Key Indices

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	51711.7	(1.0)	(1.6)	0.1	7.6
S&P 500	7408.3	(1.2)	(1.7)	0.6	8.2
FTSE 100	10639.2	(0.7)	0.6	2.0	7.1
AS30	9018.1	0.1	(0.2)	0.3	(0.0)
CSI 300	4728.0	0.2	0.6	(3.9)	2.1
FSSTI	5581.8	(0.2)	0.8	7.2	20.1
HSCEI	8352.7	1.2	0.4	7.6	(6.3)
HSI	25210.8	1.3	0.8	8.0	(1.6)
JCI	6315.3	(0.3)	3.4	3.5	(27.0)
KLCI	1714.6	0.2	(0.4)	2.1	2.1
KOSPI	7096.9	4.4	4.1	(13.5)	68.4
Nikkei 225	66422.6	0.5	(0.6)	(4.8)	31.9
SET	1641.0	0.1	0.4	6.5	30.3
TWSE	44850.8	0.1	(1.7)	(4.8)	54.9
BDI	2725.0	0.4	(4.0)	2.2	45.2
CPO (RM/mt)	4498.0	0.0	0.1	(1.4)	14.4
Brent Crude (US$/bbl)	100.7	7.0	19.5	30.6	65.5

Source: Bloomberg

Corporate Events

	Venue	Begin	Close
Hybrid Post-result Group Luncheon with Plover Bay Technologies Ltd (1523 HK)	Hong Kong	31 Jul	31 Jul
Virtual Meeting with i-Tail Corporation Public Company Limited (ITC TB)	Thailand	05 Aug	05 Aug

Corporate and Macro Calendar

Economic Indicator/Event	Country/Region	Date
Jun Industrial Profits	China	27 Jul
Jun Trade Balance, Exports, Imports	Hong Kong	27 Jul
Jul PMI (Composite, Manufacturing, Non-manufacturing)	China	31 Jul
2Q A GDP (SA QoQ, YoY)	Hong Kong	31 Jul
Jun Money Supply (M1, M2, M3)	Hong Kong	31 Jul

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Top Stories

Sector Update | Automobile Page 3

Policy has set the tone – China has ended a tax 11-year exemption for lithium-ion batteries (2% from Sep 26, 4% from 2027; sodium-ion and solid-state exempted), while the MIIT has ordered production-consistency audits and an end to the price war. Hainan will ban the sale of new ICE-cars by 2030. New-model debuts have turned defensive, with GWM cutting Tank 300 prices and Li Auto holding L6's pricing, while XPeng's global MONA L03 drew 20,000 orders. Maintain MARKET WEIGHT.

Company Update | Baidu Inc (9888 HK/**BUY**/HK$106.20/Target: HK$186.00) Page 6

Baidu is expected to report 2Q26 results in mid- to late-August. We expect Baidu Core revenue to decline 1% yoy, with a 44% AI Cloud growth offset by a 21% advertising decline, while core operating profit should fall 18% yoy. Key events to look out for include higher 2H26 AI investment, the Apple partnership, the Kunlunxin spin-off, and a dual-primary listing. Maintain BUY with a higher target price of HK$186.00 (US$190.00).

Company Update | Sino Biopharmaceutical (1177 HK/**BUY**/HK$5.19/Target: HK$7.20) Page 9

Despite weak generics, Sino Biopharm's innovative drug revenue and out-licensing income will drive double-digit revenue growth in 1H26. 1H26 adjusted net earnings may fluctuate sharply due to the absence of a Rmb1.35b special dividend from associate Sinovac LS in 1H25, while we still expect double-digit earnings growth for 2026. Backed by new in-licensed products and strong R&D, Sino Biopharm should see steady revenue and earnings growth in 2027. Maintain BUY. Trim target price to HK$7.20 on generic drug policy headwinds.

Technical Analysis

Xiaomi | 1810 HK Page 12

Support levels: HK$25.28/HK$24.48
Resistance levels: HK$29.74/HK$32.88

Sino Biopharmaceutical | 1177 HK Page 12

Support levels: HK$4.71/HK$4.19
Resistance levels: HK$5.47/HK$5.76

Automobile

Weekly: Policy Raises The Bar As New-Model Debuts Turn Defensive

MARKET WEIGHT
(Maintained)

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Highlights

- China ended its 11-year battery tax exemption – it will be implementing a 2% tax on lithium-ion cells from Sep 26, which will rise to 4% in 2027.
- MIIT has ordered production-consistency audits, tougher ADAS safety checks and an end to irrational competition, while Hainan will ban new ICE-car sales by 2030.
- Debuts have turned defensive: GWM cut Tank 300 hybrid prices and Li Auto held the L6's pricing. Meanwhile, XPeng's MONA L03 drew 20,000 orders.
- Maintain MARKET WEIGHT. Top BUYs: CATL, BYD, Geely, Minth; SELL Li Auto.

