[GS Sales Note]: What's the favorite non-AI sector? China healthcare & biotech; We will host China In Motion call at 10am today focusing on this sector

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As highlighted in the numerous sales notes before, I personally think China healthcare & biotech sector is the most promising non-AI sector for the rest of 2026 and next 12 months, especially the CDXO sub-sector. (BTW: I feel in the US, the US biotech sector will be very promising too)
At 10am today, our China healthcare analysts will host their China In Motion session in Mandarin. **Access Webinar** - Link or **Meeting ID**: 978 8831 5116, **Passcode**: 510275

Why did I choose the China (and US) healthcare sector as the favorite non AI trade? (1) The progress made in China's CDXO is very visible and Bio-Security Act seems to be in back burner now. (2) It's always relatively easy to find good positive catalysts such as new BD activity or new compound discovery or new clinical trial data. (3) This sector has been underperforming significantly in both China and US up until end of June.

Read Ziyi Chen's latest note published on Sept 7th: 2Q/1H26 wrap up: from earnings recovery to growth durability; improving innovation activity supports the next leg of the cycle. My personal favorites are still: Wuxi Apptech, Wuxi BioLogics, Asymchem.

Remember the DeepSeek moment that happened in China's biotech sector in June, 2025? (Sales note link). **Pfizer decided to pay 6bn USD for 3sBio for the right to a promising anti-tumor drug**. It marked the beginning of many similar transactions going forward.

Do try to dial into our China In Motion Mandarin call today at 10am. Thanks. --Philip

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From: Sun, Philip [GBM Public] <Philip.Sun@hk.email.gs.com>
Sent: Thursday, August 20, 2026 12:09 PM
Subject: [GS Sales Note]: What's the favorite non-AI sector? China healthcare & biotech; Sino Biopharmaceutical (1177.HK): Up 17% today post earnings; CEO in-person meeting at 5pm today in GS office

After the tough July, investors globally have been scratching their heads on: "If the easiest money to be made in AI was already behind us, what other non-AI-related sectors that we should focus on?"
I mentioned a few times already **that personally I think that in both US and China (and globally perhaps), the healthcare and biotech sectors should be a fertile hunting ground.**

In US and China markets, **healthcare and biotech sectors have been significant underfarmers YTD. For the remaining of the year, I think these sectors are going to shine.**

Sino Biopharm is a stock that healthcare specialists are very familiar with. The stock went up 17% so far today after the earnings, despite the revenue fell short of GSe. (but Net Profit beat GSe due to cost mgt) At 17:00 today, we will have the CEO Eric Tse coming over to GS HK office (Cheung Kong Center. In-person meetings). Pls RSVP if you haven't. Ziyi Chen has a Buy rating for the stock with a TP of 8.65 HKD (Still 55% upside to go even after today's 17% jump so far).

1H26 revenue reached Rmb19.4bn (+10.6% YoY), below our expectations (vs. GSe +14%).
Despite weaker sales growth, net profit reached Rmb3.4bn (+1.4% YoY), significantly ahead of our estimate (GSe Rmb2.2bn), driven by meaningful cost optimization. Selling expenses declined 18% YoY, with the selling expense ratio falling to 28% of product sales from 36.7% in 1H25.

Let me know if you want a call with our analysts or you want to come to this 17:00 CEO grp meeting in GS office today. Thanks.

From: Ziyi Chen <ziyi.chen@alerts.publishing.gs.com>
Sent: Wednesday, August 19, 2026 11:13 PM
To: Sun, Philip [GBM Public] <Philip.Sun@hk.email.gs.com>
Subject: Sino Biopharmaceutical (1177.HK): Earnings Review: Innovative franchise and cost discipline drives earnings beat; FY double digit growth guidance reiterated

Goldman Sachs Research

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Sino Biopharmaceutical (1177.HK): Earnings Review: Innovative franchise and cost discipline drives earnings beat; FY double digit growth guidance reiterated

19 August 2026 | 11:08PM HKT | Research | Equity

1H26 revenue reached Rmb19.4bn (+10.6% YoY), below our expectations (vs. GSe +14%). collaboration income from the Sanofi deal, underlying product sales grew c.5% YoY, reflec than-expected commercial execution. While topline growth was softer than expected, ma reiterated confidence in delivering double-digit FY26 revenue growth including BD income contribution, and highlighted potential upside from additional new out-licensing deals. De sales growth, net profit reached Rmb3.4bn (+1.4% YoY), significantly ahead of our estimat



Rmb2.2bn), driven by meaningful cost optimization. Selling expenses declined 18% YoY, with the selling expense ratio falling to 28% of product sales from 36.7% in 1H25. Supported by operating leverage and BD income contribution, adjusted core earnings (excl. SinoVac dividend) grew 92% YoY; excluding BD income, we estimate underlying core earnings still increased by c.63% YoY, indicating resilient profitability despite a softer revenue backdrop.

Read Full Report

1177.HK	12m Price Target: **HK$8.65**	Price: **HK$4.79**	Upside: **80.5%**

Buy

Market cap: HK$89.9bn / $11.5bn

Enterprise value: HK$103.1bn / $13.1bn

3m ADTV: HK$458.7mn / $58.5mn

China

China Pharma & Biotech

M&A Rank: 3

Leases incl. in net debt & EV?: No

GS Forecast

	12/25	12/26E	12/27E	12/28E
Revenue (Rmb mn) New	**31,834.5**	**36,005.8**	**38,064.0**	**40,077.4**
Revenue (Rmb mn) Old	31,834.5	37,802.7	42,005.9	46,261.8
EBITDA (Rmb mn)	7,427.5	11,854.5	12,013.2	12,909.6
EPS (Rmb) New	**0.13**	**0.28**	**0.30**	**0.32**
EPS (Rmb) Old	0.13	0.24	0.26	0.29
P/E (X)	39.3	14.5	13.9	12.9
P/B (X)	3.0	2.2	2.0	1.8
Dividend yield (%)	1.0	2.6	2.7	2.9
CROCI (%)	25.4	38.0	34.9	33.0

	12/25	6/26	12/26E	--
EPS (Rmb)	(0.06)	0.19	0.10	--

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 19 Aug 2026 close.

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