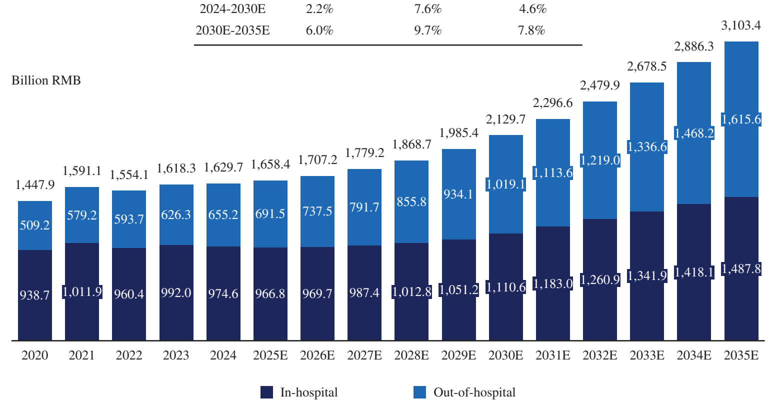
The information and statistics set out in this section and other sections of this document were extracted from different official government publications, available sources from public market research and other sources from independent suppliers. In addition, we engaged Frost & Sullivan for preparing the Frost & Sullivan Report, an independent industry report in respect of the [**REDACTED**]. *We believe that the sources of the information in this section and other sections of this document are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information from official government sources has not been independently verified by us, the Sole Sponsor, the Sponsor-Overall Coordinator, the Overall Coordinator, the* [**REDACTED**], *the* [**REDACTED**] *and the* [**REDACTED**], *the* [**REDACTED**], *the* [**REDACTED**] *or any other party involved in the* [**REDACTED**], *and no representation is given as to its accuracy. Our Directors confirm that, after making reasonable enquiries, there is no adverse change in the market information since the date of the Frost & Sullivan Report that would qualify, contradict or have a material impact on the information in this Section.*

OVERVIEW OF CHINA'S PHARMACEUTICAL MARKET AND INNOVATIVE PHARMACEUTICAL MARKET

China has a major healthcare economy with sizable and steadily increasing healthcare expenditure. According to Frost & Sullivan, China has the world's second largest pharmaceutical market in 2024, which grew from RMB1,447.9 billion in 2020 to RMB1,629.7 billion in 2024, representing a CAGR of 3.0%, and is expected to reach RMB2,129.7 billion in 2030 and RMB3,103.4 billion in 2035, representing a CAGR of 4.6% from 2024 to 2030 and 7.8% from 2030 to 2035, respectively. Particularly, the out-of-hospital segment is expected to grow at a CAGR of 7.6% from 2024 to 2030, and a CAGR of 9.7% from 2030 to 2035. Such growth is expected to be driven by a combination of various factors such as the increase in per capita disposable income and healthcare expenditure, the aging population, growing needs for high-quality treatment for cancer and other major diseases, and technological innovation in relevant areas, especially in innovative drugs and other treatment methods.

China Pharmaceutical Market, 2020-2035E

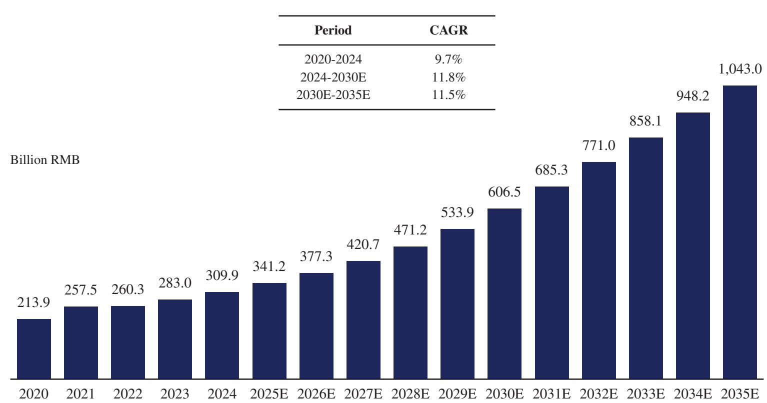
Period	CAGR		
	In-hospital	Out-of-hospital	Total
2020-2024	0.9%	6.5%	3.0%
2024-2030E	2.2%	7.6%	4.6%
2030E-2035E	6.0%	9.7%	7.8%