Analysis

- **Policy: Three moves that have raised costs and compliance bar.** Beijing has tightened the battery tax, and launched a system-wide safety and anti-price-war review of automakers. Meanwhile, Hainan has set the first provincial deadline to end ICE-car sales.
  - **Battery consumption tax – an 11-year exemption ends.** From 1 Sep 26, a 2% consumption tax will apply to lithium-ion batteries for EVs and energy storage, and this will rise to 4% in 2027, while sodium-ion and solid-state remain exempt through to 2028. This adds a cost line across the supply battery chain of electric vehicle (EV) and energy storage system (ESS). CATL should have stronger bargaining power to pass on the tax to auto OEMs, and BYD would be immune to the tax, as it makes batteries in-house. However, smaller battery manufacturers like EVE Energy and other auto OEMs would bear additional cost pressure. Geely produces one-third of the batteries it needs for EVs, and it will likely ramp up battery production going forward. Additionally, the tax will accelerate the development of sodium-ion batteries and solid-state batteries.

Segmental Rating

Segment	Rating
OEMs	MARKET WEIGHT (Maintained)
Auto parts	MARKET WEIGHT (Maintained)
Battery and battery materials	OVERWEIGHT (Maintained)

Source: UOB Kay Hian

Sector Picks

Company	Ticker	Rec	Share Price (lcy)	Target Price (lcy)
CATL	300750 CH	BUY	385.99	640.00
BYD	1211 HK	BUY	88.65	135.00
Geely	175 HK	BUY	18.52	27.00
Minth	425 HK	BUY	27.80	56.00
Li Auto	2015 HK	SELL	48.96	40.00

Source: Bloomberg, UOB Kay Hian

Peer Comparison

Company	Ticker	Rec*	Price 23 Jul 26 (lcy)	Target Price (lcy)	Upside To TP (%)	Last Year End	PE 2025 (x)	PE 2026F (x)	PE 2027F (x)	Yield 2026F (%)	ROE 2026F (%)	Market Cap. (lcy m)	Price/ NAV ps (x)
BYD - H	1211 HK	BUY	88.65	135.00	52.3	12/25	21.5	15.5	12.5	0.6	15.3	326,533	2.4
Geely	175 HK	BUY	18.52	27.00	45.8	12/25	11.3	9.9	7.8	2.8	17.8	199,741	2.6
Great Wall Motor - H	2333 HK	HOLD	8.94	9.90	10.7	12/25	6.7	7.2	5.9	2.6	10.2	20,628	0.7
Li Auto	2015 HK	SELL	48.96	40.00	(18.3)	12/25	193.5	61.0	75.4	0.0	2.0	102,082	1.2
XPeng	9868 HK	BUY	51.30	90.00	75.4	12/25	Loss	162.9	19.7	0.0	1.7	80,409	2.7
Fuyao Glass - H	3606 HK	BUY	55.40	100.00	80.5	12/25	13.5	12.6	10.5	5.2	27.2	33,614	2.9
Huizhou Desay SV	002920 CH	BUY	83.90	150.00	78.8	12/25	20.4	20.4	17.3	1.7	24.8	50,072	2.9
Minth	425 HK	BUY	27.80	56.00	101.4	12/25	10.1	9.6	8.1	3.0	11.7	32,566	1.1
Nexteer	1316 HK	BUY	4.02	8.30	106.5	12/25	12.7	9.6	8.7	4.7	6.2	10,089	0.6
Ningbo Joyson	600699 CH	BUY	20.12	43.00	113.7	12/25	21.2	15.9	14.0	1.3	9.9	28,081	1.5
Ningbo Tuopu	601689 CH	BUY	48.17	100.00	107.6	12/25	31.1	27.6	24.0	0.0	11.7	83,712	3.4
Pony AI	PONY US	BUY	6.83	16.00	134.3	12/25	Loss	Loss	Loss	0.0	n.a.	2,413	0.3
Weichai Power - H	2338 HK	HOLD	33.46	35.00	4.6	12/25	42.2	22.0	20.7	2.7	10.7	65,014	2.6
Zhejiang Sanhua	002050 CH	BUY	37.19	57.00	53.3	12/25	38.9	33.2	28.7	1.2	14.2	138,774	4.5
Hesai	2983 HK	BUY	15.21	33.00	117.0	12/25	33.8	30.3	18.3	0.0	5.9	15,836	1.7
RoboSense	2498 HK	BUY	22.66	50.00	120.7	12/25	Loss	102.3	23.6	0.0	2.4	10,695	2.4
CATL	300750 CH	BUY	385.99	640.00	65.8	12/25	24.4	18.6	14.1	2.7	20.8	1,693,338	4.5
EVE Energy	300014 CH	BUY	55.31	83.50	51.0	12/25	27.7	14.6	11.1	1.7	6.8	120,205	2.3
Ganfeng Lithium - H	1772 HK	BUY	40.50	120.00	196.3	12/25	45.8	22.1	13.6	0.9	(1.2)	19,566	1.5
Tinci Materials	002709 CH	BUY	37.44	75.00	100.3	12/25	53.0	14.9	12.5	2.0	5.4	76,324	3.3

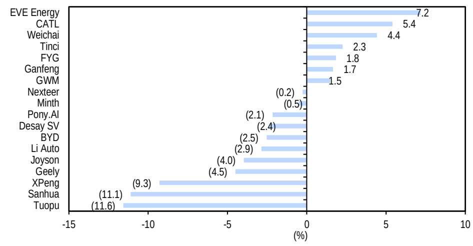
Source: UOB Kay Hian

- **MIIT orders a safety and anti-price-war review.** MIIT has instructed key automakers to audit production consistency and reliability of themselves and critical suppliers, strengthen safety assessment of assisted- and autonomous-driving functions, and resist irrational competition. This will raise the bar from product-pass to system reliability and favours scale OEMs such as BYD and Geely. Having said that, some smaller players still set lower prices for their new models, eg GWM's new Tank 300 and Li Auto's new L6.
- **Hainan – the first provincial ICE-sales deadline.** Hainan will ban sales of new internal-combustion cars from 2030 (existing ICE-cars may keep running), targeting NEVs at 45% of vehicles in use by 2030 from 24% in 2025, with NEVs already 63% of the province's new-car sales in 2025. The direct volume impact is small, but as the first provincial deadline, it reinforces the structural NEV-only trajectory, and is incrementally supportive for NEV OEMs and battery demand.

