

China Healthcare

Bi-Weekly: Profit-taking Drags HSHCI; ESMO Data Brightens Biopharma Outlook

Highlights

- The HSHCI fell 10.6% during 1-15 October, significantly underperforming the HSI, mainly due to profit-taking. Insilico, XtalPi, Akeso, and WuXi Bio, which led September's outperformers, are the major laggards.
- Chinese biopharmas will deliver their strongest ESMO showing yet, with 29 studies accepted as late-breaking abstracts. With market focus shifting from business development to robust Phase III data delivery, China's innovation strength should continue to support the sector's positive outlook.
- Maintain MARKET WEIGHT.

Bi-Weekly Recap

- Patent cliff pressures big pharma as Chinese biopharmas capitalise.** The biopharma patent cliff is peaking, with US\$500b in branded drug sales at risk from generics and biosimilars in 2026-32. Merck's Keytruda (US\$31.7b in 2025 sales, 49% of revenue) loses US exclusivity in 2028. Bristol Myers Squibb faces the steepest proportional cliff, with Eliquis and Opdivo (2025 sales of US\$14.4b and US\$10b, respectively, or together ~50% of revenue) expiring around 2028. These major drug makers are responding via pipeline execution, business development, and cost cuts. Meanwhile, Chinese biopharmas are capitalising through record licensing deals, platform partnerships, and biosimilar expansion. To replenish pipelines, MNCs are increasingly pursuing multi-programme bundled deals and platform-level partnerships rather than single-asset purchases. Chinese biosimilar makers are expanding globally. Henlius targets US entry in 2026-27, and the EU thereafter, expecting overseas revenue to double annually on China's 40% cost advantage.
- Chinese companies are having their strongest ESMO showing this year.** The European Society For Medical Oncology (ESMO) Congress 2026, to be held on 23-27 Oct 26 in Madrid, has recently released study titles of the late-breaking abstracts (LBA), which included 29 studies led by Chinese researchers, up from 23 and seven studies in 2025 and 2024 respectively. This continues to show the growing global influence and research capabilities of Chinese oncologists.

