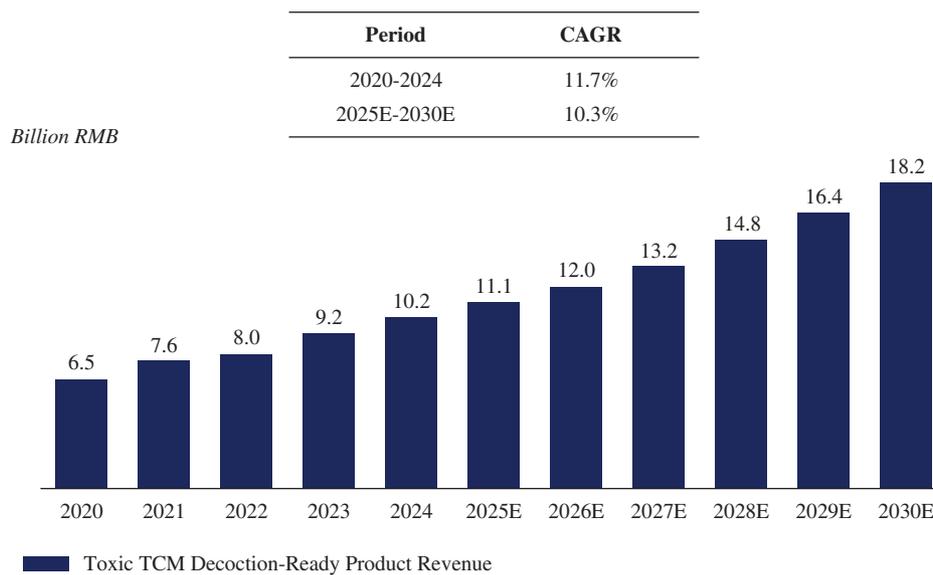
Production of toxic TCM decoction-ready products is also subject to stringent regulations. For example, under the Interim Regulations on Management of Toxic Medicinal Chinese Herbal Materials and Their Decoction-Ready Products (Beijing) (《北京市醫療用毒性中藥材及其飲片生產經營管理暫行規定》), the production of toxic TCM materials 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.

INDUSTRY OVERVIEW

Market Size

The market of toxic TCM decoction-ready products in China increased from RMB6.5 billion in 2020 to RMB10.2 billion in 2024, representing a CAGR of 11.7%. The market for toxic TCM decoction-ready products in China is expected to further grow to RMB18.2 billion in 2030 at a CAGR of 10.3% from 2025 to 2030. With the improvement of the regulatory framework and the wider acceptance of toxic TCM decoction-ready products in clinical treatment, the market share of toxic TCM decoction-ready products is expected to increase at a higher rate than that of non-toxic TCM decoction-ready products.

China’s Toxic TCM Decoction-Ready Product Market, 2020-2030E



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 2024, the five largest market player of China’s toxic TCM decoction-ready products only accounted for 5.6% of the total market in terms of sales revenue, with our Group being the 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 2024.

INDUSTRY OVERVIEW

China’s Toxic Decoction-Ready Product Market Share in Terms of Sales Revenue in 2024

Company	2024 Revenue (RMB in million)	Market Share
Our Group	172.4	1.7%
Company B	144.0	1.4%
Company E	92.1	0.9%
Company F	85.7	0.8%
Company C	73.9	0.7%
Others	9,603.2	94.4%

Notes:

- (1) Company B is a public company for pharmaceuticals and medical devices with a focus on TCM headquartered in Guangdong.
- (2) Company E is a subsidiary within a pharmaceutical and biotechnology group with a focus on TCM based in Beijing.
- (3) Company F is a TCM industry platform company focusing on TCM and authentic medicinal materials headquartered in Hubei.
- (4) Company C is a company specializing in TCM decoction-ready products based in Anhui.

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.

INDUSTRY OVERVIEW

Type	Effects	Processing	Medical Insurance Coverage	Centralized Procurement Inclusion
<i>Fritillaria cirrhosa</i> (川貝母)	Reduce internal heat, relieve cough and phlegm, and soothe throat and respiratory discomfort	Remove impurities	Yes	No
<i>Dwarf lilyturf</i> (麥冬)	Replenish body fluids, moisten the respiratory tract, and promote internal balance	Remove impurities, wash clean, moisten thoroughly, flatten, and dry	Yes	Yes
<i>Coptis root</i> (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
<i>Medicinal cyathula officinalis root</i> (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
<i>Ziziphi spinosae semen</i> (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*

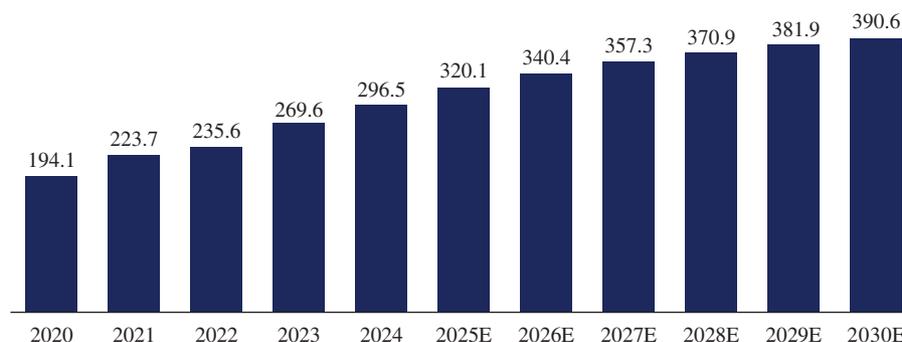
Market Size

The market of non-toxic TCM decoction-ready products in China increased from RMB194.1 billion in 2020 to RMB296.5 billion in 2024, representing a CAGR of 11.2%. The market for non-toxic TCM decoction-ready products in China is expected to further grow to RMB390.6 billion in 2030 at a CAGR of 4.1%.

China’s Non-Toxic TCM Decoction-Ready Product Market, 2020-2030E

Period	CAGR
2020-2024	11.2%
2025E-2030E	4.1%

Billion RMB



■ Non-Toxic TCM Decoction-Ready Product Revenue

INDUSTRY OVERVIEW

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 2024, the five largest non-toxic TCM decoction-ready product market players only had a combined market share of 2.6%. The table below sets forth the competitive landscape of China’s non-toxic decoction-ready product market in terms of sales revenue in 2024.

**China’s Non-Toxic Decoction-Ready Product Market Share
in Terms of Sales Revenue in 2024**

Company	2024 Revenue (RMB in billion)	Market Share
Company A	3.9	1.3%
Our Group	1.1	0.4%
Company B	1.0	0.3%
Company C	1.0	0.3%
Company D	0.9	0.3%
Others	288.8	97.4%

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.
- (3) Company C is a company specializing in TCM decoction-ready products based in Anhui.
- (4) Company D is a company specializing in TCM decoction-ready products based in Zhejiang.

Source: Frost & Sullivan

INDUSTRY OVERVIEW

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 [REDACTED], 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 [REDACTED] 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 [REDACTED].

INDUSTRY OVERVIEW

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.