

Annual Report of China's Healthcare Industry

China Chamber of Commerce for
Import and Export of
Medicines and Health Products

March 31, 2017

1. Overview of the Chinese Healthcare Industry

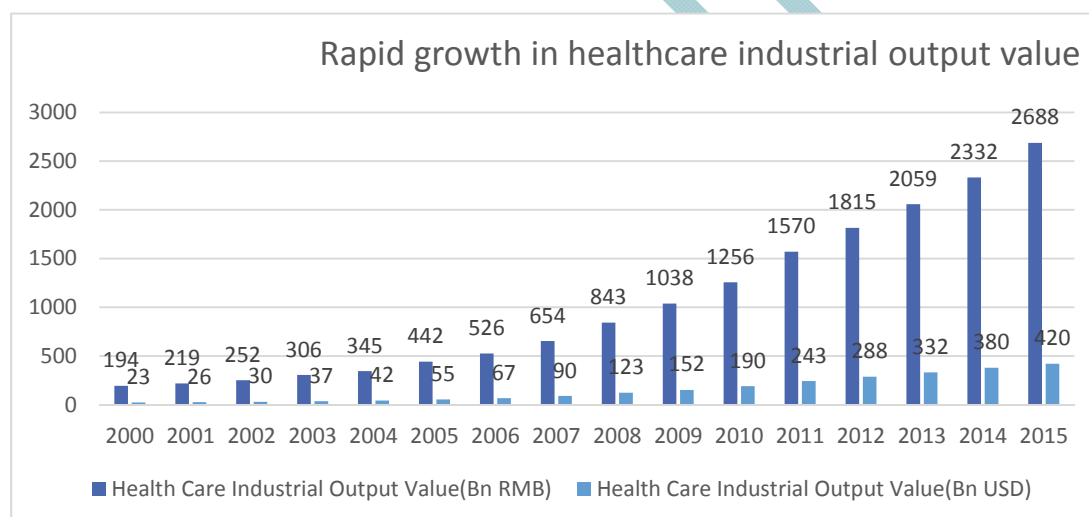
1.1 Basics of China's Healthcare Industry

The Chinese healthcare industry, which includes seven sub-categories in TCM, pharmaceuticals and medical devices, has the following features:

- Around 6,500 pharmaceutical manufacturing companies and 16,000 medical device and equipment manufacturing companies
- Able to produce 1,500 kinds of APIs and has the biggest production capacity of formulations.
- The largest producer of APIs, including Vitamin C& E, penicillin, paracetamol, etc.
- Able to produce 3,000 kinds of medical device and equipment, including MRI, CT, etc.

1.2 Rapid Growth in China's Healthcare Industry

The rapid growth in industrial output value has been prominent, which can be seen from table 1

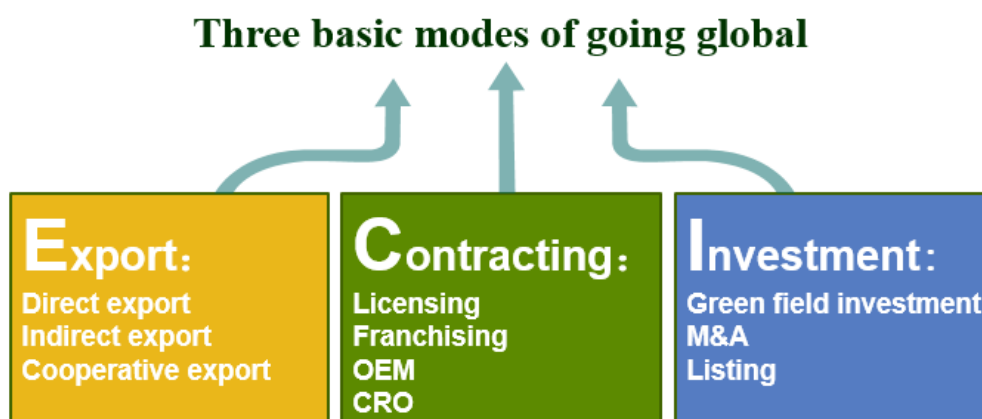


By 2014, China became the second largest pharmaceutical market in the world and the size of China's pharmaceutical market reached \$138 billion by the end of 2015. The growth rate of China's healthcare market will be around 10% in the next 2-3 years.

