

China Healthcare

Bi-Weekly: China's 15th Five-Year Pharma Plan Signals Long-Term Support For Biopharma And AI Drug R&D

Highlights

- The HSHCI rose significantly by 8.5% during 16-30 September, supported by the strong healthcare market sentiment in both China and the overseas market. Akeso, Insilico, XtalPi, CSPC, WuXi Bio, and WuXi AppTec were the major outperformers.
- China's 15th Five-Year Plan for the pharmaceutical industry strikes a supportive tone for the long-term development of the broader biopharmaceutical sector. It also champions AI-enabled drug discovery and development – an area that has drawn rising investor interest in recent years.
- Maintain MARKET WEIGHT.

Bi-Weekly Recap

- Ali Health (241 HK/BUY/Target: HK\$4.00)** lowered its FY27 revenue growth target from 10-15% to 7-10% yoy, while keeping adjusted net profit guidance unchanged at Rmb1.9b-2.3b. This reflects proactive optimisation of product-price subsidies, with savings redeployed into B2C+O2O supply-chain integration. Drug sales remain the primary growth engine, expanding at a high double-digit rate in FY27, while non-drug categories grow at a low single-digit rate. Despite near-term moderation in revenue and earnings, we see structural opportunities from sustained innovative drug momentum, expanding AI adoption, and deepening Alibaba ecosystem synergies.

Major Industry News

- China released the Pharma Industry 15th Five-Year Plan** on 18 September. The plan sets 2030 targets: Five domestic drugs with global annual sales above US\$1b; first-in-class (FIC) drugs to reach over 25% of the global total; innovative-drug industry scale to grow over 20% per year; and 50 pharmaceutical manufacturers with annual revenue above Rmb10b. It plans to set up a full-lifecycle drug price formation mechanism to support globalisation of China pharmaceutical industry. It highlights four priority biologics areas: Antibodies/recombinant proteins, next-generation conjugates, cell and gene therapy, and new vaccines. The plan also promotes AI-driven pharmaceutical R&D, and precision diagnosis and treatment of cancers, major chronic diseases and infectious diseases.

