
INDUSTRY OVERVIEW

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The report prepared by Frost & Sullivan for the Company is referred to in this prospectus as the Frost & Sullivan Report. Except as otherwise noted, all of the data and forecasts contained in this section have been derived from the Frost & Sullivan Report.

OVERVIEW OF THE HEALTHCARE MARKET IN CHINA

China was the second largest healthcare market globally in terms of total expenditure in 2019. According to the Frost & Sullivan Report, China's total healthcare expenditure increased from RMB5.9 trillion in 2018 to an estimated amount of RMB7.3 trillion in 2020, at a CAGR of 10.8%, and is expected to reach RMB11.6 trillion in 2025, at a CAGR of 9.9%.

Growth Drivers

According to the Frost & Sullivan Report, growth of China's healthcare market has been driven by the following factors:

- ***Aging population.*** The population aged 65 and above increased rapidly in China from 166.6 million in 2018 to an estimated number of 185.4 million, or 13.2% of the total population, in 2020, and is expected to reach 240.7 million, or 16.8% of the total population, in 2025.
- ***Rising per capita disposable income.*** The per capita disposable income in China increased from RMB28,228 in 2018 to RMB32,884 in 2020, at a CAGR of 7.9%, and is expected to reach RMB47,916 in 2025, at a CAGR of 7.8%. Healthcare expenditure is expected to take up an increasing share of disposable income, from 15.7% in 2020 to 17.0% in 2025.

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- ***Lifestyle changes.*** Lifestyle changes related to increasing living standards in China are causing certain diseases, especially chronic diseases, to increase in prevalence.
- ***Growing health awareness.*** Individuals are demanding increasing control over the management of their health and wellbeing, driven by rising awareness of diseases, as well as technological advances that have made more diseases preventable or detectable at an earlier stage.

The Chinese government has increasingly focused on meeting the demand for better healthcare, including by encouraging greater usage of innovative therapeutics in recent years. Development of new drugs has created increasing demand for cost-effective digital services.

Major Stakeholders

Pharmaceutical and medical device companies, as well as physicians and hospitals, are major stakeholders in China's healthcare market.

Pharmaceutical and medical device companies

Pharmaceutical and medical device companies are suppliers of healthcare products. New therapeutics, growing competitions and cost-control regulatory policies call for faster and leaner processes in all areas of their businesses and at all stages of the value chain from drug discovery to real-world usage. There is significant demand from pharmaceutical and medical device companies for digital services at every point along the value chain to help them reduce costs, shorten market launch time, and improve sales results.

Physicians

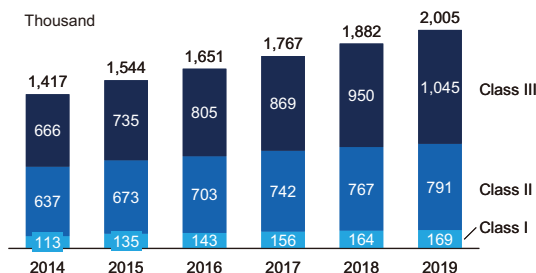
Physicians are the key decision makers in the healthcare system. According to the Frost & Sullivan Report, there were over 3.9 million licensed physicians as of 2019 in China, working in a fragmented healthcare system consisting of 34,354 hospitals, 954,390 primary healthcare organizations and 18,835 other healthcare organizations.

Medical knowledge evolves rapidly, and the practice of medicine requires continuous learning. In China's healthcare system, medical expertise is concentrated in Class III hospitals in large cities. We illustrate below the distribution of physicians by hospital class from 2014 to 2019 and geographic distribution of Class III hospitals in 2019.

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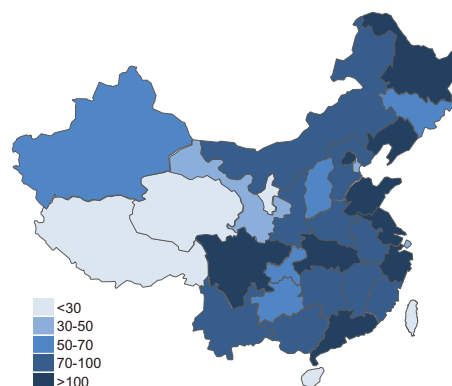
Number of Certified (Assistant) Physicians⁽¹⁾ by Hospital Class, 2014-2019

Class ⁽²⁾	2014-2019 CAGR
Total Public Hospital	7.2%
Class III	9.4%
Class II	4.4%
Class I	8.4%



Source: Frost & Sullivan Report

Geographic Distribution of Class III Hospitals in China, 2019



Source: Frost & Sullivan Report

Notes:

- (1) Certified (assistant) physicians are medical practitioners who have obtained a medical license for qualified physician (執業醫師) or qualified assistant physician (執業(助理)醫師) and work in medical treatment or disease prevention functions, excluding any licensed (assistant) physicians in management roles.
- (2) China's hospitals are categorized into three classes, namely Class I, Class II and Class III, with Class III being the highest class.

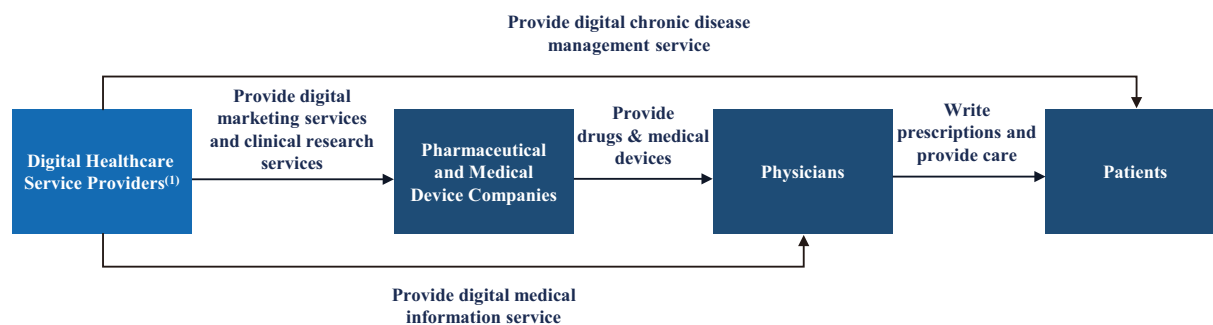
Physicians in China face various challenges in satisfying their need for continuing medical education and clinical decision support, such as limited time and resources for learning and research. This creates significant demand for current, reliable and relevant professional medical information to help improve their knowledge and skills. Physicians are spending more time on professional online platforms to efficiently access up-to-date medical information and obtain clinical decision support.

