

INDUSTRY OVERVIEW

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HEALTHCARE SERVICE INDUSTRY IN CHINA

Overview of Healthcare Service in China

Leveraging opportunities arising from hospital reform and favorable government policies, the total revenue of China’s healthcare services market raised from RMB5.5 trillion in 2021 to RMB8.4 trillion in 2025, with a CAGR of 11.2%. In the future, the total revenue of China’s healthcare services market is expected to further grow at a CAGR of 8.0% from 2026 to 2030, reaching RMB12.5 trillion in 2030.

China’s economic development and the stronger purchasing power of Chinese residents have propelled a surge in demand for personalized and efficient healthcare services, thereby fostering rapid growth in the private healthcare services market in China. The revenue of private healthcare service institutions in China grew with a CAGR of 13.6% from RMB0.9 trillion in 2021 to RMB1.5 trillion in 2025, and is expected to further grow at a CAGR of 11.8% from 2026 to 2030, reaching RMB2.5 trillion in 2030.

Future Opportunities of Healthcare Service Industry in China

Increasing Layout of Private Healthcare Service Institutions. In 2026, the State Council issued the “15th Five-Year Plan for National Health” (《國民健康“十五五”規劃》), which proposed to facilitate the sustained and standardized development of private healthcare services. In the future, more private capital is expected to enter into the operations of hospitals and clinics, especially focusing on consumer healthcare services and premium healthcare services. The number of private healthcare service institutions accounted for approximately 51.5% in 2025, and is expected to account for approximately 55.2% in 2030 of total number of healthcare service institutions in China. The increasing layout of private healthcare service institutions is expected to further divert patients from public hospitals and reduce the average time spent on medical consultations.

Development of Digital Healthcare Services. Digital healthcare services mainly include online consultation, online appointment, electronic prescriptions, online guidance for medication, remote follow-up consultation and chronic disease management, which provide convenient and secure access to healthcare services, and bridge the gap between unevenly distributed medical resources and increasing healthcare demand. Moreover, through technological innovations such as big data and AI, digital healthcare services are expected to shorten the conventional diagnostic process and reduce patients’ medical-related costs.

TCM HEALTHCARE SERVICE INDUSTRY IN CHINA

Definition and Classification of TCM Healthcare Service

TCM healthcare services refer to the process of disease prevention, treatment, and rehabilitation based on TCM theories and diagnostic methods. TCM healthcare services include both pharmacological treatments, such as herbal decoctions and patent medicines, and non-pharmacological therapies like acupuncture, and moxibustion. These interventions emphasize the harmony of the body’s internal systems and target not only disease symptoms but also their underlying causes.

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Compared with western therapy, TCM places greater emphasis on preventive care and long-term health management, with particular strengths in managing chronic diseases, complex conditions, and sub-health states. It adopts a holistic, personalized approach that considers both physical and mental well-being, as well as environmental factors such as seasonal changes and climate. The TCM healthcare services market encompasses all expenditures incurred during the diagnosis and treatment process, including service fees and prescription costs. With rising public health awareness and continued policy support, TCM healthcare service is playing an increasingly important and distinctive role in modern healthcare systems.

The participants in TCM healthcare service market primarily comprised (i) TCM hospitals; (ii) TCM out-patient healthcare centers; (iii) TCM clinics; and (iv) other TCM service providers, such as community healthcare centers offering TCM-based services. Our Group’s TCM healthcare service institutions are primarily TCM out-patient healthcare centers and TCM clinics. A TCM clinic refers to a medical facility that, under the guidance of TCM theories, provides diagnostic and therapeutic services using Chinese herbal medicine and non-pharmacological TCM therapies such as acupuncture, cupping, and therapeutic massage. It also offers pharmaceutical services related to Chinese medicine, including herbal dispensing and decoction preparation. The treatment rate using TCM must be 100%. A TCM out-patient healthcare center refers to an outpatient institution that primarily provides TCM-based diagnostic and therapeutic services. The treatment rate using TCM in TCM out-patient healthcare center must not be lower than 85%. According to the “Basic Standards for Medical Institutions (《醫療機構基本標準》)”, in terms of medical professionals, a TCM clinic must have at least one TCM physician with clinical experience of over five years after obtaining qualification, while a TCM out-patient healthcare center must have at least four TCM physicians (including one at the level of attending physician or above), as well as at least two nurses, one TCM practitioner and corresponding radiology and medical examination personnel. In terms of department setting, there is no minimum requirement for a TCM clinic, whereas a TCM out-patient healthcare center must have at least three TCM clinical departments. In terms of major positioning, TCM clinics and TCM out-patient healthcare centers have a similar positioning, both focusing on offering TCM treatment for common, frequently occurring and chronic diseases. In contrast, TCM hospitals and community health centers respectively provide more complex disease treatments and community-based services. This categorisation strictly adheres to the categories of medical institutions defined in the “Detailed Rules for the Implementation of the Administrative Regulations on Medical Institution (《醫療機構管理條例實施細則》)” published by National Health Commission of the PRC, and is therefore consistent with the industry practice.

