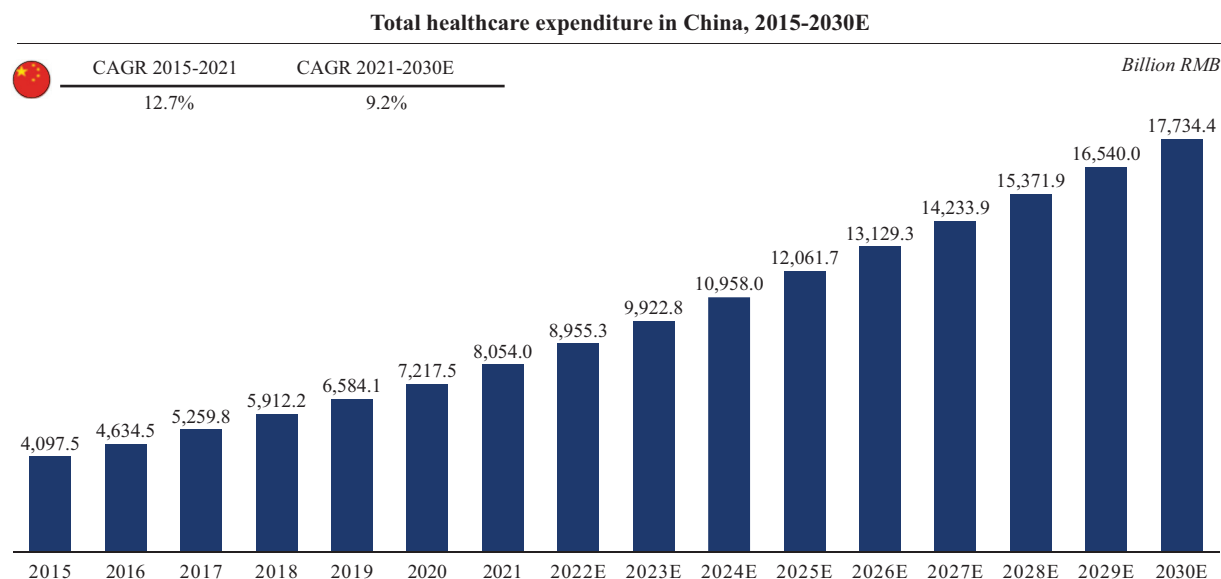


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The information and statistics set out in this section and other sections of this prospectus were extracted from the report prepared by CIC, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged CIC to prepare the CIC Report, an independent industry report, in connection with the Global Offering. The information from official government sources has not been independently verified by us, the Joint Sponsors, Sponsor-Overall Coordinators, Overall Coordinators, Joint Global Coordinators, Capital Market Intermediaries, Joint Bookrunners, Joint Lead Managers, Underwriters, any of their respective directors and advisers, or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy.

OVERVIEW OF HEALTHCARE INDUSTRY IN CHINA

The healthcare industry is an important part of China’s national economy. China’s healthcare expenditure is significant and has been growing steadily, from RMB4,097.5 billion in 2015 to RMB8,054.0 billion in 2021, at a CAGR of 12.7%. It is expected to reach RMB17,734.4 billion in 2030, at a CAGR of 9.2% from 2021 to 2030.



Source: China Health Statistics Yearbook, CIC Report

Growth Drivers of Healthcare Industry in China

- **Aging Population.** In 2021, people aged 65 years old or above accounted for 14.2% of the total population in China, according to the National Bureau of Statistics of the PRC. The trend of an aging population is expected to continue in the coming decades. As health condition generally deteriorates with age, the elderly are more likely to suffer from chronic and critical diseases, which leads to an increasing demand for medical products and healthcare services.
- **Increasing Prevalence of Chronic and Critical Disease.** Chronic and critical diseases, such as cancer, are increasingly prevalent in China, especially among the younger generation. For instance, cancer incidence continues to rise, and the disease has been in the limelight given its societal and personal impact. According to the National Central Cancer Registry and WHO, new cases of the top ten cancers in China have increased from approximately 3.0 million in 2015 to 3.7 million in 2021. Patients, especially those with critical diseases, demand innovative therapies, such as targeted therapy, immunotherapy and cell therapy, to an increasing extent.

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- *Changing Healthcare Payment Landscape.* According to the National Bureau of Statistics of the PRC, Chinese people's annual per capita disposable income increased from RMB21,966 in 2015 to RMB35,128 in 2021, at a CAGR of 8.1%. In the meanwhile, the Chinese government has been promoting a multi-tiered health insurance system in recent years to cover different groups of people. The national basic medical insurance guarantees affordability of treatment for most common diseases, while commercial insurance serves as a supplementary payment solution to cater to the demand for additional treatment options, typically innovative therapies and medications. The establishment of multi-tiered health insurance system and increasing disposable income have greatly improved individuals' ability to afford healthcare products and services. In addition, as living standards improve, Chinese people are increasingly willing to pay for healthcare as they pay more attention to their health and quality of life, contributing to the growth of China's healthcare market.

Major Challenges to Healthcare Industry in China

- *Inefficient Use of Healthcare Resource.* Due to the lack of a mature tiered healthcare delivery system in China, a large proportion of patients prefer to visit Class III hospitals instead of primary care institutions even for a common disease, resulting in overuse of specialists and underutilization of primary care providers. According to the National Health Commission, 3,178 Class III hospitals in China accounted for only 8.7% of all hospitals but 56.8% of all patient visits in China in 2021. The inefficiency of traditional healthcare system in providing medical service results in a suboptimal experience for patients to seek quality healthcare and medication guidance. Moreover, the absence of a tiered diagnosis and treatment system associated with follow-up assessment in traditional healthcare system can also lead to an unsatisfactory results of the medical journey.
- *Unmet Demand for Innovative Medical Products and Services.* Chinese patients increasingly demand innovative therapies addressing their unmet needs for the treatment of life-threatening diseases and the improvement of patients' quality of life. However, despite the reform to expedite the innovative drug R&D approval procedure implemented in recent years, the clinical trial management of innovative drugs in China still lags behind patients' growing unmet medical needs, mainly due to the lengthy R&D and commercialization process of innovative drugs by nature. To better match Chinese physicians' time and efforts devoted to clinical trials, pharmaceutical companies have an urgent demand to enhance their clinical trial management capabilities with the assistance from external professional service providers.
- *Underdeveloped Commercial Health Payers.* As of December 31, 2021, the national basic medical insurance covered 96.6% of China's total population, according to the National Health Commission. It provides coverage for the broadest population on fundamental medical care. While commercial insurance is expected to play a vital role in covering critical diseases, indicating an urgent need for establishing a multi-tiered health insurance system to serve different groups of people.

