

Source: Bloomberg, UOB Kay Hian

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- **Retail pharmacies: A gradual shift from offline to online.** China's NMPA 2025 data showed the number of drug manufacturers and retail pharmacies falling for the first time in years, with pharmacy numbers down by around 27,000 to around 656,000. We view this as a demand shift from offline towards online channels. This favours JD Health (6618 HK) and Ali Health (241 HK) but pressures traditional drug distributors like Sinopharm Group (1099 HK). Policy changes (insurance account reforms, outpatient pooled coverage, stricter inspections, tougher pharmacist rules) have squeezed arbitrage and raised costs, structurally reshaping the supply chain towards scale, efficiency, and compliance.
- **China biopharma industry sees further strengthening in innovation.** The NMPA has approved 50 Category 1 domestic innovative drugs ytd, about 77% of 2025's total. In 1H26, Chinese biopharma closed 81 cross-border deals worth around US\$110b, representing nearly 80% of 2025's US\$137.7b. Average upfront payment surged to roughly US\$172m per deal, up significantly from US\$141m in 2025 and US\$102m in 2024. Notable 1H26 transactions include AstraZeneca & CSPC (total value: HK\$18.5b), Bristol Myers Squibb & Hengrui (US\$15.2b) and Pfizer & Innovent (US\$10.5b). China biotechs' faster and more efficient innovation continue to attract MNCs to optimise their R&D spend.
- **HUTCHMED (13 HK/BUY/Target: HK\$26.00)** signed an exclusive licence deal with a GSK subsidiary for HMPL-A830, a first-in-class ATTC pairing a KRAS inhibitor payload with an anti-EGFR antibody. GSK gains worldwide rights excluding Greater China for a US\$110m upfront, up to US\$1.295b in milestones, and net sales royalties. HUTCHMED will run global Phase I from 2H26; GSK will handle later development and commercialisation outside Greater China. With two other ATTC candidates, HMPL-A251 and HMPL-A580, in global Phase I, two NDA approvals in 1H26 and three under review, the out-licensing deal and robust pipeline brighten its earnings outlook for 2026 and beyond.
- **Sino Biopharm (1177HK/BUY/Target: HK\$7.20)** proposes acquiring an additional 5% of CT Tianqing for RMB4.48b, raising its indirect stake from 60% to 65%. The deal implies 19x last twelve-month (LTM) PE, in line with the company's 19x 2025 PE. The acquisition is internally funded, with consolidation from 4Q26. The acquisition is expected to offer immediate earnings accretion and long-term strategic value for Sino Biopharm. CT Tianqing's 1H26 revenue and earnings grew 14.5% and 88.5% yoy, respectively, significantly faster than the Sino Biopharm. CT Tianqing has over 60 R&D programmes and expects nearly 25 innovative drug launches in 2026-30, plus two out-licensing deals reached with Sanofi and AstraZeneca in 1H26 (US\$335m upfront, up to US\$3.29b milestones).
- **Novartis (NVS US/Not Rated)** suffered two Phase III failures plus a separate clinical hold on a CAR-T programme in the past two weeks. Pelacarsen missed the Phase III Lp(a)HORIZON cardiovascular endpoint vs placebo, while Del-desiran failed HARBOR in myotonic dystrophy type 1. Novartis also paused eight rap-cel trials after three deaths from immune effector cell-associated hemophagocytic syndrome. The setbacks drove a sharp share price drop for Novartis, raising doubts over Novartis' late-stage execution and the US\$12b Avidity Biosciences acquisition that brought in Del-desiran. Amgen also dropped, as Pelacarsen's failure undermined confidence in its rival Lp(a) drug.

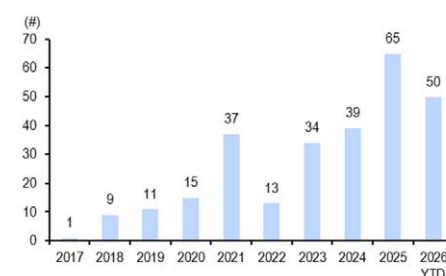
Valuation/Recommendation

- **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

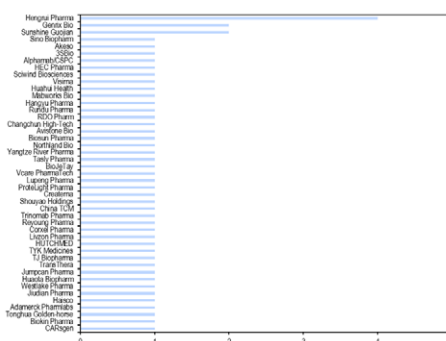
- **Catalysts:** a) Smooth progress on R&D and a growing number of innovative product launches, b) robust revenue and earnings growth, c) continued globalisation efforts, and d) strong pipelines that attract an increasing number of global partners for out-licensing deals.
- **Risks:** a) Possible rising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

