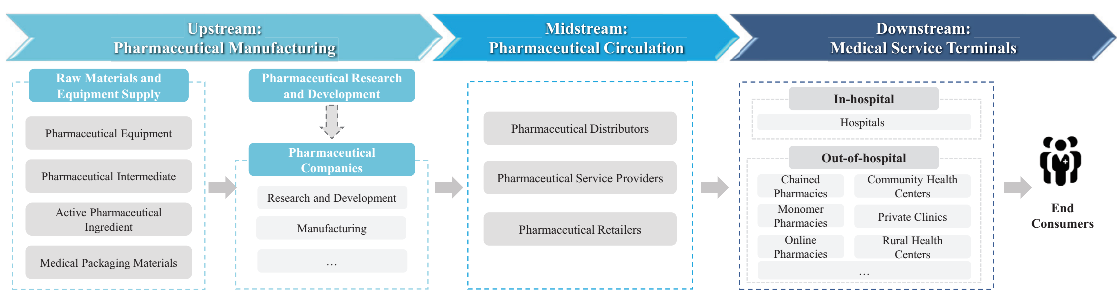
The information and statistics set out in this section and other sections of this document were extracted from different official government publications, available sources from public market research and other sources from independent suppliers, and from the independent industry report prepared by Frost & Sullivan (the "Frost & Sullivan Report"). We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the **[REDACTED]**. *The information from official government sources has not been independently verified by us, the Sole Sponsor, the Overall Coordinator, the* **[REDACTED]**, *the* **[REDACTED]**, *the* **[REDACTED]**, *any of the* **[REDACTED]**, *any of their respective affiliates and advisers, or any other persons or parties involved in the* **[REDACTED]**, *and no representation is given as to its accuracy.*

PHARMACEUTICAL INDUSTRY IN CHINA

China's continuous economic growth is expected to boost disposable income and health awareness. According to National Bureau of Statistics, from 2020 to 2025, Chinese residents' per capita disposable income grew at a CAGR of 6.1%, the per capita consumption expenditure and per capita healthcare consumption expenditure grew at a CAGR of 6.8% and 6.9%, respectively. More patients have the ability to pay for disease treatment and are also paying more attention to preventive health management, thereby promoting the development of the pharmaceutical industry.

Overview of China's Pharmaceutical Industry



Source: Frost & Sullivan

The industrial chain of China's pharmaceutical industry constitutes a complex system that necessitates the collaborative efforts of numerous service providers. The upstream primarily involves the supply of raw materials as well as the research, development, and production of medicines. Raw materials suppliers mainly provide essential chemical substances and intermediates, which serve as the foundation for medicine manufacturing. Pharmaceutical companies typically responsible for medicine research and development, clinical trials, and product manufacturing. Some pharmaceutical companies engage in medicine R&D and clinical testing through collaborations with other institutions. The midstream mainly refers to the promotion and distribution of pharmaceuticals. The commercialization process requires a seamless integration between marketing, promotion and distribution. Pharmaceutical companies either establish their own marketing teams or utilize other service providers for marketing activities, academic promotions, and market operations to facilitate rapid market entry for their products. Additionally, companies distribute products to downstream retailers via pharmaceutical distribution service providers, primarily targeting hospitals, primary healthcare institutions, and pharmacies.

