

INDUSTRY OVERVIEW

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SOURCE OF INFORMATION

We have commissioned Frost & Sullivan to conduct market research and prepare a report on the Chinese medicine market in Hong Kong, Macau and Singapore with the [REDACTED]. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York that offers industry research and market strategies. We were charged HK\$608,000 by Frost & Sullivan in connection with its preparation of the report. Our payment of such fee is not contingent upon the results of its research and analysis.

In preparing the Frost & Sullivan Report, Frost & Sullivan conducted detailed primary research involving in-depth telephone and face-to-face interviews with industry participants. Frost & Sullivan also conducted secondary research involving a review of annual reports, industry publications and data based on its own research database. Frost & Sullivan obtained the figures for various market size estimates from historical data analysis plotted against macroeconomic data, and considered related industry drivers. Its forecasting methodology integrates several forecasting techniques with its internal analytics of critical market elements investigated in connection with its market research work. These elements primarily include identification of market drivers and restraints and integration of expert opinions. In preparation of the Frost & Sullivan Report, Frost & Sullivan assumed: (i) global economy is likely to maintain steady growth in the next decade; (ii) global social, economic and political environment is likely to remain stable in the forecast period; and (iii) market drivers such as supportive government policies and increasing public awareness of health management and self-care, are expected to continue during the forecast period.

CHINESE MEDICINE

The Chinese medicine industry encompasses an integrated value chain spanning PCM supply and Chinese medicine clinic services:

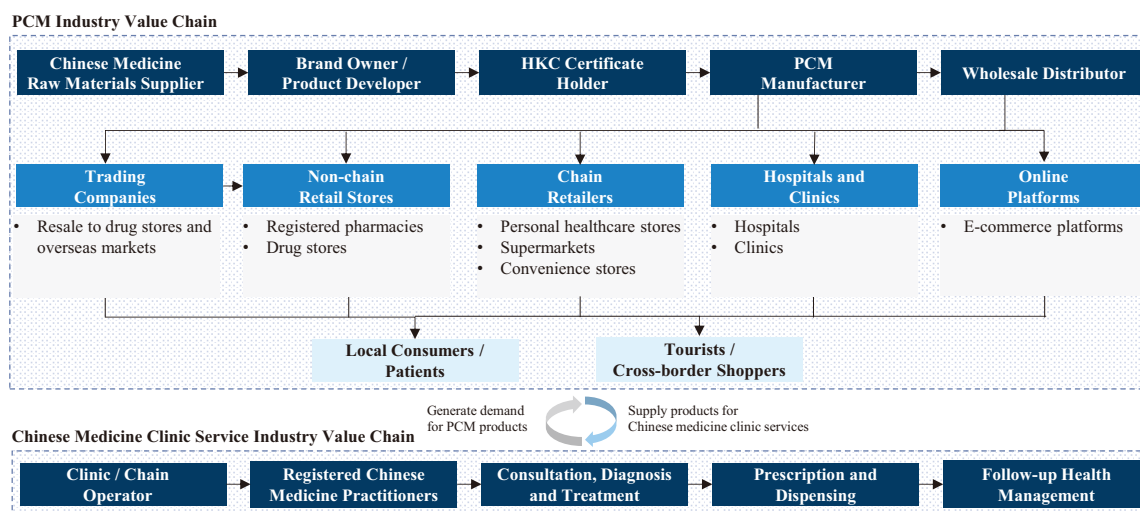
- *PCM supply:* The PCM supply chain includes (i) upstream sourcing and primary processing of Chinese medicine materials derived from plant, animal and minerals; (ii) midstream processing into herbal pieces and extracts for use in PCM production, and (iii) downstream

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commercialization of retail-oriented PCM (being registered, finished dose Chinese medicine products that can be purchased through retail channels and are commonly used for mild symptom relief), single-herb CCMG (made from a single Chinese medicinal material by extraction and dispensed only pursuant to prescription issued by a Chinese medicine practitioner), and Chinese herbal pieces (being processed Chinese herbal medicines used for prescription dispensing and clinical decoction preparation).

