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Sector – Update | Greater China

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China Healthcare

Innovation And Globalisation: The Twin Engines For Growth

Highlights

- Most healthcare companies beat 1H26 expectations, led by drug innovators and CRDMOs on strong sales and licensing revenue.
- Medical device firms face ongoing VBP and anti-corruption pressure in China, but globalisation fuels growth through 2026 and beyond.
- Maintain MARKET WEIGHT; our top picks are Innovent, BeOne, Hansoh Pharma, WuXi AppTec, WuXi Bio and Edge Medical.

Analysis

- **Drug innovators continue to outperform with robust product sales growth and strong licence income.** Leading biopharmaceutical companies, Innovent, BeOne Medicines and Hansoh Pharma, have achieved stronger-than-expected 1H26 results. They remain on track to sustain robust revenue growth in 2026, driven by a steady pipeline of new product launches, successful global expansion, and rising licensing income. Further improving operating efficiency will also boost earnings. Innovent is confident in delivering domestic revenue of Rmb20b in 2027 and has set a new target for 2030 – total revenue to reach Rmb35b-40b. BeOne Medicines further raised 2026 revenue guidance by US$300m to US$6.6b-6.8b. Hansoh Pharma and Sino Biopharm continued to guide for double-digit revenue growth in 2026. CSPC saw licensing revenue boost revenue and expects positive revenue growth for the next five years. Among biopharma majors, we prefer Innovent, BeOne, and Hansoh Pharma, and expect continued new product launches and globalisation efforts to underpin strong revenue for 2026 and beyond.
- **CRO/CDMO leaders: Improving growth outlook.** Supported by strong service demand and relentless efforts in pursuing service excellence and business expansion, leading contract research, development and manufacturing organisations (CRDMO) WuXi AppTec and WuXi Bio witnessed accelerated revenue growth at 38.9% and 18.4% yoy, respectively, in 1H26. Moreover, significant margin improvement led to substantial increases in net earnings. Both companies have raised revenue growth targets and guided for steadily improving margins in 2H26 as they further improve the utilisation rate of their new global facilities. WuXi AppTec and WuXi Bio remain our top BUY picks in the CRDMO segment.

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MARKET WEIGHT (Maintained)

Sector Picks

Company	Ticker	Rec	Share Price (HK$)	Target Price (HK$)
Innovent	1801 HK	BUY	101.30	132.00
BeOne Medicines	6160 HK	BUY	215.20	265.00
WuXi AppTec	2359 HK	BUY	191.70	220.00
WuXi Bio	2269 HK	BUY	48.48	67.80
Edge Medical	2675 HK	BUY	36.66	56.00

