

INDUSTRY OVERVIEW

The information and statistics set out in this section and other sections of this document were extracted from official government publications and other publicly available sources as well as from the independent industry report prepared by CIC (the “CIC Report”). The Company engaged CIC to prepare the CIC Report in connection with the [REDACTED]. The information from official government sources has not been independently verified by us, any of the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of their respective directors and advisers, or any other persons or parties involved in the [REDACTED] (other than CIC), and no representation is given as to its accuracy. For discussion of risks related to the Group’s industry, see “Risk Factors — Risks Relating to Our Business and Industry” in this document.

HEALTHCARE INDUSTRY IN CHINA

China has the second largest healthcare market in the world. Healthcare industry in China has been developing rapidly in recent years, and has become an important part of the national economy. According to CIC, healthcare expenditure in China reached RMB9,865.5 billion in 2024 and is expected to grow at a CAGR of 8.5% to reach RMB15,875.7 billion in 2030. The demand for healthcare in China will continue to grow due to an aging population, rising disposable income, continued urbanization and growing health awareness.

Healthcare institutions (醫療衛生機構) in China consist primarily of hospitals (醫院), primary healthcare institutions (基層醫療機構), specialized public health institutions (專業公共衛生機構), and other institutions, according to the definition in the China Healthcare Statistics Yearbook (《中國衛生健康統計年鑑》) published annually. The Chinese government has continued to promote healthcare reform, encourage R&D of innovative medicines, optimize the healthcare service system and increase investment in primary healthcare, with the aim of achieving a more balanced distribution of healthcare resources among different regions of the country.

PRIMARY HEALTHCARE INDUSTRY IN CHINA

Primary healthcare has become increasingly important in China’s healthcare system due to an aging population and the rising prevalence of chronic diseases. In China, primary healthcare terminals, comprising primarily primary healthcare institutions and primary pharmacies, play a pivotal role in primary healthcare. Primary healthcare institutions consist primarily of community healthcare centers (社區衛生服務中心), township healthcare centers (鄉鎮衛生院), village health stations (村衛生室), outpatient departments (門診部) and clinics (診所), according to the definition in the China Healthcare Statistics Yearbook published annually. Pharmacies comprise primarily large chain pharmacies (500 stores and above), small-to-medium chain pharmacies (fewer than 500 stores) and individual pharmacies according to their business models and sizes, of which small-to-medium chain pharmacies and individual pharmacies together form primary pharmacies. According to CIC, the number of primary healthcare terminals in China increased from 1,379 thousand in 2018 to 1,636 thousand in 2024, catering to the healthcare needs of 890 million people in the lower-tier markets.

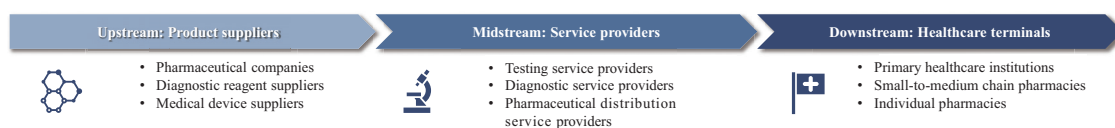
Primary healthcare institutions, representing 95.2% of the total number of healthcare institutions, covered 51.8% and 14.7% of total outpatient visits and inpatient admissions in China, respectively, in 2024. As national healthcare reform progresses, primary healthcare is playing an increasingly important role within the hierarchical diagnosis and treatment system.

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The Chinese government has promoted the allocation of high-quality medical resources to, and strengthened the service capacity of primary healthcare by increasing financial investment, improving infrastructure and upgrading the skills of medical personnel.