Medical expenses are those incurred in the prevention or treatment of injury or disease. Despite the essential role in paying for critical diseases, according to the CBIRC, commercial insurance claim spending accounted for only 7.3% of the total medical expense in 2021 in China, which is significantly lower than that in developed countries. In addition, commercial insurance products in China are homogenous, failing to satisfy the diversified needs of different groups of patients at present.

Health management service providers aim to improve the efficient use of healthcare resource, which are expected to play meaningful roles in creating a more accessible health system in China. Health

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management service helps patients find the most suitable specialists in an efficient manner with professional medical referral. In addition, professional pharmacies with pharmacist services can amplify pharmacists' reach by delivering medication guidance, and conducting follow-up assessment outside the hospital, which helps alleviate the inadequate provision of pharmacist services inside the hospital.

Site management organizations (“SMOs”) provide tailored assistance to investigators on various non-clinical works, thus to expedite the drug development and enhance the overall clinical trial compliance. Pharmaceutical companies could accelerate their R&D process by working with these professional organizations to satisfy the unmet demand for innovative therapeutics and drugs.

The multi-tiered health insurance system encouraged by the Chinese government will create a diversified healthcare payment system by fostering commercial insurance to cover critical diseases, in addition to the national basic medical insurance.

OVERVIEW OF SPECIALTY PHARMACY BUSINESS IN CHINA

Introduction to Specialty Pharmacy Business

Specialty pharmacy business is a mature industry in the U.S. and other developed countries. A Specialty Pharmacy Business company runs and manages the network of pharmacies to provide medicines as well as pharmacist service, disease management services and other healthcare services to patients to achieve comprehensive health management. It also advises on prescription decisions based on medication efficacy and cost efficiency that meets the patients' needs while at the same time reduces insurance carriers' claim spending. Thus, a Specialty Pharmacy Business company is able to coordinate the prescription flow and economic flow of medication among insurance carriers, pharmaceutical companies, medical institutions and pharmacies to efficiently manage the spending on prescription medication, for both patients and payers.

In China, Specialty Pharmacy Business is a fledging industry as the result of the rising demand for professional patient management service. However, given the differences between the U.S. and China's health care systems, as well as a predominantly government-funded health care insurance system in China, the Specialty Pharmacy Business industry has just started to emerge. Some leading market players have started to provide professional pharmacist service supplemental to the specialty pharmacy business. In addition, leading market players are exploring payment solutions for patients to address the affordability and accessibility issues when purchasing high-value specialty medicines.

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Value Chain of Specialty Pharmacy Business

The table below illustrates the value chain of the specialty pharmacy business:

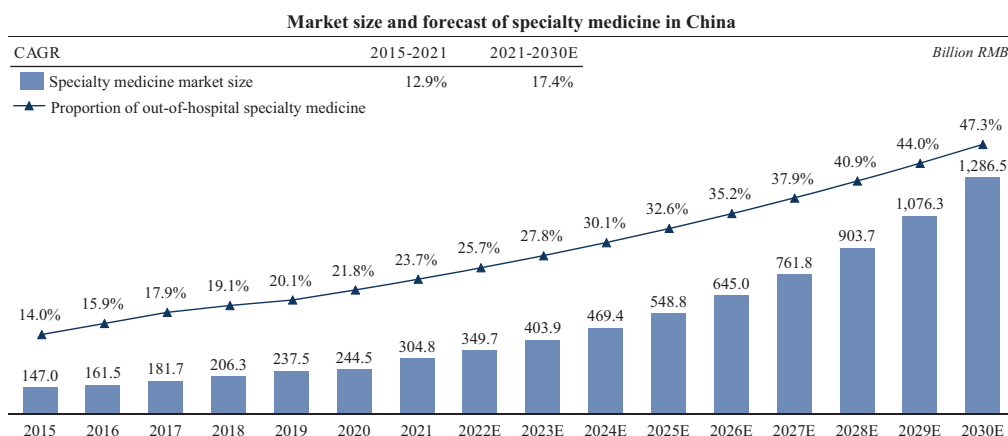


Overview of Specialty Pharmacy Market in China

Specialty pharmacy is a provider of specialty medicines and pharmacist service to better manage patients taking specialty medicines, and to better procure, store and dispense specialty medicines. Specialty medicines are high-value prescription medicines, usually innovative drugs for critical diseases such as cancer and autoimmune diseases. The complexity of a specialty medicine is attributable to various factors, including its specific indications, administration methods, side effects management, and duration of treatment. To address these complexities, during the process of administering specialty medicines, professional and accessible pharmacist services, such as medication guidance, follow-up assessment, AE consultation and patient education are often requisites to ensure medication compliance. Specialty pharmacies provide such pharmacist services beyond the capabilities of a traditional retail pharmacy.

Market Size and Forecast of Specialty Medicine in China

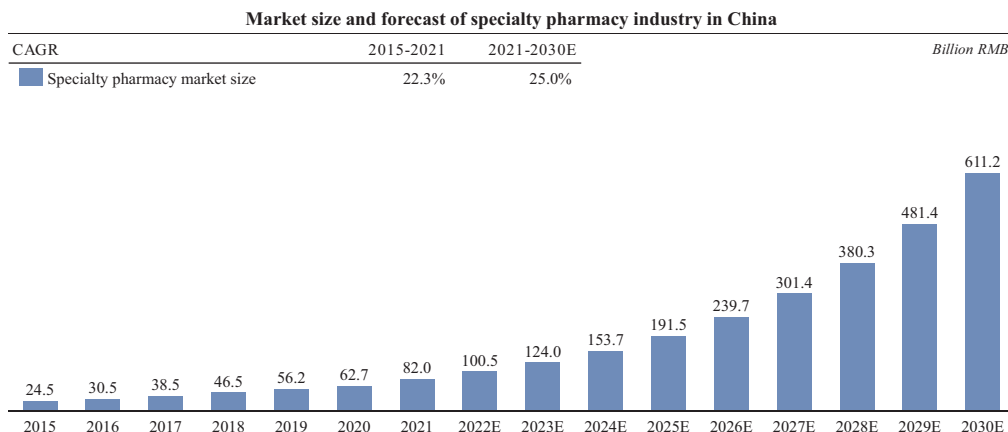
China's specialty medicine market experienced a steady growth in the past years, increasing from RMB147.0 billion in 2015 to RMB304.8 billion in 2021, at a CAGR of 12.9%. It is expected that the specialty medicine market in China will further reach RMB548.8 billion in 2025 at a CAGR of 15.8% from 2021 to 2025, and RMB1,286.5 billion in 2030, at a CAGR of 18.6% from 2025 to 2030. In terms of sales revenue, oncology specialty medicines accounted for approximately 63.5% of all specialty medicines in China in 2021, according to CIC. Among the top ten best-selling specialty medicines in China in 2021, eight of them are oncology drugs, according to the CIC Report.



