

# Profitability Transformation under Income Contraction: Financial Performance Analysis of Nanjing High-Tech Co., Ltd. (2022-2024)

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## Abstract

This study focuses on Nanjing High-Tech Co., Ltd., conducting a systematic analysis of its profitability using financial data from 2022 to 2024. Key evaluation metrics include sales profit margin, cost-profit ratio, earnings per share, price-to-earnings ratio, and profit structure. The research reveals that despite a significant revenue decline in 2024, the company achieved notable improvements in key indicators by increasing investment returns, strengthening cost control, and optimizing business structures. Findings indicate that Nanjing High-Tech maintained robust profitability despite revenue contraction, demonstrating structural improvements. Through scaling back low-margin traditional real estate operations, refining cost structures, and expanding high-margin sectors like industrial park services, pharmaceutical sales, and equity investments, the company significantly enhanced gross profit margins, operating profit margins, and cost-profit ratios, leading to substantial improvements in earnings quality. Net profit and earnings per share continued to grow, while the price-to-earnings ratio steadily increased, reflecting positive market expectations for its profitability and strategic transformation. Overall, Nanjing High-Tech's profitability growth stems not from revenue expansion but from optimized business structures and operational efficiency improvements, demonstrating inherent sustainability and providing valuable insights for similar enterprises undergoing transformation.

**Keywords:** Profitability Analysis; Profit Structure Optimization; Business Transformation; Investment Returns

## 1. Introduction

Against the backdrop of rapid economic growth and profound industrial restructuring, the profitability of listed companies has become a key benchmark for evaluating corporate value, operational quality, and sustainable development capabilities. Compared to revenue growth models solely reliant on scale expansion, finding more stable and efficient profit models in complex economic environments has increasingly become a focal point in modern business

management. This is particularly true for the traditional real estate sector, where cyclical fluctuations have intensified and profit margins continue to shrink (Ren, 2004). Under these circumstances, corporate strategies involving business restructuring, cost optimization, and diversified portfolio development to transform profit models carry significant practical and research value (Jiang, 2010).

Current research predominantly analyzes corporate profitability through single financial indicators or traditional core business perspectives, focusing on revenue scale and cost control. However, studies examining how companies enhance profitability through business restructuring and high-quality investments amid declining operating revenues remain scarce. Particularly for state-owned listed companies navigating economic downturns in traditional industries, the underlying mechanisms driving their transformation strategies warrant further exploration.

Nanjing High-Tech Co., Ltd., a state-controlled listed company, has long focused on real estate development, municipal infrastructure construction, and industrial park operations as its core businesses. Through equity investments, the company has progressively expanded into strategic emerging industries. Despite fluctuations in revenue, it has achieved significant improvements in both profit scale and profitability quality in recent years, serving as a representative case study for optimizing corporate profit structures and driving business transformation.

This study employs case study methodology, taking Nanjing High-Tech Co., Ltd. as the primary research subject and integrating financial ratio analysis to construct a three-dimensional analytical framework encompassing profitability levels, profit quality, and profit structure. Key indicators selected include sales profit margin, cost-profit margin, earnings per share (EPS), price-to-earnings ratio (P/E ratio), and business and geographic structure. Specifically: First, trends in corporate profitability are analyzed through metrics such as sales profit margin and cost-profit margin. Second, the contribution of profit models to shareholder value and market reactions are evaluated using EPS and P/E ratio indicators. Third, profit sources are examined from two dimensions: business structure and regional distribution. The indicator selection adheres to standard profitability analysis paradigms while incorporating Nanjing High-Tech's transformational characteristics — including high investment returns, contraction of traditional businesses, and expansion into emerging sectors — to ensure analytical relevance and data reliability. The study systematically analyzes the intrinsic logic and structural features of profitability transformation under revenue contraction conditions at Nanjing High-Tech Co., Ltd.

## **2. Overall Corporate Status**

Nanjing High-Tech Co., Ltd., established in 1992 and listed on the Shanghai Stock Exchange in 1997, is under the control of the Nanjing Municipal People's Government State-owned Assets Supervision and Administration Commission. The company has developed a synergistic business model integrating real estate development, municipal infrastructure, and equity investments. In real estate and municipal sectors, it holds national Class A property development licenses and property management certifications, with operations spanning residential development, municipal engineering projects, and industrial park management, establishing itself as a regional industry

leader. Its equity investments focus on technology-driven fields including healthcare and information technology, leveraging four specialized investment platforms to facilitate initial public offerings for multiple portfolio companies. Financial performance shows robust growth: revenue reached 2.4 billion yuan in the first three quarters of 2025, with net profit attributable to shareholders hitting 2.438 billion yuan — a year-on-year increase of 58.11% and 32.64% respectively. By implementing an industrial synergy model combining production and investment, the company achieves balanced economic and social benefits while continuously creating value for stakeholders and society.