- Chinese medicine clinic services:** Chinese medicine clinic service chain is the service-side segment of the Chinese medicine market, mainly covering diagnosis, treatment and health management services provided by Chinese medicine healthcare institutions or registered Chinese medicine practitioners based on syndrome differentiation. As the front-end clinical touchpoint of the Chinese medicine ecosystem, Chinese medicine clinic services help convert patient demand into prescription, dispensing and follow-up scenarios, forming an important bridge between clinic services and Chinese medicine products.

Value Chain Analysis



Source: Frost & Sullivan analysis

The Chinese medicine industry in Hong Kong is supported by favorable government policies. China’s 15th Five-Year Plan for National Economic and Social Development of the PRC (the “**15th Five-Year Plan**”) emphasizes the inheritance and innovation of Chinese medicine and supports its international development. In parallel, the Hong Kong government is formulating a five-year plan to align with national policy to promote Chinese medicine internationally. Recent initiatives include the Chinese Medicine Development Blueprint issued by the Hong Kong government (the “**Chinese Medicine Development Blueprint**”), the commissioning of the Chinese Medicine Hospital of Hong Kong and the permanent premises of the Government Chinese Medicines Testing Institute. These measures, together with continued development of Chinese medicine service models, Chinese-Western medicine collaboration and cross-border and international exchanges, are expected to strengthen the integration of Chinese medicine into Hong Kong’s healthcare system, enhance market recognition of Chinese medicine products and services in Hong Kong, and support industry growth in Hong Kong, while also facilitating access to overseas markets.

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PCM MARKET IN HONG KONG

PCM comprise (1) proprietary Chinese medicines as defined in section 2 of the Chinese Medicine Ordinance, namely proprietary products (a) composed solely of the following as active ingredients: (i) any Chinese herbal medicines, (ii) any materials of herbal, animal or mineral origin customarily used by the Chinese; or (iii) any medicines and materials referred to in subparagraphs (i) and (ii) respectively; (b) formulated in a finished dose form; and (c) known or claimed to be used for the diagnosis, treatment, prevention or alleviation of any disease or any symptom of a disease in human beings, or for the regulation of the functional states of the human body, or (2) Chinese herbal medicines regulated under the Chinese Medicine Ordinance. The PCM industry segment and our branded PCM products segment represent the same category of drugs.

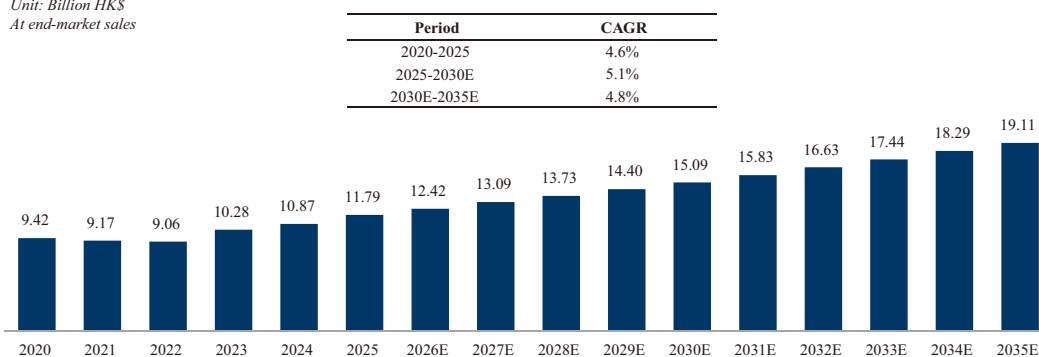
The PCM market in Hong Kong comprises registered ready-to-use Chinese medicine products commercialized through retail, wholesale and practitioner-related channels, and single-herb CCMG that must be dispensed pursuant to prescriptions issued by Chinese medicine practitioners. PCM products have both pharmaceutical attributes (subject to product registration, packaging and labeling requirements, and relevant manufacturers and wholesalers are required to comply with the Chinese medicines trader licensing framework) and consumer healthcare attributes (positioned as household self-care products for recurring health needs such as gastrointestinal discomfort, external pain relief, women’s health, cooling and soothing uses, and general health maintenance). The market is characterized by strong brand heritage, household self-care demand and high reliance on channel access and consumer trust.

