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Core Perspectives

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I. Conclusion of 2022

Based on our calculations, the Chinese healthcare industry market size reached RMB 12 trillion (approximately $1.7 trillion) in 2022. Looking at the breakdown: the **pharmaceutical** sector accounted for around **RMB 2.9 trillion** from the perspective of drug manufacturers; the **medical devices and diagnostics** market was around **RMB 1.1 trillion**, considering medical equipment manufacturers' perspective; the broader **healthcare services**, including digital healthcare and associated community, comprised a market of approximately **RMB 8.3 trillion**, which includes the sales of drugs and equipment by healthcare institutions. If we remove the overlaps in these sectors, **the actual market size of the Chinese healthcare industry was roughly between RMB 9-10 trillion ($1.3-1.4 trillion).**

Drawing from various predictions and our market analysis, we project that by 2030, the pharmaceutical sector could grow to **RMB 4.8 trillion**, at a **CAGR of 6.5%** over the next eight years. The medical devices and diagnostics market could expand to **RMB 3 trillion**, with a **CAGR of 13.7%**. The healthcare services market is projected to reach to **RMB 17.5 trillion**, with a CAGR of 9.8%. Excluding the overlaps, the total Chinese healthcare industry's market size is anticipated to approach **RMB 20 trillion by 2030**, with a **CAGR of roughly 9.5-10%**.

The National Health Commission of the People’s Republic of China (formerly known as the National Health and Family Planning Commission) previously set a goal for the Chinese healthcare industry market size in 2030 to reach RMB 16 trillion, according to the “Healthy China 2030 Blueprint” published in 2017. In our analysis, we factored in some recent impacts into considerations, particularly the significant influence brought by the COVID-19 pandemic, rapid population ageing, and new technologies such as artificial intelligence and synthetic biology.

When examining the RMB 9-12 trillion healthcare industry in the bigger picture of Chinese economy in 2022, we are surprised to find only a few industries as large as the healthcare industry.

The market for consumer products and retail, which has maintained the needs and aspirations of 1.3 billion people, was approximately RMB 40 trillion. The real estate market, which has supported China's rapid economic development for 30 years, was only around RMB 13-15 trillion. The annual revenue of the logistics industry, which supports national trade, was approximately RMB 12 trillion. The agriculture industry, that has fed 1.3 billion people, was approximately RMB 10 trillion. The market size of renewable energy industry that has seen significant investment from the capital market in recent years was only RMB 9 trillion. The automobile industry, the insurance industry, the catering industry, the food and beverage industry, the intelligent manufacturing industry, the education industry, the advertisement industry and the film industry in 2022 was valued at RMB 9 trillion, RMB 5 trillion, RMB 4.7 trillion, RMB 4.3 trillion, RMB 3.2 trillion, RMB 2.5 trillion, 1 trillion and less than RMB 300 billion, respectively.

2022 was an **extremely unusual** year for the nearly RMB 12 trillion healthcare industry.

-- In this year, **battling COVID-19 became an almost inextricable aspect of daily life for every Chinese citizen**. It wasn't until the end of the year, after a significant portion of the population had contracted and recovered from COVID-19, that this grueling and persistent fight finally came to an end. Concurrently, industries that had significantly profited from the pandemic had to say goodbye to those boom times and begin their transformations.

-- In this year, China saw a precipitous decline in its birth rate, with fewer than 10 million newborns, marking the first negative population growth in 61 years. This demographic trend exacerbates the challenges facing the world's largest aging population. In 2022, the number of Chinese people aged over 60 reached 280 million, or 19.8% of the total population, an increase of 0.9% compared to 2021. Those over 65 numbered 209 million, or 14.9% of the total population, a 0.7% rise from 2021. The rapid intensification of the aging population is becoming increasingly apparent. According to the 'World Population Prospects 2022' published by the United Nations, the proportion of China's population aged 60 and above is projected to reach 26.2% by 2030, 32.5% by 2040, 38.8% by 2050, and peak at 48.3% by 2080. That is to say, **by 2040, one in every three Chinese will be over 60; and by 2080, one in every two Chinese will be over 60 (although, by then, 60 might only be considered middle-aged).** The accelerating trend of an aging population in China is leading to increasingly severe social issues resulting from these demographic shifts.