Source: Ministry of Commerce of the PRC, CIC Report

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China's specialty pharmacy market increased from RMB24.5 billion in 2015 to RMB82.0 billion in 2021 at a CAGR of 22.3% from 2015 to 2021, and is expected to reach RMB191.5 billion in 2025 at a CAGR of 23.6% from 2021 to 2025, and further reach RMB611.2 billion in 2030 at a CAGR of 26.1% from 2025 to 2030.



Source: Ministry of Commerce of the PRC, CIC Report

Growth Drivers of Specialty Pharmacy Market

- **Demand for Innovative Drugs.** As critical diseases, such as cancer, are increasingly prevalent in China, the demand for innovative therapies and drugs continues to rise. For instance, China's cancer incidence increased from approximately 3.9 million in 2015 to approximately 4.8 million in 2021, and is forecasted to further reach approximately 5.8 million in 2030, according to the National Central Cancer Registry and WHO. As cancer incidence continues to increase, there is a growing demand for innovative oncology drugs accompanied by professional pharmacist service delivered by professional specialty pharmacies.

- **Increasing Demand for Out-of-hospital Channels for Specialty Medicines.** The Chinese government has introduced the "zero markup" policy to eliminate the markup of medicines sold in public hospitals. As a result, in-hospital pharmacies, previously being the profit center of public hospitals, gradually turned into a cost center, leading public hospitals to lower their procurement of high-value drugs which generally have stricter management requirements and higher storage and maintenance costs. Secondly, the "zero markup" policy required public hospitals to reduce the proportion of drug costs in the total medical expenditure. Therefore, public hospitals tend to provide, in their product offering, less specialty medicines which are typically of high value. Thirdly, in order to lower the patients' expenses on medicines, public hospitals are encouraged by the Chinese government to offer medicines on the National Essential Medicine List or covered by the centralized procurement program, and high-value innovative drugs not participating in the centralized procurement program are generally not available in public hospitals. Due to the foregoing reasons, prescriptions of high-value innovative drugs have increasingly flowed out of public hospitals and into out-of-hospital specialty pharmacies, that typically provide patients with a wider and more comprehensive product offering of specialty medicines, which led to the acceleration of the business development of specialty pharmacies. In addition to the advantage of comprehensive and diversified medication offering, specialty pharmacies equipped with professional pharmacist services are able to provide more efficient chronic disease management with better patient experience, since patients can save time and energy from seeking medical services from public hospitals. In recent years, the National Healthcare Security Administration has promulgated a series of policies to promote the payment channels of out-of-hospital

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pharmacies. As an increasing number of specialty pharmacies have obtained the “dual-channel” qualification, and commercial health insurance carriers have been expanding their customer base, more patients are eligible to pay directly or reimburse their medicine expenses through their national basic medical insurance accounts or commercial health insurance accounts, which will largely expand specialty pharmacies’ customer base and significantly increase their market size.

Entry Barriers of Specialty Pharmacy Market

- *Partnership with Pharmaceutical Companies.* Specialty pharmacies need to demonstrate their expertise to form a partnership with pharmaceutical companies to distribute specialty medicines. In general, pharmaceutical companies prefer pharmacies equipped with professional pharmacist service, flexible payment options and well-established logistics systems. Those with patient-centric pharmacist service can build up a powerful database relating to the efficacy and side effects of each particular medicine, which enhances the overall efficacy of patients’ treatment paradigms. Flexible payment options allow patients to reimburse their medicine expenses directly through their insurance accounts. Well-established logistics systems guarantee the quality of specialty medicines during the transportation. Specialty pharmacies that are able to meet these high standards can achieve a long-term and stable partnership with pharmaceutical companies to ensure the supply of a wide range of high-quality specialty medicines.
- *Professional Patient Management.* Specialty medicines are usually prescribed to treat critical or rare diseases that typically require an extended duration of treatment under professional medication guidance. Accordingly, professional pharmacist service helps patients achieve better treatment efficacy. Therefore, specialty pharmacies with the capability to provide professional patient management service can improve the efficacy of treatment paradigm and the safety of drug use.
- *Prescription Flow.* In China, all prescriptions are issued by doctors. Dealing with a large number of patients on a daily basis, doctors face a significant challenge in managing their patients efficiently. Specialty pharmacies equipped with data analytics and patient management capabilities can assist doctors to better manage their patients through post-hospital medication guidance, follow-up assessment and AE consultation, and doctors are more likely to direct their prescription flow to these specialty pharmacies.

Opportunities and Challenges of Specialty Pharmacy Market

- *More Comprehensive Health Insurance Plans.* The national basic medical insurance is gradually covering specialty pharmacies, apart from which, insurance carriers are trying to cooperate with specialty pharmacies to offer patients a wider coverage of specialty medicines. As a result, patients are more motivated to go to specialty pharmacies without the concern of affordability.
- *Increasing Patient Needs for Professional Pharmacist Services.* In addition to simple purchases of specialty medicines, patients are becoming more desirous of customized professional pharmacist services such as medication guidance and AE consultation. Specialty pharmacies equipped with such services are able to attract more patients as well as improve customer stickiness.

The specialty pharmacy business in China in the same also faces the challenge of centralized procurement. The prices of specialty medicines are highly associated with the centralized procurement program led by the Chinese government. Therefore, it becomes an inevitable challenge for specialty pharmacies to quickly respond to the dynamics of centralized procurement policies with a view to maintain a smooth and robust development. Specialty pharmacies that have a wide and comprehensive

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product offering covering more innovative drugs are able to maintain and increase their sales revenue when encountering the challenge of centralized procurement.

Competitive Landscape of Specialty Pharmacy in China

We are the largest privately owned specialty pharmacy in China, as measured by specialty medicine revenue in 2021.

