

Asia Briefing

2026

EXECUTIVE SUMMARY



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BUSINESS INTERNATIONAL

Special Report

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Introduction

Asia is the world's most populous continent, accounting for about 60% of the global population. Its share of global GDP and healthcare expenditure is currently significantly below this, but that won't remain true for long given it is also the fastest growing continent.

It's not just global demand that Asia is set to dominate. It already dominates manufacturing. China in particular has long been known as 'the factory of the world'. In healthcare, India and China together produce a majority of the world's active pharmaceutical ingredients (APIs). India, 'the pharmacy of the world', is the largest supplier of generic medicines. And China supplies a very large share of the world's medical consumables.

As this report details, China is rapidly moving up the value chain in the production of medical goods. It is no longer just a manufacturing hub churning out commodity products or cheap knockoffs. It is developing genuinely innovative pharma and medtech products across a growing range of categories. The first of the three main chapters in this report explores the fact that China is now responsible for about a third of the world's new innovative drug programmes. The second looks at China's move up the value chain in medtech and explores the very real possibility that China's increasingly innovative medtech producers outcompete the big Western multinational medtech firms, following a pattern that has been seen in other sectors such as automobiles.

Other Asian countries aren't necessarily set to lose out as China rises. Geopolitical pressures as well as economics have driven diversification of supply chains across the region. Contract development and manufacturing organisations (CDMOs) providing outsourced manufacturing services to pharma and medtech are seeing significant growth across South and Southeast Asia in this context. There are also some big multinational commercialisation and distribution platforms that have emerged that are helping Chinese producers sell their products across the region, increasingly in place of Western

producers. The opportunities for manufacturers and service providers supporting the region's medtech and pharma industries is the topic of the third chapter in this report.

Given Asia's increasing importance on both the demand and the supply side of the global healthcare industry, healthcare investors and operators in Europe or the US who don't have a strategy for Asia "risk being left behind", as one investor we spoke to for this report put it. In the current precarious climate of rising geopolitical tensions and economic uncertainty there may be a temptation to wait and watch, but this could turn out to be a very costly strategy given how powerful the region's fundamentals are.

In terms of what strategy Western investors and operators should adopt vis-a-vis Asia's healthcare industry, another of the contributors to this report had stark words: "Stop thinking 'sell to China', and start thinking 'build with China'," Chenyang Xu, President of PVMed Technologies, a Chinese company building AI-powered precision oncology tools, says. "The winners will innovate alongside Chinese teams – or localise manufacturing in China, tap into Chinese talent, or partner with Chinese companies for speed and cost." Xu emphasises that doing this isn't just a win for China: Western companies will also benefit from expanding into emerging markets which have leaner cost structures, faster iteration, and intelligence-ready products which they can bring back to their home market.

China is supplying a growing share of the world's novel drug pipeline

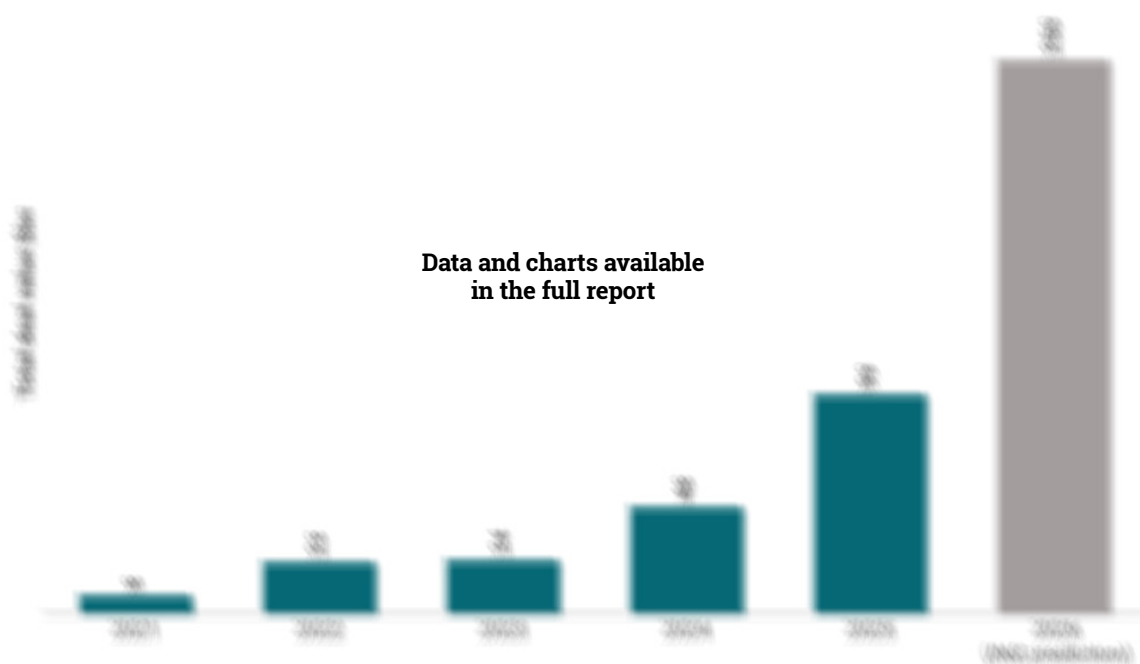
China's biopharma sector has become somewhat of a global colossus over the past decade. It is no longer just a manufacturing hub for generics. It is now producing about a third of the world's new innovative drug programmes, putting it almost on a par with the US, and well ahead of Europe. A growing proportion of these new drugs are meaningfully superior to existing drugs, rather than just copy-cats. And it can develop these at a substantially lower cost and with a faster turnaround time than Western markets. Consequently, all the big pharma multinationals, almost all of which are Western companies (one is Japanese), are going to China to do licensing deals with Chinese biotech firms, to bring new Chinese drugs to Western patients, albeit under their own branding.

