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 Frost & Sullivan (the "Frost & Sullivan Report"). The Company engaged Frost & Sullivan to prepare the Frost & Sullivan Report in connection with the [**REDACTED**]. *The information from official government sources has not been independently verified by us, any of the Sole Sponsor,* [**REDACTED**]*, any of their respective directors and advisors, or any other persons or parties involved in the* [**REDACTED**] *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" for more details.*

CHINA THERAPEUTIC DERMATOLOGY AND MEDICAL-GRADE SKINCARE MARKET

The therapeutic dermatology and medical-grade skincare market in China comprises two synergistic segments: therapeutic dermatology and medical-grade skincare. Together, they form a comprehensive ecosystem addressing the diverse needs of skin health management, ranging from the treatment of acute diseases to long-term barrier repair and daily maintenance.

Therapeutic dermatology refers to pharmaceutical interventions, including prescription and over-the-counter ("**OTC**") drugs, specifically developed to treat, relieve, or manage diseases of the skin, hair, and nails. These products rely on evidence-based medical interventions and are designed with precision-targeted actions to interact with specific pathological pathways. Due to their medicinal nature, they are subject to strict regulations and rigorous clinical trials to validate safety and efficacy.

In contrast, medical-grade skincare refers to skincare products formulated with active ingredients whose efficacy is supported by medical evidence. Unlike general cosmetics, these products are characterized by targeted efficacy, addressing specific skin concerns such as sensitivity, acne-prone skin, and aging with clearly defined benefits based on scientific research into skin biology. While therapeutic dermatology serves as the core medical intervention addressing disease etiology, medical-grade skincare plays a vital complementary role in skin barrier maintenance and recurrence prevention.

Market Size of China's Therapeutic Dermatology and Medical-Grade Skincare Market

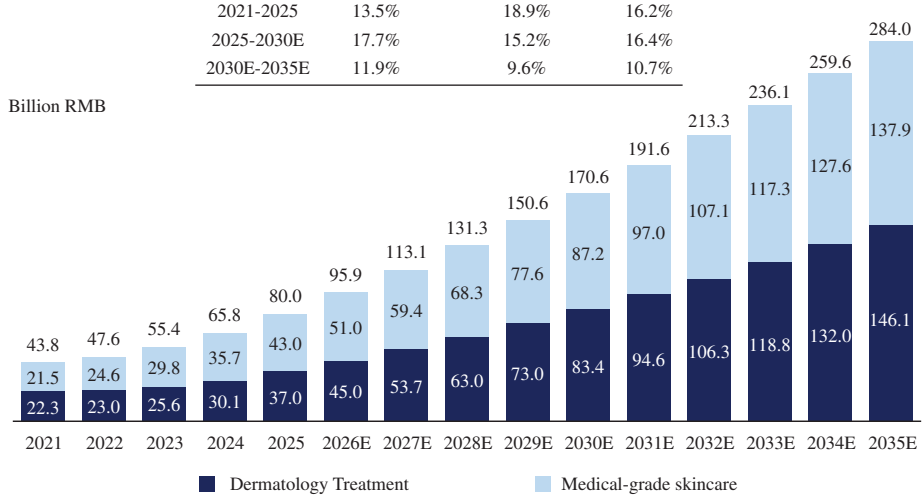
China's therapeutic dermatology and medical-grade skincare market has experienced rapid growth and is expected to maintain a strong upward trajectory. Driven by the increasing burden of skin diseases, continuous improvements in diagnosis rates, and rising consumer demand for medical-grade skincare products, and a growing public desire for overall skin health and aesthetic improvement, the combined market size in terms of retail sales value is expected to increase from RMB43.8 billion in 2021 to RMB80.0 billion in 2025, representing a CAGR of 16.2%. Looking ahead, the market is projected to enter a phase of sustained expansion. The total market size is expected to nearly double from 2025 to 2030, reaching RMB170.6 billion at a CAGR of 16.4%. By 2035, the market is projected to reach RMB284.0 billion.

Within this landscape, the medical-grade skincare segment has demonstrated exceptional vitality, outpacing the growth of therapeutic treatments with a CAGR of 18.9% from 2021 to 2025, driven by the population's rising attention in skin appearance, and heightened awareness of skin barrier health. Concurrently, the therapeutic dermatology segment also maintained robust growth with a CAGR of 13.5% during the same period, supported by the standardization of diagnosis and treatment pathways for chronic skin conditions.