Peer Comparison

Company	Ticker	Rec	Price @ 30-Sep-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-yr (%)	PEG 2026F (x)
Shenzhen Mindray	300760 CH	BUY	161.32	195.00	20.9	195,487.5	26.1	22.6	4.8	4.5	19.2	16.5	20.5	-43.8	6.19	7.14	8.01	13.7	1.9
CSPC Innovation	300765 CH	BUY	47.19	57.00	20.8	66,282.7	40.0	n.a.	15.3	15.4	42.5	n.a.	-0.5	-23.4	1.18	-0.02	0.13	-66.5	n.a
HUTCHMED	13 HK	BUY	23.00	26.00	13.0	20,063.7	64.4	37.7	2.0	1.9	243.1	55.9	3.2	-9.9	0.05	0.08	0.12	61.1	1.1
HUTCHMED	HCM US	BUY	14.15	16.63	17.5	2,555.9	62.2	36.4	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	215.00	250.00	16.3	1,962.8	57.7	33.7	1.8	1.7	190.9	42.6	3.2	-9.9	0.05	0.08	0.12	61.1	0.9
CSPC	1093 HK	BUY	10.07	11.50	14.2	116,031.1	13.3	12.4	2.6	2.4	8.4	7.8	19.7	-35.9	0.65	0.69	0.74	7.2	1.9
Sinopharm Group	1099 HK	HOLD	14.86	17.00	14.4	46,372.9	5.5	5.2	0.4	0.4	4.5	4.4	8.3	-0.3	2.32	2.45	2.61	6.2	0.9
Sino Biopharmaceutical	1177 HK	BUY	5.71	7.20	26.0	106,679.7	17.5	16.4	2.8	2.7	13.2	12.7	8.4	26.4	0.28	0.30	0.33	8.5	2.1
Innovent Biologics	1801 HK	BUY	98.05	132.00	34.6	171,082.1	48.4	33.0	6.3	5.3	45.4	29.8	15.1	-70.3	1.73	2.54	3.59	44.1	1.1
Ping An Good Doctor	1833 HK	HOLD	6.35	6.70	5.7	13,714.4	46.6	34.0	1.1	1.1	94.8	42.6	3.2	-28.2	0.12	0.16	0.21	34.6	1.3
Medlive	2192 HK	BUY	6.74	10.20	51.3	4,989.5	11.9	10.4	0.8	0.8	11.1	9.2	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	194.8	77.9	42.1	31.0	n.a.	142.6	30.3	-60.0	0.09	0.23	0.48	127.1	1.5
WuXi Biologics	2269 HK	BUY	56.05	67.80	21.0	230,720.3	28.2	23.5	3.8	3.2	19.5	14.6	13.4	-16.3	1.70	2.04	2.47	20.5	1.4
WuXi AppTec	2359 HK	BUY	215.20	220.00	2.2	600,871.5	23.8	20.4	5.7	4.7	17.0	14.3	24.7	-38.3	7.72	9.00	10.48	16.5	1.4
WuXi AppTec	603259 CH	BUY	167.34	189.20	13.1	513,452.4	22.7	19.0	5.2	4.3	7.7	6.0	24.7	-38.3	7.72	9.00	10.48	16.5	1.4
Ali Health	241 HK	BUY	2.87	4.00	39.5	46,342.2	17.8	15.4	2.4	2.2	13.7	11.8	13.6	-55.6	0.14	0.16	0.18	14.9	1.2
Edge Medical	2675 HK	BUY	36.86	56.00	51.9	14,361.3	128.3	42.9	4.9	4.5	128.3	49.9	8.0	-60.7	0.25	0.73	1.39	138.3	0.9
China Shineway	2877 HK	HOLD	8.34	8.50	2.0	6,897.2	7.1	6.6	0.7	0.6	-1.2	-1.1	10.0	-84.6	1.00	1.07	1.14	6.9	1.0
Hansoh Pharma	3692 HK	BUY	35.30	45.00	27.5	214,064.5	27.8	24.0	4.6	4.1	20.9	18.1	18.0	-40.8	1.08	1.26	1.45	15.6	1.8
TUL	3933 HK	BUY	7.98	11.00	37.9	15,713.0	18.6	15.7	0.8	0.7	6.1	5.7	4.7	-9.9	0.37	0.43	0.50	16.8	1.1
BeOne Medicines	6160 HK	BUY	225.40	265.00	17.6	357,299.0	25.7	19.9	7.7	6.1	30.4	21.2	19.6	-90.2	1.12	1.44	1.83	28.1	0.9
BeOne Medicines	ONC US	BUY	365.27	439.41	20.3	45,329.7	24.2	18.7	7.8	6.2	23.3	15.5	19.6	-90.2	1.12	1.44	1.83	28.1	0.9
BeOne Medicines	688235 CH	BUY	264.41	354.10	33.9	305,320.0	34.7	26.8	10.8	8.5	23.1	15.4	19.6	-90.2	1.12	1.44	1.83	28.1	1.2
Average							26.2	22.6	5.9	5.0	19.1	18.3	13.6					25.0	1.3

Source: Bloomberg, UOB Kay Hian

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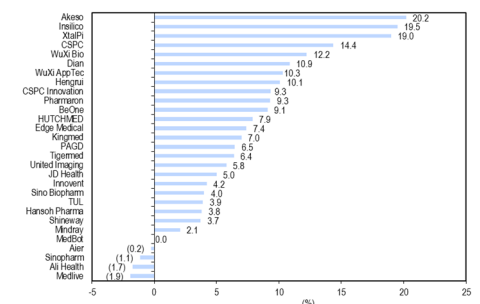
MARKET WEIGHT (Maintained)

Sector Picks

Company	Ticker	Rec	Share Price (HK\$)	Target Price (HK\$)
Innovent	1801 HK	BUY	98.05	132.00
BeOne Medicines	6160 HK	BUY	225.40	265.00
WuXi AppTec	2359 HK	BUY	215.20	220.00
WuXi Bio	2269 HK	BUY	56.05	67.80
Edge Medical	2675 HK	BUY	36.86	56.00

Source: Bloomberg, UOB Kay Hian

Bi-Weekly Stock Performance (16-30 Sep 26)