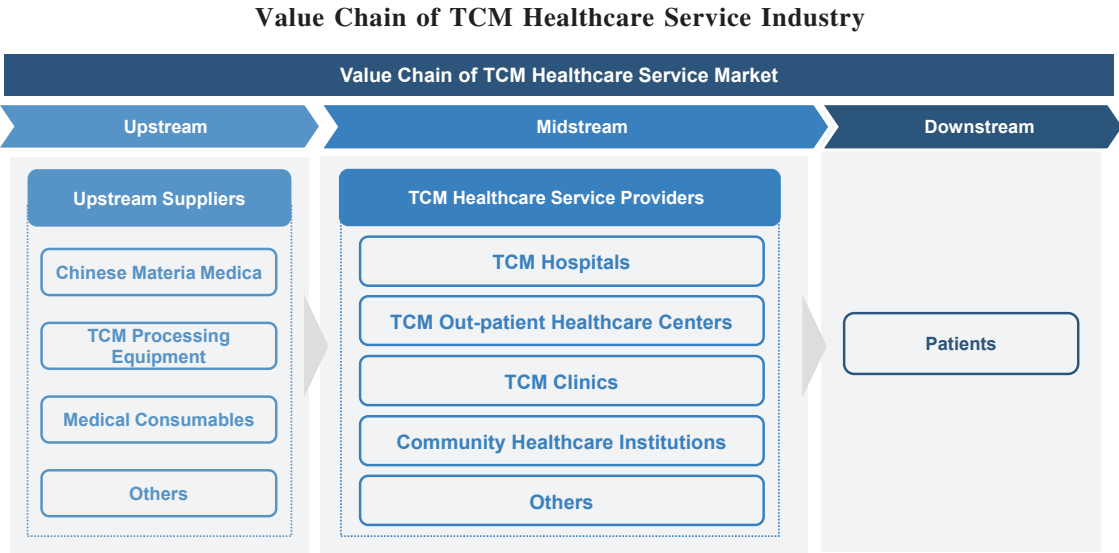
Major Differences of TCM Healthcare Service Institutions				
	TCM Hospitals	TCM Out-patient Healthcare Centers	TCM Clinics	Community Healthcare Institutions
Major Positioning	<ul style="list-style-type: none"> Providing TCM medical care, complex disease treatment, R&D, teaching, health and preventive services 	<ul style="list-style-type: none"> Primarily focused on out-patient services, offering TCM treatment for common, frequently occurring and chronic diseases 	<ul style="list-style-type: none"> Offer TCM services to the general public, including common, frequently occurring and chronic diseases 	<ul style="list-style-type: none"> Community-based services including basic medical care, public health and health management
Requirements on number of medical professionals	<ul style="list-style-type: none"> Class I: ≥ three TCM physicians; one TCM practitioner, four nurses and corresponding radiology and medical examination personnel; ≥ 0.7 medical professional per bed; Class II: ≥ four TCM physicians at the level of attending physician or above, and ≥ one TCM physician in each clinical department 	<ul style="list-style-type: none"> ≥ four TCM physicians, including ≥ one at the level of attending physician or above; ≥ two nurses, one TCM practitioner and corresponding radiology and medical examination personnel 	<ul style="list-style-type: none"> ≥ one TCM physician with clinical experience of over five years after obtaining qualification 	<ul style="list-style-type: none"> ≥ six general or TCM physicians, including ≥ one at the level of attending physician or above and ≥ one at the level of intermediate or above; nine nurses
Requirements on departments and equipment	<ul style="list-style-type: none"> At least 20 beds. Class I: ≥ three primary TCM clinical departments with pharmacy, laboratory, and X-ray room; Class II: ≥ five TCM clinical departments and related medical technology departments 	<ul style="list-style-type: none"> ≥ three TCM clinical departments and medical technology departments with basic equipment appropriate for the setting of clinical specialties 	<ul style="list-style-type: none"> Basic and necessary equipment for healthcare and disinfection and appropriate for the setting of services 	<ul style="list-style-type: none"> Basic department and necessary equipment for healthcare and disinfection; ≥ five observation beds or in-patient beds; ≥ 1,000 square meters

Source: Frost & Sullivan Analysis

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Value Chain of TCM Healthcare Service Industry

The value chain of TCM healthcare service market primarily involves upstream suppliers of Chinese materia medica, TCM equipment, and medical consumables, midstream TCM healthcare service participants and downstream patients. Based on their scale and major positioning, TCM healthcare service providers mainly include TCM hospitals, TCM out-patient healthcare centers, TCM clinics, community healthcare institutions and others.



Source: Frost & Sullivan Analysis

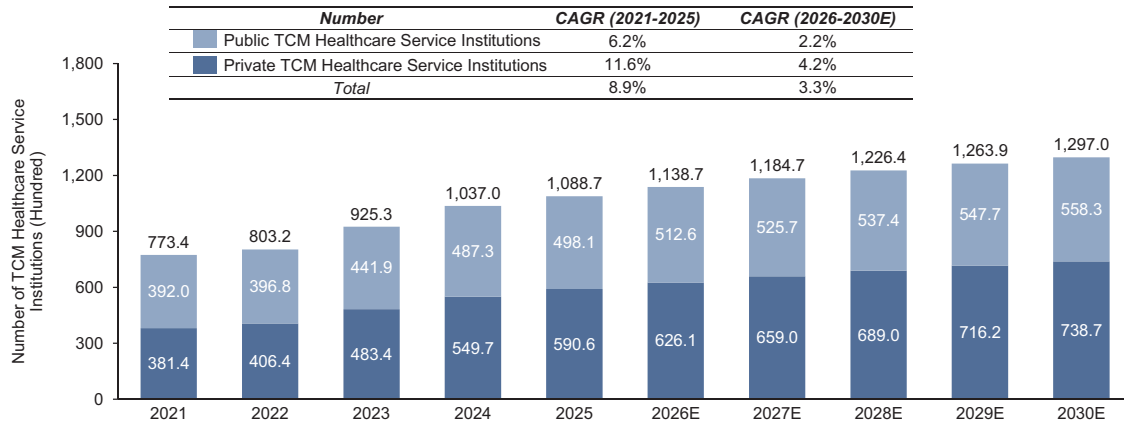
Market Size of TCM Healthcare Service Industry in China

With the continuous enhancement of policy support for the TCM healthcare services industry, the number of TCM healthcare service institutions in China increased from approximately 773.4 hundred in 2021 to 1,088.7 hundred in 2025, with a CAGR of 8.9%. In 2030, the number of TCM healthcare service institutions in China is expected to reach 1,297.0 hundred in 2030, with a CAGR of 3.3% from 2026 to 2030.

