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China LSHC Industry Survey
2026 State of Industry in China

China Life Sciences and Healthcare Industry Team
July 2026

MAKING AN IMPACT THAT MATTERS since 1845

Foreword

As of mid-2026, China's life sciences and healthcare (LSHC) sector is undergoing profound transformation. Routine volume-based procurement, tightening cost controls, and intensifying competition in innovative drugs, coupled with geopolitical frictions and technological shifts, have moved the industry from high-speed growth into a phase of zero-sum competition and structural reshaping. Meanwhile, commercial insurance expansion, AI-driven changes in R&D and clinical practice, and the rise of global expansion from an option to a necessity, are redefining core capabilities and survival rules.

Deloitte China's LSHC team has keenly sensed the urgency of this inflection point. This year marks the 7th consecutive year we have conducted this annual industry outlook survey since 2020, gathering insights from 112 senior executives and experts across pharma, medical devices, and healthcare services. The survey reviews 2025 performance and offers a forward-looking outlook for 2026, focusing on the implementation of the Commercial Health Insurance Innovative Drug List, the value transformation of AI in commercialization, overseas expansion pathways and risks, and the operational and business model changes required to adapt to China's evolving environment.

This report is not merely a data compilation; it offers a decision-making prism. It goes beyond any single firm's perspective, benchmarks against industry consensus, highlights often-overlooked undercurrents, tests the soundness of strategic choices, and helps identify structural opportunities. Grounded in practice and oriented towards the future, this report provides a solid reference for strategic planning. We look forward to working with industry peers to shape the future together through change.

Yvonne Wu

China Life Sciences & Health Care Industry Leader

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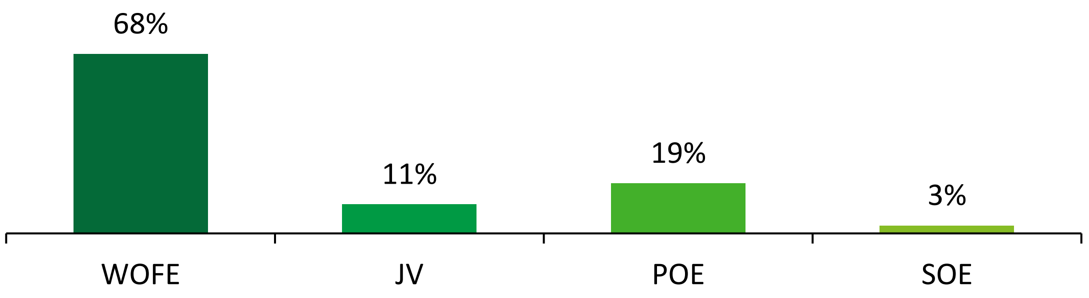
China Life Sciences Sector Leader

Content

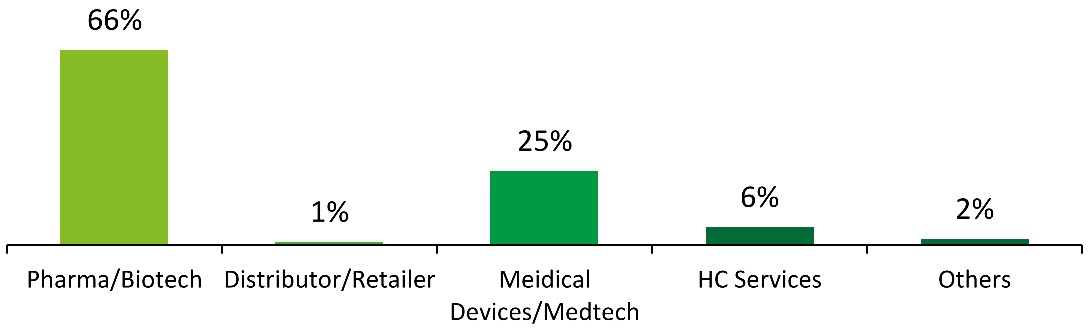
Research Framework

Survey period: April-June 2026. Engaged **112** China-based Life Science & Health Care ('LSHC') industry operators and investors

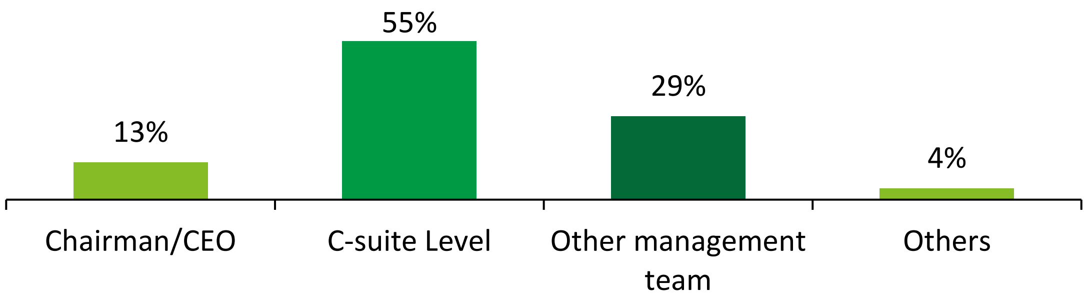
Company type distribution



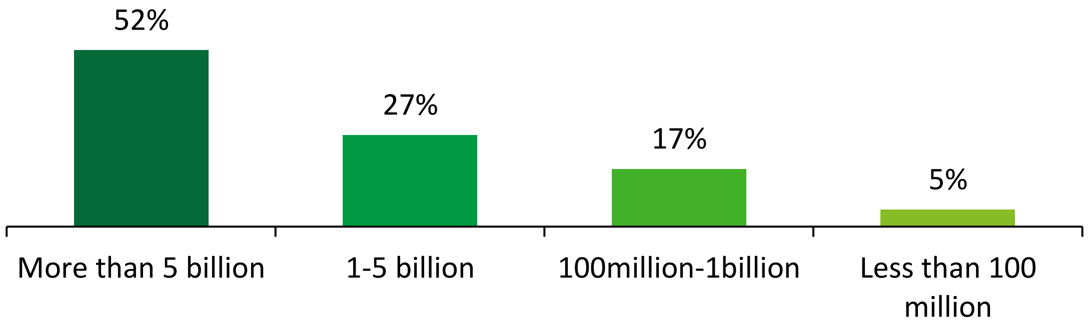
Industry sector distribution



Seniority level distribution



China revenue (RMB) size distribution



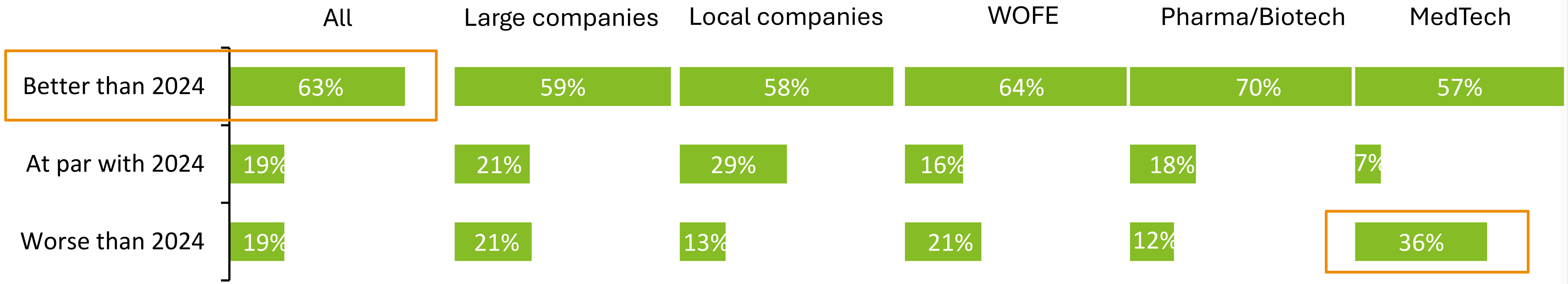
Note: SOE - State owned Enterprise; POE -Private owned Enterprise; JV - Joint Venture; WOFE - Wolly Foreign owned Enterprises: HC - Healthcare

China LSHC outlook & considerations

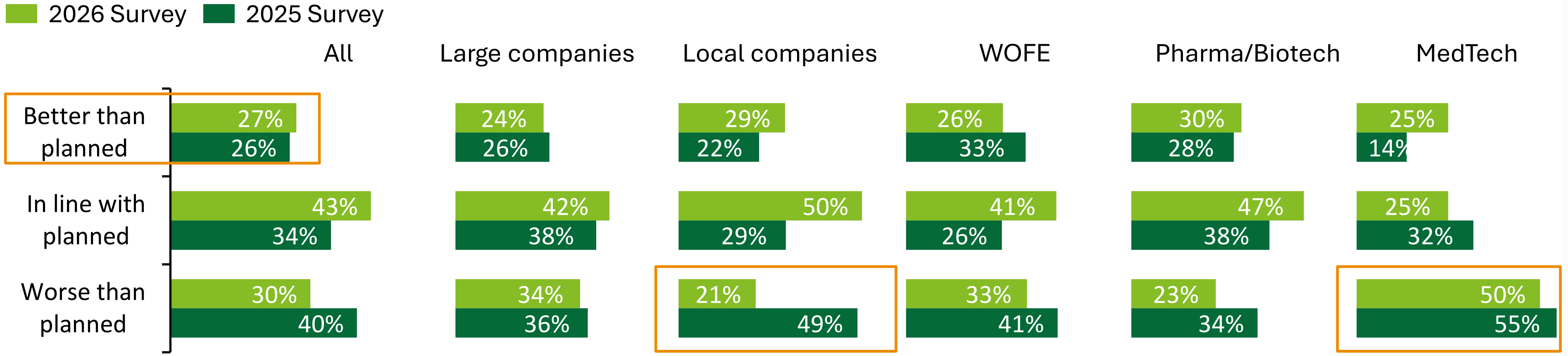
China's business performance in 2025 was overall better than in 2024, in line with expectations overall. Local players improved significantly, while medical devices continued to face pressure

How did your company perform (top line) in 2025?