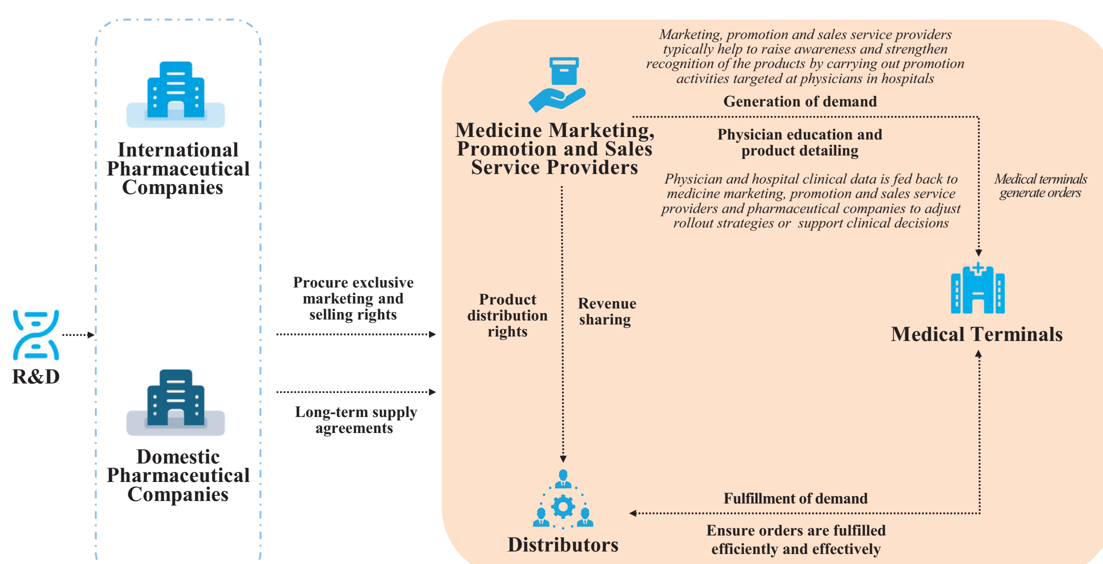
Driven by aging population, rising health awareness and life expectancy, as well as increasing R&D expenditure, people's willingness to invest in health-related sectors continues to increase, the market size of China's pharmaceutical industry in terms of revenue grew from RMB1,447.9 billion in 2020 to RMB1,678.6 billion in 2025, and is projected to grow at a CAGR of 4.5% to reach RMB2,093.8 billion in 2030.

The pediatric pharmaceutical industry in China remains at an early stage of development, characterized by limited drug varieties and insufficient dosage forms. In recent years, the government attaches great importance to children's health and has successively issued relevant policies and strategies to support the development of pediatric pharmaceutical industry. Driven by multiple factors such as the growth of market demand and policy incentives, the market size of pediatric pharmaceutical industry in terms of revenue is expected to grow at a CAGR of 5.5% to reach RMB131.2 billion by 2030.

In China, medical resources are concentrated in Grade III hospitals which concentrate the majority of high-end medical expertise, advanced equipment, and patient traffic. This centralization has led to overcrowding in these hubs while resulting in under-utilization and resource scarcity at primary healthcare institutions. Furthermore, a disparity in resource distribution exists across different geographical regions, creating inequities in healthcare access between urban and rural areas and between developed and less-developed provinces. Therefore, demand for the medicine marketing, promotion and sales industry has been raised. This industry is not only tasked with meeting the growing overall need for medicines but also with developing efficient distribution channels to bridge the gaps in accessibility across different healthcare settings and regions, ensuring a reliable supply of drugs to both overburdened major hospitals and resource-limited local facilities.

MEDICINE MARKETING, PROMOTION AND SALES INDUSTRY IN CHINA

Medicine marketing, promotion and sales business refers to the process on the value creation aspects of marketing and promotion, such as elevating product profile, enlarging the pool of prescribing physicians and generating demand for a particular product by educating physicians on the clinical attributes of the product through one-on-one visits, and organizing and sponsoring medical symposia, industry conferences, educational seminars and other promotional activities. China's pharmaceutical market, propelled by an aging demographic and rising healthcare needs, is poised for steady growth. This expansion underscores the critical role of the medicine marketing, promotion and sales industry, which ensures the efficient distribution of pharmaceuticals across a highly fragmented healthcare landscape.



