
INDUSTRY OVERVIEW

The information and statistics set out in this section and other sections of this document 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 [REDACTED]. The information from official government sources has not been independently verified by us, the Joint Sponsors, [REDACTED], [REDACTED], [REDACTED], [REDACTED], any of their respective directors and advisers, or any other persons or parties involved in the [REDACTED], and no representation is given as to its accuracy.

SOURCE OF INFORMATION

We commissioned CIC, a market research and consulting company and an Independent Third Party, to conduct research and analysis of, and to produce a report on, the chronic disease management market in China for the period from 2015 to 2030 (the “**CIC Report**”). The CIC Report has been prepared by CIC independent of the influence of our Group and other interested parties. We have agreed to pay CIC a total fee of RMB1,090,000 for the preparation and use of the CIC Report, and we believe that such fees are consistent with the market rate. CIC is a consulting firm founded in Hong Kong and provides professional industry consulting services across multiple industries. CIC’s services include industry consultancy services, commercial due diligence and strategic consulting.

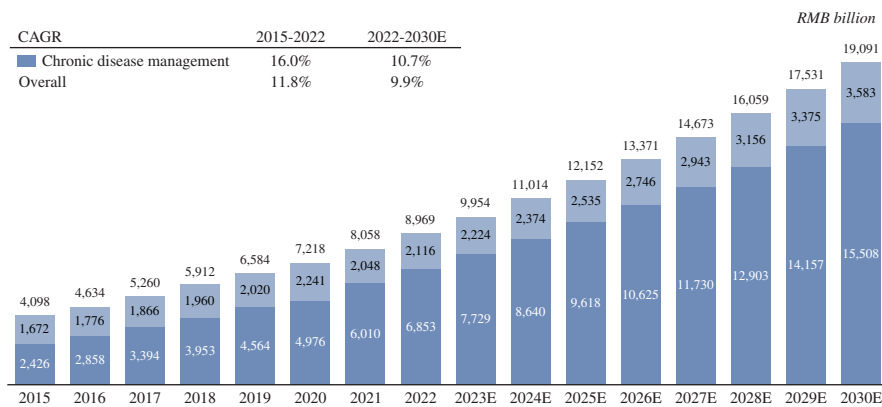
In compiling and preparing the report, CIC conducted both primary and secondary research using a variety of resources. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analyzing data from various publicly available data sources, including but not limited to the National Bureau of Statistics, National Healthcare Security Administration, National Medical Products Administration, the NHC, World Health Organization, and CIC’s database. The market projections in the CIC report are based on the following key assumptions: (i) the overall social, economic and political environment in China is expected to remain stable during the forecast period; (ii) China’s economic and industrial development is likely to maintain a steady growth trend over the next decade; (iii) related key industry drivers are likely to propel continued growth in China’s healthcare industry throughout the forecast period; (iv) the negative impact caused by COVID-19 outbreak in 2020, 2021 and 2022 on the industry is expected to be limited, taking into account the COVID-19 pandemic has driven a sharp increase in demand and supply of online healthcare services and fostered the habit of physicians and patients using online platforms for consulting, drug ordering and health/disease management; and (v) there is no extreme force majeure or industry regulation in which the market may be affected dramatically or fundamentally.

INDUSTRY OVERVIEW

OVERVIEW OF THE HEALTHCARE INDUSTRY IN CHINA

China has a significant healthcare sector, with sizable and steadily increasing healthcare expenditure. According to CIC, China’s healthcare expenditure grew from RMB4,098 billion in 2015 to RMB8,969 billion in 2022, representing a CAGR of 11.8%, and is expected to reach RMB19,091 billion in 2030, representing a CAGR of 9.9%. Chronic disease management expenditure as a percentage of total healthcare expenditure in China increased from 59.2 % in 2015 to 76.4% in 2022 and is expected to continue to increase and reach 81.2% in 2030, according to CIC. The following chart illustrates China’s historical and projected expenditure from 2015 to 2030.

Healthcare expenditures in China, 2015-2030E



Source: the CIC report

According to CIC, China’s healthcare expenditure is primarily driven by the following factors:

- Aging population.** China’s population aged 65 and above reached 209.8 million in 2022, accounting for 14.9% of China’s total population, and is expected to reach 259.1 million in 2030, or 18.3% of the total population. China’s demographic shift is expected to create significant demand for healthcare products and healthcare services, particularly as the elderly population generally have a greater need for medication and disease management. The growing incidence of chronic disease in China is primarily due to population aging and lifestyle changes.