• **New-model debuts turn defensive as price war bites.** The week's launches were led by price defence at the pressured OEMs and by globalisation at XPeng, rewarding scale and integration over the long run.

- **BYD (1211 HK/BUY/Target: HK$135) – overseas reset plus a product blitz.** BYD overhauled its overseas brand structure around channel integration and flash charging. It hired Hungary's ex-foreign minister for its Europe push, and also unveiled the 800km-plus Tang 8-series, the flash-charging Qin Max and the Denza Z9S. Vertical integration shields it from the battery-tax and carbonate cost pressure as it moves up-market, which will strengthen its relative position.
- **Geely (175 HK/BUY/Target: HK$27) – cadence keeps building.** Geely opened pre-sales of the Galaxy TT Ultra at about US$30,900 and will debut the tri-motor, 1,113hp Galaxy Cruiser 700 on 24 July, while its Xingyuan EV topped 800,000 cumulative sales in under two years. The steady launch cadence and rising Europe-capacity cooperation support its return to volume growth.
- **GWM (2333 HK/HOLD/Target: HK$9.90) – defensive pricing signals soft demand.** GWM launched the new Tank 300 with its hybrid variants priced about Rmb10,000 below pre-sale levels as the off-road brand faces a sales slump, and began H10 pre-sales on its Global One platform. The price cut confirms the demand softness behind the 1H26 profit miss, and we maintain HOLD.
- **Li Auto (2015 HK/SELL/Target: HK$40) – holding price to defend a slumping franchise.** Li Auto relaunched the revamped L6 at an unchanged Rmb249,800, now with its in-house Mach M100 assisted-driving chip, to revive sales, and set up a Shanghai IC-design subsidiary. Holding price rather than cutting protects margin but signals volume pressure, and Li Auto remains the coverage OEM under the most competitive strain.
- **XPeng (9868 HK/BUY/Target: HK$90) – the standout, going global.** XPeng launched the MONA L03 simultaneously in China and Munich as its first global model, eventually reaching 64 markets, taking 20,000 firm orders within seven minutes and undercutting the Tesla Model Y in Europe by up to about US$10,000, while targeting over 1,000 robots a month before a 2027 global roll-out. The order strength and European entry keep us positive.

Weekly Stock Performance



Source: Bloomberg

Valuation/Recommendation

- **We maintain MARKET WEIGHT on China's auto sector.** Our segment preference in descending order is battery and battery materials, then auto parts, then OEMs. This week's policy mix — the battery tax, the MIIT crackdown on the price war and Hainan's ICE deadline — rewards scale, compliance and next-generation technology over the volume-led long tail.
- **Top BUYs: CATL, BYD, Geely and Minth; SELL Li Auto; HOLD GWM.** We keep our BUY on XPeng (9868 HK/Target: HK$90.00) after the strong MONA L03 launch and maintain HOLD on GWM (2333 HK/Target: HK$9.90) after its Tank 300 price cut, while Li Auto (2015 HK/SELL/Target: HK$40) faces the toughest competitive setup.

Sector Catalyst/Risk

- **Catalysts:** 2Q26 results and 3Q26 guidance; new-model order momentum (MONA L03, Tank 300, Denza Z9S); sustained NEV export-share gains; and further sodium-ion storage wins for CATL.
- **Risks:** a) a deeper domestic price war compressing OEM margins despite the MIIT line; b) battery-tax pass-through pressure on materials margins; c) re-certification and compliance drag from the new safety review; and d) import barriers abroad (Malaysia, Korea, Brazil, EU).

Probable Catalysts For Individual Stocks

Company	Catalysts	Timeline	Direction
BYD (1211 HK)	July sales will likely grow further from 410,000 units in June with yoy growth accelerating to 25-30% 2Q26 results: We estimate net profit at Rmb7b (+11% yoy/+72% qoq)	August	Upside
Geely (175 HK)	July sales will likely grow to nearly 300,000 units from 241,000 units in June with yoy growth accelerating to >20%	August	Upside
CATL (300750 CH)	2Q26 results: We estimate adjusted net profit at Rmb20.5b (up 33% yoy) on 220GWh of volume (up 38% yoy), with margins the key focus. Market is concerned on possible inventory write-down from the recent pull-back of lithium carbonate prices, triggering sell-off; but the company denies further write-down as it already made enough inventory provisions in 2025.	Late-July	Upside if margins hold

Source: UOB Kay Hian

Baidu Inc (9888 HK)

2Q26 Results Preview: AI Cloud Growth Offset by Advertising Weakness; Strategic Catalysts In Focus

Highlights

- Baidu is expected to report 2Q26 results in mid- to late-August. We expect Baidu Core revenue to decline 1% yoy, with a 44% AI Cloud growth offset by a 16% advertising decline, while core operating profit should decline 21% yoy. Key events to look out for include higher 2H26 AI investment, the Apple partnership, Kunlunxin spin-off, and a dual-primary listing.
- Maintain BUY with a higher target price of HK$186.00 (US$190.00).