### 3. General Profitability Analysis

#### 3.1. Sales Profit Margin

Table 1 data reveals that while the company's operating revenue in 2024 declined significantly compared to 2023, multiple profitability metrics showed improvement. This indicates that despite shrinking revenue scale, the company has achieved enhanced profit quality.

In terms of gross profit margin, the figure reached 21.87% in 2024, marking a significant increase of 9.54 percentage points from 12.33% in 2023, with a growth rate of 77.35%. This indicates a substantial rise in the amount available for covering expenses and generating profits after deducting operating costs from every 100 yuan of operating revenue. The substantial improvement in gross profit margin has laid a crucial foundation for enhancing overall profitability.

Meanwhile, all key profit margin indicators demonstrated significant growth. The EBIT margin increased from 33.80% to 87.13%, operating margin rose from 28.94% to 76.20%, and net profit margin on sales climbed from 31.37% to 83.09%. Despite a 58.22% decline in operating revenue, net profit still achieved a 10.65% growth, reflecting effective adjustments in cost control, expense management, and business structure optimization.

The inverse relationship between revenue and profit margins reflects Nanjing High-Tech's revenue structure optimization in 2024. The inverse relationship between revenue and profit margins reflects Nanjing High-Tech's revenue structure optimization in 2024. The company has maintained long-term equity holdings in high-quality assets such as Bank of Nanjing and Qixia Construction. As shown in Table 1, Nanjing High-Tech's investment income reached 2.294 billion yuan in 2024, up 16.28% from 1.965 billion yuan in 2023. These gains—generated through dividend distributions, partial financial asset disposals, and substantial investment returns—are directly recorded as profits rather than operating revenue, enabling sustained profit growth despite declining operating income. Concurrently, the company strategically reduced operations in the low-margin traditional real estate sector, cutting operating costs from 4.144 billion yuan in 2023 to 1.543 billion yuan in 2024—a 62.77% decrease exceeding the revenue decline rate. This strategic adjustment explains the improved gross profit margin compared to 2023.

Overall, Nanjing High-Tech achieved improved profit quality in 2024 despite significant revenue contraction, with the core driver being optimized revenue structure adjustments. (Shen,

2016) This improvement primarily stems from two factors: First, investment income contributed substantially, with a 16.28% growth rate that directly expanded profit margins; second, cost structure optimization through substantial contraction of low-margin traditional businesses resulted in operating cost reductions exceeding revenue declines. These characteristics indicate that the company's profitability enhancement reflects distinct structural adjustment attributes.

**Table 1. Calculation Table of Sales Profit Margin for Nanjing High-Tech Company Amount  
 (Unit: Billion Yuan)**

project	2024	2023	Scale changes		2022
			Increase or decrease amount	Growth Rate	
operating receipt	19.75	47.27	-27.52	-58.22%	44.82
cost of sales	15.43	41.44	-26.01	-62.77%	36.49
gross profit on sales	4.32	5.83	-1.51	-25.90%	8.33
EBIT	17.21	15.98	1.232	7.71%	28.35
operating profit	15.05	13.68	1.37	10.01%	26.50
total profit	15.08	13.70	1.38	10.07%	26.52
net margin	16.41	14.83	1.58	10.65%	24.80
gross profit margin	21.87%	12.33%	9.54%	77.35%	18.59%
EBIT margin	87.13%	33.80%	53.33%	157.80%	63.26%
operating profit margin	76.20%	28.94%	47.26%	163.31%	59.13%
net profit margin on sales	83.09%	31.37%	51.72%	164.84%	55.33%
yield	22.94	19.65	3.20	16.28%	24.05

### 3.2. Cost Expense Profit Margin

As shown in Table 2, Nanjing High-Tech's cost-profit margin has exhibited a fluctuating trend over the past three years, initially declining before rebounding. The margin dropped to 30.01% in 2023 but surged to 76.08% in 2024, marking a 46.07 percentage point increase. This growth occurred despite a 58.22% revenue decline, while total profits rose by 10.07% during the same period. This dynamic interplay between revenue contraction and profit expansion demonstrates

the company's effective cost control measures and strategic business restructuring efforts, reflecting tangible operational improvements.