INDUSTRY OVERVIEW

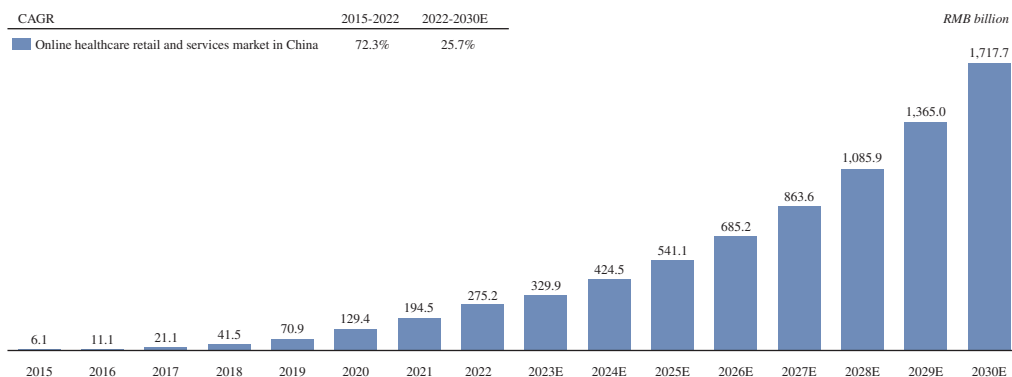
- Rising per capita disposable income.* Along with economic growth and urbanization, Chinese residents’ disposable income has continued to rise. From 2015 to 2022, annual per capita disposable income increased from RMB21,966.2 to RMB36,883.0, representing a CAGR of 7.7%. Personal medical spending is expected to represent an increasingly meaningful portion in an individual’s consumption, reaching an estimated 11.1% of total per capita consumption expenditure in China by 2030 according to the CIC Report.
- Growing health awareness.* Individuals are increasingly demanding greater control over the management of their health and well-being, driven by shifting demographics, a growing prevalence of chronic diseases, as well as technological advancement that have enabled more diseases to be treated, or be preventable or detectable at an earlier stage.

Despite the increasing healthcare demand and expenditures in China, quality medical resources remain scarce and unevenly distributed.

Online Healthcare Retail and Services Market in China

The online healthcare retail and services market in China represents healthcare services provided through to-consumer pharmaceutical retail and online-to-offline (O2O) retail, as well as online medical consultation services. The market size of online healthcare retail and services market in China in terms of sales revenue grew significantly from RMB6.1 billion in 2015 to RMB275.2 billion in 2022, and is expected to further increase at a CAGR of 25.7% from 2022 to reach RMB1,717.7 billion in 2030, according to CIC. The chart below sets forth the online healthcare retail and services market in China in terms of sales revenue from 2015 to 2030.

Online healthcare retail and services market in China, in terms of sales revenue, 2015-2030E



Source: the CIC Report

INDUSTRY OVERVIEW

The online healthcare retail and services market in China is fragmented. The following table sets out the competitive landscape of the online healthcare retail and services market in China in terms of sales revenue in 2022.

Competitive landscape of online healthcare retail and services market in China

	Company	Market share in terms of sales revenue (%)	Listing status	Business focus
1	Company A ⁽¹⁾	19.7%	Listed	Online retail pharmacy
2	Company B ⁽²⁾	8.9%	Listed	Online retail pharmacy
3	Company C ⁽³⁾	1.6%	Listed	Pharmaceutical O2O and drug express business
4	Company D ⁽⁴⁾	1.3%	Listed	Online medical consultation
5	Our Group	1.1%	Not listed	Chronic disease management

Notes:

1. Company A, founded in 2019, is a leading online business-to-consumer platform, which provides pharmaceutical products in China. It is a listed company on the Hong Kong Stock Exchange, with its business focusing on online retail pharmacy, online medical consultation and health management services.
2. Company B, founded in 2014, is a leading online business-to-consumer platform, which provides pharmaceutical products in China. It is a listed company on the Hong Kong Stock Exchange, with its business focusing on online retail pharmacy, online medical consultation and digital medical marketing services.
3. Company C, founded in 2014, is a pioneer in providing express digital healthcare service in China. It is a listed company on the Hong Kong Stock Exchange, with its business focusing on pharmaceutical retail and medical consultation, primarily with online-to-offline solutions.
4. Company D, founded in 2014, is a leading online platform, which provides online medical services in China. It is a listed company on the Hong Kong Stock Exchange, with its business focusing on online medical consultation, health management and online pharmaceutical retail services.

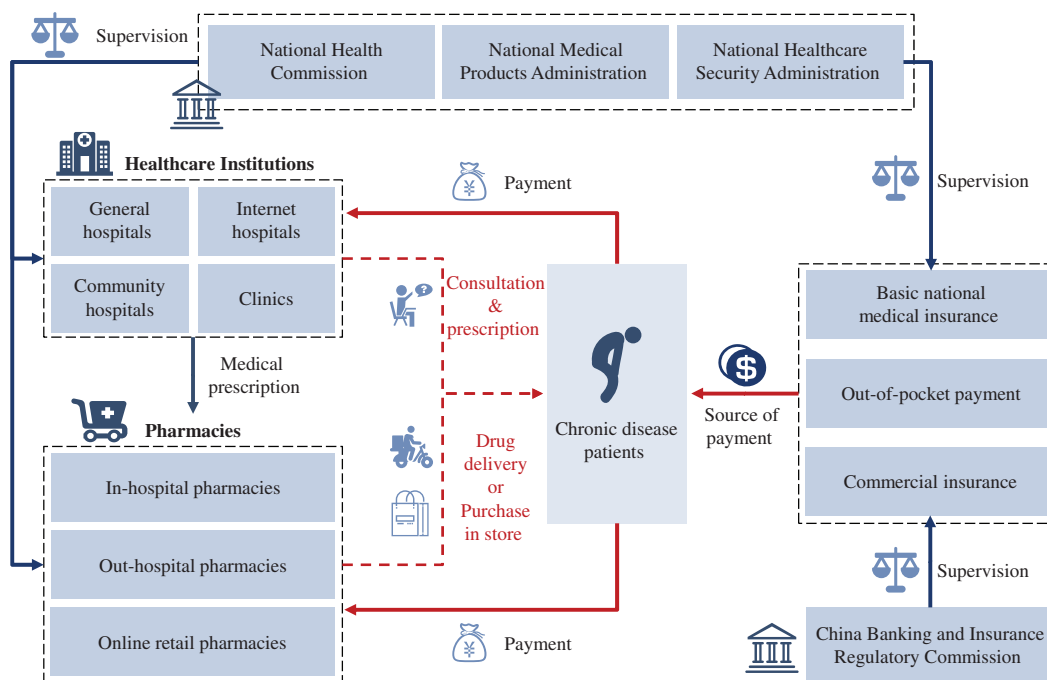
CHINA’S CHRONIC DISEASE MANAGEMENT MARKET