At the same time, the Chinese government also launched the new round of health reform since 2009, which complemented the 12th Five-Year Plan of the Healthcare Industry. This has resulted in three major positive changes: develop policies to encourage the development of the pharmaceutical and biological industry, promote the advancement of technology and upgrading of products and increase the consolidation rate of the industry.

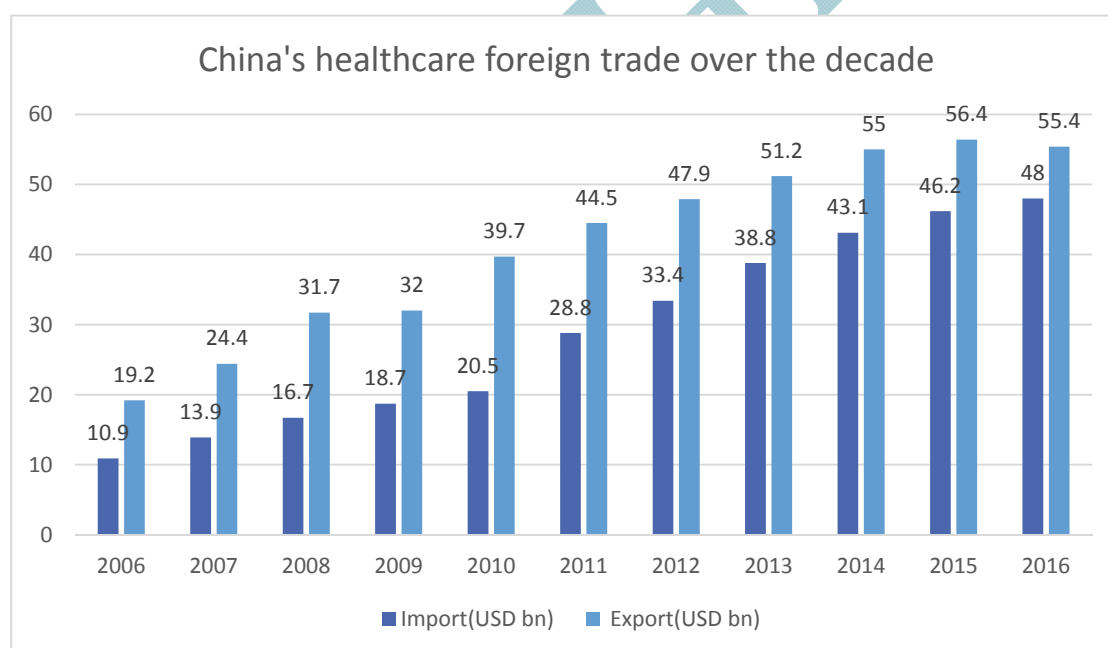
2. The Chinese Companies as Internationalized Players

There have been traditionally three models for going global:



2.1. Rapid Growth in China's Healthcare Foreign Trade

The Chinese healthcare industry has witnessed rapid growth over the years, which could be seen from the table:



According to the China Customs, China's total foreign trade volume in the healthcare sector registered at around 103.3 billion USD in 2016, up by 0.73%, among which China's export volume was 55.4 billion USD, down by 1.82%, and import volume was 48 billion USD, down by 3.83%. China's trade surplus in the healthcare sector stood at 7.45 billion USD, down by 27.3%. More figures could be seen from table 1 below:

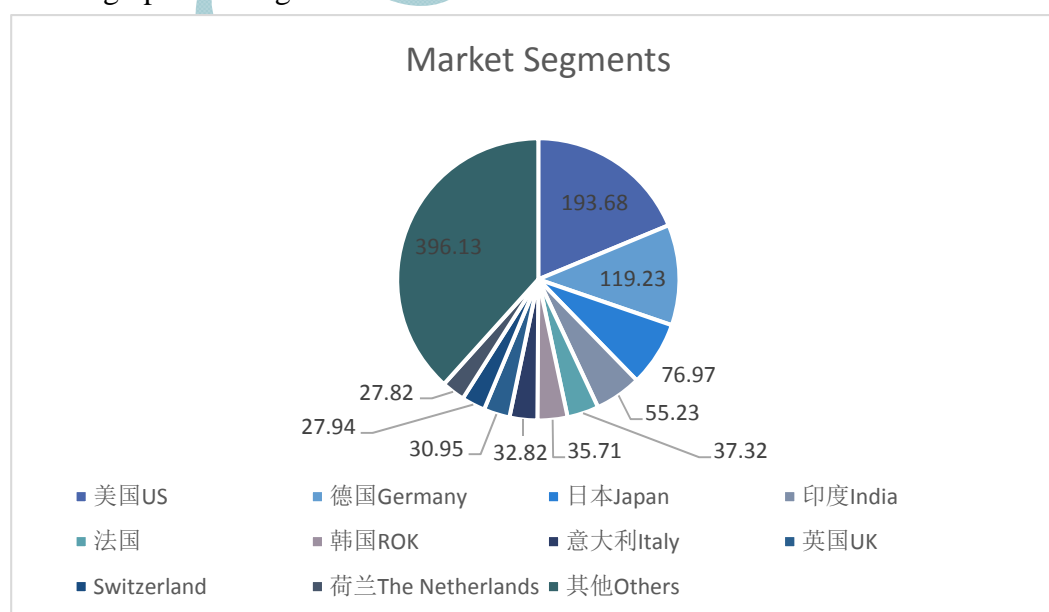
Table 1: China's trade performance in the healthcare sector 2016.

(Unit: 100 million USD)

Category	Import&Export		Import		Export	
	volume	Year-on-year	volume	Year-on-year	volume	Year-on-year
Total	554.14	-1.82	479.67	3.83	1033.82	0.73
TCM	34.26	-9.13	11.74	14.5	46	-4.08
Health products	2.49	-13.22	1.9	18.99	4.39	-1.7
Plant Extracts	19.27	-10.93	5.23	27.84	24.49	-4.77
TCM Formulations	2.25	-13.94	3.21	10.57	5.47	-1.04
Raw materials for TCM	10.25	-3.13	1.39	-15.84	11.64	-4.85
Pharmaceuticals	314.83	-0.05	283.88	1.92	598.72	0.87
APIs	256.08	-0.06	76.31	-10.72	332.39	-2.73
Formulations	31.9	-0.24	141.02	6.7	172.93	5.35
Bio-chemical drugs	26.85	0.22	66.55	9.29	93.4	6.52
Medical devices & Equipment	205.05	-3.14	184.05	6.28	389.11	1.1
Accessories	23.57	-9.89	3.37	-14.68	26.94	-10.52
Disposables	32.94	-1.22	26.32	7.66	59.26	2.54
Hospital Diagnostic Equipment	90.31	-6.53	133.49	7.2	223.8	1.2
Rehabilitation Equipment	51.11	5.35	14.73	-2.16	65.84	3.57
Dental materials	7.13	0.76	6.14	18.04	13.27	8.08

Sourced from CCCMHPIE

And in terms of major trading partners, most of them are still traditional markets of Europe, US and Japan. Some other emerging markets like Brazil have also quickly catching up in trading with China. See table below:



2.2 International Certifications Acquired by Chinese Companies

In recent years, the Chinese companies have quickened paces of registration in stringent regulated markets. Until now, altogether Chinese companies have acquired:

- over 1500 DMFs
- 560 CEPs
- 383 EU GMPs
- 34 APIs and 18 FPPs including 3 vaccines on WHO prequalification list
- Over 70 products have filed ANDAs
- Hundreds of products registered in other countries

2.3 Huge Wave in Overseas and Inbound Investment

Companies such as Mindray, Hengrui, Meheco have conducted a lot of overseas mergers and acquisitions to expand their business landscape and distribution networks. The Chinese companies are looking for good projects all over the world, not only to increase sales and profits, but also to boost local production and capacity building. For example, Humanwell has set up a joint-venture in Mali to provide analgesic products to the local community, such cooperative models have proven to be successful and long-lasting, benefiting the local people and peoples of surrounding countries.