The main role of primary healthcare is to deliver basic public health services and diagnosis and treatment for common diseases, while also undertaking chronic disease management, health education and preventive care. In particular, primary healthcare clinical testing at the primary level focuses on chronic disease, such as lipid and cholesterol analysis and routine gynecological examinations, emphasizing convenience and accessibility. The medication supply for primary healthcare focuses on basic and commonly used pharmaceuticals, prioritizing safety and cost-effectiveness. For patients, clinical testing is mainly for follow-up purposes, whereas medication is often required regularly, typically through repeat prescriptions.

Industry Chain



The upstream refers to the foundational entities that provide the essential products required for medical services. This includes pharmaceutical companies, diagnostic reagent suppliers and medical device manufacturers. These entities are responsible for manufacturing medicines, reagents and equipment that enable diagnosis, treatment and medication in primary healthcare.

The midstream includes service providers that play a crucial role in bridging the gap between product suppliers and primary healthcare terminals. Testing and diagnostic service providers offer critical lab services and diagnostics that support primary healthcare terminals' accurate medical decision-making. Pharmaceutical distribution service providers ensure the circulation of medications from manufacturers to primary healthcare terminals.

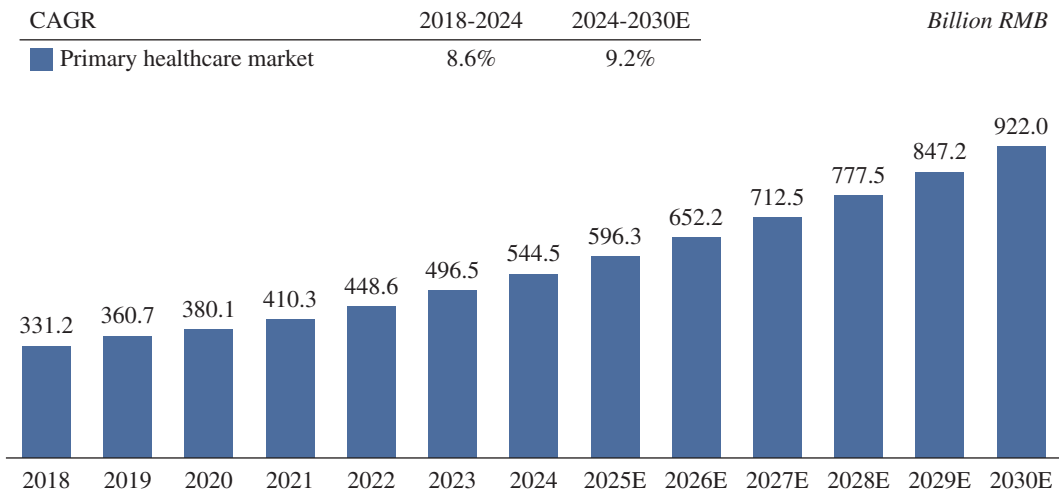
The downstream consists of primary healthcare terminals, which include primary healthcare institutions and primary pharmacies. The products and services provided by upstream and midstream entities are applied to these terminals for them to deliver patient care. Primary healthcare institutions offer comprehensive healthcare services for chronic and frequent diseases, while primary pharmacies serve as the out-of-hospital retail channel for pharmaceuticals and other healthcare products.

Market Size of Primary Healthcare in China

The market size of primary healthcare in China increased from RMB331.2 billion to RMB544.5 billion from 2018 to 2024, in terms of revenue, representing a CAGR of 8.6%. The market size is expected to grow at a CAGR of 9.2% from 2024 to 2030, reaching RMB922.0 billion by 2030.

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Primary healthcare market in China, 2018-2030E, in terms of revenue



Source: CIC

Pain Points of Primary Healthcare in China

Testing and Diagnosis

Primary healthcare institutions generally lack advanced equipment for testing and diagnosis. The total number of primary healthcare institutions in China accounts for approximately 95.2% of the total number of medical institutions in 2024, but they are equipped with only 13,210 pieces of medical equipment of RMB10,000 and above, which is approximately 15.1% of the total number of medical equipment of RMB10,000 and above (87,438 pieces) in hospitals in China. As a result, testing in primary level is relatively less accurate, which limits the quality and scope of healthcare services primary healthcare terminals can provide.