Introduction to Chronic Disease Management

Chronic disease management (CDM) is the consistent care and support for chronic disease patients, requiring professional medical care, in-depth knowledge and various additional resources from the entire healthcare system. Chronic disease management provides patients with a wide spectrum of medical services and products, including physician consultation, medical treatment and prescription drugs. The success of CDM usually involves the engagement of multiple stakeholders, including, but not limited to, physicians, patients, healthcare institutions, relevant government sectors, pharmaceutical companies, pharmacies, insurance companies, as well as online platforms.

INDUSTRY OVERVIEW

The prevalence of chronic disease in China continues to rise. According to CIC, the most common chronic diseases in China primarily include hypertension, chronic respiratory diseases, diabetes and hepatitis B. Due to China’s rising prevalence of chronic diseases, demand for healthcare services and products is expected to continue to grow with a strong momentum. Patients with chronic diseases require periodic medical consultations and regular drug refills to manage the disease. According to CIC, although prescription drugs for chronic disease patients are available at online or offline retail pharmacies, the majority of patients with chronic diseases in China tend to seek treatment in offline hospitals and obtain prescription drugs from offline hospital pharmacies. The chart below illustrates the CDM system in China.



Source: the CIC report

The chronic disease management system in China faces a number of challenges, including the lack of professional medication instruction, inconvenience in drug purchase and refills, and inadequate treatment adherence. Due to the uneven distribution of medical resources in China, patients typically need to spend substantial time commuting to hospitals and queuing for follow-up consultations. After the conclusion of each consultation session, the connection between patients and physicians is typically not maintained. As a result, patients face difficulty in making a follow-up appointment with the same physician and may lose treatment continuity. In the absence of ongoing medical guidance, patients may fail to follow physicians’ instructions for taking medications or obtaining timely prescription refills.

Despite increasing demand and expenditure for CDM services, quality medical resources remain scarce in China and their distribution is uneven, which has become a structural weakness in CDM. In addition, long queuing times at hospitals, lack of maintenance mechanisms for the long-term physician-patient relationships, lack of effective patient management tools and limited selection of prescription drugs also pose challenges to effective CDM.

INDUSTRY OVERVIEW

Market Size of China’s Chronic Disease Management Market

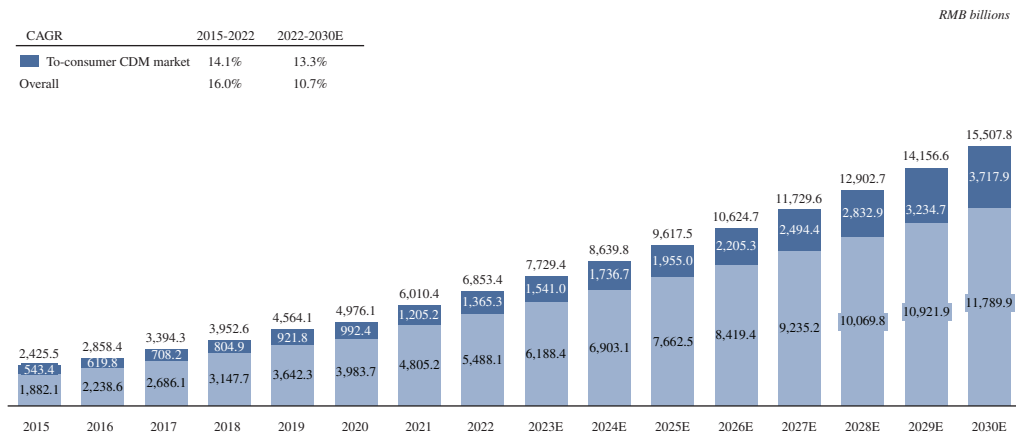
The overall market size of CDM market in China in terms of GMV grew rapidly from RMB2,425.5 billion in 2015 to RMB6,853.4 billion in 2022, representing a CAGR of 16.0%, and is expected to continue to grow at a CAGR of 10.7% from 2022 to 2030 and reach RMB15,507.8 billion in 2030. Our GMV refers to gross merchandise volume, the total value of all orders placed on the Jianke Platform and through third-party e-commerce platforms.

Major segments of the CDM market in China include services provided to individual consumers, businesses and hospitals. To-consumer CDM services include medical consultation and retail pharmacy services provided through either online or offline channels to individual patients, while online to-consumer CDM services only represent those to-consumer CDM services provided through online channels. Revenue generated from to-consumer CDM services are directly paid by the individual patients. The rest of CDM market include CDM-related services provided to other types of customers (such as businesses and medical institutions) as well as medical treatments and physical examinations provided for chronic disease patients that could only be conducted by offline medical institutions. To-consumer CDM market includes all services that can be extended online in order to leverage the market potential of online platforms. Since physical examinations that can only be conducted in offline medical institutions, such services are not included in the to-consumer CDM market. To-business CDM services are provided to business customers and the revenue generated from such services are paid by the businesses instead of individuals. Typical to-business CDM services include distribution services of chronic disease drugs, where service providers purchase drugs from manufacturers or other sources, and distribute such drugs to other businesses, such as pharmacies or hospitals. Such a business model is more similar to a trading and distribution business, which is fundamentally different from to-consumer CDM services that serve individual patients. To-hospital CDM services refer to the construction of information system (such as SaaS) for hospitals that facilitates the treatment and management of chronic disease patients. Typical functions of such information system include online registration, electronic prescription and personal digital records for chronic disease patients. Other segments of CDM market include physical examinations and treatment for patients with chronic diseases that can only be conducted in offline medical institutions. These services cannot be provided through Internet hospitals or online CDM platforms.