Overall, China's therapeutic dermatology and medical-grade skincare market is evolving from a single-disease treatment model toward an integrated ecosystem encompassing standardized therapy, long-term disease management, skin barrier repair, daily skincare, and online accessibility. Therapeutic dermatology products and medical-grade skincare products address the treatment and management ends respectively, and are jointly benefiting from rising patient awareness, increasing demand for the management of chronic and recurrent skin conditions, the expansion of online channels, and ongoing innovation in dosage forms.

Market Size of Therapeutic Dermatology and Medical-Grade Skincare in China, 2021-2035E

CAGR	Therapeutic dermatology	Medical-grade skincare	Total
2021-2025	13.5%	18.9%	16.2%
2025-2030E	17.7%	15.2%	16.4%
2030E-2035E	11.9%	9.6%	10.7%



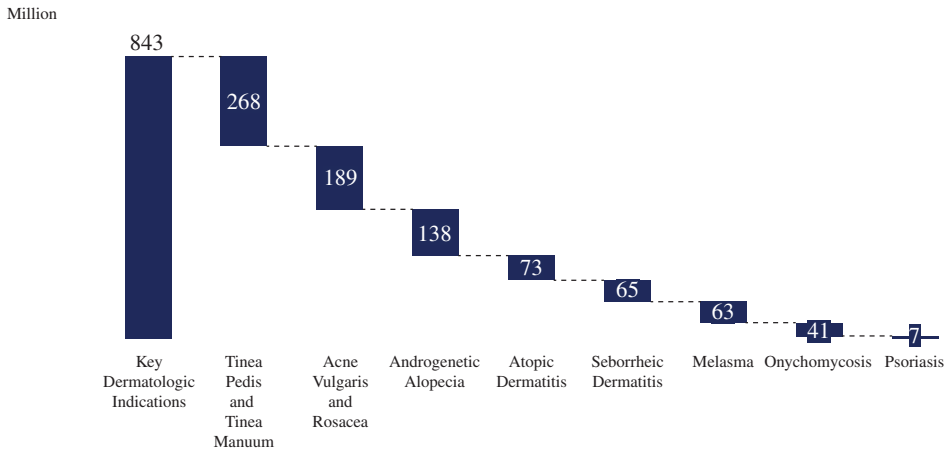
Source: Frost & Sullivan Analysis

CHINA TOPICAL DERMATOLOGY DRUG MARKET

Topical dermatological drugs represent a fundamental therapeutic modality in the management of skin diseases, offering the advantage of targeted action at the lesion site with relatively limited systemic adverse effects. Compared with certain systemic therapies, selected topical dermatology drugs have been relatively less affected by centralized procurement under China's current healthcare framework, allowing for relatively stable revenue expansion driven by market competition and product differentiation. To address the diverse pathophysiological characteristics, lesion locations, and clinical presentations of dermatologic conditions, a wide range of topical dosage forms has been developed. Each dosage form exhibits distinct characteristics in terms of skin penetration, coverage, ease of application, and patient compliance, making them suitable for different types and stages of skin diseases.

Skin diseases in China encompass a broad spectrum of conditions with a massive patient base. Epidemiological data indicates a high overall burden of skin diseases among the general population in China, with the incidence estimated at 53.78%. The burden of skin diseases in China is substantial. According to Frost & Sullivan, the eight major dermatologic indications in China collectively affected an estimated 843 million prevalent cases, with possible overlap, in 2025. The following diagram illustrates the prevalence cases of major skin diseases in China as of 2025.

Prevalence Cases of Major Skin Diseases in China, 2025



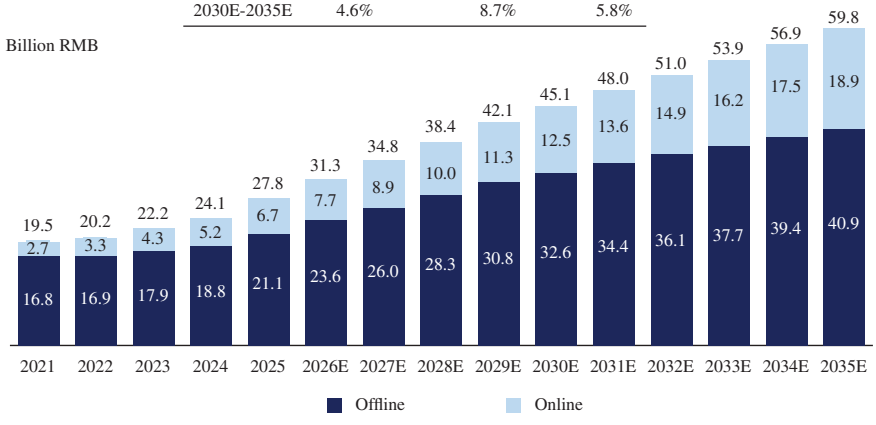
Source: Frost & Sullivan Analysis

Market Size of Topical Dermatology Drugs for Skin Diseases in China

Driven by the rising prevalence of skin diseases, increasing patient awareness, and the convenience of self-medication, China's topical drug market for skin diseases has witnessed robust growth. Specifically, the market growth is characterized by a structural shift towards online channels. The following diagram illustrates the market size of topical medications for skin diseases in China from 2021 to 2035E.