Pharmaceutical Supply

Pharmaceutical supply is vital in primary healthcare market. Primary healthcare terminals purchase relatively small volumes, resulting in weak bargaining power and higher procurement costs. The traditional pharmaceutical supply chain involves multiple distribution intermediaries, which increase mark-ups and distribution expenses. These inefficiencies limit product variety for primary healthcare providers and negatively impact their profitability. Primary healthcare terminals also face the issue of pharmaceutical homogenization. Most primary pharmacies carry less than 80% of the product range available at leading chain pharmacies, focusing mainly on medicines for common illnesses listed in the national medical insurance catalogue. This results in intense competition, with products being highly substitutable and further intensified price competition.

Treatment

The capacity of primary healthcare institutions to address common diseases and chronic diseases is currently insufficient, preventing them from fully undertaking the treatment responsibilities for these diseases. Despite ongoing efforts to develop systematic management plans for such diseases and to support the hierarchical diagnosis and treatment system, a lack of specialized medical service capabilities has caused patients to prefer Class III hospitals for even routine healthcare needs. As a result, the treatment quality and capacity at primary

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healthcare institutions generally do not meet patient expectations, while Class III hospitals are overwhelmed by high volumes of patients seeking care for common diseases and chronic diseases. These issues indicate the urgent need to strengthen the specialized disease management capabilities of primary healthcare institutions to restore public confidence in the healthcare system.

Digitalization and Intelligence Construction

A challenge facing primary healthcare is its underdeveloped digital and intelligent capabilities, which constrain its efficiency and effectiveness. Systems within institutions are usually developed by different vendors with inconsistent data standards, making integration difficult. Data sharing and operational coordination with higher-level hospitals are even more challenging. Primary healthcare needs tools like AI assistants that can directly support diagnosis, improve efficiency, and reduce the workload. There is a need for enterprises to integrate and cover primary healthcare terminals across broader regions, promoting and standardizing digital and intelligent tools to achieve true interoperability in primary healthcare.

To address these pain points in primary healthcare, service providers are driven to provide more helpful and beneficial solutions for primary healthcare terminals, including pharmaceutical direct supply services, integrated diagnosis and treatment services and testing and diagnostic services, with increasing application of digitalization and AI. Through approaches like sample delivery and deployment of POCT devices, they enable primary healthcare institutions to increase testing items and improve diagnostic accuracy. By pharmaceutical direct supply solutions, they reduce the purchase price of primary healthcare terminals and ensure supply stability. Through integrated diagnosis and treatment services, they improve overall capabilities of primary healthcare terminals in treating common diseases and chronic diseases.

Growth Drivers

Increasing Healthcare Demand

The aging population and rising number of patients suffering from chronic disease have led to a continuous increase in healthcare demand. By 2030, it is estimated that the population of elderly people aged 65 and above in China will account for more than 20% of the total population. This need is especially acute in rural areas, where the proportion of elderly people is higher than that in urban areas. Rural areas have a significantly larger elderly population (128.7 million) compared to urban areas (61.9 million), and the aging rate in rural regions has reached 15.4%, surpassing the 10.8% seen in urban areas. This trend not only reflects demographic changes but also underscores the vital role of primary healthcare terminals in the healthcare system.

Improved Patient Payment Capacity and Willingness

Rising incomes in rural areas are enhancing residents' ability to pay for healthcare, while growing health consciousness is simultaneously strengthening their willingness to cover medical costs. Disposable income per capita in rural areas represents a higher CAGR in the 2018 to 2023 interval (8.2%) than in urban areas (5.7%), and annual healthcare expenditures per capita in rural areas have a higher CAGR in the 2018 to 2023 interval (9.1%) than in urban areas (6.9%). Healthcare expenditures are a higher share of total consumption expenditures in rural areas (approximately 10%) than in urban areas (approximately 8%). This dual growth trend creates more opportunities for primary healthcare development but also raises expectations for the quality and variety of services provided.