Source: Frost & Sullivan

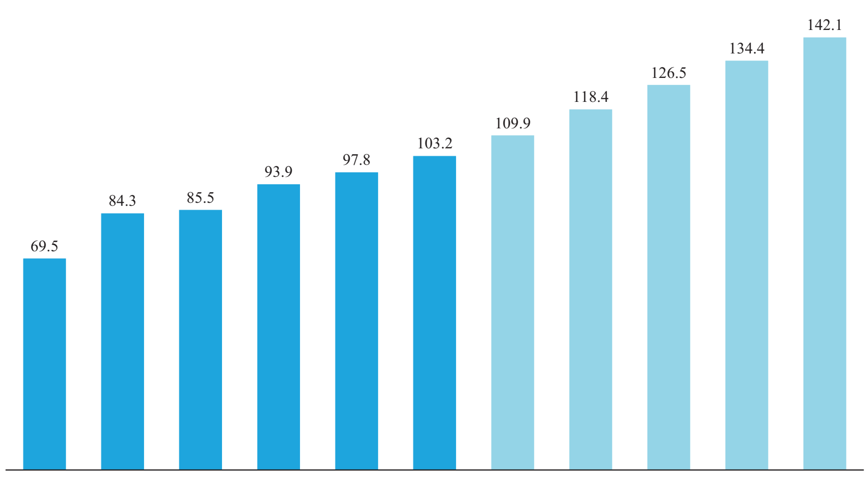
China's medicine marketing, promotion and sales industry is specialized. Medicine marketing, promotion and sales service providers assist both overseas and domestic pharmaceutical companies in promoting and marketing their pharmaceutical products to targeted physicians in China. They generally adopt a physician-oriented academic promotion approach, which includes educating physicians on the proven clinical data, usage, side effects and other clinical aspects of the pharmaceutical products, organizing clinical seminars, sponsoring medical conferences and providing other value-added promotion-related services. These promotion services facilitate the launch of new products or new market entries with the aim of improving the profitability of the pharmaceutical companies. In recent years, outsourcing of medicine marketing, promotion and sales business has become an increasingly important component of a pharmaceutical company's marketing strategy, driven in large part by an increasing focus on cost-saving in an environment of rising sales force costs.

Under the "Two-invoice System" and "Volume-based Procurement" policies, pharmaceutical companies are compelled to further enhance their cost control measures. Additionally, many biotech companies lack the capability and resources necessary to establish their own sales teams. All these factors have collectively accelerated the development of the medicine marketing, promotion and sales industry. According to Frost & Sullivan, the market size of medicine marketing, promotion and sales industry in China reached RMB103.2 billion in 2025, with a CAGR of 8.2% from 2020, and is expected to grow to RMB142.1 billion by 2030, with a CAGR of 6.6% from 2025.

Hospitals exhibit a significant and stable demand for medicines, making them one of the primary expansion directions for medicine suppliers. Concurrently, the demand from channels such as clinics and other medical institutions continues to grow, leading to an increase in the need for medicines. The policy of separation of prescribing and dispensing has constrained hospitals' ability to generate profits through the sale of medicines to patients, which is beneficial for the advancement of the retail pharmacies sector. Consequently, an increasing number of medicine marketing, promotion and sales service providers are exploring to out-of-hospital channels in pursuit of rapid development. In terms of revenue, the market size of medicine marketing, promotion and sales industry in out-of-hospital channels are expected to grow at a CAGR of 11.2% from 2025 to 2030.

Market Size of China's Medicine Marketing, Promotion and Sales Industry by Revenue, Billion RMB (2020-2030E)

CAGR	2020-2025	2025-2030E
Medicine Marketing, Promotion and Sales Industry	8.2%	6.6%