Peer Comparison

Company	Ticker	Rec	Price @ 15-Oct-26 (LCY)	Target Price (LCY)	Upside/(Downside) to TP (%)	Market Cap (LCYm)	PE 2026F (x)	2027F (x)	P/B 2026F (x)	2027F (x)	EV/EBITDA 2026F (x)	2027F (x)	ROE 2026F (%)	Net Gearing 2026F (%)	EPS 2026F (LC)	2027F (LC)	2028F (LC)	CAGR 2-ysrs (%)	PEG 2027F (x)
Shenzhen Mindray	300760 CH	BUY	167.00	195.00	16.8	202,370.5	27.0	23.4	5.0	4.6	19.9	17.1	20.5	-43.8	6.19	7.14	8.01	13.7	1.7
CSPC Innovation	300765 CH	BUY	42.98	57.00	32.6	60,369.4	36.4	n.a.	14.0	14.0	38.6	n.a.	-0.5	-23.4	1.18	-0.02	0.13	-66.5	n.a
HUTCHMED	13 HK	BUY	21.44	26.00	21.3	18,702.9	60.0	35.2	1.8	1.7	226.2	52.0	3.2	-9.9	0.05	0.08	0.12	61.1	0.6
HUTCHMED	HCM US	BUY	13.48	16.63	23.4	2,351.8	59.3	34.7	1.8	1.7	223.1	51.3	3.2	-9.9	0.05	0.08	0.12	61.1	0.6
HUTCHMED	HCM LN	BUY	216.00	250.00	15.7	1,884.2	63.0	36.9	1.9	1.8	237.5	54.6	3.2	-9.9	0.05	0.08	0.12	61.1	0.6
CSPC	1093 HK	BUY	8.87	11.50	29.7	102,146.5	11.7	10.9	2.3	2.1	7.2	6.7	19.7	-35.9	0.65	0.69	0.74	7.2	1.5
Sinopharm Group	1099 HK	HOLD	15.65	17.00	8.6	48,838.3	5.8	5.4	0.5	0.4	4.6	4.5	8.3	-0.3	2.32	2.45	2.61	6.2	0.9
Sino Biopharmaceutical	1177 HK	BUY	5.27	7.20	36.5	98,459.2	16.1	15.1	2.6	2.5	12.3	11.9	8.4	26.4	0.28	0.30	0.33	8.5	1.8
Innovent Biologics	1801 HK	BUY	87.75	132.00	50.4	153,292.1	43.2	29.5	5.7	4.7	40.1	26.3	15.1	-70.3	1.73	2.54	3.59	44.1	0.7
Ping An Good Doctor	1833 HK	HOLD	5.82	6.70	15.3	12,568.8	42.6	31.1	1.0	1.0	84.9	38.1	3.2	-28.2	0.12	0.16	0.21	34.6	0.9
Medlive	2192 HK	BUY	6.45	10.20	58.1	4,774.8	11.4	9.9	0.8	0.8	10.3	8.5	7.9	-39.0	0.48	0.56	0.66	16.6	0.6
Medbot	2252 HK	BUY	21.18	29.00	36.9	21,843.6	194.4	77.7	42.0	31.0	n.a.	141.5	30.3	-60.0	0.09	0.23	0.48	127.1	0.6
WuXi Biologics	2269 HK	BUY	48.64	67.80	39.4	200,239.3	24.4	20.4	3.3	2.8	16.9	12.6	13.4	-16.3	1.70	2.04	2.47	20.5	1.0
WuXi AppTec	2359 HK	BUY	200.60	220.00	9.7	558,534.4	22.1	19.0	5.3	4.4	15.7	13.2	24.7	-38.3	7.72	9.00	10.48	16.5	1.2
WuXi AppTec	603259 CH	BUY	154.50	189.20	22.5	478,675.2	20.0	17.2	4.8	4.0	15.8	13.2	24.7	-38.3	7.72	9.00	10.48	16.5	1.0
Ali Health	241 HK	BUY	2.96	4.00	35.0	47,878.9	18.3	15.9	2.4	2.2	14.3	12.3	13.6	-55.6	0.14	0.16	0.18	14.9	1.1
Edge Medical	2675 HK	BUY	31.20	56.00	79.5	12,226.7	108.3	36.2	4.1	3.8	1,190.9	41.3	8.0	-60.7	0.25	0.73	1.39	138.3	0.3
China Shineway	2877 HK	HOLD	7.47	8.50	13.8	6,177.7	6.4	5.9	0.6	0.6	-1.9	-1.8	10.0	-84.6	1.00	1.07	1.14	6.9	0.9
Hansoh Pharma	3692 HK	BUY	31.38	45.00	43.4	190,293.0	24.7	21.3	4.1	3.6	14.8	15.9	18.0	-40.8	1.08	1.26	1.45	15.6	1.4
TUL	3933 HK	BUY	7.28	11.00	51.2	14,333.8	16.9	14.3	0.7	0.7	5.4	5.0	4.7	-9.9	0.37	0.43	0.50	16.8	0.8
BeOne Medicines	6160 HK	BUY	215.60	265.00	22.9	340,806.0	24.6	19.1	7.3	5.8	28.8	20.1	19.6	-90.2	1.12	1.44	1.83	28.1	0.7
BeOne Medicines	ONC US	BUY	351.48	439.41	25.0	39,963.9	24.2	18.8	7.2	5.7	26.2	18.3	19.6	-90.2	1.12	1.44	1.83	28.1	0.7
BeOne Medicines	688235 CH	BUY	245.99	354.10	43.9	292,077.6	32.9	25.5	9.8	7.8	29.0	20.2	19.6	-90.2	1.12	1.44	1.83	28.1	0.9
Average							24.6	21.2	5.6	4.7	22.8	16.8	13.6					25.0	1.0