**Table 2. Financial Data in Nanjing High-Tech Company's Income Statement Amount  
 (Unit: Billion Yuan)**

project	2024	2023	Scale changes		2022
			Increase or decrease amount	Growth Rate	
cost in business	15.43	41.44	-26.01	-62.77%	36.49
tax and surcharge	-0.24	0.37	-0.61	-167.00%	-0.35
selling expenses	0.79	0.26	0.53	200.68%	0.31
general & admin expenses	1.34	1.24	0.10	8.22%	2.62
research and development expenditure	0.41	0.14	0.27	198.41%	0.13
financial expenses	2.09	2.20	-0.11	-5.17%	1.77
Total cost expenses	19.82	45.65	-25.83	-56.58%	40.96
total profit	15.08	13.70	1.38	10.07%	26.52
cost margin	76.08%	30.01%	46.07%	153.52%	64.75%

From the perspective of cost structure, Nanjing High-Tech's operating costs in 2024 amounted to 1.543 billion yuan, representing a 62.77% decrease compared to 4.144 billion yuan in 2023. This significant reduction in total costs primarily reflects the company's proactive downsizing of low-margin or capital-intensive operations, consistent with the observed trend of declining revenue coupled with rising profit margins. Regarding period expenses, sales expenses and R&D expenditures increased by 200.68% and 198.41% respectively, indicating substantial investments in market expansion and technological innovation as the company transitions toward high-value-added business models. Financial expenses saw a modest 5.17% decrease, reflecting stable financing cost control. Administrative expenses rose by 8.22%, remaining within reasonable levels overall.

Particular note is the shift from positive to negative figures in tax and surcharge items. As shown in Table 2, these items recorded a deficit of 24 million yuan in 2024. Factors such as tax incentives, input tax credits, and land value-added tax settlements contributed positively to corporate profits. (Xu & Luo, 2017) Against the backdrop of shrinking revenue, total costs and expenses decreased by 56.58% — far exceeding the profit growth rate — demonstrating that the company achieved cost reduction and efficiency improvements through structural adjustments, resulting in significant enhancement of cost profit margins.

## 4. Special Profitability Analysis

### 4.1. Basic Earnings Per Share

#### 4.1.1. Earnings Per Share Analysis of Nanjing High-Tech

Earnings per share showed a slight downward trend, with basic earnings per share rising from 0.902 yuan in 2023 to 0.997 yuan in 2024, representing a growth rate of approximately 10.53%. This aligns closely with the increase in net profit attributable to parent company shareholders, indicating that despite the fixed and largely unchanged capital stock size, the company has demonstrated enhanced capacity to convert net profit growth into tangible earnings per share and improved shareholder value creation capabilities.

Despite a significant decline in operating revenue, the company achieved synchronized growth in total profits and net profits through optimized cost structures and strategic transformation of high-margin businesses, driving steady improvements in earnings per share. Notably, the substantial increase in cost-profit margins demonstrated that net profit growth stemmed not only from revenue structure adjustments but also from enhanced overall cost control and operational efficiency. This approach has endowed corporate profitability with strong endogenous characteristics and sustainable growth potential (Yang, 2016).

**Table 3. Earnings Per Share Calculation Table of Nanjing High-Tech Group Amount**

(Unit: Billion Yuan)

project	2024	2023	Scale changes		2022
			Increase or decrease amount	Growth Rate	
net profit attributable to shareholders of the parent company	17.25	15.6	1.65	10.58%	24.02
Number of Common Shares (10 thousand)	173033.96	173033.96	0	0	173033.96
Basic earnings per share (RMB)	0.997	0.902	0.095	10.53%	1.388

#### 4.1.2. Comparison with Competitor Companies in the Same Industry

Both China Fortune Land Development and Nanjing High-Tech Group are listed companies operating in the real estate and industrial park sectors. Given their distinct development trajectories and profit models under comparable market conditions, this study conducts a comparative analysis of these two enterprises.

A comparison with China Fortune Land Development reveals in Table 4 that the net profit attributable to parent company shareholders decreased from 1.588 billion yuan in 2022 to -6.028 billion yuan in 2023. Although showing some recovery in 2024, the figure remained negative, with negative earnings per share recorded over the past three years. These data indicate China

Fortune Land Development is undergoing business restructuring. In contrast, Nanjing High-Tech has maintained positive net profits attributable to parent company shareholders for three consecutive years. Despite occasional declines, the company achieved a rapid rebound in 2024 with a 10.58% increase. While basic earnings per share exhibited fluctuations, they remained stable overall and consistently positive over the past three years. Compared to peers in the industry, Nanjing High-Tech has maintained profitability for two consecutive years, demonstrating strong financial performance and sustained operational improvement. Amidst significant industry-wide pressures, Nanjing High-Tech's superior profitability outperforms competitors, reflecting tangible progress in its transformation strategy within the short term.