Overview of the Digital Services Market for Healthcare Companies

The digital services market for pharmaceutical and medical device companies involves the use of digital technology to provide services or products to meet the needs of pharmaceutical and medical device companies at different stages of the value chain, including digital healthcare marketing, clinical research services and patient management services.

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The following diagram sets out the value chain of the digital services market for healthcare companies:



Source: Frost & Sullivan Report

Note:

(1) Our Company is a digital healthcare service provider.

Digital platforms have emerged as key players in the healthcare market due to their strong technological capabilities and networks of market stakeholders. Healthcare platforms offering digital marketing are generally categorized into the following three main types:

- **Professional physician platforms.** Acquire physician users through provision of professional medical information and services.
- **Pharmaceutical e-commerce platforms.** Mainly provide online retail pharmacy and healthcare services to consumers and patients.
- **Internet hospitals.** Provide online healthcare services to patients, including online consultation, prescription and chronic disease management.

Pharmaceutical and medical device companies are more willing to cooperate with professional physician platforms due to their ability to reach physicians with precision and their professional content. Furthermore, professional physician platforms can leverage their physician network to provide chronic disease management solutions.

DIGITAL HEALTHCARE MARKETING

Healthcare marketing involves promotional outreach and communications by healthcare product and service providers that are designed to drive sales. Healthcare marketing by pharmaceutical and medical device companies in China primarily targets physicians to raise their

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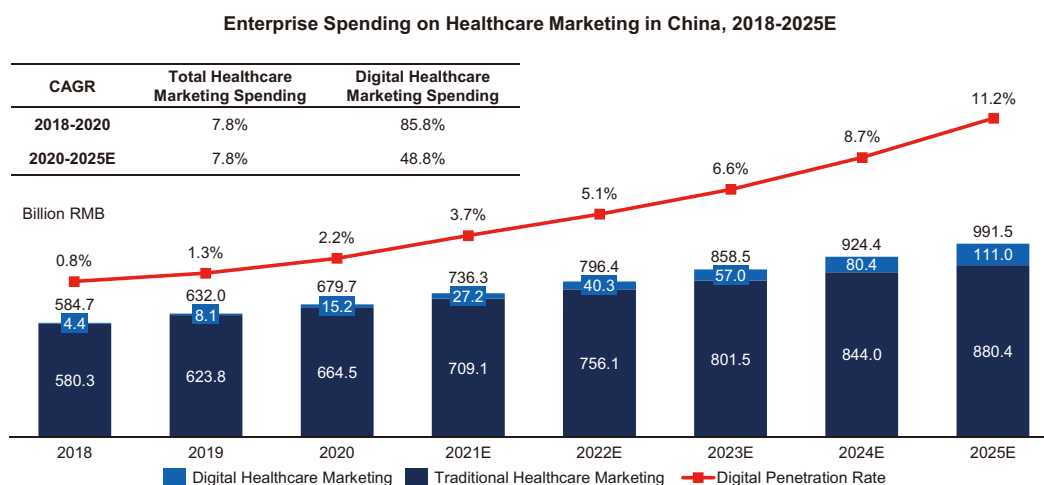
awareness and understanding of specific drugs and medical devices and influence their prescription decisions. Digital healthcare marketing services include digital marketing, digital sales, as well as technology services.

Market Opportunity

Pharmaceutical and medical device companies spent RMB679.7 billion in 2020 on healthcare marketing in China, including marketing and promotion activities targeting primarily physicians and, to a lesser extent, healthcare consumers and hospitals, and such spending increased from RMB584.7 billion in 2018 to RMB679.7 billion in 2020, at a CAGR of 7.8%. Such spending is expected to reach RMB991.5 billion in 2025, at a CAGR of 7.8%.

The digital healthcare marketing market in China increased from RMB4.4 billion in 2018 to RMB15.2 billion in 2020, at a CAGR of 85.8%, and is expected to reach RMB111.0 billion in 2025, at a CAGR of 48.8%. The digital healthcare marketing market accounted for 0.8% and 2.2% of the total healthcare marketing market in China in 2018 and 2020, respectively, and is expected to further increase to 11.2% in 2025.

We illustrate below the size and forecasted growth of overall spending by pharmaceutical and medical device companies on healthcare marketing and the penetration rate of digital healthcare marketing in China from 2018 to 2025.



According to the Frost & Sullivan Report, the forecasted growth of overall spending by pharmaceutical and medical device companies on healthcare marketing in China is based on historical market data and the following assumptions: (i) as the pharmaceutical and medical device markets in China grow and overall healthcare expenditure increases, the spending on healthcare

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marketing by healthcare companies, including both traditional marketing and digital marketing, will also increase; and (ii) as the NMPA gets more competent and efficient, innovative medicines and medical devices are getting approved in China both in larger numbers and within shorter periods of time, and the increasing availability of new and groundbreaking medicines and medical devices in China will further boost the demand for healthcare marketing services. According to the Frost & Sullivan Report, the forecasted growth of overall spending by pharmaceutical and medical device companies on digital healthcare marketing in China is based on historical market data and the following assumptions: (i) the share of digital marketing of all pharmaceutical and medical device marketing in China will continue to increase as the enterprises strive to increase their marketing efficiency due to lower drug prices caused by the government-led centralized procurement plans; and (ii) the total number of medical representatives employed in China will continue to decrease in the coming years as it did in the previous years. The source of the historical market data and forecast includes interviews with key industry experts and leading industry participants, China Statistics Yearbook, China Health Statistics Yearbook, academic journals and annual reports of publicly listed companies.