Several hundred such deals have now been done. And the amount of money flowing from big pharma to Chinese biotech in these deals has been exploding. In 2022, the total value of licenses sold by Chinese biotech to big pharma was about \$23 billion, up from \$8 billion in 2021. The 2024 figure was more than double the 2022 figure, at \$48 billion, and in 2025 it doubled again, to \$99 billion. Dutch multinational bank ING forecasts that \$250 billion will be done in 2026...

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CHINESE BIOTECH

THE EXPLOSIVE GROWTH IN THE SALE OF DRUG LICENCES BY CHINESE BIOTECH TO MULTINATIONAL PHARMA COMPANIES, 2021-2026, \$BN



Source DealForma, Alvarez and Marsal, ING

Will China's medtech producers outcompete Western incumbents?

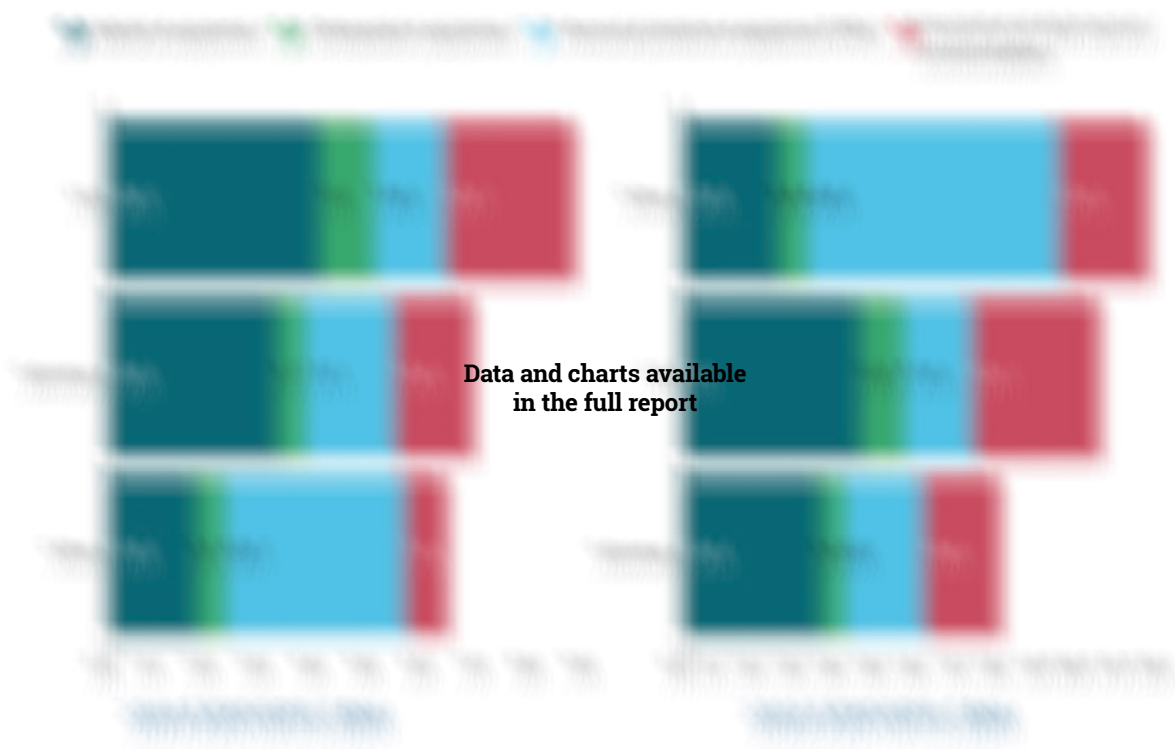
Given the country's manufacturing and engineering prowess one might assume that China's medtech sector is even closer to achieving global supremacy than its pharma sector. In fact, whilst Chinese medtech is undergoing rapid growth and transformation, the move up the value chain is at a less advanced stage than in biotech. "There are still only a few breakthrough medtech innovations coming from China," Grace Wang, Partner at consulting firm L.E.K. Consulting, tells us. "But there is a lot of incremental innovation."

