

Overseas expansion accelerates, revenue growth meets expectations

Key takeaway

Overall, the company's revenue continued steady growth. This is mainly due to the high-quality expansion of offline stores and coverage areas. The company also continued to strengthen its physician resource reserves. The full-year performance basically met expectations. Looking ahead to 2026, the company will take the following actions. 1) Empower diagnosis, treatment, and operational efficiency improvement through AI technology and OMO strategy. 2) Accelerate international presence to further enhance brand penetration. 3) Drive the transformation and upgrade of traditional Chinese medicine in-hospital preparations through digital intelligence. 4) Deeply explore consumption scenarios to promote the growth of self-funded projects. Currently, the company's valuation is at a historically low level. The company continues to promote dividends and repurchases. We are optimistic about the company's continuous growth potential. It is expected to gradually achieve valuation re-rating. We maintain a "buy" rating.

Event

The company releases 2025 financial results

On the evening of March 31, the company released its 2025 annual report. The full-year total operating revenue reached RMB3.249bn, up 7.5% YoY. The net profit attributable to shareholders of the parent company reached RMB353mn, up 15.0% YoY. The adjusted net profit reached RMB403mn, up 0.55% YoY. The performance basically met our previous expectations.

Thesis

Revenue growth is stable, and performance meets expectations

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Maintain

Buy

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Key Data

Absolute/Relative Share Performance (%)

1 month	3 months	12 months
-1.53/4.16	-3.90/-1.90	-18.50/-26.73
12-month high/low price (HKD)		38.35/25.48
Total share capital (10,000 shares)		23,437.11
Floating H shares (10,000 shares)		23,437.11
Total market cap (HKD'00mn)		63.51
Floating market cap (HKD'00mn)		60.83
3-month average daily trading volume (10,000 shares)		144.74
Major shareholders		
Action Thrive Group Limited		12.54%

Key financial indicators

	2024	2025	2026E	2027E	2028E
Revenue (million RMB)	3,022	3,249	3,735	4,296	4,953
YoY (%)	30.1	7.5	14.9	15.0	15.3
Net profit (million RMB)	307	353	416	493	585
YoY (%)	21.6	15.0	18.0	18.6	18.6
Gross margin (%)	30.1	31.2	31.1	31.3	31.5
Net margin (%)	10.2	10.8	11.2	11.5	11.8
ROE(%)	12.9	16.3	16.5	16.8	17.0
EPS (Diluted/RMB)	1.31	1.51	1.78	2.11	2.50
P/E (x)	18.6	16.2	13.7	11.6	9.8
P/B (x)	2.4	2.6	2.3	1.9	1.7

Source: iFinD, China Securities

Overall, the company achieved an operating revenue of RMB3.249bn for the full year of 2025, up 7.5% YoY. Revenue basically continued the steady operating trend of the first half of the year. The net profit attributable to shareholders of the parent company reached RMB353mn, up 15.0% YoY. Profit achieved healthy growth driven by gross margin improvement and expense ratio optimization. This is mainly due to the following reasons. 1) As a leading traditional Chinese medicine medical service provider, the company's brand value continued to improve. Through organic growth and external mergers and acquisitions, the offline medical institution network continued to expand. The number of customer visits steadily increased to 6.008 million. 2) The company's operating efficiency continued to optimize, and the scale effect emerged. The gross margin increased by 1.1 ppts YoY to 31.2%.

Offline business grows steadily, and overseas expansion accelerates

Looking at the segments in 2025. **1) Offline medical institutions.** It achieved an operating revenue of RMB2.983bn, up 8.8% YoY. This accounted for 91.8% of the main revenue. The number of customer visits increased by 12.8% YoY. The per customer transaction stabilized and remained flat QoQ. Both outpatient visits and headcount achieved steady improvement. The average annual consumption and annual visits of members remained stable and increased. Customer stickiness continued to strengthen. In addition, the company's domestic and overseas expansion plans advanced steadily. The number of company stores increased from 79 to 101 during the year (spread across 21 cities nationwide and Singapore). This drove the company's offline medical institutions to maintain a steady growth trend throughout the year.

2) Online medical and health platform: It achieved an operating revenue of RMB266mn, down 5.5% YoY, accounting for 8.2% of the main revenue. The online business remained generally stable. The company actively develops the digitalization and AI fields. It will continue to empower medical services through digitalization and "Internet+" in the future. It enhances the auxiliary diagnosis and treatment capabilities in remote traditional Chinese medicine services by launching smart hardware devices such as the four-diagnostic instrument. This

achieves broader customer group coverage.