Key Benefits

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.

- ***Cost-efficiency.*** Digital marketing is less expensive than traditional marketing. For example, digital detailing is about ten times more efficient than in-person detailing in terms of cost per detailing, according to the Frost & Sullivan Report. Cost consideration is particularly important since the rollout of the centralized procurement policies, as prices of a growing number of drugs and medical devices have been under pressure, which has prompted pharmaceutical and medical device companies to use their marketing budgets more efficiently.
- ***Time-efficiency.*** Online marketing campaigns can be implemented more rapidly than traditional marketing campaigns that require in-person interaction; corporate healthcare customers are also able to obtain feedback on their online marketing campaigns on a real-time basis.

Digital marketing also supplements the marketing efforts of pharmaceutical and medical device companies to penetrate the lower-tier cities in China, which would otherwise be neglected by medical representatives when conducting face-to-face visits.

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Improved Clinical Outcomes

Physicians play an essential role in the value chain of healthcare market and are the key decision makers in prescribing healthcare products. Accurate prescription is predicated on physicians' knowledge of disease symptoms, treatment options and the indications of healthcare products. Digital healthcare marketing improves target physicians' understanding of the products and helps them make more informed clinical decisions. Professional physician platforms also enable medical representatives of pharmaceutical and medical device companies to follow up and interact with physicians virtually following marketing campaigns.

Superior Marketing Analytics and Insights

Digital healthcare marketing offers end-to-end marketing services through new technical means and business models, such as AI, data analytics and SaaS, which greatly expand the reach of pharmaceutical and medical device companies. Through professional physician platforms, pharmaceutical and medical device companies can easily communicate with target physicians, including through virtual meetings or online academic conferences with target physicians across the country, enhancing the effect of marketing campaigns. Professional physician platforms are also able to provide more accurate portraits of physicians through strategic analysis, market research and marketing analytics enabled by insights from accumulated user data. Such capability is useful for analyzing the results of marketing campaigns and optimizing marketing strategies, thus better serving the needs of pharmaceutical and medical device companies for efficient marketing.

Key Trends in Digital Healthcare Marketing

Increasing Per Capita Healthcare Marketing Expenditure

The per capita healthcare marketing expenditure in China remains low compared to the U.S. and Japan. In 2019, China's per capita healthcare marketing expenditure was RMB468, compared to RMB676 in Japan and RMB946 in the US. With increasing use of branded and innovative drugs, the per capita healthcare marketing expenditure is expected to increase in China. The number of newly approved branded drugs in China increased from 102 in 2015 to 160 in 2019, compared to 66 and 112 in Japan and the US in 2019, respectively, according to the Frost & Sullivan Report.

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Increasing Adoption of Digital Channels for Marketing

Compared to the U.S. and Japan, China's healthcare marketing is inefficient. Physicians in China are traditionally more accustomed to learning about new drugs and about new diagnostic and treatment methods, from pharmaceutical and medical device companies, often through in-person interaction with medical representatives. As shown in the table below, the Physician/MR ratio is much lower in China than in the U.S. and Japan. With increasing salaries for medical representatives and pharmaceutical and medical device companies' need to control costs, such companies are expected to increasingly adopt digital channels for marketing and digital detailing.

2019	China	Japan	United States
Medical Representatives (MRs) ('000s)	Approximately 2,000 – 3,000	62	Approximately 70
Physicians ('000s)	3,867	327	861
Physician/MR ratio	Approximately 1.3 - 1.9	5.2	Approximately 12.3

source: Frost & Sullivan Report

Compared to Japan, China's digital healthcare marketing industry is underpenetrated and less sophisticated, particularly in terms of the adoption of new digital healthcare marketing methods, such as precision digital marketing, leaving significant room for growth.

Digital detailing is widely adopted in Japan, as 85% of physicians in Japan can be reached through professional physician platforms. In 2020, digital healthcare marketing spending accounted for 2.2% of the total healthcare marketing spending in China, compared to 9.5% in Japan. With technological advances and policy changes, pharmaceutical and medical device companies in China are expected to increasingly adopt digital marketing, particularly precision digital marketing as a substitute for in-person visits by medical representatives, driving higher penetration. See “—Market Opportunity” for more information.

Compared with general digital marketing, precision digital marketing is significantly more effective. According to the Frost & Sullivan Report, the average click-through rate, which is the average ratio of the number of users who click on specific content to the number of total users such content is delivered to, on content delivered using general digital marketing is approximately 1% to 3%, compared to approximately 20% to 40% on content delivered using precision digital marketing. In addition, general digital marketing can only effectively convey information to approximately 30% of the physicians who view the content, whereas precision digital marketing can effectively convey information to nearly all physicians who view the content.

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Compared to Japan, the market for digital healthcare marketing in the United States is relatively small. Physicians in the United States are well educated, have fewer linguistic barriers to reading research articles, and typically have better access to developments in medical research, and thus have lower demand for coverage by medical representatives. Moreover, unlike in China and Japan, prescription drugs in the United States can be marketed directly to patients. Pharmaceutical and medical device companies can thus utilize lower-cost digital channels, such as social media and websites, to market their products.

Favorable Policy Changes

The expenditure of China's state-funded basic medical insurance is expected to continue to rise, increasing funding risk. 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.

- **Centralized procurement (帶量採購).** Centralized procurement policy refers to volume-based procurement (VBP) of drugs, medical devices and high value consumables through bidding processes organized by government authorities. Bidding is open to healthcare products that have passed evaluations for quality, efficacy and safety. The reform has dramatically reduced unit sales prices of relevant drugs and medical devices.
- **"Two-invoice" system (兩票制).** The two-invoice system caps the number of invoices issued in each pharmaceutical and medical device product procurement process to two, with one issued by the manufacturer and the other issued by the distributor to the medical institutions. It also significantly limits the markup allowed between the ex-factory and retail prices. This system began widescale implementation in 2018. This significantly reduces the number of intermediaries involved in the process of drug and medical device distribution, which has led to more affordable prices for healthcare products. It also has forced pharmaceutical and medical device companies to develop a national reach and reduce their reliance on medical representatives and distributors.