--In this year, **the official release of ChatGPT was a milestone in human technological advancement**. This new generation of generative artificial intelligence and foundational models, as represented by ChatGPT, will have a profound impact on how people access health services, making medical resources more accessible and affordable. **But it's not just artificial intelligence making strides. Advances in synthetic biology, life sciences, material sciences, robotic surgery, brain-computer interfaces, and many other fields are progressing at a rapid pace. These developments are set to shift the healthcare industry from its current diagnosis-and-treatment-oriented model towards a comprehensive healthcare management cycle. This new era will encompass health monitoring, early prevention, sub-health intervention, precision medicine, and scientific post-operative rehabilitation**

--In this year, **the centralized drug procurement policy launched by the Chinese government has taken a significant step towards normalization and institutionalization, deeply affecting the growth curve of the innovative drug and**

innovative medical device industry, bringing profound and long-term impacts to the industries. Centralized drug procurement has suppressed the growth potential of some products and enterprises by implementing severe price regulation. On the other hand, centralized drug procurement has made "small profits but quick sales" possible by reducing channel costs. The centralized procurement policy is not just about blindly bargaining, but rather targeting to make products more competitive and accessible through the centralized procurement process, maintaining drug prices at a reasonable level. In fact, in the new round of centralized procurement that has already begun, some products have experienced a reasonable increase in prices. We believe that, overall, the current centralized procurement policy could facilitate promoting dynamic ecosystem in healthcare. Those truly innovative and competitive enterprises can definitely find their way of growing in the era of centralized drug procurement.

-In this year, **Chinese innovative drug and medical device companies have accelerated their global expansion pace**. In the context of centralized procurement, in order to seek a broader market, to find more diversified sources of income, and to produce higher profits, increasingly more Chinese innovative drug and medical device companies are expanding globally through acquisitions, licensing/partnerships, and setting up overseas capabilities. Since 2022, many Chinese enterprises, such as CSPC Pharmaceutical Group Limited, Akeso, and Sichuan Kelun Pharmaceutical Co., Ltd., have announced licensing-out deals with overseas partners, with significant up-front payments. Chinese innovative healthcare industry were also quite active with international acquisitions. In January, Venus Medtech (Hangzhou) announced its 100% equity acquisition of Cardiovalve, an Israeli transcatheter mitral and tricuspid valve treatment company, at a consideration of roughly RMB 2 billion. In April, Wallaby Medical successfully acquired German company phenox GmbH in a deal valued at nearly Euros 543 million.

--In this year, **the valuation of China's healthcare industry significantly declined in the secondary market, leading to changes in the primary market including transaction willingness and valuation expectations. We hope to expect some recovery in Q3/Q4 of 2023 in the primary market, but the valuation environment will maintain relatively conservative**. In 2022, healthcare stocks in both China and Hong Kong markets showed a downward trend. According to Wind, by the end of 2022, the total market value of the roughly 483 A-share medical related companies dropped 12% in 2022, from RMB 8.3 trillion to 7.3 trillion. The medical related China Securities Index fell by 27% in 2022. The total market value of the 220 medical related companies listed in Hong Kong dropped 3% in 2022, from RMB 2.9 trillion to 2.8 trillion. The Hang Seng Healthcare Index fell by 19% in 2022. From a valuation perspective, A-shares are represented by the China Securities Index. In 2022, the medical sector valuation system of A-share was going downward, with PS (TTM) dropping 22% from 13.8x to 10.8x. PE (TTM) decreased by 15% from 52.6x to 44.6x in 2022. The Hong Kong stock healthcare sector, represented by the Hang Seng Healthcare Index, also experienced a downward trend. PS (TTM) dropped by 52% from 22.0x to 10.6x, and PE (TTM) decreased by 40% from 32.6x to 19.5x.