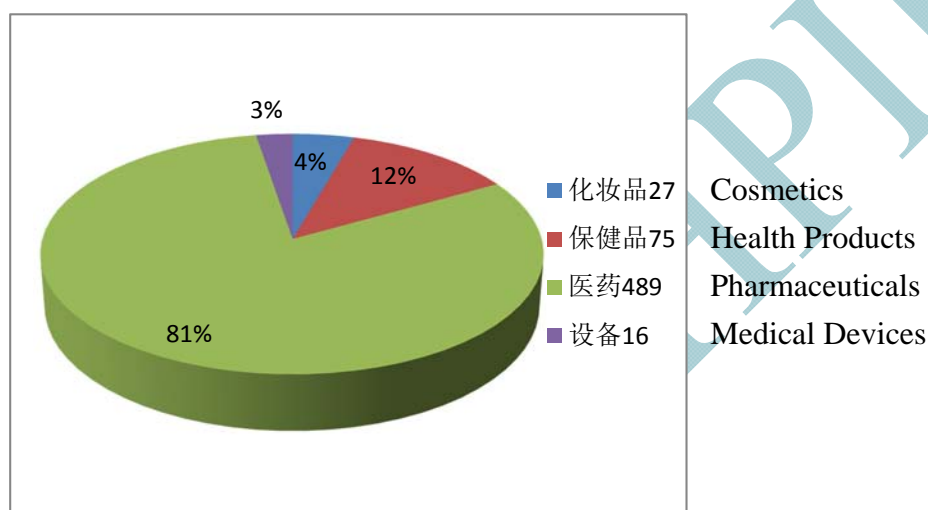
Acquisitions by Chinese companies with a volume of over 100 million USD in 2016

Time	Acquirer Name	Target Company	Main Business	Transaction Amount
2008.1	Wuxi Apptec	APPTec Laboratory Service (US)	Drug testing,CRO	1.51
2008.5	Mindray	Datascope (美国)	Life Monitoring	2.02
2011	CR Healthcare	Aurora (美国)	Breast MRI	1
2013.3	BGI	Complete Genomics (美国)	Gene Sequencing	1.17
2013.4	Fosun	Alma lasers	Beauty surgery devices	2.22
2013.6	Mindray	Zonare 医疗 (美国)	Ultrasound	1.05
2013.6	Microport	Wright Medical (美国)	Joints rehabilitation	2.9
2014.1	Hepalink	SPL (美国)	Heparin ingredient	2.23
2014.1	Fosun	ESS (葡萄牙)	Medical service	5
2015.7	Haisco	Hasico Holdings (saisheer)	Health service	1
2015.9	Biostime	Swisse (澳大利亚)	Health product	10.8
2015.12	Luye Pharma	Healthe Care (澳大利亚)	Hospital	6.88
2016.1	Sannuo	尼普洛诊所 (美国)	Blood Glucose device	2.73
2016.3	CECEP Valiant	MP Biomedicals (美国)	IVD	1.58
2016.3	Humanwell	Epic 制药/Epic RE (美国)	Anesthetics	5.5