Strengths of Professional Physician Platforms in Digital Marketing

Professional physician platforms are more effective in conducting digital healthcare marketing due to their ability to deliver customized content to target physicians. As pharmaceutical and medical device companies have growing demand for cost-efficient, precision marketing

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service, physician platform-based marketing is expected to account for an increasing portion of the digital healthcare marketing in China. According to the Frost & Sullivan Report, physician platform-based healthcare marketing will take up 16.9% of the digital healthcare marketing in China in 2025, up significantly from 6.2% in 2020.

In comparison, physician platform-based digital marketing, accounted for 54.0% of digital healthcare marketing in 2020 in Japan, according to the Frost & Sullivan Report. Professional physician platforms' competitive advantage arises from their large physician networks, which they build through offering digital medical information services. See "Digital Medical Information" for more information.

Key Success Factors and Entry Barriers

According to the Frost & Sullivan Report, the following are the main success factors and entry barriers for providers of digital healthcare marketing:

- ***Large physician network.*** Physicians are the key decision makers in the healthcare system. For effective digital marketing, a digital healthcare platform needs the ability to reach target physicians based on customers' needs. Professional physician platforms, particularly those having large and diverse physician networks across all specialties, seniorities and geographies, are well positioned to provide digital healthcare marketing services.
- ***User engagement.*** An engaged user base enables pharmaceutical and medical device companies to reach target physicians more effectively. Professional physician platforms, particularly those with well-curated medical information to satisfy physicians' needs for continuing medical education and clinical decision support, are in a better position to maintain a high level of user engagement and activities and therefore are more appealing to pharmaceutical and medical device companies.
- ***Precision delivery capability.*** The ability to deliver the most relevant content to target physicians is essential for platforms to establish brand recognition. A strong track record of successful targeting not only enhances customer loyalty but also helps attract new customers.
- ***Integrated marketing solutions.*** Platforms that can provide integrated one-stop solutions to design precision marketing campaigns, develop sponsored information and perform precision digital detailing are more capable of addressing the needs of pharmaceutical and medical device companies for cost-effective marketing tools.

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- **Advanced technologies.** Strong technological capabilities, which enable platforms to efficiently develop insights from raw data, such as user preferences, prescription patterns and user engagement, and to deliver accurate and personalized content recommendation to a large user base in real time are critical to providing digital marketing services.
- **Vertical integration across solutions.** In addition to providing marketing services, professional physician platforms also provide digital clinical research services, including RWS, EDC, CDMS and digital patient recruitment, which offer a more efficient solution to satisfy healthcare companies' research and development needs. RWS refers to the systematic collection of data generated from drugs and medical devices in real-world medical settings, and research involving evidence-based methods. The time spent on subject enrollment is often the focus of risk management in clinical studies. Physicians' recommendations play a key role in patients' decision to participate in a clinical trial. As a result, digital clinical research service providers that have a large physician network and highly engaged physician base are better positioned to satisfy customers' needs for clinical trial services.

Major Cost

The cost for providing digital healthcare marketing services primarily include content development cost, such as salaries and benefits for in-house content development personnel, fees paid to content contributors and service fees paid to content production service providers, and technology service fees incurred to operate an online platform, such as service fees relating to cloud and telecommunication services.

The cost for providing digital clinical research services primarily include technology service fees incurred to operate a technology platform, such as service fees relating to cloud and telecommunication services.

According to the Frost & Sullivan Report, content development cost for both in-house developed and outsourced content is expected to increase at a relatively steady pace, factoring in any incidental expenses for licensing copyrighted medical content, translation service and sourcing specialized content. Content development cost for a specific project is largely attributable to the associated labor cost, which is calculated taking into account the number of content creators involved, their daily rates and the total time spent. The number of content creators required and time spent for a specific project is dependent on the complexity of the content format and the amount of medical information such project requires, which are not affected by market conditions. As such, future trend of content development cost largely depends on the daily rates of content creators, which are closely related to the average wage in the industry. As the average wage in

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China continues to rise, daily rates have been slightly increasing over the past few years and are expected to be increasing at a relatively steady pace in the coming years. Aside from content creators' labor cost, incidental expenses for licensing copyrighted medical content, translation service and sourcing specialized content may be incurred for developing marketing content, which are expected to remain stable in the foreseeable future. Marketing content rarely involves licensing copyrighted medical content. Although marketing content references research papers or other medical literature from time to time, such citation is typically free as it does not involve redistribution of the copyrighted work. In cases where licensing is required, such cost is expected to be stable, as the owners of copyrighted medical content in China are mostly public institutions funded by the PRC government. Translation cost is typically measured by translators' labor cost, which, similar to content creators' labor cost, is affected by the steadily rising average wage in China. In addition, marketing content may use specialized content, such as KOLs' endorsements and live-action videos, which involves fees to KOLs, directors, actors and screenwriters, among others. KOLs are typically compensated for reasonable time spent, and the market for commercial video production is competitive. As a result, rates for these fees are relatively stable and are not expected to experience significant increase in the foreseeable future.

Technology service fees, including cloud services and telecommunication services, are expected to remain stable in the foreseeable future. Cloud services market in China is relatively mature and there are many cloud service providers competing in this market. As a result, the rates of cloud services is expected to be stable due to price competition. Telecommunication services market in China is dominated by the Chinese state-owned telecommunication companies. Since all industries rely on telecommunication services, telecommunication services are charged as utilities with stable rates.

Competitive Landscape

China's healthcare marketing market is intensely competitive. There is a large number of participants in this market, including (i) in-house sales force of pharmaceutical and medical device companies, (ii) traditional healthcare marketing players and (iii) digital healthcare marketing services providers.

