GELONGHUI RESEARCH
UPDATE NOTE

1H26 EARNINGS UPDATE

Fangzhou Inc.

1H26 Results Update: Moving Beyond Product Supply Towards an AI-Enabled Full-Lifecycle Healthcare Service Platform

KEY POINTS

Solid 1H26 growth further validates the transition towards a full-lifecycle healthcare service model. Fangzhou Inc. reported 1H26 revenue of RMB1.82bn, representing 22.2% YoY growth, while adjusted net profit reached RMB18.7mn, up 6.4% YoY, demonstrating a clear trend toward sustained profitability. Revenue was broadly in line with our estimate of RMB1.96bn. Beyond the headline financial performance, we believe the more important takeaway lies in the continued evolution of Fangzhou Inc.'s business model. The company is increasingly moving beyond the traditional model of discrete pharmaceutical product transactions towards becoming a "full-lifecycle personal healthcare service partner", providing continuous services throughout the chronic disease management journey. In 1H26, monthly active users reached 14.7mn, up 23.1% YoY, while total registered users reached 59.8mn. The number of registered physicians exceeded 282,000, up 23.1% YoY, of whom 56.5% were from tertiary (Class III) hospitals and 34.9% held the title of associate chief physician or above. Prescription drugs accounted for 83.1% of total GMV, further underscoring the clinical-grade profile of the platform and the depth of its user demand. Together with a repurchase rate of 89.2%, we believe these operating indicators should not simply be viewed as traditional traffic metrics. Rather, they reflect a valuable trust-based user foundation accumulated over time, providing an important basis for Fangzhou Inc. to increase service frequency and deepen patient engagement. On the supply side, the company has connected with more than 1,800 suppliers and 1,000 pharmaceutical companies, further strengthening its service fulfillment capabilities. By business segment, integrated healthcare services generated revenue of RMB380mn, online retail pharmacy services RMB1.09bn, customized content and marketing solutions RMB27.5mn, and wholesale services RMB320mn, with diversified businesses jointly enhancing growth resilience. As full-cycle proactive healthcare services penetrate further into its existing user base, we see greater potential for the company to unlock a more resilient and sustainable long-term growth trajectory.

The "AI+H2H" ecosystem is enabling Fangzhou Inc. to shift from passive demand fulfillment towards proactive and continuous healthcare intervention. In our view, the structural opportunity in chronic disease management increasingly lies not merely in selling more individual products, but in extending the service relationship across a patient's entire disease-management cycle. Achieving this requires three critical capabilities: trust between doctors and patients, service continuity from hospital to home, and a scalable service delivery model. Fangzhou Inc.'s "AI+H2H Service Platform" is designed to address these three bottlenecks simultaneously. Its established, high-trust doctor-patient relationships provide the underlying trust mechanism; its digital intelligence healthcare infrastructure connects in-hospital medical services with long-term out-of-hospital management; while deeper AI adoption increasingly enables high-quality healthcare services to be delivered at lower marginal cost and greater scale. To support the continued R&D, scaled deployment and commercialization of AI technologies, the company completed a placing and subscription in February 2026, raising net proceeds of approximately HK$144.3mn. We believe this marks an important evolution from a traditional model in which users actively search for products and services towards a model centered on proactive healthcare intervention, enabling Fangzhou Inc. to engage users across more service touchpoints and over a substantially longer patient lifecycle. This transition not only has the potential to further improve user retention, but also expands the lifetime value (LTV) and monetization potential of each user relationship, laying an important foundation for higher service penetration and greater interaction frequency over time.