Market Size of Topical Medications for Skin Diseases in China: Online and Offline Channels, 2021-2035E

CAGR	Offline Market	Online Market	Total
2021-2025	5.8%	25.7%	9.2%
2025-2030E	9.1%	13.4%	10.2%
2030E-2035E	4.6%	8.7%	5.8%



Source: Frost & Sullivan Analysis

Barriers to Entry to Topical Dermatology Drug Market

Regulatory Approval and Clinical Compliance Requirements. In China, topical dermatology drugs are subject to stringent regulatory approval requirements, including formulation consistency, quality control validation, and clinical efficacy and safety evaluation. Because topical dermatological drug products are intended to act locally rather than through systemic exposure, conventional pharmacokinetic bioequivalence methods are often not applicable, necessitating more complex approaches to demonstrate bioequivalence. Therefore, topical dermatological drug products are classified as complex products by the FDA. China's regulatory framework is progressively aligning with this international standard. Regulatory authorities increasingly emphasize standardized clinical data and compliance with technical guidelines. For topical innovative drugs, modified new drugs, and generic drugs, enterprises are generally required to conduct local clinical trials, bridging studies or other supportive research, which lengthens development timelines and increases upfront investment. The associated R&D capabilities and clinical platforms constitute a meaningful entry barrier for new market participants.

Formulation Technology and Manufacturing Capability. Topical dermatology drugs require sophisticated formulation design to ensure drug stability, skin penetration, bioavailability, and patient tolerability. Advanced delivery systems necessitate specialized know-how and manufacturing infrastructure. Furthermore, consistency in large-scale production and long-term quality assurance raise technical thresholds, limiting successful entry to companies with proven formulation expertise and robust manufacturing systems.

Clinical Acceptance and Physician Prescribing Habits. Market entry is heavily influenced by dermatologist prescribing behavior and clinical recognition. Physicians tend to favor products with established clinical evidence, clear differentiation, and predictable treatment outcomes, particularly for chronic or recurrent conditions. New entrants must invest significantly in medical education, academic promotion, and real-world clinical validation to build trust and shift prescribing patterns, creating a substantial commercialization barrier.

Distribution Channels and Brand Recognition. Access to both hospital and retail pharmacy channels, including internet hospitals and e-pharmacies, requires established distribution networks, channel compliance capabilities, and brand credibility. In the topical dermatology segment, patient adherence and repeat use are closely linked to brand recognition and perceived efficacy. New entrants without existing channel relationships or consumer awareness face higher customer acquisition costs and slower uptake.

Key Growth Drivers of China's Topical Dermatology Drug Market

Rapid development of online healthcare channels improves patient access. China's expanding digital healthcare ecosystem, including e-pharmacies, internet hospitals, and dermatologist-led online consultation platforms, has significantly improved patient access to topical dermatology drugs. These models effectively reduce geographic barriers, improve treatment initiation efficiency, and enhance medication adherence, thereby providing sustained support for demand growth.

Rising prevalence and awareness of dermatologic diseases among patients. The prevalence of conditions such as acne, rosacea and pigmentary disorders continues to increase, driven by lifestyle changes and environmental factors. At the same time, public understanding of chronic and recurrent skin diseases has increased through medical education initiatives and professional content dissemination, leading to greater acceptance of standardized treatment and management approaches.

Increasing willingness among patients to seek timely dermatologic treatment. Chinese patients are becoming more proactive in seeking timely medical treatment. Rising income levels, broader coverage of dermatology resources, and improved access to professional guidance contribute to higher acceptance of both prescription and OTC topical therapies. This trend toward earlier intervention supports stable demand growth across multiple topical drug categories.

Topical dermatology drugs are relatively less affected by pricing policy. Compared with systemic therapies, they are used less frequently and over shorter treatment courses, resulting in lower aggregate per-patient expenditure and a smaller overall budget impact — making them a lower priority for medical insurance and price control policies. While competition may intensify for certain mature products, many topical formulations, particularly OTC products and differentiated dosage forms, continue to have pricing primarily determined by market competition. This environment allows companies to achieve relatively stable revenue growth through product differentiation and channel optimization.