Source: Annual Report of Listed Company, NMPA, Frost & Sullivan Analysis

Among all segments of China's pharmaceutical market, the innovative pharmaceutical market has been a fast-growing one in answering to the increasing demand from aging population and increasing cancer incidents and other chronic diseases. Driven by the strong R&D capability, fueled by increasing R&D investments and pushed by favorable supporting policies, Chinese pharmaceutical companies have achieved a global leading position in terms of innovative drug pipelines. The diversified and stable offering of the innovative drugs, together with the expanded payment channels for innovative drugs, resulted in the high growth of China's innovative pharmaceutical market from RMB213.9 billion in 2020 to RMB309.9 billion in 2024 at a CAGR of 9.7%, and this market is expected to further reach RMB606.5 billion in 2030 and RMB1043.0 billion in 2035, representing a CAGR of 11.8% from 2024 to 2030 and 11.5% from 2030 to 2035, respectively. In recent years, the inclusion of innovative drugs into China's National Reimbursement Drug List (NRDL) has accelerated significantly, with approximately 80% of innovative drugs being listed within two years of launch according to the National Healthcare Security Administration, thereby substantially shortening the time to reimbursement and improving patient affordability. However, while NRDL inclusion facilitates reimbursement, it does not necessarily ensure rapid in-hospital uptake, as innovative drugs often face barriers such as lengthy formulary review processes, budget constraints, and prescription restrictions at the hospital level, and are typically not subject to centralized volume-based procurement until later stages of their lifecycle. Against this backdrop, out-of-hospital channels, including specialty pharmacies, have become critical in facilitating prescription outflow, improving patient access, and supporting the continued growth of the innovative pharmaceutical market. Such trend, in turn, demands for better commercialization service covering out-of-hospital fulfillment, flexible payment options and comprehensive marketing for innovative drugs to better unlock the market's potential.

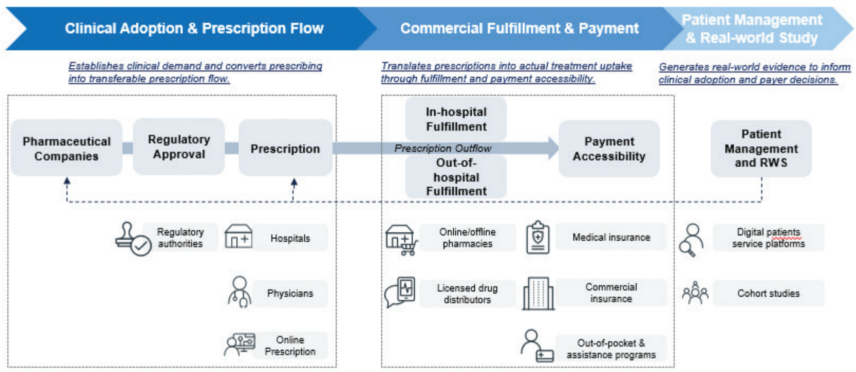
China Innovative Pharmaceutical Market, 2020-2035E



Source: Annual Report of Listed Company, NMPA, Frost & Sullivan Analysis

OVERVIEW OF INNOVATIVE DRUG COMMERCIALIZATION AND FULL-CHAIN COMMERCIALIZATION SERVICE PROVIDERS IN CHINA

The commercialization of innovative drugs in China nowadays relies on a structurally integrated industry workflow. While clinical adoption originates within hospitals, actual treatment uptake is enabled through prescription outflow, out-of-hospital fulfillment, and diversified payment mechanisms. Patient management and real-world evidence generation further reinforce clinical confidence and assist payer decision-making, forming a sustainable commercialization feedback loop.



Source: Frost & Sullivan Analysis

It is expected that the need for commercialization supports for innovative drugs in China will continue to grow, which will be driven by a series of factors, including (i) the rapid expansion of China's innovative drug pipeline providing solid and sustainable foundation for the commercialization, (ii) the increasing prescription outflow from hospitals and the development of diversified distribution channels, supporting the expansion of innovative drugs beyond hospital settings, (iii) the launch of first commercial health insurance innovation drug list expected to meaningfully improve patient access to, and support the commercial uptake of, innovative drugs, and (iv) the acceleration of out-of-hospital and digital commercialization channels enabling innovative drugs to extend beyond traditional hospital settings and support more flexible and patient-oriented commercialization models.

