



China's world-leading technology transformation

Rising leadership in the new economy

As the world's second largest economy, China is quickly becoming a global leader in innovation and technology. The country has been transforming from an "old" manufacturing and export economy to a "new" economy focusing on domestic consumption and services.

The ongoing economic structural change is very much by design, supported by the country's large market scale and government policies. China has unveiled its tech ambitions in its latest Five Year Plan, as the country continues to strengthen its domestic growth and achieve "self-reliance" in science and technology.

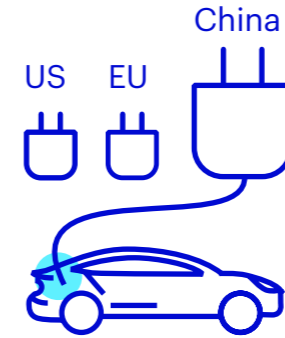
China's world ranking:



Largest e-commerce market
(three times bigger than the US).



Highest mobile payment user penetration
(nearly three times that of the US).



Largest electric vehicle market
(equal to US and Europe combined).

China's 14th Five-Year Plan

R&D:

7% ↑

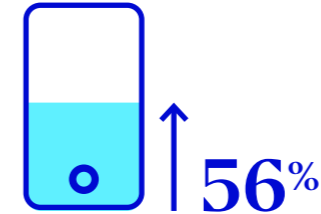
Increase research and development investment by 7% each year.

Frontier of technology:



Development of advanced and next generation technologies (AI, biotech, blockchain, neuroscience, robotics, etc).

Digital infrastructure:



Expand digital connectivity by aiming to get 56% of the country on 5G networks.

Low carbon economy:



Reduce carbon intensity by 18% and have non-fossil fuels account for 20% of energy use by 2025.

According to MSCI, the driving forces behind China's technological growth can be categorised into three key areas:

1

The build-out of Beijing's "New Infrastructure" initiative

The "New Infrastructure" initiative was accelerated during the COVID-19 pandemic in 2020, and is a policy designed to stimulate growth and build a foundation for a more digital and "intelligent" economy. Key areas of the digital transformation include 5G networks, Internet of Things, data centres, and artificial intelligence. These sectors help establish a solid foundation for supporting further growth in China's consumer and industrial sectors.

Direct investments into this new initiative could reach

\$1.5 trillion

Technology snapshot 1: Cloud computing

China's cloud computing technology continues to outpace the rest of the world, with spending growing to \$5.8 billion (accounting for 14% of global investment) in Q4 2020*.

2

The "smart" consumer opportunity

With over 940 million internet users, China's citizens are the most connected digital consumers in the world. Chinese consumers are engaged not just in e-commerce, but also online healthcare services and education. Consumption accounted for 57.8% of China's growth in 2019 and could be the largest driver of global consumption growth within the next decade.

China's world-leading number of internet consumers hit

940 million

Technology snapshot 2: Digital healthcare

Growing internet segments including insurance, pharmaceuticals, and remote consultations are attracting interest from both established healthcare groups and start-ups. COVID-19 has sparked growth in the adoption of online healthcare services, with 276 million digital healthcare service users in 2020.

3

Transformation of traditional industrial sectors

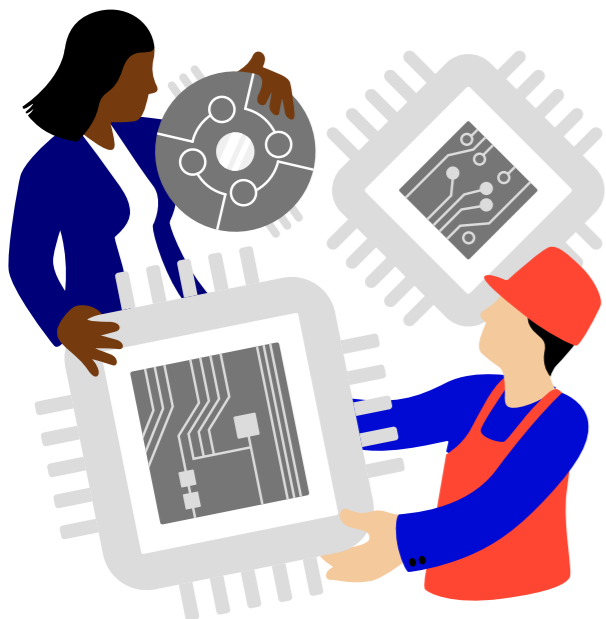
China is the world's manufacturing powerhouse. By transforming traditional sectors to more "intelligent" industries, manufacturing can be a source of further growth. China's goal of becoming more self-reliant in traditional segments such as semiconductors could encourage disruption, further integrating AI, automation, and robotics into advanced manufacturing.