Future Trends of China's Topical Dermatology Drug Market

Innovation in concentrations, formulations, and combinations. Innovation in topical dermatology is increasingly centered on optimizing drug concentrations, diversifying dosage forms, and developing combination products. Advanced delivery systems are being adopted to improve skin penetration efficiency, enhance tolerability, and reduce irritation. Combination therapies integrating multiple active ingredients are also gaining traction for conditions requiring multimodal management.

Transition from short-term symptom management to long-term skin disease management. Driven by greater disease awareness, stronger follow-up management habits, and the broader adoption of evidence-based treatment, Chinese patients are increasingly using topical dermatology drugs not only for short-term symptom relief but also for relapse prevention, maintenance therapy and long-term management. For chronic or recurrence-prone conditions such as acne, atopic dermatitis, psoriasis, onychomycosis and pigmentary disorders, patients are placing growing emphasis on safety, tolerability, ease of use and long-term adherence. This trend is shifting demand from one-off treatment toward more sustained, recurring usage, while encouraging dosage form optimization, combination therapy, and the development of complementary skincare regimens.

Online sales driving overall market expansion. Online channels have become a key growth engine for the topical dermatology drug market. Supported by online healthcare infrastructure including e-commerce platforms, internet hospitals and e-pharmacies, patients can access dermatology consultations, drug purchases and follow-up medication management more conveniently under China's compliant e-prescription circulation and pharmaceutical retail regulatory framework. The development of online OTC sales and compliant prescription-fulfillment channels enhances purchasing convenience, repeat-purchase efficiency and long-term treatment adherence, while enabling companies to broaden product coverage and reach wider regional markets more effectively.

Growing synergy between topical dermatology drugs and skincare. As skin disease management concepts continue to deepen, patient demand for post-treatment barrier repair, irritation relief, relapse prevention and daily maintenance has been rising steadily. In conditions such as acne, atopic dermatitis, rosacea, pigmentary disorders and scalp-related disorders, topical drugs are typically used for disease control and symptom improvement, while medical-grade skincare products play a greater role in adjunctive care, tolerability enhancement and long-term maintenance. This trend is driving topical dermatology drugs and skincare products to form complementary use cases, and supports the coordinated development of prescription drugs, OTC products and medical-grade skincare categories.

Competitive Landscape of China's Topical Dermatology Drug Market

The topical dermatology drug market in China features a mix of established multinational corporations and leading domestic pharmaceutical companies. In 2025, the market remained competitive, with top players differentiating themselves through brand recognition, channel coverage, and diverse product portfolios.

Our Company is a leading player in this sector. According to Frost & Sullivan, our Company ranked sixth among all manufacturers of topical dermatology drugs in China based on ex-factory prices in 2025, with a revenue of approximately RMB0.96 billion. The following table sets forth the top 8 manufacturers of topical dermatology drugs in China by revenue on ex-factory prices in 2025:

Rank	Company (English/Chinese)	Revenue (RMB billion)
1	Company A	1.43
2	Company B	1.36
3	Company C	1.29
4	Company D	1.23
5	Company E	1.00
6	Ziyond Pharmaceutical (知原藥業)	0.96
7	Company F	0.87
8	Company G	0.80

Source: Frost & Sullivan Analysis

ACNE AND ROSACEA MARKET

Overview

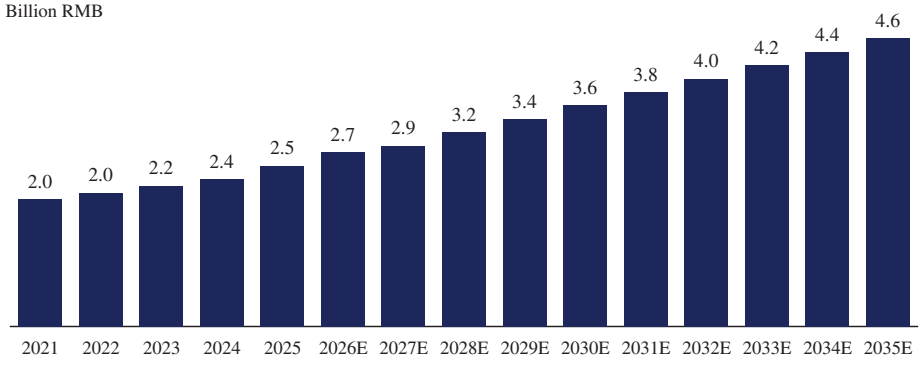
Acne vulgaris and rosacea represent the two major chronic inflammatory facial dermatoses affecting facial skin, significantly impacting patient appearance and psychological well-being. Acne vulgaris primarily affects adolescents and young adults. It has established a massive and stable patient pool in China. According to Frost & Sullivan, the number of acne patients in China reached approximately 121.8 million in 2025. In contrast, rosacea predominantly affects middle-aged adults. Due to improved diagnostic criteria, the identified cases of rosacea has surged. The number of rosacea patients in China was approximately 67.2 million in 2025 and is projected to expand rapidly to 81.2 million by 2030.