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

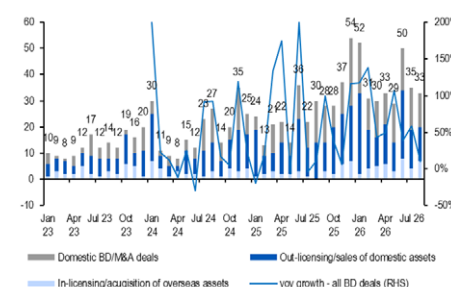
Innovative Drug Approvals Obtained By Domestic Drug Makers In China (ytd)



Note: Data includes Category 1 innovative drugs approved in China (excl. new indication approvals of previously approved innovative products)

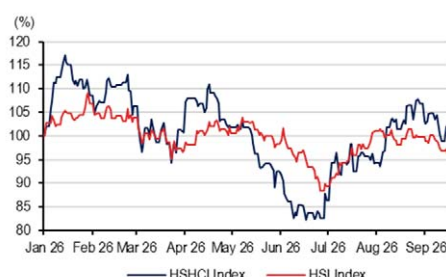
Source: NMPA, industry data, UOB Kay Hian

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



Source: MybioBD, UOB Kay Hian

HSHCI Performance (Jan 26-ytd)



Source: Bloomberg. UOB Kay Hian

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

Company	Drug name	Target/MoA	Indication	Date of Approval
Haisco Pharmaceutical	Ciprocopan Succinate	Complement factor B (CFB) inhibitor	Paroxysmal nocturnal haemoglobinuria (PNH)	21/7/2026
Jiudian Pharma	Jiaoqi Zhitong Gel Plaster	TCM	Knee osteoarthritis of cold-congealing and blood-stasis syndrome	28/7/2026
Westlake Pharma	Mprosevir Hydrochloride	SARS-CoV-2 3CL protease (3CLpro) non-covalent inhibitor	COVID-19	28/7/2026
Hengrui Pharma	Insulin Sudecidec	Long-acting basal insulin analogue	Type 2 diabetes mellitus (T2DM)	28/7/2026
Huaota Biopharm	Recibokibart	IL-36R	Generalised pustular psoriasis (GPP)	28/7/2026
Jumpcan Pharma	Xiaoei Tongbian Granules	TCM	Paediatric constipation of food-accumulation syndrome	4/8/2026
TransThera	Tinengotinib	Multi-kinase inhibitor (FGFR1-3, VEGFR, Aurora A/B, JAK)	Cholangiocarcinoma (CCA)	4/8/2026
TJ Biopharma	Felzartamab	CD38	Multiple myeloma (MM)	11/8/2026
Sunshine Guojian	Anflekitug (subcutaneous injection)	IL-1β	Acute gouty arthritis	18/8/2026
Hengrui Pharma	Licancopan Fumarate	complement factor B (CFB) inhibitor	Paroxysmal nocturnal haemoglobinuria (PNH)	18/8/2026
TYK Medicines	Asandeutertinib Mesylate	EGFR	1L EGFR-mutant NSCLC with CNS metastases	25/8/2026
HUTCHMED	Fanregatinib	FGFR1/2/3	FGFR2-fusion/rearrangement intrahepatic cholangiocarcinoma (ICC)	25/8/2026
Genrix Bio	Velinotamig	BCMA x CD3	Relapsed or refractory MM	25/8/2026
Livzon Pharma	Lecankitug (subcutaneous injection)	IL-17A/IL-17F	Moderate-to-severe plaque psoriasis	25/8/2026
Corxel Pharma	Etripamil Nasal Spray	L-type calcium channel blocker (CCB)	Paroxysmal supraventricular tachycardia (PSVT)	2/9/2026
Reyoung Pharma	Clulevibart	RSV fusion (F) glycoprotein	Prevention of RSV-induced lower respiratory tract infection (LRTI)	2/9/2026
Trinomab Pharma	Retavibart	RSV prefusion F protein	Prevention of RSV-induced LRTI	2/9/2026
China TCM	Xingpi Jieyu Tablets	TCM	Mild to moderate depression	2/9/2026