In terms of overseas business, the company continues to accelerate its expansion in the Singapore market. Its internationalization strategy has made significant progress. In 2025, the company further expanded its overseas presence by acquiring Dazhongtang and cooperating with 1doc Health Group. Its number of medical institutions in Singapore reached 15. Revenue in the Singapore region increased by 227% YoY to RMB10.31mn. Its influence in the Singapore market has steadily improved. The scale effect is expected to gradually emerge. In addition, three of the company's in-hospital preparations, including Hufa Yifa granules, Shenqi Guben granules, and Jianpi Runchang granules, have been approved for marketing by the Health Sciences Authority (HSA) of Singapore. This marks a key step in the company's internationalization strategy from "deployment of a service network footprint" to "product standard output". It lays a solid foundation for the subsequent clinical implementation of traditional Chinese medicine services. As the company continues to advance its internationalization strategy, deeply cultivate the Singapore market, and explore the Hong Kong, China and Malaysia markets, the proportion of overseas revenue is expected to continue to rise.

Strengthening the AI avatars of TCM masters and accelerating the development of TCM AI commercial matrix

Since its establishment, the company has actively positioned itself in digitalization and AI adoption. It is committed to fully digitalizing the diagnosis and treatment experience of famous veteran traditional Chinese medicine doctors. It systematically summarizes the high-quality traditional Chinese medicine data accumulated by the company. It has officially integrated with DeepSeek. With the capabilities built by deep learning algorithms, it replicates the diagnosis and treatment capabilities of top experts and simulates expert thinking. This achieves the inheritance and innovative development of famous doctors' experience. It helps improve the supply capacity of high-quality medical resources. In August 2025, the company officially released 10 "TCM master AI avatars". They cover 8 core traditional Chinese medicine specialty fields, including oncology, dermatology, gastroenterology, otolaryngology, andrology, psychology and sleep, classical prescriptions, and orthopedics and traumatology. While improving the diagnosis and treatment efficiency of top experts, they effectively shorten the growth cycle of young doctors from shadowing to independent practice. By the end of the year, a total of 13 had been released. Looking ahead, the company will continue to expand its lineup of renowned doctors and launch more expert AI avatars. It will build a complete traditional Chinese medicine AI ecosystem integrating industry, academia, research, and application through deep collaboration with top AI companies and research institutions like Huawei and Tsinghua University.

Outlook for 2026: continuously strengthen overseas presence with AI bringing additional performance increments

Looking ahead to 2026, the company will continuously strengthen OMO platform resources and its brand value advantage. It will actively promote medical consortium cooperation and the training of its own doctors while further empowering operations through AI. This is expected to drive the company's store operations to maintain a good trend. For existing stores, the company will continue to improve the service capacity and operation quality of existing stores. It will drive further penetration rate increases in regions like Beijing, Shanghai, Guangzhou, and Shenzhen. For new stores, the company will accelerate its domestic expansion pace.

Meanwhile, it will accelerate the expansion of overseas business based in Singapore. It is expected to gradually achieve scaled overseas revenue. Regarding AI, from the supply side, the company will use the model of renowned doctor AI assistants plus young doctors in renowned doctor studios. This is expected to double the capacity of renowned doctors. From the user side, the company will provide AI health steward services through the membership system. This will enhance customer stickiness and increase consultation frequency and consumption levels. Both supply and demand sides are expected to jointly bring revenue elasticity and contribute additional performance increments. Regarding in-hospital preparations, the company will continue to add new in-hospital preparations to lay the foundation for the research and development of innovative traditional Chinese medicines. By the end of 2025, it has completed 19 filings in total. Coupled with registration and promotion in overseas markets, the company's in-hospital preparation sales are expected to increase in volume in 2026. In addition, the company will continue to deeply explore consumption scenarios. It will continue to expand in facial acupuncture, traditional Chinese medicine facial masks, and beauty massage. It will promote the revenue growth of self-funded projects. This is expected to gradually contribute performance increments.

Gross profit margin rises steadily, and operating efficiency continues to optimize

In 2025, the company's comprehensive gross profit margin was 31.2%, up 1.1 pcts YoY. This was mainly due to the drop in market prices of traditional Chinese medicine materials and the improvement of the company's procurement efficiency. The expense side control effect was good. The selling expense ratio dropped to 11.5%, down 0.7 pcts YoY. The administrative expense ratio dropped to 5.9%, down 0.2 pcts YoY. The scale effect continued to show. In addition, the company's operating cash flow increased by 37.0% YoY to achieve steady growth; cash reserves exceeded RMB1bn with abundant monetary funds. Other financial indicators were generally normal.

Earnings forecast and investment rating

We estimate the company's operating revenue from 2026 to 2028 will be RMB3.735bn, RMB4.296bn and RMB4.953bn respectively, and net profit attributable to shareholders of the parent company will be RMB416mn, RMB493mn and RMB585mn respectively, equivalent to diluted EPS of RMB1.78/share, RMB2.11/share and RMB2.50/share respectively, up 18.0%, 18.6% and 18.6% YoY respectively, corresponding to PE of 13.7x, 11.6x and 9.8x respectively. Currently, the company's valuation is at a historically low level. The company continues to promote dividends and repurchases. We are optimistic about the company's continuous growth potential. It is expected to gradually achieve valuation re-rating. We maintain a "buy" rating.