Analysis

- **AI Cloud to sustain solid growth and margin improvement.** We expect AI Cloud revenue to grow 44% yoy in 2Q26, supported by a 60% increase in AI Cloud Infrastructure revenue. Within the segment, GPU Cloud is expected to maintain triple-digit yoy growth, driven by strong demand across industries and Baidu's full-stack capabilities spanning chips, cloud infrastructure and foundation models. Profitability should continue to improve sequentially, supported by a higher revenue contribution from higher-margin GPU Cloud services and improving profitability in legacy project-based businesses.
- **Core profitability to stabilise, but higher AI investment may constrain 2H26 recovery**. Baidu Core operating profit is expected to decline by 21% yoy in 2Q26, with higher contribution from the lower-margin cloud business. In addition, the planned ramp-up in model training, GPU procurement and computing resources are likely to place greater pressure on earnings in 2H26. We expect Baidu Core operating profit to decline 3% yoy in 2026, supported by improving cloud margins and continued cost discipline.
- **Advertising weakness to persist amid structural pressure on traditional search.** Advertising revenue is expected to decline 16% yoy in 2Q26, reflecting changing user behaviour following the broader adoption of AI tools, limited monetisation progress from Baidu's AI-search transition and a challenging macro environment. However, advertising is expected to account for less than 50% of Baidu Core revenue in 2026, with its impact on overall revenue growth gradually moderating as the contribution from AI Cloud increases.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	133,125	129,079	130,563	139,482	151,779
EBITDA	28,114	2,085	17,638	18,564	25,621
Operating profit	21,270	-5,823	9,050	9,546	16,153
Net profit (rep./act.)	24,175	5,457	14,042	15,984	24,510
Net profit (adj.)	27,002	18,941	17,234	19,919	27,911
EPS	965.0	663.5	597.7	684.0	948.9
PE	9.5	13.8	15.3	13.4	9.7
P/B	1.0	1.0	1.0	0.9	0.8
EV/EBITDA	8.4	113.4	13.4	12.7	9.2
Dividend yield	0.0	0.0	0.0	0.0	0.0
Net margin	18.2	4.2	10.8	11.5	16.1
Net debt/(cash) to equity	(9.8)	(6.5)	(9.9)	(22.4)	(30.7)
ROE	9.5	2.1	5.2	5.7	8.0
Consensus net profit	-	-	16,714.8	19,657.2	23,241.1
UOBKH/Consensus (x)	-	-	1.03	1.01	1.20

Source: Baidu, Bloomberg, UOB Kay Hian

BUY (Maintained)

Share Price	HK$106.20
Target Price	HK$186.00
Upside	75.1%
Previous TP:	HK$178.00

Analyst(s)
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Stock Data

GICS Sector	Consumer Services
Bloomberg ticker	9888 HK
Shares issued (m)	2,198.0
Market cap (US$m)	289,078.7
Market cap (US$m)	36,867.6
3-mth avg daily t'over (US$m)	201.9

Price Performance (%)

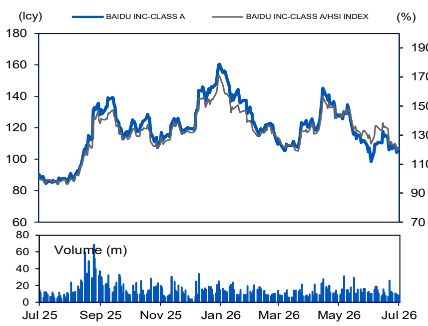
52-week high/low				HK$161.2/HK$84.20
1mth	**3mth**	**6mth**	**1yr**	**YTD**
(2.3)	(12.3)	(28.6)	20.8	(19.2)

Major Shareholders	**%**
Brown Brothers Harriman & Co	5.02
Vanguard Group Inc	4.58
BlackRock Inc	4.36

Balance Sheet Metrics

FY26 NAV/Share (Rmb)	95.13
FY26 Net Cash/ Share (Rmb)	9.39

Price Chart



Source: Bloomberg

Company Description

Baidu Inc is a leading internet company that offers algorithmic search, enterprise search, news, voice assistance, online storage and navigation services.