Source: Bloomberg, UOB Kay Hian

Peer Comparison

Company	Ticker	Rec	Price @ 7-Sep-26 (LCY)	Target Price (LCY)	Upside/ (Downside) to TP (%)	Market Cap (LCYm)	PE 2026F (x)	PE 2027F (x)	P/B 2026F (x)	P/B 2027F (x)	EV/EBITDA 2026F (x)	EV/EBITDA 2027F (x)	ROE 2026F (%)	Net Gearing 2026F (%)	EPS 2026F (LC)	EPS 2027F (LC)	EPS 2028F (LC)	CAGR 2-yrs (%)	PEG 2026F (x)
Shenzhen Mindray	300760 CH	BUY	169.20	195.00	15.2	205,036.5	27.3	23.7	5.0	4.7	20.2	17.3	20.5	-43.8	6.19	7.14	8.01	13.7	2.0
CSPC Innovation	300765 CH	BUY	45.42	57.00	25.5	63,796.6	38.5	n.a.	14.7	14.8	40.9	n.a.	-0.5	-23.4	1.18	-0.02	0.13	-66.5	n.a
HUTCHMED	13 HK	BUY	22.38	26.00	16.2	19,522.9	62.7	36.7	1.9	1.8	236.6	54.4	3.2	-9.9	0.05	0.08	0.12	61.1	1.0
HUTCHMED	HCM US	BUY	14.09	16.63	18.0	2,458.2	61.9	36.3	1.9	1.8	184.9	41.2	3.2	-9.9	0.05	0.08	0.12	61.1	1.0
HUTCHMED	HCM LN	BUY	212.00	250.00	17.9	1,814.5	56.8	33.3	1.7	1.7	190.9	42.6	3.2	-9.9	0.05	0.08	0.12	61.1	0.9
CSPC	1093 HK	BUY	9.68	11.50	18.8	111,537.3	12.8	11.9	2.5	2.3	8.0	7.5	19.7	-35.9	0.65	0.69	0.74	7.2	1.8
Sinopharm Group	1099 HK	HOLD	15.83	17.00	7.4	49,400.0	5.8	5.5	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	5.47	7.20	31.5	102,195.7	16.8	15.7	2.7	2.6	12.7	12.3	8.4	26.4	0.28	0.30	0.33	8.5	2.0
Innovent Biologics	1801 HK	BUY	101.30	132.00	30.3	176,653.5	50.1	34.1	6.6	5.5	47.2	30.9	15.1	-70.3	1.73	2.54	3.59	44.1	1.1
Ping An Good Doctor	1833 HK	HOLD	6.60	6.70	1.6	14,254.7	48.5	35.4	1.2	1.1	99.6	44.7	3.2	-28.2	0.12	0.16	0.21	34.6	1.4
Medlive	2192 HK	BUY	6.99	10.20	46.0	5,170.8	12.4	10.7	0.9	0.8	11.8	9.8	7.9	-39.0	0.48	0.56	0.66	16.6	0.7
Medbot	2252 HK	Under Review	21.18	Under Review	n.a.	21,970.4	195.1	78.0	42.2	31.1	n.a.	142.8	30.3	-60.0	0.09	0.23	0.48	127.1	1.5
WuXi Biologics	2269 HK	BUY	48.48	67.80	39.8	201,334.0	24.5	20.4	3.3	2.8	17.0	12.8	13.4	-16.3	1.70	2.04	2.47	20.5	1.2
WuXi AppTec	2359 HK	BUY	191.70	220.00	14.8	542,211.0	21.2	18.2	5.1	4.2	15.3	12.8	24.7	-38.3	7.72	9.00	10.48	16.5	1.3
WuXi AppTec	603259 CH	BUY	153.25	189.20	23.5	464,028.2	20.8	17.4	4.8	4.0	7.7	6.0	24.7	-38.3	7.72	9.00	10.48	16.5	1.3
Ali Health	241 HK	BUY	3.17	5.20	64.4	51,194.8	19.1	16.6	2.6	2.4	15.1	13.0	13.9	-56.0	0.14	0.16	0.19	14.9	1.3
Edge Medical	2675 HK	BUY	36.66	56.00	52.8	14,283.4	127.8	42.7	4.8	4.5	1,430.6	49.7	8.0	-60.7	0.25	0.73	1.39	138.3	0.9
China Shineway	2877 HK	HOLD	8.19	8.50	3.8	6,773.1	7.0	6.5	0.7	0.6	-1.3	-1.2	10.0	-84.6	1.00	1.07	1.14	6.9	1.0
Hansoh Pharma	3692 HK	BUY	36.28	45.00	24.0	220,007.4	28.7	24.7	4.7	4.2	21.6	18.7	18.0	-40.8	1.08	1.26	1.45	15.6	1.8
TUL	3933 HK	BUY	8.42	11.00	30.7	16,579.9	19.7	16.6	0.8	0.8	6.6	6.1	4.7	-9.9	0.37	0.43	0.50	16.8	1.2
BeOne Medicines	6160 HK	BUY	215.20	265.00	23.1	342,760.6	24.6	19.0	7.3	5.8	29.0	20.2	19.6	-90.2	1.12	1.44	1.83	28.1	0.9
BeOne Medicines	ONC US	BUY	358.26	439.41	22.7	43,875.6	23.7	18.4	7.7	6.1	23.3	15.5	19.6	-90.2	1.12	1.44	1.83	28.1	0.8
BeOne Medicines	688235 CH	BUY	265.03	354.10	33.6	293,418.1	34.7	26.9	10.8	8.5	23.1	15.4	19.6	-90.2	1.12	1.44	1.83	28.1	1.2
Average							26.0	22.4	5.8	4.9	19.0	18.4	13.6					25.0	1.3