Competitive Landscape of Privately Owned Specialty Pharmacy Market in China, 2021

| Company | Specialty medicine revenue, 2021 (RMB billion) | Market share | Geographic coverage | Number of specialty pharmacies with "dual-channel" qualification (as of 2021-12-31) | Pharmacist follow-up service | Oncology focused |
|-----------------------------|--|--------------|---------------------|---|------------------------------|------------------|
| 1 Our company | 2.9 | ~7% | 29 provinces | 42 | ✓ | ✓ |
| 2 Company 1D ⁽²⁾ | ~2.0 | ~5% | 29 provinces | 39 | × | × |
| 3 Company 1E ⁽³⁾ | ~0.8 | ~2% | 28 provinces | 8 | × | × |

Note: Only include privately owned specialty pharmacies; A specialty pharmacy is defined as "oncology focused" only if oncology drugs account for >50% of its SKU.

Notes:

- (1) Professional pharmacy service includes follow-up assessment and other pharmacist services through a unified specialty medicine management system.
- (2) Company 1D is a Beijing-based company founded in 2015 which has submitted A1 for listing on the Hong Kong Stock Exchange. According to Company 1D's draft prospectus and CIC, Company 1D has three business segments, namely out-of-hospital comprehensive patient services, provider-enabling services, and innovative healthcare services. The out-of-hospital comprehensive patient services segment can be further divided into three sub-segments, namely out-of-hospital pharmacy services, out-of-hospital medical services and wholesale pharmacy services, and its specialty pharmacy business is under the sub-segment of out-of-hospital pharmacy services. Company 1D has established an integrated offline + online pharmacy service network through its nationwide footprint of offline pharmacy stores and its online pharmacy. As of December 31, 2021, Company 1D had 264 pharmacies, among which 39 pharmacies had obtained the "dual-channel" qualification, offering medication, healthcare products and medical supplies, with a focus on specialty medicines. According to Company 1D's draft prospectus, the total revenue generated from its out-of-hospital pharmacy services and out-of-hospital medical services was RMB3.61 billion for the year ended December 31, 2021, including the sales revenue of specialty medicines through its specialty pharmacies.
- (3) Company 1E is a Beijing-based private company founded in 2014 with its business focusing on medical data solutions, oncology big data services, online hospitals and specialty pharmacies. Company 1E applied for listing on Nasdaq in June 2021 but withdrew its application in July 2021. According to Company 1E's draft prospectus and CIC, Company 1E has three major service segments, which are respectively (i) digital continuous care platform for patients with critical diseases, (ii) AI-enabled curation system for longitudinal medical data, and (iii) data-driven precision life sciences solution platform that helps life sciences companies accelerate clinical research and real-world evidence adoption. Company 1E provides patient care solution, patient management, and AI diagnosis and treatment services through its digital continuous care platform. With respect to the patient care solution, Company 1E provides medication, healthcare and wellness products, infusion or injection services and other ancillary services to patients. It also utilizes its medication distribution capabilities to fulfill its internal and external demand for medication. As of March 31, 2021, Company 1E had also established a nationwide network of 34 digital patient care centers, covering 28 provinces in China, enabling patients to access innovative therapeutic solutions and medication services. According to Company 1E's draft prospectus, its digital continuous care platform generated revenue in the amount of RMB822 million in 2020, and RMB186 million for the three months ended March 31, 2021. Particularly, the revenue generated from the continuous patient care solution was RMB806.0 million in 2020, and RMB179.4 million for the three months ended March 31, 2021, including the sales revenue of specialty medicines.
- (4) The non-public information of Company 1D and Company 1E is provided by CIC through one-on-one interviews with industry experts, and the identities of Company 1D and Company 1E are not disclosed due to confidentiality obligations.

Source: CIC Report

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Specialty pharmacy industry is in the early stage with a relatively low market concentration. As of the Latest Practicable Date, there was no public information disclosing the total number of specialty pharmacy companies in China.

State-owned specialty pharmacies are owned by large state-owned drug distribution companies, with the top three (Sinopharm, China Resources Pharmaceutical and Shanghai Pharmaceutical) accounting for approximately 10% to 15% market share of the overall specialty pharmacy market in 2021, according to CIC.

The business model of state-owned specialty pharmacies differs from that of private companies, as they penetrate the market from the supply side of the industry value chain. In comparison, we approach from the demand side. Private companies' product offerings mainly focus on high-value and innovative specialty medicines, particularly those targeting critical diseases such as cancer and autoimmune diseases. In comparison, although state-owned specialty pharmacies offer specialty medicines, the majority of their SKU are prescription and OTC medicines for treating common diseases, such as upper respiratory tract infection and minor skin trauma, and healthcare products. Equipped with a deeper understanding of patients' needs based on the real-world data generated from our Physician Research Assistance business, we can provide patient-oriented and specialized pharmacist services and more efficient out-of-hospital disease management services to our customers. At the same time, with the support of our Health Insurance Services business, we can provide payment solutions for our members to enhance their affordability for specialty medicines. Leveraging the synergy among our three business lines, we believe we are able to optimize the patients' benefits by providing professional pharmacist services and financial solutions for specialty medicines, creating our particular advantages that state-owned specialty pharmacies can hardly replicate.

OVERVIEW OF SITE MANAGEMENT ORGANIZATION SERVICE IN CHINA

Introduction to Site Management Organization

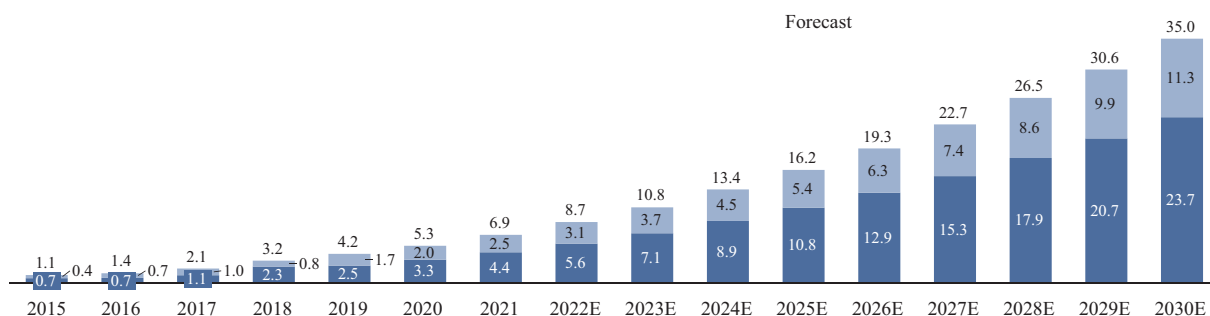
An SMO is an organization that provides specialized service to clinical trials. As the key professional personnel of an SMO, clinical research coordinators (“CRCs”) are assigned to the clinical trial site, and work under the direction of the principal investigator (“PI”) to support the daily non-clinical works. CRCs' typical scope of work includes assistance in and coordination for project feasibility study, project approval application, trial site launch, participant recruitment, screening, enrollment and management, drug, medical device and bio-sample management, data entry and file management, clinical trial reports submission and site closure, with the primary goal of reducing the investigator's non-clinical workload and improving the overall efficiency and compliance of clinical trials.