While a mature industry environment will foster the healthy growth of the participants' business, pharmaceutical companies currently face challenges for drug commercialization in this integrated industry workflow, including (i) high barriers across R&D, regulatory approval and reimbursement access for clinical adoption and NRDL inclusion, (ii) the prolonged and costly market education cycles for actual prescription use, (iii) the fragmented patient journey and limited real-world data visibility for patient management and post-launch real-world study, and (iv) increasing pressure from cost-containment and strict payment standards for payment accessibility. Therefore, services from full-chain service providers are increasingly needed to ease the whole commercialization process for innovative drugs.

Full-chain service provider for the commercialization of innovative drugs refer to an independent service provider deriving principal revenue from innovative drug commercialization and capable of delivering integrated services across the commercialization process, including commercial health insurance, drug dispensing, patient management and marketing services. As these providers are deeply involved in various stages of the innovative drug commercialization value chain and have accumulated profound industry insights, they are able to identify issues in the commercialization pathway of innovative drugs from a holistic perspective and provide more effective business solutions. Furthermore, during the execution process, they can enhance the overall efficiency of the entire commercialization chain through data feedback and functional collaboration between different business segments.

The services provided by such providers can be categorized into following groups:

- *Drug dispensing service*. Provision of out-of-hospital pharmacy services for the fulfilment of prescription drugs (mainly innovative drugs) through pharmacy networks and logistics systems.

- *Commercial health insurance service*. Services connecting pharmaceutical companies, insurers and patients to facilitate drug payment, including commercial insurance direct billing and settlement, as well as the design and implementation of innovative payment solutions to improve drug affordability and patient access.

- *Marketing Services*. Services provided to pharmaceutical companies to support the market access, clinical adoption and commercial uptake of innovative drugs, including patient management, HCP network engagement, real-world data support, and other related services across the treatment journey.

The chart below sets out the ranking of China's full-chain commercialization service providers for innovative drugs by total revenue and pharmacy service in 2024.

Ranking of China's Full-chain Service Providers for the Commercialization of Innovative Drugs, 2024

Ranking	Company	Total Revenue, 2024 (Billion RMB)	Annual Delivery Value of Innovative Drugs, 2024 (Billion RMB)	Number of Self-owned Specialty Pharmacies, 2024
1	The Company	10.2	4.8	237
2	Company A	~5.5	~4.5	207
3	Company B	4.6	4.0	53
4	Company C	2.0	/	/

Source: Annual Report of Listed Company, Expert Interview, Frost & Sullivan Analysis

Notes:

Company A, established in 2015, is a digital healthcare platform in China centered on electronic prescription flow and specialty pharmacy services, providing integrated solutions covering prescription management, multi-channel healthcare payment solutions, drug fulfillment, and patient services, and serving pharmaceutical companies, healthcare providers, and patients.

Company B, established in 2014, is listed on the Hong Kong Stock Exchange. It is an integrated healthcare platform in China operating through three core segments: specialty pharmacy services, physician research support services, and commercial health insurance services, connecting enterprises, insurers, healthcare providers, and pharmaceutical companies.

Company C, established in 2017, provides integrated solutions for pharmaceutical companies and insurers across the product lifecycle, including helping pharmaceutical companies improve patient access and management, and offering insurers end-to-end support from actuarial design and pricing to claims processing and health management.

It is expected that the commercialization of innovative drugs in China will exhibit the following future trends, thereby bringing more market opportunities and business challenges to commercialization service providers:

- *Transition from drug-centric sales to integrated care and management solutions*. Pharmaceutical companies are increasingly combining drugs with diagnostics, treatment pathway design, patient support services, and data-driven disease management, which reflects a growing emphasis on long-term outcomes, patient experience and value-based care.

- *Parallel expansion of in-hospital access and out-of-hospital multi-channel models*. Specialty pharmacies, internet hospitals and innovative payment pharmacies enable continuous drug supply, chronic disease management and improved patient adherence beyond hospital settings, and support broader patient reach and more flexible, scalable commercialization models.

- *Acceleration of prescription circulation and diversification of payment mechanisms.* Prescription circulation reforms assists the drug flow across retail pharmacies and digital platforms, and payment systems shifts to a more diversified model, which together enhances affordability, expands coverage for innovative drugs and reshapes access strategies.