Source: Bloomberg, UOB Kay Hian

- **Medical devices segment: Accelerated overseas business expansion supports stronger revenue growth.** Facing considerable price pressure at home, leading medical device companies have actively expanded their presence in the international markets. Both Mindray and Edge Medical reported satisfactory 1H26 results with overseas businesses driving the growth. Mindray saw overseas revenue grow 13.7% yoy and contribute to 53% of total sales in 1H26. Edge Medical's overseas revenue surged 267% yoy and contributed 70% of total revenue in 1H26. We expect anti-corruption campaign and group purchasing organisation (GPO)/volume-based procurement (VBP) price will further depress price and margins in the domestic market. However, overseas business will continue to drive revenue and earnings growth for Mindray and Edge Medical in 2H26 and beyond.
- **Internet healthcare segment: A transition year□with earnings quality staying firm.** The segment saw 1H26 revenue reset by clearer regulations (on supplements, online prescription drug sales, kickbacks, and medical representatives in Apr-Aug 26), and the companies' accelerated investment and business mix clean-up. Yet the earnings quality remains firm, with margins, mix and cash generation improving. JD Health led with 1H26 revenue and adjusted net profit growth of 15.9% and 8.5% yoy. Ali Health guided for FY27 revenue growth 10-15% yoy, and adjusted net profit decline of 1-18% yoy after Rmb200m-300m investment in innovative drugs and AI. PAGD saw 37.7% yoy adjusted net profit growth in 1H26, but guided for low-teens 2026 revenue decline with a narrower net margin. Medlive posted soft 1H26 revenue and adjusted net profit of 1.0% and 2.4% yoy, still guiding for double-digit product count growth in 2026. We expect the segment to resume double-digit revenue growth in 2027 as the regulatory framework stabilises.
- **Traditional Chinese medicine (TCM) segment: No recovery in sight for 2026□though selective opportunities exist.** The TCM segment saw continued revenue declines in 1H26, hit by the ongoing anti-corruption campaign and GPO tenders, and weak economic conditions. China TCM posted a 27.1% yoy revenue decline and net loss of Rmb776m in 1H26. Shineway's 1H26 revenue and net profit fell 28.5% and 23.7% yoy. It remains conservative on 2026-27 growth amid persistent policy headwinds, while expecting recovery from 2028 on pipeline approvals. Consun Pharma (1681 HK) was the exception with 1H26 revenue and net profit up by 13.8% and 19.5% yoy on 18.1% yoy kidney medicines sales growth, and guided for double-digit 2026 revenue growth. We believe heightened cost-containment policies will continue to weigh on TCM sales in 2026-27, though selective opportunities exist.

Stock Picks

- **Innovent (1801 HK/BUY/Target: HK$132.00)** delivered strong 1H26 results, with total revenue up 44.8% yoy to Rmb8.62b, product revenue rising 56.7% to Rmb8.20b, and adjusted net profit of Rmb1.70b (+40.5% yoy) nearly matching full-year 2025. With 20 commercialised products, it is confident in achieving its Rmb20b domestic sales target by 2027. Strategic partnerships with Takeda, Lilly, Pfizer, Roche, Ollin, and Spero represent about US$34b in potential value across more than 20 assets, ensuring steady licensing income over the next decade. Innovent targets Rmb35b-40b total revenue by 2030, supported by new oncology blockbusters and pipeline expansion in cardiovascular, metabolism, and ophthalmology. With at least five assets in global Phase 3 trials by 2030 targeting US and EU markets, Innovent is on track to become a premier global biopharma company within 5-10 years.
- **BeOne Medicines (6160 HK/BUY/Target: HK$265.00)** saw 1H26 revenue rise 32.3% yoy to US$3.22b and adjusted net profit grow 110.7% yoy to US$820m, ahead of market expectations. Management further raised 2026 revenue guidance by US$300m to US$6.6b-6.8b and GAAP operating income guidance to US$1.0b-1.1b, supported by its strong global commercial execution and potentials in further improving operating efficiency. Moreover,

the company has robust pipeline progress, eg, BEQALZI's recent FDA approval for 3L relapsed/refractory mantle cell lymphoma (r/r MCL), TEVIMBRA's 1L gastric cancer approval in Japan and BRUKINSA's potential market approval in 1L MCL in the US, EU, China and Japan in 2027. BeOne Medicines is well positioned for sustained long-term growth.

