UOBKayHian

# Country Daily | Greater China

Tuesday, 08 September 2026

## Key Indices

| | Prev Close | 1D % | 1W % | 1M % | YTD % |
|---|---|---|---|---|---|
| DJIA | 53,414.3 | (0.5) | (0.3) | (1.2) | 11.1 |
| S&P 500 | 7,718.6 | (0.4) | 0.1 | (0.5) | 12.8 |
| FTSE 100 | 10,822.1 | (0.1) | (0.0) | (0.7) | 9.0 |
| AS30 | 9,200.6 | 0.1 | (0.8) | (2.6) | 2.0 |
| CSI 300 | 4,575.0 | 0.6 | (1.1) | (2.5) | (1.2) |
| FSSTI | 5,792.3 | (0.2) | 0.6 | 1.6 | 24.7 |
| HSCEI | 8,429.7 | (1.5) | (1.0) | (1.2) | (5.4) |
| HSI | 25,413.1 | (0.9) | (0.6) | (1.0) | (0.8) |
| JCI | 6,619.7 | (0.3) | 1.4 | 3.3 | (23.4) |
| KLCI | 1,714.8 | 0.4 | (0.6) | (1.2) | 2.1 |
| KOSPI | 6,995.4 | 4.6 | 2.6 | 11.8 | 66.0 |
| Nikkei 225 | 66,399.8 | 2.1 | 0.1 | 1.2 | 31.9 |
| SET | 1,618.8 | 1.5 | 1.5 | 0.4 | 28.5 |
| TWSE | 47,326.3 | 1.7 | 2.6 | 7.0 | 63.4 |
| BDI | 3,628.0 | 4.0 | 13.9 | 17.4 | 93.3 |
| CPO (RM/mt) | 4,580.0 | (1.8) | (0.6) | 1.4 | 16.5 |
| Brent Crude (US$/bbl) | 97.0 | 0.7 | 7.2 | 16.1 | 59.4 |

*Source: Bloomberg*

## Corporate Events

| | Venue | Begin | Close |
|---|---|---|---|
| Analyst Marketing by Julia Pan on Greater China Internet Sector | Singapore | 07 Sep | 08 Sep |
| Analyst Marketing by Julia Pan on Greater China Internet Sector | Malaysia | 09 Sep | 11 Sep |
| 17th Asian Gems Conference 2026 (Virtual) | Singapore | 22 Sep | 23 Sep |
| Post-results NDR with Sunny Optical (2382 HK) | Taipei | 22 Sep | 23 Sep |

## Corporate and Macro Calendar

| Economic Indicator/Event | Country/Region | Date |
|---|---|---|
| Aug Trade Balance, Exports, Imports | China | 08 Sep |
| Aug Inflation (PPI, CPI) | China | 09 Sep |
| Aug Money Supply (M2, M1, M0) | China | 9-15 Sep |
| Aug FDI YTD YoY CNY | China | 11-17 Sep |
| 2Q Industrial Production YoY | Hong Kong | 14 Sep |
| 2Q PPI YoY | Hong Kong | 14 Sep |
| Aug Retail Sales | China | 15 Sep |
| Aug Industrial Production | China | 15 Sep |
| Aug Fixed Assets Ex Rural | China | 15 Sep |
| Aug Surveyed Jobless Rate | China | 15 Sep |

## Top Stories

**Strategy** | Taiwan Tech: Strong Growth Outlook; Supply And Ramp Execution Remain Key

Page 2 →

- We organised a Taiwan trip last week, which included meetings with TSMC and MediaTek. Both companies highlighted strong multi-year AI demand, but continued constraints in leading-edge capacity, substrates and advanced packaging limit near-term growth and margins. Looking ahead, TSMC expects N2 to become highly profitable and it could ultimately generate higher margins than 3nm, while MediaTek's AI ASIC business is expected to become a key growth engine.

**Sector Update** | China Healthcare

Page 6 →

- 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 will fuel growth through 2026 and beyond. Maintain MARKET WEIGHT; our top picks are Innovent, BeOne, Hansoh Pharma, WuXi AppTec, WuXi Bio and Edge Medical.

**Sector Update** | China Property

Page 10 →

- Shanghai's 15th Five-Year Plan calls for lower new residential supply and accelerated commercial facility upgrades, a template we expect other higher-tier cities to follow. Land-sale revenue across 300 cities fell 18.4% yoy in 8M26 and should weaken further from Sep 26 amid tighter pre-sale rules. New-home sales across 19 cities fell 3% yoy in August but rose 3% yoy in 1-6 September. Maintain UNDERWEIGHT; COLI remains our top pick.