Compared to the previous year (2024)



Compared to expectations / plans



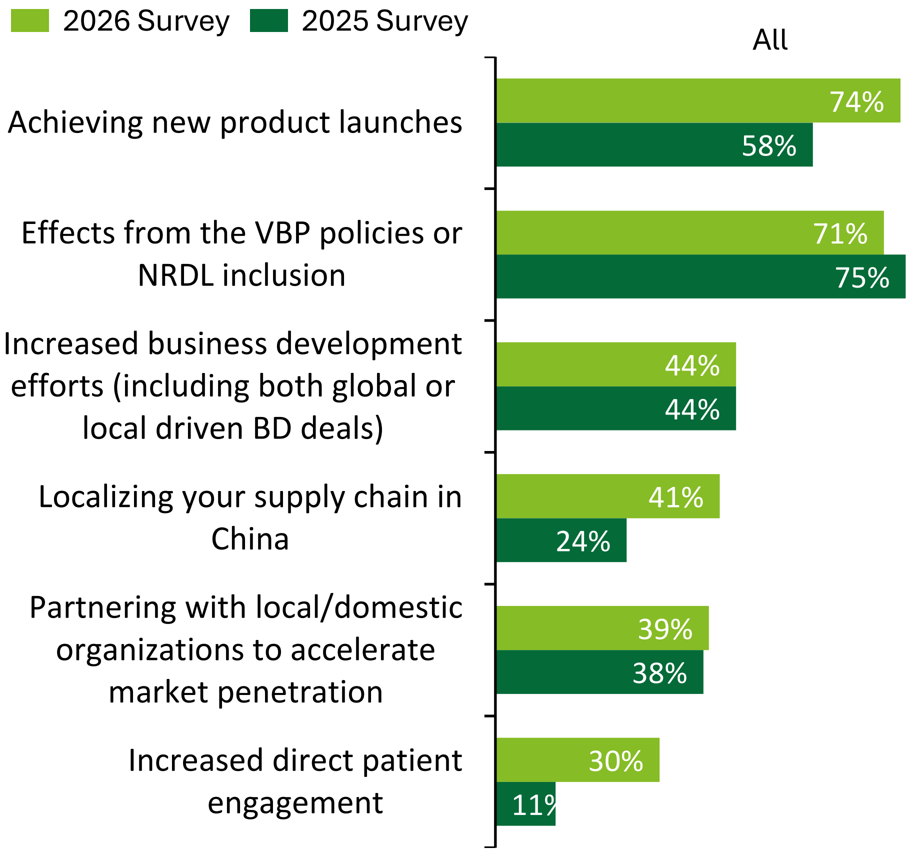
Note: Large companies—companies with revenue exceeding 1 billion RMB in 2025
Local companies – POE and SOE; WOFE –Wolly Foreign-owned Enterprises

Key Insights

- **2025 Performance: Recovery in progress, but fully meeting expectations remains elusive**
  - ✓ Revenue improved for 60%+ of surveyed companies, yet only 27% beat internal targets.
  - ✓ Industry recovery is underway: **Local players saw "worse than planned" falling 28% from 2024.**
  - ✓ However, "better than planned" held steady — a sign of more realistic goal-setting by industry players.
- **MedTech Sector Continues to Underperform**
  - ✓ 36% fell short of 2024 levels; 50% missed expectations — significantly trailing pharma/biotech.
  - ✓ The profit and access pressures from volume-based procurement, DRG/DIP, and anti-corruption campaigns have yet to be fully absorbed.

Economic benefits throughout the product lifecycle remain the most important consideration, while the localization of supply chains has gained significant attention

(Multiple choice) Your 2025 business performance was mainly impacted by...



	Large companies	Local companies	WOFE	C-suite	Life Science
Achieving new product launches	1 ↔	1 ↔	1 ↔	1 ↔	1 ↔
Effects from the VBP policies or NRDL inclusion	1 ↑	1 ↑	2 ↔	2 ↔	2 ↔
Increased business development efforts (including both global or local driven BD deals)	3 ↑	3 ↓	4 ↔	3 ↑	3 ↑
Localizing your supply chain in China	5 ↔	4 ↔	4 ↑	5 ↔	4 ↑
Partnering with local/domestic organizations to accelerate market penetration	4 ↑	5 ↑	3 ↑	3 ↑	5 ↑
Increased direct patient engagement	6 ↔	6 ↔	6 ↔	6 ↔	6 ↔

Ranking changes: ↑Increase ↓Decrease ↔No change
Advance two or more positions in the ranking

Key Insights

- **VBP/NRDL and new product launches** have consistently been the top two influencing factors since our survey studies began in 2021.
- **Supply chain localization surged in priority** — reflecting proactive risk mitigation against geopolitical and compliance headwinds.
- **Patient engagement remains the lowest factor at 30% but posted the largest jump (from 11% last year)** — patient-centric models are transitioning from concept to operational reality.

Note: Large companies—companies with revenue exceeding 1 billion RMB in 2025
Local companies – POE and SOE; WOFE –Wolly Foreign-owned Enterprises

Corporate sensitivity to government affairs diverges; local R&D investment rises

(Multiple choice) Within your organizational & business model, which are the key changes implemented in 2025?

Large companies	Local companies	WOFE	C-suite	Life Science
1 ↔	1 ↔	1 ↔	1 ↔	1 ↔
2 ↑	2 ↔	2 ↑	2 ↑	2 ↔
3 ↑	3 ↓	4 ↑	4 ↔	3 ↑
3 ↓	6 ↓	2 ↔	3 ↓	4 ↓
5 ↔	3 ↑	5 ↓	6 ↔	5 ↑
6 ↔	5 ↓	6 ↔	5 ↔	6 ↓
7 ↑	7 ↑	7 ↔	7 ↑	7 ↑
8 ↓	8 ↓	8 ↔	8 ↓	8 ↓

Ranking changes: ↑ Rise ↓ Descent ↔ No change
Advance two or more positions in the ranking

Note: Large companies – companies with revenue exceeding 1 billion RMB in 2025
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Key Insights

- **Optimal Marketing & Sales team remains the focus for all, with slight drop (82%→78%).**
- **Local R&D stays a high priority and is trending up,** reflecting the broader ascent of domestic R&D capabilities.
- **Policy sensitivity:** large and Local companies show declining government affairs focus, suggesting top-tier players have completed policy adaptation; WOFE continue treating it as a critical variable.
- **More than half (52%) of companies enhanced local digital teams**, up from 45% a year ago, with the importance surging among local companies.
- **Shared services "expand inward, contract outward": domestic shared service functions gain ground as overseas counterparts lose traction.** Enterprises are rapidly building regionalized, autonomous operations hubs to address supply chain uncertainty and data compliance requirements.

Stakeholders are generally optimistic about their China business in 2026, with overall expectations shifting toward moderate growth, and local players being the most ambitious

How do you foresee your China business outlook for 2026?

Key Insights

- **High-growth expectations cooled across the board:** the industry has shifted from explosive expansion to measured, sustainable growth.
- **100% local companies remain optimistic:** likely driven by successful commercialization of their product.
- **WOFEs show balanced growth outlooks and a significant increase in expecting a decline in income:** reflecting a proactive adjustment of its growth expectations to align with China's new normal.
- **MedTech's high-growth expectations fall; steady-growth outlooks nearly doubled:** under volume-based procurement and anti-corruption pressures, **the sector has broadly accepted "slower but sustainable" as the viable operating model.**

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Business confidence in the Chinese market has significantly recovered compared to last year, with foreign players placing greater emphasis on the Chinese market and pursuing incremental investments with a more positive attitude

(Multiple choice) How is your current overall business outlook for China (next 3-5 years)?

Note: Large companies—companies with revenue exceeding 1 billion RMB in 2025
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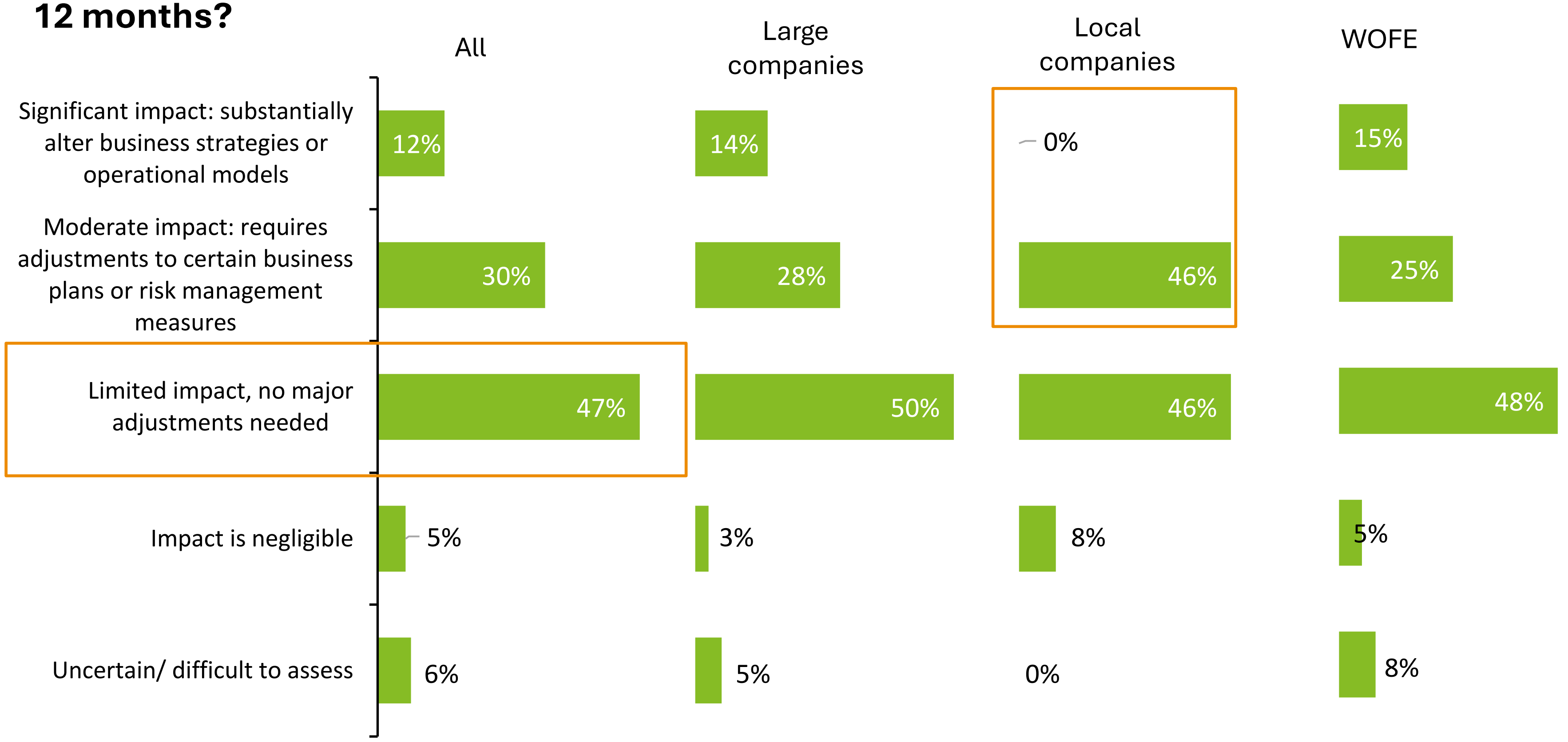
Key Insights