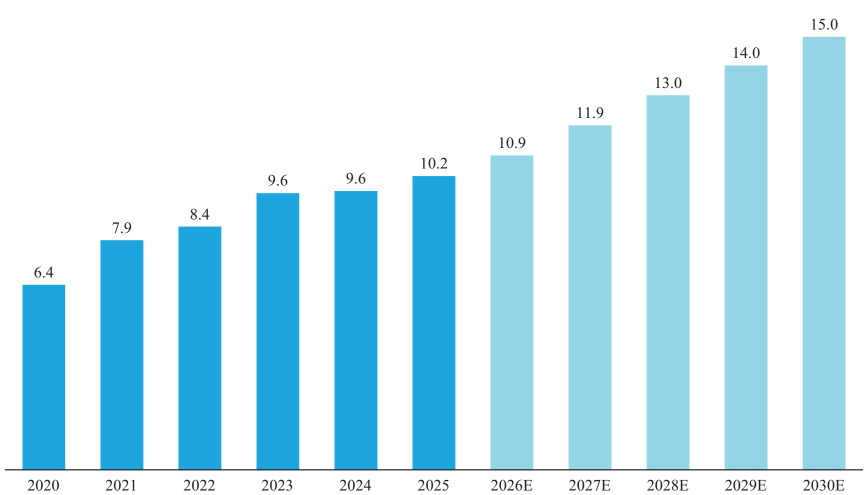


Source: National Medical Products Administration, Frost & Sullivan

The shortage of specialized pediatric pharmacists coupled with inadequate standardization in children's medication instructions has created an urgent demand for professional and standardized training within this sector. Medicine marketing, promotion and sales service providers play a crucial role in improving the standardized use of pediatric medicines while raising awareness about these medications through professional medicine promotion services, such as organizing academic lectures and other initiatives. The efforts made by medicine marketing, promotion and sales service providers to promote and integrate pediatric medicines into healthcare practices are of paramount importance. With the development of the scale of the pediatric pharmaceutical market in China, the proportion of medicine marketing, promotion and sales services has gradually increased. In terms of revenue, the market size of pediatric medicine marketing, promotion and sales industry increased from RMB6.4 billion in 2020 to RMB10.2 billion in 2025 with a CAGR of 9.8%, and the market size is projected to reach RMB15.0 billion by 2030, with a CAGR of 8.0% from 2025 to 2030.

Market Size of China's Pediatric Medicine Marketing, Promotion and Sales Industry by Revenue, Billion RMB (2020-2030E)

CAGR	2020-2025	2025-2030E
Pediatric Medicine Marketing, Promotion and Sales Industry	9.8%	8.0%



Source: National Medical Products Administration, Frost & Sullivan

Growth Drivers of Medicine Marketing, Promotion and Sales Industry in China

Favorable Government Policies. In recent years, a series of regulatory reforms in China's pharmaceutical industry have prompted pharmaceutical companies to enhance channel management, improve operational efficiency, and strengthen compliance and profitability. With traditional sales models facing mounting regulatory pressure, pharmaceutical companies are subject to stricter requirements for compliant and professional marketing and promotion. Meanwhile, regulatory authorities are guiding the industry towards greater market orientation, specialization and innovation. These policy trends have significantly boosted demand for medicine marketing, promotion and sales services, raising the drug manufacturers' willingness to be partnered with, which lays a solid foundation for the industry's development and driving the expansion of relevant enterprises.

Demand of International Companies. Commercialization efforts by multinational pharmaceutical companies are fueling the industry. When entering China, international companies often encounter challenges such as a fragmented market structure and complex regulatory frameworks, as well as a lack of localized distribution networks and commercialization teams. Thus, there is increasing trend of international pharmaceutical companies to engage medicine marketing, promotion and sales service providers to promote their products in China which is remote markets to them where they do not have wide coverage, in order to capture potential growth of these products without incurring significant additional costs. With rising demand from international pharmaceutical companies to access the Chinese market, the industry is expected to sustain rapid growth.

Demands of Primary Healthcare Markets. China's ongoing healthcare system upgrades, particularly in primary healthcare markets, presenting new industry opportunities. County-level hospitals and community healthcare centers are gaining prominence, bolstered by stronger policy and financial support. As Volume-based Procurement squeezes margins in major cities, primary healthcare markets have emerged as critical growth engines for pharmaceutical companies. Since the fragmentation of healthcare resources and dispersion of access channels make these markets challenging to penetrate via in-house sales teams, the gap drives demand for medicine marketing, promotion and sales service providers by leveraging regional networks and agile execution. They are now becoming essential partners for deepening domestic market reach through enabling efficient market coverage.

Future Trends of Medicine Marketing, Promotion and Sales Industry in China

Shift Toward Diversified Markets. The implementation of China's Two-invoice System and Volume-based Procurement has constrained hospitals as a traditional medicine sales channel and intensified the pressure on pharmaceutical companies within this channel. Pharmaceutical companies are now actively reallocating resources to cultivate diverse out-of-hospital channels, including retail pharmacies, e-commerce platforms, and primary healthcare institutions, to diversify revenue streams. Consequently, these policy shifts are prompting systematic investment in non-hospital market development as enterprises adapt to evolving reimbursement frameworks.

AI-Powered Evolution. By integrating artificial intelligence and big data technologies, the medicine marketing, promotion and sales companies are transforming from traditional service providers into intelligent business assistants. For instance, in resource allocation, AI systems can dynamically analyze regional market data to optimize marketing resource distribution in real-time, helping pharmaceutical companies accurately capture product launch opportunities. Also, a data-driven intelligent decision-making platform enables medicine suppliers to not only provide end-to-end commercial solutions for pharmaceutical companies but also positions them as strategic partners crucial for enhancing commercialization values.