To-consumer CDM market has significant potential, which is primarily driven by the increasing aging population with chronic disease in China, while the capacity of Class III hospitals which provide better medical services in China is limited. The market size of to-consumer CDM market grew at a CAGR of 14.1% from RMB543.4 billion in 2015 to RMB1,365.3 billion in 2022, and is expected to continue to grow and reach RMB3,717.9 billion in 2030, representing a CAGR of 13.3%. According to CIC, the market size of to-consumer CDM market is projected to grow at a faster pace than the overall CDM market in China from 2022 to 2030. The following diagram sets forth the historical and forecast market size of China’s CDM market from 2015 to 2030.

INDUSTRY OVERVIEW

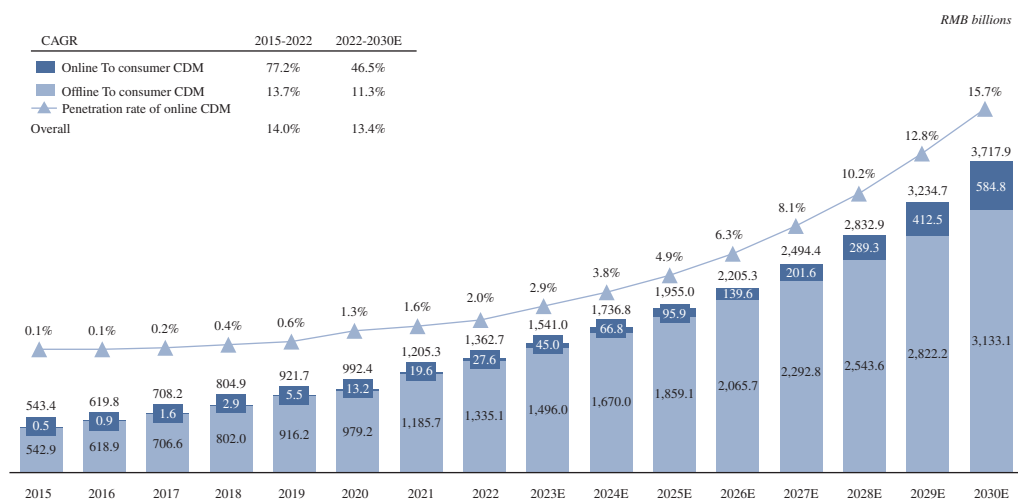
China’s chronic disease management market, 2015-2030E



Source: the CIC report

The to-consumer CDM market in China consists of online and offline sectors, which represent the medical consultations and retail pharmacy services provided to individual end customers through online and offline channels, respectively. According to CIC, online to-consumer CDM platforms primarily provide online consultation and retail pharmacy services to end customers. The market size of online to-consumer CDM market in terms of GMV grew significantly from RMB0.5 billion in 2015 to RMB27.6 billion in 2022, representing a CAGR of 77.2%, and is expected to further increase at a CAGR of 46.5% from 2022 to 2030 and reach RMB584.8 billion in 2030. In addition, the penetration rate of online to-consumer CDM market increased from 0.1% in 2015 to 2.0% in 2022 and is expected to continue to grow and reach 15.7% in 2030, according to CIC. The chart below sets forth the to-consumer CDM market in terms of GMV from 2015 to 2030.

China’s chronic disease management (to-consumer) market, in terms of GMV, 2015-2030E



Source: the CIC report

INDUSTRY OVERVIEW

CHINA’S ONLINE CHRONIC DISEASE MANAGEMENT MARKET

Introduction of Online Chronic Disease Management

Online chronic disease management refers to the provision of chronic disease management services through an online platform, typically including online consultation and sales of chronic disease medicines through online pharmacies. Online CDM platforms are online platforms that focus on providing an efficient and effective solution to address the needs of chronic disease patients, with revenue primarily contributed by CDM. Compared to traditional offline chronic disease management platforms, including public hospitals, online platforms streamlines the CDM process by saving patients’ time spent on traffic and queues to obtain drugs from hospitals or pharmacies, and making face-to-face appointment with physicians for follow-up consultations or repeat prescriptions. It provides particular convenience for elderly patients who face greater transportation barriers to offline CDM platforms. In addition, online platforms usually have access to more pharmaceutical products than hospitals or offline pharmacies, providing physicians and patients a greater variety of treatment options. Due to the convenience and benefits that online CDM platforms provide, users of online CDM platforms typically make repeat purchase of pharmaceutical products or repeat appointment for physician consultations.