- **Near-term outlook improved markedly with "cautious optimism":** 88% of respondents plan to maintain or increase China exposure. The share opting to "getting less resources in China" fell sharply.
- However, 22% of firms still see unclear prospects: confidence is recovering but has not fully translated into certainty. **"Active positioning" and "dynamic risk assessment" run in parallel.**
- **WOFEs led the sentiment rebound:** the share expecting better prospects jumped 30%, while perceptions of investment challenges and caution both dropped sharply — **the market uncertainty has been partially priced in.**

Geopolitical risks are considered generally manageable over the next year, with nearly half believing the impact is limited; over 40% of local players may adjust their business plans

Added in 2026

Considering the current geopolitical environment, how do you anticipate the overall impact of geopolitical risks on your company's performance in China over the next 12 months?



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Key Insights

- **Geopolitical risk normalized as background noise:** near half firms view impact as limited with no major adjustment needed —the risk has been largely internalized into day-to-day operations.
- WOFEs and Large companies show higher alertness (around 15% see significant impact) yet greater composure: 48% of WOFEs rate impact as limited (highest across categories)**, reflecting their mature risk management system characterized by "strategic emphasis and tactical control.** In contrast, Local companies rely more on operational flexibility to absorb disruptions.
- 46% of local companies plan adjustments or enhanced risk management (highest share), yet none foresee substantially alter business strategies— **suggesting reactive patching at the operational level.**

The innovative drug listing mechanism for commercial health insurance is progressing effectively, with limited coverage being the current general consensus; 40% of companies still evaluating next actions

(Multiple choice) Over the next 1–2 years, what do you consider the most critical challenges that need to be addressed to ensure the effective implementation of the CHIIDL mechanism?

Added in 2026

	All	Large companies	Local companies	WOFE	MedTech	Pharma/Biotech
Limited Coverage of Commercial Insurance Products	57%	61%	63%	56%	50%	62%
Difficulties in price negotiation	23%	19%	19%	19%	11%	26%
Inconsistent policy implementation	37%	39%	38%	36%	25%	41%
Patient accessibility	27%	30%	25%	27%	14%	35%
Uncertain / difficult to assess	30%	27%	25%	32%	43%	24%

	All	Large companies	Local companies	WOFE	MedTech	Pharma/Biotech
Participated in CHIIDL inclusions in Dec.2025	20%	24%	25%	18%	0%	30%
Plan to participate in the next round of CHIIDL listing	7%	8%	0%	9%	11%	7%
still evaluating	40%	41%	38%	41%	36%	39%
Not applicable	33%	27%	38%	32%	54%	24%

Key Insights

- The first edition of the commercial health insurance innovative drug list (CHIIDL) was released in December 2025. **In this survey, 20% of respondents participated in the application,** with pharma/biotechs leading at 30%; MedTechs are not yet covered.
- **Regarding implementation challenges, nearly 60% cited "limited coverage" as the top concern,** with similar figures across segments — likely reflecting a prudent first-year rollout (only 19 innovative drugs included).
- **On next steps, 40% are "still evaluating"**; less than 10% plan to apply for the next round, **signaling a broad wait-and-see stance toward the new policy.**

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Enterprises are accelerating the development of management models tailored to the Chinese market, reflecting the "in China for China" strategy in their product portfolios and value propositions

(Multiple choices) In your latest China market strategy, have you or are you considering the following actions:

	All: 2026 Survey	All: 2025 Survey	Large companies	Local companies	WOFE	C-suite	Life Science
Adjusting your product portfolio reflecting price constraints & risks generated by VBP and NRDL or the general competitive environment in China	51%	50%	1 ↔	1 ↑	1 ↔	3 ↔	1 ↔
Create China specific governance model that is differ from other markets	50%	49%	2 ↑	2 ↔	1 ↑	1 ↔	2 ↔
Search for Chinese based assets for your product portfolio localization or oversea ambitions	46%	45%	3 ↑	2 ↓	3 ↑	2 ↓	3 ↔
Consider build China localized system or data house reflecting the compliance risk	41%	40%	4 ↓	4 ↑	4 ↓	4 ↑	4 ↔
Consider raising local financial resources from third parties (debt), or seek for M&A and licensing opportunities	19%	18%	5 ↔	5 ↔	5 ↔	5 ↔	5 ↔

Ranking changes: ↑ Rise ↓ Descent ↔ No change
Advance two or more positions in the ranking

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Key Insights

- **Portfolio adjustment for VBP/NRDL remains strategic priority for companies and continues to rank 1st across all survey.**
- **"Search for Chinese based assets for product portfolio localization" continues to be a strategic priority for all enterprise types, and ranked in the top 2 positions among local companies for 2nd year — reflecting BD boom,** as local players license out for value and in-license for VBP resilience.
- **"In China for China" enters structural reality from slogan:** "China-specific governance model" gained traction among Large companies and WOFEs—MNCs are increasingly recognizing the need for tailored management model in the Chinese market.

ESG implementation is fully aligned and integrated into the global overall plan; local players are entering the stage of building professional teams, and specific carbon reduction targets are receiving high-level attention

(Multiple choices) Climate & sustainability objectives are being elevated in many corporates. Your China unit's plans and initiatives will focus on...

	All – 2026 Survey	All – 2025 Survey	Large companies	Local companies	WOFE	C-suite	Life Science
Engaged external resources to align global plans with your China specific context and organization	40%	34%	2 ↑	2 ↓	1 ↑	1 ↔	1 ↔
Created a specific in-house team & capabilities covering these initiatives and reporting	38%	39%	1 ↔	1 ↑	2 ↓	2 ↓	2 ↓
Setting specific carbon reduction objectives in China covering energy, water or other usage of resources	25%	29%	3 ↓	3 ↔	5 ↔	3 ↑	3 ↑
Adjusting operational policies to reduce overall carbon footprint (travel policies etc.)	23%	30%	5 ↓	4 ↔	3 ↓	4	4 ↓
Requiring your vendors and other third parties to adhere to your climate & sustainability objectives	20%	26%	4 ↑	5 ↔	4 ↔	6 ↓	5 ↔
Considering adjusting your overall supply chain model to enhance carbon footprint	19%	21%	6 ↔	5 ↑	5 ↑	4 ↑	6 ↔

Ranking changes: ↑ Rise ↓ Descent ↔ No change

Advance two or more positions in the ranking

Note: Large companies – companies with revenue exceeding 1 billion RMB in 2025
Local companies – POE and SOE; WOFE –Wolly Foreign-owned Enterprises

