Securities Research Report · H-Share Update | Other healthcare

2H25 revenue YoY growth stabilized, building a new growth driver in international medical business

Key takeaway

The company's 2025 results were in line with expectations, with revenue of RMB4.009bn, down 9.8% YoY; net profit attributable to shareholders of the parent company of RMB162mn, down 73.0% YoY, mainly affected by a goodwill impairment of RMB283mn on Etern Group Ltd.; adjusted net profit was RMB456mn, down 24.4% YoY. In 2025, the company's operating cash flow reached a record high of RMB950mn, up 34.4% YoY. Notably, the company's revenue decline narrowed significantly in 2H25 to just 2.2% YoY, compared to the first half. Looking ahead to 2026, as the impact of the DRGs payment reform on average hospitalization expenses diminishes YoY, and with the company beginning to build its international medical business as a new growth driver, revenue growth is expected to turn positive.

Event

The company releases its 2025 results announcement.

In 2025, the company achieved revenue of RMB4.009bn, down 9.8% YoY; net profit attributable to shareholders of the parent company was RMB162mn, down 73.0% YoY; adjusted net profit was RMB456mn, down 24.4% YoY. EPS was RMB0.27. The board resolved not to declare any final dividend for the year ended December 31, 2025.

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11 May 2026

Current price: HKD 11.73

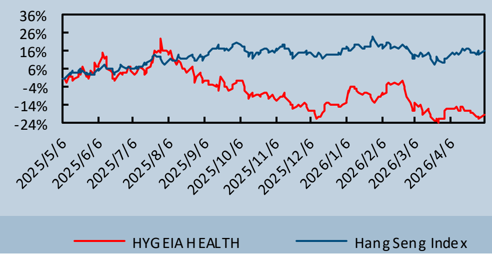
Key Data

Absolute/Relative Share Performance (%)

1 month	3 months	12 months
-5.02/-8.92	-12.13/-9.38	-17.63/-33.58

12-month high/low price (HKD)	17.98/11.14
Total share capital (10,000 shares)	61,849.90
Outstanding H Shares (10,000 shares)	61,849.90
Total Market Cap (HKD'00mn)	72.55
Floating market cap (HKD'00mn)	71.97
3-month average daily trading volume (10,000 shares)	319.56
Major shareholders	
Concerted action group of Zhu Yiwen and Zhu Jianqiao	46.28%

Stock price performance



Thesis

2H25 revenue rebounded QoQ, results in line with expectations.

For the full year of 2025, the company achieved revenue of RMB4.009bn, down 9.8% YoY; net profit attributable to shareholders of the parent company was RMB162mn, down 73.0% YoY; adjusted net profit was RMB456mn, down 24.4% YoY. The results were in line with the previously released earnings preannouncement. The sharp decline in net profit was mainly due to the recognition of a goodwill impairment and provision of RMB283mn on Etern Group Ltd. (Suzhou Yongding Hospital), which was also the company's primary net profit adjustment item.

The company's performance showed a stabilizing and recovering trend in 2H25. In 1H25, the company's revenue was RMB1.990bn, down 16.5% YoY; 2H25 revenue was approximately RMB2.019bn, up 1.5% QoQ and down 2.2% YoY, with the decline narrowing significantly by about 14 pcts from the first half.

For the full year of 2025, the number of patient visits at the company's hospitals was approximately 4.6 million; revenue from oncology-related businesses accounted for 44.3% of total revenue, a steady increase from the previous year. The company completed over 102,000 surgeries, including 39,000 Grade 3 and 4 surgeries (up approximately 27% YoY), with their proportion increasing by 6.4 pcts YoY. The share of high-value, high-tech diagnosis and treatment services continued to rise.

Capex peak has passed, cash flow remains strong.

In 2025, the company's operating cash flow reached a record high of RMB950mn, up 34.4% YoY. Free cash flow was RMB466mn, up 407.0% YoY. The adjusted net profit cash ratio reached 208.6%, up 91.2 pcts YoY. In 2025, the company's capital expenditure was RMB484mn, down 21.4% YoY, marking the second consecutive year of decline. The company currently has a sufficient reserve of medical beds, with the maximum deployable capacity approaching 14,000 beds. The last self-built hospital, Changshu Hygeia Hospital, is about to be completed and delivered. The company's capital expenditure is expected to decline further, entering a new phase of capacity release and cash flow recovery.