Market Size

The Hong Kong PCM market has greatly developed over the past decades, driven primarily by improved health consciousness and favorable government policies. Despite the negative impact of the pandemic from 2020 to 2022, the market has recovered steadily since 2023 and is projected to undergo fast growth in the future driven by policy support under the 15th Five-Year Plan and the Chinese Medicine Development Blueprint, more professionalized PCM product development and quality management, increasing public recognition of and trust in PCM, and enhanced payment accessibility for PCM through development of government-subsidized Chinese medicine clinic services and related insurance products.

Market size of Hong Kong PCM by end-market sales, 2020 to 2035E

Unit: Billion HK\$
At end-market sales



Source: Frost & Sullivan analysis

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Growth Drivers

The major growth drivers of the Hong Kong PCM market are as follows:

- *Aging population and rising household healthcare demand:* As Hong Kong’s population ages and health awareness grows, demand for self-care and household medicines is expected to increase. Benefiting from retail accessibility, gentle therapeutic effects and household stock-up demand, branded PCM products are well positioned to capture stable repeat consumption and long-term demand from aging consumers and health-conscious households.
- *Unique formulations, brand heritage and value-for-money pricing:* Heritage PCM brands benefit from long operating histories, unique formulations and cross-generational word-of-mouth, which enhance consumer confidence in product efficacy, safety and value. As a result, such brands are better-positioned to build stronger consumer stickiness, support repeat purchase and maintain long-term market resilience.
- *Expansion through cross-border and overseas channels:* Hong Kong’s free-trade environment and connectivity with China enable PCM products to expand beyond the local market. In particular, the NMPA has introduced a simplified PRC registration pathway for eligible Hong Kong products with local approval, over 15 years of use, and GMP-compliant manufacturing to enter the PRC market. This creates opportunities for entities with brands with proven local use history, compliant manufacturing and strong registration foundations to benefit from early market access. Moreover, overseas expansion further broadens exposure among overseas Chinese communities and consumers familiar with Chinese medicine culture.
- *Policy-driven standardization and market access:* Policy support under the 15th Five-Year Plan and the Chinese Medicine Development Blueprint is expected to promote Hong Kong’s PCM market. The 15th Five-Year Plan supports Chinese medicine quality improvement, healthcare service integration and internationalization, while the Chinese Medicine Development Blueprint provides more direct support through GMP implementation, testing standards, registration support and PRC cooperation. These measures are expected to enhance product credibility and market access.

Entry Barriers

The key entry barriers of the Hong Kong PCM market are as follows:

- *Brand heritage:* Established PCM brands are typically built on long formulation history, accumulated consumer recognition and cross-generational trust. Consumers tend to associate well-known brands with proven safety, stable quality and reliable effects.
- *Product registration:* PCM products must obtain registration with the CMCHK before they can be legally sold in Hong Kong. This requires compliance with product safety, quality, labeling and documentation requirements, increasing the regulatory threshold and time required for market entry.

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- *Formulation expertise:* PCM products rely heavily on formulation compatibility, ingredient selection, dosage design and traditional processing techniques. Such technical know-how is accumulated over time and is important for maintaining therapeutic effects and batch-to-batch consistency.
- *Retail distribution:* PCM companies require access to multiple retail channels, including pharmacies, Chinese medicine retailers and other consumer healthcare outlets. Securing shelf space, building product visibility and generating repeat purchases require established distributor relationships and sustained marketing investment.
- *Product efficacy:* Product efficacy is a core entry barrier because consumer acceptance in the PCM market is largely driven by actual usage experience, repeat purchase behavior and word-of-mouth recognition. Products with clear functional positioning and long-term market validation are more likely to gain consumer and channel trust.