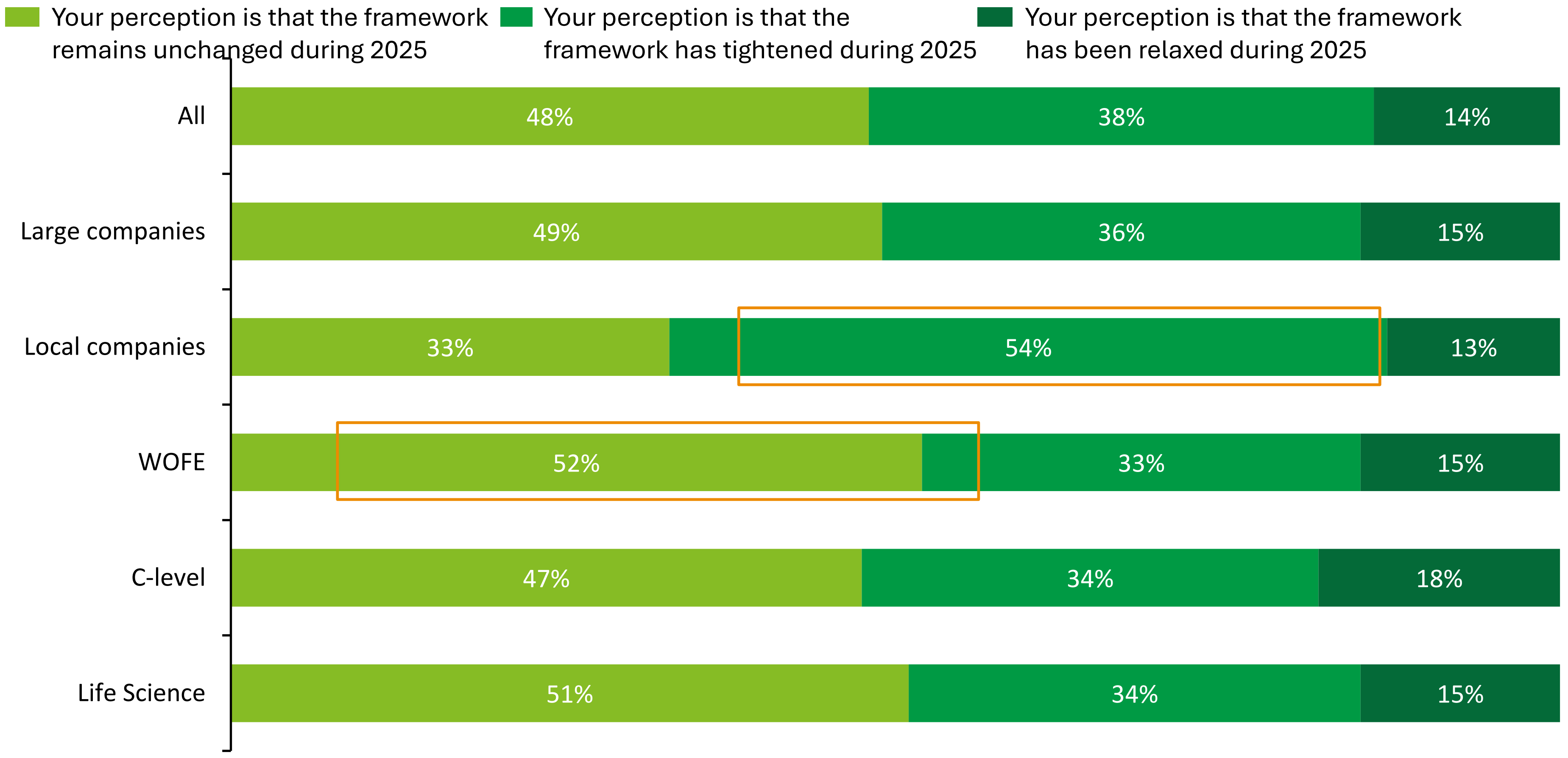
Key Insights

- Aligning global ESG plans with China specific context is the top priority across all segments (+6% compared with last year): **increasing priority to adapt ESG strategies to Chinese realities.**
- Local companies show strong appetite for building in-house teams (54%), while MNCs slipped one rank — suggesting **Local companies are still building ESG capabilities, whereas foreign players have progressed to fine-tuning and adaptation.**
- C-suites elevate carbon reduction targets: ranking rose 3 positions.
- Supply chain and third-party ESG screening remains the weakest link: **low scores across all categories reveal a persistent inward focus.**

New Regulatory and Technology Impacts

Although an increasing number of enterprises are considering global and diversified operations, China's regulatory framework remains crucial for both local and foreign players in China

The regulatory framework continued to evolve in China, has your perception shifted with data privacy framework changes noted in 2025?



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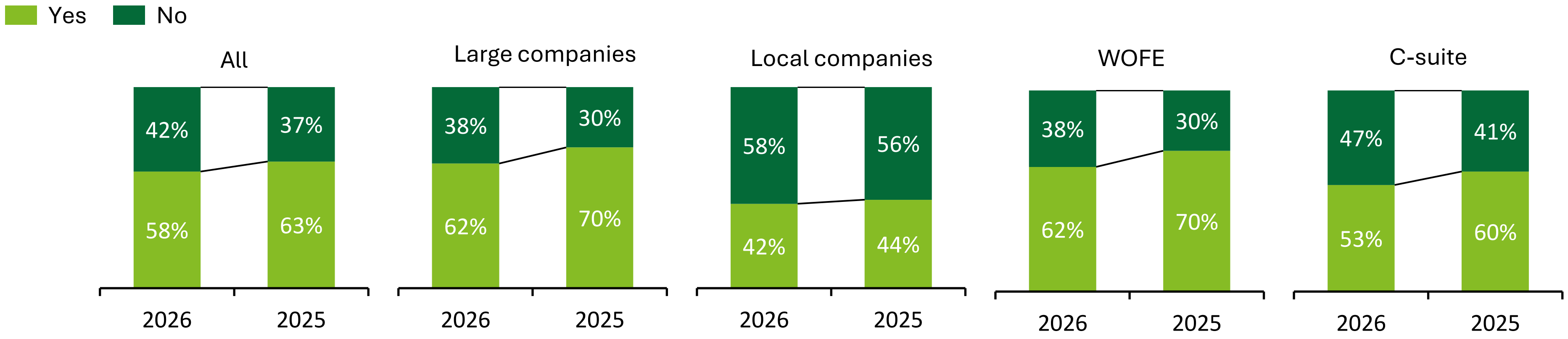
Key Insights

- Near half of respondents see the regulatory framework with no significant changes in 2025: WOFEs(52%) lead this view. **Tightening expectations have faded vs. 2024, easing market pessimism. In contrast, 54% of local companies seeing tightening** —reflecting differences in the development stages and priorities of these two types of enterprises.
- **Foreign players are focusing on the established market with mature compliance systems, while local companies are eyeing incremental growth and frontier areas with compliance still in early stages.**

The impact of data privacy and export restrictions shows structural divergence—— large and foreign players are facing increasing pressure, while “China-specific solutions” demand rises

(Multiple choices) As the restrictions of data privacy and export rule continues to be strengthened in the regulatory framework in China, how has your organization been impacted?



In which aspects are the impacts felt...

	All	Large companies	Local companies	WOFE	C-suite
Increased operating costs	32%	33%	25%	34%	30%
Less R&D or trial activities	4%	3%	8%	2%	3%
More R&D or trial activities	9%	11%	13%	8%	7%
China-specific solutions	30%	35%	17%	34%	28%

Note: Large companies – companies with revenue exceeding 1 billion RMB in 2025
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Key Insights

- **Large and foreign companies bear the brunt of tightening: 62% of companies affected. However, the share dropped 8% compared with last year,** suggesting the shock of restriction tightening has been partially priced in.
- Overall impact on R&D and clinical trials fell from 16% to 4%, **a positive signal that data compliance is not a primary friction point for innovation.**
- **"China-specific solutions" demand rises:** 30% of firms cite need (up from 25%), with WOFEs nearly doubling to 34% (up from 19%). Data governance is moving from global template to China-dedicated architecture — compliance capability itself is becoming a hidden market access barrier.

With the deepening integration of digital applications, data governance and compliance management have been elevated to top priorities, including the establishment of compliance frameworks and the deployment of localized solutions

(Multiple choices) Considering China's pace to technology changes and digital patient engagement, have you :

2026 Survey / 2025 Survey

	All (2026 Survey)	All (2025 Survey)	Large companies	Local companies	WOFE	C-suite	Life Science
Allocated more resources to manage your IT & data compliance framework	55%	43%	1 ↑	1 ↑	1 ↔	1 ↑	1 ↔
Deployed local IT & data solutions that are different from the global tools	38%	34%	2 ↔	3 ↑	2 ↑	3 ↔	3 ↔
Allocated more resources in 2026 to build more capabilities around data & IT security for your China business	35%	34%	4 ↔	4 ↓	3 ↑	4 ↔	4 ↑
Changed your talent model for digital competencies	38%	44%	3 ↓	2 ↓	4 ↓	2 ↓	2 ↓
Built a China-based data house or initiated an 'in-China' data hosting structure plan	26%	30%	5 ↔	5 ↓	5 ↔	5 ↔	5 ↔

Ranking changes: ↑ Rise ↓ Descent ↔ No change

Advance two or more positions in the ranking

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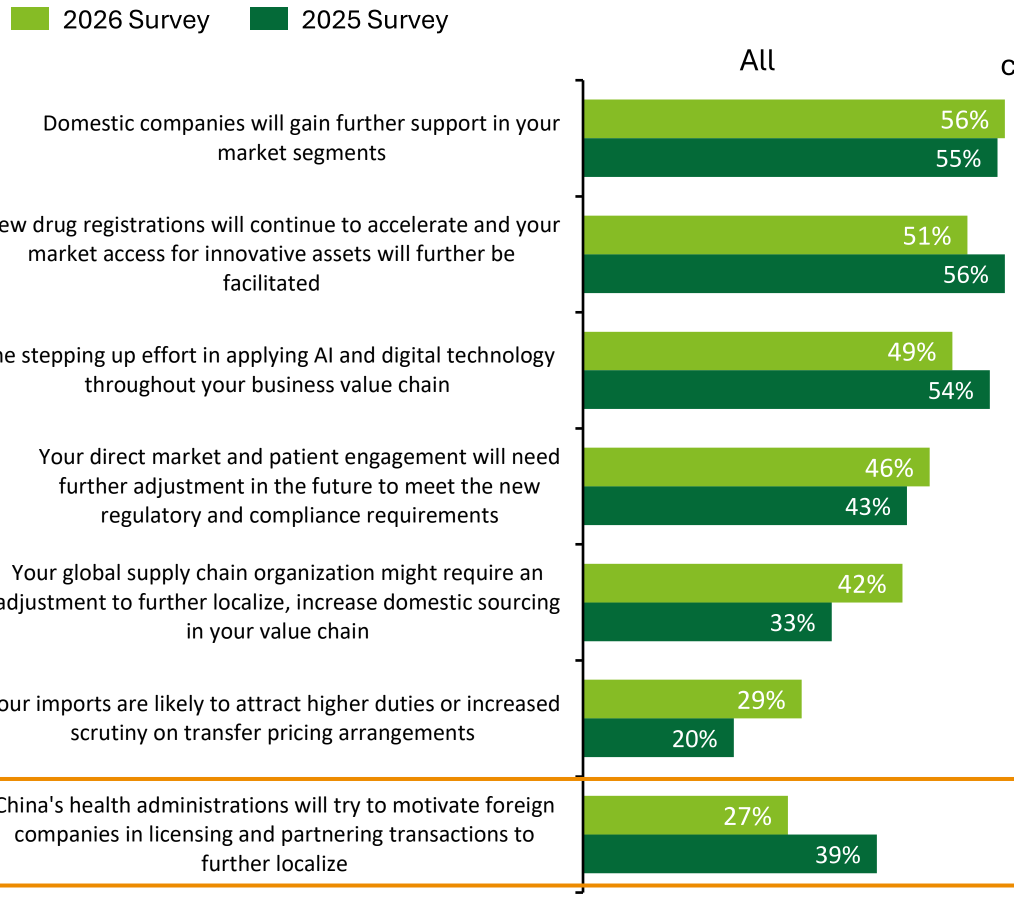
Key Insights

- Data compliance management tops priorities at 55%, **reflecting a shift from reactive firefighting to proactive system-building under intensifying regulatory scrutiny.**
- **WOFEs pivot from global templates to China-dedicated architectures:** localized IT and data solutions jumped in— a sharp reversal from last year's global standardization trend. **Data sovereignty requirements are fundamentally reshaping multinational governance structures.**
- Digital tech's impact on talent models has eased, likely as its organizational and job-related disruptions have been progressively digested in recent years.
- Nearly 30% of foreign companies have built China-based databases or data hosting structures to comply with tighter data privacy regulations.