## Technical Analysis

**Li Auto** | 2015 HK

Page 13 →

- Support levels: HK$47.28/HK$44.56
- Resistance levels: HK$56.10/HK$62.00

**Geely Automobile** | 175 HK

Page 13 →

- Support levels: HK$14.86/HK$14.57
- Resistance levels: HK$17.66/HK$18.08

*Disclaimer: In Traders' Corner, technical analysis is carried out purely based on charting patterns, price movements and trends, and is thus independent of the fundamental research views of our analysts. As a result, and from time to time, we may make a technical recommendation that is opposite to our fundamental BUY/HOLD/SELL rating.*

# Strategy

Taiwan Tech: Strong Growth Outlook; Supply And Ramp Execution Remain Key

Analyst(s)

Tham Mun Hon, CFA
munhon.tham@uobkh.com
+852 2236 6799

## Highlights

- Our meetings with TSMC and MediaTek last week reinforced the view of a multi-year AI driven growth, supported by strong demand and longer-term customer commitments.
- TSMC's expects N2 to bring even greater opportunities than N3, though the near-term ramp and higher overseas manufacturing costs are expected to dilute margins.
- MediaTek's 2027 V8 revenue guidance stands at US$12b-16b. Securing supply and improving V9 packaging yields remain key, while ASIC revenue growth should support operating leverage.

## What's New

### a) TSMC: Broad AI exposure with capacity discipline

- **Strong demand visibility supports disciplined capacity planning.** TSMC has strong visibility of upcoming demand, as design collaboration with clients extends 3-5 years ahead, with customers committing engineering resources 2-3 years before production. Moreover, it is also unlikely for clients to switch to another fab as foundry-specific designs lead to high switching costs. TSMC updates operational forecasts roughly every two weeks and independently assesses sustainable demand before committing capital.
- **Capacity allocation reflects long-term customer commitment.** Product roadmaps, engineering collaboration and volume forecasts guide allocation, with new customers initially receiving limited capacity due to limited track record. Management sees customer relationships as partnership-based rather than transactional, highlighting the importance of long-standing trust.
- **Leading-edge demand continues to exceed supply.** Currently utilisation is above 100%, and management expects capacity to remain tight, with revenue growth slightly above 30% yoy in 2026. Advanced packaging should grow faster than overall revenue, increasing its revenue share from slightly above 10% in 2025 to the low teens in 2026. Although its gross margin is lower than wafer fabrication, lower capital intensity supports attractive returns.
- **N2 margin dilution should become more visible in 2H26.** New nodes have historically taken seven to eight quarters to reach the corporate average gross margin, which was around 50% at the time, compared with the mid-60s% today. Management views initial dilution as a normal feature of a new-node ramp and expects N2 eventually to exceed the corporate average and generate higher margins than N3 as yields and scale improve.
- **Technology leadership extends beyond N2.** The A14 family, at roughly 1.4nm, is targeted for mass production in 2028, with A13 and A12 on the roadmap for around 2029. Management expects further technological improvements despite physical scaling constraints. Capacity conversion also provides flexibility: 5nm to 3nm conversion is underway, while 3nm to 2nm conversion is possible but costly. This flexibility helps TSMC manage utilisation and returns through semiconductor cycles.
- **Overseas expansion supports diversification but carries higher costs.** Expansion in Arizona, Kumamoto and Dresden is in response to customer requirements. Slightly more than 10% of current capacity is outside Taiwan, and this could gradually rise toward 20-30% of total capacity in the long term,

with the US accounting for most of the overseas expansion. Management plans to balance the higher costs of overseas fabs with the stronger economics of Taiwan operations to support overall corporate margins.