Market Size of Topical Medications for Acne and Rosacea

Driven by the rising demand for scientific skin health management, the market for topical acne and rosacea medications has demonstrated strong growth. Looking forward, as the diagnosis rate of rosacea continues to climb and the concept of "long-term maintenance" for acne becomes mainstream, the market is expected to accelerate. The following diagram illustrates the market size of topical medications for Acne Vulgaris and Rosacea in China from 2021 to 2035E.

Market Size of Topical Medications for Acne Vulgaris and Rosacea in China, 2021-2035E

Period	CAGR
2021-2025	6.2%
2025-2030E	7.5%
2030E-2035E	5.2%



Source: Frost & Sullivan Analysis

FUNGAL SKIN INFECTIONS MARKET

Overview

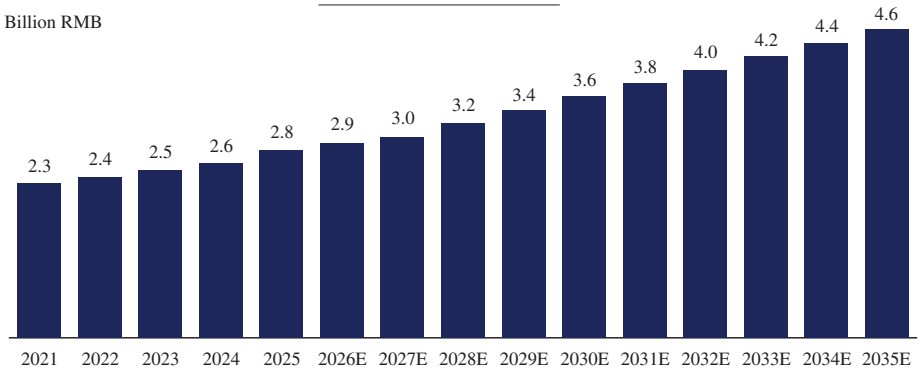
Tinea pedis and tinea manuum are common superficial fungal infections caused by Dermatophytes, characterized by pruritus, scaling, vesicles, and fissures. These conditions are highly prevalent in China, driven by risk factors including hyperhidrosis, occlusive footwear, and warm, humid environments. Reflecting these disease characteristics, the patient population in China is large and relatively stable, providing sustained underlying demand for topical antifungal therapies. According to Frost & Sullivan, the combined number of patients with tinea pedis and tinea manuum in China was approximately 268.5 million in 2025. The prevalence is expected to remain stable with a slight upward trend, reaching an estimated 269.1 million by 2030.

Market Size of Topical Medications for Tinea Pedis and Tinea Manuum

Topical antifungal agents remain the first-line standard of care for the vast majority of superficial fungal infections due to their efficacy and safety profile. The highly recurrent nature of these fungal infections has driven the sustained steady growth of the market for topical medications for tinea pedis and tinea manuum. The following diagram illustrates the market size of topical medications for Tinea Pedis and Tinea Manuum in China from 2021 to 2035E. Looking forward, the market is expected to accelerate as several demand-side factors converge. Rising public awareness of superficial fungal infections and their recurrent nature has translated into a growing willingness among patients to seek active and sustained treatment, thereby improving diagnosis and treatment rates. Concurrently, the continued growth of household disposable income has enhanced patients' affordability and willingness to pay for effective therapies, supporting a gradual shift toward premium and higher-value formulations. Together with the ongoing demand for convenient and fast-acting solutions, these factors are expected to drive both volume expansion and value growth across the topical antifungal segment.

Market Size of Topical Medications for Tinea Pedis and Tinea Manuum in China, 2021-2035E