In-house sales force of pharmaceutical and medical device companies accounted for 89.3% of China's healthcare marketing market as measured by total spending of RMB679.7 billion by pharmaceutical and medical device companies on healthcare marketing in 2020. There are estimated to be over 10,000 pharmaceutical and medical device companies in China. All large pharmaceutical and medical device companies use both in-house sales force and external marketing service providers to market their products. Marketing spending of pharmaceutical and medical device companies on in-house sales force is predominantly related to the salaries of medical representatives and sales activities conducted by medical representatives. According to the Frost &

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Sullivan Report, the estimated spending on in-house sales force by multinational pharmaceutical and medical device companies in China ranged from RMB2 billion to RMB8 billion in 2020. AstraZeneca, Pfizer, Merck Sharp & Dohme (MSD), Bayer and Roche are among the multinational pharmaceutical and medical device companies with significant spending, each of which is estimated to have spent more than RMB5 billion on in-house sales force in 2020.

Traditional healthcare marketing players accounted for 8.5% of China's healthcare marketing market as measured by total spending by pharmaceutical and medical device companies on healthcare marketing in 2020. Traditional healthcare marketing players include (i) traditional advertising companies, such as contract sales organizations or third-party agencies that help promote and distribute healthcare products on behalf of pharmaceutical and medical device companies, (ii) traditional healthcare media and (iii) traditional conference vendors that organize offline medical conferences. There are estimated to be over 500 traditional healthcare marketing players in China's healthcare marketing market. As traditional healthcare market is relatively small and is fragmented, even large traditional players represent a small fraction of the overall healthcare marketing market in China. According to the Frost & Sullivan Report, Mediwelcome Healthcare Management & Technology, Havas Group, Linlic, Hylink Digital Solutions and BlueFocus are among the major traditional advertising companies. Their revenues from healthcare marketing in 2020 are estimated to range from RMB50 million to RMB500 million, representing a market share ranging from 0.0074% to 0.074% in China's healthcare marketing market. In addition, China Medical Tribune, which is a major traditional healthcare media, is estimated to have generated revenue from healthcare marketing within the range of RMB100 million to RMB300 million in 2020, representing a market share ranging from 0.015% to 0.044% in China's healthcare marketing market.

Digital healthcare marketing services providers accounted for the remaining 2.2% of China's healthcare marketing market as measured by total spending by pharmaceutical and medical device companies on healthcare marketing in 2020. Digital healthcare marketing is an emerging market, and there are estimated to be over 200 participants focusing on different aspects of the market with various business models. Digital healthcare marketing services providers include (i) Internet hospitals, (ii) pharmaceutical e-commerce platforms, (iii) online conference vendors, (iv) virtual visit providers, (v) digital solution developers and (vi) digital physician platforms. As digital healthcare marketing market is relatively small and is fragmented, even large players in this market represent a small fraction of the overall healthcare marketing market in China. According to the Frost & Sullivan Report, Haodaifu and Ping An Good Doctor are among the major Internet hospital platforms. Their revenues from healthcare marketing in 2020 are estimated to range from RMB50 million to RMB500 million, representing a market share ranging from 0.0074% to 0.074% in China's healthcare marketing market. JD Health, Ali Health and Dingdang Express are among the major pharmaceutical e-commerce platforms. Their revenues from healthcare marketing in 2020 are estimated to range from RMB50 million to RMB500 million, representing a market share

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ranging from 0.0074% to 0.074% in China's healthcare marketing market. Healthcare marketing services provided by Internet hospital platforms and pharmaceutical e-commerce platforms primarily focus on marketing non-prescription drugs and medical devices to consumers as opposed to prescription drugs and medical devices to physicians due to their business models. BizConf Telecom and eDoctor Healthcare Communications are among the major online conference vendors. Their revenues from healthcare marketing in 2020 are estimated to range from RMB100 million to RMB500 million, representing a market share ranging from 0.015% to 0.074% in China's healthcare marketing market. Naxions and Shanghai Qingyun Technology are among the major virtual visit providers. Their revenues from healthcare marketing in 2020 are estimated to range from RMB50 million to RMB100 million, representing a market share ranging from 0.0074% to 0.015% in China's healthcare marketing market. Digital solution developers are companies that primarily focus on developing technology solutions, usually offered using SaaS model, for pharmaceutical and medical device companies to manage their sales force and track sales activities, as well as to manage clinical trials and hold online conferences. Digital solution developers provide technology infrastructure for healthcare marketing activities and do not directly interact with physicians or market healthcare products to physicians. Softium (an affiliate of Taimei Technology), ForceClouds and 100doc are among the major digital solution developers. Their revenues from healthcare companies in 2020 are estimated to range from RMB50 million to RMB300 million, representing a market share ranging from 0.0074% to 0.044% in China's healthcare marketing market. There are estimated to be over ten physician platform-based digital healthcare marketing service providers in China, including us, and we ranked first in terms of revenue in 2020 and generated revenue of RMB204 million from healthcare marketing in 2020, representing a market share of 0.03% in China's healthcare marketing market.

In-house sales force, particularly, medical representatives that are engaged by pharmaceutical and medical device companies to conduct in-person detailing remain the largest group of players for healthcare marketing services.

Traditional healthcare marketing service providers tend to have a longer history serving the pharmaceutical and medical device companies and therefore understand their strategies and needs well. They also have more experience in organizing offline conferences, which remain important for healthcare marketing.

Digital healthcare marketing service providers focus on various aspects of the digital healthcare marketing market and have competitive advantages in different areas. For example, virtual visit providers and online conference providers provide digital solutions that supplement physical detailing and conferences to increase connection with physicians. Internet hospitals and pharmaceutical e-commerce platforms, such as Ping An Good Doctor, have large consumer user bases for advertising and selling non-prescription drugs.