Depending on the TCM healthcare service institution registration type, TCM healthcare service institutions can be divided into public TCM healthcare service institutions and private TCM healthcare service institutions. In 2025, the number of private TCM healthcare service institutions in China is greater than that of public healthcare service institutions, accounting for 54.2% of total number of TCM healthcare service institutions. In the future, with the continuous encouragement and support for private TCM healthcare service institutions in China which is predicted to accounted for 57.0%of total number of TCM healthcare service institutions by the end of 2030.

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Number of TCM Healthcare Service Institutions By Registration Type (China), 2021 – 2030E

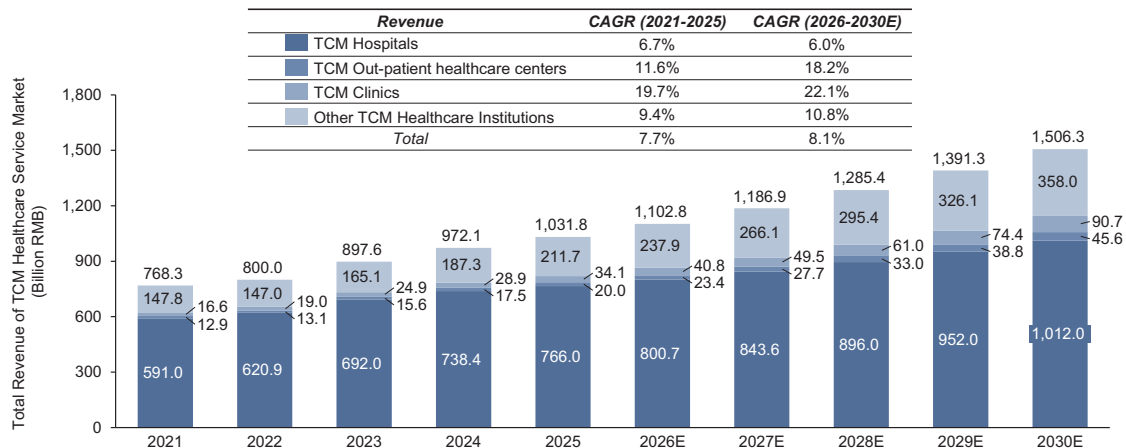


Source: NHC, Frost & Sullivan Analysis

The market size of the TCM healthcare service market in terms of revenue in China increased at a CAGR of 7.7% from RMB768.3 billion in 2021 to RMB1,031.8 billion in 2025. As the aging society accelerates and chronic disease management becomes more critical, the TCM healthcare market in China will continue to grow steadily. The market size of the TCM healthcare service market in terms of revenue in China is expected to reach RMB1,506.3 billion in 2030, representing a CAGR of 8.1% from 2026 to 2030.

The total revenue of TCM hospitals, TCM out-patient healthcare centers, TCM clinics and other TCM healthcare institutions reached RMB766.0 billion, RMB20.0 billion, RMB34.1 billion and RMB211.7 billion in 2025 respectively. In 2030, the revenue of TCM hospitals, TCM out-patient healthcare centers, TCM clinics and other TCM healthcare institutions is expected to reach RMB1,012.0 billion, RMB45.6 billion, RMB90.7 billion and RMB358.0 billion in 2030, growing at a CAGR of 6.0%, 18.2%, 22.1% and 10.8% from 2026 to 2030, respectively.

Total Revenue of TCM Healthcare Service Market By Institution Type (China), 2021 – 2030E

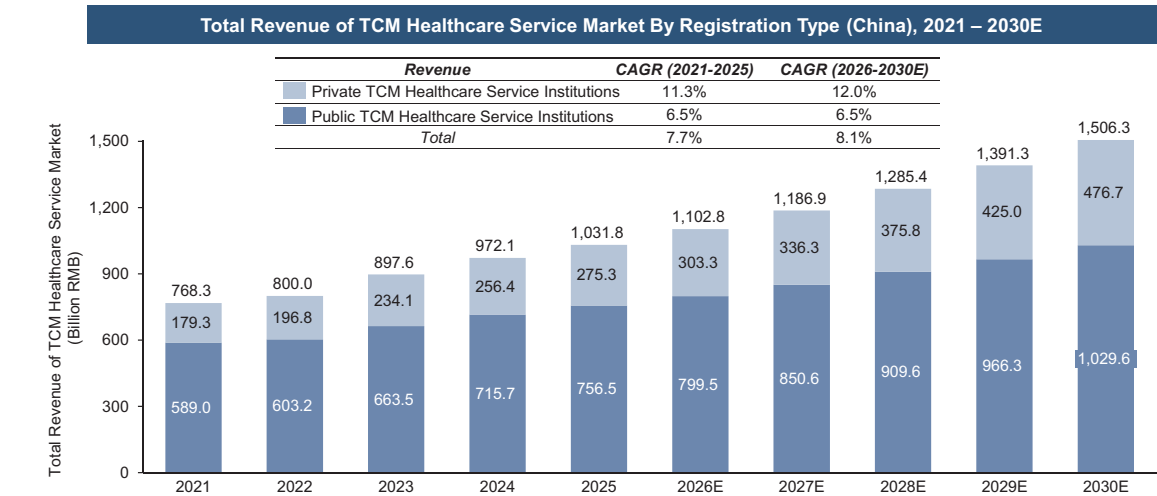


Source: NHC, Frost & Sullivan Analysis

The total revenue of public TCM healthcare service institutions and private TCM healthcare service institutions has reached RMB756.5 billion and RMB275.3 billion, respectively, representing a CAGR of 6.5% and 11.3% from 2021 to 2025. By 2030, with the growing demand of TCM healthcare service, the market size of the TCM healthcare service market in terms of revenue in China is expected to reach RMB1,506.3 billion in 2030, representing a CAGR of 8.1% from 2026 to 2030. The total

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revenue of public TCM healthcare service institutions and private TCM healthcare service institutions are expected to reach RMB1,029.6 billion and RMB476.7 billion, respectively, representing a CAGR of 6.5% and 12.0% from 2026 to 2030.