- **Arizona remains a long-duration investment.** Planned investment totals about US$265b, following earlier plans of US$20b, US$65b and US$165b. Fab 1 is in mass production, with output reported to match Taiwan fabs; Fab 2 tooling is underway, and Fab 3 is under construction. Labour, infrastructure and supply-chain constraints mean capacity additions will be gradual.
- **Advanced packaging is becoming a major competitive moat**. TSMC is expanding packaging capacity alongside leading-edge wafer capacity and manages both together as an integrated solution for customers. Advanced packaging carries lower margins than wafer fabrication, but it also requires lower capital intensity, supporting attractive returns on invested capital. Certain backend processes can also be supported by external industry resources, allowing TSMC to concentrate capital and engineering resources on the highest-value parts of the process.
- **Internal cash generation supports higher capex.** Management expects meaningfully higher spending over the next three years, funded from operating cash flow. Customer prepayments are not required for funding.
- **Dividend growth remains the capital-return priority.** Management regards the current quarterly dividend of NT$7 per share as a floor, following a five- to six-fold increase in recent years. Share buybacks are not a priority.

## b)MediaTek: AI ASICs reshape the earnings mix

- **AI ASIC revenue guidance continues to rise.** Management expects revenue above US$2b in 2026, compared with an original guide of around US$1b. V8 guidance for 2027 has increased from a multi-billion-dollar contribution to US$7b-12b and subsequently US$12b-16b. With V9 revenue expected from 2028, V8 should account for effectively all AI ASIC revenue in 2027. Guidance remains slightly below customer demand, with potential upside if additional supply is secured.
- **Execution and improved supply visibility support higher allocation.** Management attributed the increase to stronger execution relative to peers, higher TPU demand following the launch of Gemini, and better visibility on TSMC's 2027 capacity allocation from mid-year. There has been increasing market talk that competitors are making inroads, but increasing design complexity also strengthens the case for having design partners for different parts of the project.
- **Management sees limited competition in its I/O die and SerDes work.** Additional suppliers reportedly address other components: GUC and Alchip in compute dies, AMD in the V10 CPU, and Marvell in LPU and CXL. These reports do not necessarily imply a loss of MediaTek's existing content. Management remains confident in its competitive position.
- **V9 could expand MediaTek's role across training and inference.** MediaTek handles training on V8, while Broadcom handles inference. Management sees an opportunity to support both workloads on V9 and reported no clear progress from Broadcom's parallel solution. A broader role in V9 could provide further upside and it also remains confident of retaining a core role on V10, although the award has not been confirmed.
- **V9 offers further growth from 2028, subject to packaging execution.** Tape-out is targeted by end-26, with mass production by end-27 and revenue contribution from 2028. The move from 3nm to 2nm, a larger multi-die package with die count at least doubling, and a SerDes upgrade from 224G to 300G could lift ASPs to two to three times V8 levels. EMIB-T packaging yields are reported below 50%, against the 70-80% required for volume production, with more than a year available for improvement.

- **Supply availability remains the main constraint on the ASIC ramp.** Substrates are the key bottleneck for 2027, while wafer and CoWoS capacity visibility has improved. Visibility for 2028 remains less certain for both 2nm wafers and substrates. MediaTek is qualifying additional suppliers and has held discussions with TSMC and Google on capacity allocation. HBM is largely procured directly by the customer.
- **Foundry diversification focuses on mature nodes.** TSMC remains the leading-edge partner, while the Intel Foundry Services partnership announced in 2022 covers selected mature-node products, including 16nm. Leading-edge production remains concentrated in Taiwan unless customers request geographic diversification.
- **Gross margin pressure, but better operating leverage.** Management retains its approximately 46% gross margin target for 2026 but expects gross margin to decline towards the high-30s to 40% range as the ASIC mix rises. Customer price increases range from single-digit percentages to above 20%, depending on product. The opex ratio of around 30% should fall with broadly flat headcount of about 22,000, supporting operating margin expansion. Absolute opex may still rise with earnings-linked bonuses.
- **Nvidia collaboration broadens the custom ASIC opportunity.** Nvidia invested US$3.5b in the US$3.9b convertible bond transaction, with Google providing most of the remainder. NVLink Fusion could enable MediaTek-designed custom XPUs to connect to Nvidia rack components. Target customers include CSPs with less-established custom silicon capabilities than Google and Amazon, with a design lead time of two to three years. Management remains highly constructive on cloud AI demand, supported by rising AI applications, model complexity and token consumption.
- **Smartphones remain a near-term drag despite flagship progress.** Smartphone revenue was around US$10b in 2025, or about 55% of total revenue, with its share expected to fall to around 40% in 2026. Management expects global smartphone shipments to decline around 15% and Chinese OEM shipments by more than 20% in 2026. Customer order cuts reflect rising memory costs, while consumer electronics have shown some resilience from pull-forward buying. Shipment declines should narrow in 2027, and ASP pressure could ease if memory price growth moderates. MediaTek’s flagship share has exceeded 30%, built from a low-end base where its share reaches 80-100% in some categories.
- **Automotive provides longer-term optionality.** Current automotive revenue is mainly driven by infotainment. MediaTek is also developing ADAS solutions with Denso, but meaningful ADAS revenue is likely around three years away due to long automotive qualification cycles. Automotive therefore remains a longer-term growth option rather than a major near-term earnings driver.
- **Partnerships differentiate MediaTek’s strategy from Qualcomm’s.** In AI PCs, Qualcomm develops an integrated CPU and GPU SoC, while MediaTek focuses on the CPU and partners with Nvidia for the GPU. In data centres, Qualcomm has built capabilities through acquisitions, including Nuvia and Alphawave, while MediaTek builds on its existing custom ASIC programmes.
- **Customer diversification remains a longer-term opportunity.** MediaTek currently has one ASIC customer and is targeting an additional major US CSP, with revenue unlikely before 2029. Engagement with Chinese customers continues but is not a priority given export control risk.