**Table 4. Calculation Table of Earnings Per Share of China Fortune Land Development**

**(Unit of Amount: Billion Yuan)**

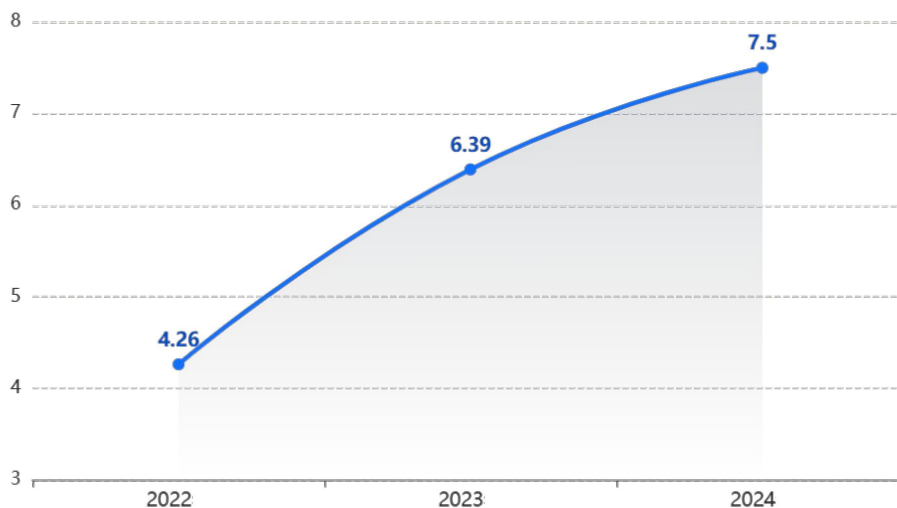
project	2024	2023	Scale changes		2022
			Increase or decrease amount	Growth Rate	
net profit attributable to shareholders of the parent company	-48.17	-60.28	12.11	20.09%	15.88
Number of common shares	389335.51	389335.51	0	0	389335.51
basic earnings per share	-2.52	-1.75	-0.77	-44.00%	-0.69

#### 4.2. Price-to-Earnings Ratio

The price-to-earnings ratio (P/E ratio) reflects investors' willingness to pay per yuan of net profit, serving as a tool to evaluate investment returns and risks. As shown in Figure 1, Nanjing High-Tech's P/E ratio increased from 4.26x in 2022 to 6.39x in 2023, then further rose to 7.5x in 2024—a year-on-year growth of 17.37 percentage points. This notable increase indicates growing market optimism toward the company (Xin, 2022).

The improvement in profitability exhibits a positive correlation with valuation enhancement. As analyzed above, despite declining operating revenue, the company achieved steady growth in net profit and earnings per share through cost control and business restructuring. The improvement in fundamentals provided support for the increase in price-to-earnings ratio.

Overall, the sustained rise in Nanjing High-Tech's price-to-earnings ratio is closely linked to its structural improvement in profitability, gradual advancement of strategic transformation, and market reassessment of its development model, reflecting market trust and investor confidence (Xin, 2022).



**Figure 1. Price-to-Earnings Ratio Trend Chart of Nanjing High-Tech from 2022 to 2024**

## 5. Profit Quality Analysis

### 5.1. Profitable Business Structure Analysis

From the perspective of profit-driven business structure, Nanjing High-Tech's operating revenue in 2022-2023 primarily stemmed from three major sectors: real estate development and sales, municipal infrastructure construction, and park management and services, with real estate development and sales holding the dominant position.

Since 2024, the company's business structure has undergone significant transformations. Firstly, traditional operations experienced contraction, with real estate development and sales revenue plummeting from 3.503 billion yuan in 2023 to 808 million yuan in 2024—a staggering 84.1% decline. This reflects Nanjing High-Tech's proactive efforts to diversify revenue streams and reduce reliance on conventional real estate ventures. Secondly, the company made its first foray into pharmaceutical sales in 2024, generating 264.4 million yuan in revenue with a 44.54% gross margin. Through substantial investments in biopharmaceutical firms like Shuo Shi Bio and Rendu Bio, the company is expanding its profit growth drivers. Meanwhile, park management and services demonstrated steady growth, achieving a 34.70% gross margin in 2024—second only to pharmaceutical sales—highlighting its strong growth potential. The combined revenue share of high-margin businesses surged from 7.2% in 2023 to 30.9% in 2024, significantly optimizing the corporate profit structure.

