

## Unlocking Success within China's Life Sciences Industry: An In-depth Look at How China is Nurturing Global Leaders in Biotechnology and Biopharmaceuticals

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### Executive Summary

**China's domestic life sciences industry, consisting of pharmaceutical, biotechnology, medical devices and services, has experienced unprecedented growth in the last decade**, fueled especially by accelerated investment, increasing focus on innovation, and business expansion across the borders. Previously, the biopharmaceutical sector in China, lacking intelligent property rights, engaged primarily in the production of generic drugs from global off-patent medicines. To fend off intensifying competition from India and the likes, foster self-reliance, and seek higher profits, Chinese companies have changed their playbook and pursued the innovation strategy through heavy R&D investment. **In 2022, R&D spending by Chinese biopharmaceutical companies jumped 40% year-on-year ("Y/Y") to RMB38 billion** with a compound annual growth rate ("CAGR") in the neighborhood of 30% from 2016 till 2022.

**China's demographic change, emergence of a fast-growing middle class, increasing health awareness among Chinese residents in general have heightened demand for life sciences products and services**, including drugs, medical devices and dental care. The elderly population and the number of people with chronic diseases such as cancer, diabetes, heart diseases, arthritis, among others have been on the rise. It is estimated that in 2020 there were about 250 million people in China or around 18% of its total population at that time aged 60 and above. Meanwhile, China's National Health Commission believes that more than 300 million locals have been diagnosed with chronic diseases. Importantly, these numbers are likely to climb going forward, creating more demand.

**Relatively low per capita healthcare spending in China bodes well for meaningful future increases**, as the country's per capita disposable income is projected to continue the upward trajectory on assumption of persistent economic growth. Per capita healthcare spending in China rose to US\$666 (roughly RMB4,800) in 2022, growing at a CAGR of about 11% during the 2010-2022 period, while per capita disposable income of the Chinese was RMB36,883 (about US\$5,120) in 2022, 2.36x the RMB15,632 for 2013. In contrast, in the corresponding period, per capita healthcare expenditure in China only slightly more than doubled from US\$329.8 in 2013. It suggests that healthcare spending growth has been lagging disposable income growth. In 2022, China's per capita healthcare spending was approximately 13% of that year's per capita disposable income in the nation.

**Policy support is another key catalyst to fuel the booming life sciences industry in China.** Favorable policies include the Healthy China 2030 initiative, establishment of biopharmaceutical industrial parks across the nation, the 14<sup>th</sup> Five-Year Plan covering 2021 through 2025, and special circular on health improvement and ongoing life sciences industry related reforms. Basically, these policies call for putting people's health first by promoting healthy life and work styles, emphasizing disease prevention, and encouraging technology innovation.

Specifically, the **Chinese government and National Medical Products Administration ("NMPA") have rolled out a slew of reforms** to facilitate further development and upgrade the country's life sciences industry as well as **nurturing the next-generation of global leaders in biotechnology and biopharmaceuticals.**

## IMPORTANT DISCLOSURES

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