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The market size of SMO service in China increased from RMB1.1 billion in 2015 to RMB6.9 billion in 2021 at a CAGR of 35.3% and is expected to further reach RMB16.2 billion in 2025 at a CAGR of 23.8% from 2021 to 2025, and RMB35.0 billion in 2030 at a CAGR of 16.7% from 2025 to 2030. The oncology SMO market is expected to account for approximately 63.7% to 67.8% of the overall SMO market size from 2021 to 2030.

Market size and forecast of China's SMO industry

| CAGR | 2015-2021 | 2021-2030E | Billion RMB |
|--------------|--------------|--------------|-------------|
| Non-oncology | 33.3% | 18.2% | |
| Oncology | 36.6% | 20.6% | |
| Total | 35.3% | 19.8% | |



Source: China CRC Home, Center for Drug Evaluation, CIC Report

Value Chain of SMO Service

The table below illustrates the value chain of SMO service:



Growth Drivers of SMO Market

- **Increasing Investment in Drug R&D.** According to CIC, the R&D investment by pharmaceutical companies in China increased from RMB68.2 billion in 2015 to RMB218.6 billion in 2021, at a CAGR of 21.4%. As a result, the number of newly registered clinical trials for innovative drugs, excluding bioequivalence studies, increased from 749 in 2015 to 1,939 in 2021, according to the Center for Drug Evaluation. The investment in oncology drugs presented an increasing proportion in the total R&D investment. Among the aforementioned clinical trials, the number of those for oncology drugs increased from 148 in 2015 to 802 in 2021, according to the Center for Drug Evaluation. The rapid growth of drug R&D drives an increasing demand for SMO service in the relevant clinical trials.
- **Stricter Compliance Requirements for Clinical Trials.** The Chinese government authorities promulgated a series of rules and policies in recent years to impose stricter compliance

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requirements for clinical trials, including qualification of professional personnel participating in clinical trials, management of trial documents and materials, trial data accuracy and completeness, as well as internal and external inspection and audit. As CRCs assist investigators in conducting non-clinical work, their involvement in clinical trials will greatly improve the overall compliance of clinical trials. Thus, the demand for SMO service is expected to grow as a result of enhancing clinical trial management capability for compliance requirements.

Entry Barriers of SMO Market

- *Nationwide Trial Site Network.* In order to meet the participant and site requirements for clinical trials, especially those in phase II and phase III studies conducted in multiple trial sites nationwide, SMO companies need to have an extensive network covering a large number of trial sites, involving thousands of participants. To establish such a nationwide network, SMO companies need to continuously run plenty of ongoing projects with a wide geographical coverage, which requires long-term partnerships with a significant number of high-tier hospitals. It is difficult for new entrants to establish such a network in a short period of time.
- *Project Management Capability.* For each clinical project, an SMO company assigns its CRCs to different sites to assist PIs. To strictly meet the high requirements for management of data, file, participant, drug, medical device and bio-sample according to the GCP standard, a mature SMO company needs to manage a large number of ongoing cross-regional projects simultaneously and efficiently. Large SMO companies with adequate management capabilities are able to operate stably nationwide, while small SMO companies or new entrants may have difficulties efficiently managing hundreds of their CRCs and projects that are geographically distributed in different cities to meet the strict compliance requirements for clinical trials.
- *Reputation.* Clients of SMO are usually pharmaceutical companies. Since the cost of clinical trials accounts for the majority of the R&D spending, pharmaceutical companies usually pay close attention to their clinical trials. Thus, to ensure the overall efficiency and compliance of their clinical trials, pharmaceutical companies usually select the most reliable SMOs with an outstanding reputation, which is based on the number of successful cases in the past and service quality that has been recognized by the market. Therefore, it is difficult for new entrants to compete for clients in the market.

Opportunities and Challenges of SMO Market

- *Continuous Growth in Size.* Along with the continuous growth in the R&D investment by pharmaceutical and bio-tech companies in China and globally, as well as the increasing number of oncology-related clinical trials, the demand for SMO services will grow in the long run. In addition, an industry-wide emphasis on Good Clinical Practice (“GCP”) encouraged by the relevant government policies will further fuel the increase in the penetration rate of SMO in clinical trials in China.
- *Wider Geographical Coverage.* At present, CRCs are mainly concentrated in metropolises and other big cities in China. According to the report of China CRC Home, the proportion of CRCs in the top 15 cities is 69.6%. As more and more GCP hospitals and research sites are established in small and medium-sized cities, it is expected that more and more CRCs will settle in these areas to meet the sponsors’ needs of multi-center clinical trials.
- *Expanded Scope of Service.* Since SMOs can despatch at least one CRC to each research site, while it is difficult for a CRA dispatched by a contract research organization (“CRO”) to stay at a certain site all the time, SMOs have a wider network of research sites compared with CROs.

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Therefore, it is easier for SMOs to recruit participants for a large number of clinical trial sites, and it is expected that the penetration rate of SMO in patient recruitment service will continue to grow in the future.