## Our View

- The meetings reinforce a constructive view of the multi-year AI opportunity. TSMC offers broad exposure across leading-edge fabrication and advanced packaging, supported by technology leadership, long customer design cycles and strong internal cash generation. N2 and overseas expansion will dilute margins in the near term, but improving yields, scale and disciplined capacity planning should support longer-term returns. Semiconductor cyclicality and geopolitical risk remain relevant.

- MediaTek's AI ASIC roadmap should materially reduce its historical dependence on smartphones. V8 provides the main near-term growth contribution, while V9 offers potential upside from 2028 through greater design complexity and a broader customer role. Revenue scale and disciplined spending should support operating margin expansion despite gross margin dilution. Supply availability and packaging execution remain the key risks.
- We would monitor TSMC's N2 margin progression, overseas ramp costs and advanced packaging expansion. For MediaTek, the key milestones are 2027 substrate commitments, V9 packaging yield improvements, confirmation of V10 participation and operating margin delivery. Progress on these measures would strengthen confidence in the timing and profitability of the AI growth opportunity.

# China Healthcare

## Innovation And Globalisation: The Twin Engines For Growth

**Analyst(s)**

Carol Dou
carol.dou@uobkh.com
+852 96605003

Sunny Chen
sunny.chen@uobhk.com
+852 52266685

### 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.

**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*

### 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.

### Peer Comparison

| Company | Ticker | Rec | Price @ 7-Sep-26 (lcy) | Target Price (lcy) | Upside/ (Downside) to TP (%) | Market Cap (lcy m) | ------ PE ------ 2026F (x) | 2027F (x) | ------P/B ------ 2026F (x) | 2027F (x) | -EV/EBITDA- 2026F (x) | 2027F (x) | ROE 2026F (%) | Net Gearing 2026F (%) | -----------EPS----------- 2026F (lcy) | 2027F (lcy) | 2028F (lcy) | 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 | U.R. | 21.18 | U.R. | 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 |

*Note: U.R.= Under Review* *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.

# China Property

## Shanghai Shifts Housing Supply From New Build To Renewal; National Land Supply Keeps Shrinking

### Highlights

- Shanghai's 15th Five-Year Plan targets to cut new supply of residential units and step up efforts in commercial facilities upgrading. This may become a recurring trend over the next five years in higher tier cities.
- We expect pre-sale reforms to further cool the land market, following an 18.4% yoy decline in land sales across 300 in 8M26. Sales remained divergent: new-home sales in 19 major cities fell 3% yoy in Aug 26 but rose 3% yoy in 1-6 September, led by Tier 1 cities (+12% and +39%, respectively).
- Maintain UNDERWEIGHT. Our top pick is COLI.

### Analysis

- **Shanghai published its 15th Five-Year Plan for urban renewal and housing development on 3 September, cutting new supply of residential units and stepping up efforts to upgrade commercial facilities.** The table below summarises the key targets. Over 2026-30, Shanghai plans to reduce new residential housing supply by 33-40% and new residential land supply by 21-38%, while targets for commercial properties upgrading increase 56% and the target for retrofit activity increases by 92%. Specifically, the commercial property upgrading will primarily driven by a) expansion of usage; b) repositioning of underperforming buildings; c) tenant remixing and upgrading; d) data monitoring; and e) focusing on key areas (Lujiazui, Hongqiao, Caohejing and Wujiaochang). Indicated by Shanghai's plan, we expect tighter residential supply and the upgrading of commercial properties to become defining trends over the next five years in higher tier cities.