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Decentralization of the Primary Healthcare Market

China has a vast territory, and the population distribution in counties is relatively scattered. Large pharmaceutical companies usually find it difficult to delve into counties to provide medication due to factors such as resource concentration and high distribution costs. However, service providers, with their flexible operational models, professional service capabilities, and deep understanding of the primary healthcare market, are able to cover county areas, providing comprehensive services and solutions to primary healthcare institutions and pharmacies. This effectively enhances the quality and efficiency of primary healthcare services and promotes the development of the primary healthcare market.

Promotion of the Hierarchical Diagnosis and Treatment system

The government is actively promoting the establishment of a hierarchical diagnosis and treatment system, directing common and chronic diseases to primary healthcare institutions and severe cases to Class III hospitals, aiming to optimize the allocation and utilization of healthcare resources. For example, the Notice on Strengthening First-time Diagnosis and Referral Services and Improving Continuity of Medical Services (《關於加強首診和轉診服務提升醫療服務連續性的通知》) emphasizes the division of medical work among primary diagnosis and treatment institutions. Policy reforms in medical insurance, such as disease-based payments, incentivize healthcare institutions to provide more efficient services and further support the development of primary healthcare. The hierarchical diagnosis and treatment system will effectively guide patients to prioritize seeking medical treatment at nearby primary healthcare institutions. In the long run, primary healthcare institutions will attract and serve more patient groups.

Digitalization and Intelligent Technology

Digitalization and intelligent technology is emerging as a key driver of development in the primary healthcare market. These advancements are transforming primary healthcare services by enhancing medical efficiency, optimizing resource allocation and improving patient experiences. For example, AI-assisted diagnostic systems leverage big data and AI technology to provide diagnostic references for primary healthcare providers and reduce misdiagnosis rates, which is crucial for improving the overall quality of primary healthcare services. Furthermore, the technology supports healthcare institutions in optimizing internal management. Tools such as data analysis models enable accurate forecasting of pharmaceutical demand and facilitate more efficient inventory management. With the continued adoption of digital and intelligent technology, the primary healthcare market is expected to modernize rural healthcare provision and promote fair and efficient access to medical services.

Future Trends

Remote Assisted Diagnosis

With the rapid development of mobile communication technology, remote diagnosis is gradually becoming a reality in the medical field. This enables primary healthcare institutions and primary pharmacies in remote areas to receive more specialized diagnostic support through telemedicine services, thereby significantly improving diagnostic accuracy and efficiency. Through video consultation and electronic health record sharing, medical experts can remotely provide timely medical advice to primary care physicians, improving healthcare outcomes and reducing the imbalance of healthcare resources due to geographic constraints.

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Pharmacies Combining Health Services with Pharmaceutical Sales

Pharmacies are no longer just places for the sale of medicines, but are gradually transforming into platforms for the provision of integrated health services. By combining pharmaceutical sales and diversified pharmaceutical services, such as health counseling, chronic disease management and vaccination, pharmacies are able to meet the health management needs of community residents. This service model not only increases the value-add services of pharmacies, but also promotes the health awareness of community residents, bringing new business growth points for pharmacies.

Diversified Service Models

Technological advances have driven the diversification of primary healthcare service models. In the future, primary healthcare will become more collaborative and intelligent. Primary healthcare will be empowered through the introduction of emerging technologies and services such as telemedicine, AI-assisted diagnosis and online health counseling. This will lead to a wider range of monetization models and growth opportunities, such as through subscription services and pay-as-you-go to meet the diversified needs of different patient communities.