The other big trend is that many Chinese medtech producers are trying to go global as they find it increasingly difficult to make a profit within China due to cut-throat price competition between Chinese producers (sometimes referred to as 'involution'), who often get subsidies from local governments, as well as national policies to keep prices down for commodity products, in particular 'volume-based procurement'.

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CHINESE MEDTECH

CHINA BECAME THE LARGEST MEDICAL GOODS EXPORTER (EXCLUDING DRUGS) IN 2022
DRIVEN BY PPE DOMINANCE, TOP 3 EXPORTERS IN 2019 VS. 2022, \$BN



Source OECD, Trade Data Monitor



Pharma and medtech manufacturing and services **in the wider Asia-Pacific region**

As China moves up the value chain and shifts away from being solely a manufacturing hub to being an R&D and innovation hub producing world-class products in both pharma and medtech, countries in the surrounding region are set to benefit as multinationals and Chinese companies diversify their supply chains across the region, driven by geopolitics as well as economics. Paul Zhang, Director at private equity firm Advent's Shanghai office, comments that this isn't necessarily a threat to China, but "a parallel opportunity set" for investors and operators across the region. Chinese producers are also increasingly displacing Western multinationals as suppliers to the region's healthcare systems, and several large multinational distribution platforms have emerged to support this.

South and Southeast Asia are well positioned for CDMO investment because they have comparatively low manufacturing costs and large pools of skilled labour. India already has a reputation as "the pharmacy of the world", as the largest supplier of active pharmaceutical ingredients (APIs) and generic drugs – it currently accounts for about 44% of the world's API manufacturing sites (compared to 22% in China and only 9% in the US, according to the US Food and Drug Administration) and produces about 20% of the world's generic medicines.

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Advent

Advent is a US-headquartered private equity firm with offices and investments across the globe. In Asia-Pacific Advent has a presence in India and in China, and set up an office in Australia last year, and one in Japan this year.

Last month the firm announced its first deal in Japan: the acquisition of Japan Wellbeing Corp, one of Japan's largest home care operators, from East Asian private equity firm MBK Partners. The acquisition reportedly valued the elderly care operator at about 200 billion yen (~\$1.2 billion).

HBI spoke to Paul Zhang, Director at Advent's Shanghai office, about the firm's Asian investments, focusing particularly on China and the cross-border opportunities between China and Europe.

HBI: How is Advent approaching investment in Asia, and what trends are you seeing in the region, and in China in particular?

PAUL ZHANG: We're doing a lot in Asia. We see the market maturing across different regions, and we see increasing buyout opportunities. Asia is increasingly central to our global thesis rather than a standalone market.

There are two healthcare trends that really excite us in China today. The first is the ageing population. Ten years from now there will be about 400 million Chinese over 60 years old. That's bigger than the population of the US. It's a huge demographic tailwind, creating opportunities across pharmaceuticals, consumer health products, over-the-counter medications (OTCs), and healthcare services.

The second trend is that China is now a global innovation hub. There's an accelerating trend of global pharma companies licensing in China as they face patent cliffs for existing products, and due to the cost of developing molecules being structurally lower in China than other countries, given the deep talent pool and infrastructure that would take decades to

build elsewhere. It is truly exciting to see how these local innovations become a piece of the global puzzle, benefiting the world rather than just sitting in China.

For Asia more broadly, as China moves up the value chain, MNCs are diversifying their supply chains across the region. We don't think that's a threat to China; it's a parallel opportunity set for investors and assets across the region.

We currently have six active investments in China across consumer, healthcare, and business services sectors. In healthcare we are particularly interested in pharma outsourcing as a global theme. We have two Chinese healthcare investments: in 2021 we bought GS Capsule, which is China's largest empty capsule manufacturer, and in 2019 we bought BioDuro, a discovery CRO leveraging the deep talent pool and infrastructure in China. We also invested in an innovator CDMO in India called Cohance, that leverages India's legacy in generics manufacturing.