In 2020, China's industrial internet economy was worth

\$475 billion

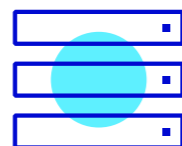
Technology snapshot 3: Smart logistics

Smart logistics uses internet and data technologies to improve automation and efficiency. This segment, set to double in scale by 2025, has the potential to boost development in warehouse robots, unmanned ports and intelligent logistics management software.



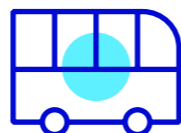
The technological revolution is happening across industries

Technology is far more than just the old Information Technology sector of computer hardware, software and semi-conductors:



Internet

- Blockchain & P2P
- Cloud computing
- Crowdsourcing
- Cybersecurity
- E-commerce
- Fintech
- Internet of Things
- Mobile & digital payments
- Robotics and artificial intelligence
- Social media



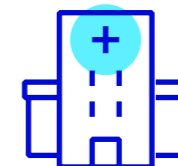
Mobility

- Batteries
- High speed transportation
- Sharing economy
- Smart mobility
- Vehicular automation



Industrials

- 3D Printing
- Alternative energy sources
- Innovative materials
- Smart infrastructure
- Space exploration



Health

- Automated diagnostics
- Bioinformatics
- Clinical lab automation
- Healthcare infotech
- Medical robotics
- Telemedicine
- Medical device/instruments/materials

With China's focus on innovation blurring the lines between traditional sector definitions, now could be the time for investors to reconsider their exposure to "technology".



Visit [etf.invesco.com](https://www.etf.invesco.com) to learn more about how to access China's true growth potential.

Glossary

Internet

Blockchain – electronic, decentralised recordkeeping for the transfer of assets among multiple participants

P2P network – information transfer from one party to another, without an intermediary

Cloud computing – data-storage and management on servers within the internet

Crowdsourcing – collection of work or information from a large group of participants, typically sourced via the internet

Cybersecurity – protection of electronic systems, data and networks from unauthorised access

E-commerce – buying and selling of goods and services via the internet

Fintech – integration of technology within traditional financial activities

Internet of Things – a network of systems and devices connected to the internet, collecting and sharing data

Mobile/digital payments – payment performed electronically via a mobile or digital device

Robotics – technology involved in the creation and application of robots

Artificial intelligence – human intelligence performed by machines, for example applications such as decision making and speech recognition

Social media – creation and sharing of content within virtual communities

Mobility

Batteries – power source containing cells which convert to energy

High speed transportation – transport methods operating at speeds higher than 200 km/hr

Sharing economy – sharing of resources, goods or services among a network

Smart mobility – using technology, infrastructure and solutions to create intelligent transportation and mobility networks

Vehicular automation – Technology-enabled vehicles that can operate semi- or completely autonomously

Industrials

3D printing – layering materials to ‘print’ or create three-dimensional objects

Alternate energy sources – non-fossil fuel energy sources, such as renewable and nuclear energy

Innovative materials – new forms of materials, such as coatings, composites and polymers

Smart infrastructures – systems that integrate data collection and analysis to optimise processes

Space exploration – exploration of space beyond Earth’s atmosphere via crewed and uncrewed spacecraft

Health

Automated diagnostics – diagnosing faults in systems through software technology

Bioinformatics – collection and analysis of biological data, such as genetic codes

Clinical laboratory automation – operating laboratory processes and analyses with minimal human intervention

Healthcare infotech – digital processing, storage and exchange of health information

Medical robotics – robotics allowing for more precise control of surgical instruments, for example

Telemedicine – remote diagnosis and treatment of patients via telecommunications

Medical device / instruments / materials – implement, article or software to diagnose or treat medical conditions

Source: MSCI, China and the Race for Global Tech Leadership, 2021.

Investment risks

The value of investments and any income will fluctuate (this may partly be the result of exchange rate fluctuations) and investors may not get back the full amount invested.

Important information

This document contains information that is for discussion purposes only, and is intended only for Professional Clients in Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Liechtenstein, Luxembourg, the Middle East, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Dubai and the UK, Qualified Clients in Israel. It is not intended for and should not be distributed to, or relied upon, by the public.

Data as at June 2021, unless otherwise stated.

By accepting this document, you consent to communicating with us in English, unless you inform us otherwise.

Where individuals or the business have expressed opinions, they are based on current market conditions, they may differ from those of other investment professionals and are subject to change without notice.

This document has been communicated by Invesco Management S.A., President Building, 37A Avenue JF Kennedy, L-1855 Luxembourg, regulated by the Commission de Surveillance du Secteur Financier, Luxembourg, Invesco Asset Management Limited, Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire, RG9 1HH, United Kingdom, Invesco Asset Management Limited, PO Box 506599, DIFC Precinct Building No 4, Level 3, Office 305, Dubai, United Arab Emirates. Regulated by the Dubai Financial Services Authority and Invesco Asset Management (Schweiz) AG, Talacker 34, 8001 Zurich, Switzerland.

EMEA4445/2021