Comprehensive Business Scope

With technological progress, a comprehensive primary healthcare service system is established, covering testing, diagnosis and treatment to the supply of pharmaceuticals and other healthcare products. Such integration helps primary healthcare terminals meet more comprehensive public health needs and provide more efficient and higher-quality services. Through the establishment of a one-stop healthcare service platform, patients can complete all necessary medical services in one place, saving time and costs while improving the overall efficiency and quality of healthcare services.

Pharmaceutical Direct Supply Market in Primary Healthcare

Pharmaceutical direct supply refers to the process where a service provider directly supplies pharmaceuticals procured from pharmaceutical manufacturers to primary healthcare terminals. The service provider acts as the sole distributor during this process. In addition to pharmaceuticals, the supplies generally also include medical devices and other healthcare products. Certain service providers in this market, including the Company, apart from supplying pharmaceuticals of third-party brands, also conduct the pharmaceutical direct supply business under a direct supply and exclusive distribution model, whereby the service providers have registered or licensed private-label brands and engage upstream pharmaceutical manufacturers to manufacture pharmaceuticals under such brands to supply to primary healthcare terminals. The significance of pharmaceutical direct supply lies in its ability to simplify the supply chain and effectively lower procurement costs for primary healthcare terminals. This not only benefits profit margins for all parties involved but also speeds up the supply circulation, allowing patients in primary healthcare to access necessary medications and devices more promptly.

The size of pharmaceutical direct supply market in primary healthcare in China, in terms of revenue, increased from RMB7.0 billion to RMB20.6 billion from 2018 to 2024, representing a CAGR of 19.8%. The market size is expected to grow at a CAGR of 20.7%, reaching RMB63.8 billion by 2030. The Company ranked second in this market with a market share of 11.3% in terms of revenue in 2024.

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Competitive landscape of direct pharmaceutical supply market in primary care in China, 2024, in terms of revenue

Rank	Company name	Revenue (Billion RMB)	Share (% revenue of the whole market)
1	Company A	3.0	14.4%
2	The Company	2.3	11.3%
3	Company B	1.5	7.4%
4	Company C	1.4	6.9%
5	Company D	1.4	6.9%
Others			53.1%

Source: Annual reports of listed companies, expert interviews, CIC

Notes:

- (1) Company A was established in 2015. It is a pharmaceutical company that focuses on serving small and medium-sized chain pharmacies, individual pharmacies and primary healthcare institutions. Its main business is the pharmaceutical distribution, through its own brand and direct supply and exclusive distribution model.
- (2) Company B was established in 2015 and is a listed company on the Hong Kong Stock Exchange. It enables the pharmaceutical industry chain through digital means, connecting pharmaceutical companies, pharmaceutical distributors, downstream pharmacies and primary healthcare institutions, and providing an online trading platform. Most of its business is pharmaceutical distribution, and it also involves the business of placing POCT in primary healthcare institutions.
- (3) Company C was founded in 1999 and is a listed company on the Shanghai Stock Exchange. It serves hospitals, pharmacies and other healthcare terminals. It carries out pharmaceutical B2C and O2O business, and provide chronic disease management and telemedicine to its franchised pharmacies. Most of its business is pharmaceutical distribution, and it also provides chronic disease management and telemedicine services to its franchised pharmacies.
- (4) Company D was established in 2012 and is a listed company on the Hong Kong Stock Exchange. It is a large-scale pharmaceutical manufacturing and distribution group. Its many pharmaceutical companies produce pharmaceuticals and distribute them through its commercial companies, and supply pharmaceuticals to various medical institutions and pharmacies, targeting hospitals and large chain pharmacies, and, to a lesser extent, primary healthcare terminals.

Growth Drivers

Cost control of primary healthcare institutions and primary pharmacies

Primary healthcare institutions and primary pharmacies can effectively control costs by establishing direct partnerships with primary healthcare digitalization and intelligence service providers. This pharmaceutical direct supply model significantly improves their supply chain efficiency by reducing the intermediate steps from pharmaceutical manufacturers to them. Primary healthcare institutions and primary pharmacies are thus able to access medicines at lower prices, reducing overall operating costs. In addition, this model helps to reduce inventory backlogs and optimize capital flows, resulting in greater profit margins for primary healthcare institutions and primary pharmacies.