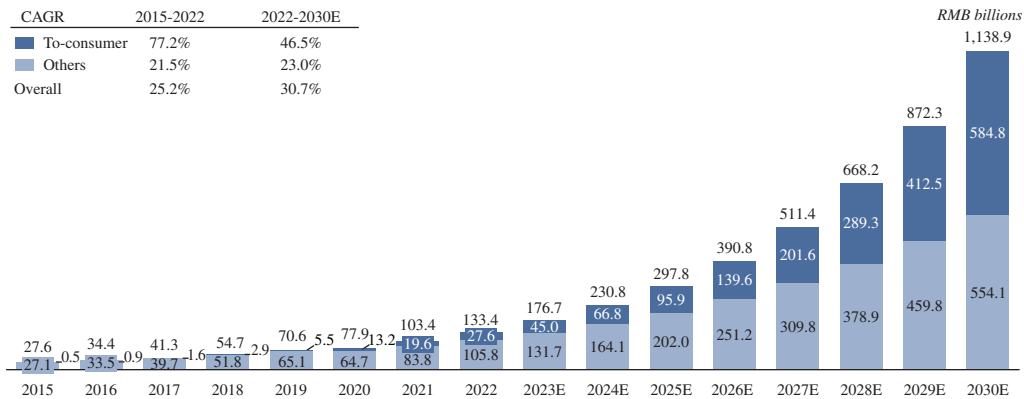
Moreover, online CDM platforms typically have databases to store patients’ medical records, making it easy for patients to share their past medical history with registered physicians on the platform, which in turn facilitate patient consultation and communications with physicians. By accumulating and conducting analysis on collected user data, online platforms can obtain deeper insights into patients’ habits and preferences. Such insights enable multiple players in the industry chain, including pharmaceutical companies, hospitals, as well as the online platforms themselves, to provide better services tailored to the needs of chronic disease patients.

Market Size of China’s Online Chronic Disease Management Services

Driven by the vast needs of chronic disease patients in China, the total GMV generated from the online CDM market in China increased from RMB27.6 billion in 2015 to RMB133.4 billion in 2022, at a CAGR of 25.2%, and is expected to grow to RMB1,138.9 billion in 2030 at a CAGR of 30.7%.

INDUSTRY OVERVIEW

China’s online chronic disease management market, in terms of GMV, 2015-2030E



Source: the CIC report

The online CDM market comprises both online to-consumer platforms and online platforms that provide CDM services to businesses and hospitals. Online to-consumer CDM platform mainly offers online medical consultation and online retail pharmacy services to individual customers with chronic conditions, allowing patients to purchase prescription drugs online and obtain drug refills in time. Online to-consumer CDM services are typically provided through websites, mobile applications and WeChat mini programs. Among these channels or interfaces, the mobile application interface is growing rapidly in line with the mobile trend. Although the COVID-19 pandemic has come under control, the user adoption of online to-consumer healthcare services and the consumer habits cultivated will continue to persist. After experiencing the convenience brought by online consultations, online drug purchase and online chronic disease management services during the pandemic years, consumers have developed behavioral changes and will continue to maintain this habit in the future. Moreover, driven in part by the pandemic, the infrastructure for online to-consumer healthcare services has matured, with the ability to support more services online, thereby driving market growth. The total GMV generated from China’s online to-consumer CDM market grew from RMB0.5 billion in 2015 to RMB27.6 billion in 2022, representing a CAGR of 77.2%, and is expected to reach RMB584.8 billion in 2030, representing a CAGR of 46.5%.

Competitive Landscape of China’s Online Chronic Disease Management Market

As of December 31, 2022, there were over 50 service providers in the online chronic disease management market in China, according to CIC. Our Group was the largest online chronic disease management platform in China in terms of MAU in 2022. We ranked third in the online to-consumer chronic disease management market in China in terms of GMV generated from online direct CDM sales with a market share of approximately 1.5%, according to CIC.

INDUSTRY OVERVIEW

The table below sets forth the top five players in China’s online to-consumer CDM market in terms of GMV generated from online direct sales in 2022:

	Company	GMV related to CDM business (RMB billion)	Market share in China’s to-consumer online CDM market (%)	Market share in China’s online CDM market (%)	Listing status	Specialized online CDM platform
1	Company A	~2.9	~10.3%	~2.1%	Listed	×
2	Company B	~2.3	~8.2%	~1.7%	Listed	×
3	Our Group	2.1	7.4%	1.5%	Not listed	√
4	Company E	~2.0	~7.2%	~1.5%	Not listed	√
5	Company D	~1.5	~5.4%	~1.1%	Listed	×

Notes:

1. Only include GMV generated from online direct sales of each company, including online direct sales through third-party platforms. GMV generated by third-party retailers on the company’s platform is not included.
2. A platform is defined as a specialized online CDM platform if it is primarily dedicated to providing service, such as online consultations and online retail pharmacy services to patients with chronic diseases, and the GMV associated with CDM business accounts for over 50.0% of its total GMV.
3. Company E is a specialized online CDM platform that mainly provides online consultation, online retail pharmacy services and health management services to chronic disease patients, as well as AI assistance and data support services to physicians in medical institutions.

Drivers and Future Trends of Online Chronic Disease Management in China

According to CIC, the following factors are drivers and trends for the growth of online chronic disease management in China:

- *Limited capacity of Class III hospitals.* China has a large population with chronic diseases, driving the demand for chronic disease management services. According to CIC, chronic disease patients in China tend to visit large hospitals, especially Class III hospitals, expecting to receive better medical services. As a result, patients with chronic diseases have long taken up a substantial portion of medical resources in Class III hospitals for medicine and follow-up consultations, over-burdening the resource-constrained public hospitals. Undertaking most of the chronic disease management services, Class III hospitals have become overloaded and inefficient, failing to meet patients’ expectation. By offering chronic disease patients convenient access to follow-up consultations and prescriptions, online chronic disease management platforms can help alleviate the burden on Class III hospitals and improve their efficiency. As such, the PRC government supports the use of Internet hospital services as part of its overarching public health goal of relieving the burden on major hospitals in China, and promoting online options for patients who only need routine consultations and periodic prescriptions.