Source: NMPA, Respective companies, UOB Kay Hian

Recent Major BD/M&A Deals By Chinese Pharmaceutical Companies (Aug-Sep 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	4-Aug-26	Alphamab	Pathos AI	JSKN016 (TROP2/HER3 bispecific ADC)	Global (ex-Greater China)	125	2,093
Cross-border in-licensing	10-Aug-26	Daiichi Sankyo	Innovent	Vanflyta (Quizartinib, FLT3 inhibitor)	Mainland China	-	-
Cross-border out-licensing	10-Aug-26	Gan & Lee Pharma	Menarini	Bofanglutide (bi-weekly GLP-1 receptor agonist (RA))	39 European countries and regions	EUR62m	EUR726m
Domestic transactions	12-Aug-26	Hybio Pharmaceutical	3SBio	HY310/WS2403 (Semaglutide injection, GLP-1 RA)	Mainland China, HK, Macau	Rmb12m	Rmb182m
Cross-border out-licensing	16-Aug-26	Henlius	Sandoz AG	Up to 10 mAb/ADC biosimilars; definitive terms agreed on the first 3 (HLX05-N, HLX16, belimumab biosimilar) and an option on HLXTE-HAase1001	Global (ex-Greater China)	77	314
M&A	19-Aug-26	Sinopharm, CNPGC and Sinopharm (CNCM Ltd)	Shanghai Shyndec	51% of Guorui Pharmaceutical	Mainland China	-	Rmb406m
Cross-border out-licensing (NewCo)	26-Aug-26	Haisco	Sentivera	Preclinical oral small molecule for type-2 inflammatory disease	Global (ex-Greater China)	75.89	1,536
Cross-border out-licensing	27-Aug-26	DualityBio	Genentech	Next-generation ADCs	Global	45	1,045
Cross-border out-licensing	31-Aug-26	Sino Biopharmaceutical (SBP Group)	Cipla	TQB2102 (HER2 bispecific ADC)	India, South Africa and five other emerging markets	-	123
Cross-border out-licensing	1-Sep-26	Simcere Pharma	Roche	SIM0660 (CD79a/CD19/CD3 TsAb)	Global	75	1,530
Cross-border out-licensing	2-Sep-26	Keymed Biosciences	Aeira	Stapokibart (IL-4Rα mAb)	18 Asian countries/regions	-	-
Cross-border out-licensing	3-Sep-26	HUTCHMED	GSK	HMPL-A830 (KRAS-EGFR ATTC)	Global (ex-Greater China)	110	1,295
M&A	11-Sep-26	Mr. Eric Tse	SBP Group	Additional 5% of Chia Tai Tianqing	Mainland China	-	Rmb4.48b

Source: MybioBD, respective companies, UOB Kay Hian

FDA Novel Drug Approvals (Jul-Sep 26)

Product	Approval Date	Approved indication	Company
Trutakna (atacept-vymj)	7-Jul-26	IgA nephropathy	Vera Therapeutics
Revtopryk (gedatolisib)	14-Jul-26	HR+/HER2- advanced breast cancer (BC) (PIK3CA wild-type)	Celcuty
Lipfendra (enicitide decanoate)	15-Jul-26	Hypercholesterolemia (LDL-C lowering)	MSD
Jideytrio (zidesamitinib)	22-Jul-26	ROS1-positive non-small cell lung cancer (NSCLC)	Nuvalent
Lytenava (bevacizumab-vikg)	24-Jul-26	Neovascular (wet) age-related macular degeneration (AMD)	Outlook Therapeutics
Simtriyo (centanafadine)	24-Jul-26	Attention-deficit hyperactivity disorder (ADHD)	Otsuka
Orzeyful (oveporexton)	5-Aug-26	Narcolepsy type 1	Takeda
Tauklarify (florquinitalu F 18)	13-Aug-26	Tau PET imaging in Alzheimer disease	Lantheus (Cerveau)
Zenbexus (iberdomide)	13-Aug-26	Multiple myeloma (MM)	BMS
Pasatru (garetosmab-grts)	19-Aug-26	Fibrodysplasia ossificans progressiva (FOP)	Regeneron
Rasonque (daraxonrasib)	26-Aug-26	Metastatic pancreatic cancer (PC)	Revolution Medicines
Lisraya (brepocitinib)	27-Aug-26	Dermatomyositis	Proivant Therapeutics (Roivant)
Mimrylo (rusfertide)	28-Aug-26	Polycythemia vera	Takeda (Protagonist)
Zanvastro (zilganersen)	3-Sep-26	Alexander disease	Ionis Pharmaceuticals
Etcamah (camizestrant)	4-Sep-26	HR+/HER2- advanced BC (ESR1-mutated)	AstraZeneca
Isembyld (apitegromab-mstn)	11-Sep-26	Spinal muscular atrophy (SMA)	Scholar Rock
Pixclara (floretyrosine F 18)	11-Sep-26	Glioma PET imaging	Telix Pharmaceuticals

Source: US FDA, respective companies, UOB Kay Hian

Recent Sector Updates (Jul-Sep 26)

	Channel Check & Update	Recent Report	Date of Publish
Sector update	Bi-Weekly	A Priority Sector In 15th Five-Year Plan	2-Jul-26
Sector update	Update on internet healthcare segment	Internet Healthcare: Turning Point Toward Compliant Value Realisation	14-Jul-26
Sector update	Initiation on surgical robots	The Rise Of Chinese Surgical Robots	29-Jul-26
Sector update	1H26 results summary	Innovation And Globalisation: The Twin Engines For Growth	8-Sep-26

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