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We believe that we can compete effectively with these players due to our large and engaged physician user base, which enables us to reach a wider group of physicians more efficiently and achieve better return on marketing spending, particularly in an environment with healthcare companies’ profit and marketing budget being reduced due to volume-based purchasing and increasing market competition. See “Digital Healthcare Marketing — Market Opportunity.”

We are the largest online professional physician platform in China in terms of registered physician users as of December 31, 2020, according to the Frost & Sullivan Report. As of December 31, 2020, we had approximately 2.4 million registered physician users, representing approximately 58% of all licensed physicians in China as of the same date, according to the Frost & Sullivan Report. As our registered physician users may also register accounts on other professional physician platforms, we compete to attract, engage and retain physician users based on the quality and breadth of professional medical information and tools available on our platform, as well as the overall user experience of our products and services. We also ranked first among physician platform-based digital healthcare marketing service providers in China in terms of revenue in 2020, with a 21.4% market share, according to the Frost & Sullivan Report. The following table presents the ranking of key players in China’s physician platform-based digital healthcare marketing market, as measured by revenue in 2020 and number of registered physicians as of December 31, 2020:

Ranking	Company	Listing Status	Revenue	Market Share	Registered Physician Users
			<i>(RMB million)</i>	<i>(%)</i>	<i>(million)</i>
1	Our Group	No	204.4	21.4	2.4
2	Company A	No	189.8	19.9	1.6
3	Company B	No	180.0	18.8	1.5
4	Company C	No	170.0	17.8	1.2

Source: Frost & Sullivan Report

Company A is a China-based online professional physician platform that focuses on providing digital healthcare marketing, medical information and clinical research services. Company B is a China-based online professional physician platform that focuses on providing medical information, online consultation and e-commerce services. Company C is a China-based online professional physician platform that focuses on providing medical information and digital healthcare marketing services.

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Professional physician platforms are more effective in marketing healthcare products than other types of digital healthcare platforms due to their large and highly engaged physician networks and superior precision delivery capability. Among professional physician platforms in China, few have the level of precision delivery capability required by pharmaceutical and medical device companies to conduct targeted marketing based on criteria such as specialty, seniority and geography across multiple digital channels. Physician platform-based digital healthcare marketing is a much more consolidated market in Japan with the leading platform having a dominant position. In light of the market dynamics in Japan, professional physician platforms in China that have strong precision delivery capability are expected to acquire a larger market share in digital healthcare marketing as the market continues to develop in China.

DIGITAL MEDICAL INFORMATION

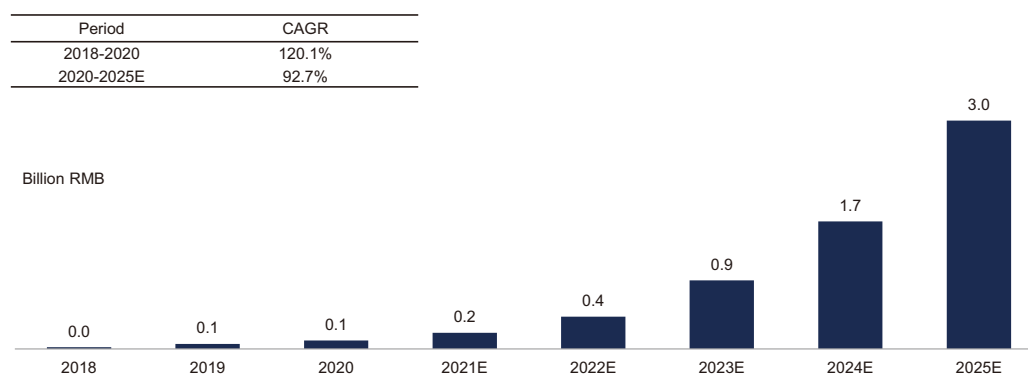
Digital medical information services address physicians' demand for the latest medical information and clinical decision support at the point of care by offering platform-generated professional medical content and powerful digital tools, which include digital clinical guides, research abstracts, drug references, medical dictionaries and disease knowledge database. Medical information services also enable peer communications through online physician forums.

Market Opportunity

Penetration rate of digital medical information services remains low in China, as few medical reference tools are available for supporting clinical decision making. The education level of Chinese physicians is generally lower than that of physicians in developed markets, such as the United States and Japan, and there is a large and urgent demand for medical training among physicians who work in rural areas and community hospitals. According to the Frost & Sullivan Report, the digital medical information market in China increased from RMB23.6 million in 2018 to RMB114.2 million in 2020, at a CAGR of 120.1%, and is expected to reach RMB3.0 billion in 2025, at a CAGR of 92.7%.

We illustrate below the size and forecasted growth of digital medical information service market in China from 2018 to 2025.