- *Deeper integration of commercial health insurance into innovative drug commercialization.* Through innovative benefit design, drug formularies and risk-sharing mechanisms, insurers are influencing pricing, reimbursement pathways and patient access.

OVERVIEW OF CHINA'S SPECIALTY PHARMACY MARKET

Starting in 2018, with the relevant encouraging policies landed, the prescription outflow started to drive the out-of-hospital drug fulfillment market for specialty drugs in China. Specialty pharmacies are important parts of such out-of-hospital fulfillment market, to which pharmaceutical companies can sell their products directly, and from which patients can directly purchase drugs after receiving prescriptions in hospitals and get professional medication services. Specialty pharmacies generally include DTP pharmacies and specialty drug pharmacies. Such pharmacies typically focus on innovative drugs and require enhanced capabilities in areas such as coldchain logistics, prescription management and patient services, and are therefore distinct from traditional community pharmacies. With the following features, they are also crucial for the commercialization of innovative drugs:

- *Rapid market access.* As the out-of-hospital channel, listing of innovative drugs in specialty pharmacies involve less burdensome process as compared to that of hospitals, making it easier for patients to obtain newly launched innovative drugs.

- *Professional services.* As a professional market participant focusing on drug dispensing, specialty pharmacies are in a better position to offer professional services in relation to innovative drugs to other market stakeholders, such as medication guidance, patient follow-up, adverse reaction monitoring, cold-chain logistics.

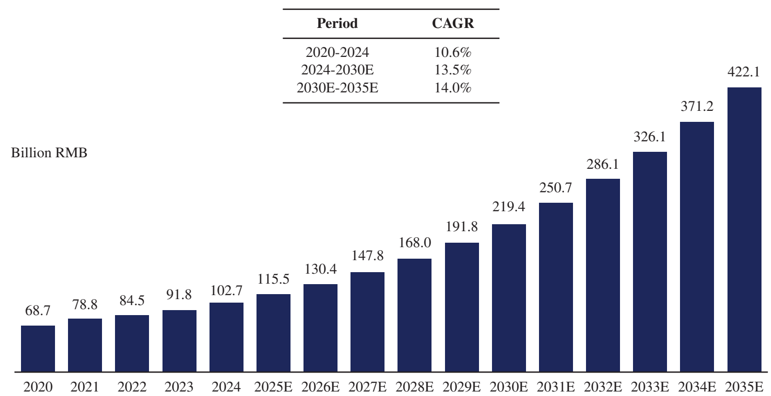
- *Real-world data support.* As specialty pharmacies can gather huge amount of data covering prescription trends and drug usage, their insight is essential for real-world data research for drug performance as well as designing commercial health insurance products.

- *Payment integration.* With both social medical insurance and commercial health insurance accepted, specialty pharmacies can integrate possible payment options to facilitate the payment of and enhance accessibility for innovative drugs.

The specialty pharmacy market in China increased from RMB68.7 billion in 2020 to RMB102.7 billion in 2024 at a CAGR of 10.6%, and is expected to further reach RMB219.4 billion in 2030 and RMB422.1 billion in 2035, representing a CAGR of 13.5% from 2024 to 2030 and 14.0% from 2030 to 2035, respectively. It is expected that the prescription outflow would restructure the industry value as the change of prescription party to out-of-hospital system would drive medical demand and generate greater market potential to specialty pharmacies.

The chart below shows the market size of specialty pharmacy in China in the given period.

Market Size of Specialty pharmacy in China, 2020-2035E



Source: Annual Report of Listed Company, Expert Interview, Frost & Sullivan Analysis

It is expected that China's specialty pharmacy market has following future trends: (i) the ongoing prescription outflow policies and rollout of e-prescription platforms are expected to significantly improve prescription circulation, which in turn will support broader access to innovative drugs in out-of-hospital settings; (ii) retail type pharmacies are transitioning from pure drug dispensing parties toward integrated service providers covering consultation support, payment coordination, drug dispensing and patient follow-up, which enhances the role of pharmacies in innovative drugs' commercialization access; (iii) online prescription generation, remote consultation and offline drug fulfillment are increasingly integrated, enabling more convenient, patient-centered access pathways for innovative therapies; and (iv) AI technologies is being applied across the retail value chain to improve operational efficiency, enable precision patient engagement and support data-driven decision-making throughout the drug retail lifecycle.