Innovative products and market access remain the focus of business development, while supply chain resilience and compliance operations have gained higher priority

(Multiple choices) With China's regulatory environment keep adjusting, do you think that:



Statement	All: 2026 Survey	All: 2025 Survey	Large companies	Local companies	WOFE	C-suite	Life Science
Domestic companies will gain further support in your market segments	56%	55%	1 ↑	1 ↑	1 ↑	1 ↔	1 ↔
New drug registrations will continue to accelerate and your market access for innovative assets will further be facilitated	51%	56%	2 ↓	2 ↑	3 ↓	3 ↓	2 ↓
The stepping up effort in applying AI and digital technology throughout your business value chain	49%	54%	3 ↓	4 ↓	2 ↔	2 ↑	3 ↔
Your direct market and patient engagement will need further adjustment in the future to meet the new regulatory and compliance requirements	46%	43%	4 ↔	3 ↑	5 ↑	5 ↔	4 ↔
Your global supply chain organization might require an adjustment to further localize, increase domestic sourcing in your value chain	42%	33%	5 ↑	6 ↔	4 ↔	4 ↑	5 ↑
Your imports are likely to attract higher duties or increased scrutiny on transfer pricing arrangements	29%	20%	6 ↑	6 ↑	6 ↑	7 ↔	6 ↑
China's health administrations will try to motivate foreign companies in licensing and partnering transactions to further localize	27%	39%	7 ↓	5 ↓	7 ↓	6 ↓	7 ↓

Ranking changes: ↑ Rise ↓ Descent ↔ No change

Advance two or more positions in the ranking

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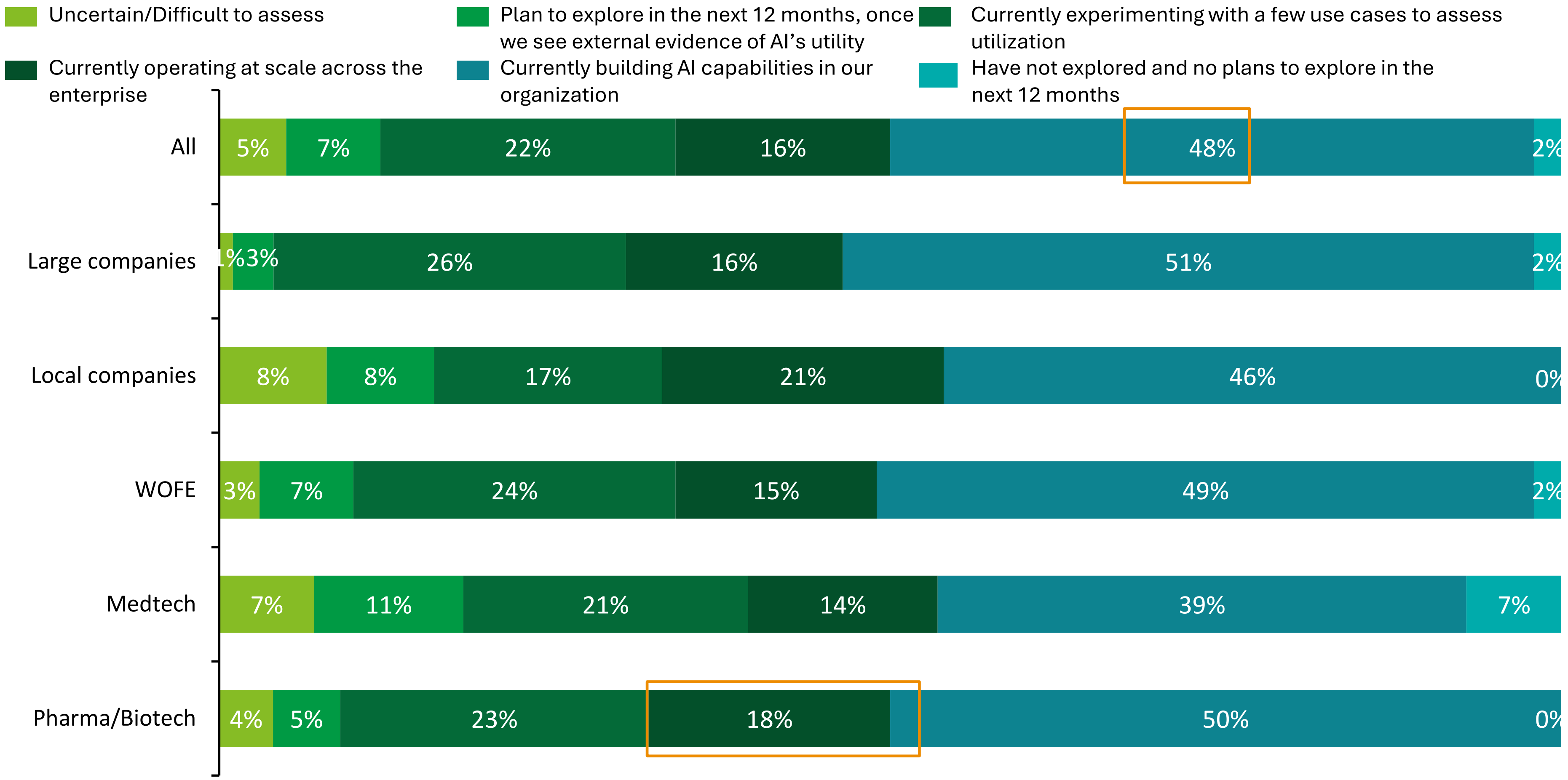
Key Insights

- Similar to previous years, **support for domestic companies and market access remain the top priority for all companies**, also an increase in focus on patient interaction compliance, global supply chain adjustments, import tariffs, and transfer pricing reviews.
- 56% expect continued support for domestic companies: **“domestic substitution" is now market consensus, not just policy direction. Foreign players must recalibrate where sustainable competitive advantage lies in the China value chain.**
- Interest in achieving localization via licensing and partnerships dropped across all segments — **echoing the outbound BD surge. "Going global" is now decisively overshadowing "bringing in."**

The application of artificial intelligence (AI) is still in the initial stage of development, with over half of enterprises building internal capabilities

Added in 2026

Which of the following best describes your current approach toward AI?



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Key Insights

- **AI is now table stakes, not optional:** nearly all firms have some AI initiative underway; only 2% have no exploration plans in the next 12 months.
- **Yet execution remains early-stage: 48**% are still in capability-building mode; just 16% have achieved large-scale deployment.
- Pharma/biotech leads at scale (18%) while medtech lags: **AI monetization pathways in drug discovery are proving clearer; clinical and commercial translation in devices remains to be improved.**

Generative Artificial Intelligence (GenAI): Data analysis and process automation lead application scenarios, with large and foreign companies demonstrating advanced adoption

Added in 2026

(Multiple choices) In which areas of your business operations have Generative AI (GenAI) been applied or shown potential for impact?

2026 Survey

	All	Large companies	Local companies	WOFE	C-suite	Life Science
Data Analytics & Insights	73%	1	1	1	1	1
Operations & Workflow Automation	54%	2	3	2	2	2
Drug Discovery & Development	46%	3	1	3	3	3
Regulatory & Compliance	30%	4	3	5	4	4
Clinical Trials	33%	5	6	4	6	5
Manufacturing & Supply Chain	26%	7	5	6	4	6
Commercial & Market Access	22%	6	8	7	7	7
Patient Engagement & Care	16%	8	6	8	8	8
Not Yet Applied/Still Exploring Potential Use Cases	12%	9	9	9	8	9

Key Insights

- As a new item in 2026 survey, it shows strong openness to GenAI: **data analytics and workflow automation lead adoption, reflecting a prioritization of low-barrier, quick-win "cost reduction" scenarios.**
- Pharma/Biotech companies report near 60% GenAI usage in drug discovery — **aligned with pipeline expansion priorities**. WOFEs and large companies lead in operational automation at around 60%, **deploying GenAI to enhance efficiency of mature, scaled portfolios.**
- Patient engagement (16%) and clinical trials (33%) trail significantly: **GenAI penetration at the core of healthcare delivery remains shallow.** Barriers — particularly patient data privacy and clinical validation requirements — still await resolution before meaningful scaling.