### Shanghai's 15th Five-Year Plan: Supply Cuts And Renewal Targets

| Indicator | Achievement of 2021-25 | Target for 2026-30 | Change |
|---|---|---|---|
| New supply of residential property projects (m sqm) | 42.0 | 25.0-28.0 | -33% to -40% |
| New supply of various residential lands (ha) | 2,921 | 1,800-2,300 | -21% to -38% |
| Old residential estate renovation (m sqm) | 68.8 | 30.0-40.0 | -42% to -56% |
| Number of governments approved comprehensive urban-village redevelopment projects | 70 | 12 | -83% |
| Affordable rental housing supply (000 units) | 267 | 250-270 | -6% to +1% |
| Areas of commercial properties upgraded (m sqm) | 2.6 | 5.0 | +92% |
| Number of commercial & office buildings upgraded | n.a. | 150 | New target |
| Number of key renewal districts | n.a. | 20 | New target |
| Beds for migrant workers (000) | 73 | 120 | +64% |
| Energy-efficiency retrofit of buildings (m sqm) | 32.0 | 50.0 | +56% |

*Source: Shanghai Municipal Government, CRIC, UOB Kay Hian*

### Peer Comparison

| Company | Ticker | Rec | Price 7 Sep 26 (HK$) | Target Price (HK$) | Upside To TP (%) | Last Year End | PE 2024 (x) | PE 2025F (x) | PE 2026F (x) | Yield 2025F (%) | ROE 2025F (%) | Market Cap. (HK$m) | Price/ NAV ps (x) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| China Resources Land Ltd | 1109 HK | BUY | 29.88 | 39.60 | 32.5% | 12/25 | 8.2 | 9.1 | 8.1 | 4.3 | 4.7% | 213,072.5 | 0.61 |
| China Overseas Land | 688 HK | BUY | 12.91 | 19.88 | 54.0% | 12/25 | 9.3 | 10.5 | 9.7 | 3.8 | 2.7% | 141,298.4 | 0.31 |
| Longfor Properties | 960 HK | BUY | 6.02 | 8.76 | 45.6% | 12/25 | 4.9 | N.A. | N.A. | 0.2 | -1.9% | 42,690.9 | 0.23 |
| Yuexiu Property | 123 HK | BUY | 3.26 | 4.50 | 38.0% | 12/25 | 43.4 | 45.6 | 36.0 | 1.1 | 0.5% | 13,122.8 | 0.21 |
| CR Mixc Lifestyle | 1209 HK | BUY | 39.90 | 55.00 | 37.8% | 12/25 | 19.7 | 17.8 | 16.0 | 6.2 | 26.6% | 91,071.8 | 4.81 |
| China Overseas Property Holdings | 2669 HK | BUY | 3.51 | 4.20 | 19.8% | 12/25 | 7.2 | 8.1 | 8.2 | 5.3 | 18.5% | 11,510.3 | 1.51 |

*Source: Bloomberg, UOB Kay Hian*

**Analyst(s)**

Liu Jieqi
Jieqi.Liu@uobkh.com
+852 28261392

Damon Shen
Damonshen@uobkh.com
+86 21 54047225 ext.820

**UNDERWEIGHT (Maintained)**

### Segmental Rating

| Segment | Rating |
|---|---|
| China Property | UNDERWEIGHT (Maintained) |
| Property management | UNDERWEIGHT (Maintained) |

*Source: Bloomberg, UOB Kay Hian*

### Sector Picks

| Company | Ticker | Rec | Share Price (HK$) | Target Price (HK$) |
|---|---|---|---|---|
| COLI | 688HK | BUY | 12.91 | 19.88 |
| CR Mixc | 1209 HK | BUY | 39.90 | 55.00 |

*Source: Bloomberg, UOB Kay Hian*

- **National land supply keeps shrinking.** In 8M26, total land sales across CREIS's 300 cities fell 18.4% yoy to Rmb1,288.6b, with residential land sales down 21.5% yoy to Rmb882.2b on a 21.3% yoy fall in transacted GFA. National market saw a sharper decline in land sales, with local government's land sales revenue declining 30.8% yoy in 7M26. As pre-sale policies tighten, we expect the land market to cool more noticeably from Sep 26. A further contraction in land-sale revenue would intensify local governments' fiscal pressures and could, in turn, further increase the likelihood of tighter tax & fee policies.
- **Rental yields in core cities edged up in Aug 26.** On a two-source basis (CREIS and CityRE), the average rental yield of the four Tier 1 cities was 2.16% at end-Aug 26, up 0.16ppt ytd, while the Tier 2 cities averaged 2.66%. Beijing/Shanghai/Guangzhou/Shenzhen stood at 2.3%/2.1%/2.5%/1.8%. Yields are rising because second-hand prices are falling faster than rents. However, they remained below the average first-home mortgage rate of 3.06%.