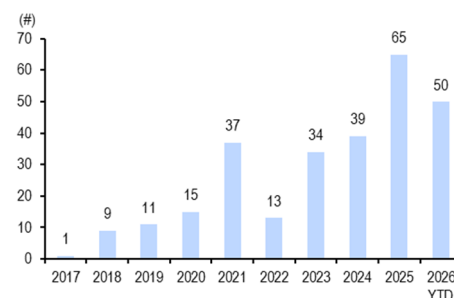


Source: Bloomberg, UOB Kay Hian

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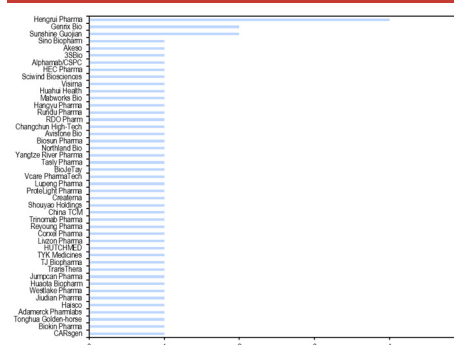
- AI-driven drug discovery and development continues to attract investor interest.** AI is expected to reshape traditional pharmaceutical R&D by accelerating target identification, predicting molecular structures, and optimising clinical trials, cutting multi-year discovery timelines and reducing high compound attrition rates. The two AI drug discovery pioneers listed in Hong Kong have secured a growing collaboration deal. **XtalPi** recently entered a collaboration agreement with Stanford University to accelerate new medicine development, while **Insilico** signed a multimillion-dollar deal with an AI foundation model lab to co-develop generative-biology models. Notably, Insilico's lead AI-discovered drug, Rentosertib, has initiated Phase 3 trials for idiopathic pulmonary fibrosis – the first AI-discovered target and AI-designed molecule to reach this stage. With proven business models and high-value licensing deals providing external validation, AI drug discovery companies expect increasing revenue and earnings visibility in the coming years.
- ByteDance has spun out its AI drug-discovery unit, **Anew Labs**, which closed a US\$290m first funding round at a post-money valuation of approximately US\$1.5bn. Sino Biopharmaceutical joined as a strategic investor, while ByteDance retained a 56% controlling stake. **Anthropic** acquired the AI drug startup Coefficient Bio for about US\$400m in Apr 26; **Isomorphic Labs** (DeepMind spin-out) closed a US\$2.1b Series B in May; **NVIDIA** and **Eli Lilly** set up a joint AI innovation lab in Jan 26 with over US\$1b committed over five years; **OpenAI** released GPT-Rosalind in April, trained on 50 biology workflows, with Amgen and Moderna among adopters.
- The Trump administration considers allowing most pharma licensing deals with China.** The US Treasury Department is drafting rules that would allow biopharma companies to invest in cutting-edge new medicines being developed by Chinese firms, provided they are not related to pathogens or dual-use biotechnology that could be weaponised, according to Reuters. If finalised, the rules would permit most licensing deals for drugs originating from China. Biopharmaceutical companies in the US and Europe are increasingly turning to China-developed drugs to replenish their pipelines amid an impending patent cliff for blockbuster medicines. Chinese biopharma's out-licensing deal value has surpassed US\$120b, +36% yoy, with upfronts above US\$10b. We believe the policy, if finalised, would lead to more licensing deals and greater collaboration between US and Chinese biopharma.
- Biotech collaborations between US and China remain robust. AkesoBio (2256/Not Rated)** shares soared 15.54% after AstraZeneca announced a US\$2b strategic equity investment in Summit, whose key asset is Ivonescimab, Akeso's first-in-class PD-1/VEGF bispecific. AstraZeneca intends to lead development of Ivonescimab combined with its Sone-Ve (CLDN18.2 ADC) for gastrointestinal tumours, and the parties signed an MoU to explore further combinations with AstraZeneca's ADC and anti-tumour therapies. The investment recognises Ivonescimab's breakthrough value, underscored by the HARMONI-2 Phase 3 trial showing superior overall survival versus Pembrolizumab in first-line PD-L1-positive advanced NSCLC. Recently, Eli Lilly and InnoCare have also signed a cancer drug deal worth US\$3.35b. Merck entered an exclusive collaboration agreement with SciBrunch for SPR2015 (a preclinical oral KRAS G12D (ON) inhibitor) for US\$2.13b.
- Positive clinical results of personalised cancer vaccine (Intismeran Autogene, developed by Moderna and Merck) boost sentiment for domestic vaccine companies.** Intismeran Autogene's Phase 3 trial enrolled 1,137 patients with resected Stage IIB-IV melanoma, comparing the vaccine plus Keytruda against Keytruda alone. The combination met both primary endpoints (recurrence-free survival and distant metastasis-free survival) with statistically significant and clinically meaningful improvements. The Phase 3 data will be presented at ESMO on 24 October. Prior Phase 2 five-year data showed a 49% reduction in recurrence or death risk. The vaccine works by sequencing a patient's tumour, selecting up to 34 neoantigens, and encoding them in mRNA to train T cells. The strong data boosted Moderna's stock by

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



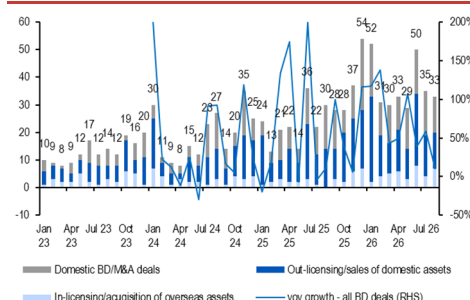
Note: Data includes Category 1 innovative drugs approved in China
Source: NMPA, UOB Kay Hian

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-Aug 26)



Source: MyBioBD, UOB Kay Hian

HSHCI Performance (Jan 26-ytd)



Source: Bloomberg, UOB Kay Hian

over 200% and improved sentiment for domestic vaccine companies, eg, CanSino (6185 HK).