Future Trends

The future trends of the Hong Kong PCM market are as follows:

- *Modernization of traditional household medicines:* Branded PCM companies are expected to modernize products through refreshed packaging, convenient dosage forms and lifestyle-oriented positioning to better engage younger consumers.
- *Development of multi-category product portfolios:* Companies with established single blockbuster product are increasingly expanding their portfolios with broader product offerings to adapt to changing dynamics. This shift toward multi-category portfolios is expected to enhance resilience, alongside improved consumer retention and channel bargaining power.
- *Omnichannel integration:* Sales of branded PCM will see deeper omnichannel integration, with unprecedented synergies across pharmacies, duty-free retail, e-commerce platforms and Chinese medicine clinic services.
- *Compliance upgrade of PCM registration and GMP manufacturing:* With the advancement of the Chinese Medicine Development Blueprint, compliance requirements for PCM will become more stringent. Products with therapeutic or symptom-relief claims are required to obtain HKC registration, while manufacturers are expected to face rising GMP standards. As only 10.8% of Hong Kong Chinese medicine manufacturers meet GMP standards as of June 30, 2026, companies with GMP-certified manufacturing capabilities and HKC-registered products are expected to gain a stronger first-mover advantage amid regulatory upgrades.

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Competitive Landscape of Hong Kong PCM Market and Other Relevant Therapeutic PCM Markets

Hong Kong PCM Market

The Hong Kong PCM market is competitive, with the top five players accounting for 31.9% of the total market in 2025. Competition is primarily driven by brand heritage, consumer trust, product efficacy, quality and compliance, formulation and production know-how, different indications, retail channel coverage and repeat-purchase demand, while established players benefit from long operating histories, well-recognized household brands and broad product portfolios across different healthcare scenarios.

Top five companies in the Hong Kong PCM market by end-market sales, 2025

Rank	Company	Background	Market Share
1.	Our Group		9.2%
2.	Company A	Company A is a Hong Kong listed company engaged in the manufacturing, retail and wholesale of Chinese medicine products in Hong Kong and overseas.	8.2%
3.	Company B	Company B is a private company engaged in the manufacturing and export of Chinese medicine and herbal healthcare products, with key products including herbal cough syrup and herbal candies.	6.4%
4.	Company C	Company C is a Hong Kong listed company engaged in the production and sales of Chinese and Western pharmaceutical products, healthcare products and Chinese medicine clinic services.	4.2%
5.	Company D	Company D is a Hong Kong listed company engaged in Chinese medicine production and operation, covering Chinese medicine materials, Chinese herbal pieces, Chinese medicine health products.	3.9%

Source: Annual reports of listed companies, interviews with industry experts, Frost & Sullivan analysis

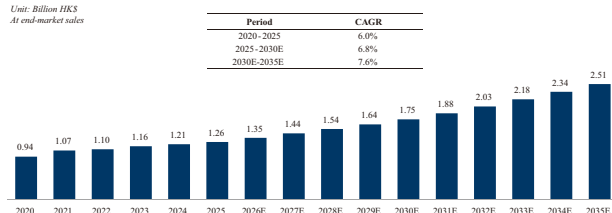
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Hong Kong CCMG market

CCMG mainly refers to modernized Chinese medicine preparations made from traditional Chinese herbal medicines through standardized extraction, concentration, drying and granulation processes. Each batch of CCMG is subject to multiple quality testing before release to ensure product efficacy, safety, quality consistency and regulatory compliance. The market for CCMG has increased steadily in recent years, mainly due to the rising public trust in Chinese medicine, an expanding aging population and the consumer shift from traditional raw herbs to modern granules.

Market size of Hong Kong CCMG by end-market sales, 2020 to 2035E

Unit: Billion HK\$
At end-market sales



Top five companies in the Hong Kong CCMG market by end-market sales, 2025

Rank	Company	Market Share
1.	Company E	26.2%
2.	Our Group	25.2%
3.	Company F	11.9%
4.	Company D	8.3%
5.	Company G	6.0%

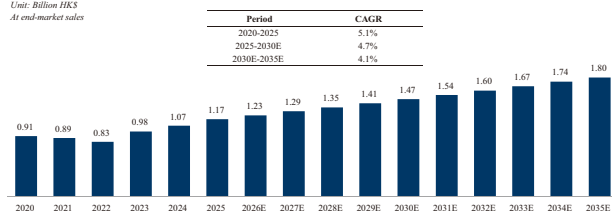
Source: Annual reports of listed companies, interviews with industry experts, Frost & Sullivan analysis

Gastrointestinal PCM market

Gastrointestinal PCM mainly refers to PCM products used to relieve gastrointestinal discomfort, support daily gastrointestinal care, and meet household self-medication needs. The market for gastrointestinal PCM products has increased steadily in the post-pandemic period, mainly due to the rising health consciousness, and prevalence of stress- and diet-related gastrointestinal issues among urban populations.