**Rental Yield (%) In Major Cities**

| (%) | BJ | SH | GZ | SZ | HZ | XM | NN | NC | CD | WH | Suzhou | CQ | CS | QD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2025-08 | 2.2 | 2.1 | 2.4 | 1.8 | 2.3 | 1.5 | 2.8 | 2.7 | 3.0 | 3.7 | 2.1 | 2.8 | 3.5 | 2.2 |
| 2025-12 | 2.1 | 2.0 | 2.2 | 1.7 | 2.1 | 1.5 | 2.9 | 2.9 | 2.7 | 2.9 | 2.1 | 2.9 | 3.5 | 2.0 |
| 2026-06 | 2.3 | 2.1 | 2.4 | 1.7 | 2.3 | 1.6 | 2.9 | 3.0 | 2.9 | 3.3 | 2.1 | 2.9 | 3.6 | 2.6 |
| 2026-08 | 2.3 | 2.1 | 2.5 | 1.8 | 2.3 | 1.6 | 2.9 | 3.0 | 3.0 | n.a. | 2.2 | 2.9 | 3.6 | 2.5 |
| ytd chg | 0.3 | 0.1 | 0.2 | 0.0 | 0.2 | 0.1 | 0.1 | 0.1 | 0.3 | n.a. | 0.1 | 0.1 | 0.1 | 0.5 |

*Source: CREIS, CityRE, UOB Kay Hian*

- **High-frequency data for 1-6 Sep 26 show the gap between Tier 1 and lower-tier cities widening again. New-home sales across 19 major cities rose 3% yoy, the first positive reading in months. Tier 1 cities rose 39% yoy while Tier 2 cities fell 5%. Second-hand transactions showed the same split. Overall price trends remained on a downward trajectory.**

a) New-home sales in 19 major cities rose 3% yoy in 1-6 Sep 26. Average daily new-home sales in Tier 1/2 cities changed by +39%/-5% yoy respectively. For August: 19-city sales fell 3% yoy, with Tier 1 up 12% yoy, Tier 2 down 9% and Tier 3 down 13%, so early-September marks a widening of the gap. Shanghai (+68% yoy) and Guangzhou (+32%) led in 1-6 September, Beijing rose 15% and Shenzhen fell 11%. Among Tier 2 cities, Chengdu (-49%) and Qingdao (-24%) stayed weak.

b) Second-hand transactions in Tier 1 cities stayed positive, driven by Shanghai. During 1-6 Sep 26, average daily second-hand sales in the three Tier 1 cities rose 11% yoy while the nine Tier 2 cities fell 10% yoy. For August as a whole, both tiers were positive – Tier 1 was up 12% yoy and Tier 2 was up 5% yoy. Shanghai rose 19% yoy in Aug 26 and 30% yoy in 1-6 September, and recorded 23,137 transactions in August, the highest for the month since 2021; Beijing and Shenzhen rose 4% and 5% yoy in August. Chengdu (-22%) and Wuxi (-14%) were the weakest Tier 2 cities in early-September.

c) Overall price trends remained on a downward trajectory. According to the ICE Index updated on 6 September, average listing prices of second-hand homes in 100 major cities fell 0.2% wow and 0.6% mom, with the four Tier 1 cities down 0.1% wow. Falling prices against broadly flat rents are lifting rental yields.