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Assurance of pharmaceutical supply

By integrating the pharmaceutical needs of individual clinics and pharmacies, the primary healthcare digitalization and intelligence service provider centralizes procurement and undertakes warehousing and logistics, effectively ensuring the stability and timeliness of pharmaceutical supply. A stable supply of medicines is critical to the consistency of patient care, and it can significantly increase patient satisfaction and loyalty to clinic and pharmacy services. Patient trust and repeat visits are key drivers of long-term business growth, leading to sustained business expansion and revenue growth for clinics and pharmacies.

Policy support

The Drug Administration Law, revised in 2019, promoted pharmaceutical innovation and supply security by optimizing the review and approval process and strengthening pharmaceutical safety supervision. The prescription outflow policy allows patients to purchase pharmaceuticals outside the hospital; the cancellation of the pharmaceutical markup policy reduces medical costs; and the hierarchical diagnosis and treatment system optimizes the allocation of medical resources. In addition, the introduction of pharmaceutical e-commerce policies and the classification and grading management of retail pharmacies promotes the standardization and efficiency of the direct pharmaceutical supply market. These policy supports provide the legal basis and market environment for the optimization of the pharmaceutical supply chain and innovation for the pharmaceutical direct supply model, and help promote the healthy development of the pharmaceutical supply system.

Future Trends

Pharmaceutical direct supply model replacing distribution model

The pharmaceutical direct supply model reduces the intermediate links, reduces circulation costs, and improves the efficiency and transparency of pharmaceutical supply. This model can better meet the needs of primary healthcare institutions, and ensure the quality and stability of pharmaceutical supply. In the pharmaceutical direct supply model, profit margins can reach 30% to 35% (with the profit margin of supplying third-party pharmaceuticals nearing the lower end and that of supplying private brand pharmaceuticals nearing the higher end), compared to only 5% to 10% in the traditional distribution model in primary healthcare in China. With the support of policies and technological advances, the pharmaceutical direct supply model is expected to occupy a more important position in the pharmaceutical supply chain, driving the entire industry to develop in a more efficient and standardized direction.

The development of private brand pharmaceuticals

Private brand pharmaceuticals are an important profit strategy for primary healthcare institutions and primary pharmacies. These medicines usually have a high profit margin of approximately 35%, compared to general pharmaceuticals with a gross profit margin of 5% to 8%. Service providers can make selections directly from pharmaceutical companies to ensure the reliability and safety of the pharmaceuticals. In addition, the service providers can have a higher degree of participation in the entire production-to-sales process, which not only helps improve their quality control of the pharmaceuticals, but also facilitates effective brand management and marketing, thus enhancing their market competitiveness.

Entry Barriers

Physical infrastructure barrier

Many pharmaceuticals require strict temperature control, testing providers' cold chain capability. Establishing a full cold chain logistics system that complies with Good Storage Practice (“GSP”) is extremely expensive. It also requires building multiple GSP-compliant regional front-end warehouses to shorten delivery times.

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Licensing and compliance barrier

Engaging in pharmaceutical wholesale and distribution requires a series of licenses (e.g., the pharmaceutical distribution license), which are strictly controlled and often limited in number. Strict adherence to GSP is mandatory and involves multiple aspects of operations, including drug traceability, storage condition monitoring and transport validation.

Capital barrier

A massive inventory with a large number of SKUs must be held to meet the immediate needs of primary healthcare terminals, which requires enormous working capital. Only through immense scale can the high costs of logistics and warehousing be justified and a slim profit be achieved. New entrants find it difficult to compete on price with established giants.