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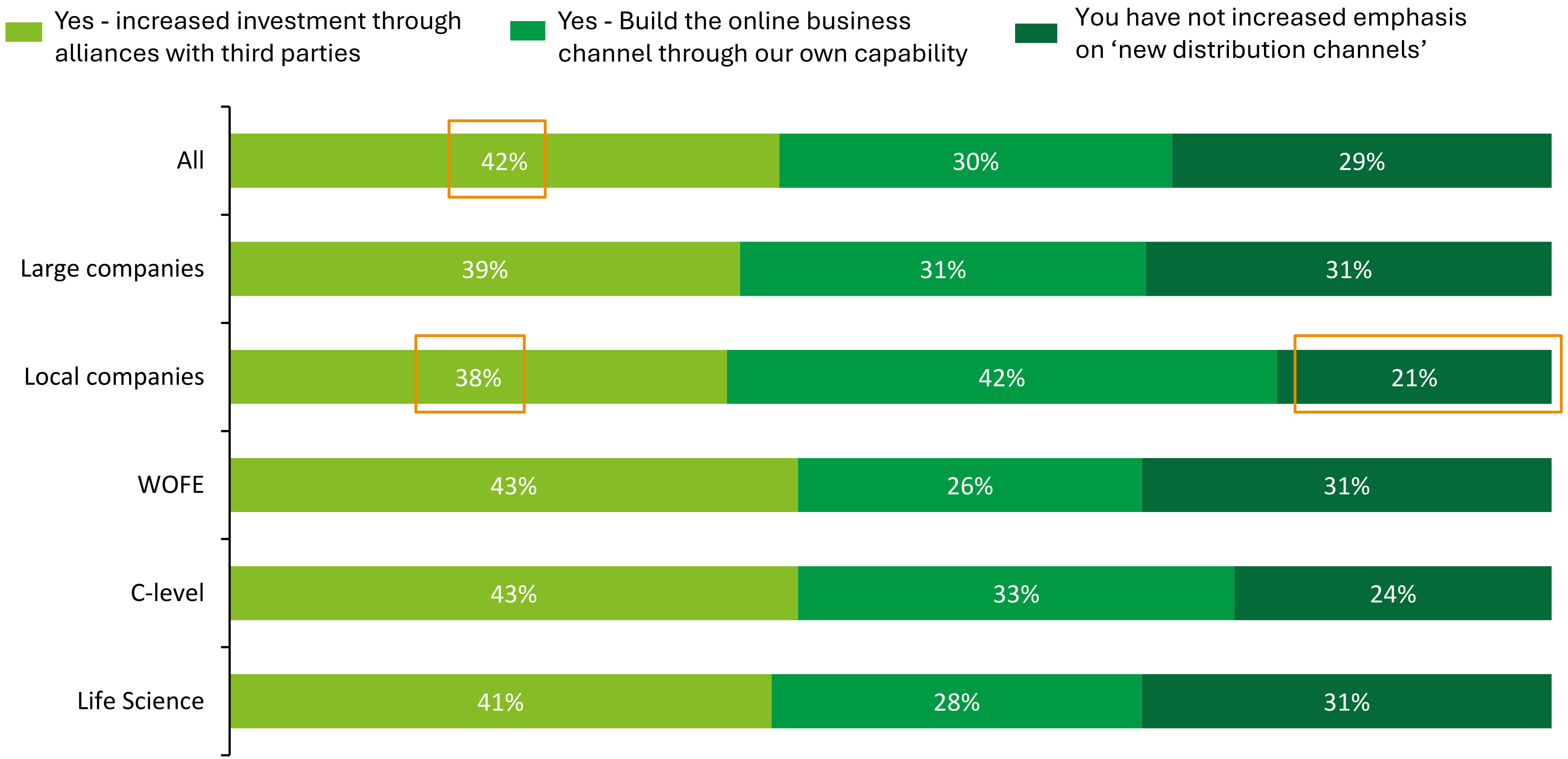
New shifts in business investment strategy

New channel development enthusiasm down overall; local players lead the decline.

For new market channels beyond the traditional 'in hospital channel', has your company increased investment on these new channels?



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Key Insights

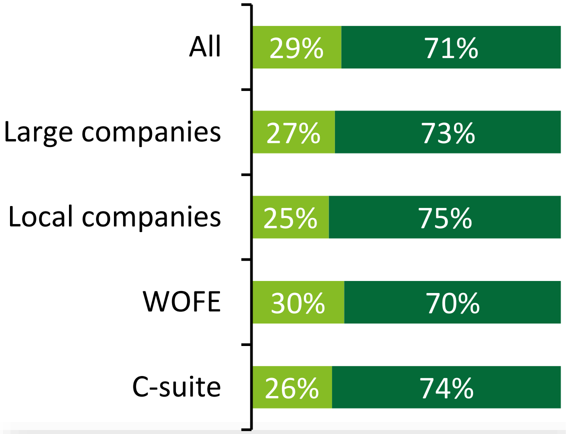
- Comparing with last year, 29% of respondents made no prioritized new channel investments this year (24% last year), **signaling a shift from "land grab" expansion to "precision operation" of existing channels.**
- "Alliance with third-party" was the most chosen model last year (46%), but this year it fell to 42%, **with the sharpest drop from local companies (44%→38%). Meanwhile local companies with no new-channel investment surged from 12% to 21%, reflecting a bottleneck in new-channel exploration.**
- **WOFEs advance dual-track channel strategy:** Self-built online channels rose (22%→26%), while partnership models held steady at 43%.

The eased foreign investment restrictions have intensified local competition; foreign players making localized investments in the supply chain over domestic commercial capabilities

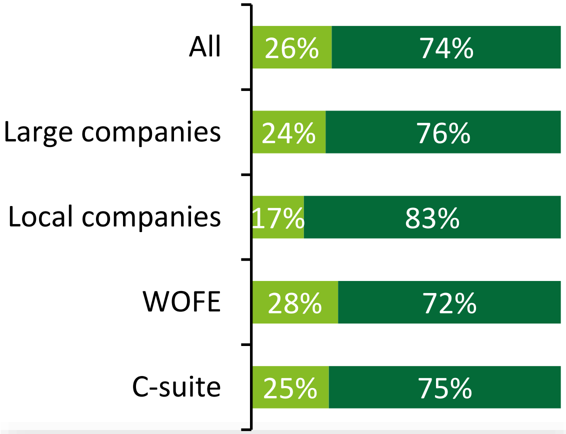
With eased foreign investment restrictions in 2025, have your organization increased the localization investment in below field as the 'China for China' initiatives:

No Yes

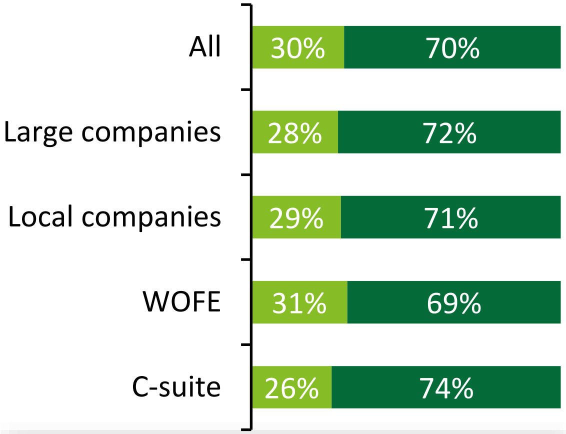
R&D localization



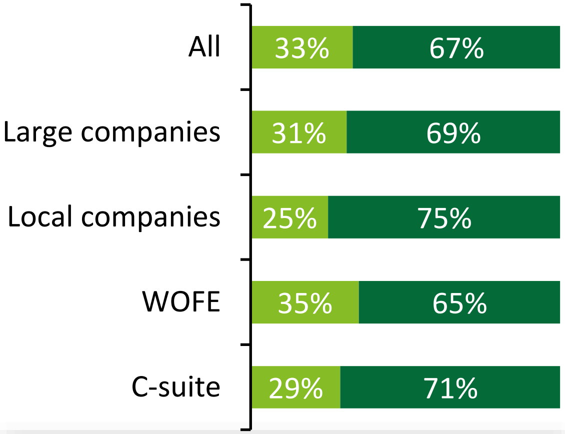
Clinical Trials/study development



Local supply chain



Local commercial capability



Key Insights

- 2026 marks the second year since the release of the new foreign investment regulations, **and over 70% of the surveyed companies continue to increase their local R&D investments.**
- To cope with the ongoing intense global competition for innovation assets, local companies have increased their R&D investment the most (75%).

Key Insights

- Investment in clinical trials localization was slightly higher than R&D alone, with approximately 74% of companies increasing their investment.
- Large and local companies have the highest investments in local clinical trials, while WOFEs trail closely—signaling **a faster push to embed China into global early-phase clinical networks.**

Key Insights

- Compared to last year, **large and foreign companies have significantly increased their investments in supply chain localization**, rising by 6% and 11% respectively.
- The importance placed WOFEs in this field (69%) exceeds that of local business capabilities (65%), **reflecting a greater emphasis on supply chain security than on sales growth.**

Key Insights

- Incremental investment in commercial capabilities has decreased compared to 2024 (down approximately 10%), **signaling the market's transition from rapid growth to maturity.**
- Consistent with previous year's trends, local companies place the greatest emphasis on investing in business capabilities, while WOFEs rank it relatively lower.

Note: Large companies – companies with revenue exceeding 1 billion RMB in 2025

Local companies – POE and SOE; WOFE –Wolly Foreign-owned Enterprises

Market size remains a key consideration and one of the primary attractions of the Chinese market, with growing emphasis on business models and supply chain strategies

(Multiple choices) What do you think are the most relevant considerations from your perspectives when introducing new products into China?