Source: Bloomberg, UOB Kay Hian

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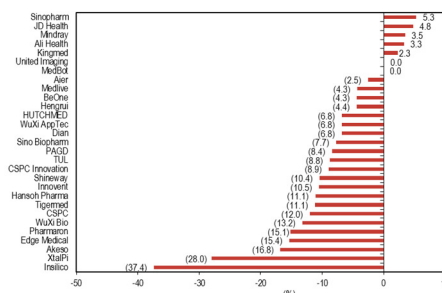
MARKET WEIGHT (Maintained)

Sector Picks

Company	Ticker	Rec	Share Price (HK\$)	Target Price (HK\$)
Innovent	1801 HK	BUY	87.75	132.00
BeOne Medicines	6160 HK	BUY	215.60	265.00
WuXi AppTec	2359 HK	BUY	200.60	220.00
WuXi Bio	2269 HK	BUY	48.64	67.80
Edge Medical	2675 HK	BUY	31.20	56.00

Source: Bloomberg, UOB Kay Hian

Bi-Weekly Stock Performance (1-15 Oct 26)



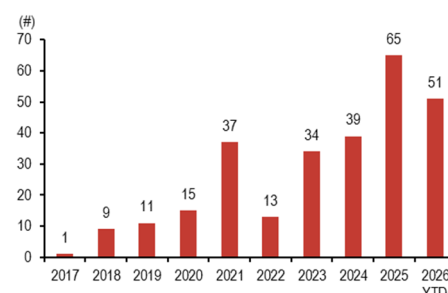
Source: Bloomberg, UOB Kay Hian

- Notably, five Chinese-origin studies were selected for the high-profile Presidential Symposium – Akeso, Hansoh Pharma, HUTCHMED, Keymed/Lepu and Kelun-Biotech. Among Chinese pharmaceutical firms, Kelun-Biotech and Hengrui each have three studies in the LBAs. HUTCHMED, CSPC/Alphamab, Biokin and Lepu Biopharma each contributed two LBAs, while Akeso, Hansoh Pharma, Keymed, Sino Biopharm, BeOne Medicines, RemeGen, Junshi Bio, GenFleet, Leads Biolabs each have one.
- China's pharma industry 15th Five-Year Plan sets 2030 targets:** a) five domestic drugs with global annual sales above US\$1b, b) first-in-class (FIC) drugs to account for over 25% of the global total, c) innovative-drug industry scale to grow over 20% per year, and d) 50 pharmaceutical manufacturers with annual revenue above Rmb10b. We believe these targets are achievable. BeOne Medicines' BRUKINSA and Legend's CARVYKT1 have already surpassed the US\$1b global sales target, generating US\$3.9b and US\$1.9b in 2025, respectively, and both are growing rapidly. There are 25 pharmaceutical companies with annual sales exceeding Rmb10b in 2025. The top 10 include: BeOne Medicines (US\$38.2b), Hengrui (Rmb31.6b), Sino Biopharm (Rmb29.3b), CSPC (Rmb26.0b), Kelun Pharma (Rmb18.5b), 3Sbio (Rmb17.7b), Hansoh Pharma (Rmb15.0b), TUL (Rmb13.2b), Innovent (Rmb13.0b), and Livzon (Rmb12.0b). China's innovation strength should continue to support the sector's positive outlook.

