

China Biotech

Evolving at Lightning Speed

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The author and Stifel colleague Vivian Xu at Shanghai shopping mall, June 10, 2026

A Recent Trip to China

We spent the week of June 8 in China and thought it might be interesting to share some impressions from the trip.

We limited our time to Shanghai and Beijing and had a packed schedule of meetings with biotechs, pharmaceutical companies, and investors.

Overall, the mood in China was businesslike and positive, mirroring that which was fully evident in President Trump's recent visit to China.

China is playing for keeps and is a country that is investing heavily in capabilities and technologies to better serve its people – with the view that relying on the West for technology and resource access is not wise.

In many respects China is walking a “middle way” – which alludes to the Confucian idea of finding a way forward that balances moderation and excess.

Virtue lies in balance and appropriateness (but not compromise).

Evidence of Chinese technological ascendancy was not hard to find – from the digital clock in the passenger panel of my minivan to the abundance of robots in our lunch restaurant – taking dishes back to the kitchen for washing etc.

A Country Obsessed with Engineering

China continues to excel in delivering low-cost solutions to high tech problems with very fast cycle times.

China is a country known for engineering excellence rather than deep scientific insight – perhaps a respite for those smart people still working at places like MIT, UCSF, Max Planck etc.

At least for now.

Of course, so much can be accomplished with great engineering and focus.

In some ways, it's not so bad to go second.

Our impression from numerous meetings with bioscience companies is that while unusual, first-in-class new pharmaceutical innovation is becoming more common in China.

We saw several companies that were pursuing breakthroughs in biology.

One group is working on receptor targets that come next after NAV1.8 for treating serious pain and had started from first principles looking at the genetics of pain.

Their Phase 2 data based upon a completely new approach to neuropathic pain was notable.

Another company is taking a radically new approach to the dry form of AMD and had gone so far as to generate quite solid Phase 2 data for its novel approach.

Just as interestingly, creativity in applying existing tools to improve engineering of solutions to existing problems is moving with great alacrity in China.

What is most interesting is the creativity in going beyond the obvious applications for oncology and autoimmune.

There are other potentially valuable applications of *in vivo* engineering of cells, including for diseases such as sickle cell where Chinese companies are now in the clinic.

Pretty amazing to see.

Monument to the Fallen Heroes, Bund, Shanghai



Back to the humdrum of competing to solve known problems, I was quite impressed by work underway with plain old small molecule drug design to overcome barriers to better pharmacology.

An example was a company working on the problem of more potent, more effective small molecule inhibitors for HSV1 and 2. They have achieved a molecule that is showing the ability to knock out virus with a single dose with major positive effects on the unpleasant damage that these viruses can cause – all with an excellent safety profile.

At a moment when we are starting to wake up to the CNS effects of herpesviruses it was also impressive to see what this company is able to accomplish by designing a molecule with excellent penetration of ganglion cells, an area where other potent molecules have not been able to go.

We visited Laekna which recently cut a large China rights deal for their AKT inhibitor with Qilu and is now going after registrations in the rest of world.



As AstraZeneca's Capivasertib is getting ready to have its first blockbuster year, it's indeed interesting to see the emerging profile of Laekna's drug.

Their ActlIRa inhibitor is also interesting showing good muscle build with simultaneous fat loss at a moment when other approaches to muscle preservation in the obesity area are dealing with some of the side effects associated with alternative pharmacologic approaches.

It struck us that there is a reasonable chance that Laekna might emerge with the best-in-class approach to muscle preservation in the weight loss context.