**1-6 Sep 26 Daily New-Home Sales (GFA) Of Key Cities**

| GFA | T1 cities | | | T2 cities | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| (000 sqm) | BJ | SH | GZ | SZ | Wuhan | Qingdao | Suzhou | Fuzhou | Chengdu | Nanning |
| 1-6 Sep 25 | 10 | 23 | 12 | 6 | 13 | 32 | 6 | 4 | 26 | 17 |
| 1-6 Aug 26 | 9 | 30 | 18 | 5 | 15 | 29 | 5 | 4 | 14 | 9 |
| 1-6 Sep 26 | 12 | 38 | 16 | 6 | 17 | 24 | 6 | 4 | 13 | 26 |
| YoY | 15% | 68% | 32% | -11% | 30% | -24% | -12% | 5% | -49% | 59% |
| MoM | 34% | 26% | -12% | 3% | 14% | -18% | 16% | -9% | -7% | 210% |

*Cities with relatively better yoy performance are highlighted in yellow*
*Source: iFind, UOB Kay Hian*

**1-6 Sep 26 Daily Secondary-Home Transactions (In Units) Of 12 cities**

| Units | SH | BJ | SZ | HZ | NJ | QD | Suzhou | Wuxi | DG | XM | CD | FS |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1-6 Sep 25 | 586 | 475 | 206 | 139 | 223 | 130 | 143 | 107 | 116 | 77 | 637 | 263 |
| 1-6 Aug 26 | 712 | 432 | 160 | 152 | 234 | 156 | 169 | 98 | 137 | 83 | 576 | 234 |
| 1-6 Sep 26 | 764 | 470 | 172 | 134 | 256 | 129 | 163 | 92 | 106 | 66 | 498 | 254 |
| YoY | 30% | -1% | -16% | -4% | 15% | -1% | 14% | -14% | -8% | -14% | -22% | -3% |
| MoM | 7% | 9% | 8% | -12% | 10% | -17% | -3% | -6% | -22% | -20% | -14% | 9% |

*Cities with relatively better yoy performance are highlighted in yellow*
*Source: iFind, UOB Kay Hian*

## Valuation/Recommendation

- **Maintain UNDERWEIGHT on China's property sector.** Shanghai's plan confirms that the policy direction is less focused on residential supply, and will instead be about the revitalisation of commercial stock. Tighter access to presale proceeds and a longer cash conversion cycle will raise balance sheet and earnings recognition pressure in the near term. We will reassess our rating once there is greater clarity on the impact on earnings. We continue to prefer developers with low reliance on presale proceeds and strong Tier 1 exposure.
- **Our top pick for the property segment is COLI.** In Aug 26, its contracted sales fell 12.8% yoy to Rmb15.98b, but 8M26 sales were still up 10.1% yoy at Rmb165.45b. In Aug 26, COLI (excl. COGO) acquired five land parcels in Beijing (two parcels), Hong Kong, Ningbo and Shanghai, accounting for 41% of its 8M26 attributable new land holdings by GFA and 55% by attributable land premium, which totalled 2,380,520 sqm and Rmb48.36b, respectively. It is trading at 0.30x 2026F P/B (1SD below mean) and 10.4x 2026F PE (0.9SD above mean). We reiterate COLI as our top pick.

## Sector Catalyst/Risk

- Stronger-than-expected fiscal and monetary easing.

# Technical Analysis

**Analyst(s)**

Greater China Research Team
research-hk@uobkh.com

Tham Mun Hon, CFA
munhon.tham@uobkh.com
+852 2236 6799

## Li Auto (2015 HK)

| | |
|---|---|
| Last price: | HK$50.40 |
| Support levels: | HK$47.28/HK$44.56 |
| Resistance levels: | HK$56.10/HK$62.00 |


Price indicates potential major bottoming behaviour following a successful rebound off its previous low support boundary. A bullish RSI divergence has developed while the oscillator holds securely above its neutral 50-midline. This structural momentum alignment signals that downside sell-side pressure has exhausted. A decisive penetration above the HK$51.80 swing resistance pivot — followed by the validation of a higher low — will complete a classic structural trend reversal, confirming a shift in market bias and unlocking further upside expansion towards higher primary target levels.

**Average timeframe: Around two weeks.**

## Geely Automobile (0175 HK)

| | |
|---|---|
| Last price: | HK$16.79 |
| Support levels: | HK$14.86/HK$14.57 |
| Resistance levels: | HK$17.66/HK$18.08 |


Price experienced a sharp rejection at its support-turned-resistance zone, marked by a shooting star candlestick pattern and validated by immediate bearish follow-through. Technical momentum reinforces this breakdown, as the RSI drops cleanly below its neutral 50-midline to signal expanding downside acceleration. As long as intraday retests remain capped below this converted resistance ceiling, path-of-least-resistance dynamics favour a continued downside drift towards lower primary support targets.

**Average timeframe: Around two weeks.**