- **Kunlunxin's proposed IPO could unlock material value for Baidu.** Kunlunxin is reportedly considering a Hong Kong IPO at a potential valuation of up to US$50b, following its confidential listing application in Jan 26. A successful spin-off could establish a standalone valuation for Baidu's AI-chip assets, broaden Kunlunxin's access to capital and support further external customer expansion. Based on market estimates, Kunlunxin generated Rmb1.5–2.0b in revenue in 2025, with revenue expected to more than double in 2026 as shipments of the Kunlun Core P800 ramp up and domestic AI infrastructure investment accelerates. Beyond Baidu, Kunlunxin is expanding across hyperscalers, telecoms, financial institutions and foundation model companies.
- **Baidu's Apple partnership could enhance AI credibility, distribution and monetisation.** As Apple's AI search partner in China, Baidu gains third-party validation of its technical, security and compliance capabilities, strengthening its appeal to enterprise and OEM customers. Integration across Apple's installed base could also provide a system-level search entry point via Siri and visual search, helping mitigate traffic shifts to ByteDance, WeChat and Xiaohongshu while reinforcing Baidu's position in Chinese-language search.
- **Dual-primary listing conversion could broaden Baidu's mainland investor base and improve Southbound accessibility.** Baidu has received board approval to convert its Hong Kong listing from a secondary to a primary listing, with completion expected within 2026. Upon completion, Baidu will maintain dual-primary listings in Hong Kong and on Nasdaq, while its Hong Kong shares could become eligible for Southbound Stock Connect subject to the relevant review. This inclusion would allow mainland investors to gain direct exposure to Baidu through the Stock Connect programme, potentially improving trading liquidity, broadening the shareholder base and strengthening market recognition of the value of Baidu's AI businesses.

Valuation/Recommendation

- **Maintain BUY with a slightly higher target price of HK$186.00 (US$190.00).** Our target price implies 23x 2027F PE. The company is currently trading at 13.4x 2026F PE, slightly below its historical mean of 14.6x.

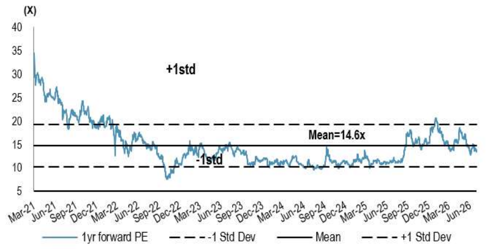
Earnings Revision/Risk

- We trim our 2Q26/2026 revenue forecasts by 2.1%/1.8% respectively due to persistent weakness in the advertising business. We also cut our 2Q26/2026 non-GAAP net profit estimates by 4.2%/6.2% respectively on the back of higher AI-related spending.
- **Risks:** a) Weaker advertising business due to the soft macro environment and fierce competition in China's advertising industry, and b) uncertainties over the autonomous driving segment.

Share Price Catalyst

- a) Market share expansion in the AI Cloud and autonomous driving segments, b) higher monetisation rates across all business units, c) increased synergies between Baidu's core businesses and new initiatives, and d) a potential dual-primary listing in Hong Kong.

12-Month Forward PE Band



Source: Bloomberg UOB Kay Hian

SOTP-Based Valuation

Segment (US$m)	Rev 27F	NOPAT 27F	P/E (x) 2027F	EV/S (x) 2027F	Valuation (Rmbm)	Valuation (US$m)	Baidu's stake (%)	To Baidu	$/share
Core, Advertising	4,907	1,570	3	1	32,506	4,711	100.0	4,711	13
AI powered ads	1,994			3	41,282	5,983	100.0	5,983	16
AI Cloud (ex ADE)	7,685			5	265,135	38,425	100.0	38,425	106
Kunlun Chip	1,304			30	270,000	39,130	59.0	23,087	63
iQiyi, long form video	3,309			1	24,226	3,511	56.2	1,973	5
Apollo (Robotaxi)	1,014			5	5,072	735	100.0	735	2
Xiaodu	1,034			2	5,520	800	60.0	480	1
Subtotal								75,394	207
Investments									
Trip.com Group					185,010	26,813	11.5	3,083	8
Kuaishou					1,656,778	240,113	3.1	7,443	20
Net cash								14,630	40
NAV	**22,213**	**3,622**		**3.7**				**98,244**	**270**
less holdco discount							**20%**	**(19,649)**	**(54)**
Total, in US$m	**22,213**			**3.0**				**78,595**	**216**
Total, in HK$m								**542,309**	**186**

Source: Baidu Inc, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	129,079.0	130,562.5	139,481.5	151,779.4
EBITDA	2,085.0	17,637.7	18,563.8	25,620.9
Deprec. & amort.	7,908.0	8,588.0	9,017.4	9,468.3
EBIT	(5,823.0)	9,049.7	9,546.4	16,152.6
Total other non-operating income	2,857.1	(2,230.2)	(2,738.5)	(3,330.5)
Associate contributions	3,995.9	672.2	447.4	483.8
Net interest income/(expense)	5,818.0	9,167.4	9,791.7	12,976.5
Pre-tax profit	6,848.0	16,659.2	17,047.0	26,282.5
Tax	(1,259.0)	(3,316.0)	(3,347.6)	(4,626.8)
Minorities	(132.0)	698.5	2,285.1	2,854.3
Net profit	5,457.0	14,041.7	15,984.5	24,510.0
Net profit (adj.)	18,941.0	17,233.8	19,919.1	27,910.7

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	26,281.0	26,848.0	10,997.6	1,758.3
Other LT assets	270,906.0	267,429.0	270,917.6	275,935.4
Cash/ST investment	24,831.0	30,532.0	68,290.0	102,371.5
Other current assets	127,139.0	124,757.0	124,760.1	128,329.2
Total assets	**449,157.0**	**449,566.0**	**474,965.4**	**508,394.4**
ST debt	7,626.0	3,979.0	3,016.0	3,016.0
Other current liabilities	78,702.0	79,870.0	74,133.6	75,841.1
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	73,103.0	73,369.0	73,369.0	73,369.0
Shareholders' equity	266,330.0	268,886.0	291,976.7	323,698.1
Minority interest	13,166.0	13,422.0	13,422.0	13,422.0
Total liabilities & equity	**449,157.0**	**449,566.0**	**465,957.3**	**499,386.3**