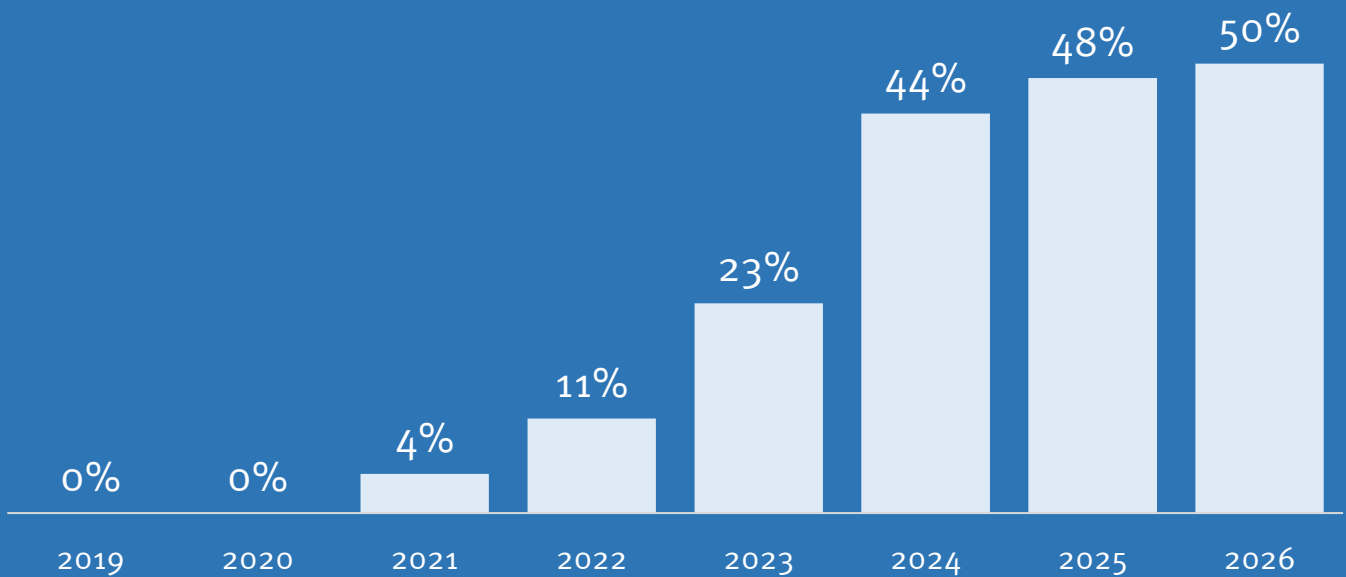
Another striking company is Gan & Lee Pharma. Known for being China's largest insulin producer, Gan & Lee expects POC data for their STAT6 degrader late this year or early in 2027. This company of 6,000 put 140 people on building a PROTAC platform a few years ago and has very rapidly emerged as either the second or third in class in STAT6 degraders. Importantly, they have developed a more potent molecule than others with what appears to be a superb dosing window.





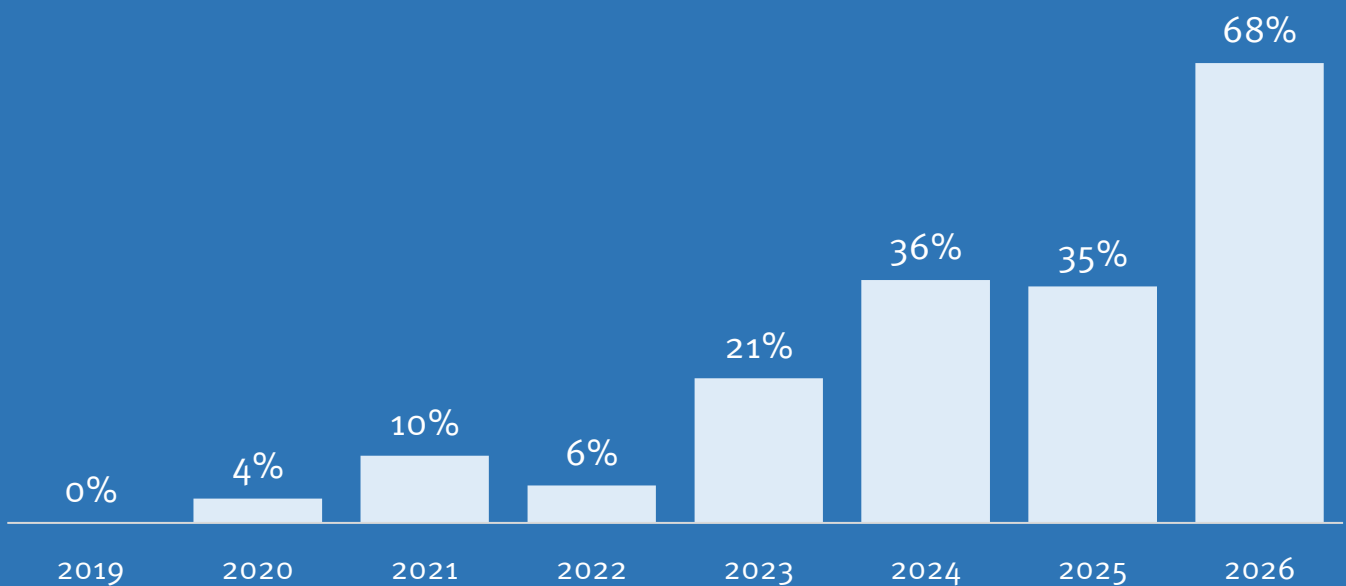
Many Biotechs to be Found in China Biotech Park (CBP) Area in Outskirts of Beijing

Figure 1. Percent of Large Pharma Licensing Deals of \$50 Million or More Upfront Done with Chinese Counterparties, 2019 to 2026



Source: DealForma, through June 13, 2026. Included license and option to license deals for biopharma only. Excluded R&D only, co-promote deals and asset purchases. Chart created by Stifel Healthcare Investment Banking Department.