China Digital Medical Information Service Market, 2018-2025E



Source: Frost & Sullivan Report

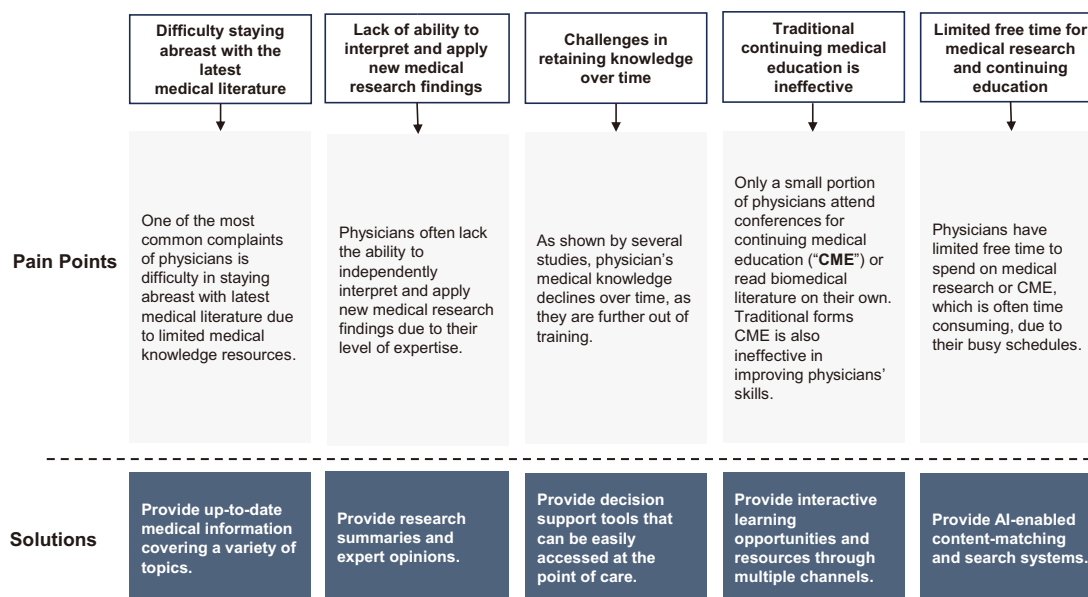
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According to the Frost & Sullivan Report, the forecasted market growth of the digital medical information service market in China is based on historical market data and the following assumptions: the average education level of China’s physicians will continue to increase in the coming years as it did in the previous years, and more physicians will have the need and ability to learn medical and clinical information at the hospital or in their own time, thus increasing the demand for digital medical information. The source of the historical market data and forecast includes interviews with key industry experts and leading industry participants, China Statistics Yearbook, China Health Statistics Yearbook, academic journals and annual reports of publicly listed companies.

Challenges Facing Physicians

Healthcare professionals face various challenges in satisfying their needs for continuing medical education and clinical decision support in daily practice.

The following diagram illustrates the pain points facing healthcare professionals and how professional physician platforms can help solve these pain points.



Source: Frost & Sullivan Report

Key Benefits

According to the Frost & Sullivan Report, up-to-date medical information and clinical decision support tools offered by professional physician platforms have helped improve clinical results, including shortened duration of hospitalization, more accurate diagnosis and treatment, higher efficiency, cost reduction as well as improved level of physician and patient satisfaction.

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In addition, as part of the healthcare reforms, China is in the process of adopting a hierarchical diagnosis and treatment system. As medical information services and clinical decision support tools offered by professional physician platforms enable physicians to improve clinical results, such platforms can play an important role in building a hierarchical diagnosis and treatment system in China.

Growth Drivers

The growth of professional physician platforms is primarily driven by the following factors:

- ***Demand for professionally-curated, high-quality content.*** Physicians demand professionally-curated, high-quality medical information services for continuing medical education and clinical decision support. In addition, physicians need a community to share best practices and discuss complex cases in order to improve clinical skills. Professional physician platforms that offer forums to foster such communications will have the opportunity to develop high-quality user-generated content, which helps grow user base and increase user engagement.
- ***Demand for up-to-date content.*** Healthcare is a rapidly evolving field, as innovative therapeutics are developed and new scientific findings are established continuously. To provide the best care available to patients, physicians must stay abreast of the most up-to-date medical information. Professional physician platforms that continuously update knowledge database and provide the latest medical literature, such as research articles, clinical guides and drug reference, are in a better position to attract and maintain physician users.
- ***Increasing accessibility of information.*** The emergence and development of professional physician platforms is also attributable to the advancement of mobile Internet technology and the proliferation of mobile devices. In addition, the expansion of mobile payment services has made it easier for more physicians to pay for medical information services.
- ***Improved service offerings.*** Professional physician platforms' improved service offerings have incentivized physicians to pay for medical information. Attractive features of a successful professional physician platform includes well-curated medical information, reasonable pricing as well as recommendation of personalized information.

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Major Cost

The cost for providing digital medical information services primarily include content related cost, such as licensing fees paid to copyright owners, salaries and benefits for in-house content development personnel, fees paid to content contributors and service fees paid to content production service provider, and technology service fees incurred to operate an online platform, such as service fees relating to cloud and telecommunication services.

According to the Frost & Sullivan Report, content development cost for both in-house developed and outsourced content is expected to increase at a relatively steady pace. Content development cost for a specific project is largely attributable to the associated labor cost, which is calculated taking into account the number of content creators involved, their daily rates and the total time spent. The number of content creators required and time spent for a specific project is dependent on the complexity of the content format and the amount of medical information such project requires, which are not affected by market conditions. As such, future trend of content development cost largely depends on the daily rates of content creators, which are closely related to the average wage in the industry. As the average wage continued to rise, daily rates have been slightly increasing over the past few years and are expected to be increasing at a relatively steady pace in the coming years. Technology service fees, including cloud services and telecommunication services, are expected to remain stable in the foreseeable future. Cloud services market in China is relatively mature and there are many providers competing in this market. As a result, the rates of cloud services is expected to be stable due to price competition. Telecommunication services market in China is dominated by the Chinese state-owned telecommunication companies. Since all industries rely on telecommunication services, telecommunication services are charged as utilities with stable rates. Copyright licensing fees are charged by medical associations and medical journals for using their copyrighted materials. In China, medical associations and medical journals are mostly public institutions funded by the PRC government, and the copyright licensing fees charged by them are expected to be stable in the coming years.

DIGITAL CHRONIC DISEASE MANAGEMENT

77.0% of the total healthcare expenditure in 2020 was for the treatment and management of chronic diseases; this proportion is expected to further increase to 83.5% in 2025. Failure to adhere to prescribed medication regimens is one of the main reasons that patients do not achieve the expected outcomes from their treatments. For most patients, hospital visits are their only means to seek medical advice from physicians; many patients do not have access to high-quality healthcare services and information.

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Digital healthcare platforms provide patients with more convenient access to reliable healthcare information as well as interactive online healthcare services, such as online consultation and chronic disease management services offered through Internet hospitals, which provide patients with a more direct and effective communication channel with physicians.