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	**(3,013.0)**	**32,210.5**	**36,509.2**	**45,249.9**
Profit fo the year	6,848.0	16,659.2	17,047.0	26,282.5
Tax	(1,259.0)	(3,316.0)	(3,347.6)	(4,626.8)
Deprec. & amort.	7,908.0	8,588.0	9,017.4	9,468.3
Associates	(3,995.9)	(672.2)	(447.4)	(483.8)
Working capital changes	(42,048.0)	(11,680.0)	(10,366.5)	(13,389.3)
Non-cash items	0.0	0.0	0.0	0.0
Other operating cashflows	29,533.9	22,631.6	24,606.4	27,999.2
Investing	(25,136.0)	(12,482.7)	(11,353.1)	(11,261.4)
Capex (growth)	(12,073.0)	(7,811.9)	(7,655.7)	(7,502.5)
Investment	0.0	0.0	0.0	0.0
Others	(13,063.0)	(4,670.8)	(3,697.4)	(3,758.9)
Financing	17,142.0	(555.0)	(870.0)	93.0
Dividend payments	(5,443.0)	93.0	93.0	93.0
Proceeds from borrowings	0.0	0.0	0.0	0.0
Loan repayment	23,350.0	0.0	0.0	0.0
Others/interest paid	(765.0)	(648.0)	(963.0)	0.0
Net cash inflow (outflow)	(11,007.0)	19,172.8	24,286.2	34,081.5
Beginning cash & cash equivalent	36,589.0	24,831.0	44,003.8	68,290.0
Changes due to forex impact	(751.0)	0.0	0.0	0.0
Ending cash & cash equivalent	**24,831.0**	**44,003.8**	**68,290.0**	**102,371.5**

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	1.6	13.5	13.3	16.9
Pre-tax margin	5.3	12.8	12.2	17.3
Net margin	4.2	10.8	11.5	16.1
ROA	1.2	3.1	3.5	5.0
ROE	2.1	5.2	5.7	8.0
Growth				
Turnover	(3.0)	1.1	6.8	8.8
EBITDA	(92.6)	745.9	5.3	38.0
Pre-tax profit	(75.7)	143.3	2.3	54.2
Net profit	(77.4)	157.3	13.8	53.3
Net profit (adj.)	(29.9)	(9.0)	15.6	40.1
EPS	(31.2)	(9.9)	14.4	38.7
Leverage				
Debt to total capital	2.7	1.4	1.0	0.9
Debt to equity	2.9	1.5	1.0	0.9
Net debt/(cash) to equity	(6.5)	(9.9)	(22.4)	(30.7)

Sino Biopharmaceutical (1177 HK)

Innovation Continues To Fuel Growth

Highlights

- Despite weak generics, Sino Biopharm's innovative drug revenue and out-licensing income will drive double-digit revenue growth in 1H26. 1H26 adjusted net earnings may fluctuate sharply due to the absence of a Rmb1.35b special dividend from associate Sinovac LS in 1H25, while we still expect double-digit earnings growth for 2026.
- Backed by new in-licensed products and strong R&D, Sino Biopharm should see steady revenue and earnings growth in 2027.
- Maintain BUY, with target price trimmed to HK$7.20 on generic drug policy headwinds.

Analysis

- **Licence fee income becomes new growth driver.** Sino Biopharmaceutical (Sino Biopharm) has entered into two major out-licensing agreements. The collaboration with Sanofi and AstraZeneca on Rovadicitnib (a potential global first-in-class JAK/ROCK inhibitor) and TQC3721 (PDE3/4 inhibitor) respectively, will bring in a total upfront income of US$335m. According to management, the US$135m was received from Sanofi and will likely be recognised as revenue in 1H26, while approximately 90% of US$200m from AstraZeneca may be recognised at 2H26 revenue based on the progress of the collaborations. The out-licensing income will likely contribute to over 5% of total revenue in 2026.

Major Collaborations (2026 YTD)

Date	Partner	Assets	Upfront	Milestones	Total deal value	Royalties
Out-licensing						
Mar-26	Sanofi	Rovadicitinib (JAK/ROCK inhibitor)	US$135m	US$1.395b	US$1.53b	Up to double-digit tiered royalties
Jul-26	AstraZeneca	TQC3721 (PDE3/4)	US$200m	US$1.9b	US$2.1b	Tiered royalties ranging up to double-digit percentages based on the annual net sales.
	Total		**US$335m**	**US$3.295b**	**US$3.63b**	
In-licensing						
May-26	GSK	Bepirovirsen (Hepatitis B): obtained Mainland China commercial rights				
Jul-26	GSK	In-licensed Mainland China's commercial rights of two innovative respiratory products: Trelegy Ellipta (全再樂 for asthma and COPD) and Anoro Ellipta (歐樂欣, for COPD).				