Figure 2. Percent of all Dollars and Equity Paid in Biopharma License Deals that Went to Chinese Counterparties, 2019 to 2026



Source: DealForma, through June 13, 2026. Included license and option to license deals for biopharma only. Excluded R&D only, co-promote deals and asset purchases. Chart created by Stifel Healthcare Investment Banking Department.

Update on Cross-Border Licensing Activity

We last provided an update on the fraction of \$50mm+ upfront licensing deals by big pharma that have been sourced from China in our January 2026 [report](#).

Statistics that cover 2026 (through June 13) are shown in Figure 1. The trend is similar to 2024 and 2025. Roughly half of all large pharma license deals in 2026 to date have been sourced from China.

This figure (similar to what we have shown in previous reports) simply counts up the number of deals that have happened.

Another way to cut the data would be to look at all dollars and equity paid upfront regardless of deal size for large pharma buyers.

When looked at this way, the findings (Figure 2) are striking. Total upfront dollars paid by big pharma for China licensing deals in the first 24 weeks of 2026 summed to \$4.5 billion (vs. \$5.1 billion in 2025 and \$12.9 billion between 2019 and 2025).

There is a ready explanation – which is that portfolio R&D deals have been important so far this year (\$3.2 billion paid upfront so far across four deals). These are arrangements where a pharma hires a Chinese company to develop a meaningful number of early drug candidates. These deals were done by AZ [with](#) CSPC (\$1.2bn upfront) for eight metabolic programs; by BMS [with](#) Hengrui (\$950mm upfront for thirteen programs); by Pfizer [with](#) Innovent (\$650mm upfront for twelve programs) and by Lilly [with](#) Innovent (\$350mm upfront for work on a number of antibodies).

We had dinner in China with a senior representative of one of these large pharmas who explained that the Chinese leverage in building early pipeline was unbeatable compared to the costs, timelines, politics and bureaucracy found back in their U.S. pharma organizations.

The rep emphasized that the idea isn't to shrink R&D back home but rather to grow the pipeline and get more results per R&D dollar. Seems completely rational. If pharma is active this year with M&A in buying up Phase 2 and later programs, it is also very active in a different way in building early pipeline. In this case, it is going to China and doing deals to build pipeline *en masse*. We expect to see much more unfold like this in the months and years ahead. In a way, it's surprising that we haven't seen more efforts by pharma to arbitrage China's cost and speed advantage in R&D sooner.

Conversational Impressions

As you might imagine we had many wide-ranging conversations with those we visited with to collect impressions.

Here is some of what we picked up on the trip.

First, the number of U.S. and European visitors to the country has been overwhelming and, if anything, continues to rise. Global pharmas continue to flood the country.

Despite this, many Chinese biotechs see few, if any, foreign visitors.

Getting to a partnering or broker conference in China is not hard. But the pharmas, VC's, newco builders and the like are almost entirely coming to see the more obvious companies and attending partnering conferences – where most Chinese companies do not show up.

One attendee of a recent conference shared that it was fun watching American pharma executives talking to each other while the Chinese companies were off doing their R&D.

Second, recent foreign direct investment (FDI) regs out of China are not likely to impact the newco game. It is true that recent regs could have an impact but one observer noted: (1) we have offshore money that we can use for newcos and most VC's do, (2) the new regs are proposed and not actually in place and (3) historically, the government has been relatively relaxed on newcos that will be beneficial to domestic industry.

He did not see the new regs as a problem. He further noted that while the regs shut down the Cayman WOFE ploy – that has been out of fashion for years anyway.

Another senior executive agreed with our assessment that the recent FDI rules are benign but noted somewhat annoyedly that his company now may have to notify the government before doing any major deal.

This executive is on the verge of a major deal to license out a Chinese asset and does not love the potential delay associated with a government review to see if China might be giving away a valuable technology to a Western company.

Third, while we heard worries expressed about U.S. Congressional measures to somehow penalize the importation of Chinese innovation it is well recognized that ongoing proposals are largely political grandstanding and, further, that such efforts would likely come at more of a [cost](#) to U.S. patients than to Chinese wallets. Chinese executives are frustrated, nonetheless, by these measures – less by reality and more by the atmospherics.