--In this year, **RMB-dominated funds have become the absolute powerhouse in China's healthcare primary market, which will significantly influence the investment direction and valuation logic of primary market**. Among the investment transactions in the primary market of healthcare. In 2022, RMB transactions in the number of investment deals in China's health industry's primary market took an absolute lead, accounting for 89.0%, an increase of 6.3% compared to 2021. In terms of transaction amounts, RMB also dominated, accounting for 80.1%, a 16.3% increase from 2021. We believe that RMB funds, particularly those **backed by national and local governments, will inevitably exert a profound influence on the investment strategies and valuations** of the primary market across various industries, including the healthcare industry. Although the direction and degree of this impact may vary in each sub sector, overall, **the focus of RMB funds is shifting from incremental to existing assets, from growth to profit, from simple business model to hardcore innovation, from solving daily-demands to making domestic substitution and cracking "bottleneck" problems, and away from middle-stages opportunities to polarizing at either early-stage or pre-IPO stages.**

The driving forces of the skyrocketing development in China's healthcare industry are **ageing population, technological progress, uneven distribution of medical resources, new policies on national health security and centralized drug procurement**. Among them, population ageing will undoubtedly become the biggest driving force for future changes in the industry. With the arrival of an ageing society, elderly healthcare will probably become the next largest industry in China.

II. Highlight of Key Points

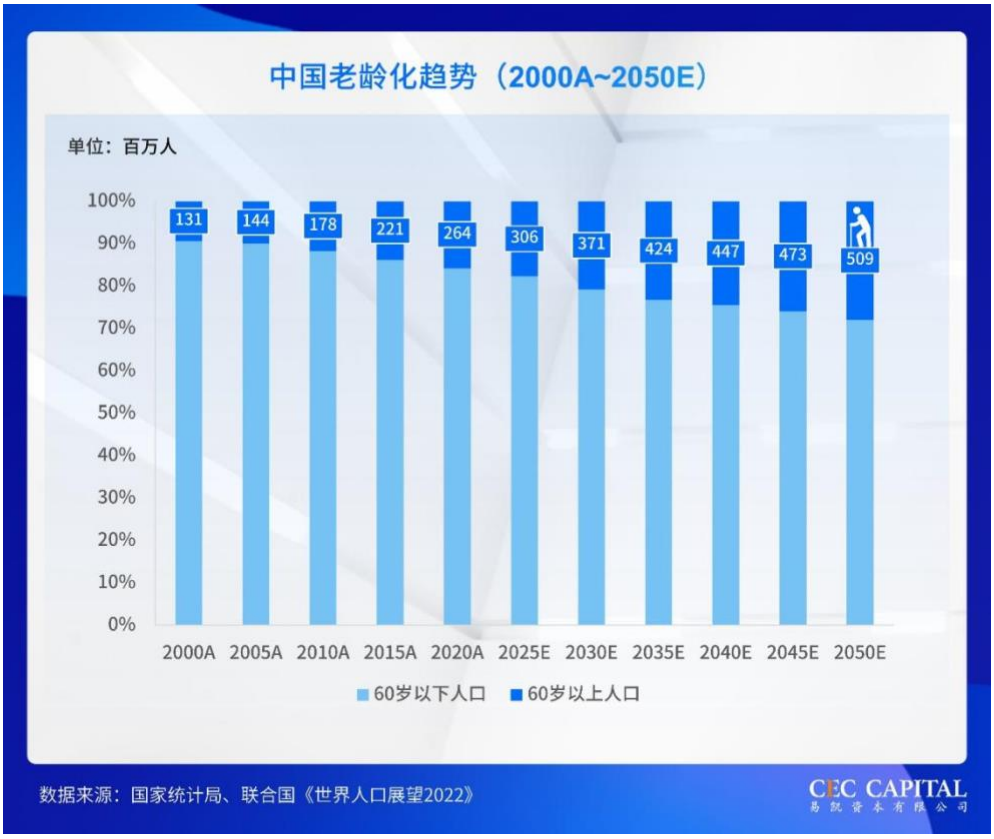
1. 2022 was a watershed year for China's demographic structure, as China enters an unforeseen future, but also suggests huge potential market opportunities hidden behind severe challenges.