Standardization & Systemization. The medicine marketing, promotion and sales industry is increasingly moving toward standardization and systemization. Service providers are accelerating the optimization of workflows, personnel oversight and data systems to ensure compliant operations while improving work efficiency and clients' trust. The providers with standardized operations, transparent settlement frameworks and regulatory qualifications are emerging as preferred partners. Over the long term, standardization and systemization are expected to become key determinants of medicine marketing, promotion and sales service providers' competitiveness, fostering a more professional and refined industry landscape.

Entry Barriers of Medicine Marketing, Promotion and Sales Industry in China

Established Business Relationships and Local Market Entrenchment. The business model of medicine marketing, promotion and sales industry is rooted in deep, trusted relationships with an extensive network of hospitals, clinics, and distributors. The cultivation of these critical networks is a time-consuming process, demanding an intricate understanding of diverse provincial tender procedures, hospital formulary committee dynamics, and the prescribing preferences of individual practitioners. Consequently, new market entrants face significant impediments in persuading both multinational and domestic pharmaceutical companies to entrust them with securing access to the essential sales channels.

Regulatory Scrutiny and Compliance Complexity. The Chinese government has drastically intensified its regulatory oversight of the pharmaceutical sector through a continuous stream of new policies and laws. The "Two-invoice System" mandates a maximum of two invoices between a drug manufacturer and the hospital, forcing the medicine marketing, promotion and sales industry to operate with extreme transparency, while the stringent requirements for obtaining a Drug Operating License further raise the industrial barrier by necessitating a substantial upfront investment in compliant infrastructure and qualified personnel. For new entrants, this environment creates a prohibitive barrier to entry, as the regulatory system demands a holistic operational capability, including compliance with licensing standards, that cannot be assembled in a short time.

High Capital and Operational Cost Requirements. Establishing a viable service chain in medicine marketing, promotion and sales is a capital-intensive endeavor. It requires not only substantial upfront investment but also significant ongoing operational expenditure to sustain a large, specialized, and geographically dispersed workforce, alongside the continuous execution of academic conferences, peer-to-peer educational events, and patient support programs. Consequently, achieving economies of scale becomes essential for profitability, presenting a particular barrier for small-scale new entrants.

PROBIOTICS SUPPLEMENT INDUSTRY IN CHINA

Nutritional supplements refer to food products designed to provide specific health benefits or supplement essential nutrition, such as vitamins and minerals. As living standards improve, consumers are increasingly willing to invest in products that enhance physical health. In terms of retail sales, the market size of nutritional supplements industry in China grew from RMB199.5 billion in 2020 to RMB278.8 billion in 2025, and is expected to grow at a CAGR of 9.6% to reach RMB440.9 billion in 2030.

According to the joint definition of the Food and Agriculture Organization of the United Nations (FAO) and the World Health Organization (WHO), probiotics refer to live microorganisms that, when ingested in sufficient amounts, have beneficial effects on the health of the host. Probiotics supplements contain live microorganisms (microbes) that modulate intestinal microbiota composition, thereby promoting human health through targeted restoration of gut microbial equilibrium. With the enhancement of public health awareness, consumer demand for health management across various aspects, such as intestinal health, immune support, and oral hygiene, continues to rise. The consumer base for probiotic supplement products has further expanded. This trend provides a clear direction for the diversified development of these probiotic supplement products. The market size of probiotics supplement industry in China grew from RMB17.2 billion in 2020 to RMB26.6 billion in 2025 with a CAGR of 9.1%. The probiotic supplement market is expected to grow to RMB42.8 billion in 2030 with a CAGR of 10.0%.

The probiotics supplement industry in China is relatively concentrated, with top five companies collectively holding a market share of approximately 33% in terms of retail sales in 2025, according to Frost & Sullivan. As young consumers gradually become the primary demographic for probiotics supplement, companies with e-commerce and digital marketing capabilities are capturing market shares in recent years. Besides, the gradual enhancement of industry regulations and oversight has further elevated market entry barriers and compliance costs which resulted in a decline in the competitiveness of players lacking technical expertise, driving further market consolidation toward well-established companies.

MILK FORMULA INDUSTRY IN CHINA

Milk formula refers to dairy product derived from fresh animal milk, with almost all the water in the milk removed and an appropriate amount of vitamins, minerals and other nutrients added. Milk formula products are suitable for a diverse range of consumers, such as infants, teenagers, adults and the elderly. Infant milk formula constitutes a significant segment of the milk formula industry. Driven by policy incentives, the rise in per capita disposable income, and the advancement of scientific parenting concepts among young parents, parents are increasingly willing to invest in their children, and the demand for infant milk formula is expected to be further stimulated. In terms of retail sales, the infant milk formula market is expected to grow at a CAGR of 0.6% from 2025 to 2030.