Period	CAGR
2021-2025	4.6%
2025-2030E	5.2%
2030E-2035E	5.4%



Source: Frost & Sullivan Analysis

ONYCHOMYCOSIS MARKET

Overview

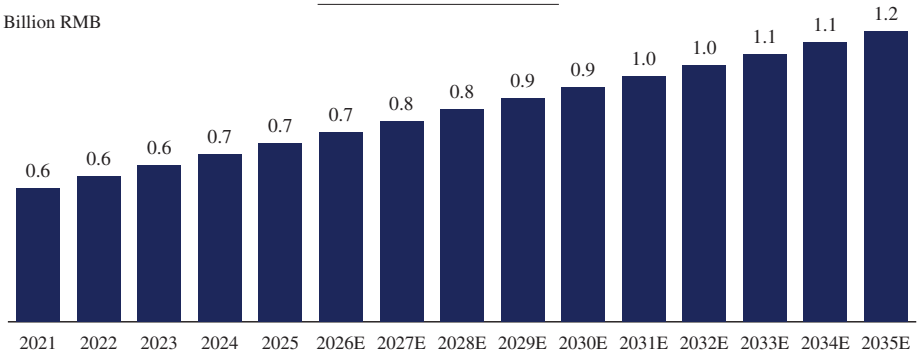
Onychomycosis is a chronic fungal infection of the nail unit leading to thickening, discoloration, and brittleness. It is more common among the elderly population, with prevalence significantly increasing with age due to reduced peripheral circulation, slower nail growth, and comorbidities. Driven by the rapidly aging population in China, the prevalence of onychomycosis is exhibiting a structural upward trend. According to Frost & Sullivan, the number of onychomycosis patients in China increased from 40.8 million in 2025 to an estimated 43.8 million in 2030. As the demographic shift intensifies, the patient pool is projected to further expand to 46.6 million by 2035.

Market Size of Topical Medications for Onychomycosis

Driven by the clinical preference for topical treatments over systemic antifungals among the elderly population to mitigate potential drug-drug interactions and systemic safety concerns, the topical onychomycosis drug market is poised for long-term expansion. The following diagram illustrates the market size of topical medications for Onychomycosis in China from 2021 to 2035E.

Market Size of Topical Medications for Onychomycosis in China, 2021-2035E

Period	CAGR
2021-2025	3.9%
2025-2030E	6.4%
2030E-2035E	5.1%



Source: Frost & Sullivan Analysis

IMMUNE-MEDIATED DERMATOSES MARKET

Immune-mediated dermatoses refer to a group of chronic, relapsing inflammatory skin diseases driven by the dysregulation of the immune system. These conditions, represented primarily by psoriasis and atopic dermatitis, are characterized by persistent inflammation, skin barrier defects, and distinct immunological signatures.

Psoriasis

Overview

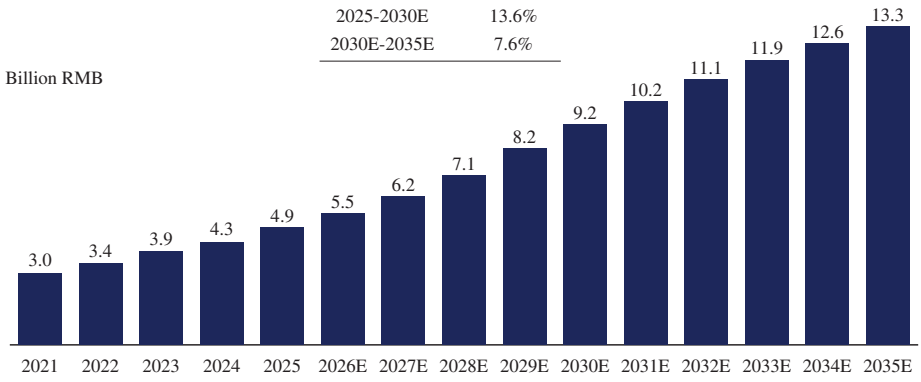
Psoriasis is a chronic, immune-mediated, non-communicable dermatological disease characterized by the rapid overproduction of skin cells, leading to localized or widespread scaling and inflammation. The most common form is plaque psoriasis. Beyond its physical manifestations, psoriasis is associated with significant comorbidities including psoriatic arthritis and cardiovascular diseases. According to Frost & Sullivan, psoriasis affects a substantial and stable population in China. The prevalence was approximately 6.7 million in 2025 and is projected to reach 6.8 million by 2030.

Market Size of Topical Medications for Psoriasis

Topical corticosteroids ("**TCS**") and compound formulations continue to represent the mainstay of treatment for controlling acute flares in mild-to-moderate psoriasis, with the market for topical psoriasis medications driven by the need for potent and fast-acting solutions. Beyond this established base, the market is being further expanded by the deepening understanding of psoriasis pathogenesis, which has led to the discovery and validation of novel therapeutic targets. In particular, the emergence of non-steroidal topical agents acting on newly identified mechanisms — such as the aryl hydrocarbon receptor and phosphodiesterase-4 ("**PDE-4**") — has broadened the range of available treatment options and helped address the long-standing limitations of prolonged corticosteroid use, including skin atrophy and tachyphylaxis. Coupled with rising patient awareness and diagnosis rates, these innovations are expected to drive both treatment penetration and value growth across the topical segment. The following diagram illustrates the market size of topical medications for Psoriasis in China from 2021 to 2035E.