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.

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

Company	Drug name	Target/MoA	Indication	Date of Approval
Corxel Pharma	Etipamil 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 (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	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
Cross-border out-licensing	15-Sep-26	Chimagen Biosciences	GSK	A potential best-in-class trispecific T cell-engager (TCE)	Global	-	750
Cross-border out-licensing	15-Sep-26	Senlang Bio	Tempest	CD7-targeted lentiviral vector platform and a portfolio of in vivo CAR-T product candidates	Global	-	-
R&D collaboration	21-Sep-26	Insilico Medicine	An AI foundation model lab	Co-development of foundation models for biology on the MMAI Gym training framework, with revenue sharing on global commercialisation	Global	-	Up to 10
Cross-border out-licensing	22-Sep-26	BoomRay	Novartis	An undisclosed preclinical radioligand therapy (RLT) asset	Global	-	900
Cross-border in-licensing	23-Sep-26	Amberstone Biosciences	Henlius	Two T Cell Engager (TCE) products	Global	4	888
Cross-border out-licensing	24-Sep-26	InnoCare	Eli Lilly	Up to five targets	Global	100	3,350
Cross-border out-licensing	24-Sep-26	Earendil Labs	Genentech (Roche)	Multiple oncology bispecific antibody programmes (AI-designed)	Global	55	>1,500
Cross-border out-licensing	28-Sep-26	Sino Biopharmaceutical	STADA	Pembrolizumab biosimilar (TQB3570, anti-PD-1 mAb)	EU, Switzerland, the UK and the CIS	€53m	-
Cross-border out-licensing	28-Sep-26	SciBrunch	Merck	SPR2015 (KRAS G12D (ON) inhibitor)	Global	400	2,130
Domestic transactions	28-Sep-26	MindRank	3SBio	MDR-001 (AI-designed oral small-molecule GLP-1 RA)	Mainland China, HK and Macau	-	260
Cross-border out-licensing	29-Sep-26	Hengrui Pharma	Novo Nordisk	HRS-1596 (GLP-1/GIP dual agonist)	Global (ex-Greater China)	300	2,600
Cross-border out-licensing	30-Sep-26	Nhwa Pharma (NewCo)	Somnivera	Clinical-stage Class 1 drug candidate for sleep disorders	Global (ex-Greater China)	10.5	517.5

Source: respective companies, UOB Kay Hian

FDA Novel Drug Approvals (Sep 26)

Product	Approval Date	Approved indication	Company
Zanvastro (zilganersen)	3-Sep-26	Alexander disease	Ionis Pharmaceuticals
Etcamah (camizestrant)	4-Sep-26	HR+/HER2- advanced BC (ESR1-mutated)	AstraZeneca
Isemyld (apitegromab-mstn)	11-Sep-26	Spinal muscular atrophy (SMA)	Scholar Rock
Pixclara (floretyrosine F 18)	11-Sep-26	Glioma PET imaging	Telix Pharmaceuticals
Onswik (insulin efisitora alfa-gobe)	23-Sep-26	Type 2 diabetes mellitus	Eli Lilly
Lyrlfigtu (lirafugratinib)	23-Sep-26	FGFR2-altered cholangiocarcinoma	Elevor Therapeutics
Juvmo (tavapadon)	25-Sep-26	Parkinson's disease	AbbVie
Atebrioz (zilurgisertib)	25-Sep-26	Fibrodysplasia ossificans progressiva (FOP)	Mirum Pharma
Emcitate (tiratricol)	28-Sep-26	MCT8 deficiency	Egetis Therapeutics

Source: US FDA, respective companies, UOB Kay Hian

Recent Sector & Company Updates (Sep 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)	1H FY27 Preview: Lowers FY27 Revenue Growth Target To 7-10% yoy On Subsidy Optimisation: Earnings Guidance Unchanged	21-Sep-26

Source: UOB Kay Hian

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