Market Opportunity

Chronic disease management in China is still at its early stage compared with developed markets. According to the Frost & Sullivan Report, the chronic disease management market in China increased from RMB3.9 trillion in 2018 to RMB5.6 trillion in 2020, at a CAGR of 19.7%, and is expected to reach RMB9.7 trillion in 2025, at a CAGR of 11.7%. The digital chronic disease management market in China, a sub-market of chronic disease management market, increased from RMB77.9 billion in 2018 to RMB139.7 billion in 2020, at a CAGR of 33.9%, and is expected to reach RMB507.1 billion in 2025, at a CAGR of 29.4%. As a percentage of the chronic disease management market in China, the digital chronic disease management market increased from 2.0% in 2018 to 2.5% in 2020, and is expected to further increase to 5.2% in 2025.

Digital chronic disease management market in China consists of four segments, namely, healthcare management, drugs and medical devices, nutrition and supplements, as well as others. We currently operate in the healthcare management segment, the market size of which increased from RMB6.3 billion in 2018 to RMB10.4 billion in 2020, at a CAGR of 28.5%, and is expected to reach RMB45.6 billion in 2025, at a CAGR of 34.5%.

According to the Frost & Sullivan Report, the forecasted market growth of the chronic disease management market in China is based on historical market data and the following assumptions: as many diseases are now treatable and life expectancy in China increases, the market of chronic disease management, which includes the sales of pharmaceuticals used for treating and managing chronic diseases and represents the bulk of China's healthcare expenditure, will continue to expand at a steady pace in the future. According to the Frost & Sullivan Report, the forecasted market growth of the digital chronic disease management market and its healthcare management segment in China is based on historical market data and the following assumptions: Internet hospitals are becoming more common in a government effort to diverge patients from unnecessary offline visits to overburdened hospitals, and chronic disease management, including the renewal of prescriptions and online consultations, is the major service area of Internet hospitals, thus increasing the demand for digital chronic disease management services. The source of the historical market data and forecast includes interviews with key industry experts and leading industry participants, China Statistics Yearbook, China Health Statistics Yearbook, academic journals and annual reports of publicly listed companies.

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Key Benefits

According to the Frost & Sullivan Report, key benefits of digital healthcare platforms for chronic disease management are:

- **High efficiency.** Leveraging technology advantages such as AI algorithms and medical big data, a digital healthcare platform can answer an average of nearly 2,000 patient questions a day with human-machine cooperation and process information that is almost 20 times that of offline physicians.
- **Patient-centric ecosystem.** Compared with traditional chronic disease management, digital healthcare platforms connect major stakeholders in the healthcare system and form a patient-centric ecosystem, improving access to high-quality medical resources and streamlining the prescription and treatment process.
- **Integrating healthcare resources.** Traditional chronic disease management is separated from disease diagnosis and treatment carried out at hospitals. Digital healthcare platforms help digitalize healthcare resources that are traditionally only available at hospitals and enable community health centers to provide integrated healthcare services to patients.

Growth Drivers

According to the Frost & Sullivan Report, increasing prevalence of chronic diseases, concentration of medical resources in top-tier cities, increasing awareness of health management, technological advancement, and need to control medical expenditures are expected to continue to contribute to the growth of the digital chronic disease management market in China.

Major Cost

The cost for providing digital chronic disease management services primarily include content development cost, such as salaries and benefits for in-house content development personnel, fees paid to content contributors and service fees paid to content production service providers, and technology service fees incurred to operate an online platform, such as service fees relating to cloud and telecommunication services.

According to the Frost & Sullivan Report, content development cost for both in-house developed and outsourced content is expected to increase at a relatively steady pace. Content development cost for a specific project is largely attributable to the associated labor cost, which is calculated taking into account the number of content creators involved, their daily rates and the

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SOURCE OF INFORMATION

In connection with the Global Offering, we have engaged Frost & Sullivan to conduct a detailed analysis and prepare an industry report on the markets in which we operate. Frost & Sullivan is an independent global market research and consulting company which was founded in 1961 and is based in the United States. Services provided by Frost & Sullivan include market assessments, competitive benchmarking, and strategic and market planning for a variety of industries. We incurred a total of RMB550,000 in fees and expenses for the preparation of the Frost & Sullivan Report. The payment of such amount was not contingent upon our successful Listing or on the results of the Frost & Sullivan Report. Except for the Frost & Sullivan Report, we did not commission any other industry report in connection with the Global Offering.

We have included certain information from the Frost & Sullivan Report in this prospectus because we believe such information facilitates an understanding of the markets in which we operate for potential investors. Frost & Sullivan prepared its report based on its in-house database, independent third-party reports and publicly available data from reputable industry organizations. Where necessary, Frost & Sullivan contacts companies operating in the industry to gather and synthesize information in relation to the market, prices and other relevant information. Frost & Sullivan believes that the basic assumptions used in preparing the Frost & Sullivan Report, including those used to make future projections, are factual, correct and not misleading. Frost & Sullivan has independently analyzed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. Frost & Sullivan research may be affected by the accuracy of these assumptions and the choice of these primary and secondary sources.

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In preparing the Frost & Sullivan Report, Frost & Sullivan conducted primary and secondary research to collect data and statistics and deliver conclusions. Primary research includes conducting in-depth, telephone and face-to-face interviews with key industry experts and leading industry participants. Secondary research includes reviewing government-derived information, including, among others, the National Health Commission of China, the National Medical Products Administration of China and the United States Food and Drug Administration, Frost & Sullivan in-house research, academic journals and annual reports of publicly listed companies.

Frost & Sullivan has prepared the Frost & Sullivan Report based on the following assumptions: (i) the overall social, economic and political environment in the PRC is expected to remain stable during the forecast period; (ii) China's economic and industrial development is likely to maintain steady growth over the next decade; (iii) key industry drivers, such as accelerated aging population, growing demands from healthcare institutions, the increasing prevalence of chronic diseases, and continuous technology innovation are likely to drive the growth of China's overall healthcare market during the forecast period; and (iv) no extreme force majeure or industry regulation will dramatically or fundamentally affect the market.