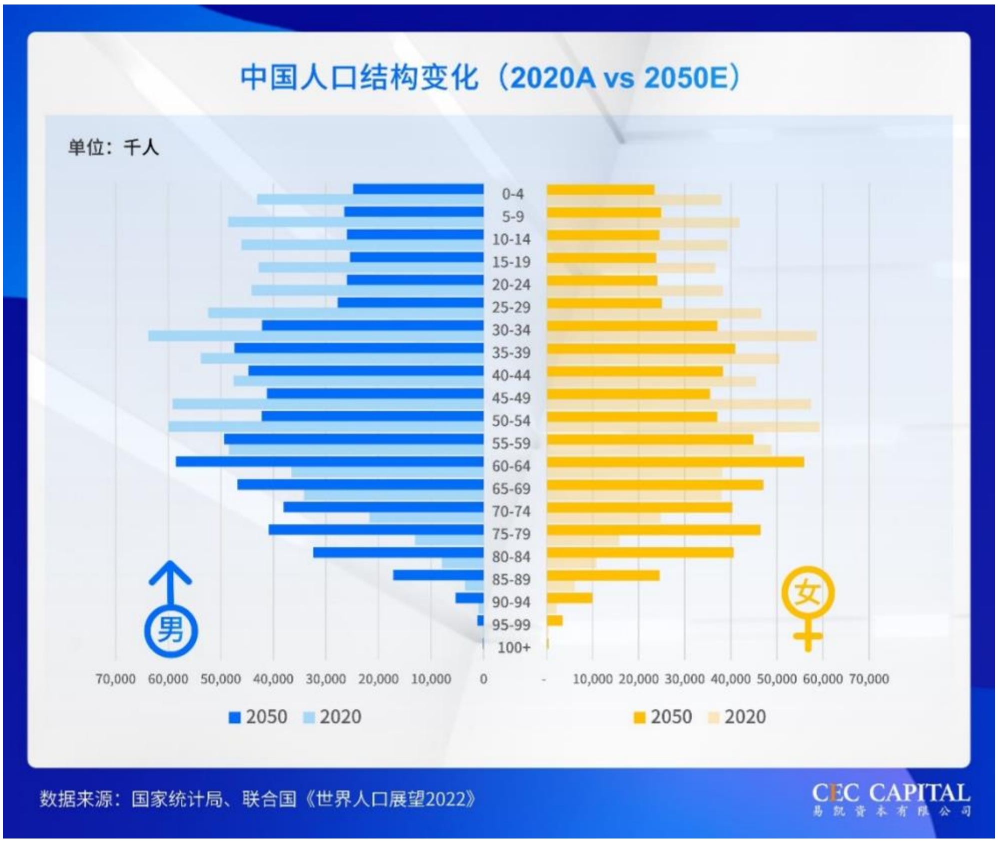
According to the National Bureau of Statistics, in 2022, around 9.56 million babies were born in China, falling from 10.62 million in 2021. The natural population growth rate was -0.60 ‰, which meant deaths has outnumbered birth for the first time since 1961.

China's first baby boom occurred from 1962 to 1973, with an average of 27 million newborns per year. 60 years later, we are welcoming **over 250 million people entering retirement age**, a period that will last for a decade.

In 2022, people aged 60 and above in China reached 280 million, accounting for 19.8%

of the total population, which is an increase of 0.9% compared to 2021. People aged 65 and above reached 210 million, accounting for 14.9% of the total population, which is an increase of 0.7% compared to 2021. As population ageing continues to intensify, China's elderly dependency ratio has already exceeded 20%.





According to the "World Population Prospects 2022" published by the United Nations, the proportion of China's population aged 60 and above is projected to reach 26.2% by 2030, 32.5% by 2040, 38.8% by 2050, and will reach a peak of 48.3% by 2080. Today, **there is one elderly person (over 60 years old) among every five Chinese people. We will witness this dependency ratio reach four by 2030, three by 2040, and, finally, to two by 2080**. Population ageing in China is accelerating, and the various social issues caused by changes in this demographic structure are becoming increasingly severe.

While we acknowledge the challenges posed by an aging population, we also see immense untapped opportunities that extend beyond traditional elderly care services like nursing homes. We anticipate a significant trend towards the integration of digital intelligence in China's elderly care sector. The "elderly economy" is set to encompass more than just basic care services; it will span industries such as rehabilitation, daily care, smart assistive devices, and even social platforms tailored for the elderly. This "elderly economy" is poised to become a vital component of China's future economic landscape. Additionally, sectors that could boost birth rates, such as assisted reproductive technologies, are set to play a significant role in this aging society.

Summarizing the catalysts for the explosive growth in China's healthcare sector, we'd highlight: population ageing, technological advances, disparities in medical

resource distribution, national health security policies, and centralized drug procurement initiatives. Of these, the demographic shift towards an aging population is poised to be the most transformative, potentially making elderly healthcare the next dominant industry in China.