Source: NHC, Frost & Sullivan Analysis

The total number of visits for TCM healthcare service increased from 1,202.3 million in 2021 to 1,833.2 million in 2025, representing a CAGR of 11.1%. In the future, the total number of visits for TCM healthcare service is expected to reach 2,931.0 million in 2030, representing a CAGR of 10.0% from 2026 to 2030.

Market Drivers of TCM Healthcare Service Industry in China

Supportive Policies. The Chinese government has introduced a series of supportive policies to promote the development of the TCM healthcare service market. In 2023, the General Office of the State Council issued the “Implementation Plan for Major Projects to Revitalize and Develop Traditional Chinese Medicine (《中醫藥振興發展重大工程實施方案》)”, which explicitly called for the optimization and upgrading of the TCM healthcare service system. In 2024, the National Administration of TCM released the “Opinions on Accelerating the Development of Key TCM Specialties (《關於加快推進中醫優勢專科建設的意見》)”, with the goal of improving clinical efficacy, expanding the availability of high-quality TCM healthcare resources, and optimizing resource allocation. In 2025, the Government of the Hong Kong Special Administrative Region released the “Chinese Medicine Development Blueprint (《中醫藥發展藍圖》)”, which proposes a comprehensive action framework across areas including Chinese medicine services, professional development, Chinese material medica, and internationalization. In 2026, the State Council approved the “15th Five-Year Plan for the Revitalization and Development of Traditional Chinese Medicine (《中醫藥振興發展「十五五」規劃》)”, setting out, at the national strategic level, the key priorities and implementation pathways for the preservation, innovation and high-quality development of TCM. In the same year, the further implementation of the “Special Provisions on the Administration of Registration of Traditional Chinese Medicines (《中藥註冊管理專門規定》)” and the official release of the “National Essential Medicines List (2026 Edition)(《國家基本藥物目錄(2026年版)》)” continued to enhance the regulatory framework for the registration and clinical application of TCM, providing strong support for the standardized and high-quality development of the industry. The issuance and implementation of these policies clarify the development path for TCM healthcare services industry, driving the continued expansion and quality advancement of the industry.

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Rising Health Awareness Boosts Demand for TCM Health Preservation. The transformation of consumer health perceptions is becoming a foundational driver of growth in China’s TCM healthcare service sector. From 2021 to 2025, per capita healthcare consumption among Chinese residents increased from RMB2,115 to RMB2,573, with a CAGR of 5.0%. At the same time, public demand for healthcare has shifted beyond post-diagnosis treatment to emphasize health preservation such as early intervention, preventive care, chronic disease management, and rehabilitation. Leveraging its “preventive treatment of disease” philosophy and practical approach, TCM healthcare services offer holistic regulation, lifestyle guidance, and functional interventions to slow disease progression during pre-disease or sub-health stages, and support functional recovery during rehabilitation. This dual focus on treatment and prevention gives TCM a unique advantage in meeting the growing demand for proactive health preservation, elevating its role within the healthcare system and providing a stable foundation for sustained industry growth.

Enhancing Recognition and Acceptance of TCM. In recent years, the recognition of TCM culture has continued to strengthen, patients have become increasingly inclined to choose TCM healthcare services grounded in syndrome differentiation and supported by long-term clinical efficacy for disease conditioning, chronic disease management, and rehabilitation. Moreover, the shift in health-consumption concepts from treating existing illnesses to preventing potential ones has created new demand for TCM healthcare service in sub-health intervention and constitution improvement. Together, these trends have generated a sustained, patient-driven momentum for market growth.

Diversification of TCM Healthcare Service Channels. With ongoing urbanization and evolving consumer habits, the delivery model of TCM healthcare services in China is transitioning from a hospital-centric system to a multi-access framework that integrates community-based, convenient, and digital channels. TCM out-patient healthcare centers and clinics are increasingly embedded within community commercial spaces and primary care networks, enabling high-frequency engagement with patients’ daily lives, lowering the threshold for initial consultations, and improving follow-up accessibility. Meanwhile, the rise of internet-based healthcare has expanded service boundaries, with scenarios such as online follow-ups, remote consultations, and prescription renewals becoming more common, addressing cross-regional and multi-timeframe medical needs. The diversification of service channels enhances patient experience and loyalty, increases penetration across different regions and demographics, and drives the continued expansion of China’s TCM healthcare service market.

Future Opportunities of TCM Healthcare Service Industry in China

Demographic Transformation Driving the Expansion of TCM Healthcare Services into Communities. The proportion of population aged 60 and above in China rising from 23.0% in 2025 to 28.6% by 2030. As the elderly population grows, chronic conditions such as hypertension and diabetes have become increasingly prominent. Their long-term and recurrent nature has made them a major factor affecting life expectancy and quality of life. This trend is enlarging demand for long-term health maintenance, rehabilitation support, and related services, while also increasing public awareness and emphasis on chronic disease prevention and management. Consequently, the concept of chronic disease management is becoming deeply integrated into the primary healthcare system. TCM healthcare service, centered on the principle of preventive treatment of disease, emphasizes constitution-based regulation and holistic rehabilitation. It plays a sustained role in the prevention, treatment, and wellness maintenance of chronic conditions. As chronic disease management becomes more normalized and embedded in daily life, community healthcare service will emerge as a critical setting for TCM intervention. Leveraging convenient access and continuous follow-up services, community TCM healthcare service enables personalized regulation and wellness support, meeting the everyday health management needs of the elderly. This evolution will facilitate the transition of TCM healthcare service from hospital-centered delivery to normalized community-based practice.