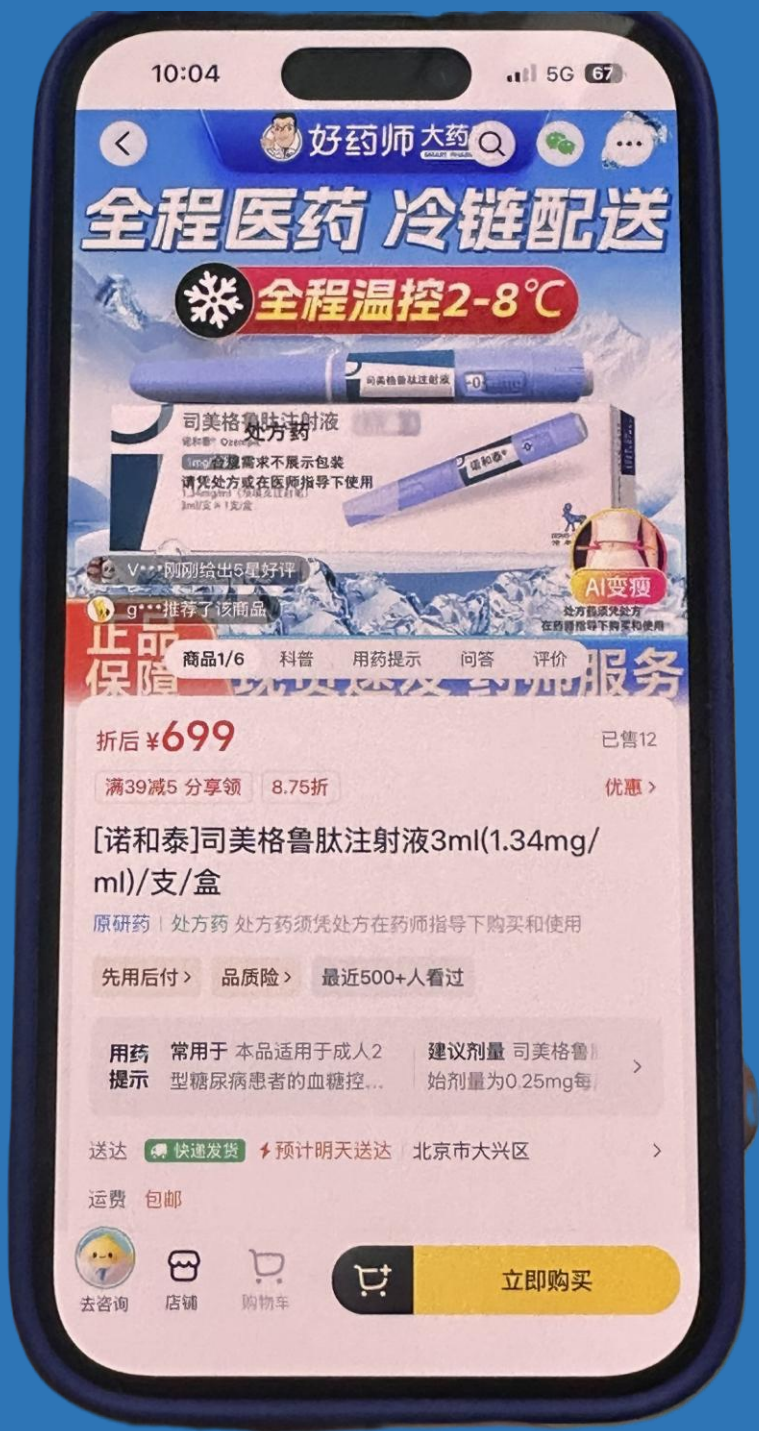
Figure 3. Hang Seng Biotech Index, June 12, 2025 to June 12, 2026.



Source: S&P CapitalIQ.

Fourth, Chinese biotech does have a real problem this year and it's far closer to home than America. The value of biotech stocks on the Hong Kong Exchange is down over 30% from last September (Figure 3). While the U.S. market has risen quite a bit – the opposite has happened in China. Recent perceived tepid results at ASCO by Akeso have helped to accelerate a down market on the HKEX.

Same day delivery of GLP-1's is ever more popular in China.



A conspicuous example is 3SBio – a longstanding Chinese pharmaceutical company with a deep pipeline, a strong domestic commercial business and a large deal with Pfizer for its VEGF x PD1 drug. The stock has been halved since last September. Several observers noted that the current value of 3SBio doesn't match the capitalized value of proceeds from Pfizer much less the rest of the company's platform. This is not the only example like this.

To compound matters, there are roughly 500 companies in the queue to go public in Hong Kong.

The queue is controlled by the Chinese government and the HKEX and adding to the supply in Hong Kong is only going to worsen the market situation there.