2. Technological advancements, particularly those heralded by foundation-model artificial intelligence like ChatGPT, are revolutionizing the healthcare landscape.

The introduction of ChatGPT symbolizes a defining moment in technological evolution. This new wave of generative AI, epitomized by ChatGPT, is reshaping how individuals engage with health services, rendering medical resources more attainable and cost-effective. **Beyond AI, the swift progress in synthetic biology, life sciences, material sciences, robotic surgery, and brain-computer interfaces propels the healthcare sector beyond its traditional diagnostic and treatment paradigm. It ushers in an era prioritizing health monitoring, early prevention, interventions for sub-optimal health, precision medicine, and advanced post-operative care.**

3. Synthetic biology is experiencing a surge in growth, underpinning advancements in the healthcare sector.

More than a standalone industry, synthetic biology acts as a foundational technology, catalyzing growth across various sectors. It fosters a multifaceted ecosystem, expanding both horizontally and vertically. This encompasses technological platforms bolstering industrial applications as well as specialized applications in diverse industries like biopharmaceuticals, energy, food, consumer biomaterial goods, and other biomaterial-based commodities.

While synthetic biology isn't a novel concept, its recent advancements have garnered significant attention. Emerging from evolutions in microbiology, genetics, enzyme engineering, and biomedical engineering, the term "synthetic biology" has now been widely adopted and integrated across academia, industry, and the investment world.

The underlying factors driving the recent rapid growth of synthetic biotechnology include:

1) **Tech Advancements in 2020**: A marked increase in enthusiasm for synthetic biology was observed in 2020, driven by technological strides. Notably, the third-generation CRISPR/Cas9 genome editing and advancements like enzyme directed evolution saw extensive application. Additionally, the marked cost reductions in gene synthesis and genome sequencing since 2015 have played a crucial role.

2) **Global IPOs Ignite Interest**: Synthetic biology's global IPOs have piqued the interest of the Chinese capital market. Prominent IPOs from Cathay Biotech Inc., Anhui

Huaheng Biotechnology Co., Ginkgo, and Giant Biogene Holding Co. introduced synthetic biology's potential to primary market investors. In 2022, valuation metrics like PE and PS multiples for Chinese synthetic biology firms surpassed those of their counterparts in innovative drugs, biotechnology, and medical devices. These valuations remained robust even in secondary markets.

3) **AI and Fermentation Confluence**: The synergy between advanced AI and fermentation technology promises to revolutionize traditional fermentation-based manufacturing processes. This integration of AI and synthetic biology is evident not just in the design-build-test-learn stages, but also in enhancing factory production's automation, modularization, and high-throughput capacities.

We anticipate that the healthcare sector will emerge as a primary beneficiary of synthetic biotechnology's applications. It sets the precedent for expanding synthetic biology's influence both breadthwise and depthwise. In 2022, a significant 59% of synthetic biology financing in China was earmarked for the healthcare domain. The foundational technology of synthetic biology holds the potential to invigorate the broader innovative drug and medical device industries by fostering digital smart factories and, crucially, slashing costs. Synthetic biology might offer a solution to challenges posed by centralized drug procurement for groundbreaking drug and device firms. Moreover, it's ushering in novel biotech avenues, facilitating advancements in mRNA vaccines, recombinant protein vaccines, genome sequencing, gene editing, and enzyme engineering.

In 2023, we anticipate that China will experience a renewed, capital-driven surge of interest in synthetic biology. The nation's synthetic biology enterprises are nearing a pivotal juncture, poised to establish a full-fledged commercial cycle. Investments from the last three to four years will serve as a significant catalyst for large-scale production, beginning to yield profits. Given its impressive track record of innovative products and technologies, synthetic biotechnology will expand its footprint in various facets of the healthcare industry over the next five years, including product substitution, process enhancement, and raw material conversion.

With the bright prospects of synthetic biology, it's inevitable that we'll see a growing number of major enterprises strategically positioning themselves in this domain. Initiatives like incubation, investment, mergers and acquisitions, and the development of synthetic biotech platforms are poised to create new narratives in the capital market and spark revenue growth.