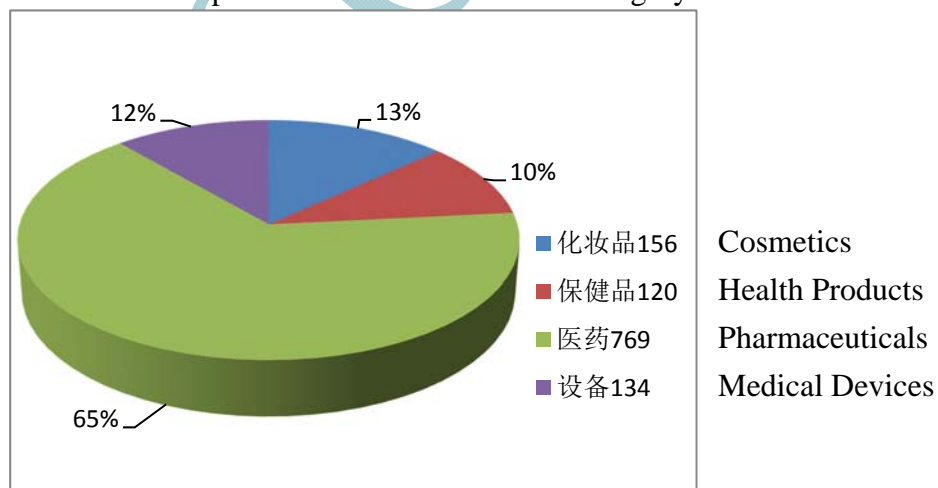
2016.4	e-Fan	健能隆	New drug development	1.54
2016.5	Sannuo	PTS 诊断 (美国)	Blood Glucose Meter	2.9
2016.7	CR Healthcare	Genesis Care (澳大利亚)	Medical Service	1.3
2016.7	Luye Pharma	Acino AG/Acino supply (瑞士)	Transdermal Therapeutic drugs	2.69
2016.7	Fosun Pharma	Gland 制药 (印度)	CMO for injections	14
2016.8	Shanghai Pharma	Vitaco (澳大利亚)	Health products	9.8

Regarding investment to China, there has also been a surge of investment in 2016.

Investment to China by sub-category in 2016 (100 million USD)



Number of Companies and ratio of each sub-category



3. CCCMHPIE Ready to be the Link between China and the World

About us

- Directly under the Ministry of Commerce of China (MOFCOM)
- The biggest trade association in China's healthcare industry
- A diverse membership of 2400-plus companies
- 26 years of experience in the field
- More than 70 professionals

What do we do?

3.1. Policy Suggestions

The 12th Five-Year Plan, The 13th Five-Year Plan, DAL, Food Safety Law, China's Policy Paper on Africa, and health-related suggestions to MOFCOM, CFDA, NHFPC, SATCM, MIIT, NDRC, etc.

3.2. Lead/Participant Organization of Bilateral and Multilateral Dialogue of Health Collaboration

- China-UK JETC Healthcare WG (entering into its 8th year in 2015)
- China-Denmark Healthcare WG (established in 2012 during President Hu Jintao's visit to Denmark)
- China-Italy Healthcare WG under the *China-Italy Business Council* (established in March 2015)
- JCCT Working group for Medicines and Medical Devices
- WTO SPS, TPT negotiating meetings

3.3. Projects Entrusted by the Government

- National tasks concerning industry development, including Analysis of Distribution of TCM materials, Registration of THMP in the EU, and Industry Safety Alarming Project
- Tendering of export quotas of liquorice
- Essential Drug tendering, overseas certification of Chinese healthcare products
- Catalogue of Medicines and Medical Devices of Chinese Aids to Foreign Countries
- EUCTP project to support China-EU sustainable development on economy and trade
- Special project on China-Africa health collaboration to foster China-Africa exchange and cooperation (China-Africa Roundtable on Health Collaboration)
- Assessment Report on CFDA's Entry into PIC/S
- Global Fund suppliers' conference
- Guidelines for Export Commodities
- China-Africa Health Commodity and Market Database (HealthCAC) in coloration with Bill and Melinda Gates Foundation, supported by UNAIDS.

3.4. Industry Standards

- 13 International Business Standards for Herbal extracts, including 3 intended to be adopted by USP
- Testing method for ginkgo extract adopted and used by CFDA for investigation into the “Ginkgo Incident”

3.5. Trade and Investment Promotion Missions

- **Domestic shows**
 - CPhI China (180,000sqm floor space)
 - Hall of medicines, medical devices & health products
Canton Fair (Spring&Autumn)
- **“Going global”** – taking 3000 persons abroad each year
 - 60 outbound shows annually (regarding APIs, packaging materials, pharmaceutical machinery, food ingredients, medical devices, health food, etc.)
 - 10-15 trade and investment missions annually (ie. US and Europe as traditional key markets, Africa and CEEC as emerging markets)
- Agreements signed with 50 partner organizations
UNAIDS, BMGF, WHO, Global Fund, AdvaMed, Yale University, UKTI, KPTA, JPTA...