INDUSTRY OVERVIEW

- *Growing out-of-hospital prescription market.* The PRC government has promulgated a series of policies limiting pharmaceutical sales through public hospitals. As a result, it has become increasingly difficult for pharmaceutical companies to distribute their products through hospital pharmacies. Pharmaceutical companies have sought alternative distribution channels, such as online platforms, to expand sales and obtain accurate market data for marketing analysis. Meanwhile, hospital pharmacies have reduced their selection of available drugs, often excluding high-priced chronic disease medications, such as imported originator drugs and specialty drugs. Online CDM platforms has been playing a more important role to address the needs of both pharmaceutical companies and chronic disease patients. Although national reimbursement provides coverage for the broadest population on fundamental medical care, it does not fully cover the innovative drugs for chronic or critical diseases. As a result, chronic disease patients still need to pay out-of-pocket for medical services beyond the basic level covered by national reimbursement. In addition, national reimbursement has relatively low coverage rate in rural areas, and for patients treated in non-local hospitals, especially those in other provinces, they cannot directly be reimbursed for the medical expenses, and it is complicated to apply for reimbursement. Considering the limited coverage of national reimbursement, online CDM platforms, in contrast, which face patients nationwide and provide more choices of innovative chronic disease drugs, have more advantages than offline hospitals.
- *National reimbursement payment available for online medication.* The growth of online chronic disease management has been limited by China’s medical insurance system, which only allows for reimbursement for drugs purchased from hospitals or offline pharmacies. Since September 2019, the National Medical Insurance Administration has issued a series of policies allowing Internet-based medical services to be covered by the medical insurance system. The COVID-19 pandemic outbreak has further accelerated the development of China’s online healthcare services in various aspects, including the online payment and reimbursement for drug purchases, thereby further promote the development of the online chronic disease management platforms.
- *Increasing acceptance of online medical services.* Younger patients are generally more willing to accept online medical services compared to elderly patients. However, the suspension of most of the non-emergency services at public hospitals during the COVID-19 outbreak led to elderly patients’ increasing adoption of online medical services. As a result, the number of consultations on various online platforms has increased significantly. According to CIC, patients across a range of age groups are expected to adopt online chronic disease management in the future.

INDUSTRY OVERVIEW

Challenges for Online CDM Platforms in China

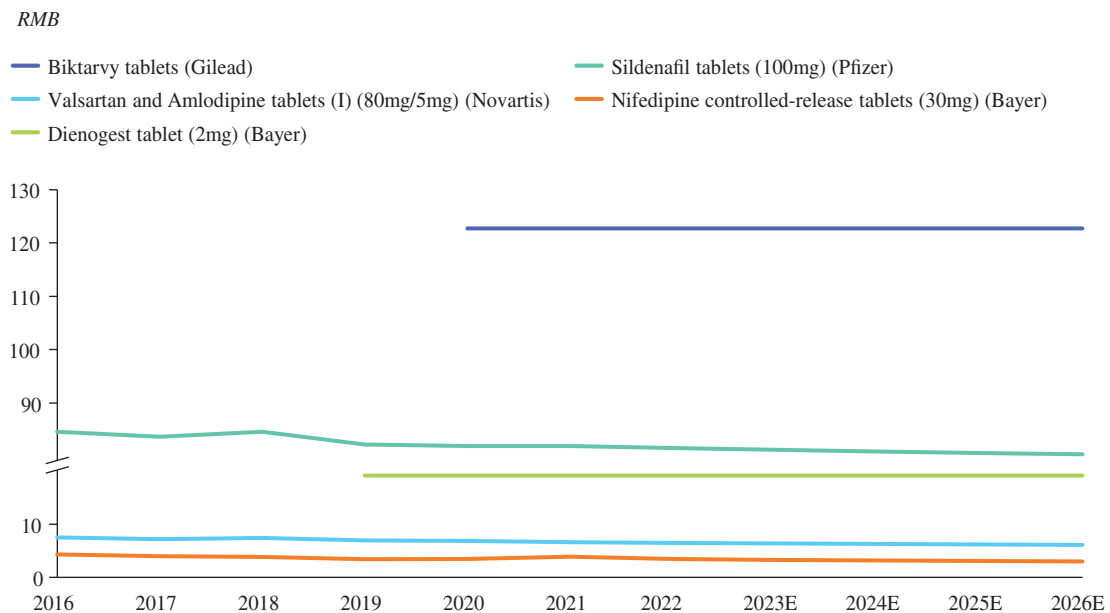
According to CIC, market challenges for online CDM platforms in China include:

- In order to ensure successful treatment, patients with chronic diseases should adhere to their medication schedule and provide feedback to their physicians on a regular basis. Unfortunately, due to inadequate disease condition awareness, a significant portion of chronic disease patients may fail to comply with their physician’s prescribed treatment regimen. To promote sustained patient adherence, online Chronic Disease Management (CDM) platforms can provide reminders for patients to purchase and take their medication on time, and physicians on these platforms can conduct regular follow-up consultations with their patients.
- Managing chronic diseases necessitates the involvement of licensed physicians who can offer medical consultations and medication instructions to patients. In addition, professional pharmacists are required to review prescriptions and supervise drug management. Establishing such a professional team and refining overall chronic disease management procedures typically takes a significant amount of time for a platform.