The chart below shows the competitive landscape of the specialty pharmacy market in China.

Ranking of China's Specialty Pharmacy Market by Revenue, 2024

Ranking	Company	Specialty Pharmacy Revenue, 2024 (Billion RMB)	Number of Specialty Pharmacies, 2024
1	Company D	14.6	1,644
2	Company E	6.9	270
3	The Company	6.6	237
4	Company A	5.5	207
5	Company F	3.7	224

Source: Annual Report of Listed Company, Expert Interview, Frost & Sullivan Analysis

Notes:

Company D was founded in 2003 and is a company listed on the Hong Kong Stock Exchange. It is one of the largest pharmaceutical distribution group in China, primarily engaged in pharmaceutical distribution and retail. The company has established a nationwide supply chain network, supported by its extensive distribution capabilities and channel coverage, and participates in the specialty pharmacy market through its professional pharmacy network.

Company E was established in 2007, it is a company listed on the Hong Kong Stock Exchange. It is a leading pharmaceutical and healthcare group in China, primarily engaged in pharmaceutical distribution, retail and manufacturing, with strengths in traditional Chinese medicines and OTC products, supported by its centralized procurement capabilities and broad channel coverage, and participates in the specialty pharmacy market through its nationwide network.

Company F was founded in 2019, it is a company listed on the Hong Kong Stock Exchange. It is a leading digital healthcare platform in China, providing online healthcare services, pharmaceutical retail and supply chain solutions, leveraging its prescription flow capabilities, logistics infrastructure and online ecosystem, and participates in the specialty pharmacy market.

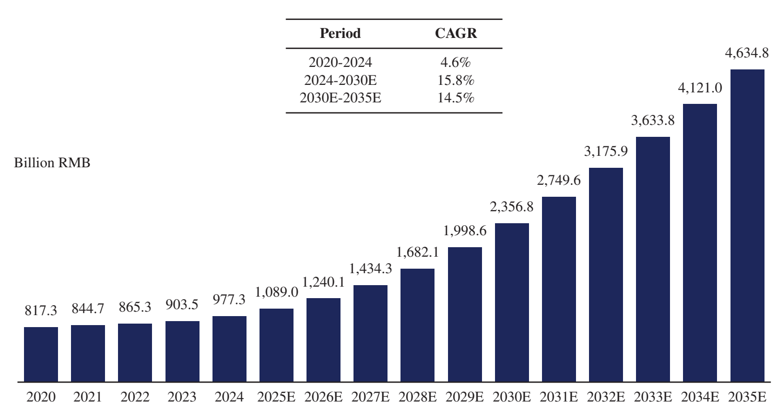
OVERVIEW OF MEDICAL INSURANCE MARKET IN CHINA

The healthcare payment structure in China is clearly multi-layered to include patient self out-of-pocket payment, social medical insurance and commercial health insurance. In the past, social medical insurance, including basic medical insurance and serious illness medial insurance and medical aid, played a central role in the medical insurance system in China. Social medical insurance, with its wide coverage, manageable burden, and ease of payment, has provided strong support for the rapid development of China's medical market.

However, the medical insurance system centered on basic medical insurance cannot fully satisfy the needs by pharmaceutical markets on its own. Firstly, due to accelerated population aging, higher demand on high-equality medical service and enhanced focus on chronic illness, the expenditure of basic medical insurance has been growing at relatively high rate. Secondly, as the payment system for social medical insurance is complicated, difficulties exist for the management of medical insurance expenses, especially when it comes to preventing insurance fraud, ensuring medical legitimacy and reforming payment method to individual-based type, while the adoption of any related anti-fraud measures may create procedural burdens for patients in relation to payment claiming. Lastly, due to various factors such as lack of customer awareness, data support and differentiated product options, high cost of sales and low cooperative motivation by other healthcare market participants, the penetration rate of commercial health insurance, as a supplement to the social medical insurance, is still relatively low.

Starting in 2015, administrative policies and measures are promulgated to boost the development of commercial health insurance, which is expected to result in a significant increase in the market size in the following decade. Especially, the clear rules have been established for the access and use of drugs listed in the Commercial Health Insurance Catalog for Innovative Drugs, issued in December 2025, forming a complementary and coordinated framework between basic medical insurance and commercial health insurance.