4. The growth trajectory of innovative medical enterprises in China is evolving, with emerging models set to replace traditional growth patterns.

Historically, Chinese medical innovators, exemplified by those in biological drugs and medical devices, operated within a high-contribution, high-risk, high-reward framework. This model mirrors that of biotech firms in the United States. However, while there are parallels, China's unique commercial payment and sales systems delineate a distinct market dynamic and price cap compared to the U.S.

China's innovative medical enterprises grapple with an evolving, and at times, challenging commercial payment system. Compounded by the complexities of the new centralized procurement policy, the ability to sustain ample R&D and clinical research expenditures, let alone achieving profitability, becomes increasingly intricate. Faced with these circumstances, firms can either opt out of centralized procurement, relying purely on true technological advancements to compete and preserve lucrative pricing, or they can adapt to centralized procurement by leveraging cost efficiencies and focusing on volume rather than pricing.

Given the interplay of various factors, including shifts in secondary market valuations, the days of exponential growth trajectories marked by valuations escalating from RMB 1 billion in Series A to RMB 2 billion in Series B, and hitting at least RMB 3 billion by Series C, are likely behind us. In their place, we anticipate a more pragmatic growth model tailored to China's unique market conditions.

5. Innovative medical enterprises in China face a pivotal decision: pursue groundbreaking technologies to capture the global market or align with the centralized procurement policy to swiftly secure a dominant position in the domestic market through cost management. The moment for choice is now.

The centralized procurement policy presents Chinese innovative medical entities with two distinct avenues:

For instance, on February 28th, 2022, the FDA greenlit Carvykti, a joint venture between Nanjing Legend Biotech and Johnson & Johnson, designed for treating adults with recurrent or refractory multiple myeloma. This marked the inaugural FDA endorsement of a CAR-T cell therapy initiated by a domestic drug innovator and stood as the second globally approved BCMA-focused CAR-T treatment. Later that year, on December 22nd, Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd. and Merk Sharp & Dome entered a collaborative pact, encompassing exclusive licensing rights for seven ADC drugs in their preclinical phase, with milestone payments nearing a staggering $11.8 billion. Not only did this set a precedent in China's healthcare sector's licensing history, but it also topped 2022's global pharmaceutical licensing transactions. These milestones underscore the global potential and competitive edge of China's pioneering medical solutions.

The alternative pathway is engagement in centralized drug procurement, leveraging swift market entry and optimal cost-efficiency to garner reasonable profits. This route is likely the endgame for "innovative" medical enterprises lacking genuine innovation. By opting into centralized procurement, these entities exchange peak profitability for reduced marketing and distribution costs. As long as they can maintain costs at a sustainable threshold, profitability can be achieved via mass production. While this approach is arguably more conservative, it offers a pragmatic solution for many.

6. Multinational corporations exhibit markedly divergent stances toward China's healthcare market. While some are intensifying their investments, fostering capital localization, and even signaling openness to state-owned asset reforms and independent A-share listings, others contemplate reducing their market reliance or even full exit. Consequently, the horizon seems ripe with prospects for joint ventures, mergers, asset sales, divestments, and corporate restructures in these multinational entities.

For several decades, multinational companies have been integral to China's healthcare industry, bringing forth innovative technologies, ideas, and products spanning pharmaceuticals, medical devices, and services. However, the past decade has witnessed a meteoric rise of domestic enterprises. Coupled with increasingly stringent regulatory measures and the broadening scope of centralized procurement, multinationals now grapple with their market position, wary of being eclipsed by domestic entities. Thus, forging strategic alliances with domestic enterprises, especially prominent state-owned entities, in terms of product and even equity, has emerged as a prevalent, perhaps even essential, route for these global giants.

In a significant move in February 2023, GE Healthcare (China) partnered with China National Medical Device Co., Ltd., unveiling plans for a new medical device enterprise aimed to satisfy the growing demands in China's huge medical health market. This was the first joint venture company in the field of medical imaging equipment, controlled by a leading MNC and a state-owned Chinese enterprise. Similarly, in June 2022, Siemens Healthcare (China) officially released its "National Intelligence Innovation" plan, which targeted at transforming itself into a "Chinese local enterprise" and deepen its participation in building a "healthy China". This metamorphosis involves localizing entire pipelines, tailoring R&D strategies to domestic demands, and recalibrating business models in line with local norms.