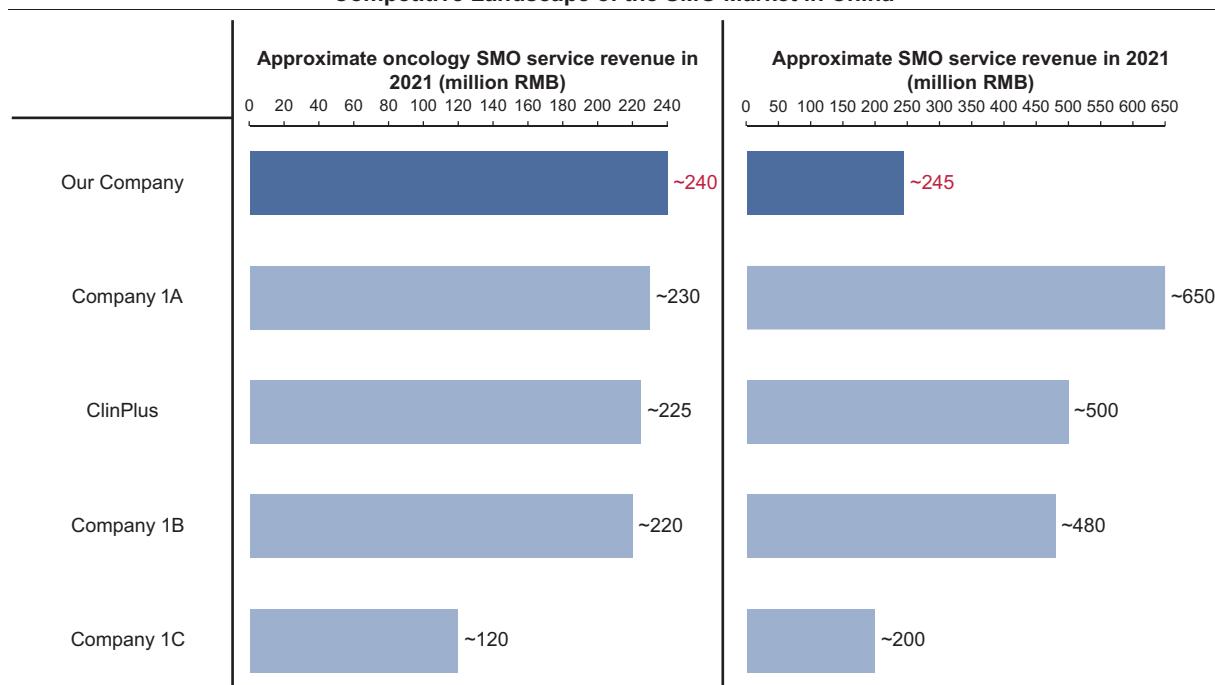
The SMO market also faces the following challenges:

- *Supply Gap of Professionals.* According to the Industry Blue Book of China CRC Home, the average CRC turnover rate of SMO companies in 2019 is approximately 25% to 30%. Due to the high labor turnover rate, the lack of experienced CRC is one of the main challenges China's SMO industry is facing.
- *Lack of Competitiveness.* Sponsors of clinical trials usually choose to cooperate with large SMOs with large staff size and wide clinical site coverage. However, most of the SMOs in China are small regional companies that can hardly participate in multi-center clinical trials and accumulate experience of high-quality projects.

Competitive Landscape of General and Oncology SMO Market

The following charts illustrate the competitive landscape of the general SMO market and oncology SMO market in China in 2021, as measured in revenue. We rank fourth in the general SMO market and first in oncology SMO market, as measured in revenue in 2021. In addition, as of December 31, 2021, we had participated in approximately 50% of clinical trials on oncology drugs started from 2017 in China.

Competitive Landscape of the SMO Market in China



Notes:

(1) Company 1A is a Shanghai-based SMO founded in 2009 and a wholly-owned subsidiary of a leading public CRO company in China listed on both Shanghai Stock Exchange in 2018 and Hong Kong Stock Exchange in 2018. The CRO company has six business segments, which are respectively (i) Chemistry-related research services, (ii) Biology-related research services, (iii) Testing services, (iv) Advanced Therapies Unit (ATU), (v) Domestic Discovery Service Unit (DDSU) and (vi) Others. The SMO services provided by Company 1A are categorized under the business segment of Testing services. In addition to SMO services, the Testing services segment of the CRO company also includes laboratory testing services and clinical CRO services, which are not within Company 1A's service scope. According to the CRO company's 2021 annual report, the total revenue generated from its Testing service segment was RMB 4.53 billion for the year ended December 31, 2021, while clinical CRO services and SMO services generating a subtotal revenue of RMB 1.48 billion for the same period, representing approximately 32.7% of the total revenue of its Testing services segment.

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- (2) Company 1B is a Hangzhou-based SMO founded in 2011 and a wholly-owned subsidiary of a leading public CRO company in China listed on both ChiNext in 2012 and Hong Kong Stock Exchange in 2020. The CRO company has two major business segments, namely clinical trial solutions (CLS) and clinical related and laboratory services (CRLS), covering the whole process of the research and development of drugs and medical devices, from pre-clinical research to post-approval studies. The SMO services provided by Company 1B are categorized under the business segment of CRLS. In addition to SMO services, CRLS segment also offers data management and statistical analysis, laboratory services, and other services such as medical imaging and GMP consulting services, which are not within Company 1B's service scope. According to The CRO company's 2021 annual report, its CRLS segment generated a total revenue of RMB2.22 billion for the year ended December 31, 2021, including the revenue from SMO services provided by Company 1B.
- (3) Company 1C is a Beijing-based SMO founded in 2012 and a partially-owned subsidiary of a leading public CRO company in China listed on both ChiNext in 2019 and Hong Kong Stock Exchange in 2019. The CRO company has three business segments, namely laboratory services, clinical development services and CMC services. The SMO services provided by Company 1C are categorized under the clinical development services segment. In addition to SMO services, The CRO company's clinical development services segment also provides clinical research, regulatory bioanalysis and radiolabelled sciences, which are not within Company 1C's service scope. According to The CRO company's 2021 annual report, its clinical development services segment generated a total revenue of RMB956.4 million for the year ended December 31, 2021, including the revenue from SMO services provided by Company 1C.
- (4) The non-public information of Company 1A, Company 1B and Company 1C is provided by CIC through one-on-one interviews with industry experts, and the identities of Company 1A, Company 1B and Company 1C are not disclosed due to confidentiality obligations.

Source: CIC Report

As of December 2021, there were 34 SMOs registered in “China CRC Home”, and there were also many unregistered small and medium-sized regional SMOs. China's SMO industry is still in the early stage with rapid growth, and the number of SMOs is also increasing rapidly. As of the Latest Practicable Date, no public information with respect to the total number of Chinese SMOs had been disclosed. China's SMO market is not highly concentrated, and the top five competitors account for a total of approximately 25% to 30% of the overall market share. According to CIC and China CRC Home, other than the top five competitors, no other SMO had a business scale of more than 1,000 CRCs by the end of 2021.

OVERVIEW OF MULTI-TIERED HEALTH INSURANCE SYSTEM IN CHINA

Introduction to Multi-tiered Health Insurance System in China

China's multi-tiered health insurance system is constructed on the basis of national basic medical insurance, and supplemented by commercial health insurance, medical relief systems and charity medical donations.