Market size of Hong Kong gastrointestinal PCM by end-market sales, 2020 to 2035E

Unit: Billion HK\$
At end-market sales



Top five companies in the Hong Kong gastrointestinal PCM market by end-market sales, 2025

Rank	Company	Market Share
1.	Our Group (Product: Po Chai Pills)	20.2%
2.	Company H	14.2%
3.	Company C	14.0%
4.	Company B	8.1%
5.	Company I	7.6%

Source: Annual reports of listed companies, interviews with industry experts, Frost & Sullivan analysis

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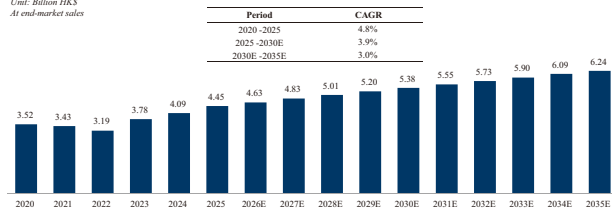
In addition to the Hong Kong gastrointestinal PCM market, we also ranked first in the Macau and Singapore gastrointestinal PCM markets by end-market sales value, in 2025, according to the Frost & Sullivan Report.

Gynecological PCM market

Gynecological PCM mainly refers to PCM products targeting women’s health scenarios such as menstrual care, fertility support, postpartum recovery, menopausal management and daily qi-blood nourishment. The market for gynecological PCM has increased steadily in the post-pandemic period, mainly due to the increasing focus on reproductive wellness, menstrual health management, fertility preparation and postpartum conditioning.

Market size of Hong Kong gynecological PCM by end-market sales, 2020 to 2035E

Unit: Billion HK\$
At end-market sales



Top five companies in the Hong Kong gynecological PCM market by end-market sales, 2025

Rank	Company	Market Share
1.	Our Group (Product: Tin Hee Tong Tin Hee Pills)	11.8%
2.	Company B	11.6%
3.	Company C	10.9%
4.	Company J	7.2%
5.	Company H	7.0%

Source: Annual reports of listed companies, interviews with industry experts, Frost & Sullivan analysis

Notes:

- (1) Company E is a Hong Kong listed company engaged in the research and development, production, marketing and sales of CCMG.
- (2) Company F is a private company engaged in the provision of CCMG and Chinese medicine-related products.
- (3) Company G is a private company engaged in the research, development, manufacturing and distribution of CCMG and related Chinese medicine products.
- (4) Company H is a private company engaged in the manufacturing, retail and distribution of Chinese medicine products, Chinese medicine healthcare products and Chinese medicine clinic services across Asian markets.
- (5) Company I is a private company engaged in the manufacturing of PCM and Chinese herbal medicines.
- (6) Company J is a private company engaged in the development, manufacturing and sales of PCM and Chinese medicine healthcare products.

CHINESE MEDICINE CLINIC SERVICE MARKET IN HONG KONG

The Hong Kong Chinese medicine clinic service market encompasses diagnosis, treatment, prescription, acupuncture, bone-setting, rehabilitation and health management services provided by qualified Chinese medicine practitioners. Key practice areas include internal medicine and pain management (including orthopedics and acupuncture). It is primarily an outpatient and community-based market focused on general consultation, chronic disease management, pain conditions, rehabilitation, women’s health, and preventive care.

