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ASIA EDITION

# China Biotechâ??s Global Breakout: Innovation, Deals and the Next Investment Cycle

August 24, 2026 | Influencers | By Ankit Kankar | ankit.kankar@mmactiv.com

**Yang Huang, Head of China Healthcare Research at J.P. Morgan, speaks with BioSpectrum Asia about the resurgence of investor confidence in Chinese healthcare, record out-licensing activity, the rise of China as a global source of innovative drug assets, and what could shape the sector through 2027.**


China’s biotech and pharmaceutical sector is entering a new phase of global relevance. A surge in out-licensing deals, increasingly competitive innovation, improving financial performance and attractive valuations are drawing renewed investor attention to the market.

In an exclusive interview with **BioSpectrum Asia**, **Yang Huang, Head of China Healthcare Research at J.P. Morgan**, discusses the forces behind the sector’s re-rating and why China is emerging as an important source of innovative therapies for global pharma. He also examines the growing importance of profitability, the impact of evolving commercialisation and compliance practices, opportunities across biotech and CXO companies, and the critical signals investors should watch as China’s biopharma ecosystem moves towards 2027.

**China’s pharma and biotech sector has seen a significant re-rating in recent months. What are the fundamental shifts behind this renewed investor confidence, and how sustainable do you believe the momentum is?**

We think China biotech/pharma sector’s fundamentals have continued to be solid since the starting of this year, partly evidenced by record-breaking out-licensing deal flows in 1H26. We think a key reason for the rebounding of the sector is that more fund started flowing into China biotech/pharma in late June, which could suggest some money rotating out of the AI/semiconductor sectors. In addition, relatively low valuation of biotech/pharma, better-than-expected financials of some China CXO companies, and defensive nature of healthcare all help with the rebound. As for how sustainable the momentum is, we think it depends on the interest of money flowing back into the AI/semiconductor sectors.

**Chinese biotech companies are increasingly securing major global out-licensing deals. What is driving this acceleration, and are we reaching a point where China is moving from being primarily a development market to**

**becoming a global source of innovative assets?**

We think there are a few reasons for such acceleration: the fast pace of innovation, engineer dividend, efficient preclinical and early clinical trial systems, relatively cheap innovative drug assets, and overseas large pharma facing patent cliff in the next a few years. Yes, we think China is becoming one of key sources for global innovation of new therapies.

**As profitability becomes increasingly important alongside pipeline valuation, how do you see the investment case for Chinese biotech evolving over the next 12–18 months?**

We continue to see the China pharma/biotech sector having strong fundaments for the next 12-18 months. However, fund flow and interest in some other sectors such as AI/semiconductor will largely affect investor interest in China pharma/biotech. In addition, earnings could start becoming more important for a few leading biotech companies as they start generating stable and growing profit. We think the market will continue to look for an investment "theme" in China pharma/biotech space. In the past, biotech themes could be "GLP-1", "PD-1/VEGF type of bispecific antibodies", "out-licensing expectations" etc. When there is an easy to understand investment theme, the whole space could see further uplift.

**How could the renewed anti-corruption campaign and the new Medical Representative Administration Measures reshape commercialisation models within China's pharmaceutical industry?**

Those are not new measures, and we think that they will continue to further strengthen professionalism and compliance across sales teams in China's biotech and pharma sector, as well as make their sales practices focus more on medical affairs and clinical value, which eventually could save selling expenses for biotech/pharma and reduce unnecessary cost in drug distribution.

**Which areas of Chinese healthcare — innovative drugs, biotech, medtech, AI-enabled drug discovery or other emerging segments — do you believe offer the strongest growth potential over the next few years?**

We continue to believe biotech (especially companies developing innovative drugs) and CXO companies offer the strongest growth potential in the next few years.

**Looking towards 2027, what should global pharmaceutical companies and investors watch most closely as China becomes increasingly integrated into the global biopharma innovation and deal-making ecosystem?**

We think the market is still debating how well China clinical data can be translated to global clinical data, especially for Ph3 data. So we believe investors will continue to watch how out-licensed assets report this type of data and potentially gain approval in the US and EU. Currently, most of out-licensed assets are in the oncology field. We expect that assets in other therapeutics areas such as immunology, CNS, and cardiovascular diseases, could gain more exposure and have more chances to be out-licensed. In addition, geopolitical risk will always be there, which could affect licensing deals. We will see how the risk will evolve in 2027.