At the same time, it is prudent for multinational corporations to maintain robust financial reserves and focus on potential in M&A to improve their product pipelines and market presence, as the current valuation environment favors buyers over sellers. On December 12, 2022, Boston Scientific Corporation announced an offer to acquire no more than 65% of Acoec's total shares (HKEX: 6699) for HKD 20 per share. Acotec's total equity valuation was approximately $800 million (HKD 6.23 billion). This deal marked the most significant acquisition of a Chinese medical device firm by a multinational since 2014 and also stood as Hong Kong's largest open-market acquisition since that year.

7. In 2022, the valuations of China's healthcare industry significantly declined in the secondary market, leading to changes in the primary market including transaction willingness and valuation expectations. We expect some recovery in Q3/Q4 of 2023 in the primary market, but the valuation environment will maintain relatively conservative.

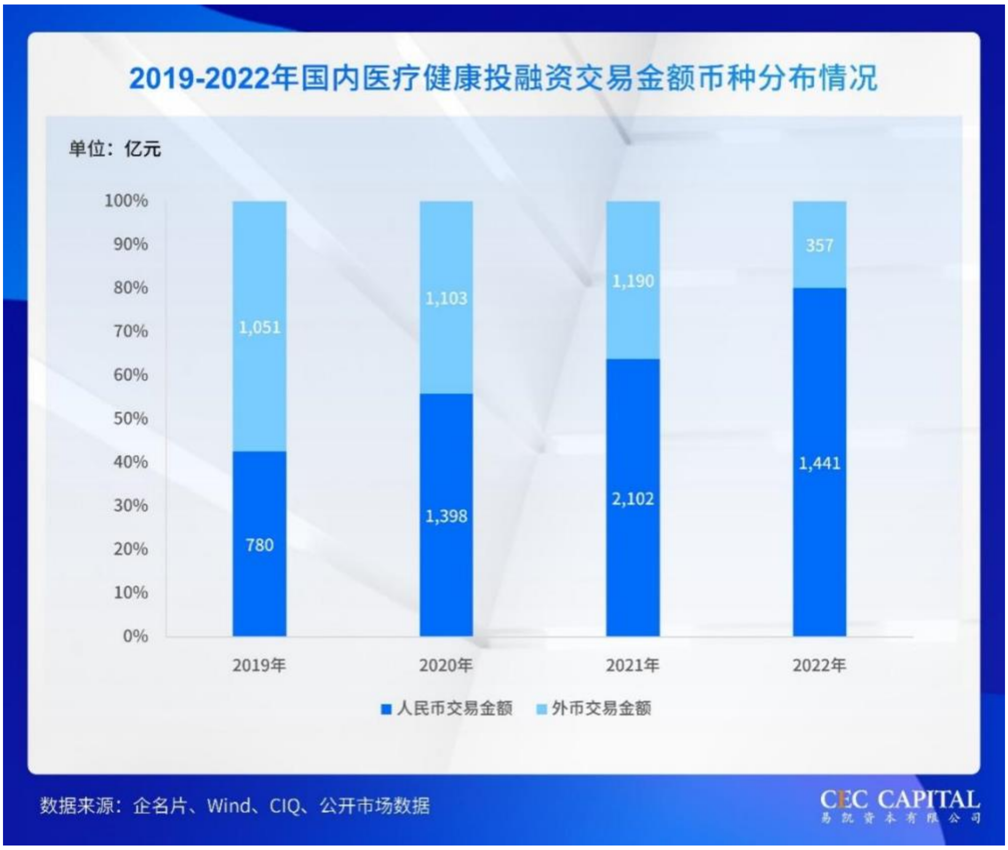
In 2022, healthcare stocks in both domestic shares and Hong Kong shares showed a strong downward trend. According to Wind, by the end of 2022, there were approximately 483 A-share medical related companies. Their total market value dropped 12% in 2022, from 8.3 trillion to RMB 7.3 trillion. The medical related China Securities Index fell by 27% in 2022. By the end of 2022, there were 220 medical related companies listed in Hong Kong. Their total market value dropped 3% in 2022, from RMB 2.9 trillion to 2.8 trillion. The Hang Seng Healthcare Index fell by 19% in 2022.