- **WuXi AppTec (2359 HK/BUY/Target: HK$220.00)** saw total revenue and adjusted non-IFRS net profit expand 38.9% yoy and 83.2% yoy respectively, beating market estimates and its growth guidance. Gross margin widened 9.4ppt yoy to 53.2% and its backlog increased 25.2% yoy at end-Jun 26, boding well for continued business expansion. The company has raised its 2026 revenue target sharply to Rmb58.5b-60.5b, from Rmb51.3b-53.0b. The key drivers behind the stronger growth outlook are: a) resilient customer demand, b) the CRDMO business model's ability to advance an increasing number of projects from early to late stage R&D and commercial manufacturing, and c) proven track record of execution excellence.
- **WuXi Bio (2269 HK/BUY/Target: HK$67.80)** saw 1H26 revenue rise 18.4% yoy to Rmb11.79b, ahead of its 13-17% full-year growth guidance, and adjusted net profit attributable to shareholders jump 38.4% yoy to Rmb3.31b, beating market estimates. On the back of the backlog growth and expanding production capacity, WuXi Bio has raised its 2026 revenue growth to 15-18% yoy, and expects total revenue to expand at a 20% CAGR for the next three years. The improved growth outlook is also supported by strong commercial manufacturing revenue growth of approximately 30% CAGR in 2026-29, alongside further expansion of manufacturing capacity.
- **Edge Medical (2765 HK/BUY/Target: HK$56.00)** reported stronger-than-expected 1H26 revenue growth of 113.8% yoy to Rmb319.3m. Net loss was Rmb19.3m, narrowed by 78.4% yoy. Despite rising competition at home and abroad, the company made strong operational progress in 1H26. Its MP1000 expanded its global footprint to 63 countries (vs 54 as at end-25). It installed 58 units of surgical robots globally in 1H26 (including 49 delivered overseas and nine units in China). The total number of surgical robots installed reached 158 units (including 103 overseas and 58 in China) as at end-Jun 26. The total accumulated procedures surpassed 21,600 cases (vs 14,000 as at end-25), with consumable revenue accounting for 16.5% of total revenue in 1H26.

  Edge Medical remains confident that overseas growth will drive continued revenue momentum in 2H26 and beyond. Keeping its Rmb850m revenue target unchanged and operating efficiency initiatives ongoing, the company is on track to achieve breakeven in 2026.
- **MedBot (2252 HK/Rating & Target Price: Under Review)** delayed the release of its 1H26 results and suspended trading since 1 Sep 26, due to an audit dispute over a five-year property lease agreement signed in 2021 with Shanghai Huiqingcheng Investment Management Co. The company indicated it needs more time to clarify whether the lessor qualifies as a "related party" under listing rules – a classification that would significantly affect the accounting treatment and fair presentation of past transactions. The same lease issue also triggered simultaneous trading halts for MicroPort Scientific (853 HK/Not Rated), and MicroPort NeuroScientific (2172 HK/Not Rated) and MicroPort CardioFlow (2160 HK/Not Rated). Possible systemic compliance failure at the group level could trigger a qualified audit opinion and erode trust in its management and corporate governance.
- **Ping An Good Doctor's (1833 HK/HOLD/HK$6.70)** 1H26 revenue fell 0.7% yoy amid run-off of non-core business, while adjusted net profit rose 37.7% yoy on strong margin expansion, beating 2026 estimates. Yet the company guided for low-teens revenue decline and narrower net margin for 2026, expecting significant drag from non-core business to cloud revenue growth through 2026 and early-27. We cut 2026 revenue and adjusted net profit growth estimates from 0.2% and 20.1% yoy to -12.1% and -40.1% yoy. **Downgrade to HOLD** with a lower target price of HK$6.70 to reflect the company's weaker-than-expected 2H26 revenue growth outlook, based on 2.3x 2027 P/S (implying 35.9x 2027F PE).

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 on 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, market launches; e) intensifying market competition; and f) risks in overseas expansion and business collaborations etc.