	All: 2026 Survey	All: 2025 Survey	Large companies	Local companies	WOFE	C-suite	Life Science
Market potential and patient population needs/demand	5.7	5.6	1 ↔	1 ↔	1 ↔	1 ↔	1 ↔
Right business model and supply chain alignment with global business including appropriate transfer pricing policies	3.8	3.4	2 ↑	3 ↓	2 ↑	2 ↑	2 ↑
Potential price adjustments resulting from government driven initiatives	3.4	3.6	3 ↓	2 ↑	3 ↓	3 ↓	3 ↓
Global and local competition specific to the China market	3.2	3.2	4 ↔	3 ↑	4 ↓	4 ↓	4 ↔
Government incentives including tax incentives and other government support	2.7	2.9	5 ↔	4 ↓	5 ↔	5 ↔	5 ↔
Specific patient support programs being prioritized and favored by central/local governments	2.3	2.3	6 ↔	6 ↔	6 ↔	6 ↔	6 ↔

Ranking changes: ↑ Rise ↓ Descent ↔ No change

Advance two or more positions in the ranking

Note: Large companies—companies with revenue exceeding 1 billion RMB in 2025
Local companies – POE and SOE; WOFE –Wolly Foreign-owned Enterprises

Key Insights

- **Market size remains the primary consideration:** China's large population base along with unmet clinical healthcare needs are key factors driving companies to continue investing in their operations in China.
- Right business model and global supply chain alignment have risen sharply to become the second-highest priority for most firms, **marking a move from "can we sell" to "can we sustain sales."**
- Government-led price negotiations have dropped in overall rankings, but local companies now pay far more attention: **as their pipelines enter heavy commercialization and they face real reimbursement-driven pricing pressure.**
- The score and ranking of "local competition" remain unchanged, **signaling a stabilizing market.**

Joint development has become a consensus for global expansion, with local players driven by dual forces and the NewCo model has fallen out of favor, while pharma and medtech show a divergence in asset intensity

Added in 2026

(Multiple choices) If your company is pursuing global expansion, which of the following strategies are you primarily adopting?

	All	Large companies	Local companies	WOFE	MedTech	Pharma/ Biotech
Co-development	48%	1	1	1	1	1
Out-licensing deals	32%	2	2	3	3	2
Contract Sales Organization (CSO) model	31%	4	5	2	3	2
Self-development	30%	3	3	4	2	4
Establishing a NewCo (spin-off entity)	13%	5	4	5	5	5

Note: Large companies—companies with revenue exceeding 1 billion RMB in 2025
Local companies – POE and SOE; WOFE –Wolly Foreign-owned Enterprises

Key Insights

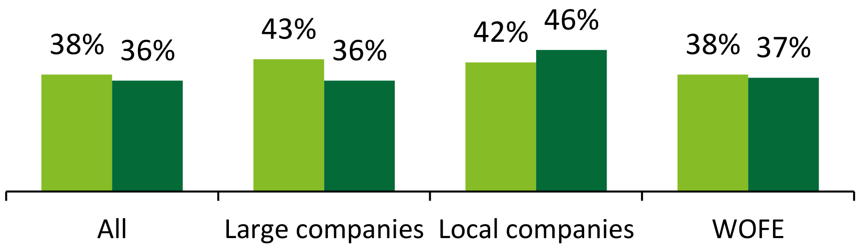
- "Co-development" emerges as the consensus go-global model across all companies, **as geopolitical friction and the uncertainty of capital market recovery make "risk- and benefit-sharing" the industry norm.**
- **Local companies pursue independent development, co-development, and out-licensing in parallel, signaling a diversified strategy**—e.g., core pipelines kept in-house, non-core assets monetized via BD.
- **Pharma and medtech diverge sharply on asset strategy:** Pharma/biotech prefer out-licensing and CSO (asset-light), while medtech ranks independent development second, as their products depend more on manufacturing and clinical service networks, raising the go-global bar.
- **The NewCo model comes last,** indicating that it facing more challenges compared to the established co-development and out-licensing pathways.

Deep engagement in China's local innovation ecosystem is imperative, with strategic focus further concentrated on localized operations

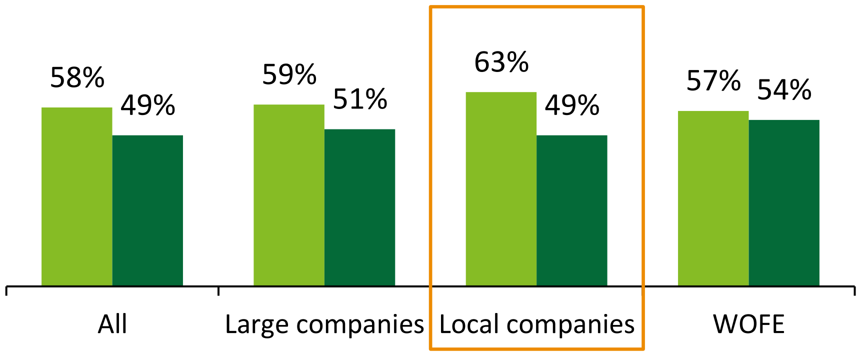
(Multiple choices) Several pharma and medtech companies have engaged in M&A / License transactions to enhance their 'China for China' portfolio. Others are using specific investment vehicles (e.g. Newco, etc.) to participate into the China's innovation space as investors (direct / indirect). Your company is:

2026 Survey 2025 Survey

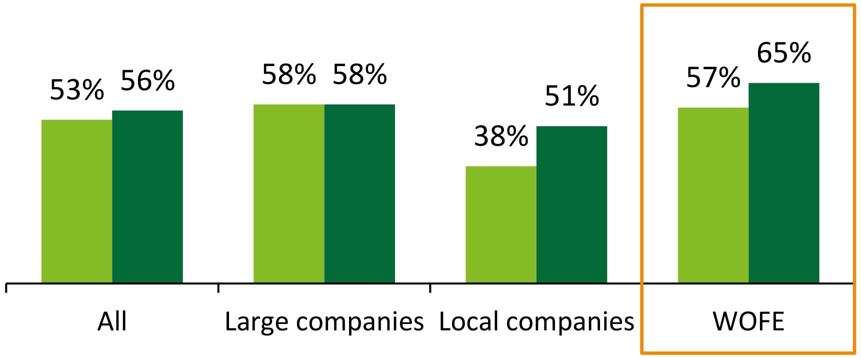
Plan to increase investment resources



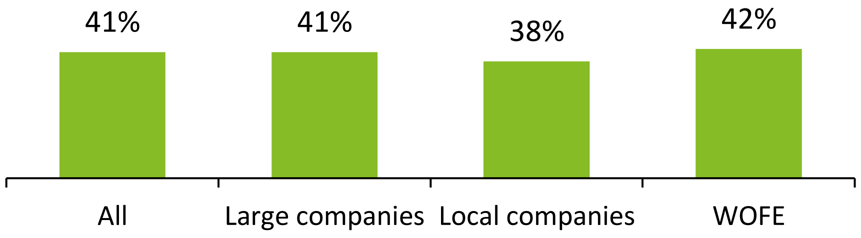
Strengthened the localization business development function



Identify potential M&A/cooperation targets



Seeking co-development opportunities with local partners



Note: Large companies – companies with revenue exceeding 1 billion RMB in 2025
Local companies – POE and SOE; WOFE –Wolly Foreign-owned Enterprises

Key Insights

- Investment appetite holds steady: Companies prioritizing enhanced local business development functions surged (49%→58%)—Local companiess led the jump (49%→63%), **re-confirming that "operational excellence" is replacing "expansion" as the dominant paradigm in a maturing market.**
- WOFEs pivot from M&A to capability-building: M&A & cooperation targets-seeking eased (65%→57%), while local function reinforcement rose (54%→57%). **The strategic focus is shifting from portfolio assembly to deep operational engagement.**
- Co-development becomes the default: 41% pursue local partnership opportunities, with consistent shares across all enterprise segments. **Joint innovation is now standard practice for risk mitigation and market access acceleration across all player types.**

Assessing China-specific asset portfolios and market engagement ROI were top-ranked, while focus on digital and smart tech declined, and talent restructuring gained notably higher priority.

(Multiple Choices) Which area you expect that your business strategy and investment for China market will be adjusted or changed in 2026?

	All: 2026 Survey	All: 2025 Survey	Large companies	Local companies	WOFE	C-suite	Life Science
Review specifically pipeline and portfolio choices for China	51%	50%	3 ↓	3 ↑	2 ↓	5 ↓	1 ↑
Implement better ROI assessment on the market engagement investment	51%	57%	1 ↔	5 ↓	1 ↑	2 ↓	2 ↓
Accelerate your market access programs in China	47%	44%	2 ↑	**3** ↑	3 ↔	3 ↔	4 ↓
Optimize talent and management structures, to support China's business changes and technology advancement	50%	22%	**6** ↑	**1** ↑	**4** ↑	**1** ↑	**3** ↑
Increase the R&D investment to support localized product development	46%	31%	**4** ↑	1 ↔	**6** ↑	**3** ↑	5 ↔
Enlarge the adoption of digital or smart technology in your business value chain	42%	37%	4 ↔	6 ↓	5 ↓	6 ↓	6 ↓
Increase the compliance investment to meet the fast-changing regulatory landscape	22%	26%	8 ↓	6 ↑	8 ↓	8 ↓	8 ↓
Increased localization of your supply chain and enlarging industrial operations in China	33%	24%	7 ↓	8 ↔	7 ↓	7 ↓	7 ↔

Ranking changes: ↑ Rise ↓ Descent ↔ No change

Advance two or more positions in the ranking (shown in bold)

Note: Large companies—companies with revenue exceeding 1 billion RMB in 2025
Local companies – POE and SOE; WOFE –Wolly Foreign-owned Enterprises

Key Insights

- Local companies and C-levels rank talent restructuring their top adjustment priority. **Under dual pressure from organizational transformation and digital transition, human capital has become the binding constraint on strategy execution.**
- **"Localized product development" jumped notably in this survey (31% → 46%),** staying the top priority for local companies, who have been tapping into growing local R&D strengths to refine product portfolios and gain competitive edges through differentiation.
- Digital-intelligent technology prioritization declines across all segments, which echoes prior findings**: the "survival first" logic is recasting digital from "strategic investment" to "efficiency tool" — firms are applying stricter ROI thresholds to technology spending.**

In conclusion

Review of our predictions in last year — the market activity in 2025 has been stronger than we anticipated

Outlook for 2025

Establishing a precise value proposition has become a critical priority, necessitating an urgent shift toward a more efficient commercialization model to fully unlock the business potential of additional market segments.