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Integration of Online and Offline Channels. China’s TCM healthcare service market is promoting a new trend of integration between online and offline service channels. Offline services, grounded in the traditional diagnostic methods of “inspection, listening and smelling, inquiry, and palpation”, offer patients differentiated and individualized treatment plans, preserving TCM’s strengths in precision and personalized care. Meanwhile, the widespread adoption of internet-based healthcare effectively supplements high-frequency needs such as follow-up consultations and revisit management, allowing diagnosis, prescription issuance, and health guidance to transcend temporal and geographic limitations. In recent years, the penetration rate of online TCM consultation in China increased from 10.2% in 2021 to 20.8% in 2025. In the future, as the online TCM consultation system continues to improve and technologies such as artificial intelligence and big data are deeply integrated, the number of online TCM consultations will continue to grow. In 2030, the penetration rate of online TCM consultation in China is expected to reach 50.0%. The combination of both modalities not only extends the patient service cycle but also enhances continuity and traceability throughout the medical process, which is expected to further expand the reach of TCM healthcare services in China.

Digitalization and Intelligence Driving Service Model Upgrades. As AI, big data, and internet technologies permeate the healthcare sector, TCM healthcare services are gradually moving beyond experience-based traditional models. By leveraging digital tools to collect and analyze diagnostic data, certain processes that previously relied heavily on physician expertise can now be transformed into traceable and quantifiable information. This approach improves transparency and consistency in clinical workflows while laying the foundation for efficacy evaluation and quality management. The application of AI in assisted diagnosis and risk control enables physicians to maintain the core principles of syndrome differentiation while improving efficiency and reducing potential errors. As digitalization deepens, the replicability and scalability of TCM healthcare services are significantly enhanced, presenting a critical opportunity for maintaining quality standards in chain-based and large-scale development.

Entry Barriers of TCM Healthcare Service Industry in China

Standardization and Quality Control Barriers. TCM healthcare services delivery heavily rely on physician judgment, making it difficult to ensure consistent therapeutic outcomes across different institutions and practitioners. Established players have built comprehensive quality management systems through years of accumulation, including standardized diagnostic protocols, efficacy evaluation frameworks, and internal training mechanisms enabling service stability and replicability during large-scale expansion. New entrants, lacking such management system, face greater variability in service quality, thereby impeding the establishment of patient trust and market recognition.

Talent Barrier. TCM healthcare services are highly dependent on professionals with solid theoretical foundations and extensive clinical experience. The training cycle for qualified talent is long, and clinical expertise cannot be easily substituted. New entrants face significant difficulty in building a stable team of physicians within a short timeframe.

Qualification and Certification Barriers. The TCM healthcare service market is subject to strict regulatory oversight, with high entry thresholds for both institutions and personnel. Medical institutions must obtain administrative licenses such as the “Medical Institution Practicing License (《醫療機構執業許可證》)” and “TCM Clinic Filing Certificate (《中醫診所備案證》)”, and comply with multiple standards regarding clinical departments, staffing, facility requirements, and operational protocols. TCM practitioners are also required to hold valid professional qualification certificates. New entrants face lengthy approvals and high compliance burdens, raising the barriers to entry and forming institutional constraints.

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Brand and Customer Loyalty Barriers. Through long-term market presence and service accumulation, leading TCM healthcare service providers have built a stable patient base and strong brand recognition. When selecting TCM healthcare service institutions, patients tend to prioritize physician expertise, reliability of treatment outcomes, and consistency of service experience, favoring institutions with mature operational capabilities and positive reputations. New entrants, lacking brand legacy and market validation, must invest substantial time and resources in brand building and patient education to gradually earn trust and establish credibility.

Competitive Landscape of TCM Healthcare Service Industry in China

The TCM healthcare service market in China is relatively fragmented with intense competition. As of December 31, 2025, the number of private TCM healthcare service institutions accounted for approximately 54.2% of the total number of TCM healthcare service institutions in China. Additionally, in 2025, the revenue generated by private TCM healthcare service institutions accounted for approximately 26.7% of the total revenue of TCM healthcare service market in China. In terms of revenue generated by private TCM healthcare service institutions in 2025, our Group in this respect took a market share of approximately 0.1%.

The total revenue of TCM out-patient healthcare centers and TCM clinics generated by private providers in China reached approximately RMB17.7 billion in 2025, with the top five private chain TCM healthcare service providers accounting for approximately 21.0% of the total revenue generated by TCM out-patient healthcare centers and TCM clinics in China in 2025. In terms of the total revenue generated by TCM out-patient healthcare centers and TCM clinics in China in 2025, our Group ranked fifth among all private chain TCM healthcare service providers in China, with a market share of approximately 2.3%.

Top Five Private Chain TCM Healthcare Service Providers in China, in terms of the total Revenue generated by TCM Out-patient Healthcare Centers and TCM Clinics, 2025

Ranking	Company	Listing Status	Headquarters	Market Share
1	Company A	Listed	Guangdong, China	7.9%
2	Company B	Not listed	Shanghai, China	4.6%
3	Company C	Listed	Hunan, China	3.9%
4	Company D	Not listed	Henan, China	2.3%
5	Our Group	-	Heilongjiang, China	2.3%
Top 5	-	-	-	21.0%

Notes:

- (1) Company A is a group established in 2010 and listed on the Hong Kong Stock Exchange, engaging in the provision of TCM healthcare services. In 2025, its total revenue generated by TCM out-patient healthcare centers and TCM clinics and number of medical institutions in operation reached approximately RMB1.4 billion and 86, respectively.
- (2) Company B is a group established in 2019, engaging in the provision of integrated TCM-modern technology services, including TCM chain clinics, AI intelligent diagnosis systems, clinic digital solutions, traceable supply chains for genuine TCM materials, and comprehensive health management. In 2025, its total revenue generated by TCM out-patient healthcare centers and TCM clinics and number of medical institutions in operation reached approximately RMB0.8 billion and 247, respectively.