As of the end of 2025, the company's interest-bearing debt was RMB2.436bn, a decrease of RMB343mn or 12.3% from the end of 2024. The asset-liability ratio was 28.9%, down 7.4 pcts from the end of 2024. Cash assets stood at RMB741mn, an increase of 13.4% from the end of 2024. The continuous optimization of the financial structure provides strong support for enhancing shareholder returns and pursuing M&A-driven expansion.

In 2025, the company strengthened expense control. Selling expenses were approximately RMB47mn, a decrease of about RMB6mn YoY. Administrative expenses were RMB423mn, a decrease of about RMB14mn YoY. However, due to the decline in revenue, the expense ratios increased slightly, while the overall expense ratio level remained relatively stable. Other financial indicators of the company were normal.

Looking ahead to 2026, the international medical business is expected to become a new growth driver.

In 2H25, the company's revenue declined by 2.2% YoY, a significant narrowing of the decline compared with the first half of the year. Looking ahead to 2026, as the impact of the DRG/DIP payment reform on average hospitalization expenses diminishes YoY, and with the company beginning to build its international medical business as a new growth driver, revenue growth is expected to turn positive.

Since mid-2025, Chongqing Hygeia Hospital has been handling diagnosis and treatment needs for overseas patients, providing services to patients from multiple countries and regions including Southeast Asia. The international medical business has begun to take shape, and a two-floor international department ward has now been opened. Going forward, based on the locational advantages, disciplinary strengths, and treatment specialties of its hospitals, the company will replicate and promote the international medical business model to more suitable hospitals. It will focus on areas such as early cancer screening, comprehensive cancer treatment, medical tourism, innovative drug applications, and high-end health management to continuously expand the source of international patients and strategically grow and strengthen the international medical business.

Discipline development yields significant results, with steadily enhanced capabilities in diagnosing and treating complex and critical diseases.

The company remains committed to centering on the oncology discipline and continuously enhancing its technical capabilities to align with DRG/DIP reform requirements. Over the past three years, the company has consistently advanced discipline development and capability enhancement across its hospitals, achieving notable overall progress. The number of key specialty programs has increased from 8 to 38, including 3 national-level chest pain centers, 2 provincial-level stroke centers, 7 national- and provincial-level clinical key specialty programs/centers, and 26 city- and county-level clinical key specialty programs.

In 2025, Chang'an Hospital's stroke center was recognized as a tertiary stroke center in Shaanxi Province, and its general surgery and nephrology departments were both recognized as Xi'an clinical key specialty construction projects. Hezhou Guangji Hospital was accredited as a secondary stroke center in Guangxi Zhuang Autonomous Region. The CMI values of Chang'an Hospital and Chongqing Haijiya Hospital rose to the upper-middle tier among tertiary hospitals in their respective provinces/municipalities. The company continuously strengthens the competitive advantages of its hospitals, steadily building patient trust and accumulating brand reputation through professional expertise and quality service.

AI empowers smart healthcare, with operational efficiency continuously improving.

As AI applications continue to deepen, the company actively explores and deploys innovative AI applications in medical scenarios, consistently enhancing the smart healthcare capabilities of its hospitals. In the clinical application field, the company focuses on building an AI-assisted "1+N" oncology discipline model, such as AI-assisted personalized precision radiotherapy and AI-assisted imaging diagnosis, empowering oncology MDT and related disciplines in health education, diagnosis and treatment, training, and health management. The company also closely monitors the convergence and development trends of brain-computer interfaces and AI, actively pursues cutting-edge medical technology innovation, and explores the application of brain-computer interfaces in medical scenarios such as neurosurgery, rehabilitation, and precision diagnosis and treatment.

In supply chain and financial management, the company leverages AI and big data to optimize inventory management of pharmaceuticals and medical consumables, effectively reducing the risks of material shortages and inventory backlogs. Meanwhile, through AI-assisted financial operations analysis, it comprehensively advances refined management, cost reduction, and efficiency enhancement, continuously improving overall operational efficiency. The company has also launched an AI customer service system for virtual guidance, consultation inquiries, health education, brand promotion, and other scenarios. For example, Chang'an Hospital introduced the intelligent customer service assistant "Xiao'an," further enriching the hospital's service formats and content while improving patient satisfaction.