Major Industry News

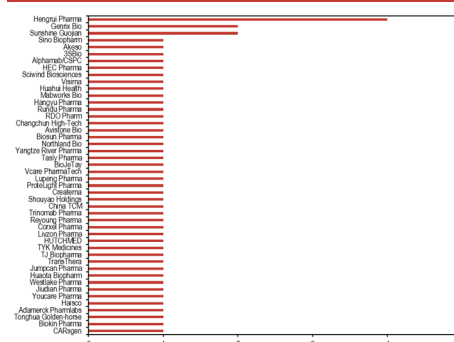
- Lilly and Novo betting on Amylin as next-generation strategy for obesity and T2D.** The obesity and type 2 diabetes (T2D) field is shifting from GLP-1 alone to Amylin as both Eli Lilly and Novo Nordisk are developing amylin drugs as the next obesity treatment after GLP-1s. Amylin is a hormone co-secreted with insulin by the pancreas that signals fullness. It works through a different mechanism than GLP-1. Combining amylin with GLP-1 therapy may further suppress appetite, slows gastric emptying, reduces "food noise," and breaks through weight-loss plateaus. Novo Nordisk has completed phase 3 trial for Cagri Sema (Cagrilintide (Amylin analogue) + Semaglutide) and filed NDA to US FDA. Eli Lilly's Eloralintide/eloraT2P (Eloralintide (Amylin agonist) + Tirzepatide) plans phase 3 trial in 4Q26. Both demonstrated robust weight loss efficacy, while tolerability may be the next battleground given higher side-effects.
- ALK7 is also becoming an emerging obesity target** that acts directly on fat tissue. Novo Nordisk, GSK and Arrowhead have been racing to advance their Activin receptor-like kinase 7 (ALK7) pipelines. On 13 Oct 26, Roche also entered the ALK7 space by partnering with China-based Rona Therapeutics to acquire an RNAi-based candidate targeting ALK7. Moreover, the obesity frontier still leaves room for better tolerability, less frequent dosing, and oral delivery.
- Abogen Biosciences has entered into an exclusive worldwide licence with Novartis on its B-cell mRNA drug ABO2203** for lupus and rheumatoid arthritis. Abogen Biosciences is eligible to receive US\$575m upfront and up to US\$7.2b more in milestones, plus potential royalties on future product sales. ABO2203 is the first mRNA-encoded TCE to enter clinical evaluation for autoimmune diseases. **Micurx (688373 CH)** intends to enter into an MRX-23L licence agreement and STOPIN platform technology cooperation agreement with Switzerland's ClearideBio Therapeutics for up to US\$973m in milestones, and US\$1m upfront. The dual-track transaction grants ClearideBio exclusive global rights to the ADC candidate MRX-23 and multi-project options on Micurx's proprietary STOPIN ADC platform, with aggregate potential milestone payments reaching up to US\$973m across all programmes.
- The average price of a surgical robot has fallen to Rmb13.3m in Chinese public-hospital tenders**, down 25% from Rmb17.7m a year ago. According to MedRobot data, public hospitals bid for 90 laparoscopic robots

Market Approvals Of Domestic Innovative Drugs In China (2017-ytd)



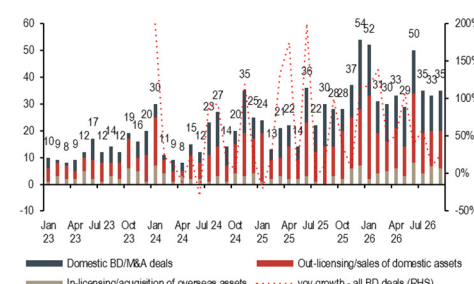
Note: Data includes Category 1 innovative drugs approved in China
Source: NMPA, UOB Kay Hian

Innovative Drug Approvals Obtained By Domestic Drug Makers In China (ytd)



Note: Data includes Category 1 innovative drugs approved in China (excl. new indication approvals of previously approved innovative products)
Source: NMPA, Respective companies, UOB Kay Hian

Monthly Number Of BD/M&A Deals By Chinese Pharmaceutical Companies (Jan 23-Sep 26)



Source: MyBioBD, UOB Kay Hian

HSHCI Performance (Jan 26-ytd)



Source: Bloomberg, UOB Kay Hian

last year, with 59 going to da Vinci and 16 to Shenzhen Edge Medical. In 1H26, 27 units were awarded – 17 to domestic brands and the remaining 10 to da Vinci. da Vinci's share of awarded units fell from 66% (59 of 90) to 37% (10 of 27). Lower price and domestic sourcing were the key dynamics of the surgical robot segment. Facing downward pressure on per-unit pricing in China, domestic surgical robot manufacturers have been actively expanding their presence in overseas markets to pursue growth.