Zooming into valuation specifics, A-shares, as represented by the China Securities Index, faced a downward pull in 2022. The Price-to-Sales ratio (PS TTM) diminished by 22%, moving from 13.8x to 10.8x, while the Price-to-Earnings ratio (PE TTM) retracted by 15%, decreasing from 52.6x to 44.6x. Similarly, the Hong Kong stock healthcare sector, represented by the Hang Seng Healthcare Index, followed a descending trajectory with the PS (TTM) plunging by 52% (22.0x to 10.6x) and PE (TTM) reducing by 40% (32.6x to 19.5x).

As 2023 unfolds, the receding impact of COVID-19 is anticipated to usher societal normalization and recalibrate industries. The secondary market is poised for a partial resurgence by year's end, although there will be steep gaps from its high in 2021. We predict in the first half of 2023, the secondary market will maintain a wait-and-see approach, potentially shifting as mid-year performance results surface. Meanwhile, the primary market will have to take time to digest the consequences of the highly inflated bubble valuations. We will anticipate partial recovery of the primary market in Q3/Q4, but the valuation environment will maintain at a relatively conservative level.

8. Similar to various other industries, RMB-dominated funds are becoming the absolute mainstream in China's healthcare primary market, which will profoundly shape investment preferences and valuation strategies.

According to data from the Asset Management Association of China, Qimingpian and Zero2IPO, the number of newly raised funds in China’s primary market in 2022 was between 7000 to 9500, with RMB-dominated funds accounting for over 80%. The total fundraising amount was between RMB 2 to 2 trillion, also with RMB accounting for over 80%. In conclusion, RMB-dominated funds have become dominant in both number of funds and amount.



From an investment perspective, there were 2,012 transactions in China's healthcare primary market in 2022, which is a reduction of 30.5% compared to 2021. RMB funds were absolutely dominant, accounting for 89.0% of total cases, showing an increase of 6.3% compared to 2021. USD-dominated funds accounted for 10.8% of total cases, showing a decrease of 6.2% compared to 2021. The total transaction amount in China's healthcare primary market in 2022 was RMB 179.8 billion, which is a reduction of 45.4% compared to 2021. RMB transactions accounted for 80.1% of total transaction amount, showing an increase of 16.3% compared to 2021, while USD transactions accounted for 19.5%, showing a decrease of 15.4% compared to 2021.

From an investment perspective, 2012 transactions took place in China's healthcare primary market in 2022, which reduced by 30.5% compared to 2021. RMB-dominated funds were absolutely dominant, accounting for 89.0% of total cases, showing an increase of 6.3% compared to 2021; USD-dominated funds accounted for 10.8% of total cases, showing a decrease of 6.2% compared to 2021. The total transaction amount in China's healthcare primary market in 2022 was RMB 179.8 billion, which reduced by 45.4% compared to 2021. RMB transactions accounted for 80.1% of total transaction amount, showing an increase of 16.3% compared to 2021; Meanwhile, transactions made in USD accounted for 19.5%, showing a decrease of 15.4% compared to 2021.

We believe that the **remarkable rise of RMB funds, especially those with national and local government backgrounds, in multiple industries (including the healthcare industry) will inevitably have a profound impact on the aesthetic trend and valuation system of China's primary market**. Although the direction and degree of this impact may vary in each sub sector, overall, **the focus of RMB funds is shifting from incremental to inventory, from growth to profit, from simple business model to hardcore innovation, from solving daily-demands to making domestic substitution and cracking "bottleneck" problems, and from jamming in the middle stages to polarizing at either the early or near IPO stages.**

We believe that the rise of RMB funds, especially those with national and local government backgrounds, will inevitably have a profound impact on the investment strategies and valuations of China's primary market. Although the direction and degree of this impact may vary in each sub-sector, overall, the focus of RMB funds is shifting from incremental to existing assets, from growth to profit, from simple business models to hardcore innovation, from solving daily-demands to making domestic substitution and cracking "bottleneck" problems, and away from middle-stages opportunities to polarizing at either early-stage or pre-IPO stages.

The weakening of USD investment is attributed to regulatory uncertainty and geopolitical tensions between the two superpowers. This, however, has given rise to investments from other parts of the world, including Europe and the Middle East, whom are becoming a more influential force of foreign investment in China.