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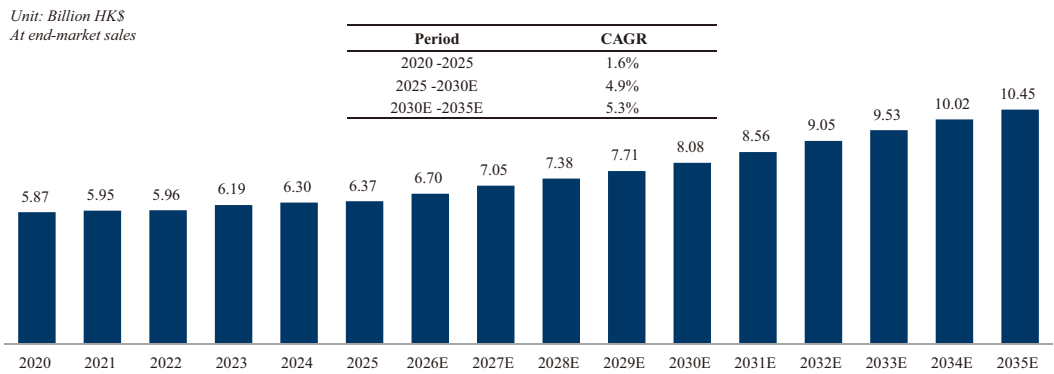
Private clinics form the core service network, with over 90% of practitioners in the private sector providing approximately 14 million outpatient consultations annually as of June 2024. Public services (including non-governmental organizations) support talent training and clinical research through 18 Chinese Medicine Clinics cum Training and Research Centres. As of June 30, 2026, Hong Kong had 8,797 registered Chinese medicine practitioners.

The market is consultation-driven and practitioner-centered, generating revenue from consultation fees, prescriptions and service fees. Chain operators benefit from standardized management, shared branding and digital systems, while independent clinics rely on practitioner reputation and neighborhood trust. Competitiveness depends on practitioner reputation, patient trust, accessibility and dispensing capability.

Market Size

The number of Chinese medicine clinic service users in Hong Kong remained relatively stable between 2020 and 2025, reflecting steady underlying demand. The user base is expected to expand at a faster pace in the future, driven by population aging, increasing demand for chronic disease management and rehabilitation, and growing acceptance of Chinese medicine clinic services.

Market size of Hong Kong Chinese medicine clinic services by end-market sales, 2020 to 2035E



Source: Frost & Sullivan analysis

Growth Drivers

The major growth drivers of the Hong Kong Chinese medicine clinic service market are as follows:

- Aging population and chronic disease management:* Hong Kong’s aging population is driving demand for Chinese medicine (including clinic services) in chronic disease management, rehabilitation and holistic long-term care.

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- *Growing acceptance of Chinese medicine:* The rising acceptance of Chinese medicine is broadening the demand base for Chinese medicine clinic services. A wider range of population groups, including younger consumers, urban professionals and health-conscious households, increasingly view Chinese medicine as a complementary and holistic approach to preventive healthcare, sub-health management, stress relief and routine body conditioning. As consumer trust in Chinese medicine continues to improve, willingness to seek Chinese medicine clinic services is expected to increase.
- *Policy support and preventive healthcare demand:* The Chinese Medicine Development Blueprint is expected to enhance Chinese medicine service quality and integration into Hong Kong’s healthcare system. As Chinese medicine clinic services become more professionally delivered, they are expanding beyond disease treatment and into daily wellness, preventive care and long-term health management.
- *Cross-border patient flow and one-stop clinic chain model:* Hong Kong’s regulated healthcare environment and proximity to the Greater Bay Area support demand from mainland consumers, while branded clinic chains can integrate services to improve patient retention and lifetime value.

Entry Barriers

The key entry barriers of the Hong Kong Chinese medicine clinic service market are as follows:

- *Registered Chinese medicine practitioner requirements:* Chinese medicine practice in Hong Kong is regulated under the Chinese Medicine Ordinance. Service providers must secure registered Chinese medicine practitioners with credible qualifications and clinical experience.
- *Integrated care capabilities:* Chinese medicine clinics typically provide an integrated service model covering medicine sourcing, storage and dispensing. Clinics with broader service coordination are better positioned than single-point providers.
- *Clinical reputation:* Chinese medicine clinic services rely heavily on long-term patient trust. Established clinics with stable practitioner-patient relationships enjoy stronger patient stickiness, while new entrants need time to build clinical credibility.
- *Clinic network development:* Chinese medicine clinic services remain highly offline and location-sensitive. In Hong Kong, where clinic rental is high, building a multi-site clinic network requires significant upfront investment and long-term operating commitment.
- *Quality control:* Clinic chain operators must maintain consistent service quality across practitioners and sites. This requires in-house training and credentialing systems, including senior mentorship and continuing practitioner education.