Additionally, there has been a continuous increase in health awareness among the public. Consequently, more adults are opting for milk formula as an effective nutritional supplement. Advances in production technology have enabled manufacturers to better preserve the activity of essential nutrients such as lactoferrin, thereby fostering growth within the milk formula industry. Consumers are seeking products that can more precisely address their specific health needs. The milk formula industry is evolving towards refinement and functionalization. In terms of retail sales, the milk formula market is expected to grow at a CAGR of 1.7% from 2025 to 2030.

The milk formula industry in China is relatively concentrated, with top five companies collectively holding a market share of approximately 40% in terms of retail sales in 2025, according to Frost & Sullivan. Due to the declining birth rates, the infant milk formula market is encountering growth headwinds. Feeding philosophies among younger parents have changed. Parents' emphasis on their children's nutritional supplements has extend from newborn to 12 years old, leading to the emergence of children milk formula market. Moreover, increasing elder population characterized with growing attention on their health awareness have driven the rapid development of the adult milk formula market. The leading industry players therefore introduced various products to address diverse market demands.

COMPETITIVE LANDSCAPE

Competitive Landscape of China Medicine Marketing, Promotion and Sales Industry

According to Frost & Sullivan, the medicine Marketing, Promotion and Sales industry in China is relatively concentrated with top five players collectively held a market share of 31.8% in terms of revenue in 2025. We are ranked as the eighth-largest medicine marketing, promotion and sales service providers in China by revenue in 2025, with a market share of 2.0%.

Ranking of Top Ten Medicine Marketing, Promotion and Sales Service Providers in China, by Revenue (2025)

Rank.	Company Name	Market Share
1	Group A	11.8%
2	Group B	9.4%
3	Group C	5.2%
4	Group D	2.8%
5	Group E	2.6%
6	Group F	2.5%
7	Group G	2.0%
8	Our Group	2.0%
9	Group H	0.9%
10	Group I	0.4%

Source: Frost & Sullivan, public information or documents of these companies

Company A: A listed pharmaceutical group established in China in 1993 and listed on the Shanghai Stock Exchange, mainly engages in manufacturing, distribution and promotion of medicine and medical devices, and healthcare-related value-added services.

Company B: A listed pharmaceutical group established in China in 1996 and listed on the Shanghai Stock Exchange and Hong Kong Stock Exchange, mainly engages in manufacturing, distribution and promotion of medicine, medical devices, and other health-related products.

Company C: A listed pharmaceutical group established in China in 2005 and listed on the Shenzhen Stock Exchange, primarily engages in distribution and promotion of medicine, medical devices, and other health-related products.

Company D: A listed pharmaceutical group established in China in 1993 and listed on the Shenzhen Stock Exchange, mainly engages in manufacturing, distribution and promotion of medicine and medical aesthetics products.

Company E: A listed pharmaceutical group established in China in 2003 and listed on the Hong Kong Stock Exchange, primarily engages in manufacturing, distribution and promotion of medicine and medical devices.

Company F: A listed pharmaceutical company established in China in 1992 and listed on the Hong Kong Stock Exchange, primarily engages in the research and development and promotion of medicine and medical devices.

Company G: A listed pharmaceutical group established in China in 2011 and listed on the Hong Kong Stock Exchange, primarily engages in promotion of medicine and medical aesthetics products.

Company H: A listed pharmaceutical company established in China in 1994 and listed on the Shanghai Stock Exchange, primarily engages in manufacturing, distribution and promotion of medicine and other products.

Company I: A listed investment group established in China in 1996 and listed on the Hong Kong Stock Exchange, mainly engages in promotion of medicine and medical devices.

Competitive Landscape of China Pediatric Medicine Marketing, Promotion and Sales Industry

According to Frost & Sullivan, we were the largest pediatric medicine marketing, promotion and sales service providers in China by revenue in 2025, with a market share of 17.0%.