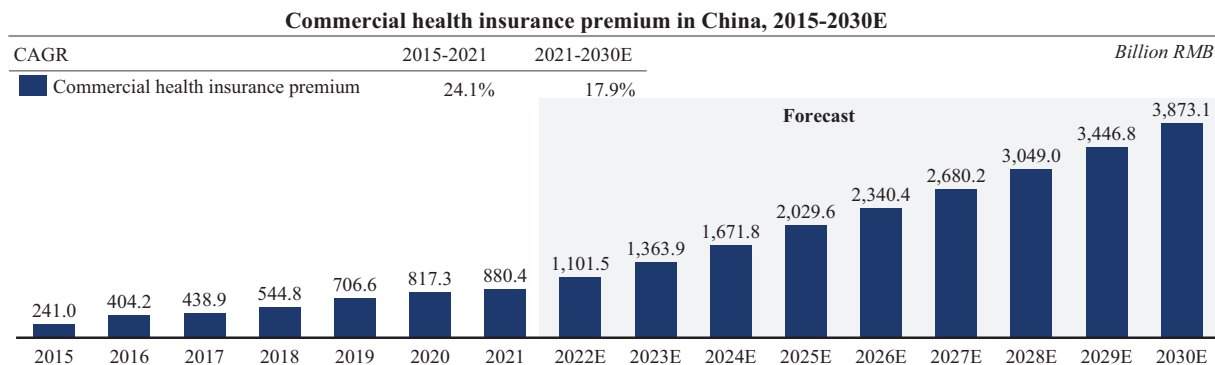
As of December 31, 2021, China's national basic medical insurance enrolled over 1.3 billion people, accounting for 96.6% of the total population, according to the National Healthcare Security Administration and the National Health Commission. In 2021, China's national basic medical insurance expenditure reached RMB2,401.1 billion, accounting for 42.8% of the total medical expense, according to the National Health Commission. The principle of China's national basic medical insurance is to expand coverage and provide basic medical care, which cannot meet the growing demand for medical services. The individual medical expense reached RMB2,202.5 billion in 2021, accounting for 39.3% of the total medical expense, according to the National Health Commission.

Contrary to the extensive coverage of the national basic medical insurance, commercial health insurance claim spending accounted for only 7.3% of the total medical expense in China in 2021, according to the CBIRC. In the future, the commercial health insurance is expected to function as an increasingly important payment solution for medical expenditure especially on critical diseases, indicating an urgent need for establishing a multi-tiered health insurance system to serve different groups of people.

The market size of commercial health insurance in China increased from RMB241.0 billion in 2015 to RMB880.4 billion in 2021, at a CAGR of 24.1% from 2015 to 2021, and is expected to further reach RMB2,029.6 billion in 2025 at a CAGR of 23.2% from 2021 to 2025, and RMB3,873.1 billion in 2030

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at a CAGR of 13.8% from 2025 to 2030. According to the “Opinions on Promoting the Development of Commercial Insurance in the Field of Social Services” issued by CBIRC and 13 other ministries and commissions in December 2019, the market size of commercial health insurance in China is expected to have a steady growth in the next decade, and the market size will exceed RMB2 trillion in 2025.



Source: CBIRC, CIC Report

In developed countries, health insurance plans have adopted a mature business model integrating insurance protection with healthcare service. For example, in the U.S., a preferred provider organization (“PPO”) is a standard health insurance plan that contracts with hospitals, clinics and doctors, to create a network of health and medical providers. Large insurance groups form PPOs so that members who purchase their insurance plans can seek medical treatment, and purchase medicines as well as any other medical services in the PPO network. Expenses incurred are paid by the insurance companies. According to Kaiser Family Foundation, in 2021, PPOs enrolled over 46.0% of all the members participating in health insurance plans in the U.S. PPOs can make use of the large amount of data accumulated in their closed loop as well as their strong data analysis and actuarial capabilities to create synergies between healthcare service provision and payment, thus providing suitable healthcare service solutions for patients and effective cost control for payers, and patients are able to obtain better insurance products to achieve multiple benefits.

Growth Drivers of Commercial Health Insurance Market

In China, the public hospital-dominated healthcare service system dictates that public hospitals will remain the dominant providers of healthcare services as an important role of the closed loop of PPO model. Along with the rapid development of commercial health insurance in China, the payment side of Health Insurance Services model has experienced a rapid growth in the past, due to the following drivers:

- *Lasting Growth of Commercial Health Insurance.* The Chinese government encourages the establishment of a multi-tiered health insurance system. With an aging population and increasing incomes, the demand for higher quality medical services is growing, and commercial health insurance has become an increasingly important supplement to the national basic medical insurance. China’s commercial health insurance market continues to prosper, which forms an important foundation for the continued growth of payer-side service market. In December 2019, CBIRC and 13 other ministries and commissions jointly issued the “Opinions on Promoting the Development of Commercial Insurance in the Field of Social Services”. It is expected that the commercial health insurance market will exceed RMB2 trillion in 2025.
- *Commercial Health Insurance Companies Need Professional Third-party Service to Enhance Their Services and Operations.* Currently, the commercial health insurance products in China struggle to differentiate, with the reason being two-fold. An insurance carrier’s capability to

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design diversified and attractive commercial health insurance products comes from integrated healthcare services, typically in the forms of general practitioner and specialist network, specialty pharmacy, and health management service. However, traditional commercial insurance carriers in China usually do not have the access and know-how in delivering health management service. Secondly, Chinese commercial insurance carriers lack data insights into their customers' medical behaviors that are aggregated over time as healthcare services are rendered. Data insights are critical in determining product design, premium pricing, enrollment requirements and claim adjudication to target customers with diversified healthcare needs. Data insights also help combat insurance fraud and abuse, which significantly impact an insurance carrier's profitability. The highly homogeneous commercial health insurance products caused by the foregoing reasons make commercial health insurance companies unable to reduce premiums on the one hand, and have to rely heavily on channels for high investment in marketing expenses for sales on the other hand. Therefore, commercial health insurance companies have a strong incentive to cooperate with professional third-party service providers with high-quality data accumulation, strong data analysis, actuarial capabilities and insurance product design capabilities to design more competitive and differentiated insurance products to improve their overall operational efficiency and service level and benefit their customers, which in turn promotes the development of the payer-side service industry.

- *Government Policies Encourage Sharing of Medical Data to Further Accelerate the Growth of Payer-side Service Market.* The Chinese government promulgated a series of policies to allow medical data sharing between healthcare providers and insurance underwriters. The National Health and Medical Big Data Institute was officially established to promote the government's exchange, integration and sharing of health and medical information and related data. Data access makes it possible for commercial health insurance companies to enhance product design capabilities and optimize operational efficiency with the data insight and analysis capabilities of professional third-party service providers, thus further accelerating the development of payer-side service market.