Market Size of Topical Medications for Psoriasis in China, 2021-2035E

Period	CAGR
2021-2025	12.5%
2025-2030E	13.6%
2030E-2035E	7.6%



Source: Frost & Sullivan Analysis

Atopic Dermatitis

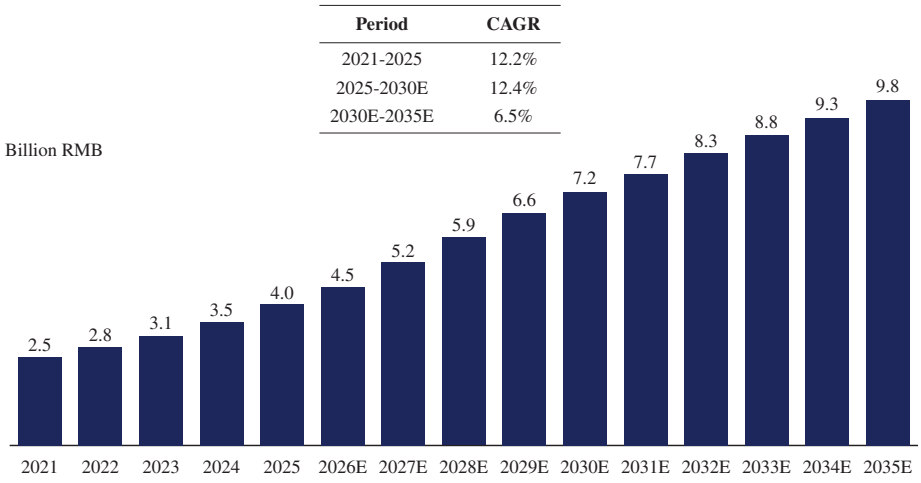
Overview

Atopic dermatitis, also known as atopic eczema, is the most common chronic inflammatory skin disease characterized by intense pruritus, xerosis, and recurrent eczematous lesions. It disproportionately affects infants and children. The prevalence of AD in China is rising driven by factors such as urbanization, lifestyle changes, evolving environmental exposures, and the increasing incidence of allergic diseases. According to Frost & Sullivan, the patient population was 73.0 million in 2025. A significant portion of these patients are children, creating a highly sensitive market where safety and steroid-sparing properties are the primary decision factors.

Market Size of Topical Medications for AD

Driven by the rising diagnosis rate in children and the increasing adoption of safer, non-steroidal options, the AD topical market is witnessing rapid expansion. This high growth rate is largely fueled by the penetration of the increasing use of steroid-sparing options such as topical calcineurin inhibitors ("**TCIs**") alongside TCS therapy. The following diagram illustrates the market size of topical medications for Atopic Dermatitis in China from 2021 to 2035E.

Market Size of Topical Medications for Atopic Dermatitis in China, 2021-2035E



Source: Frost & Sullivan Analysis

PIGMENTARY DISORDERS MARKET

Pigmentary disorders involve the abnormal distribution of melanin in the skin, manifesting as either hyperpigmentation (excessive melanin) or hypopigmentation (loss of melanin). These conditions, mainly anchored by melasma and vitiligo, respectively, pose significant social distress and profound psychosocial burdens for patients.

Melasma

Overview

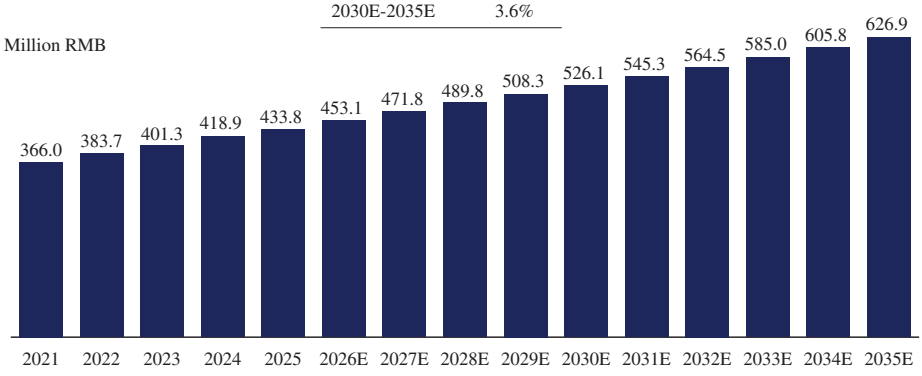
Melasma is a common acquired pigmentary disorder characterized by symmetrical, hyperpigmented macules on sun-exposed areas, particularly the face. It typically affects young to middle-aged adults and exhibits a striking gender disparity, with females accounting for approximately 90% of the patient population. Melasma is closely linked to hormonal fluctuations (e.g., pregnancy, oral contraceptives), ultraviolet exposure, and genetic predisposition. As a chronic and recurrent condition affecting facial appearance, it imposes a significant psychological burden on patients. According to Frost & Sullivan, the patient population reached 62.9 million in 2025.