3.6. International-oriented Events

- Organizing 30+ conferences, seminars, training sessions
 - PIC/S, FDA regulatory trainings, Global Fund, WHO PQ, EU GMP, USP and EU Pharmacopeia...
 - Biologicals-BIOLINK
 - TCM: herbal extract, TCM prepared slices, food supplements...
 - Medical devices: hygiene materials, rehabilitation equipment, advanced medical devices
- China-CEEC Health Ministers Meeting
- FDA Program on Generic Drugs, FDA UDI Training Program
- WHO Prequalification Training Program

3.7. Other Services

- Consulting services: Bringing into China & Exporting to overseas markets
- Information services: magazine (China Medi-trade), website, wechat, e-letters.
- Legal services: trade friction cases including anti-dumping, countervailing duties, Section 337 investigation and anti-trust cases.
- Foreign trade document: Certificate of Value, Certificate of Free Sale, Notarization and Certification from Chinese Ministry of Foreign Affairs or Foreign Embassies in China.

Appendix 1: CCCMHPIE Events of 2017

No	Event	Time & Place	Background
1	Briefing on China's Healthcare Foreign Trade	February, Beijing	The briefing is held twice every year to update industry players on the latest trade statistics of the industry and makes prediction about prospect for the future. Information provided on the meeting has become important reference for manufacturers and traders to make business decisions and adjust strategies where necessary. This is the first briefing of the year. The event is usually only open to Chinese companies and media.
2	China Pharma Forum (CPF)	Serial events to be held in Beijing/ Shanghai/ Guangzhou (February/ August/ November)	To help the Chinese pharmaceutical companies better aligned with international GMP standards for maintaining high quality in manufacturing, a constant and tailor-made training system is highly necessary and relevant to the present day. CCCMHPIE is designing a module-based and regularly-held GMP training program for the Chinese industry throughout the year to help the Chinese manufactures follow the highest quality standards possible.
3	Workshop on Traditional Medicines in the EU	May, Beijing	A hands-on seminar on marketing of traditional medicines in the EU
4	B2B Match-making Program (Italy, UK and US markets)	TBC	Special B2B programs for major trading and investment markets
5	The Global Fund Suppliers Meeting	TBC	The Global Fund Suppliers Meeting has been a cooperative program between Global Fund and CCCMHPIE since 2013. The program aims to help Chinese health commodity suppliers understand the most updated procurement policies of Global Fund and an opportunity for Global Fund to have face-to-face exchanges with Chinese suppliers.
Activities on CPhI, ICSE & PMEC 2017			
6	The 8 th China-World Pharmaceutical CEO Summit	June 19, 2017, Room Yellow River, Shanghai International Convention Center, Shanghai	The China-World Pharmaceutical CEO Summit is the very first forum on CPhI China. Each year, industry leaders are invited to discuss hot topics and shed light on development of the whole year. This year, the theme will be innovation and internationalization, particularly investment opportunities in domestic and overseas market to give representatives some suggestions on business decision-making. A number of bellwethers including officials from NDRC, and experts from JP Morgan will be invited. And companies successfully making ways into the international markets will share experiences. This will be a not-to-be-missed opportunity for companies wishing to go global.
7	2017 CPhI, ICSE&P-Mec Innovation and	June 20-21, 2017, SNIEC, Shanghai	This annually held forum is one of the most important events on CPhI China. The forum focuses on introductions to overseas