Source: Sino Biopharm, UOB Kay Hian

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	28,866	31,834	36,236	38,796	42,163
EBITDA	6,490	7,431	8,481	8,772	9,609
Operating profit	5,169	6,219	7,087	7,361	8,184
Net profit (rep./act.)	1,920	2,343	2,579	2,688	2,983
Net profit (adj.)	3,457	4,541	5,017	5,355	5,902
EPS (Fen)	19	25	28	30	33
PE (x)	24.3	18.2	16.5	15.4	14.0
P/B (x)	2.6	2.7	2.6	2.6	2.5
EV/EBITDA (x)	15.8	13.8	12.1	11.7	10.7
Dividend yield (%)	1.4	2.0	2.2	2.3	2.6
Net margin (%)	12.0	14.3	13.8	13.8	14.0
Net debt/(cash) to equity (%)	18.8	n.a.	n.a.	n.a.	n.a.
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	8.5	10.7	11.6	11.9	12.9
Consensus net profit	-	-	4,164	4,451	4,959
UOBKH/Consensus (x)	-	-	1.20	1.20	1.19

Source: Sino Biopharm, Bloomberg, UOB Kay Hian

	BUY (Maintained)
Share Price	HK$5.19
Target Price	HK$7.20
Upside	+38.7%
Previous TP	HK$7.70

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Stock Data

GICS sector	Health Care
Bloomberg ticker:	1177 HK
Shares issued (m):	18,760.7
Market cap (HK$m):	96,267.0
Market cap (US$m):	13,558.7
3-mth avg daily t'over (US$m):	62.7

Price Performance (%)

52-week high/low HK$9.12/HK$4.19

1mth	3mth	6mth	1yr	YTD
17.4	(7.2)	(21.7)	(22.4)	(16.0)

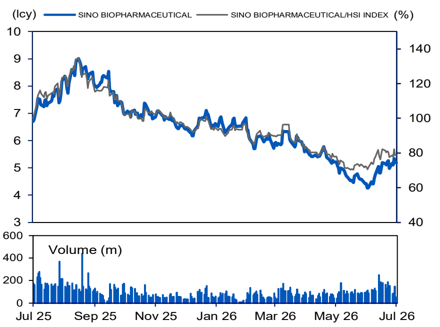
Major Shareholders

	%
Tse Family	46.64

Balance Sheet Metrics

FY26 NAV/Share (Rmb)	1.75
FY26 Net Debt/ Share (Rmb)	0.36

Price Chart



Source: Bloomberg

Company Description

Sino Biopharmaceutical is a leading pharmaceutical provider in China. It offers a broad range of drugs in the therapeutic areas of cardio cerebral vascular diseases, hepatitis, oncology, analgesic, respiratory, and diabetic medicines etc.

- **Innovative drugs continue to support double-digit revenue growth and further margin improvement in 2026.** Management continues to target a double-digit revenue growth in 2026, backed by a potential 20% yoy increase in innovative drug sales. We believe that sales growth of generic products will remain under downward pressure due to the tightened anti-corruption campaign. We expect innovative products to contribute over 50% of total revenue, and forecast further gross margin improvement and enhanced operating efficiency.
- **2027 catalysts.** The company recently obtained Mainland China commercial rights of three innovative products - Bepirovirsen (Hepatitis B),Trelegy Ellipta (全再樂, for asthma and COPD) and Anoro Ellipta (歐樂欣, for COPD), from GSK. To be launched in China in 4Q26, Bepirovirsen is expected to generate sales revenue of Rmb1b in 2027 and with potential peak sales of Rmb4b. With a strong presence in China's respiratory market, Sino Biopharm expects the two respiratory products to bring in total sales of over Rmb1b in 2027. Moreover, with its aggressive business collaboration and M&A strategy, along with its continued R&D efforts, Sino Biopharm has significantly strengthened its innovative pipelines. The company expects to launch 4-5 innovative products per year during 2026-28, including multiple blockbuster products with global first-in-class/best-in-class potential.
- **Actively seeking business collaboration opportunities**. Sino Biopharm has been actively pursuing out-licensing opportunities for its innovative pipeline. Aside from the recent deals with Sanofi and AstraZeneca, its newly-acquired LaNova Medicines has not only brought Sino Biopharm advanced antibody discovery and antibody-drug conjugate technology platforms, but also future milestone payment from the out-licensing project of LM-299/MK-2010 (PD-1/VEGF bispecific antibody) with Merck & Co. With strengthened innovation capability and an enhanced R&D portfolio, management expects out-licensing to become a source of recurring revenue, boosting earnings growth for the company in the years ahead.

Valuation/Recommendation

- **Maintain BUY with a lower target price of HK$7.20**, based on SOTP valuation, comprising: a) HK$2.75/share at 8x 2027F PE for existing drugs; and b) NAV-derived pipeline value of HK$4.36/share (10.5% WACC, 3.3% perpetual growth rate).

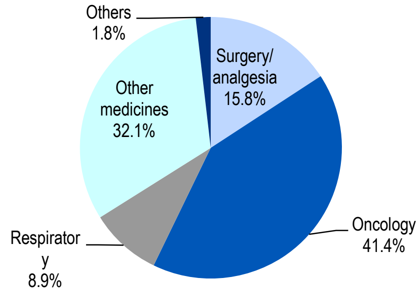
Earnings Revision/Risk

- We have fine-tuned our revenue growth estimates from 12.7%/11.2% to 13.8%/7.1% yoy for 2026/2027 respectively to factor in the significant increase in upfront income in 2026.
- **Risks include**: a) worse-than-expected policy risks including anti-corruption campaign and price pressure from the volume-based procurement programme etc, b) possible delay or failure in R&D and new product launches, and c) intensifying market competition.