Valuation/Recommendation

- **Maintain MARKET WEIGHT** on China's healthcare sector. We prefer leading drug innovators and CRDMO players. Our top picks are Innovent, BeOne Medicines, Hansoh Pharma, WuXi AppTec, WuXi Bio, and Edge Medical.

Sector Catalyst/Risk

- **Catalysts:** a) Smooth progress in R&D and a growing number of innovative product launches, b) robust revenue and earnings growth, c) continued globalisation efforts, and d) strong pipelines that attract an increasing number of global partners for out-licensing deals.
- **Risks:** a) Possible rising geopolitical risks, b) domestic/overseas regulatory shifts, c) economic downturn risks, d) risks in R&D and market launches, e) intensifying market competition, and f) risks in overseas expansion and business collaborations etc.

NMPA-Approved Innovative Drugs Developed By Chinese Companies (Oct 26)

Company	Drug name	Target/MoA	Indication	Date of Approval
Youcare Pharma	Zihua Wenfei Zhisou Granule	TCM	Post-infectious cough	13/10/2026

Source: NMPA, respective companies, UOB Kay Hian

Recent Major BD/M&A Deals By Chinese Pharmaceutical Companies (Oct 26)

BD/M&A Deal Type	Date	Licensor (Seller)	Licensee (Buyer)	Licensed Product	Region	Upfront Payment (US\$m)	Total Deal Value (US\$m)
Cross-border out-licensing	2-Oct-26	Abogen Biosciences	Novartis	ABO2203 (mRNA-encoded CD19xCD3 T-cell engager (TCE)) and exclusive options on further RNA-platform assets	Global	575	7,775
Cross-border out-licensing	7-Oct-26	Asieris Pharmaceuticals	Theramex	APL-1702 / CEVIRA (hexaminolevulinate ointment + cervical photodynamic therapy device)	European countries, Australia, New Zealand and Turkey	15	>250
Cross-border strategic collaboration / equity investment	9-Oct-26	Triastek	Johnson & Johnson	3D-printing oral drug-delivery platforms (MED&SSE, 3DµS-OM) for new oral drugs incling peptides and JJDC equity investment	-	-	-
Cross-border out-licensing	9-Oct-26	MicRx Pharmaceutical	ClearideBio Therapeutics	MRX-23 (bispecific ADC, novel camptothecin payload) and options on up to 6 STOPIN-platform ADC projects	Global	1	974
Cross-border out-licensing	13-Oct-26	Hiteck	Visara (NovaBridge Biosciences subsidiary)	HT006.2.2 / VIS-102 (modified rhNGF eye drops)	Global (ex-Greater China)	7	111
Cross-border out-licensing	13-Oct-26	Rona Therapeutics	Roche	RNAi candidate targeting ALK7	Global	100	1,160

Source: respective companies, UOB Kay Hian

FDA Novel Drug Approvals (Oct 26)

Product	Approval Date	Approved indication	Company
Hovilpri (pritelivir)	9-Oct-26	Mucocutaneous lesions caused by herpes simplex virus infection	Asahi Kasei Therapeutics

Source: US FDA, respective companies, UOB Kay Hian

Recent Sector & Company Updates (Sep-Oct 26)

	Channel Check & Update	Recent Report	Date of Publish
Sector update	1H26 results summary	Innovation And Globalisation: The Twin Engines For Growth	8-Sep-26
Sector update	Bi-Weekly	Strengthening Innovation To Sustain Growth	17-Sep-26
Company update	Ali Health (241 HK)	1HFY27 Preview: Lowers FY27 Revenue Growth Target To 7-10% yoy On Subsidy Optimisation; Earnings Guidance Unchanged	21-Sep-26
Sector update	Bi-Weekly	China's 15th Five-Year Pharma Plan Signals Long-Term Support For Biopharma And AI Drug R&D	2-Oct-26

Source: UOB Kay Hian

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