	Development Forum		market and legal issues that companies need to know in order to access the international market. This year, the topics to be discussed on the forum shall include marketing strategies in the EU and emerging markets like Africa and Cuba, and the possible routes to overcome the trade frictions
8	2017 CPhI International Regulatory Agencies Updates and Q&A	June 21, 2017, SNIEC, Shanghai	Since 2014, CCCMHPIE has been cooperating with key regulatory agencies to organize the RA meeting as the satellite program of CPhI China in order to keep Chinese pharmaceutical manufacturers updated on the latest regulatory policies in major markets. Key words this year will be global major pharmacopeia and inspection activities. WHO, EDQM, FDA, USP, MHRA, CFDA and ChP will present as speakers and take questions from the audiences.
9	The 4 th Nutraceutical Industry Development Conference	June 20-21, 2017, SNIEC, Shanghai	The theme this year is how overseas nutraceutical products access the Chinese market. Officials and experts will be invited to explain in details the registration and technical requirements for overseas products entering into China, and a few case studies will also be presented to share experiences in this field.
10	The 2 nd Cooperative Forum on Food For Special Medical Purposes	June 21, 2017, SNIEC, Shanghai	In November 2016, CFDA issued Rules of Quality Management For Clinical Trials of Food for Special Medical Purposes and its Interpretation documents. In order to help companies better understand relevant policies, and meet up domestic demand for products falling into this category, this forum is therefore held to promote development of this industry.
11	Special Session on African Healthcare Market	June 20-22, 2017, SNIEC, Shanghai (tbd)	This session will share with audiences recent collaborative programs around Africa, and discuss the best possible approach around local production, capacity building, and access to affordable medicines for the African population.
12	Natural Ingredient Conference 2017	June 21, 2017, SNIEC, Shanghai	This is also an annually held event on CPhI China, with the topic of herbal extracts. Herbal extracts may be the most popular herbal products with the potential of export to overseas market. There is great need for the standardization and quality control of this industry. The NIC conference is especially held for this purpose.
13	China-Japan Healthcare Industry Exchange Activity	June 21, 2017, SNIEC, Shanghai	An annual program on CPhI China to help Chinese companies learn the latest regulatory rules and practices of PMDA, and for them to raise questions.
14	Forum on Internationalization of Pharmaceutical Formulations	June 21, 2017, SNIEC, Shanghai	The Chinese companies have quickened paces of internationalization along with the growth of export of pharmaceutical formulations. The Forum on Internationalization of Pharmaceutical Formulations is held on CPhI China to provide the formulations manufacturers an opportunity to discuss issues relating to international registration, overseas bidding, marketing and distribution and

			risk mitigation, information and resource sharing as well as international competitiveness, etc. with the aim to facilitate an interactive and cooperative platform for the industry.
15	2017 China International Medical Consumables Conference(MCC)	July 5-7, Hunan Hotel, Beijing	The international MCC conference will enter into its 10th year in 2017, gathering top players in the field of wound dressing, hygienic products and consumables. The conference aims to "integrate the medical consumables knowledge, create the subject future, gather the industry leaders, and discuss the prospect topics". This year, the forum integrates three parallel sessions together: forum on medical consumables, forum on polymers and medical device innovation and cooperation forum.
16	Briefing on China's Healthcare Foreign Trade	September, TBC	The briefing is held twice every year to update industry players on the latest trade statistics of the industry and makes prediction about prospect for the future. Information provided on the meeting has become important reference for manufacturers and traders to make business decisions and adjust strategies where necessary. This is the first briefing of the year. The event is usually only open to Chinese companies and media.

Appendix 2: Trade and Investment Programs Abroad

No	Name	Countries	Time
1	Industry Exchange programs	US, Japan	January
2	Inspection Tour on Medical Devices in China's Aid to Foreign Countries	Sri Lanka, Cambodia	February
3	China-Japan, China-Korea Industry Dialogues and B2B Program	Japan, Korea	April
4	China-Africa Health Cooperation and B2B Program	UAE, South Africa, Uganda	2017年5月
5	Trade Promotion of China-made Medical Devices and Industry Cooperative Programs	Iran, Israel	May or June
6	China-CEEC Healthcare Cooperative Program	Hungary, Poland, Czech Republic	June
7	Healthcare Industry Exchange Program with Australia and New Zealand	Australia, New Zealand	September

8	Natural and Health Product Cooperative Programs with US and Canada	US, Canada	Sept. 27-Oct. 4
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Appendix 3: List of All Outbound Shows