Our pharma services strategy is built on our global track record in the sector. We have previously invested in Syneos Health, which is one of the largest clinical CROs in the US, and are now investing in

Simtra BioPharma Solutions, which is a sterile injectables player in the US. Drug products are the strong suit in the US.

We see AI as the next efficiency lever. At GS Capsule, we've introduced AI-enabled production planning for thousands of customised SKUs (stock keeping units), predictive quality, and supply-chain optimisation, to help achieve greater operational efficiency.

In terms of deal types, Asia's healthcare market is maturing, with a shift from growth capital deals to buyouts. We see more MNC carve-outs, first-generation founder exits, public-to-private opportunities, and also secondary investments.

HBI: What are the cross-border opportunities between Europe and China, and how are you approaching them?

PZ: Our global platform gives us the ability to help portfolio companies expand across markets. We look for Chinese businesses with products and services that can scale internationally, as well as European companies with growth opportunities in China.

BioDuro and GS Capsule are good case studies. BioDuro has seen tremendous growth from its European business: the revenue contribution from European clients (both biopharma and biotech) has increased from about 5% of revenue at time of acquisition to around 15% today. We believe this demonstrates the increasing penetration of pharma outsourcing in Europe, and how our offerings are competitive in serving that demand.

For GS Capsule, European revenue was around 15–20% at the time of our investment; today it accounts for more than 30%. We helped the company establish a presence locally in Europe with a direct sales force, as well as customer and technical service teams on the ground, to better serve customers.

We also help our portfolio companies expand their presence in China and actively seek China M&A opportunities. For example, we helped our Italian pharma company ICE Pharma explore Chinese opportunities and partnerships. There are also



PAUL ZHANG
DIRECTOR

various European companies looking for supply-chain and sourcing opportunities in Asia, and our local team and portfolio companies support them with that as well.

For our European team, when we're looking at a European asset – nutraceuticals, for example, because China is a huge market for nutraceuticals – we would join the deal to understand their presence in China today. What are the areas they could do better in terms of go-to-market? Are they doing enough in e-commerce, which is a fast-growing segment? How are they doing with offline distribution? Do they have a capable team on the ground, and do we have a network of advisors and industry contacts that can really turbocharge the business?

The China team and European team would underwrite the business plan together. If it's a European business, then the European team would underwrite the China

There's abundant opportunities out there, but we want to find the right one that can achieve good returns for our investors.

piece with us at the same time, and post-closing we work with them on China value creation and the portfolio management piece of the work.

HBI: Are there challenges or headwinds that PE firms investing in China have to navigate, and are these impacting investment?

PZ: Interest from investors is generally there. But the strong interest in the region hasn't always converted into deployment. That's because of valuation, discipline, diligence depth, and regulatory uncertainty, not lack of opportunity.

There are some regulatory uncertainties in some areas of healthcare, and we want to stay away from those and focus on areas where we can enable our portfolio companies as well as our global platform. There are regulatory headwinds around volume-based purchasing, and sensitivities around data. Digital health and medtech are therefore not areas we currently focus on in China.

But in general, we think healthcare sits on the right side of the regulatory divide: it's largely non-sensitive, and post the recent Trump–Xi meeting, concerns have eased a little bit.

HBI: How do you navigate Chinese capital controls?

PZ: Capital controls exist in China. You need to do the tax clearance, documentation, compliance, and regulatory filing. It can be bureaucratic, but it's not

prohibitive. Foreign PEs have been investing and exiting in China's consumer healthcare services sector for years. So the infrastructure is mature, and the practical reality for non-sensitive sectors is far more stable than the headlines suggest.

And the legal system has modernised a lot in terms of commercial law, IP protections, and contract enforcement. China regulates the sectors and industries that foreign investors can invest in with a negative list approach. And the negative list has been shortened consistently. The restrictions on investing in manufacturing were completely eliminated in 2024, so it's opening up to the world in terms of investment.

HBI: Do you plan to make further investments in China?

PZ: We have a strong commitment to Asia, and to China, as one of the pillars in the region. The risk perception and bar for deployment is higher post-covid, but Advent has been deploying in China steadily through the cycle. While many of our global peers have paused or retreated, we've continued to invest.

We also think valuations support this point. Private deals are transacting at high single-digit to low-teens EV/EBITDA, which represents a meaningful discount to Western markets.

For us, it's really about discipline and diligence. There's abundant opportunities out there, but we want to find the right one that can achieve good returns for our investors.



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