The HKEX is dealing with a similar problem as is besetting the NASDAQ right now – a huge supply of tech offerings. Chinese institutions and retail are simply not able to absorb all the stock and biotechs have paid the price for this.

It's very obvious that many China companies that would like to get public will not be able to do so.

This creates a bit of a liquidity desert for many companies. One thing we heard very consistently in various meetings was how tight capital markets are causing companies to become even more efficient and smart about resource utilization.

Fifth, online pharmacy is growing quite quickly. It is possible to order drugs online and have them delivered as long as they are private pay. Obesity drug use is growing quickly in China. You can order Novo Nordisk's semaglutide for \$100 (see opposite page). You can even have your inclisiran ordered and delivered same day.

Sixth, while grumbling continues about local reimbursement rates from various biotech executives, we also heard that China is improving drug prices for serious diseases, particularly in the rare area.

Seventh, a big topic on the trip was the increasing recognition that the U.S. is catching on to a big part of what makes China special – a highly efficient clinical trial system that involves excellent hospitals and good investigators. It has not escaped local attention that Western companies are increasingly figuring out how to access the

Signage in the lobby of HBM exhorting employees to learn to use the agentic AI program OpenClaw to improve the efficiency of internal research.



clinical trial ecosystem – not necessarily seen as a bad thing – as Western innovation can benefit Chinese patients. We heard increasing interest in doing a better job of organizing resources that will make it possible for Western companies to tap into the clinical ecosystem. We were impressed, for example, by the efforts of HBM to open up access to their clinical trial unit to outside pharmaceutical companies and VC's in this regard.

Eight, China is embracing AI in biotech but not necessarily in the manner that one would think. Many groups around the world are using AI to generate new and better chemical entities. China has their foot in the business, of course, via companies like Insilico and XtalPi.

As noted on the opposite page, Chinese biotechs are moving at lightning speed to incorporate agentic AI into drug development processes (e.g., regulatory paperwork, tracking sites etc.).

Another striking piece of news came from one company that is very close to introducing a room size machine (think of a Roche Cobas device) that goes from a target all the way to IND enabling pharmacology in less than a week.

That is, a highly intelligent lab robot can create new biological entities of various kinds (e.g., mAbs, RNAi, bispecifics) when given a target. The machine then manufactures small batches of the new biologic and then goes ahead and carries out various type of *in vitro* experiments – leading up to *in vivo* pharmacology. While this all seems futuristic, fantastic and a bit of a dream, we were assured that we could see this all with our own eyes by year end. The idea is to compress the time from product concept (PCC) to proof of principle (POP) to weeks rather than months. And to reduce the time from PCC to POC dramatically.

Today, it takes five to ten million dollars and a year or more to go from a protein concept to and IND. We are hearing talk that AI can compress this by well more than half.

Crazy.

Ninth, there is a certain emerging frustration among Chinese biotechs due to comments on “Chinese data” made at ASCO, particularly with respect to Akeso's PD1 x VEGF data by the plenary discussant.

The big change in China is the deepening of its pool of talented research scientists and biotech professionals.



One China biotech CEO was quite incensed at a certain tacit bias in the comment, saying that you never hear comments on “Japanese data”, “Europe data” etc. He noted the rigor of Chinese investigators and pointed out that cancer in China is no different than cancer anywhere else. He thought the Akeso ASCO discussant’s comment that the study was missing data on females was a bit disingenuous – noting that squamous-cell NSCLC is caused by smoking which is overwhelmingly male in China. Akeso did not exclude females for any nefarious reason but rather accepted the patient population that was available for their study. A few groups seemed a bit beat up – noting that just getting visas to do simple things like attend BIO or ESMO is getting tougher.

It did strike us that this sentiment is reasonable, although sentiment in the U.S. seems to run quite the opposite as was picked up in a recent *New York Times* [article](#) on China and ASCO.

As is clear in this note, the sands are constantly shifting throughout the life sciences sector and, increasingly, a large part of the relevant evolution is playing out in China.

We asked many groups that we saw the following question: what is different in China biotech in 2026 versus 2025?

After all, at this point, the strength of the Chinese biotech sector has largely been discovered. The number of pharma deals, the strength of the outsourcing ecosystem, the speed of trials is understood and, to a significant degree, old news.

We thought the best answer we got was from one CEO who said that what is really changing is the quality of the human capital.

In the same sense that strong human capital to operate biotech companies well was initially rare back in the early days of companies like Genentech and Biogen, China has also been dealing with a systematic shortage of good quality people and has been highly reliant on talent imported from the West.

This CEO said that good biotech talent is far more available now than just a year ago and this is contributing to more risk-taking and higher quality programs across the industry.



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