Market Size of Commercial Health Insurance in China, 2020-2035E



Source: Frost & Sullivan Analysis, National Financial Regulatory Administration

Nowadays, commercial health insurance service providers play an increasingly important role in the healthcare ecosystem, particularly within the commercial health insurance market. As independent service providers, they support insurers in the operation and management of health insurance by integrating medical resources, pharmaceutical supply chains and healthcare data, and have evolved into integrated service platforms covering multiple stages of the insurance value chain. Their key service offerings primarily include:

- *Supporting product design and consulting*. Supporting insurers in product development, actuarial design and pricing through healthcare data analytics, disease burden assessment and risk stratification.

- *Market access and promotion*. Assisting in channel development, scenario-based marketing and expansion of insurance distribution, particularly in healthcare-related payment and treatment scenarios.

- *Claims management and cost control*. Providing underwriting support, claims adjudication, medical necessity review and utilization management to enhance operational efficiency and control medical costs.

- *Policyholder health management services*. Offering disease management, patient support programs and healthcare interventions to improve clinical outcomes and optimize long-term insurance costs.

It is expected that China's commercial health insurance market will further develop with following trends to better answer to customers' needs: (i) high-cost and specialty therapies will drive the innovation of insurance products towards specialty-drug-focused solutions designed to address gaps left by basic medical insurance, making product differentiation a key competitive factor among insurers; (ii) pharmaceutical companies and commercial insurers are forming long-term strategic collaboration across drug access design, patient eligibility definition, claims pathways and post-market evidence generation, enabling insurers to better control risk and pharmaceutical companies to improve patient access; (iii) commercial insurance is shifting to integrated health management solutions offering "treatment + service" models with features of patient education, adherence management, disease monitoring and follow-up care, which aligns insurers' cost-control objectives with pharmaceutical companies' goals of improving real-world outcomes; and (iv) real-world data and outcomes tracking will support more refined underwriting, dynamic pricing and value-based payment models, and commercial insurers will be better positioned to cover innovative therapies while managing long-term medical expenditure risks.

The expected growth of China's commercial health insurance market will be driven by following factors:

- *Supportive Policies*: It is expected that China will continue to promote a multi-tier healthcare security system, and relevant supporting policies provide certainty for the long-term development of commercial health insurance market.

- *Flexible Products*: As commercial medical insurance products can be designed with less concern with respect to the drug and/or treatment coverage due to cost, flexible product offering is possible for patients for special needs.

- *Willing Payers*: With higher demand for high-quality medical service and innovative treatment resulted from growing health risk awareness, middle-income households are more willing to pay for proactive health protection through insurance products.

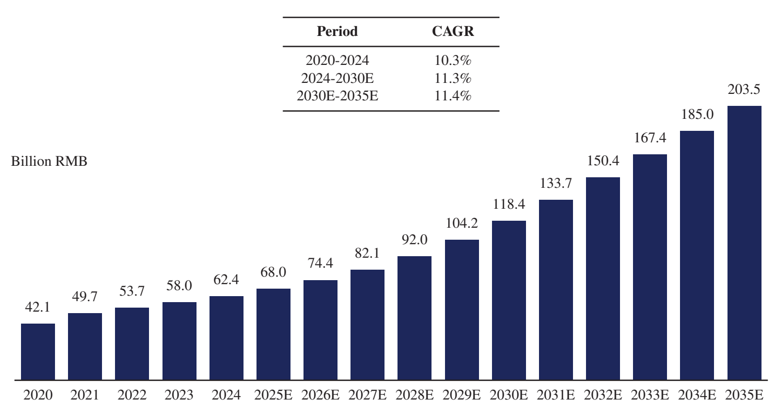
- *Advanced Platforms*: The integration of national healthcare data infrastructure will enable more refined risk assessment and pricing by commercial insurers, and advances in big data and AI technology will further improve such insurers' cost control, utilization management and coverage design.

OVERVIEW OF MARKETING SERVICES FOR INNOVATIVE DRUGS IN CHINA

The main pillars supporting the commercialization and marketing services for innovative drugs in China are patient management, marketing and multi-channel promotion and real-world studies (RWS) underpinned by extensive healthcare professional (HCP) networks. Together, these pillars support the full pathway from patient access and treatment continuity, to physician engagement and prescribing adoption, and ultimately to real-world evidence generation that informs hospital and payer decision-making, reimbursement, payment innovation, and long-term lifecycle management.