China's life sciences and healthcare regulatory environment continues to evolve, with regulatory requirements for sustaining business growth and creating new value becoming increasingly stringent.

China remains an important and attractive market, with the rise of local innovative solutions becoming increasingly evident and favored.

Actual situation

- China's innovation landscape has undergone significant changes under the influence of a series of supportive policies introduced by the state, raising the bar for original innovation and laying the foundation for a brighter future.
- In 2025, the "Opinions on Comprehensively Deepening Drug and Medical Device Regulatory Reform to Promote High-Quality Development of the Pharmaceutical Industry" was promulgated as a key top-level policy document, outlining 24 reform measures across five key areas — marking a new phase in pharmaceutical regulation.
- In 2025, the inclusion cycle of NRDL for innovative drugs was further shortened; the first edition of the commercial insurance innovative drug directory was officially released. DRG/DIP payment 2.0 was fully rolled out nationwide; policies encouraging digital and intelligent industrial development, such as the Implementation Plan for Digital and Intelligent Transformation in the Pharmaceutical Industry (2025–2030) and the Guiding Opinions on Promoting and Regulating the Application and Development of "Artificial Intelligence + Healthcare," were issued.
- In 2025, Chinese innovative drugs completed a total of 157 outbound BD licensing deals, with a total transaction value of $135.7 billion, including $7 billion in upfront payments, setting record highs for all three key metrics.
- In 2025, the number of primary market transactions in China's life sciences and healthcare industry rebounded after 3 consecutive years of decline, with PE/VC investment deals reaching nearly 1,600, representing a year-on-year increase of 6.5%.
- In 2025, the total number of clinical trial registrations in China's life sciences and healthcare industry exceeded 5,000 for the first time, reaching 5,215, a year-on-year increase of 6.4% and doubling the figure from 2020, continuing the strong growth momentum.

China LSHC market outlook in 2025

Value Positioning:

From Scale Expansion to Precision Targeting

- Portfolio value management replaces extensive growth as the central imperative. Industry players must craft China-tailored solutions and dynamic, continuously updated access strategies.
- The "one-size-fits-all" commercialization model is obsolete amid persistent payer tightening and proliferating competitors. Differentiated value positioning has become the decisive factor for survival.

Regulatory Environment:

From Rule Adaptation to Compliance Mastery

- As regulation shifts toward full-chain and look-through oversight, April's anti-corruption rules—clarifying organizational bribery and look-through asset recovery—have upended traditional academic marketing models.
- Compliance is no longer a cost center but a competitive differentiator. Companies need to bake compliance into business design upfront, not as a reactive fix. Smart regulatory technologies could also lift entry barriers going forward.

Innovation Ecosystem:

From "One-Way Introduction" to "Two-Way Contest"

- China's homegrown solutions are gaining ground with shorter R&D cycles, lower costs, and diverse pipelines. MNCs are tapping into local innovation via flexible partnerships, yet risks and compliance costs are rising.
- Geopolitics is tightening cross-border investment reviews, raising barriers for Chinese assets going global. "Co-development" is emerging as the preferred risk-sharing model.

Key impacts

Impact 1	**Flexible partnerships as the go-global consensus but assess cross-border review risks and compliance costs.**
Impact 2	**Revisit China strategy—build full-lifecycle asset management tailored to local payer mix and competition.**
Impact 3	**"China-specific" management and talent reshaping as strategic enablers.**

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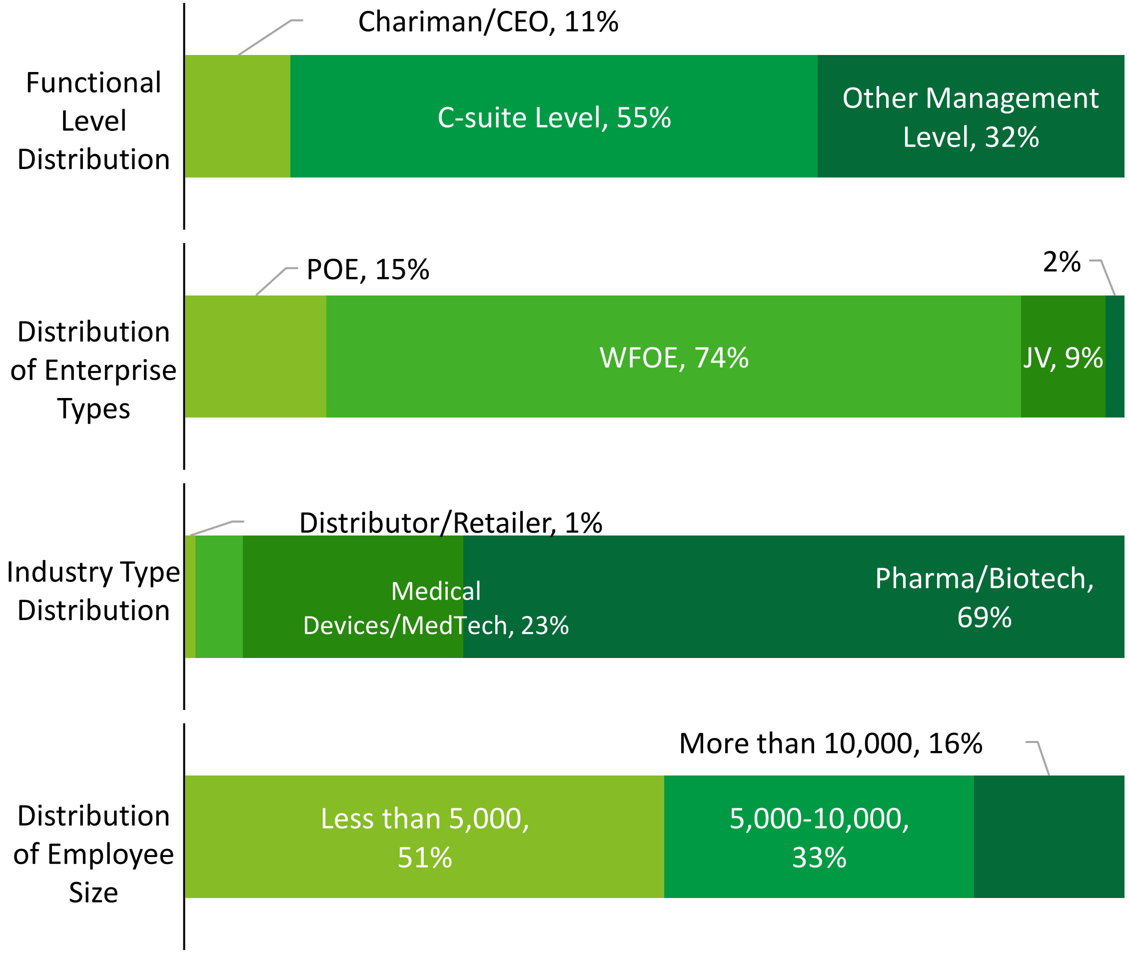
Appendix

Appendix – A Review of Our Past Outlooks

	Policy and Regulatory Framework	Market sentiment	Innovation and Technology Investment	Operational initiatives
2021	• The government will strengthen its involvement, particularly in data security and the "Healthy China" initiative.	• With the accelerated advancement of medical reform, the market will become more centralized.	• Strategic partnerships will continue to surge, driving innovation and digitalization	• Diverse cross-industry collaborations will emerge and transform operational models
2022	• The impact of regulatory measures will be even stronger	• The priority of China business development has been elevated to a higher level	• Accelerate the pace of innovation through novel collaboration models and increased R&D funding	• Exploring China's unique infrastructure and governance remains a pressing priority
2023	• Corporate compliance activities have regained momentum and will receive greater attention.	• Localization ambitions will enhance enterprises' adaptability and support market growth	• Technology investment, especially cross-industry technology investment, will become increasingly important.	• Driven by the need for innovation and growth, competition for talent will resume and intensify
2024	• Strengthening regulatory measures requires enhanced compliance management capabilities.	• The market participation model needs to be adjusted, which will affect resource allocation.	• Commercial potential will play a more important role in future investment decisions	• Local digital technologies are transforming market landscapes and operational models.
2025	• Full-chain oversight normalized; compliance bar raised.	• Business sentiment optimistic; outlook shifts to moderate growth.	• AI build-out turns pragmatic; data governance tops agenda.	• "In China for China" deepens; go-global models diversify.

Appendix

- **Profile of survey respondents from "Large companies": 88 out of a total of 112 respondents, with projected revenues exceeding 1 billion RMB in 2025**



- **On page P.24, the average score is calculated based on the weight assigned to each answer's ranking.**
  - Each rank has a different weight, decreasing from 1st to 6th place.
    - 1st place = 6 points; 2nd place = 5 points; 3rd place = 4 points; 4th place = 3 points; 5th place = 2 points; 6th place = 1 point
  - Average weighted score calculation formula: [(Number of 1st place)*6 + (Number of 2nd place)*5 + (Number of 3rd place)*4 + (Number of 4th place)*3 + (Number of 5th place)*2 + (Number of 6th place)*1] / (Total number of surveyed companies)
    - For example, Option A was selected 13 times: 3 times in 1st place, 4 times in 2nd place, 2 times in 3rd place, 2 times in 4th place, once in 5th place, and once in 6th place.
    - The average weighted score for Option A is: [(3×6) + (4×5) + (2×4) + (2×3) + (1×2) + (1×1)] / 13 = 4.23
    - The average weighted score for Option A is 4.23 points.
  - The higher the average weighted score of an option, the more important respondents perceive it to be.

Deloitte. 德勤

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成就不凡
始于1845