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Future Trends

The key future trends of the Hong Kong Chinese medicine clinic service market are as follows:

- *Corporatization and brand consolidation:* The market is expected to shift from traditional independent practices toward modern, corporatized clinic chain networks.
- *Digital transformation:* Chinese medicine clinic service providers are expected to increasingly adopt digital tools (such as telemedicine, artificial intelligence-assisted diagnosis, electronic records) to improve operating efficiency and patient experience.
- *Expansion into comprehensive health management:* Chinese medicine clinics are expected to move beyond disease treatment into preventive care and lifestyle-based health management.

Competitive Landscape

The Hong Kong Chinese medicine clinic service market is primarily private-sector driven and remains relatively fragmented, with major chain operators competing through clinic network coverage, practitioner resources, quality control, professional consultation and dispensing services and brand reputation.

Top five Hong Kong private Chinese medicine clinic chains as of June 30, 2026

Rank	Company	Background	Number of outlets
1.	Company K	Company K is a private company engaged in the operation of community-based Chinese medicine clinic chains.	66
2.	Company L	Company L is a private company engaged in Chinese medicine research, manufacturing and Chinese medicine clinic services.	46
3.	Company M	Company M is a private company engaged in the operation of modern Chinese medicine clinics.	43
4.	Company N	Company N is a private company engaged in the operation of Chinese medicine centers.	41
5.	Our Group		40

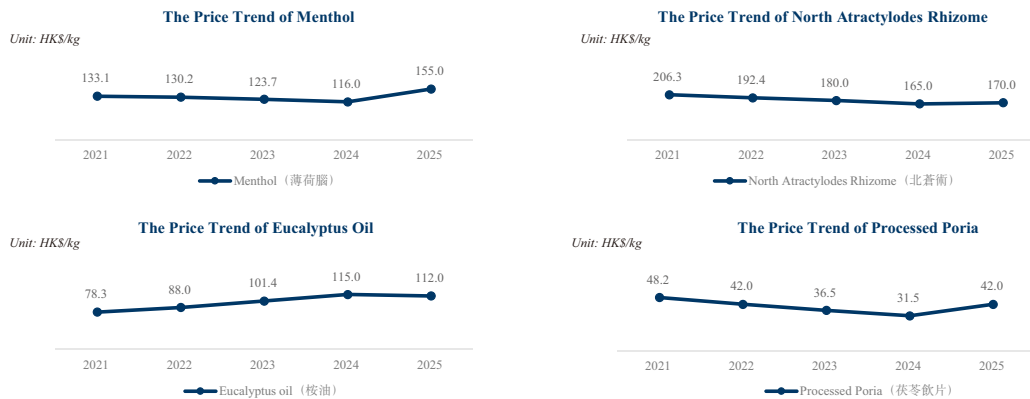
Source: Clinic websites, Frost & Sullivan analysis

We were also the largest private Chinese medicine clinic chain with an orthopedic specialty, in Hong Kong by number of clinics as of June 30, 2026.

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HISTORICAL PRICE TRENDS OF RAW MATERIALS AND FINAL PRODUCTS

We manufacture a diverse range of branded PCM products using various raw materials and packaging materials. Our key raw materials include menthol, north atractylodes rhizome, eucalyptus oil, and processed poria. From 2021 to 2025, raw material prices exhibited mixed fluctuations, thereby subjecting our overall cost environment to variability across different ingredients. However, such fluctuations did not materially affect our overall cost of sales and services during the Track Record Period. This was primarily attributable to (i) the relatively low proportion of raw material costs within our total cost of materials, (ii) our long-standing supplier relationships, which provide a degree of pricing stability, and (iii) our diversified sourcing, such that we do not rely on any single type of raw material. The following charts illustrate the historical prices for menthol, north atractylodes rhizome, eucalyptus oil, and processed poria from 2021 to 2025:



Source: Frost & Sullivan Report

Notes:

- (1) Prices represent the market procurement costs for production grade raw materials and processed herbal pieces instead of origin-level quotations.
- (2) North atractylodes rhizome refers to wild north atractylodes rhizome pieces utilized for manufacturing.