Balancing organic growth with shareholder returns, demonstrating confidence in long-term development.

The company places great emphasis on shareholder returns. The founder and persons acting in concert have never reduced their holdings since the IPO and have increased their shareholdings 22 times, totaling over 6.1 million shares. The founder's stake has risen to 46.28%. Since September 2024, the company has cumulatively repurchased and canceled 13.0252 million shares, representing 2.06% of the total issued shares prior to cancellation, demonstrating confidence in the company's long-term value through concrete actions. In December 2025, the company further announced a share buyback plan of no less than RMB300mn. As of April 2026, 2.8176 million shares had been repurchased.

Earnings Forecast and Investment Recommendation

Taking into account the earnings pressure and goodwill impairment impact in 2025, we estimate operating revenue for 2026-2028 at RMB4.274bn, RMB4.602bn, and RMB5.002bn, with YoY growth of 6.61%, 7.67%, and 8.71%, respectively. Net profit attributable to shareholders of the parent company is estimated at RMB484mn, RMB528mn, and RMB583mn, with YoY growth of 194.2%, 9.10%, and 10.37%, respectively. The high growth in 2026 is mainly due to the low base caused by the goodwill impairment in 2025. Based on the closing price on April 21, 2026, the company's 2026-2028 P/E multiples are 14x, 12x, and 11x, respectively. We maintain "Buy" rating.

Figure 1. Forecasts and ratios

	2024	2025	2026E	2027E	2028E
Revenue (million RMB)	4,446.12	4,008.83	4,273.82	4,601.55	5,002.38
YoY (%)	9.06	-9.84	6.61	7.67	8.71
Net profit attributable to the parent company (RMB million)	598.26	164.53	484.14	528.19	582.97
YoY (%)	-12.40	-72.50	194.26	9.10	10.37
Gross margin (%)	29.90	25.53	26.01	26.50	26.99
Net margin (%)	13.46	4.03	11.27	11.42	11.59
ROE(%)	8.99	2.43	6.70	6.83	7.03
EPS (Diluted/RMB)	0.97	0.27	0.78	0.85	0.94
P/E (x)	10.97	39.91	13.56	12.43	11.26
P/B (multiple)	0.99	0.97	0.91	0.85	0.79

Source: iFinD, China Securities

Risks:

1) New hospital construction and M&A integration falling short of expectations: The company continues to expand its hospital network, including new hospital construction, phase II projects, and the upgrading and renovation of existing hospitals. If project progress falls short of expectations, it may affect the company's near-term earnings growth rate.

2) Policy risk: Domestic healthcare reform policies and hospital regulatory reforms are unpredictable and may have a material adverse impact on the company's business and future development. A significant portion of the company's revenue comes from the medical insurance fund. If medical insurance fund payments are delayed, it may affect the company's operating performance.

3) Medical malpractice risk: Negative news about the company and its affiliated hospitals, or the private healthcare services industry, may damage the brand image and reputation of the company or its affiliated hospitals, and could have a material adverse impact on the company's business and prospects.

4) Hospital operation risks: The daily operations of a hospital involve risks related to medical safety, medical quality, and the compliant use of medical insurance funds. Insufficient compliance controls may lead to compliance risks amid intensified medical anti-corruption efforts and unannounced medical insurance inspections.

5) Some of the above risks are unpredictable (such as medical policy risks or changes in a company's business plans), which may result in our profit forecasts falling short of expectations.

Analysts

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Co-chielf 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.

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Investment rating standard		Ratings	Description
The rating standard used in the investment recommendations in the report is based on performance relative to the market within 6 months after the release date. In other words, the performance of the company's stock price (or industry index) within 6 months after the release date is compared to the change in the 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 for the US market.	Stock ratings	Buy	Increase by more than 15% compared to the benchmark index
		Overweight	Increase by 5%-15% relative to the benchmark index
		Neutral	Increase by -5% to -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
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		Neutral	Increase by -10% to -10% relative to the benchmark index
		Underperform	Decrease by more than 10% compared to the benchmark index

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