Overall, Nanjing High-Tech achieved structural optimization in its profit model in 2024 through significant scaling back of low-margin traditional real estate operations while actively expanding high-margin emerging businesses. Pharmaceutical sales and industrial park management emerged as key growth drivers, reflecting phased achievements in corporate transformation. Moving forward, the company should maintain close monitoring of revenue-cost alignment across business segments, with particular focus on the profitability sustainability and

growth momentum of new ventures to comprehensively evaluate the long-term effectiveness of strategic transitions (Xu, 2021).

**Table 5. Profitable Business Structure Analysis of Nanjing High-Tech Group Amount**  
**(Unit: Billion Yuan)**

year	type of service	operating receipt	cost in business	gross profit rate
2024	Municipal infrastructure construction	8.08	7.397	8.50%
	real estate development and sales	5.573	4.314	22.59%
	Park Management and Services	3.457	2.258	34.70%
	Pharmaceutical sales	2.644	1.466	44.54%
2023	real estate development and sales	35.03	—	0%
	Municipal infrastructure construction	8.04	—	0%
	Park Management and Services	3.376	—	0%
	bulk development and transfer of land parcels	0.82	—	0%
2022	real estate development and sales	36.47	—	0%
	Municipal infrastructure construction	5.204	—	0%
	Park Management and Services	3.15	—	0%

## 5.2. Regional Structure Analysis of Profitability

From a geographical perspective of profit distribution, Nanjing High-Tech primarily targets the Nanjing market within Jiangsu Province. In both 2023 and 2024, the company's total revenue was entirely derived from Nanjing, accounting for 100% of its income, demonstrating strong regional dependence. This reflects the company's deep-rooted presence in the local market and established reputation among local enterprises, but also highlights operational risks associated with excessive geographic concentration. Since 2024, the company has begun generating revenue outside Nanjing, with income from other regions reaching 12.83% of total revenue. This indicates the company's strategic expansion efforts. Local revenue has shown significant contraction, declining from 4.727 billion yuan in 2023 to 1.722 billion yuan in 2024—63.57% decrease consistent with the overall revenue decline trend, likely attributable to contraction in traditional core business operations (Liu & Guo , 2021).

Overall, Nanjing High-Tech initiated a strategic transition from deep specialization to market expansion in 2024. This shift is closely linked to its business restructuring and optimized profit models, reflecting the company's deliberate strategic realignment. Should regional operations

maintain consistent growth momentum, it will enable Nanjing High-Tech to further reduce geographical dependence and diversify operational risks (Yang, 2009).

**Table 6. Regional Revenue Structure Analysis of Nanjing High-Tech Group Revenue Amount**  
(Unit: 100 million yuan)

regions	2024	2023	2022
Jiangsu Nanjing	17.22	47.27	44.82
Other regions	2.54	—	—

## 6. Conclusion

This study utilizes financial data from Nanjing High-Tech Co., Ltd. covering 2022-2024 to conduct a systematic analysis of its profitability evolution through multiple dimensions including sales profit margin, cost-profit margin, earnings per share, price-to-earnings ratio, and profit structure. The findings reveal that despite significant revenue declines, Nanjing High-Tech maintained stable profitability while achieving substantial improvements in profit quality through strategic business restructuring and cost optimization. The company proactively reduced its traditional real estate operations while increasing investments in high-margin sectors such as industrial park services and pharmaceutical sales. By leveraging equity investments to expand profit bases, key metrics including gross sales margin, cost-profit margin, and earnings per share demonstrated progressive improvements, highlighting the structural nature of its profitability enhancement.

Further analysis reveals that Nanjing High-Tech's improved profitability stems not from revenue scale expansion, but rather from optimized revenue structure, strengthened cost control, and rational investment allocation. This demonstrates the company's practical approach to transformational development through "quality enhancement and efficiency improvement" during industry adjustments. Compared with peers in the same sector, its relatively stable profitability highlights notable anti-cyclical resilience and the effectiveness of strategic adjustments.

However, it should be noted that the improvement in corporate profitability depends to some extent on investment returns and non-recurring factors, and its long-term sustainability still requires further observation in conjunction with future profit growth trends. Additionally, this study primarily relies on publicly available financial statement data for analysis, failing to adequately incorporate external factors such as macroeconomic conditions and industry policy changes. Future research could explore the long-term effects and risks of profit structure transformation in state-owned listed companies through expanded sample sizes, multi-company comparisons, or integrated qualitative analysis methods.

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The authors declare no conflict of interest.

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