Risks

1. Policy Risks: The company operates within a relatively new segment of the healthcare industry and must comply with national laws and regulations. Any changes in policies may impact daily operations and overall performance. 2. Talent shortage risks: The company's medical consultation services require a substantial number of skilled medical professionals. A shortage of such professionals could negatively impact performance. 3. Expansion risks: The company is actively expanding its network of medical institutions nationwide. Any setbacks in expansion plans could affect business performance. 4. Intensified industry competition: The TCM diagnosis sector is still in its early stages, and competition may intensify as more medical service providers enter the

market.

Analysts

YUAN Qinghui

Co-chief of Pharmaceutical and Healthcare Research Team at China Securities Research Department, Chief Analyst for the pharmaceutical industry. Bachelor of Science from Sun Yat-sen University, Master of Science from Georgia State University, and Research Scholar at the University of North Carolina at Chapel Hill School of Medicine. Previously involved in the R&D of new drugs for Alzheimer's disease and oncology, with expertise in innovative drug industry research. Joined China Securities Research Department in 2018.

Core member of the team ranked as a finalist, 5th, 4th, and 3rd in the 2020-2023 New Fortune Best Analysts for the pharmaceutical industry, and core member of the team ranked 2nd in the 2024-2025 Securities Times Best Analysts for the pharmaceutical industry. Ranked 1st and 2nd in the 2024-2025 Sina Golden Kirin Best Analysts for the Innovative Drug Industry.

LIU Ruofei

Chief Analyst of Pharmaceutical Consumption and Biologics, holding a Master's degree in Biotechnology from Peking University, joined the Research Department of China Securities in 2017. Mainly covers sub-sectors such as traditional Chinese medicine, pharmaceutical commerce, biological products, active pharmaceutical ingredients (APIs), contract research organizations (CROs), and gene sequencing.

Core member of the team ranked second, second, third, fourth, and fifth in the New Fortune Best Analyst Awards for the Pharmaceutical and Biological Industry in 2025, 2024, 2023, 2022, and 2021, respectively.

YUAN Quan

Pharmaceutical analyst at China Securities, with a Master of Healthcare Management from Yale University. Previously worked in the Investment Banking Division of Credit Suisse in Hong Kong. Joined the Research Department of China Securities in 2021, focusing on sub-sectors such as traditional Chinese medicine, medical aesthetics, active pharmaceutical ingredients (APIs), pharmaceutical commerce, and global market research. Core member of the team that ranked second and third in the New Fortune Best Analyst Selection for the Pharmaceutical and Biotechnology Industry in 2024 and 2023, respectively.

SHEN Xingxi

Pharmaceutical industry analyst with a Master's degree in Health Economics from Wuhan University. Joined the pharmaceutical team at China Securities Research Department in 2023, primarily covering gene testing, pharmacies, pharmaceutical distribution, traditional Chinese medicine, and commercial insurance sectors.

HE Juying

Chief Analyst of the Pharmaceutical Industry at China Securities, holds a

Master's degree in Management from Fudan University, with over 10 years of experience in sell-side research in the pharmaceutical sector. Skilled in proactively identifying opportunities in niche segments, conducts in-depth and meticulous company research, and is responsible for overall investment direction decisions.

Honors include 7th place for Sina Finance Golden Kirin Best Analyst (pharmaceuticals) in 2020, finalist for New Fortune Best Analyst (pharmaceuticals), and 4th place for Wind Best Analyst (pharmaceuticals). In 2019, Wind's "Golden Analyst" ranked first in the pharmaceutical industry. In 2018, ranked 3rd in the pharmaceutical industry by Wind's "Gold Medal Analysts" and 1st in the pharmaceutical industry by the First Financial Best Analysts. Ranked 3rd in the 2013 New Fortune Pharmaceutical Industry and 5th in the Crystal Ball Pharmaceutical Industry.

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Investment rating standard		Ratings	Description
The rating standard involved in the investment recommendations in the report is based on the performance relative to the market within 6 months after the release date, i.e., the performance of the company's stock price (or industry index) within 6 months after the release date is benchmarked against the change of representative index of the relevant securities market over the same period. CSI 300 Index serves as the benchmark index for the A-share market; the NEEQ Component Index serves as the benchmark index for the NEEQ market; Hang Seng Index serves as the benchmark index for the Hong Kong market; and S&P 500 Index serves as the benchmark index of the US market.	Stock ratings	Buy	Increase by more than 15% relative to the benchmark index
		Overweight	Increase by 5% - 15% relative to the benchmark index
		Neutral	Increase by - 5% - 5% relative to the benchmark index
		Underweight	Decrease by 5% - 15% relative to the benchmark index
		Sell	Decrease by more than 15% relative to the benchmark index
	Industry ratings	Outperform	Increase by more than 10% relative to the benchmark index
		Neutral	Increase by - 10% - 10% relative to the benchmark index
		Underperform	Decrease by more than 10% relative to the benchmark index

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