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- (3) Company C is a group established in 1999 and listed on the Shenzhen Stock Exchange, engaging in the provision of traditional Chinese medicines, TCM services, among others. In 2025, its total revenue generated by TCM out-patient healthcare centers and TCM clinics and number of medical institutions in operation reached approximately RMB0.7 billion and 152, respectively.
- (4) Company D is a group established in 2016, engaging in the provision of TCM diagnosis, acupuncture, and other TCM health management services. In 2025, its total revenue generated by TCM out-patient healthcare centers and TCM clinics and number of medical institutions in operation reached approximately RMB0.4 billion and 51, respectively.

Source: Annual Reports, Interviews Conducted by Frost & Sullivan with Experts from Leading Market Players, Frost & Sullivan Analysis

The total revenue of TCM out-patient healthcare centers and TCM clinics generated by private providers in Northern China reached approximately RMB5.7 billion in 2025, accounting for approximately 32.2% of the total revenue of TCM out-patient healthcare centers and TCM clinics generated by private providers in China. In terms of the total revenue generated by TCM out-patient healthcare centers and TCM clinics in Northern China in 2025, our Group ranked second among all private chain TCM healthcare service providers in Northern China, with a market share of approximately 7.0%.

Top Five Private Chain TCM Healthcare Service Providers in Northern China, in terms of the total Revenue generated by TCM Out-patient Healthcare Centers and TCM Clinics, 2025

Ranking	Company	Listing Status	Headquarters	Market Share
1	Company D	Not listed	Henan, China	7.0%
2	Our Group	-	Heilongjiang, China	7.0%
3	Company A	Listed	Guangdong, China	3.0%
4	Company B	Not listed	Shanghai, China	2.3%
5	Company E	Not listed	Guangdong, China	1.8%
Top 5	-	-	-	21.1%

Notes:

Northern China is a geographical region of the People’s Republic of China, lying north of the Qinling–Huaihe Line* and consisting of eight provinces of Heilongjiang, Liaoning, Jilin, Inner Mongolia, Shanxi, Henan, Hebei, and Shandong, as well as cities such as Beijing, Tianjin, Yulin and Yan’an in Shaanxi Province, Lanzhou, Baiyin, Pingliang, Qingyang, and Tianshui in Gansu Province, Xuzhou, Suqian, Lianyungang in Jiangsu Province, and Suzhou, Huaibei, Bozhou, Fuyang, and Bengbu in Anhui Province.

Qinling–Huaihe Line refers to a reference line running from Qin Mountain in the west to Huai River in the east, which is used to distinguish between northern and southern China.

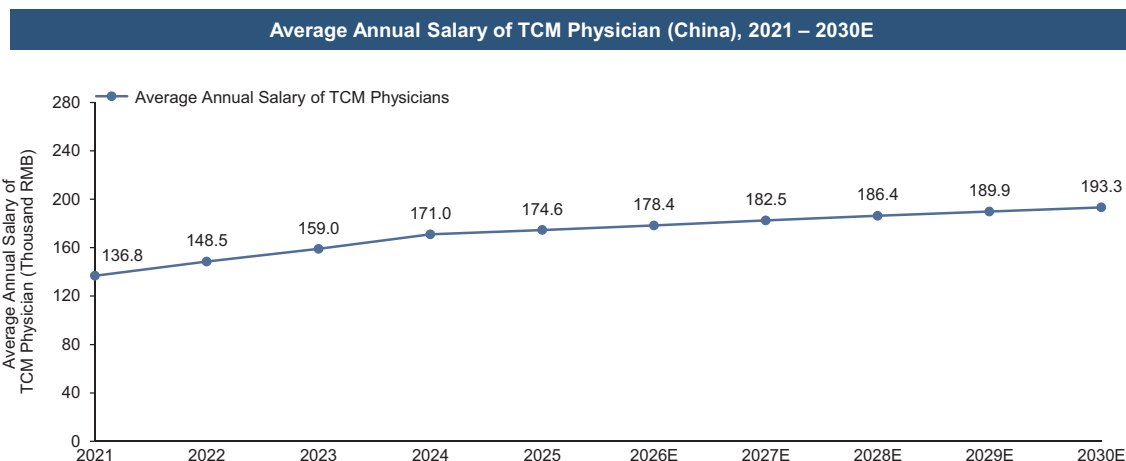
- (1) Company E is a group established in 2018, engaging in the provision of traditional Chinese medicine AI digital healthcare. In 2025, its total revenue generated by TCM out-patient healthcare centers and TCM clinics and number of medical institutions in operation reached approximately RMB0.3 billion and 14, respectively.

Source: Annual Reports, Interviews Conducted by Frost & Sullivan with Experts from Leading Market Players, Frost & Sullivan Analysis

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Cost Analysis of TCM Healthcare Service Industry in China

The costs of the TCM healthcare service market in China include labor cost, raw materials cost, consumables, rent and others. The labor costs are the primary cost in the TCM healthcare service industry, with the average annual salary of TCM physician in China increased from RMB136.8 thousand in 2021 to RMB174.6 thousand in 2025. In the future, the average annual salary of TCM physician in China is expected to increase from RMB178.4 thousand in 2026 to RMB193.3 thousand in 2030.