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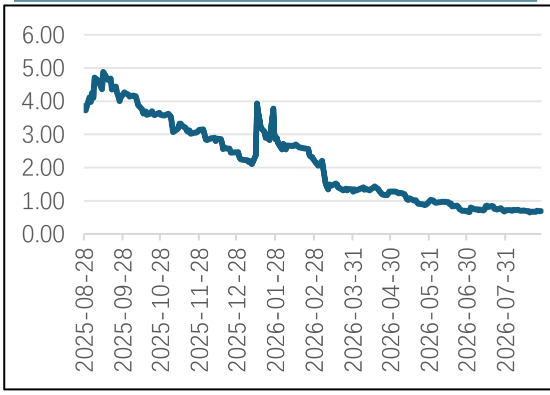
KEY DATA

Exchange: HKEX
Ticker: 6086
Current Price: HK$0.69
52-Week Range: HK$0.63 -5.26
Average Volume (3M): 0.42M
Shares Outstanding (MM): 1,385
Market Capitalization (HK$MM): 956
Fiscal Year-End: December

FINANCIALS

In RMB Million	FY24A	FY25	FY26E	FY27E
Revenue	2,707	3,526	4,471	6,151
Gross Profit	516	559	673	978
EBIT	-778	13	7	30
Non-IFRS Net Income	17	20	23	41

PRICE PERFORMANCE



The comprehensive AI product suite built on the Xingshi Large Model continues to expand, improving efficiency for both physicians and patients. Compared with most consumer-facing AI applications, healthcare represents a substantially more demanding implementation environment given its higher requirements for accuracy, reliability and compliance. Fangzhou Inc. is seeking to address these constraints through its Xingshi Large Model, supported by knowledge-base alignment and real-time supervision, while extending AI applications from relatively standalone assistance tools towards a more integrated service loop. Built on this technological foundation, Fangzhou Inc. has further integrated capabilities including AI Pre-Consultation, AI-Assisted Diagnosis, AI Academic Assistant, AI Health Manager and AI Medication Assistant in 2026, further enhancing an end-to-end AI ecosystem, spanning the entire patient care continuum, from patient intake to long-term health management, and enabling more efficient collaboration between physician and patient. On the physician side, these tools assist with medical record organization, medical information retrieval and post-consultation follow-up, helping reduce repetitive workloads. On the patient side, the tools provide medication reminders and health information, helping improve adherence in chronic disease management. As the product suite continues to expand and penetration across use cases deepens, Fangzhou Inc.'s digital and intelligent capabilities are increasingly moving towards scaled deployment. On this basis, the company is also accelerating the exploration of diversified commercialization pathways, with the aim of translating the benefits of AI technology into an endogenous driver of higher-quality business growth. We believe the strategic significance goes beyond simply adding AI functions to an existing online healthcare platform. Rather, Fangzhou Inc. is embedding different AI capabilities across multiple stages of the chronic disease management workflow and gradually building an end-to-end service loop spanning pre-consultation, consultation and post-consultation management. If successfully scaled, this model could reduce the marginal cost of service fulfillment while making high-quality chronic disease management available to a substantially larger patient population.

The path towards the Company's business scope expansion and a potential valuation re-rating is becoming increasingly visible. In our view, Fangzhou Inc.'s evolution towards a full-lifecycle healthcare service partner has two important implications for its long-term investment case. First, the company's future growth ceiling should increasingly be determined by the depth and duration of healthcare services delivered to users, rather than by the volume of individual pharmaceutical transactions alone. The combination of a large active-user base, high-trust doctor-patient relationships and AI-enabled continuous healthcare intervention creates the potential for Fangzhou Inc. to expand into additional disease categories and healthcare-management scenarios without rebuilding its underlying service infrastructure for each new use case. Second, as AI penetration continues to deepen across service workflows, growth in service volume could gradually become less dependent on a proportional increase in fulfillment costs, potentially creating greater operating leverage as the platform scales. We therefore believe the market should increasingly evaluate Fangzhou Inc. not merely as a pharmaceutical e-commerce platform, but as an AI-enabled, digitally intelligent chronic disease management platform and comprehensive healthcare ecosystem. Following the 1H26 results, we forecast FY26E/FY27E revenue of RMB4,471 mn/RMB6,151 mn and adjusted net profit of RMB23 mn/RMB41 mn, respectively. Fangzhou Inc.'s shares are currently trading at HK0.69 per share, implying a market capitalization of HK$956 mn and FY26E/FY27E P/S multiples of 0.2x/0.1x. We believe continued evidence of resilient revenue growth, improving service penetration and scalable AI commercialization could provide further catalysts for a valuation re-rating.