Market Size of Melasma Drugs

Underpinned by the comprehensive management approach combining systemic regulation (e.g., oral tranexamic acid) with topical care, the market for melasma medications and care products in China shows a growth trend. The following diagram illustrates the market size of medications for melasma in China from 2021 to 2035E.

Market Size of Melasma Drug Market in China, 2021-2035E

Period	CAGR
2021-2025	4.3%
2025-2030E	3.9%
2030E-2035E	3.6%



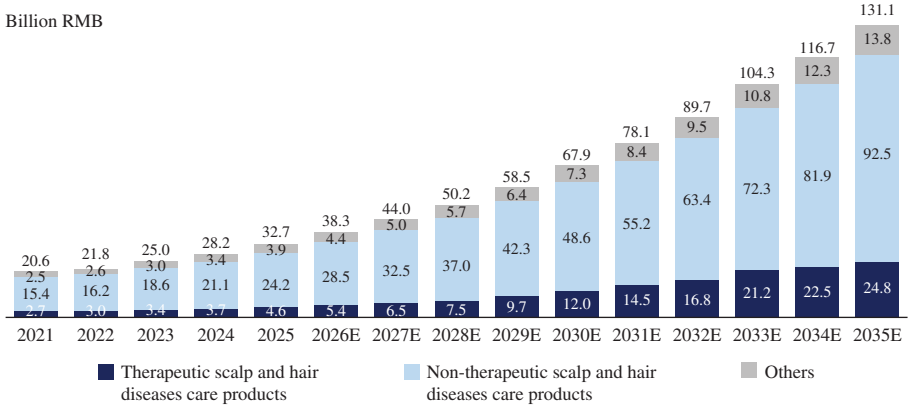
Source: Literature Search, Frost & Sullivan Analysis

SCALP AND HAIR DISEASES CARE MARKET

Scalp and hair diseases encompass a diverse group of dermatological conditions affecting the scalp skin and hair follicles, which significantly impact patients' appearance and quality of life. The market is predominantly driven by androgenetic alopecia ("**AGA**"), a progressive hair loss disorder shaped by hormonal and genetic factors, and scalp conditions such as seborrheic dermatitis and dandruff-related disorders). This market can be further segmented into therapeutic scalp and hair diseases care products, non-therapeutic scalp and hair diseases care products and other products. Supported by rising awareness of hair loss treatment, growing consumer focus on scalp health and appearance management, improved accessibility through online consultation and pharmacy channels, and the continued penetration of evidence-based therapeutic products together with complementary scalp care offerings, the scalp and hair diseases care segment is exhibiting accelerated growth. The following diagram illustrates the market size of scalp and hair diseases care in China from 2021 to 2035E.

Market Size of Scalp and Hair Diseases Care in China, 2021-2035E

Period	CAGR			
	Therapeutic scalp and hair diseases care products	Non-therapeutic scalp and hair diseases care products	Others	Total
2021-2025	13.9%	11.9%	12.0%	12.2%
2025-2030E	21.2%	15.0%	13.3%	15.8%
2030E-2035E	15.7%	13.7%	13.6%	14.1%



Source: Frost & Sullivan Analysis

SOURCE OF INFORMATION

We commissioned Frost & Sullivan to conduct market research on China's topical dermatology drug industry and prepare the Frost & Sullivan Report. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York that offers industry research and market strategies. We have contracted to pay RMB600,000 to Frost & Sullivan for compiling the Frost & Sullivan Report.

In preparing the Frost & Sullivan Report, Frost & Sullivan conducted detailed primary research which involved discussing the status of the industry with certain leading industry participants and conducting interviews with relevant parties. Frost & Sullivan also conducted secondary research which involved reviewing company reports, independent research reports and data based on its own research database. Frost & Sullivan obtained the figures for the estimated total market size from historical data analysis plotted against macroeconomic data and considered the key industry drivers. Its market engineering forecasting methodology integrates several forecasting techniques with the market engineering measurement-based system and relies on the expertise of the analyst team in integrating critical market elements investigated during the research phase of the project. These elements primarily include forecasting methodology based on expert opinions, integration of market drivers and restraints, market challenges, market engineering measurement trends and econometric variables.

Our Directors confirm that, after taking reasonable care, there has been no material adverse change in the overall market information since the date of the Frost & Sullivan Report that would materially qualify, contradict or have an impact on such information.