Costs and Price Trend for the Online CDM Platform Market in China

The costs for online CDM platforms in China primarily consist of the procurement costs for chronic disease drugs. The diagram below sets forth the historical and expected bid prices of some best-selling chronic disease drugs at retail pharmacies:

Average Bid Prices (Per Tablet) of Best-Selling Chronic Disease Drugs in Retail Pharmacies, 2016-2026E



Source: the CIC report

INDUSTRY OVERVIEW

The procurement prices of most chronic disease drugs have remained relatively stable in recent years and are expected to keep constant in the future.

Key Entry Barriers in Online Chronic Disease Management Platform in China

New market entrants to the online chronic disease management market are confronted with a number of barriers, including those relating to:

- *Physician resources.* To manage the long-term healthcare needs of users, platforms providing online services to patients require substantial amount of resources on the supply side and in-depth collaboration with physicians. Such resources typically include collaboration with physicians with expertise in certain diseases, access to hospitals and other healthcare institutions (such as medical imaging centers), as well as in-house experts responding to users’ consultation requests. It would be difficult and expensive for new entrants to establish an extensive network with practicing physicians and hospitals and recruit a team of capable medical professionals in the short term.
- *Accumulation of data.* As online chronic disease management platforms are data-driven, a market player’s capabilities in collecting and processing data are crucial to its success. All these capabilities, however, are relatively difficult for market entrants to obtain within a short period of time. Information in relation to medical cases is also important for online chronic disease management platform industry participants, including physicians, hospitals, pharmaceutical companies, and online healthcare platforms. Physicians and medical institutions require customer feedback to conduct research, and pharmaceutical companies require customer feedback to formulate their business strategies. Online chronic disease management platforms could build up connection and strengthen the collaboration with such industry participants through data accumulation and analysis. However, it takes substantial time for an online chronic disease management platform to accumulate data, thereby becoming a barrier to their success.
- *Infrastructure to ensure data privacy.* Security and confidentiality of patient data is critically important to online chronic disease management platforms. Any failure or perceived failure to protect patients’ confidential information may result in the loss of substantial or all users on the platform. An online chronic disease management platform needs to develop a robust IT infrastructure and continuously strengthen its data protection system to ensure the protection of users’ data. The establishment and implementation of a stringent internal control over data collection, processing and sharing is also critical for an online chronic disease management platform to protect user’s privacy. It takes substantial capital and technical resources to build up, maintain and continuously strengthen such system, which poses challenges for new entrants.

INDUSTRY OVERVIEW

- *Reputation and customer retention.* According to CIC, patients tend to consult physicians and purchase drugs from familiar sources, such as established chronic disease management platforms with solid reputation or platforms/physicians referred by trusted persons. Therefore, new platforms with limited operating history and little market recognition may find it difficult to attract customers. Chronic disease patients tend to establish a long-term relationship with one or a few physicians on a certain chronic disease management platform for follow-up consultations. The records of the patients’ long term health conditions as well as prescription and treatment history accumulated on such platform would be difficult to transfer to another platform. As a result, chronic disease patients are likely to stay with a chronic disease management platform. Online chronic disease management platforms with long operating history and wide customer base are likely to develop high customer retention, making it difficult for new entrants to attract customers.
- *Regulatory barriers.* According to CIC, chronic disease patients have a solid demand for prescription drugs. Selling prescription drugs to patients online can provide convenient access to drug refills for patients and can bring stable source of revenue to the platform. However, sales of prescription drug is strictly regulated in China. Companies that distribute and sell prescription and/or OTC drugs are required to obtain licenses to do so, and abide by various laws and regulations, which is a barrier for new entrants.
- *Relationship with pharmaceutical companies.* Online chronic disease management platforms require substantial amount of resources on the supply side in order to fulfill the long-term healthcare and treatment demands of users. Large-scale players are more likely to succeed in building online CDM platforms as they usually have built up and maintained good relationships with pharmaceutical companies, which enable them to have a stable supply of drugs with competitive prices.

OVERVIEW OF DIGITAL HEALTHCARE MARKETING SERVICES IN CHINA

Healthcare marketing services primarily refer to promotional outreach and communications by healthcare product and service providers that are designed to drive sales for pharmaceutical and medical device companies. According to CIC, digital healthcare marketing solutions in China can be categorized into (i) patient education services; (ii) medical content creation services; and (iii) digital detailing services.

- Patient education services are designed to help healthcare companies educate patients by distributing customized content produced by qualified physicians about medical knowledge or healthcare information on their platforms (including websites, mobile applications, WeChat mini programs and official accounts). This service is committed to improving patient medication adherence, and ultimately increase sales for pharmaceutical companies. Service providers can utilize their

INDUSTRY OVERVIEW

patient management services to provide patients with guidance and regular follow-ups after online consultations and help them follow their treatment regimens, which can ultimately increase the sales for pharmaceutical companies.