Integrated Diagnosis and Treatment Solution Market in Primary Healthcare

In this market, service providers provide primary healthcare institutions with solution packages encompassing various components, including diagnosis, testing services and personalized pharmaceutical treatment. These solution packages typically have the components of TCM, and are transformed and upgrades from only dealing with temporary symptoms to chronic disease management and health prevention. This model integrates medical resources, improves treatment efficiency and quality, supports continuity of care, enhances patient satisfaction, and delivers higher added value and long-term benefits to primary healthcare terminals. The integrated diagnostic and treatment service market in primary healthcare is presently in its nascent period, and the Company is one of the few market participants.

The size of integrated diagnostic and treatment solution market in primary healthcare in China, in terms of revenue, increased from RMB734.2 million to RMB2.29 billion from 2018 to 2024, representing a CAGR of 20.9%. The market size is expected to grow at a CAGR of 17.8%, reaching RMB6.12 billion by 2030. The Company ranked first in market share with a market share of 29.1% in terms of revenue in 2024.

Growth Drivers and Future Trends

Growth in patient demand

Deaths due to chronic diseases accounted for 88.5% of total deaths in China in 2019. There are more than 180 million elderly people suffering from chronic diseases in China, and these patients usually require long-term treatment and management. With the implementation of hierarchical diagnosis and treatment, as well as the launch of integrated diagnosis and treatment services in primary healthcare institutions, more direct, convenient and comprehensive diagnosis and treatment services have been provided to the patients with common and chronic diseases, addressing previous pain points such as long travel distances for medical treatment and difficulties in obtaining medication.

Enhancement of primary healthcare capacity

In order to improve the quality and efficiency of primary healthcare services, integrated diagnostic and treatment services enable primary healthcare institutions to provide more specialized services to patients, thereby increasing outpatient sales and improving patient satisfaction. The integrated diagnostic and treatment service is characterized by the concentration of resources, which is conducive to the formation of a diagnosis and treatment value chain around the specialized diseases, and enables a patient-centered approach to

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operation and management. The current outpatient volume of primary healthcare institutions is generally low, and they need to operate more efficiently than large general hospitals in order to reduce operating costs. Taking lipid management as an example: integrated diagnostic and treatment services can provide clinics with a complete solution that includes both services and medicines, such as blood collection, delivery of tests, reports and commonly used medicines.

Reputation and brand effect of primary healthcare institutions

By providing high-quality integrated services, primary healthcare institutions are able to build a good reputation and attract more patients, thus standing out from the fierce competition in the primary healthcare market. The market positioning based on a specific disease is more precise than that of traditional specialties for primary healthcare institutions because patients are primarily concerned about disease treatment options and outcomes rather than specialties categorized by tissues, organs, systems or demographic factors such as gender and age. Some patients gradually build up emotional ties and dependence on primary healthcare institutions and primary care physicians over a long period of time in order to receive continued and stable services. Consequently, primary healthcare institutions can have a higher degree of patient loyalty. Therefore, it is easier for a primary healthcare institution to form a brand effect through accurate specialty positioning, a segmented market focused on a specific disease and distinctive treatment features such as a specific brand of medicine.

Testing and Diagnostic Solution Market in Primary Healthcare

For testing and diagnostic services in primary healthcare, medical resources for testing and diagnostics such as equipment and logistics are integrated by service providers and provided to primary healthcare institutions. The main forms of testing service include outsourcing test sample delivery, testing equipment placement and issuance of test reports. This service effectively helps primary healthcare institutions to meet the multiple demands of patients in primary healthcare for the timeliness, accuracy and diversity of tests and upgrades the institutions' diagnostic capabilities.

The size of testing and diagnostic solution market in primary healthcare in China, in terms of revenue, was RMB545.1 million in 2024. The market size is expected to grow at a CAGR of 16.1%, reaching RMB1,337.2 million by 2030. The Company ranked first in market share with a market share of 12.8% in terms of revenue in 2024.