Source: NHC, Interviews Conducted by Frost & Sullivan with Experts from Leading Market Player, Frost & Sullivan Analysis

TCM PRESCRIPTION PREPARATIONS INDUSTRY IN CHINA

Definition and Classification of TCM Prescription Preparations

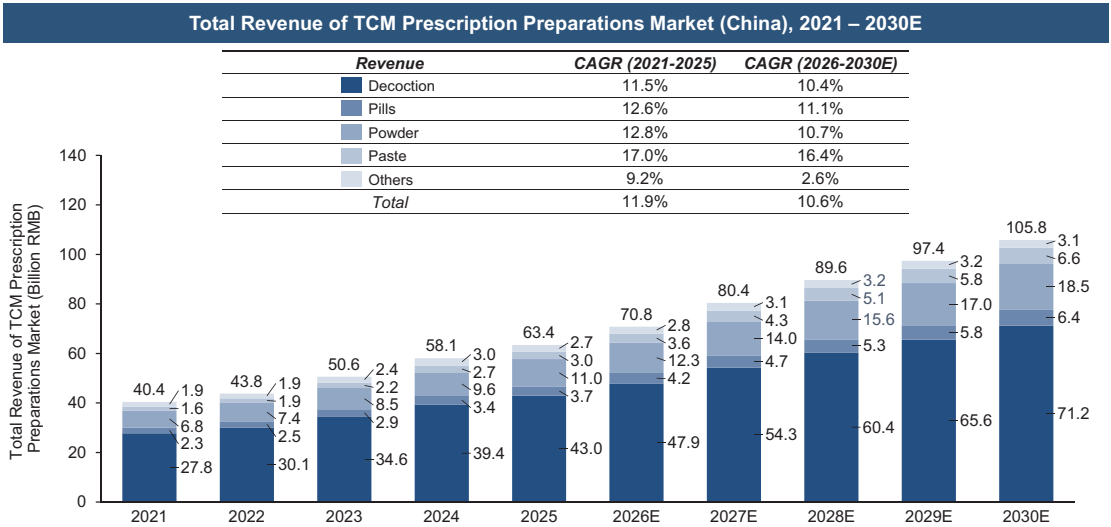
TCM prescription preparations are customized formulations produced according to prescriptions issued by TCM practitioners following syndrome differentiation and treatment. These prescriptions are processed by qualified Chinese medicine professionals using appropriate preparation techniques to convert the prescribed herbs into various dosage forms on behalf of the patient. Designed to meet the specific therapeutic needs of individual cases or particular conditions, these preparations ensure timely, rational, and satisfactory treatment outcomes, essentially serving as “tailor-made” remedies aligned with the patient’s unique clinical presentation. TCM prescription preparations, categorized by dosage form, can be broadly divided into three traditional types: (i) solid forms, including pills, powders, tablets, capsules, and granules; (ii) semi-solid forms, such as medicinal pastes and plasters; and (iii) liquid forms, primarily decoctions. Our Group’s paste of TCM prescription preparations is in semi-solid form.

Market Size of TCM Prescription Preparations Industry in China

With the acceleration of population aging, the rising prevalence of chronic diseases, and evolving health concepts, the demand for personalized TCM healthcare services has been steadily increasing. TCM prescription preparations address this need by offering customized formulas tailored to individual patient profiles, and thus drives the ongoing growth of the market. The market size of the TCM prescription preparations market in terms of revenue in China increased at a CAGR of 11.9% from RMB40.4 billion in 2021 to RMB63.4 billion in 2025.

In the future, as the prescription preparations market evolves towards precision and personalization, the market size of the TCM prescription preparations market in terms of revenue in China is expected to reach RMB105.8 billion in 2030, representing a CAGR of 10.6% from 2026 to 2030.

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Future Opportunities of TCM Prescription Preparations Industry in China

Integration of Modernized Production and Intelligent Applications. In the future, TCM prescription preparations will increasingly incorporate modern pharmaceutical technologies and intelligent equipment to enhance preparation efficiency and therapeutic consistency. Traditional small-scale manual compounding methods are gradually evolving toward automation and intelligent processing, ensuring greater precision in formulation, dosage, and dosage forms. Digital technologies such as artificial intelligence and big data analytics will be widely applied to optimize prescriptions, match treatments to individual patient profiles, and track therapeutic outcomes, establishing a closed-loop system that connects clinical demand, formulation development, and feedback. This enables the industry to better respond to diverse patient needs, advancing TCM prescription preparations toward precision medicine.

Accelerated Globalization. In recent years, the global recognition of TCM has steadily increased, creating favorable conditions for TCM prescription preparations to enter international markets. Particularly with the advancement of the Belt and Road Initiative, TCM has gained prominence in international exchanges and cooperation. The National Administration of Traditional Chinese Medicine issued the “Development Plan for Promoting High-Quality Integration of TCM into the Belt and Road Initiative (2021-2025)” (《推進中醫藥高質量融入共建 “一帶一路”發展規劃(2021-2025年)》), which explicitly calls for the open development of TCM and the expansion of its global application. Through active participation in international exchange, China’s TCM prescription preparation services are expected to attract overseas patients, expand into global markets, and facilitate both service and technology export.

Market Expansion and Integration with TCM Healthcare Services. TCM prescription preparations are expected to move beyond the confines of in-hospital formulations and expand the application scenarios through channels such as internet-based hospitals, pharmacy chains, and smart healthcare platforms. At the same time, TCM prescription preparations will be deeply integrated with TCM diagnostic and therapeutic services, promoting the creation of holistic solutions that combine diagnosis and treatment. This trend will not only broaden the patient base but also improve treatment adherence and outcomes, enabling TCM prescription preparations to transition from regional products to national and even [REDACTED].

