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Three questions for Dr. Annie Zeng on China’s biotech market

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What is the size and opportunity in China biotech?

- China's biotech market is worth about USD 130 bn today, on track to reach roughly USD 250 bn by 2036 - a ~6% annual growth rate. That's notably faster than the US biotech market, which is similarly sized today (~USD 250 bn) but growing at only a low-to-mid single digit rate.
- China has transformed from a copycat/generics manufacturer into a genuine innovation engine: about 30% of all new drugs in global clinical trials now come from Chinese companies, up from almost none a decade ago. Over 1200 new drug candidates originating from Chinese biotechs are currently in clinical development.
- The clearest evidence of this quality shift: global pharma is paying significant amounts to license Chinese drugs. Outbound licensing deals topped USD 135 bn in 2026, with average deal size reaching USD 1.3 bn – up 76% year-on-year and roughly six times the 2021 level. In parallel, the number of cross-border out-licensing deals by companies in Greater China increased from 65 in 2021 to 186 in 2025, representing a roughly 2.9-fold increase.

Why is performance so volatile, and why don't public equities reflect the strength in the sector?

- Biotech stocks are volatile everywhere, because they trade on binary events: a trial either works or it doesn't, a drug gets approved or rejected. That's true of the whole industry, not a China-specific issue. China however has an extra layer of macro/policy noise to contend with.
- The real story isn't that China biotech is weak, but that the stock market hasn't caught up to how much stronger the fundamentals have gotten. A few reasons for that:
  - Old perception, new reality: many Western investors still think of Chinese drugs as cheap copies. However, the fact that global pharma keeps paying billions to license these drugs tells a different story.
  - Private markets and public markets diverge: global pharma prices each Chinese asset individually. Public stock investors, by contrast, apply one broad «China discount» across the sector, treating strong and weak companies the same way.
  - Money is going elsewhere: Chinese AI and robotics companies have attracted significant investor attention and capital lately, leaving biotech relatively overlooked.
- **Net result: this is a buying opportunity.** Fundamentals (growth, deal-making, pipeline quality) have improved while stock prices stayed flat or fell. That gap tends to close over time, rewarding investors who get in early.

What is the catalyst for these stocks?

- Upcoming clinical trial readouts: two of the year's biggest oncology conferences are coming up – the World Conference on Lung Cancer (September 12–15, Seoul) and ESMO (October 23–27, Madrid), both known for stock-moving data. Several key Chinese names have potentially disruptive readouts on deck. Watch: Innovent, Akeso, Kelun.
- Continued licensing deal flow: 2026 is on pace to exceed 2025's record outbound licensing value, and each new marquee deal validates asset quality and helps re-rate the sector. Watch: Hansoh.
- Profitability inflection and margin expansion: Chinese AI drug development and manufacturing companies are moving past the early build-out phase into inflection, with long order backlogs now translating into rich profitability. Watch: GenScript, WuXi companies (AppTec/Biologics/XDC).
- Medtech names emerging from the regulatory trough: after years of aggressive government price-cutting (VBP), select device makers are returning to growth as the pricing reset fades and volume gains take over. Watch: Mindray.
- Friendlier government policy: Beijing is easing price cuts in the National Reimbursement Drug List (NRDL) and encouraging wider commercial health insurance adoption – both expanding the patient pool drugmakers can profitably reach.
- Fund-flow rotation potential: as the AI/robotics theme cools, even modest inflows back into an under-owned healthcare sector could go a long way toward closing the valuation gap.

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