The payer-side service market in China is still in the early stage of development. In this regard, only innovative market players that are able to combine robust health management service and flexible payment solutions leveraging their data insights could eventually establish a comprehensive healthcare and insurance service provider network to effectively help their customers achieve better health condition and lower health cost.

Entry Barriers of Commercial Health Insurance Market

- *Market Insights.* To help insurance companies design innovative insurance products and provide operational support, PPO providers need expertise in the pharmaceutical sector and deep insights into both the supply and demand sides of the overall healthcare industry. New entrants to the industry without market insight will have difficulty providing effective solutions to insurance companies.
- *Data Insights.* In order to design insurance products that meet customers' needs and help insurance companies achieve efficient risk control, third-party service providers need to have high-quality data accumulated from long-term operations and a professional team capable of data analysis, while new entrants to the industry have difficulty in accumulating sufficient operational data and building a professional team within a short period of time.
- *Brand and Reputation.* Insurance companies often choose reliable third-party providers with a track record of success to design their insurance products and provide health management

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services. For inexperienced industry newcomers, it often takes years to build their brand and reputation before they can compete with the industry leaders.

Opportunities and Challenges of Commercial Health Insurance Market

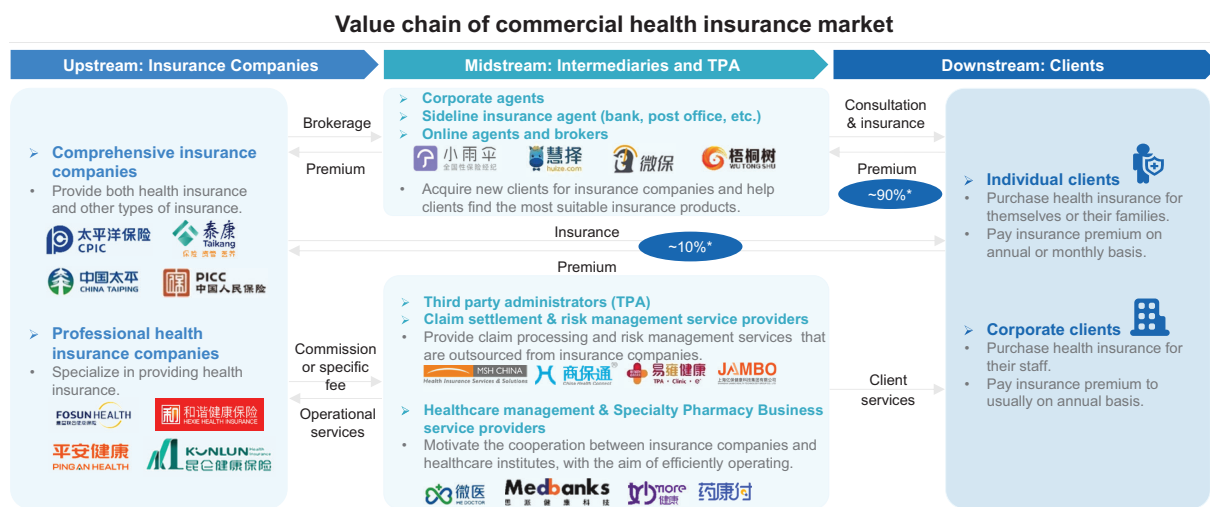
- *Favoring Policies for Health Management Service:* In December 2019, CBIRC raised the previously mandated cap on the cost of health management services as a percentage of net health insurance premiums from 12% to 20%, encouraging insurance companies to provide health management services to customers more often in their health insurance plans, which to some extent provides greater space for cooperation between third-party health management service providers and commercial health insurance companies.

The health insurance services market also faces the following challenges:

- *Immature Health Management Service Industry:* According to CBIRC, the health management business carried out by Chinese insurance companies is still in the early stage of development. To a certain extent, there are still a large number of companies providing homogeneous services and unclear service scope in the description of product terms.

Value Chain of Commercial Health Insurance Industry

The table below illustrates the value chain of commercial health insurance industry:



Note: * Estimated share of total health insurance premium

Competitive Landscape of Multi-tiered Health Insurance System in China

In recent years, market players in health insurance service industry in China have just begun to explore models for establishing healthcare and insurance service provider networks, tapping the market through a variety of approaches, such as insurance brokerage, and innovative insurance plans with health management services, with business models still evolving and being optimized.

The health insurance service market in China is still in its early stage of development, and market participants in the industry still have a long way to go before developing into a mature integrated platform for the provision of health payment solutions and healthcare services. As of the Latest Practicable Date, there was no publicly available information disclosing the total number of competing companies in the health insurance service industry in China.

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SOURCE OF INFORMATION

We commissioned China Insights Consultancy Limited, an independent market research and consulting firm, to conduct a detailed research and analysis of China's healthcare industry. China Insights Consultancy Limited, founded in Hong Kong, provides professional services including, among others, industry consulting, commercial due diligence and strategic consulting. We have agreed to pay a fee of US\$200,000 to China Insights Consultancy Limited in connection with the preparation of the CIC Report. We are of the view that the payment of such fee does not impair the fairness of the conclusions drawn in the CIC Report. We have extracted certain information from the CIC Report in this section, as well as in "Summary", "Risk Factors", "Business", "Financial Information" and elsewhere in this prospectus to provide our potential investors with a more comprehensive presentation of the industry in which we operate.

During the preparation of the CIC Report, China Insights Consultancy Limited performed both primary and secondary research, and obtained knowledge, statistics, information on and industry insights into China's healthcare industry. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analyzing data from various publicly available data sources. The CIC Report was compiled based on the following assumptions: (1) the overall social, economic, and political environment in China is expected to remain stable during the forecast period; (2) relevant key drivers are likely to drive the continued growth of China's healthcare market throughout the forecast period; and (3) there is no extreme force majeure or unforeseen industry regulations in which the industry may be affected in either a dramatic or fundamental way. All forecasts in relation to market size are based on the general economic conditions as of the Latest Practicable Date, which would be adjusted if the COVID-19 outbreak persists or escalates and has an unpredicted negative impact on the general economy.

Except as otherwise noted, all data and forecasts in this section and other sections of this prospectus come from the CIC Report. Our Directors confirm that, to the best of their knowledge, after taking reasonable care, there has been no adverse change in market information since the date of the CIC Report which may qualify, contradict or impact the information disclosed in this section and other sections of this prospectus.