- Medical content creation services are mainly online medical education courses sponsored by healthcare companies which are designed in text and multimedia formats to help patients gain medical knowledge. Sponsored medical programs can also be offered to physicians, allowing the pharmaceutical and medical device companies to increase their brand awareness. Sponsored medical programs can take a variety of forms, including recorded lectures, live lectures, online medical conferences hosted by physicians and interviews with physicians.
- Digital detailing services help pharmaceutical companies deliver customized content, including, among others, drug information and indication, treatment methods and medical academic research to their target physicians through multiple channels, such as websites, mobile applications or WeChat mini programs, thereby increasing physicians’ awareness and understanding of the pharmaceutical companies’ products, which in turn influences their prescribing decisions and drives the sales of the pharmaceutical companies’ prescription drugs. In addition, digital detailing services allow medical representatives to directly connect with target physicians to present the benefits of the companies’ products and communicate product updates through digital platforms.

Key Benefits and Market Drivers

Increased Efficiency

Compared to traditional marketing relying on face-to-face interactions with medical representatives, digital marketing can reach a wider group of physicians more efficiently and achieve better return on marketing spending. Digital marketing is less expensive for than traditional marketing. For example, the customized content can be directly delivered to many physicians and patients at the same time through an online platform and online academic conferences or online visits can save significant costs that would otherwise be incurred in offline events. In addition, online marketing campaigns can be implemented more rapidly than traditional marketing campaigns that require in-person interaction. Corporate customers are also able to obtain feedback on their online marketing campaigns on a real-time basis.

INDUSTRY OVERVIEW

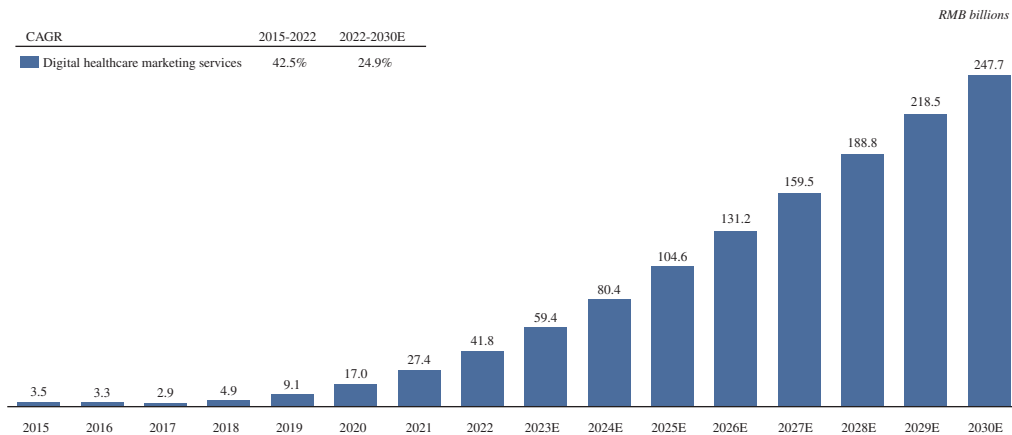
Favorable Government Policies

China has adopted various policies including centralized procurement and the “two-invoice” policy to improve the financial sustainability of its basic medical insurance. Since the rollout of these policies, drug and medical device prices have been on a downward trend and healthcare companies are in urgent need of controlling sales costs, increasing the demand for cost-effective marketing tools, such as precision digital marketing.

Market Size of Digital Healthcare Marketing Services in China

The market size of digital healthcare marketing services in China in terms of service fees grew rapidly from RMB3.5 billion in 2015 to RMB41.8 billion in 2022, representing a CAGR of 42.5%, and is expected to continue to grow at a CAGR of 24.9% from 2022 to 2030 and reach RMB247.7 billion in 2030. The following diagram sets forth the historical and forecast market size of the digital healthcare marketing services in China from 2015 to 2030.

Market Size of Digital Healthcare Marketing Services in China, 2015-2030E



Source: the CIC report

INDUSTRY OVERVIEW

Competitive Landscape of Digital Healthcare Marketing Services Market in China

The digital healthcare marketing services market in China is highly fragmented. The top five service providers had a total market share of approximately 11.8% in terms of revenue in 2022. Our Group had a market share of approximately 0.1% in the digital healthcare marketing services market in China as measured by revenue generated from such services in 2022, according to CIC. The table below sets forth the five largest digital healthcare marketing service providers in China in terms of revenue in 2022.

	Company	Revenue generated from digital healthcare marketing services (RMB million)	Market share in China’s digital healthcare marketing services market (%)	Listing status
1	Company A	~3,200.0	~7.7%	Listed
2	Company B	~670.0	~1.6%	Listed
3	Company F ⁽¹⁾	~540.0	~1.3%	Listed
4	Company G ⁽²⁾	~290.0	~0.7%	Listed
5	Company H ⁽³⁾	~200.0	~0.5%	Listed

Notes:

1. Company F, founded in 2014, is a leading online medical service platform in China with its business focusing on providing pharmaceutical products and SaaS services to medical institutions and pharmacies, digital healthcare marketing services to pharmaceutical companies and online medical consultation and e-prescription services to patients. Company F is listed on the Hong Kong Stock Exchange.
2. Company G, founded in 2013, is a leading online professional physician platform in China with its business focusing on providing digital health marketing services for pharmaceutical companies, medical literature and information to physicians, information system services to hospitals and online CDM services to patients. Company G is listed on the Hong Kong Stock Exchange.
3. Company H, founded in 2012, is a leading online professional physician platform in China. Company H focuses its business on providing medical literature and information to physicians as well as real-world study (RWS) solutions and digital health marketing services to pharmaceutical companies. Company H is listed on the Hong Kong Stock Exchange.