FINANCIALS AND VALUATION UPDATES

Figure 1:Company's Financials 2024 – 2027E.

Unit:Million RMB	2024	1H25	2H25	2025	1H26	2H26E	2026E	2027E
Revenue	2,707	1,494	2,033	3,526	1,824	2,646	4,471	6,151
Cost of sales	-2,191	-1,225	-1,741	-2,967	-1,556	-2,242	-3,797	-5,173
Gross profit	516	268	291	559	269	405	673	978
Other net income/(loss)	-28	3	1	4	-8	2	-6	-6
Selling and distribution expenses	-356	-191	-211	-401	-193	-305	-498	-726
Administrative expenses	-909	-67	-81	-147	-63	-98	-161	-215
Impairment losses on trade receivables	0	-1	-1	-2	0	-2	-2	-1
Profit/(loss) from operations	-778	13	0	13	5	2	7	30
Finance costs	-77	-1	-1	-1	-1	-8	-1	-8
Profit/(loss) before taxation	-855	13	0	12	4	1	5	22
Income tax	-0.03	-0.03	-0.16	-0.19	4.50	-0.03	4.5	4.3
Profit/(loss) and total comprehensive income for the period	-855	12	-1	12	9	1	10	26
Non-IFRS Adjustment Items	872	5	3	9	10	3	13	15
Non-IFRS Net Profit	17	18	3	20	19	4	23	41

Source: GLH Research; Company filings.

Figure 2: Peer Valuation Analysis.

				Revenue			P/S		
Company	Ticker	Market Cap	2025A	2026E	2027E	2025A	2026E	2027E	Category
Alibaba Health Information Technology Limited	SEHK:241	50,871	32,807	38,937	44,959	1.6x	1.3x	1.1x	Online Pharmacy Platforms
JD Health International Inc.	SEHK:6618	116,992	81,726	100,203	115,608	1.4x	1.2x	1.0x	Online Pharmacy Platforms
Yifeng Pharmacy Chain Co., Ltd.	SHSE:603939	27,740	24,433	26,407	28,931	1.1x	1.1x	1.0x	Online Pharmacy Platforms
Ping An Healthcare and Technology Company Limited	SEHK:1833	13,995	6,085	6,102	7,105	2.3x	2.3x	2.0x	Digital Diagnostics Platforms
Medlive Technology Co., Ltd.	SEHK:2192	5,678	715	871	1,023	7.9x	6.5x	5.5x	Digital Diagnostics Platforms
Yidu Tech Inc.	SEHK:2158	3,978	767	931	955	5.2x	4.3x	4.2x	Digital Diagnostics Platforms
					Median	1.9x	1.8x	1.6x	
					Mean	3.3x	2.8x	2.5x	
Fangzhou Inc.	SEHK:6086	956	3,860	4,894	6,733	0.2x	0.2x	0.1x	

Notes:
1. Data as of 8/28/2026.
2. For Hong Kong Stocks, market caps and revenues are in HKD; for China stocks,market caps and revenues are in RMB.
3. Revenues are in calendar year and estimates are provided by analyst consensus on Capital IQ.

Source: GLH Research; Company filings; Capital IQ.

ABOUT THE ANALYSTS

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Chujie (Jack) Sun is a Senior Research Analyst at Gelonghui Research. Since 2017, Jack has served as the Investment Analyst in China Alpha Fund Management (Hong Kong) Limited, TMT Analyst in First Shanghai Group, and TMT Analyst at Gelonghui Research. Focusing on TMT sector, Chinese companies listed in the US, Hong Kong, and other global markets, and he specializes in both buy-side and sell-side equity research. Jack holds a B.A. in Economics from Ohio State University (Columbus) and an M.S. in Finance from City University of Hong Kong.

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