Ranking of Top Five Pediatric Medicine Marketing, Promotion and Sales Service Providers in China, by Revenue (2025)

Rank.	Company Name	Market Share
1	Our Group	17.0%
2	Group B	14.3%
3	Group C	8.4%
4	Group E	2.6%
5	Group H	1.9%

Source: Frost & Sullivan, public information or documents of these companies

Company H: A listed pharmaceutical company established in China in 1994 and listed on the Shanghai Stock Exchange, primarily engages in manufacturing, distribution and promotion of medicine and other products.

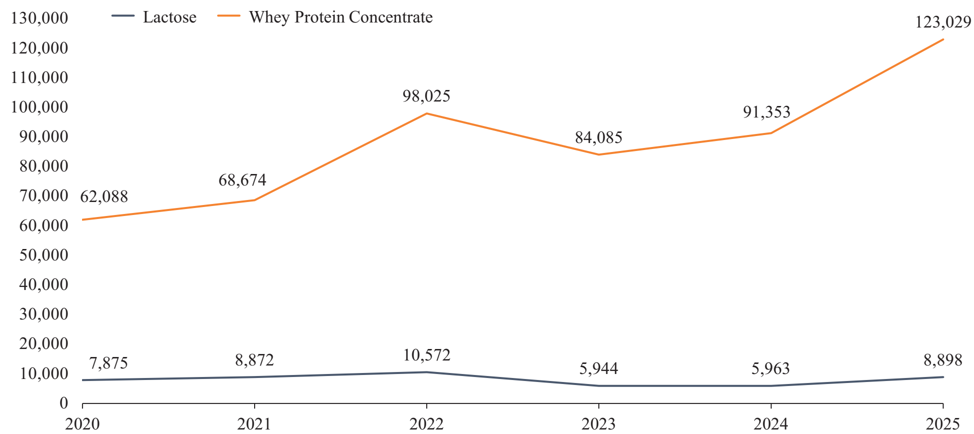
RAW MATERIAL ANALYSIS

Lactose and whey protein are primary raw materials for infant formula. Both reached peak prices in 2022. The price of lactose is influenced by the supply of raw milk and seasonal demand, and it has cyclical characteristics. Over the past decade, the price of lactose has shown a cyclical fluctuation trend. In 2022, the price of lactose rose due to the impact of the pandemic. Since then, the price has gradually returned to a normal level. The price of imported whey protein has fluctuated over the past decade due to factors such as tariff policies, changes in industry policies, and the supply of milk sources. In 2020, the price of whey protein dropped significantly due to changes in tariffs. Since then, it has continued to rise due to domestic policy changes and the impact of the pandemic. Lactose and whey protein are still imported mainly. In recent years, due to factors such as the reduction in international supply of milk, the limited production capacity of lactose and whey protein, along with the increase in energy and logistics costs, as well as the rising demand, the price of lactose and whey protein has continued to rise.

The CAGR of whey protein price from 2020 to 2025 stands at 14.7%. During the same period, lactose price experienced a CAGR of 2.5%.

Key Production Raw Material Price, RMB/Tonne, 2020-2025

CAGR	2020-2025
Lactose	2.5%
Whey Protein Concentrate	14.7%



Source: Frost & Sullivan

DATA SOURCES AND RELIABILITY

In connection with the **[REDACTED]**, we have engaged Frost & Sullivan, an independent market research consultant, to analyze the industry in which we operate and prepare an industry report, with a fee of USD 150,000. Founded in 1961, Frost & Sullivan is an independent global consulting firm whose services include conducting industry research and preparing industry reports across various sectors. The Frost & Sullivan information disclosed in the document has been extracted from the Frost & Sullivan Report with their consent.

In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan adopted the following main methodologies to gather multiple sources of information, verify the collected data and materials, and cross-check the information and statements from each interviewee: (i) detailed primary research, involving discussions with leading industry players and experts on the current industry landscape; and (ii) secondary research, involving the examination of company reports, independent research reports, and data utilizing Frost & Sullivan's proprietary research databases.

In designing and preparing the Frost & Sullivan Report, Frost & Sullivan has assumed that the social, economic, and political environment in the relevant markets will remain stable throughout the forecast period to ensure the steady and healthy development of China's medicine Marketing, Promotion and Sales industry and related industries. Furthermore, Frost & Sullivan's forecasts are based on the following premise and assumptions: China's economy will maintain a steady growth over the next decade, and the social, economic, and political environment will remain stable throughout the forecast period. In addition, China's medicine Marketing, Promotion and Sales industry and other related industries are expected to develop in line with the relevant macroeconomic assumptions.