The breadth of this market's coverage means that there is considerable room for growth across the various market segments as they continue to development and mature. Driven by the increasing complexity and clinical value of innovative therapies, the industry is transitioning from sales-driven promotion to evidence-based academic engagement, where the value proposition of innovative drugs is communicated and validated through clinical evidence and real-world outcomes. In this context, HCP network expansion and RWS have increasingly become core enablers of value demonstration, supporting physician education, treatment adoption, and ultimately market access and lifecycle management, thereby accelerating the growth of the overall market. This market has witnessed a high-pace growth from RMB42.1 billion in 2020 to RMB62.4 billion in 2024 at a CAGR of 10.3%, and is projected to reach RMB118.4 billion in 2030 with a CAGR of 11.3% from 2024 to 2030, and to further reach RMB203.5 billion in 2035 with a CAGR of 11.4% from 2030 to 2035.

Market Size of Innovative Drug Marketing Service Market in China, 2020-2035E



Source: Annual Report of Listed Company, Frost & Sullivan Analysis

Meanwhile, innovative drug companies still face various marketing challenges in China, including:

- *Limited funding for marketing efforts*. Most innovative drug companies are still in R&D intensive stage with tight cash flow. Such financial constraint directly limits marketing investments, resulting in less desired marketing results.

- *Lack of in-house sales teams and market channels*. Many innovative drug companies do not have mature in-house sales network or sufficient regional coverage. The reliance on third-party partners can result in inconsistent service quality and reduced control over brand promotion, as well as incapacity to adjust marketing tactics quickly.

- *Limited commercialization experience*. The core team of innovative drug companies are research-oriented. Lack of systematic experience in pricing strategy, channel management, market access and patient support can reduce promotional efficient and ROI, and make it harder to convert clinical innovation into commercial success.

- *Long product launch cycles and high market education costs*. Innovative drugs requires significant education for HCPs and related long promotion cycles, high marketing costs and slow returns on investment, which can delay commercial momentum.

China's innovative drug marketing service market is expected to have following future trends: (i) with traditional academic conferences increasingly combined with digital platforms, online seminars, medical content marketing and social media to improve reach, reference and efficiency of scientific communication, multi-channel medical marketing is increasingly becoming a standard approach and HCP network started to play a quite meaningful role in academic marketing efforts; (ii) as clinical trial data alone are insufficient to fully reflect real clinical practice, RWS is becoming a core evidence source for academic marketing; (iii) real world data generated from post-launch clinical use are being systematically collected, analyzed, and transformed into actionable commercial insights supporting drug lifecycle management, indication expansion, pricing and reimbursement strategies and resource allocation; and (iv) AI-driven tools are improving the efficiency of research design, data analysis and content generation for academic marketing, and digital platforms are supporting differentiated communication strategies for physicians and patients, thereby enhancing the effectiveness and scalability of scientific communication.

Source of Information

In connection with the [**REDACTED**], we have engaged Frost & Sullivan to conduct a detailed analysis and prepare an industry report on the markets in which we operate. Frost & Sullivan is an independent global market research and consulting company which was founded in 1961 and is based in the United States. Services provided by Frost & Sullivan include market assessments, competitive benchmarking, and strategic and market planning for a variety of industries. We incurred a total of RMB580,000 in fees and expenses for the preparation of the Frost & Sullivan Report. The payment of such amount was 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**].

We have included certain information from the Frost & Sullivan Report in this document because we believe such information facilitates an understanding of the markets in which we operate for potential [**REDACTED**]. Frost & Sullivan prepared its report based on its in-house database, independent third-party reports and publicly available data from reputable industry organizations. Where necessary, Frost & Sullivan contacts companies operating in the industry to gather and synthesize information in relation to the market, prices and other relevant information. Frost & Sullivan believes that the basic assumptions used in preparing the Frost & Sullivan Report, including those used to make future projections, are factual, correct and not misleading. Frost & Sullivan has independently analyzed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. Frost & Sullivan research may be affected by the accuracy of these assumptions and the choice of these primary and secondary sources.