Share Price Catalyst

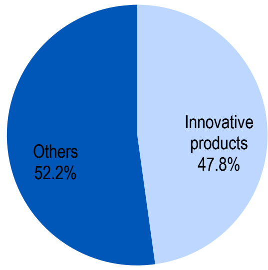
- a) Strong R&D performance and continued business development efforts, and b) continuous new product launches to generate new revenue streams.

Revenue By Segment (2025)



Source: Sino Biopharm, UOB Kay Hian

Innovative Drug Contribution (2025)



Source: Sino Biopharm, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	31,834	36,236	38,796	42,163
EBITDA	7,431	8,481	8,772	9,609
Deprec. & amort.	1,212	1,393	1,411	1,425
EBIT	(19,907)	(22,670)	(24,518)	(26,483)
Total other non-operating income	520	400	440	484
Net interest income/(expense)	355	306	314	322
Pre-tax profit	6,943	7,642	7,964	8,839
Tax	(1,629)	(1,793)	(1,868)	(2,073)
Minorities	(2,971)	(3,270)	(3,408)	(3,782)
Net profit	2,343	2,579	2,688	2,983
Net profit (adj.)	4,541	5,017	5,355	5,902

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	8,931	8,972	9,077	9,274
Other LT assets	32,613	32,671	32,701	32,771
Cash/ST investment	7,627	9,487	10,216	10,188
Other current assets	26,838	27,381	27,590	29,333
Total assets	76,010	78,511	79,584	81,565
ST debt	8,395	8,195	7,995	7,795
Other current liabilities	16,804	19,340	20,514	22,558
LT debt	7,584	7,384	7,184	6,984
Other LT liabilities	1,140	1,277	1,383	1,491
Shareholders' equity	30,671	31,439	32,195	33,048
Minority interest	11,415	10,875	10,313	9,689

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	8,218	8,071	7,294	7,268
Profit fo the year	6,943	7,642	7,964	8,839
Tax	(1,192)	(1,745)	(1,846)	(2,014)
Deprec. & amort.	1,212	1,393	1,411	1,425
Working capital changes	2,555	2,031	1,025	285
Other operating cashflows	(1,109)	(1,059)	(1,068)	(1,076)
Investing	(5,129)	(54)	(135)	(240)
Capex (growth)	(1,303)	(1,441)	(1,522)	(1,627)
Investments	(5,196)	-	-	-
Proceeds from sale of assets	-	-	-	-
Others	1,370	1,387	1,387	1,387
Financing	965	(6,157)	(6,431)	(7,056)
Dividend payments	(5,100)	(5,620)	(5,902)	(6,536)
Proceeds from borrowings	6,344	(400)	(400)	(400)
Loan repayment	-	-	-	-
Others/interest paid	(278)	(137)	(128)	(120)
Net cash inflow (outflow)	4,054	1,860	729	(28)
Beginning cash & cash equivalent	3,573	7,627	9,487	10,216
Changes due to forex impact	-	-	-	-
Ending cash & cash equivalent	7,627	9,487	10,216	10,188

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
Gross margin	82.1	82.1	82.2	82.2
Pre-tax margin	21.8	21.1	20.5	21.0
Net margin	7.4	7.1	6.9	7.1
ROA	4.5	4.8	4.9	5.4
ROE	10.7	11.6	11.9	12.9
Growth				
Turnover	10.3	13.8	7.1	8.7
EBITDA	11.0	13.9	7.1	8.7
Pre-tax profit	31.6	10.1	4.2	11.0
Net profit	22.0	10.1	4.2	11.0
Net profit (adj.)	31.4	10.5	6.7	10.2
EPS	33.5	10.5	6.7	10.2
Leverage				
Debt to total capital	34.3	33.1	32.0	30.9
Debt to equity	52.1	49.6	47.1	44.7
Net debt/(cash) to equity	n.a.	n.a.	n.a.	n.a.
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

Xiaomi (1810 HK)

Source: TradingView

Last price: HK$27.14
Support levels: HK$25.28/HK$24.48
Resistance levels: HK$29.74/HK$32.88

Technical View:

The upward trend remains intact after successfully validating the resistance-turned-support zone. The RSI is holding steadily above its neutral 50-midline to reflect sustained buy-side conviction. As long as this newly established support zone continues to absorb selling pressure, the technical trajectory stays strongly oriented toward further upside expansion.

Average timeframe: Around two weeks.

Sino Biopharmaceutical (1177 HK)

Source: TradingView

Last price: HK$5.19
Support levels: HK$4.71/HK$4.19
Resistance levels: HK$5.47/HK$5.76

Technical View:

The primary markdown structure remains firmly locked in place as the overhead support-turned-resistance zone continues to cap all recovery attempts. The RSI is turning downward despite remaining above its neutral 50-midline. This favours short-side extension, projecting continued downward progression as long as the price remains capped below this key technical ceiling.

Average timeframe: Around two weeks.

Analyst

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