Growth Drivers

Scale effect of centralized delivery

In remote areas, the layout of primary healthcare institutions is usually more dispersed, and the demand for testing in individual primary healthcare institutions is relatively small. Therefore, it is not economically efficient for individual primary healthcare institutions to equip large-scale testing equipment. By purchasing testing services from third-party laboratories, a scale effect can be achieved, thus significantly reducing the cost of each test. This centralized delivery of testing not only improves the efficiency of resource utilization, but also helps improve the quality and speed of testing, enabling primary healthcare institutions to provide patients with high-quality testing services at a lower cost.

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Development of transportation conditions

With the increasing sophistication of the logistics and transportation network in rural China, timely collection and efficient transportation of test samples has been ensured. This development ensures that samples can be quickly transported from primary healthcare institutions to centralized laboratories for testing, thus guaranteeing timeliness of sample delivery and accuracy of test results. Efficient sample transportation not only improves the overall efficiency of healthcare services, but also contributes to patient satisfaction with primary healthcare services, further promoting the spread and optimization of primary healthcare services.

The emergence of digitalization and intelligence enablement

Digitalization and intelligence enablement effectively connects large testing companies with primary healthcare institutions by improving market mechanisms. Service providers utilize digital and intelligent technologies and platforms to provide primary healthcare institutions with more cost-effective testing and diagnostic services. This connection not only facilitates the rational allocation of healthcare resources, but also improves the effective utilization of healthcare services, enabling primary healthcare institutions to better serve the majority of patients and enhancing the service capacity and coverage of the entire healthcare system.

Future Trends

Wider coverage of testing

As medical technology advances and testing equipment continues to improve, the range of testing services that service providers can offer is becoming more extensive. These services have expanded from basic blood and urine tests to more sophisticated biochemical and immunological tests. This diversity of testing services enables primary healthcare providers to offer patients a more comprehensive health assessment, helping to improve the accuracy of diagnosis and the effectiveness of treatment, ultimately enhancing the service capacity and patient satisfaction of the entire healthcare system.

Value extension

With increasing penetration of AI technology, service providers can offer additional value-added services such as AI-assisted interpretation and analysis reports, reference for diagnosis suggestions and medication guidance, further enhancing the diagnostic capabilities of primary healthcare institutions. For example, the test results, under the conditions of compliance and data desensitization, can be analyzed and linked to pharmaceutical recommendations and supplies, forming a “testing-diagnosis-medication” loop that enhances user stickiness.

SOURCE OF INFORMATION

We commissioned CIC, a market research and consulting company founded in Hong Kong and engaged in the provision of professional consulting services across multiple industries, to conduct an analysis and report of the primary healthcare industry in China. We have agreed to pay a fee of RMB0.7 million to CIC in connection with the preparation of the CIC Report. We have extracted certain information from the CIC Report in this section, as well as in the sections headed “Summary”, “Risk Factors”, “Business”, “Financial Information” and

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elsewhere in this document to provide our potential investors with a more comprehensive understanding of the industry in which we operate. Except as otherwise stated, all data and forecasts in this section come from the CIC Report.

The information and data collected by CIC have been analyzed, assessed and validated using CIC’s in-house analysis models and techniques. Primary research was conducted via interviews with key industry experts and leading industry participants. Secondary research involved analyzing data from various publicly available data sources, such as the PRC National Bureau of Statistics and various industry associations. The market forecasts in the CIC Report are based on the following key assumptions: (1) the overall social, economic and political environment in China is expected to remain stable during the forecast period; (2) related key industry-driving factors are likely to continue to drive the growth of the healthcare market, such as increasing healthcare demand, improved patient payment capacity and willingness, promotion of hierarchical diagnosis and treatment system and digitalization and intelligent technologies during the forecast period and (3) there will be no extreme force majeure or unforeseen industry regulations during the forecast period, which may have a drastic or fundamental impact on the market.