1) Active Pharmaceutical/Chemical Ingredients

Date	City, Country	Name of Exhibition
March 8-10	Istanbul, Turkey	CPhI Istanbul 2017
March 22-24	Jakarta, Indonesia	CPhI South East Asia 2017
March 28-30	Moscow, Russia	CPhI Russia 2017
April 19-21	Tokyo, Japan	CPhI Japan 2017
May 16-18	Philadelphia, US	CPhI North America 2017
May	Israel	IATI-BioMed2017
June 20-22	Shanghai, China	CPhI China 2017
August 22-24	Seoul, ROK	CPhI Korea 2017
September	Lagos, Nigeria	Nigeria Pharma Manufacturers Expo 2017
October	Frankfurt	CPhI Worldwide 2017
November	Mumbai, India	CPhI India 2017

2) Pharmaceutical Machinery, Packaging Materials and Laboratory Products and Equipment

Date	City, Country	Name of Exhibition
March 8-10	Istanbul, Turkey	P-MEC & Innopack Istanbul 2017
March 22-24	Jakarta, Indonesia	P-MEC & Innopack South East Asia 2017
March 28-30	Moscow, Russia	P-MEC & Innopack Russia 2017
April 19-21	Tokyo, Japan	P-MEC Japan & Pharmatec Japan 2017
June 20-22	Shanghai, China	P-MEC China 2017
October 24-26	Frankfurt	P-MEC & Innopack Worldwide 2017
December	Mumbai, India	P-MEC India 2017

3) Food Additives, Health Ingredients and Natural Ingredients

Date	City, Country	Name of Exhibition
March 10-12	Anaheim, US	Engredea/NPEW 2017
March 22-24	Jakarta, Indonesia	Hi South East Asia 2017
March 28-30	Lagos, Nigeria	Nigeria Food & Bev Tec 2017
April 4-6	London, UK	In-Cosmetics Europe 2017
April 19-20	Orlando, US	Ingredient Marketplace 2017
May	Istanbul, Turkey	Fi Istanbul 2018

May 9-11	Geneva, Switzerland	Vitafoods Europe 2017
May 22-25	Tehran, Iran	Iran Food & Bev Tec 2017
May 23-25	Sao Paulo, Brazil	FCE Cosmetique 2017
May	Ho Chi Minh City	Fi Vietnam 2018
June 20-22	Shanghai, China	Food ingredients Asia-China 2017
July 16-19	Sydney, Australia	FoodPro Australia 2017
August 22-24	Seoul, ROK	Hi Korea 2017
August 22-24	Sao Paulo, Brazil	Fi South America 2017
September 5-6	Singapore	Vitafoods Asia 2017
September	Baltimore, US	Natural Products Expo East 2017
September 13-15	Bangkok, Thailand	Fi Asia(Thailand) 2017
October	Tokyo, Japan	Hi Japan 2017
September 28-29	Las Vegas, US	SupplySide West 2017
October	Moscow, Russia	Vitafoods Russia & CIS 2017
November 9-11	Mumbai, India	Fi India 2017
November 28-30	Frankfurt	Fi Europe 2017

4) Medical Devices, Hospital Equipment and Medical Dressings

Date	City, Country	Name of Exhibition
February 7-9	Anaheim, US	MD&M WEST 2017
February 15-17	Osaka, Japan	MEDICAL JAPAN 2017
March 16-19	Seoul, ROK	KIMES 2017
March 3-April 2	Istanbul, Turkey	EXPOMED & LABTECH FAIRS ISTANBUL 2017
April 4-6	Stuttgart, Germany	MEDTEC EUROPE 2017
April 6-8	New Delhi, India	MEDICAL FAIR INDIA 2017
April	Kuala Lumpur, Malaysia	SE-ASIAN HEALTHCARE SHOW 2017
May 16-19	Sao Paulo, Brazil	HOSPITALAR 2017
June 13-15	New York, US	MD&M EAST 2017
July	Chennai, India	MEDICALL 2017
September 6-8	Bangkok, Thailand	MEDICAL FAIR THAILAND 2017
November	Dusseldorf, Germany	MEDICA 2017
November	Dusseldorf, Germany	COMPAMED 2017
December	Moscow, Russia	ZDRAVOOKHRANENIYE 2017

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