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Entry Barriers of TCM Prescription Preparations Industry in China

Policy and Regulatory Barriers. The TCM prescription preparations industry is subject to stringent national regulatory oversight. New entrants must comply with a range of policy requirements, including production qualifications, filing procedures, and distribution standards. For example, under the “Administrative Measures for the Registration of Preparations by Medical Institutions (《醫療機構製劑註冊管理辦法》)”, medical institutions preparing TCM formulations must undergo registration or filing processes.

Technological and Process Barriers. TCM prescription preparations involve the integration of traditional herbal processing, formulation compatibility, and modern pharmaceutical technologies, demanding a high level of technical expertise and control over product consistency. New entrants without a solid foundation in TCM theory and the ability to integrate modern production techniques often struggle to ensure consistent quality and reliable therapeutic outcomes.

Raw Material and Supply Chain Barriers. TCM prescription preparations are highly dependent on high-quality medicinal herbs, with the source, quality, and stability of raw materials directly impacting therapeutic efficacy. New entrants lacking a stable and reliable supply chain face challenges in ensuring traceability and batch consistency. Moreover, premium herbs are often subject to geographic, seasonal, and cultivation constraints, making procurement difficult and cost fluctuations significant. This barrier not only raises the cost of market entry but also requires long-term expertise in raw material management, supplier relationships, and quality control.

Brand Barrier. Given the close relationship between TCM prescription preparations and patient health, safety and efficacy are critical to market acceptance. Patients tend to prefer services provided by reputable medical institutions with established credibility. Leading institutions in the industry have built strong reputations through long-term clinical practice, forming brand and trust barriers that are difficult for new entrants to overcome.

Competitive Landscape of TCM Prescription Preparations Industry in China

The TCM prescription preparations market in China is relatively fragmented with intense competition. The total revenue of TCM prescription preparations generated by private providers in China reached approximately RMB12.9 billion in 2025. The private TCM prescription preparations market in China is relatively fragmented. In terms of revenue of TCM prescription preparations in China in 2025, our Group ranked second among all private chain TCM healthcare service providers in China, with a market share of approximately 2.2%.

Top Five Private Chain TCM Healthcare Service Providers in China, in terms of Revenue of TCM Prescription Preparations, 2025

Ranking	Company	Listing Status	Headquarters	Market Share
1	Company A	Listed	Guangdong, China	3.0%
2	Our Group	-	Heilongjiang, China	2.2%
3	Company C	Listed	Hunan, China	1.4%
4	Company D	Not listed	Henan, China	1.1%
5	Company F	Not listed	Guangdong, China	0.9%
Top 5	-	-	-	8.6%

INDUSTRY OVERVIEW

Note:

- (1) Company F is a group established in 2005, engaging in the provision of TCM medical services. In 2025, its total revenue generated by TCM out-patient healthcare centers and TCM clinics and number of medical institutions in operation reached approximately RMB0.3 billion and 39, respectively.

Source: Annual Reports, Interviews Conducted by Frost & Sullivan with Experts from Leading Market Players, Frost & Sullivan Analysis

The total revenue of paste of TCM prescription preparations in China reached approximately RMB3.0 billion in 2025. The private TCM paste market in China is relatively fragmented. In terms of revenue of paste of TCM prescription preparations in China in 2025, our Group ranked first among all private chain TCM healthcare service providers in China, with a market share of approximately 8.4%.

Raw Material Prices Analysis of TCM Prescription Preparations Industry in China

Wolfiporia extensa (茯苓), astragali radix (黄芪), salvia miltiorrhiza bunge (丹参) and kudzu root (葛根) are most commonly used Chinese medicinal herbs. Generally, the prices of Chinese medicinal herbs increase when the supply available on the market decreases, while the prices of Chinese medicinal herbs decrease when the planting area of relevant Chinese medicinal herbs increases. The average prices of astragali and kudzu root slightly increased from 2021 to 2025, primarily due to the increase in demands for such Chinese medicinal herbs and the shortage in supply available on the market. Looking ahead, as market supply and demand move toward equilibrium, the average prices of wolfiporia extensa, astragali radix, salvia miltiorrhiza bunge and kudzu root are expected to remain stable between 2026 and 2030. TCM prescription preparations are prepared based on individual prescriptions, with each prescription consisting of a combination of multiple Chinese medicinal herbs. Accordingly, fluctuations in the prices of individual Chinese medicinal herbs generally have a relatively limited impact on the overall raw material costs of TCM healthcare services providers.



Source: Interviews Conducted by Frost & Sullivan with Experts from Leading Market Players, Frost & Sullivan Analysis

SOURCE AND RELIABILITY OF INFORMATION

In connection with the [REDACTED], we engaged an independent market research consultant, Frost & Sullivan, to conduct an analysis of, and to prepare an industry report on the industries where we operate with a commission fee of RMB750,000. Founded in 1961, Frost & Sullivan is an independent global consulting firm that conducts industry research and prepares industry report on a wide range of industries, among other services. The information from Frost & Sullivan disclosed in this document is extracted from the Frost & Sullivan Report with its consent.

INDUSTRY OVERVIEW

In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan used the following key methodologies to collect multiple sources, validate the collected data and information, and cross-check each respondent’s information and expressions against those of others: (i) detailed primary research, which involved discussing the status of the industry with leading industry participants and industry experts; and (ii) secondary research, which involved reviewing published sources including reports of market participants, independent research reports and data based on Frost & Sullivan’s own research database.

Frost & Sullivan adopted the following primary assumptions while making projections for preparing the Frost & Sullivan Report: (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 like supportive policies, rising health awareness and diversification of TCM healthcare service channels, among others.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report. Our Directors confirm that after taking reasonable care, there is 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.